

CNR EUROPEAN STUDIES

Road transport of Polish goods

Abstract

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The leading economy in central and eastern Europe, Poland represents a market of nearly 40 million consumers. After a painful period of war followed by Soviet domination, the country quickly decided to become part of Western Europe as soon as the communist regime fell. The Polish economy then experienced significant growth, accentuated by the accession of the country to the European Union in 2004. After the global economic storm of 2008, during which Polish GDP was the only one not to fall in Europe, the Polish economy remains solid with a steady decline in its unemployment and record growth rates. Two years ago, it became an exporter generating a trade surplus. All indicators are green.

However, this now flourishing, ex-communist economy seems to have adopted a social system with standards close to those of the US, rather than those existing in the more developed countries of Western Europe. Social tensions are beginning to be felt in all sectors. The political powers are trying to respond to the expectations of the people by consequent increases in salaries, starting with the minimum wage.

Its road transport of goods (RFT) participates fully in this economic expansion. The second largest sector in Europe, after the German sector and the imposing leader of international transport, the Polish sector dominates the European RFT landscape in an increasing way. In this economic and social context in turmoil, the Polish RFT sector is often located in the heart of European debates, both at the level of the social regulation of drivers (for example, with the Posted Workers Directive) and that of competition on the RFT market.

To follow the evolution of the Polish RFT sector in the European landscape and explain the components of its success, in 2017, CNR updated its 2011 study on the Polish RFT sector. This new study was conducted in a delicate period where the mistrust of the Polish carriers and administrative managers toward CNR's studies was increasing. The complete version of the study can be viewed on the CNR website at: www.cnr.fr, in the CNR/Europe Publications section. This document provides a summary of the main points and draws a comparison with the French RFT sector. For any further information, please contact Alex Ugurlu at CNR, a-ugurlu@cnr.fr.

Economic framework and transport infrastructure

With a population of almost 40 million inhabitants, Poland is the largest country in the East and in the centre of Europe. Its economy is benefiting from substantial foreign investment, coming from European countries for the most part, putting the Polish economy in a position of strength in the production of goods. Thus, the share of Polish industry in the total economy, 34% of GDP, exceeds the rates generally seen in the West.

The Polish growth is being sustained by the consumption of households. The decline in unemployment is accentuating the trend. In the end, Polish GDP has been experiencing growth rates of more than 3 % on an almost unbroken pace since the fall of the communist regime.

At the social level, important reforms have been adopted recently and the minimum wage is regularly upgraded. Conditions in employment contracts have been reviewed, putting an end to, for example, incessant fixed-term contracts, which are now limited. Nevertheless, Polish employees remain vulnerable to their businesses which protect their ability to dismiss with minimal costs and complications.

In terms of transport, the country represents an unavoidable transit zone in the North-South axis which connects Finland and the Baltic countries to the rest of Europe. It is also the main point of passage for trade between Europe and Russia. Its road infrastructure, including the poor quality that had been highlighted during the 2011 study, is much improved since. The construction of motorways is continuing and the quality of national roads has leapt forward. The importance given by the central administration to road transport is manifested by significant progress in terms of infrastructure.

The main Polish port, the port of Gdansk, is still experiencing difficulties in developing in the same way as the major Dutch, Belgian and German ports because of the very strong competition. In the air sector, the airports at Warsaw and Krakow satisfy domestic demand and the rise in passenger numbers comes from the Polish diaspora, but they struggling to impose themselves as genuine international hubs.

Activity growth in Poland's RFT sector

The Polish road freight transport sector is an history of consecutive successes whose magnitude does not weaken:

- The total Polish RFT sector has multiplied by 3 since the entry of the country into the EU (2004).
- The Polish sector became the leader of international transport in Europe as early as 2007.
- It has managed to create and dominate a new market, that of international transport between third-party countries, imposing itself as an indispensable actor in the trade of developed countries in the West.

According to the provisional statistics on RFT activity in 2016, the Polish sector had a growth rate of 11.5% on one year, while the European RFT sector grew by 5.9%. Poland alone achieves more than 28% of the activity of the European international RFT sector. Its only weakness is its national transport that has stagnated since 2013.

This development is, however, accompanied by various problems. Today, the carriers are questioning the viability of their profession. This is because margins are eroding with the general price decrease of transport in Europe. Currently, they are winners of the price war between the sectors in the East, in a context where the price of fuel is declining more in Poland than elsewhere, but they are aware of the dangers of a possible reversal of the situation to the extent that they are not protected by an indexing mechanism on the price of diesel.

RFT* evolution in France and Poland									
Transport Total	million of t-km								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
France	206,304	173,621	182,193	185,685	172,445	171,472	165,225	153,580	155,843
Poland	164,930	180,742	202,308	207,651	222,332	247,594	250,931	260,713	290,749
Domestic Transport	million of t-km								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
France	181,879	156,021	164,325	168,242	156,449	155,712	151,112	141,242	144,205
Poland	71,917	79,207	82,218	89,013	89,013	100,320	96,627	104,679	106,634
International Transport	million of t-km								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
France	24,425	17,600	17,868	17,443	15,996	15,760	14,113	12,339	11,638
Poland	93,013	101,534	120,090	117,917	133,319	147,274	154,303	156,034	184,115

* in EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

The awareness of the countries in the West of the need to preserve their sectors is another concern of the Polish carriers. The attempts to harden the market rules, initiated by Germany with the application of the German minimum wage regulation for foreign drivers, followed by France, with the obligation to spend the regular weekly rest period outside of the cab and the respect of the minimum wage, have been very poorly received.

Poland, which sees international RFT as a tool for putting pressure on the economies of the West, is fighting to protect its sector. ZMPD, the powerful professional organisation, no longer hides its political ambitions and shows itself more than ever to be at the sides of the government.

Operating conditions and costs

In the framework of its international studies, CNR organises interviews with local carriers and drivers in order to estimate conditions and operating costs and observe the market. In 2017, CNR met with professionals from the sector in Poland, as well as Polish drivers at car parks outside of Poland, in a climate of growing distrust toward its studies.

Compared to the previous report published in 2012, professionals appear to have more concerns about their drivers. In fact, in the space of 5 years, the appearance of a lack of drivers has weakened the main advantage of the sector on which the attractiveness of the Polish sector was based, namely productivity. The driver/cab ratio is decreasing due to this shortage. The mileage of drivers is also dropping under pressure from the drivers, who are asking for shorter rounds and more frequent returns home. Thus, the productivity of the rolling stock is down, -14% of the annual mileage for a Polish vehicle.

For the moment, the carriers are trying to overcome this problem by better management of their costs. The cost of owning and financing vehicles is decreasing compared to 2011, as is insurance. The management of semi-trailers is being optimised. Interest rates applied on flexible lease contracts favour the carriers, without forgetting the significant decrease in the price of diesel for the last 2 years. The price per litre has gone from €1.008 to €0.782, i.e. -12.5%, which eases the burden of the biggest cost line. Lithuania, Bulgaria and Poland, the main competitors on the international RFT scene, currently offer the most attractive commercial diesel price in the EU.

Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2017 values			
	unit	France	Poland
Yearly mileage of vehicle	km	113,280	134,400
Number of operating days	days/yr	229	265
Semitrailer/tractor ratio		1.39	1.25
Driver cost	€/yr	47,492	20,438
Driver/tractor ratio		1.06	1.05
Yearly cost of vehicle financing and possession	€/yr	14,572	12,894
Average consumption per 100 km	litres	32.0	30.4
Fuel cost. 2016 average (1)	€/litre	0.857	0.782
Fuel cost	€/yr	31,059	31,946
Tyres	€/yr	3,172	4,200
Maintenance-repair	€/yr	8,553	4,600
Tolls	€/yr	9,479	15,500
Insurance (vehicle)	€/yr	2,267	2,700
Axle tax and other vehicle taxes	€/yr	516	1,192
Synthesis – cost price (except structural costs)		120,149	94,493
Cost/mileage ratio per annum	€/km	1.06	0.703
Base 100 France		100	66

(1) after partial recovery of TICPE in France

Source : CNR european studies

The cost of drivers has increased little. Despite tensions on the labour market, Polish carriers do not hesitate to call on foreign drivers (including Ukrainians, Russians, Georgians or Kazakhs) in order to limit the increase of this strategic cost line.

The cost of tolls is exploding as a result of the multiplication of toll miles across Europe, but this cost line affects all European carriers in the same measure.

According to CNR's calculations from on-the-spot conversations, the cost per mile (excluding structural costs) in Poland is 34% below the French level. Structural costs are generally estimated to be in the range of 8 to 12% in addition to the cost per mile given above, i.e. a total cost of between €0.76 and €0.79/km. This is consistent with the statements of Polish professionals who say they have an average total mileage cost below 80-euro cents.

Employment conditions and driver employment costs

The Polish labour market is changing very quickly. In a climate of social pressures where drivers are rare, their working conditions are improving. They go back to base more often and do fewer miles. They accept rounds lasting several months with greater difficulty.

For the moment, their remuneration is not moving very much and the mode of calculating remuneration based on their productivity seems to continue to be the norm. On the one hand, companies say they have adopted a method of remuneration calculation based on daily presence, namely a fixed rate of nearly €50 per day, without counting rest days, which adds to the basic salary, which is still close to the local minimum wage of €476 per month. On the other hand, the majority of drivers reported receiving a mileage fixed rate. As in 2011, this variable part of remuneration is still declared in the form of daily allowances, not subject to the payment of contributions or tax, nor giving the right to access social benefits. Thus, Polish drivers are protected only to the extent of their basic salary on which contributions are calculated.

Certain bonuses are making an appearance, such as the no-accident bonus and the eco-driving bonus. Christmas bonuses are also frequent in this country committed to its Catholic traditions.

During the interviews, no reference to overtime was made. It does not appear on payslips either.

Comparison between the cost of drivers in France and in Poland, 2017 values			
	Unit	France	Poland
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	29,544	6,180
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	8,996	12,900
Employer contributions (after deduction of state aids)*	%	30.3%	22.0%
Employer contributions in absolute terms	€/year	8,952	1,358
Annual cost total	€/year	47,492	20,438
Number of actual working days per year	day/yr	216	252
Working time per year	hour/yr	1,551	1,980
Annual mileage		106,466	128,000
Cost of one hour's work	€/h	30.62	10.32
Base 100 France		100	34
Cost per kilometre	€/km	0.45	0.16
Base 100 France		100	36

*after Fillon deductions in France

Source : CNR European Surveys

In comparison with France where wages have also changed little since 2011, the cost per mile of a Polish driver still remains very low, i.e. 36% of the cost per mile of a French one, which is an increase of one point compared to 2011.

To conclude, in 2017, the Polish RFT sector seems to be confronted with sizeable social claims and a penalising lack of drivers, of which the additional costs generated can still be absorbed by savings on other cost lines. Thus, good fleet management and favourable economic conditions for companies allow the Polish sector to achieve excellent business results. Their position of strength on the West European markets and the rise in the range in terms of quality of service provide it with a competitive advantage that the other sectors of the East are struggling to obtain. At the same time, the Polish RFT sector is increasingly considered as a politico-economic tool by the public authorities, which don't hesitate to protect it openly on the European scene. The RFT sector, often mistreated in the West, is placed in the heart of commercial interests by the countries of the East. Poland in the front row.