



# MOBILITY PACKAGE I

IMPACT ON THE EUROPEAN ROAD TRANSPORT SYSTEM

A study on the demand and supply of road driver capacity in Europe from a geographical and business perspective – how capabilities of the transport system will be affected by new European regulations

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PETER KLAUS

## Foreword to the “Mobility Package” study

Road transportation in Europe is a much under-rated industry: It is big. If measured by weight and distance, more than 75% of all freight moving from raw material providers onwards to Europe's 500+ million consumers – through the multiple manufacturing stages of a modern economy, the channels of wholesale and retail distribution – is carried by trucks. If measured by the value of the goods, road transportation's market share is even higher. And it is complex. Many people do not fully appreciate how difficult it is, to simultaneously serve the capacity-, the on-time and service-quality needs of a highly dynamic, fluctuating, evolving network of economic interrelationships across Europe, given an uneven distribution of driver, capital, and management resources between countries.

The work which is presented on the pages following was motivated by concerns of prominent members of the European road transportation industry that some of the “Mobility Package” regulations by the European Commission, partially issued, and partially under consideration today, might negatively affect the ability of the industry to continue serving the needs of Europe's economies and their consumers.

This work does not question the motives by the legislators and other parties involved in the process – of improving safety on Europe's heavily travelled roads, caring for better working conditions of truck drivers, and fair competition between the operators. Instead, it hopes to contribute to a better understanding of the complexities of the industry by making heard the views of a broad cross-selection of trucking industry insiders. It wants to draw the attention of the political decision makers

to secondary, potentially counterproductive consequences, to stimulate discussion about these and eventually contribute to better outcomes of the ongoing legislative process.

I like to say “thank you” to the more than 25 trucking industry interview partners who generously granted their time and insights for the research.

Special thanks go to the Employers Association Transport and Logistics Poland for their commitment in the study, close co-operation and knowledge shared during the work, as well as the idea and request to prepare such a comprehensive study.

**THIS WORK DOES NOT QUESTION THE MOTIVES BY THE LEGISLATORS AND OTHER PARTIES INVOLVED IN THE PROCESS (...). IT HOPES TO CONTRIBUTE TO A BETTER UNDERSTANDING OF THE COMPLEXITIES OF THE TRUCKING INDUSTRY.**



MACIEJ WROŃSKI  
PRESIDENT, EMPLOYERS ASSOCIATION TRANSPORT AND LOGISTICS POLAND

## Time for substantial arguments and a thorough discussion

Since the second half of 2017, we have been very attentively following the work on the First Part of the Mobility Package – a European Commission complex legislative initiative which changes the framework of the road transport branch function. What disturbs us, is that the last part of the work on the Mobility Package in question is characterized by a great political discord, undue hurry, a lack of trying to develop sensible compromises, preponderance of journalistic style evidences over the substantial ones, and – what delivers us most trouble – the lack of the impact assessment of the regulation for new solutions which were accepted with the course of work and which go far beyond the European Commission proposals.

As we analyse some new proposals as well as altered ones, we feel that they will radically limit for the union carriers an access to certain road transport market segments, will reduce their competitive capacity as far as the road freightage between European Union and third countries is concerned, and will create very serious goods exchange barriers within the Union. Economic analyses elaborated by the Union organs do not dispel our fears either for nobody ordered the above, despite significant discrepancies of the documents consequently accepted from the initial ones which were forwarded by Ms Violeta Bulc, EU Commissioner for Transport.

All the above mentioned was the cause that we made up our minds to engage Professor Peter Klaus, an independent scientist, much appreciated in Europe, as well as in the United States, and throughout the world, entrusting him with the task to prepare an expert evaluation of the consequences of the

**WE DO HOPE THAT THE RESULTS OF RESEARCH WILL CAUSE SOME RESPONSE OF THOSE ENGAGED INTO THE PROCESS OF NEW LEGISLATION ELABORATION AND WILL ALLOW TO DEVELOP SUCH SOLUTIONS WHICH PROVE TO BE USEFUL FOR ROAD TRANSPORT EMPLOYEES, ROAD CARRIERS, AND EUROPEAN ECONOMY IN ITS ENTIRETY AS WELL.**

Mobility Package Regulation as formed by the Council of the European Union general approach and in the European Parliament report. We do hope that the results of research will cause some response of those engaged into the process of new legislation elaboration and will allow to develop such solutions which prove to be useful for road transport employees, road carriers, and European economy in its entirety as well. It is still some time left for substantial arguments and a thorough discussion. The discussion which we believe we definitely missed at the end of 2018 and the beginning of 2019.

## Executive Summary

The European Commission's "Mobility Package I" is an initiative to changing and extending EU road transport rules. It intends to better balance the objectives of safety, social fairness, sustainability and economy for the European road transport system. But since the first publication of Mobility Package proposals in 2017, controversial debates related to its impact are going on. Concerns about the cost and feasibility of several aspects of the Package have been raised. Numerous changes and amendments – not all of them transparent – are under consideration in the ongoing political and regulatory process.

The research, which was conducted during the first half of 2019, is based on a thorough review of the relevant legislative documents, on the author's experience with international truckload operations, and a series of 25 high-level interviews with representatives of the international road transport industry from many European countries.

Based on this information, the research identifies five key areas of concern which – in shorthand language – are:

- The "Weekly Off-Cabin Rest-Period" issue.
- Charges of "Social Dumping" and "Unfair Competition" in the trucking industry.
- The "Enforced Driver and Truck Homecoming" proposal.
- "Cabotage" rules, and the "Minimum Wage" issue.
- Consequences of revised "Posted Workers" regulations, and the application of the "Rome I" rule to the feasibility of "Cross Trade" operations in the future.

The European border-crossing road transport industry, operating about 600 thsd. heavy-duty trucks and employing about 740 thsd. international drivers, is an important factor in the EU's economy. Two scenarios for its future are derived from the analyses done: First, a scenario of "rapid, unchanged implementation and enforcement" of the current proposals, which is expected to drastically reduce the ability of carriers to continue "cross-trade" operations. As a primary consequence there will be cost increases, a loss of the transport system's flexibility, and – if implemented rapidly, as planned – transport capacity availability disruptions. Secondly, an "Industry Expert" scenario is sketched out. It avoids disruptions of the European road transport system. It includes suggestions for harmonizing and simplifying regulations, helping the road transport industry to further professionalize, and allowing it to continue as a driver of European integration and economic competitiveness.

**THE EUROPEAN  
BORDER-CROSSING  
ROAD TRANSPORT  
INDUSTRY, OPERATING**

**ABOUT 600 THSD.  
HEAVY-DUTY TRUCKS  
AND EMPLOYING**

**ABOUT 740 THSD.  
INTERNATIONAL DRIVERS,  
IS AN IMPORTANT FACTOR  
IN THE EU'S ECONOMY.**

## THREE MAIN QUESTIONS

The study presented here makes an effort to contribute to a better informed discussion about the likely impact of the latest proposals for regulating border-crossing trucking operations in European. It addresses three main questions:

**1** What are the legislative and quantitative facts most relevant for balanced, rational decisions in the Mobility Package political process?

**2** Which are the most critical experiences and concerns about the impact of the Mobility Package upon the capabilities of the European road transport system, as seen by leading representatives of the trucking and broader logistics industry?

**3** What conclusions could be drawn from a systematic collection and synopsis of industry insiders' perspectives for the next stages in the Mobility Package political process?



# I. A debate about road transport safety, driver working conditions and the future of the European transport and logistics systems

“Overcrowding on highway truck parking lots”; “Precarious driver working conditions”; “Driver fatigue and heavy truck accidents” – those are the headlines and images on international road transportation today in many people’s minds. There is no denying: They are part of the reality on European highways. At the same time, the prosperity of many Europeans is increasing, especially in the younger, economically still developing economies of the European Union (EU). A key driver of prosperity is the advancement of the international division of labor, industrial specialization and trade between regions and nations. The vision of a single, integrated market bringing about prosperity has been a founding idea of the European Union.

But realization of this vision will not be achieved without a system of flexible, fast, and efficient border-crossing transportation. High capacity, heavy-duty long-haul road truck services are an indispensable necessity for a high-performing economy. And as long as there is no realistic substitute for over-the-road trucking as the only mode which can meet modern economies’ needs for ubiquitously available, fast, reliable, flexible, and affordable transportation, there will be trucks competing for space with growing numbers of individual passenger cars on a limited road infrastructure. There will be human drivers, who have to perform a harsh job under challenging working conditions. And there is an increasingly tough challenge to control traffic safety, emissions, and other environmental consequences of truck transport operations.

The objectives of safety, social fairness, sustainability and economy are often in conflict. With the intention to resolve some of those conflicts, the European Commission’s “Mobility Package” is an initiative to changing and extending EU road transport rules accordingly. IRU, the international Road Transport Union, in a position paper<sup>1</sup> states that “the Mobility Package represents the biggest change so far to EU road transport rules, covering many aspects of the industry’s activities”.

Since the first publication of Mobility Package proposals in 2017, a legislative process of many iterations has been going on, accompanied by controversial debates related to the

Package’s specifics. Amendments and changes were made to the original proposals, which are not easy to track and difficult to evaluate with respect to their ultimate consequences. Main parties involved in the process are the transport industry’s business associations from Eastern and Western European countries<sup>2</sup>, members of the European Parliament and its Committee on Transport and Tourism (TRAN)<sup>3</sup>, and the European Commission (EC). Sharply opposed positions among them have been noted and referred to variously as an “East vs. West” conflict of national interests<sup>4</sup>, and a fight between profit-seeking beneficiaries of “Social Dumping” against defenders of worker rights<sup>5</sup>.

**AS LONG AS THERE IS NO REALISTIC SUBSTITUTE FOR OVER-THE-ROAD TRUCKING AS THE ONLY MODE WHICH CAN MEET MODERN ECONOMIES’ NEEDS FOR UBIQUITOUSLY AVAILABLE, FAST, RELIABLE, FLEXIBLE AND AFFORDABLE TRANSPORTATION, THERE WILL BE TRUCKS COMPETING FOR SPACE WITH GROWING NUMBERS OF INDIVIDUAL PASSENGER CARS ON A LIMITED ROAD INFRASTRUCTURE.**



## Introducing a road transport industry insiders’ perspective

The research, which is presented on the following pages, has been motivated by the observation that the views by those most immediately affected by the Mobility Package regulations and proposals, have not gotten a lot of attention in the discussion: The providers of border-crossing European road transportation – trucking and logistics companies and their subcontractors!

They are the employers of far more than nearly seven hundred thousand international truck drivers. They provide the services, required by European industry and distributors of industrial and consumer goods, to keep the economy moving. A widely shared perception among those companies and their top representatives is that the political and public debates are not sufficiently knowledgeable about the inner workings of the European goods transportation system. As a consequence, well meant legislative and regulatory initiatives are producing unanticipated, sometimes counterproductive consequences.

The study makes an effort to contribute to a better informed, more effective discussion about the best ways to balance the

European goals of road safety, social fairness, sustainability, fair market competition and economic growth.

It addresses three main questions:

- What are the legislative and quantitative facts most relevant for balanced decisions in the Mobility Package political process?
- Which are the most critical experiences and concerns about the Mobility Package, as seen by leading representatives of the trucking and broader logistics industry, and what consequences of the current proposals, as yet, are not understood sufficiently?
- What conclusions could be drawn for the next stages in the Mobility Package political process, and what recommendations derived from a systematic collection and synopsis of industry insiders’ perspectives?



## II. Introducing a transport industry business perspective: Study focus and methodology

To answer these questions in a compact and – to the extent possible – unbiased way, the study focusses on a subset of the issues addressed in the “Mobility Package I” process. It will not explicitly consider some elements of the Package, such as the rules about initial access to the road haulage market, the discussion about the inclusion of light trucks, nor the issues related to road charging, vehicle taxation, CO<sub>2</sub> reporting, and the more technical aspects of monitoring international road transportation activities.

The focus, instead, will be on three main aspects of the Mobility Package: **1.** Driver rest time rules and the charges of “Social Dumping”. **2.** The impact of new regulatory proposals affecting the establishment and location of operational bases and headquarters by border-crossing trucking companies, and **3.** The rules for “Posting” of workers, as they relate to “Cross-Trade” operations and the overall ability of the road transport system to provide the capacities needed to keep European economies running.

“TOO MANY SEEM TO THINK THAT GOOD INTENTIONS EXCUSE AWAY HARMFUL OUTCOMES.

TIM COOK<sup>6</sup>

The general approach to the study, in line with the Apple CEO’s statement quoted, will be not only to consider the Mobility Package’s unquestioned intentions, but the outcomes and impact of changed and new regulations – impact upon its employees and customers, on competition and the future structure of the trucking industry, and eventually upon the consumers and citizens of the European community.

In order to achieve this, the author arranged for visits and personal interviews during the period of April to early July, 2019 with top level executives from 25 European companies providing border-crossing truckload services. The guiding idea in selecting the companies was the following: There should be representation of companies from those European countries which have significant market share in border-crossing truck transportation. Included are both “asset based” owners and operators of truck fleets, who are direct employers of international truck drivers, and some of the leading (“asset light”) forwarders, who are the most important customers to the smaller truckload subcontractor companies. A list of the companies actually interviewed and a brief characterization of their businesses are in Appendix 1.

All interviews were done personally by the author as semi-structured, open conversations. An effort was made by the researcher not only to get responses to pre-considered, pre-structured questions, but to allow the interviewees to point out and focus on any aspect of the Mobility Package which they see as relevant. Typically, the interviews took between one and two hours. A copy of the interview guide is available from the author upon request. The notes taken during the interviews were clustered by the author after the on-site visits and discussions. Interviewees were sent a preliminary version of the research report for comment and corrections. The responses gathered are summarized on the following pages of this report, especially section V.

The research, in addition, included the analysis of position statements by selected trucking industry business associations, a thorough review of the relevant legislative documents, media publications and transport industry statistics. For easier readability of the report, most references to information sources and some detailed technical information are found in the endnotes. In summary, the study is to be characterized as a qualitative, exploratory research effort. It does not claim rigorous scientific representativity and objectivity. But it is the author’s best effort – within the given framework of time and resources – to provide balanced and fair answers to the research questions.



### III. Background: The EU's "Mobility Package" and its current political, regulatory, and economic context

There are four sets of regulations and recent regulatory proposals related to the EU Mobility Package debate, which were identified through the interviews as the most critical to the road transport industry executives interrogated





## 1. “Off-cabin rest regulation”: Regulation on drivers rest outside their cabins

In 2006 the EC introduced regulation (No. 561/2006) to harmonize the allowed number of driving hours, breaks and rest periods for drivers of cargo carrying road vehicles within the EU. Main elements of this regulation (especially Art. 6 & 7 related to maximum daily and weekly driving hours, minimum daily, weekly and bi-weekly rest periods) have since then been widely recognized and implemented by the members of the European trucking industry and their drivers. What had not been recognized at the time is Art. 8(8). It says that “daily rest periods and reduced weekly rest... may be taken in a vehicle”. But it does not say so with respect to regular weekly rests. By implication, therefore, this rule prohibits that the 45+ hour long, regular weekly rest periods are spent inside truck cabins.

Only in 2017, through the EC’s proposals COM (2017)/277 and 2017/0122 (COD) that rule is being stated explicitly and clarified with regard to its applicability:

- Amendment to Art. 8(6): “In any four consecutive weeks a driver shall take at least four weekly rest periods” of which “at least two shall be regular weekly rest periods”.
- Addition to Art.8(8): “Regular weekly rest periods shall not be taken in a vehicle.”.

From about 2016/17 onwards Germany, Belgium, France, the United Kingdom, Italy and Spain started to enforce the “off-cabin rests regulation” for regular weekly rests. The effect is that drivers can be fined when they are found resting in their cabin during a regular weekly rest period. For the purpose of planning driver’s work cycles this means that they are allowed to be on the road, away from home and resting in their cabins for a maximum of three weeks (that is: if they take two short weekend rests in sequence). Any longer absence requires them to spend at least one regular weekend rest in “adequate rest facilities” outside of the cabin.

The EU Commission’s primary motivation for these rules, obviously, were concerns for truck accidents caused by driver fatigue. The regulation intends to improve road safety on the assumption that drivers general work conditions will be improved, they will be better rested and accidents will be reduced, if a regular rest is being spent outside of the cabin at least every three weeks.

A discussion of this regulation’s expected impact and the reasons for the doubts in the trucking industry about its effectiveness and implementability will follow in section V.1 below.

## 2. “Mandatory driver and truck homecoming proposals”: Short-term return of drivers and trucks to their homes and operational bases

In addition to the EU’s “Off-Cabin Rest Regulation” and the related proposals of 2017, as summarized above, the European Parliament on April 4, 2019 voted for additional restrictions on drivers’ work cycles by proposing another addition to regulation EC 561/2006:

- Amendment 385, Addition to Art. 8(8b): “A transport undertaking shall organize the work of drivers in such a way that the drivers are able to spend at least one regular weekly rest period at home or another location the driver’s choosing before the end of each period of four consecutive weeks.”.
- The European Council in their Proceedings 15084/18 of Dec 3, 2018 suggested an additional narrowing of this by adding: “However, in case that a driver has taken two reduced weekly rest periods consecutively without return, the transport undertaking shall organize the work of the driver in such a way that the driver is able to return already at the end of the third week.”.

**A DRIVER HAS TO BE BACK AT HIS HOME COUNTRY AT LATEST EVERY FOUR WEEKS. IF TWO REDUCED WEEKLY REST PERIODS HAVE BEEN TAKEN, AND IF THE COUNCIL’S PROPOSAL WILL BE ADOPTED, DRIVERS MAY HAVE TO RETURN HOME AFTER THREE WEEKS ON THE ROAD.**



Among the amendments proposed and voted for by European Parliament to regulation 1071/2009 at the session of April 4, 2019 is another critical restriction related to “homecoming”: It specifies the requirements laid out for an “effective and stable establishment” (respectively a company’s “Operations Homebase”), from which a road transport operator in a given EU member state is allowed to perform international transport services. This was originally defined in Regulation 1071/2009, Art. 3 and 5l). Now there is additional requirement proposed:

- Amendment 128 to Regulation EC 1071/2009, Art. 5(1) inserting subpoint aa): The operator’s vehicles at their legitimate operations homebase “shall perform at least one loading or unloading of goods every four weeks in the Member State of establishment”.

Movements of trucks out of the country of their operations homebase, in effect, will be limited to a maximum of four weeks. In addition, the truck operator must be able to secure at least one inbound or outbound load in the country of the Operations Homebase for each truck “coming home”, in order to allow the next four week-period of border-crossing operations to get started. This is ruled without regard to the respective EU member country’s size, state of economic development or its industrial structure. Small, young EU members may not have a lot of international freight to be dispatched and received.

The politicians’ motivation for the proposed rules demanding mandatory homecomings of drivers, apparently, has been the

assumption that the drivers’ working conditions will be improved, if very long absences from their family homes are forbidden. The motivation for the enforced homecoming of the vehicles is less obvious. It may have to do with arguments put forward in the debates by operators in countries who like to discourage operations of foreign vehicles on their national territory for extended periods.

The concerns and wide-ranging consequences related to the “Mandatory Homecoming” proposals, as seen by the companies interviewed for this study, will be discussed in section V.3 below.

## 3. “Cabotage” and “Minimum Wage”

“Cabotage” – i.e. transport services being performed inside a country by international vehicles based in another EU country – has been one of the European Union’s early regulatory concerns (e.g. EEC 3118/93). Detailed regulations on road transport Cabotage were issued in regulation EC 1072/2009, and further specified in EU 1024/2012 and EU Directive 2014/67. Art. 8 of EC 1072/2009 originally allowed for three Cabotage operations in a foreign country within a seven days period. The amendments voted for by the European Parliament on April 4, 2019 (A8-206-2018) now will introduce certain changes and narrower restrictions, if becoming law.





- Amendments 169 and 170 propose that Cabotage operations will be allowed only “within 3 days from last unloading” in the country, where cabotage activity takes place. Follow-up Cabotage activities in the same country are allowed only after a return of the vehicle to the haulier’s home base and a minimum “cooling off” intermission of 60 hours.

Another important regulation in this context is the regulation about “Posting” of workers from one EU country to another. Posting has been regulated in the EU since 1996 (EC Directive 96/71). Posting rules are intended to balance the interests of employers in a “posting” state, who see opportunity in doing business elsewhere in the European Union vs. concerns in “host” countries that wage dumping could damage their domestic industries. Wage dumping could occur through unreasonably low paid workers from abroad. To prevent this, the Posting Directive make sure that a “hard core” of rules of the respective host country, such as a minimum wage rule, is applied to any posted workers on its territory.

In 2009, through regulation EC 1072/2009, the Commission specified these rules for the case of international road haulage. Among the amendments voted for by the European Parliament on April 4, 2019, the applicability of the “Posting” rules is addressed.

- Amendment 837 (2c) demands that all Cabotage operations shall be subject to the “Posted Worker Directive” (EC 96/71, paragraph 2c). Explicitly exempted are “Bilateral” Operations (Paragraph 2) and “Transit” operations (Paragraph 2d).

The recent Cabotage and Minimum Wage proposals further narrow down the ability of international road transport companies to do business inside other “third” countries. A short discussion of the quantitative relevance and expected impact of the proposed changes in Cabotage regulations upon the European road transport system will be given in section V.4. of this report.

#### 4. “Rome I” and “Cross-Trade operations feasibility”

Among the amendments voted for by the European Parliament on April 4, 2019 are several which may have very profound effects on the widely used practice of international road transport operators to do “Cross-Trade” business. Cross-Trade is particularly important to companies currently based in Eastern and South-Western European countries. They operate parts of their fleets by having them do sequences of cross-trade transport moves – i.e. taking border-crossing loads from one country, which is not their home-country, to another third country. From there they take the next available load – which may another cross-trade or Cabotage run – and so on. Opportunities for cross-trade business are found predominantly between the economically strong and highly interconnected Central and Western European countries of Germany, France, Benelux, UK, Italy.

The economic and ecological rationale for letting trucks do strings of cross-trade moves is the fact, that operators this way can very flexibly meet fluctuating and geographically shifting transportation demands, while at the same time minimizing the “empty run” kilometers logged by their trucks. They also avoid inefficient waiting for “backhaul-loads” in their operations. Com-

panies focusing on cross-trade operations often report very low empty run ratios of 10% – in the best cases found, down to 5%! Cross-trade trip cycles may range from one week to 4,6, even up to 12 weeks, until truck and driver return to their home-base. To the extent that drivers are assigned to cross-trade operations for cycles longer than 3 or 4 weeks, the “off-cabin rest” rules and “mandatory homecoming” proposals will apply in the future, as explained above.

But several of the recent amendments voted for by the European Parliament on April 4, 2019, will have implications far beyond that.

- Amendment 112 to Recital 4, preceding the European Council’s proposal for new regulation amending EC 1071/2009 and 1072/2009, stresses that “road transport operators ... should have a real and continuous presence in the member state from which they habitually conduct their international operations”.

The requirement for an operations center and/or company headquarters to be the legitimate base, from which a road transport provider can operate, is specified through several additional amendments.

- Amendment 131 to EC 1071/2009, Art. 5(1), new point f): In addition to the earlier requirements of 2009 (“have at its disposal one or more vehicles”) at that location it demands that there is an “access to sufficient parking places...” at the operating centre”;
- Amendment 132 (Art 5, new point g): the company “recruits and employs drivers under the law applicable to labour contracts of that Member state” where the center is located.

Another demands (which already has been referred to above in the context of the “Mandatory Homecoming Proposals”) is:

- Amendment 128 to Regulation EC 1071/2009, Art. 5(1) inserting subpoint aa: “The operator’s vehicles” ... “shall perform ... at least one loading or unloading of goods every four weeks in the Member State of establishment”.

Meeting the requirements of amendments 112, 128, 131, 132<sup>7</sup> should not be a problem for most established, legitimate road transportation doing business all from their traditional, true home location. From there EU road transport companies, so far, are allowed to seek and to do business everywhere in the Union – on the basis of the “freedom of movement for persons, services, and capital” which are promised in the founding documents for the EU (Treaty of Rome of March 25, 1957, Art. 3 c).

But this promise appears to no longer hold, if the amendments 837 and 123 related to the application of Posting (EG 96/71) will become law:

- Amendment 837 states that drivers engaged in bilateral (point 2 of the amendment) and transit transport operations (point 2d) are not considered to be posted.
- But no statement is made about drivers engaged in non-bilateral (respectively “Cross-Trade”) operations. By inference<sup>8</sup> that means drivers involved in non-bilateral operations will be considered to be posted, if the amendment becomes law.
- Amendment 837, point 2d, adds: A “driver shall not be considered to be posted to the territory of a Member State that the driver transits through without loading or unloading freight...”.
- Again, by inference, this means that in the quite frequent case of bilateral trips with a “multi-drop” load, the driver will be considered “posted” (i.e. the case when one part of that load of made up of several part-loads is dropped or picked up as the truck is passing a transit country on its way).

The consequences of the application of Posting rules to cross-trade operations, in connection with the amendment enforcing the application of ROME I<sup>9</sup> regulations, are wide-ranging:

- Amendment 123 to the Recital 16 preceding the European Council’s proposal for new regulation amending EC 1071/2009 and 1072/2009: “Road transport legislation should be reinforced to ensure a good application and enforcement of the ROME I regulation in a way that the labour contracts reflect the habitual place of work of employees.”

Drivers engaged in cross-trade trip cycles spend a big share of their work hours not in the country of the “Operational Center” (which may be in Eastern and South Western Europe), but in third countries (e.g. Germany, France, Benelux, Italy, UK). That means, companies doing cross-trade in the future may have to meet the labour law requirements of each of the visited countries, for each driver, as a driver spends significant time there. Such requirements are:

- payment of income taxes and social security dues to the respective national authorities,
- compliance with national recruiting and reporting regulations related to hiring foreign workers,
- honouring worker co-determination and trade union agreements,
- etc.

Since the demand for border-crossing road transport services is continuously changing – from season to season, between shipper industry and countries – and because of the heterogeneity of national labour laws and rules, compliance for drivers moving from country to country will require continuous readjustments in the administration of their employment relationship. The administrative complexities created would be immense and hard to grasp. The risks for companies to get fined and sued due to varying interpretations of the regulations by local authorities become untractable.



# Cross-trade operations made infeasible by administrative complexity and untractable risks of non-compliance?

Political motivations for these proposals may be several: There are fiscal interests with respect to the fair allocation of taxes and social security funds to countries involved. And there may be expectations by protectionist national interests that foreign competition from “cross-trade” operators will be eliminated, as administrative burdens and non-compliance risk become so high as to make cross-trade operations infeasible.

A detailed report on the consequences of eliminated – or greatly reduced – cross-trade transport operations in Europe, as seen by the international road transport companies interviewed for this study, will follow in sect. V.5 below.

## Facts and figures about Europe’s border-crossing road transportation system

In order to assess the potential impact of the regulations and proposals, as summarized in the preceding sections of this report, a brief review of the quantitative and geographical facts of today’s border-crossing European road transport system will be helpful.

European Road Transport:	Domestic	Border-X	border-X split by type of operation			
				Bilateral (out+in)	Cross-Trade	Cabotage
total freight loaded (mill tons)	13 978	1219	abs. tons	794	260	165
total freight movement (mill tokm)	1 246 810	705 907	% tokm	67.2%	26.4%	6.4%
average length of haul (km)	89	627		579	717	275
est. no. of heavy duty trucks (thsd)	2000	604				
est. no. of heavy duty drivers (thsd)	2200	742				
est. annual cost volume (bill €) ca.	180	66				

Exhibit I: Summary “Facts and Figures” on road freight volumes transported in year 2017. Data refer to 26 EU-countries (excluding Cyprus and Malta), including Norway and Switzerland. Source: Eurostat and author’s estimates<sup>10</sup>

Eurostat, the European statistical authority, provides detailed data on the performance and resources of the European road transportation system. A brief summary of such “Facts and Figures” is shown in exhibit I.

The number of border-crossing tractor/trailer units doing border-crossing moves every work-day in Europe is estimated at about 600 thousand “full-time equivalent (FTE)” heavy-duty trucks (out of a total of about 2.6 mill heavy-duty truck units operating in Europe and a registered total of 7.5 mill. lorries and tractors of a gross weight > 3.5 tons). To operate 600 thsd. heavy-duty trucks an estimated 742 thousand full-time equivalent “international drivers” are currently employed<sup>10</sup>. Estimated annual total cost volume of that fleet is about € 66 bill., based on an estimated average direct operating cost of about € 110 thsd. per unit and year. More than two thirds of that fleet currently operates from the lower cost countries of Europe at relatively lower average wage, Diesel-, and some other cost. Direct revenues of this fleet are estimated at € 70 bill. to account for some modest profits and company overhead cost.

The border-crossing fleet of heavy European trucks moves about 1,22 bill. tons of freight p.a. across the 26+2 countries covered in exhibit I. The average length of all border-crossing

hauls is 627 km, corresponding to 706 bill. tokm for all border-crossing freight. The total kilometers travelled by the European border-crossing heavy duty truck fleet can be estimated at about 50 billion kilometres per year, of which on average 86% are loaded, 14% are run empty<sup>11</sup>.

Exhibit I on the right-hand side shows the approximate split of all border-crossing road transport operations between the three types. The European trucking industry (domestic and international) is highly fragmented into relatively few big operators,

commanding very large numbers of loads and trucks. But more than 80% of the estimated number of the 600 thousand heavy trucks crossing European borders regularly are operated by medium-sized and small businesses. The overall average number of trucks per company is lower than 10.

A snapshot of the approximate geographical breakdown of the total volumes of road freight moved (as of 2017) and the related estimates of heavy-duty trucks and drivers in operation, is in Exhibit II.

Countries	Total border-X freight loaded (t-to)	Total border-X avg length of haul incl. Cabot. (km)	Total border-X loaded km operated (m-km)	est nr of FTE border-X loads/wday (#)	est nr of border-X FTE trucks in operation	est nr. of border-X FTE drivers
	1	2	3	4	5	6
<b>Belgium</b>	61.3	222	782	15 415	11 618	14 290
Bulgaria	34.7	773	1 530	8 726	22 933	28 208
Czechia	41.5	540	1 627	10 430	19 130	23 530
Denmark	5.0	580	188	1 268	2 501	3 076
<b>Germany</b>	125.0	332	2 704	31 456	35 469	43 626
Estonia	6.0	765	256	1 498	3 897	4 794
Ireland	7.8	324	164	1 950	2 147	2 641
Greece	17.1	750	809	4 313	10 994	13 522
Spain	78.7	972	4 295	19 786	65 359	80 392
<b>France</b>	43.5	272	667	10 936	10 102	12 425
Croatia	13.4	569	452	3 377	6 528	8 029
<b>Italy</b>	21.3	610	820	5 347	11 095	13 646
Latvia	15.8	741	722	3 981	10 031	12 338
Lithuania	38.5	933	2 138	9 686	30 708	37 771
<b>Luxembourg</b>	29.1	282	457	7 329	7 014	8 627
Hungary	42.0	661	1 859	10 564	23 722	29 177
<b>Netherlands</b>	132.7	259	2 397	33 390	29 388	36 147
<b>Austria</b>	26.6	345	531	6 695	7 845	9 649
Poland	285.0	755	13 482	71 696	183 985	226 302
Portugal	24.6	948	1 311	6 191	19 948	24 536
Romania	52.2	789	2 759	13 130	35 189	43 282
Slovenia	32.2	575	1 101	8 097	15 821	19 460
Slovakia	48.0	606	2 318	12 066	24 868	30 588
Finland	1.5	871	41	370	1 095	1 347
Sweden	6.1	543	196	1 525	2 817	3 465
<b>United Kingdom</b>	14.5	453	637	3 656	5 635	6 930
Norway	5.0	533	135	1 249	2 262	2 782
<b>Switzerland</b>	9.9	173	128	2 481	1 461	1 797
<b>Sum EU 26+2</b>	1 218.8	579	44 506	306 609	603 561	742 380
nr of drivers operating from 9 highlighted countries:						147 139

Exhibit II: Summary “Facts and Figures” on road freight volumes transported in year 2017. Data refer to 26 EU-countries (excluding Cyprus and Malta), including Norway and Switzerland. Source: Eurostat and author’s estimates<sup>10</sup>



DRIVERS TODAY  
ARE THE KEY  
BOTTLENECK  
DETERMINING  
THE EUROPEAN  
TRANSPORT  
SYSTEM'S CAPACITY.

Key input for estimating the numbers of about 604 thsd. international trucks, respectively 742 thsd. drivers, as shown at the bottom in Exhibit II, were statistics provided by the Eurostat, the statistical office of the European Commission. Key parameters used in the author's estimates are the reported average loaded weight of 15.9 tons on international hauls, average length of loaded long hauls of about 627 km, a driver-to-truck ratio of 1.23, and an average empty run share of 14% of all kilometres logged in international transport<sup>12</sup>.

Drivers today are the key bottleneck determining the European transport system's capacity<sup>13</sup>!

Note that of the estimated total number of international FTE drivers of 742 thsd. only 147 thsd. (20%) are based in the economically most active 9 Central and Western European countries of Germany, France, Benelux, Italy, Switzerland and Austria (highlighted in bold face in column no. 6!). Since nearly 70% of all border-crossing trade and transport activity is taking place there, there is a shortfall in the order of 300 thsd. border-crossing drivers in those countries – and a corresponding shortfall of truckload capacity – which has to be made up by “importing” drivers and capacity.



# THREE TYPES OF BORDER- CROSSING TRUCK OPERATIONS:

- 1 “Bilateral”, i.e. international movements starting in one country (country of “origin” and of the home-base of a truck), moving freight to another (“destination”) country, and back.
- 2 “Cross-trade”, i.e. international movements between two countries which are not the countries of the truck’s home-base.
- 3 “Cabotage”, i.e. movements within one country which is not the country of the truck’s home-base.



IV. First Finding: A European “Divide” between cross-border transport demand and truck driver resources

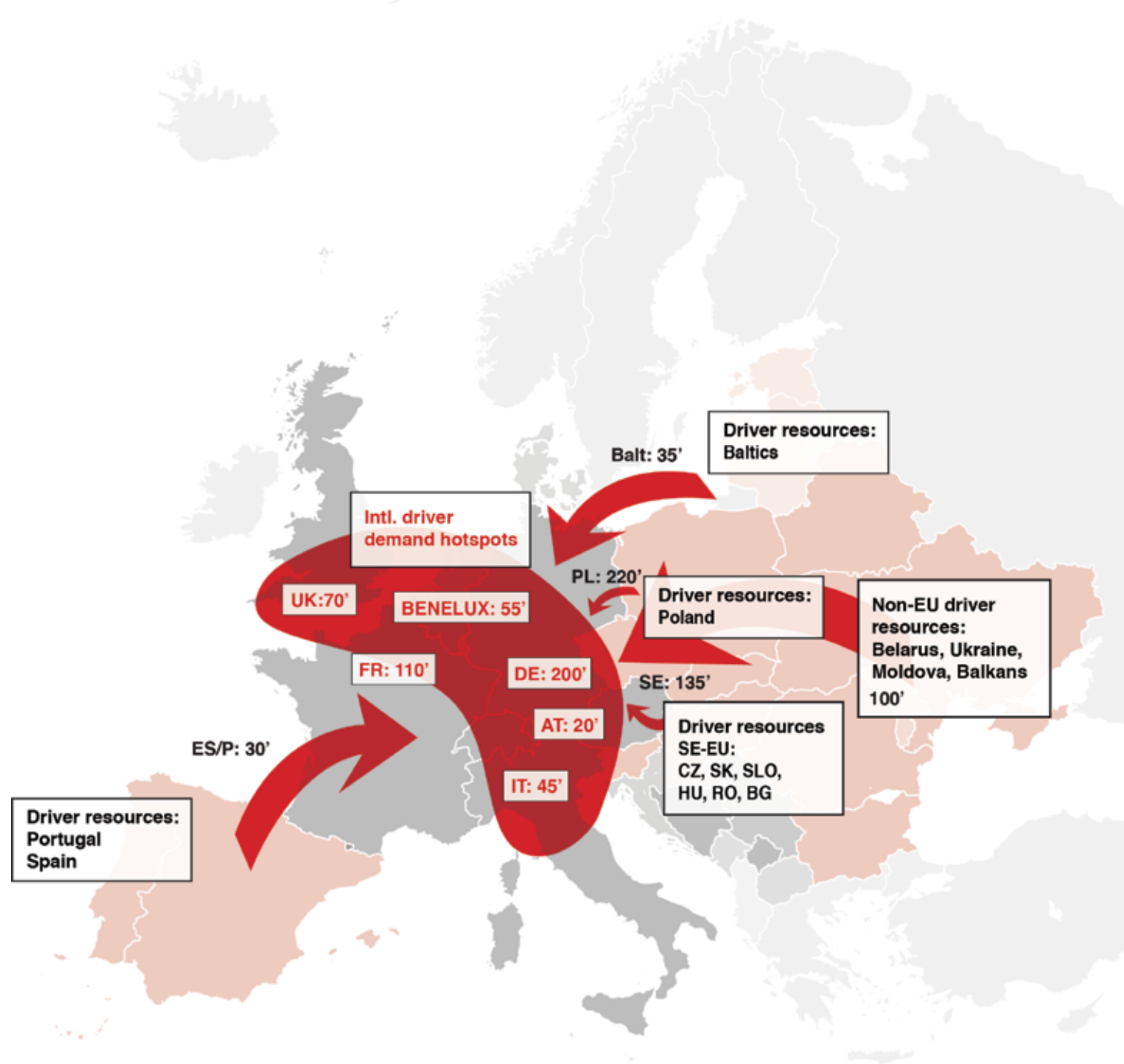


Exhibit III: A graphical illustration of the European “Divide” between the road driver “hotspots” of demand and the location of truck driver resources.

1. A quantitative and geographical illustration of the driver demand vs. supply “Divide”

Exhibit III graphically illustrates the approximate geographical distribution of the demand and supply situation for heavy-duty long-haul drivers in Europe. Numbers shown in the red “Banana” of the most densely travelled international traffic lanes between the central European countries of Germany, France, Benelux, Italy, Switzerland and Austria add up to a total current “gap” of ca. 520 thousand heavy-duty trucks driver jobs – jobs for carrying domestic and border-crossing loads which cannot currently be filled by “native” drivers (i.e. drivers with passports of the 9 Banana countries). The areas and numbers shown in green areas of the Exhibit illustrate the “Periphery” areas, where the “imported” driver resources currently come from<sup>14</sup>. There is a big European “Divide” between the hotspots of European cross-border transport demand and the availability of truck driver resources.

CENTRAL EUROPEAN COUNTRIES TODAY NEED TO “IMPORT” ABOUT 520 THSD. DRIVERS, OF WHICH ABOUT 310 THSD. ARE FOR BORDER-CROSSING TRANSPORT OPERATIONS.

Of the 520 thsd. “imported” drivers about 300 thsd. are needed to carry cross-border loads from inside the Banana countries (see Exhibit II above!). The remainder of another 220 thsd. drivers is needed to supplement the Banana countries workforce for domestic transport operations<sup>15</sup>. Demographic developments and the broad availability of attractive industrial jobs in the “rich”, economically fully developed Banana countries make it unlikely that their driver capacity needs of the future could ever be met again by native drivers. Rather, as the “Periphery” countries advance economically and more attractive job alternatives become available there for the native workforces of Poland and the other Eastern European economies, a trend – already quite visible – will accelerate to recruit even further east, especially from the former GUS-countries of Belarus, Ukraine and Moldova.

2. Three principal ways of bridging the Divide

How is the Divide being bridged between the current hotspots of driver demand inside the Banana and the Periphery? The inquiries done for this study show that there are three principal ways:

1. Some drivers from the Periphery are being directly hired by companies based in the Banana countries. For example: About 100 thsd. of the 550 thsd. registered German heavy truck drivers (incl. domestic) have foreign, mostly Eastern European passports<sup>16</sup>. Some of them have emigrated with their families, probably permanently. For a much larger share of that group - drivers who are not willing to give up their family roots - this means a division of their lives between long periods of work in the West and periodical family periods at their true homes in the East.
2. Most capacity is currently being “purchased” into the Banana by big shippers and forwarders through contract, subcontract and spot market arrangement, i.e. importing transportation capacity from Eastern European trucking companies. That is the arrangement on which the business of ten thousands of the smaller, medium-sized and some big Eastern European trucking companies drivers is currently based: Eastern European trucks and drivers doing extended “Cross-Trade” trips to Central and Western Europe. The periods of absence (“Trip Cycles”) vary between days, more often weeks, sometimes up to 3 months. Those arrangements today are the quantitatively dominant way to bridge the capacity demand and supply Divide shown in Exhibit III.
3. Finally, there is the possibility that “Periphery” companies set up businesses in the West and transfer drivers from their home areas to newly set up business establishments inside the Banana. That is what proposed new regulations are encouraging: A few bigger Eastern companies are doing it already. Some others are preparing to do it.

Observations about the quantitative and geographical Divide between demand and supply of capacity for border-crossing heavy road transport services demand more explanation. How do representatives from the European trucking industry actually deal with the Divide? What are their views on the effect of proposed new EU regulations? And what are their concerns and recommendations for the future of cross-border transportation?



## V. More findings from 25 road transport industry interviews: Key concerns, experiences, and expected consequences

25 high level interviews with executives from the road transport industry across Europe were conducted for this study, as mentioned above in section II. Sections V and VI of this report will summarize what was learned from these.





## 1. The “Weekly Off-Cabin-Rest” issue

Among the issues brought up most frequently in the interviews was the impact of regulation EC 561/2006(Art. 8) and the amendment proposed in COM 2017/277, article 8(6)b: Regular weekly rest periods of 45 hours and more cannot be spent inside the cabin of a truck anymore. Legally, this regulation is in force since 2006. From 2016/17 increasingly strict enforcement and assessment of fines in the case of violations is reported especially from France and Belgium, which currently leads to the consequence that those two countries are avoided by truckers for weekend rest periods, when possible.

Broad enforcement of the regulation is difficult for the authorities, because “on-road” checks of trucks parking with drivers resting in the cabin is legal for the short (45+ minute) rests, for daily and the reduced weekend rests. Effective controls would require that all of the trucks parking along highways and elsewhere need to be checked. Drivers have to be waked up and their records must be checked in order to single out those who illegally rest inside their cabin. This is not perceived by the industry representatives as realistic, nor effective. It creates a “grey area” of uncertainty and potential non-compliance for the drivers, their dispatchers and companies, and also for the authorities.

But there are more fundamental issues related to the “Off-Cabin Weekly Rest”, which have been pointed out in the interviews:

- Resting facilities for regular weekly rest outside the cabin, which comply with the rule and amendment for “adequate accommodation with appropriate sleeping and hygiene facilities” are physically just not available in the required numbers and quality. For ten thousands of trucks there are no suitable hotels, or other compatible company rest facilities available, which will be required if that regulation is fully applied all over Europe and fully enforced.
- Another significant problem is cargo security: obligations for drivers to keep their trucks and loads under visual control. For certain types of loads (food, chemicals, other hazardous or high value goods) that obligation is a contractual or legal requirement<sup>17</sup>. Parking and off-cabin accommodation facilities which allow for rest outside of cabins and at the same time appropriate control of the load are not given in most existing hotel facilities.
- Providing an appropriate, quantitatively sufficient infrastructure of driver hotels or company sleeping quarters is impossible in the short term. And it would take many years<sup>18</sup>, even if the investment funds and suitable real estate were available.
- Last-not-least: The option of spending weekly rests in hotels – or similar accommodations – is not appreciated by most drivers. It is not perceived as an improvement of their working conditions. Consistently it has been reported in the interviews that drivers prefer staying in their cabins. Cab-

ins have their TVs tuned to the drivers preferred channels. They have air conditioning, personal coffee and meal making equipment, which are usually not available at a comparable level of convenience to the drivers elsewhere. The time and effort it takes for drivers to move their personal things from the cabin to an external facility is significant and reduces their rest time. They are not allowed to make their own meals there. The cabin is perceived by drivers as a substitute, temporary “home”, which an external room is not<sup>19</sup>.

**DRIVER RESTING IN HOTELS AND SIMILAR ACCOMMODATIONS IS A DISLIKED NON-BENEFIT FROM THE DRIVERS’ PERSPECTIVE. FULL IMPLEMENTATION OF THE “OFF-CABIN REST REGULATION” FROM THE COMPANIES’ PERSPECTIVE WILL BE UNFEASIBLE FOR MANY YEARS BECAUSE OF THE LACK OF SUITABLE FACILITIES.**

- The additional cost of providing accommodation for drivers outside of the cabin is not a significant concern and restriction. All companies interviewed addressing this issue pointed out that the cost for off-cabin rest facilities is not a significant factor to them. Typical hotel-accommodations per night have been assessed in several interviews at € 70 to € 100 per weekend rest, which would be incurred for a maximum of about 15 occasions per year. Relative to the total annual cost of operation of more than € 100 thsd. a for heavy long-haul truck, that corresponds to a total operating cost increase of less than 1.5%.

In summary, the take-away from the interviews on the “weekly rest issue” is – without exception: This regulation and its recently proposed amendments cannot be realistically implemented. It is a grey area for non-compliance. It does not serve the intended purpose of improving the drivers’ work situation or reducing truck accidents caused by driver fatigue. Some interviewees suggestions for better alternatives will be reported in section V.



## 2. Charges of “Social Dumping” and “Unfair Competition”

Selected industry members and representatives of their business associations from both Western and the Eastern EC countries claim that the respective other side is unfairly and intentionally “destroying” the basis of their business, by doing “Social Dumping”, hidden behind new regulations<sup>20</sup>.

“Dumping” is a tactic to drive out unwanted competitors by offering artificially low prices, which are not justified by advantages in productivity, innovation, product or service quality. It is not to be confused with the important idea which Adam Smith, the famous economist of the 18th century, was the first to state: The “Wealth of Nations” comes from the division of labour and properly working market competition. Individuals, companies and entire nations are continuously seeking and building “Competitive Advantage”<sup>21</sup>. This leads to the division of tasks between countries through specialization and focus on those competences and resources, which one competitor may have or be able to build over competitors.

Eastern Europe (as well as some other countries from the periphery of the Union) today have a “Competitive Advantage” over Germany and other Western and North European countries through their availability of people who are willing to do the tough

job of international road drivers. This fact was stressed in many of the interview conversations – not only by company executives from Eastern European road transport business, but explicitly also by most of the Western companies interviewed. The most cogent arguments on this point in the interview discussions were the following:

- The European road transport system could not possibly function and provide the necessary capacities to the economies without relying to a large extend on drivers from the “peripheral” nations of Europe (as described in section III.1 and illustrated in Exhibit III above!).
- To the younger and economically still developing members of the European Union transportation service exports are a critical and significant part of their Gross Domestic Product (GDP). Staying with the example: The Bulgarian trucking industry, for example, contributes 15% to the country’s GDP – mostly by international operations. For Lithuania it is 13%<sup>22</sup>. The trucking industry in the peripheral European countries creates wealth there. It helps other more advanced economies to employ their workforces in better paying industries. The specialization and division of labour between the economically stronger and weaker EU’s members, it is argued, helps to gradually realize the goal of the EU’s founders “to promote throughout the Community a harmonious development of economic activities, a continuous and balanced





expansion, an increase in stability, an accelerated raising of the standard of living...”<sup>23</sup>.

- The charge of “Dumping” does not hold. This was argued by interviewees from South-Eastern European countries. Using the example of e.g. Bulgaria: Bulgaria statistically is the poorest country within the EU. The current (2018/19) gross expense laid out for typical international drivers there is € 25-28 thsd. per year and rapidly rising. At this time this is about 20-30% lower than the € 36-38 thsd. reported in “Banana” countries like Germany. But compared to the pay of an average Bulgarian worker, the drivers’ pay is five times higher<sup>24</sup>.
- No “Wage Dumping” charges in the economics were made by any of the Western company interviewees. What was stated is that trucking industry competition is keen. The market shares won by Eastern European cross-border transport are significant and do not keep general transport prices levels under constant pressure. They are a cause for the generally modest profitabilities in European road transportation<sup>25</sup>. But this is market competition, not Dumping by any definition, nor exploitation.
- The charge of systematic social exploitation and mistreatment of drivers (“Social Dumping”) is also refuted by many interviewees<sup>26</sup>. Drivers’ jobs are sought and appreciated in the Periphery countries, despite of the inherent hardships, especially in cross-trade transport operations, when drivers have to stay away from their homes for weeks. But increasingly, under the pressures of an increasing shortage of drivers, even in the Periphery countries drivers often dictate their preferred work schedules<sup>27</sup>, and companies offer them choices. Some drivers are opting for short trip cycles of two weeks or less. But many others are explicitly opting

for longer cycles of 3,4, up to 12 weeks, in exchange for more extended stays at their homes and relatively less travel stress and time for their trips home<sup>28</sup>.

**WORK CONDITIONS ARE TOUGH, AND COMPETITION IS KEEN IN EUROPEAN ROAD TRANSPORT. AVERAGE PROFITABILITIES ARE MODEST. BUT “DUMPING” CHARGES ARE REFUTED.**

In summary: The take-away from the interviews regarding the issues of “Social Dumping” and “Unfair Competition” is two-fold. There is wide agreement that competition is tough. Companies from the European periphery still have a wage cost advantage, holding down general freight price levels and making the trucking industry a difficult field to achieve good profits. It is acknowledged that the driver’s job is extremely harsh and demanding – comparable to jobs in the maritime industry, on international construction projects, in the mining and agricultural industries. The trucking industry all over Europe is under pressure to increase driver job attractiveness, in order to meet the economies’ demand. But the EU regulations and proposals to this end are not seen as feasible. Claims of systematic economic and/or social “Dumping” are refuted.

### 3. The “Enforced Driver and Truck Homecoming” proposals

The issue raised by to the recent proposals for “enforced” return of drivers and trucks to the country of their operational base within four weeks (Amendments 128 to Regulation 1071/2009, Articles 5(1), subpoint aa), and Art. 8(8)b – see sect. II.1.2 above!) was declared by a majority of the interviewees as most threatening from a business and economical point of view. Among the comments were that this would be “disastrous”, “killing smaller trucking businesses” based in the peripheral EU countries.

The arguments brought up to support these concerns were the following:

- Much of the revenue-creating cross-trade business for Eastern European trucking companies is between the highly industrialized, high-income economies of Western and central Europe (inside the “Banana”, as illustrated above in Exhibit III). Forcing those companies and their drivers, which do multiple-week trip cycles between the Central European and Western countries, to return “home” within shortened intervals to their established operational home bases and drivers’ homes at the periphery of Europe, this will increase the share of empty kilometres runs. The required amounts of freight to and from the peripheral countries to the center of Europe to fill those additional “homecoming” trips are not available at this stage of the peripheral countries’ economic development. Driver capacity will be wasted, which could be applied productively.
- From a commercial point of view this will significantly add to the overall cost of the European border-crossing road transport system. An illustrative example to quantify that additional cost – using the case of Cross-Trade operations by companies based in the Baltic countries – is in Appendix 2. It suggests that the added cost will be in the order of 5%. Some of the interviewees predicted even higher additional cost in the range of 10%, if a Truck Homecoming rule will be enforced.
- A corresponding argument applies from a Sustainability and Road Safety perspective: The share of empty kilometres logged by the “cross-trade” European truckload operators, which under current conditions is reported to average 14%<sup>29</sup> will rise significantly. The resulting loss of transport capacity will have to be compensated by increases in the total truck fleet. Each percentage point of lost capacity will require more trucks in the order of 6000 units in Europe (compare the data presented above in section II.2!). Highway congestion, accident probabilities, border delays and the driver shortage problem will increase accordingly.

**ENFORCED DRIVER AND TRUCK HOMECOMING WITHIN 4-WEEK INTERVALS: SIGNIFICANT COST INCREASES, LOSSES OF PRODUCTIVITY AND ADDED ENVIRONMENTAL BURDENS.**

- Another set of consequences, which “Enforced Homecoming” brings about will be business relocations from the European geographical periphery to the Central and Western countries, as “Truck and Driver Homecoming” rules would be enforced.

A discussion of these consequences will follow below, in section 5 of this report.

### 4. Commercially not a major concern: New “Cabotage” rules and the “Minimum Wage” issue

One item in the interview guide, which had been prepared for the discussions, referred to the impact of the proposed changes and additional restrictions to Cabotage operations (see section II.1.3 above!).

- Somewhat surprising to the researcher, in those interviews, where Cabotage was explicitly discussed, the opinions offered with regard to the European Parliament’s proposed new restriction were not critical. Cabotage operations, as opposed to “Cross-Trade” and “Bilateral” operations, represent only 6.54% of all border-crossing transport moves (measured in tonkm)<sup>30</sup>. They are a relatively small element in the mix of trips and operations practices<sup>31</sup>. A significant commercial impact of the reduced 3-day period for Cabotage and the “cooling off” period proposal was not seen in all cases.
- A similar response was found with regard to the “Minimum Wage” issue, which comes with the European Parliament’s proposal (Amendment 837 (2c) to regulation EC 96/1, paragraph 2c – see section III.1.3 above!). The “Posted Workers Directive” shall apply to Cabotage trips without exception. That means, Minimum Wage rules of the country where Cabotage takes place will have to be paid for the hours which a driver spends there. Interviewees maintained that current gross payment levels (wages and per diem travel allowances), even in the lowest income countries of Europe, are sufficient to meet and exceed the minimum wage levels of European countries.





- Some interviewees did note, however, that there is an issue for those Eastern European countries, where a large share of the drivers' gross income is made up by travel allowances<sup>32</sup>.

European Parliament on April 4, 2019, which was done in the course of the research (see section III.1.4 above!), suggests that these proposal may make Cross-Trade operations practically infeasible.

### 5. Consequences of revised “Posted Workers” regulations and “Rome I”: Cross-Trade operations becoming infeasible. Large-scale business migration and concentration restructuring the European trucking industry?

A final concern, which was raised in all of the interviews, was the administrative complexity and cost of several proposed new regulations. This especially applies to the very complex documentation requirements, which the “Posted Workers Directive” asks for. It will add significant cost to all border-crossing road transport operations in Europe. Many of the small operators will not be capable of correctly dealing with these requirements. But there is a much more substantial concern related to Posted Workers rulings: The analysis of the proposals voted for by the

**SUBJECTING CROSS-TRADE TRANSPORT OPERATIONS TO “POSTING” RULES: CROSS-TRADE OPERATIONS BECOMING INFEASIBLE. LARGE-SCALE MIGRATION AND CONCENTRATION UPSETTING THE EUROPEAN TRUCKING INDUSTRY?**

This wide-ranging consequence of the proposed rulings, as they were summarized above in sect. III.1.4 of this report, apparently has not yet been fully realized by most of the interviewees.

- In the case of Cross-Trade operations, the freedom by parties in a labour contract of choosing the country, which labour regulations should apply, would be overruled by “Rome I”. Cross-Trade operations represent more than one quarter of all border-crossing operations in Europe (see Exhibit I). For international trucking operators from the “peripheral” countries, where cross-trade operations are a very significant part of their business, it may mean that they have to restate the labour contracts continuously and reassign the associated payments of income tax and social security to the countries where most hours are being spent.
- The complexity of such a requirement has been seen by all the interviewees, which were interrogated, as entirely infeasible. Ultimately, it makes Cross-Trade business infeasible.
- A response by bigger, financially and managerially more capable companies, which currently are situated in “Peripheral” countries and which would be severely affected, will be business migration: They establish new operations bases inside the high-demand “Banana” countries, because from there they can serve to most active trade lanes as bilateral business. Several of the companies visited have been doing that already, or they are in the process of preparing for that. For small and medium-sized trucking companies this option is hard to realize. They will no longer be competitive.
- The process of concentration of the European trucking industry will be accelerated.
- Last but not least: The impact of such developments upon the work-lives and social situation of truck drivers will be quite ambiguous: In general, drivers prefer to work for companies from their home countries, rather than for large international corporations. If many smaller employers based in their countries go out of business or have to relocate, their drivers will lose jobs, or they will have to relocate with bigger companies to Central or Western Europe. That will put many of them in a new, socially awkward position: They may migrate with their companies (basically doing the same kind of work at similar net pay from the new “migrated” operations bases in Central and Western Europe). A few may take along their families, get integrated there and find new roots. But for those drivers who do not give up their original home communities and roots – likely to be the much bigger

group – the flexibility and ability to spend time at home will not be improved, but reduced.

From a commercial point-of-view, the possible consequence of a fundamentally restructured, repositioned European cross-border trucking industry, effects were seen by the company representatives interviewed on two levels:

- At the business level it is expected that the gross expenditures by trucking companies which used to operate from “periphery” bases for their drivers will increase by the higher social security and tax rates on net wages and added administrative cost, which are due in the Central and Western European countries.
- None of the interviewees was prepared to put precise figures on that effect. In Appendix 3 a – very preliminary and rough-cut – estimate of that effect is made by the author. It suggests that regular annual cross-border trucking cost will rise in the order of 7 to 8 percent before the cost of any disruptions and the one-time relocation and migration are accounted for.

Some of the interviewees see these cost and the associated disruptions as an inevitable and acceptable consequence for the future of European cross-border trucking, which eventually will be borne by the shipper industries. Some others stressed the negative effects upon the competitiveness of the European Union's transport industry, and eventually upon the competitiveness and prosperity of Europe business in the “globalized” world.

- Another aspect is at the level of the fair distribution and redistribution of income, health care and other social security money between the member countries of the EU. Relatively more funds will go into the central European nations tax, health care and social security systems. Less will be available for the emerging peripheral countries, where most families of those “relocated” drivers continue to live.

The concerns, experiences and expected consequences of the rules and proposals associated with the EU Commission's Mobility Package, which were collected and summarized – so far – by the author from the 25 interviews with leading members of the European road transport industry shows, have many facets. They show consensus on quite a number of the issues, differences on some others. In this final section of the study two alternative scenarios for future developments of the European road transport system, which the author derives from the findings, will be sketched out briefly.



## VI. Scenarios for the future of the European cross-border road transportation system

### 1. Scenario I: The “Mobility Package Rapid Implementation” scenario

If the Mobility Package’s latest provisions and amendments will be implemented and enforced rapidly and thoroughly, this will have a massive impact on several aspects of the traffic infrastructure, the future structure of the transport industry, and the cost and competitiveness of many industry sectors and countries in Europe.

One set of consequences is related to the “cabin rest period” and the “enforced driver/truck homecoming” proposals.

- The quantitative effect of “cabin rest” regulation is very hard to estimate. Of the about 600 thsd. international trucks on European roads all the time (compare Exhibit I!), based on the author’s learnings from the interview series, a quarter to a third of those may be on trip cycles longer than 3 weeks. Given that 150 thsd. trucks have take a 45+ hour regular weekly rest every three weeks, a number of +/- 50 thsd. trucks will have to be “hosted” outside of their cabins every week from the moment of full enforcement of the regulation. Since appropriate parking and hotel facilities definitely will not be available within the next years for most of them, the trucking industry will likely respond in several ways.
- First way: the current practice of selectively “circumventing” France and Belgium, the countries which implemented very strict enforcement of the regulation already, will not make sense any more. Efforts by the trucking companies in the most travelled countries to find appropriate hotel and similar facilities for drivers who are on trip cycles longer than three weeks) will be intensified. To the (limited) extent these efforts can be successful, facilities found are likely to be longer distances away from the main truck routes. This will mean additional (non-productive) truck traffic on secondary roads to get to such facilities and new burdens to the communities, where they are found.
- Second way: trucking companies will make efforts to reduce the share of “long”, more than three-week trip cycles for their drivers, where possible. This effort coincides with the Mobility Package’s explicit mandate of having all drivers return more frequently to their home bases in the “Enforced Truck and Driver Homecoming” proposal (discussed in section V.3 above!). As a practical matter for the immediate future, it will mean more “busing” or flying drivers home, or more enforced truck and driver returns to their home-bases. More poorly utilized homecoming trips will reduce the overall efficiency and capacity of the truck transport system, with ensuing needs for more trucks, more drivers, and more congestion and negative environmental impact.
- Some interviewees also argued that drivers with their homes at the far peripheries of Europe (such as from Ukraine, Belarus, the Balkans, Portugal) will be lost to the driver supply market, because for them homecoming trips of one thousand and more kilometres in short intervals are not realistic and also not desirable.
- A third response by bigger, financially stronger trucking companies, also in line with the consequences discussed in sect. V.3 with regard to “enforced driver/truck homecoming” proposal, will be the migration of operational centers and employment away from the economically less developed “periphery” countries to the richer Central and Western European countries. The desirability of a resulting concentration of the trucking industry, at the expense of the smaller and medium sized members of the industry, is being questioned.

## RAPID IMPLEMENTATION

Another set of consequences in a “Rapid Implementation” scenario is at the macro-economic level.

**1** Rising trucking cost and impending short-term losses of capacity and flexibility of EU-based trucking services – as a consequence of the reduced feasibility of cross-trade operations – will weaken their competitive strength vis-à-vis their competitors from outside of the EU – such as Turkish logistics companies.

**2** The decade-long and expensive efforts by the EU to harmonize the levels of prosperity between the “old” and “younger” members of the community will be negatively affected by the loss of jobs from “migrating” companies to the European centre, of the driver incomes, tax income, etc.

**3** Instead, Rapid Implementation, at least in the short term, will increase the risk of severe interruptions of the ability of the European road transport system. Significant shares of the European road transport system’s capacity will be lost, as smaller and weaker “periphery” truck operator go out of business. The flexibility of the system to meet seasonal and regional freight transport fluctuations will be hampered by the “Enforced Homecoming” regulations and the effective elimination of “Cross-Trade” operations.

**4** The ability of the EU’s economy to successfully compete the global arenas and to grow the prosperity of its citizens in will be reduced.



## 2. Scenario II: The “Industry Experts” scenario

A second scenario is sketched on the assumption that the political process about the Mobility Package will allow for further adjustments to the current proposals and the concerns by the members of the transport and logistics industry will be accommodated. It is based on the acceptance of facts that:

- the European “Divide” of high demand for border-crossing transport capacity in Central and Western Europe, vs. the availability of truck driver resources primarily at the European peripheries, must be bridged in realistic ways. It cannot be regulated away by enforcing “homecoming” and forcing periphery businesses and drivers to migrate and relocate on a large scale!
- most drivers perceive a well-equipped, modern (maybe in the future larger) truck cabin not as an inferior substitute to stationary sleeping facilities. The key problem is an infrastructure deficit: The extreme shortage of safe truck parking facilities in locations near the main transport arteries (where the necessary facilities for drivers to take care of their needs for toilets, showers, food and laundry services could be met relatively easy and at modest investments). That shortage must be addressed

in the most travelled countries by accelerated programs of building suitable safe parking and service facilities.

- short “homecoming” cycles are not a value for many drivers. It is the fairness of the deal between the length of absence, which a driver is willing to accept and the compensation received, which makes arrangements socially acceptable. If people from economically disadvantaged countries decide for jobs which demand long periods of absence from their homes in exchange for very good pay (relative to their countries domestic options), that option should not be ruled out. It will enable those drivers to save for their long-term plans of retirement, building a house or starting a local business at a later phase of their lives.

This study leaves many questions open. More research is needed to fully understand the social, environmental and economic impact of new trucking regulations. But if it contributes to help politicians and regulators asking “the right questions” and to understand some of the basic facts of the markets for transport capacity supply and demand, it will serve a good purpose for the future of the European road transport industry.

# CHANGES ARE NEEDED

The most urgent proposals for revision of the current political “Mobility Package” proposals, for which the author found consensus, are the following:

# 1

Remove the “Weekly Off-Cabin Rest-Period” proposal. Substitute it with a powerful parking infrastructure initiative.

# 2

Do not jeopardize a major part of Europe’s road transport capacity and flexibility by making cross-trade operations infeasible, thus rapidly forcing out the many smaller operators from the “periphery” countries, but allow for an extended period of educating transport providers and their big customers to adopt to better harmonized wage levels, the professionalization of small business trucking management, and fully harmonized and simplified labor regulations between the EU’s member countries.

# 3

Put the focus of political and legislative efforts on simplification and harmonization across Europe, rather than supporting national protectionism by giving priority to national rules.

# 4

Promote new models for the operation of long-haul transport routes<sup>33</sup>.

With these proposals, the European road transport industry could continue on a path of supporting the integration and growth of European economies without disruptions, and of a gradual professionalization of the transport and logistics sectors for the benefit of its customers, its drivers, and of progress towards the objectives of better safety, working conditions and sustainability.”



<sup>1</sup> Source International Road Transport Union (IRU): “European Commission Mobility Package”, retrieved from [www.iru.org](http://www.iru.org), 26.6.2019.

<sup>2</sup> Among others IRU: “European Commission Mobility Package” 2019; the Employers Association Transport and Logistics Poland (TLP): “Position Paper” of 7.1.2019, Warsaw, Poland; European Association for Forwarding, Transport, Logistics and Customs Services (CLECAT): Analysis: “Mobility Package” of April 2019, Brussels Belgium; Bundesverband Logistik and Entsorgung (BGL) e.V.: “Stellungnahme zum Trilog Mobilitätspaket I “of 6.6.2019., Frankfurt, Germany.

<sup>3</sup> See the recent EU working document TRAN-DT-632799\_EN of 8.1.2019.

<sup>4</sup> See Verkehrsrundschau “Osteuropäische Verkehrsminister kritisieren ...” of 9.6.2017.

<sup>5</sup> See, e.g. Süddeutsche Zeitung: Article “Katastrophale Arbeitsbedingungen” of 12.11.18; Christine Fritschke, Deutsche Presseagentur “Osteuropäische Fahrer”, 23.4.2019; ARTE TV-documentation “Wahnsinn LKW” broadcast at 7.5.2019; European Transport Workers’ Federation (ETF) “Modern slavery in modern Europe” 2012.

<sup>6</sup> Tim Cook, CEO Apple Corp., as quoted by Kara Swisher in her article on “Chaos Factory”, the New York Times of 19.6.2019.

<sup>7</sup> The case of “letterbox” locations, where a fictitious set up just to take advantage of some regulation in a foreign country will not be considered here. There is no disagreement that this should be illegal.

<sup>8</sup> That same kind of inference has been applied since 2016/17 to the “Off-Cabin Rest” regulation of EC 561/2006, as described in this report above, section III.1.3!

<sup>9</sup> ROME I, respectively regulation EC 593/2008, specifies that the law applicable to labour contracts may be explicitly chosen by the parties in the contract (Art. 3). But if a given choice would be “depriving the protection afforded to him (in the respective host country) by provisions that cannot be derogated from”, then the law of the country applies, “where the employee habitually carries out his work” (Art. 8.2).

<sup>10</sup> Quantitative freight data is from Eurostat. Estimate on number of heavy trucks, drivers, and annual cost volumes are the author’s – based on various sources, such as Eurostat road\_eqs\_lorroa.xls. Explanations for this and following estimates by the author are available on request.

<sup>11</sup> For the source to this data and a compact summary EU road transport data, see EC-DG for Mobility and Transport, Unit C.1: “An Overview of the EU Road Transport Market in 2015”, May 2017.

<sup>12</sup> Source: Eurostat database, file road\_go\_ia\_ltt, retr. 0707-19, and author’s estimates. See also Endnote 10.! The reference to “full-time-equipment (FTE)” numbers is made, because – in reality – many trucks will do some domestic trips in their home countries and some international trips. The FTE-figures make the assumption that all international freight is carried on trucks doing international moves exclusively.

<sup>13</sup> Compare International Road Union (IRU) “Tackling Driver Shortage in Europe”, 20.3.2019. [www.iru.org](http://www.iru.org), Geneva, European Parliament, DG for Internal Policies, Employment and Social Affairs “Employment Conditions in the international Road Haulage Sector” Document IP/A/Econ/2014-7, 2015; BAG (see endnote 13 below!).

<sup>14</sup> The figures shown in this graph are the author’s estimates, based on Eurostat-data about the countries of registration of the European truck fleets and a variety of other sources (see also Endnote 10!). Due to the limitations of such data for the purpose here, figures are indicating “orders of magnitude” – they do not claim precision. Explanation of the considerations, on which the estimates are based, are available from the author upon request.

<sup>15</sup> The total number of heavy-duty trucks operation in Europe is about 2.6 mill., requiring nearly 3 mill. drivers. (To put this in perspective: The total number of trucks heavier than 3.5 tons gross-weight is about 7.5 mill. To total number of trucks registered in Europe, including light vehicles of less than 3.5 tons, is about 33 mill. Many of the l trucks < 3.5 tons are used for private purposes. See Eurostat database “road\_eqs\_lorroa”!).

<sup>16</sup> Source Bundesamt für Güterverkehr (BAG), “Marktbeobachtung Güterverkehr – Auswertung der Arbeitsbedingungen in Güterverkehr und Logistik 2018-I”, Sept. 2018, Köln/Germany.

<sup>17</sup> See e.g. the obligations of holders of a IFS certificate for food!

<sup>18</sup> In a separate effort from this study, the researcher estimated that – just in Germany, the country with the highest level of activity of border-crossing and transit inter-national truck movements – about 70 thsd. heavy-truck parking and accommodation facilities are needed, primarily during weekends. See Klaus, Peter “Wöchentliche Fahrer-Ruhezeiten und die EU-Kontroverse...” in DVZ, Deutsche Logistikzeitung 15.7.2018.

<sup>19</sup> An episodicall illustration of this quote by an interviewee was the observation that drivers occasionally check in hotels, have the receipts reimbursed by the company to be formally compliant, and then go to sleep in their cabin anyway.

<sup>20</sup> Such mutual claims were explicitly made to the interviewer by companies from Poland, Bulgaria and Germany and also by representatives of Polish and German industry associations

<sup>21</sup> See Smith, Adam, The Wealth of Nations, orig. published 1776, and recently Peter, Michael E. The Competitive Advantage of Nations, The Free Press, New York, 1990.

<sup>22</sup> Source company interviews. For Lithuania 13% is reported by [www.euomig.com](http://www.euomig.com), „Transport business in Lithuania”, retrieved June 19, 2019. In rapidly industrial-izing Poland, currently Europe’s, biggest provider of trucking services, the trucking share to GDP is estimated at 3-4%.

<sup>23</sup> European Union, The Treaty of Rome of March 25, 1957, article 2.

<sup>24</sup> Compare Eurostat “Statistics explained: Hourly Labor Cost” extracted April 2019. In Hungary, an average driver’s wage is twice the average school teacher’s salary.

<sup>25</sup> A separate analysis by the author (to be published shortly) of several hundred transport and logistics companies based in Germany proves this point. The average EBIT-figure of about 50 full-load trucking companies included in this analysis shows a modest 2.3% earned on revenues.

<sup>26</sup> Notwithstanding that there are such cases, as many of the interviewees said. The industry needs to make any possible effort to make the tough driver job more attractive, to reduce misuses and to increase the drivers jobs attractiveness.

<sup>27</sup> Quote by one of the south-Eastern European company representatives interviewed.

<sup>28</sup> It was learned from the interviews, that the further out at the periphery of the European Union the drivers’ family home are, the more they tend to prefer longer work cycles.

<sup>29</sup> See the EC source referred to in endnote 11. The empty run share is much higher, up to 50%, for operators of specialized equipment (such as tankers, silo, finished automobile and live-stock trailers).

<sup>30</sup> At least one interviewee doubted that this figure is correct. His estimate was there may be a range of up to 20% more Cabotage operations which are not reported correctly.

<sup>31</sup> Cabotage tokm volumes are only about 6.4% of the border-crossing volumes, as shown in Exhibit I.

<sup>32</sup> For details see the study by the French Comité National Routier (CNR) “Comparative study of employment and pay conditions of international lorry drivers in Europe” of Nov. 2016, Paris.

<sup>33</sup> Such as “relay” types of operations and sharing in intermodal routes.

Companies Interviewed	Country	Interviewee Position	approx. no. of heavy trucks operated	+ sub-contracted	primary type X-border operation
Road Transport Carriers					
Arcese Trasporti S.P.A.	Italy	CEO	1000		EU bilateral and cross-trade
Boekestijn Transport Sp. z o.o.	Poland/ Netherlands	Director Operations	350		EU cross-trade
Dartom Sp. z o.o.	Poland	Managing Director	190		EU cross-trade
Discordia, Internat. Trspt	Bulgaria	President and CEO	650		EU cross-trade
Duvenbeck Holding GmbH	Germany	Managing Partner	1 500	500	EU bilateral
Elflein Spedition &Transport GmbH	Germany	President and CEO	500		EU domestic and intl. bilateral
Eurospeed Cargo Trspt	Bulgaria	Vice President	140		EU cross-trade
Finsterwalder,Transport & Logistik	Germany	General Manager	250	250	EU bilateral and cross-trade
Gartner KG	Austria	Vice President	1 500	500	EU cross-trade
Grupo PrimaFrio	Spain	CEO	2 000		EU bilateral and cross-trade
Heinloth Transport GmbH & CO. KG	Germany	Owner & Managing Partner	80	250	EU cross-trade
Kreiss SIA	Latvia	Executive Vice President	1 500		EU cross-trade
L.I.T. Expeditions GmbH	Germany	CEO	500	300	EU bilateral and cross-trade
Link international Transport Sp. z o.o.	Poland	CEO	600		EU cross-trade
LKW Walter int. Transportorganisation AG	Austria	Director		8 000	EU bilateral and cross-trade
Quehenberger Logistik GmbH	Austria	CEO	400	1 500	EU cross-trade
Raben Transport Sp. z o.o.	Poland	Managing Director	200	800	EU bilateral and cross-trade
Targor-Truck Sp. z o.o.	Poland	Chairman	300		EU cross-trade
Vos Logistics	Netherlands	CEO	800		EU bilateral and cross-trade
Waberer's International	Hungary	CEO	4 000		EU cross-trade
Woodex	Poland	Managing Director	10		EU cross-trade
Asset light carriers & Forwarders					
DSV Road Holding A/S	Denmark	CEO		10 000	EU bilateral and cross-trade
Nagel-Group Deutschland SE & Co.	Germany	CEO	300	1 000	EU bilateral and cross-trade
Transa DB Schenker	Germany	CEO		3 000	EU domestic and bilateral



## Appendix 2:

### Illustrative estimate of “Enforced Truck Homecoming” cost: Case of the Baltics

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1. Currently at least 25-30%, of more than 70 thsd. long-haul drivers, resp. 60 thsd. trucks operating out of the Baltics can be assumed to being engaged in “Cross-Trade” and Cabotage operations within the “Banana” countries, Northern and Western Europe. This amounts to 20-30 thsd. trucks assumed on trip cycles of more than 3 weeks (See Exhibit I and endnote 22 above!).
2. For many of these, the number of “homecoming” trips will increase from currently 6 to 8 times per year (assuming cross-trade trip cycles of 6 to 8 weeks), to at least 12 times – which corresponds to a 50% increase of homecoming trips.
3. The average distance of the cross-border trips for Lithuanian Truckers to their Central and Western European loading sites is about 800 km. Each extra “home-coming” round-trip adds an average 1600 km run at a cost of about € 1600. Those additional runs statistically will be mostly empty, adding no revenue, because the amount of freight originating or unloading in the Baltics is far less than the capacity provided by Baltic truck cycles prior to an introduction of Enforced Homecoming.
4. It is assumed, that the additional cost of € 8.000 per truck (€ 1600 per trip, 5 additional homecoming cycles per year) is applied to 15 thsd. of the “Cross-Trade” trucks (see assumption in 1st paragraph) this amounts to € 120 million per year.
5. If the € 120 mill. per year is related to the total annual cost of the Baltic international truck fleet doing Cross-Trade business of 25 thsd. units – which is € 2.5 bill. – the increase comes to about 5%. This does not include secondary consequence, such as environmental cost and the effects on the driver supply and demand balance.
6. The 5% estimate will be higher, if the consideration is applied to fleets further out on the European periphery (e.g. Bulgaria, 900 km avg. intl. trip distance, Portugal 900 km, Romania 1100 km.

## Appendix 3:

### Illustrative estimate of the cost of making “Cross-Trade” operations largely infeasible

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1. The number of trucks currently doing cross-trade operations in Europe from “periphery” country home-bases is estimated at about 80 to 100 thsd., operated by ca. 100 thsd. to 123 thsd. drivers. This number is derived from the estimate of a total 310 thsd. periphery country drivers regularly operating in the high transport demand “Banana” countries (see sect. IV.1 in the report, the explanation of the European capacity demand vs. supply “Divide”), and the statistical fact that 26.5% of all border-crossing transport in Europe is Cross-Trade (see Exhibit II)
2. The current gap in gross annual expenditures for a driver between the high-wage Central European countries and the lower-wage Eastern and South Western European countries is assessed at € 10 thsd. p.a., respectively at ca. 35%. If it is assumed that the expenditure for 112 thsd. “low cost” drivers (see pt. 1 above!) is raised to the level of the “high cost” drivers, because these drivers will have to be paid at the higher Central European levels after the application of the Posted Workers rules and “Rome I”, this amounts to an absolute additional expenditure of € 1.1 bill. p.a. just on wages. (The € 10 thsd. gap assumed here is the difference of an assumed current average annual expenditure for a driver of € 37 thsd. in high cost countries, vs. € 27 thsd. in low cost countries (interview information. See Sect. V.2!)).
3. The estimated total annual operating cost (about equal to revenue) of the 310 thsd. trucks at current cost levels in lower cost countries considered in this calculation will be about € 30 bill.
4. The cost increase by the assumed elimination of cross-trade and the migration of that truck capacity to Central/Western European locations, including the higher Diesel-, facility-, and administrative cost there, will be in the order of € 2 to 2.5 bill. p.a., or 7-8%. This does not include the cost and losses to be incurred for the transition process.





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The first half of his work life was spent in his family's transportation business in Germany, where he started getting a vocational training as "Speditionskaufmann" and became managing director in the 1970's. After the sale of the company in 1978 he spent more than four years in the United States to acquire a Master's degree at MIT and a Doctoral degree at Boston University.

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