

EUROPEAN STUDIES

# Road Freight Transport (RFT) in Portugal Summary

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Located in the far South-West of Europe, Portugal is a country that has managed to develop rapidly since its entry in the European Union in 1986. With the assistance of the European Union, the country has modernised by creating efficient infrastructures. However, the Portuguese economy, which mainly relies on exports, was severely affected by the 2008 economic crisis. The country, which was placed under the surveillance of the European and international economic powers, recovered and returned to economic growth by mid-2014. During this long economic readjustment process that aimed to restore competitiveness in the Portuguese economy, the painful measures mainly hit the wage earners.

Although Portugal was freed from the Troika's support package on 17 May 2014, it has not yet returned to its pre-crisis economic level. A number of sectors, including RFT, still seem to be very uncertain. Following years of weak economic conditions and austerity packages, how well is the Portuguese RFT doing? Facing competition from the Eastern European countries, has the Portuguese flag managed to regain any market shares in Europe?

To answer these questions and update its 2002 survey on Portuguese RFT, CNR carried out a field study between May and November 2014. The new study on Portuguese RFT draws a portrait on the economic, tax and social aspects of the sector.

The 2014 issue of Portuguese RFT survey was carried out in partnership with our transport expert Philippe Auquière from the *Conseil Energie et Transports* consulting firm. It is available on CNR's web page: [www.CNR.fr](http://www.CNR.fr) heading CNR Publications, Europe. This document offers a synthesis that underlines the main points and compares them with French RFT. For any further information, please contact Mr. Alex Ugurlu at the CNR, [a-ugurlu@cnr.fr](mailto:a-ugurlu@cnr.fr).

## **Economic framework and transport infrastructure**

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A small country with a population of 11 million, Portugal has only one neighbour, Spain, with which it shares the oldest border in Europe that has mostly remained unchanged since 1297. The Portuguese territory also includes the Azores and Madeira archipelagos, offshore in the Atlantic Ocean. They have specific regulations, which have not been dealt with in our Portuguese RFT survey.

Although it has often been mentioned among the developed economies in Western Europe, the Portuguese economy has actually never reached European average and remains supported by the European Union via cohesion funds. Although it had been driven by agriculture and fisheries for a long time, the Portuguese economy now relies on these two sectors only up to 4%, vs. 25% in the 1960's. Now the service sector plays a very important part in the country's economy, with almost 65% of the GDP while employing over 50% of the labour force. The finance sector (banks and insurance companies) has gained a relatively high rank in the country's economy since the privatisation schemes in the 1990's. Tourism, transport and mass market retailing have developed as well.

As for industry, the high added value sectors such as machine tool manufacturing, metallurgy, automobiles, timber and agrifood, have massively developed thanks to European investment, to the detriment of the traditional sectors such as textiles, which seem to suffer from competition from Asian countries.

As for infrastructure, the country has a comprehensive and up-to-date motorway network. Roads are considered of good quality and are well-maintained. Railways cover an extensive part of the country, but lack investment to modernise and to switch to high speed. The main airports, Lisbon and Porto, have witnessed an almost steady increase in the number of passengers, thanks to both tourism development and the round trips of the Portuguese diaspora in Europe. Sea transport is regarded as a strategic sector, but so far, the country has no major port likely to play a significant part in global trade. However, the port of Sines, the country's largest,

has recently been widened and its activity is growing. It is also to be noted that the country is among the most advanced in Europe in the field of renewable energies, whose share in power generation is almost 70%.

Portugal profits from direct foreign investment that can reach 40 billion Euros per year (one-quarter of the GDP). Over 95% originate from other EU countries, including France with 18.2%.

One of the weak points of the Portuguese economy is unemployment, which increased from 4% by the end of 2000 to over 17% in 2013. Since then, it has decreased. In October 2014, it amounted to 13.4% according to Eurostat.

### Activity evolution and RFT organisation in Portugal

The Portuguese domestic RFT sector has been steadily decreasing since 2008. In 2013, it only accounted for 53% of the 2007 peak. The local organisations explain this phenomenon as being due to the slowdown of exports and the marked drop in domestic demand since the beginning of the 2008 economic crisis.

On the other hand, international activity has managed to adapt, and thus to remain predominant. Further to a drop of almost 24% between 2007 and 2009, it returned to growth in 2010, and in 2013 it recovered pre-crisis levels. This activity profits from the moderate wage policy that was implemented by the Portuguese government, with the immediate effect of an improvement of the country's competitiveness Europe-wide. In absolute terms, international activity exceeds French levels. It accounts for 73% of all activities in Portugal, vs. 9% in France (cf. table below).

RFT* evolution in France and Portugal								
Transport Total								million of t-km
	2006	2007	2008	2009	2010	2011	2012	2013
France	211,445	219,212	206,304	173,621	182,193	185,685	172,060	171,472
Portugal	44,835	46,203	39,091	35,808	35,360	36,453	32,935	36,555
Domestic Transport								million of t-km
	2006	2007	2008	2009	2010	2011	2012	2012
France	182,753	191,388	181,879	156,021	164,325	168,242	156,079	155,712
Portugal	17,540	18,319	17,114	14,424	12,881	12,673	11,180	9,773
International Transport								million of t-km
	2006	2007	2008	2009	2010	2011	2012	2012
France	28,692	27,824	24,425	17,600	17,868	17,443	15,981	15,760
Portugal	27,295	27,884	21,977	21,384	22,487	23,780	21,754	26,783

\* In EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

In Portugal, the RFT sector accounts for some 7,800 companies and over 50,000 vehicles. The prevailing professional bodies are ANTRAM (with over 3,000 companies) and ANTP. The Mobility and Land Transport Institute (IMT-IP), which is part of the Ministry of Economy, deals with licence issuance, training and MOT checks.

RFT Companies are often small enterprises registered as LDA (comparable to PLCs). Nearly 3,300 Portuguese RFT enterprises own 1 or 2 vehicles. The companies with up to 9 vehicles add up to 85%. Most of them have various activities and increasingly focus on international trade. The vast majority of drivers are Portuguese, but Romanian, Ukrainian and Brazilian drivers are employed as well. Recruiting foreign drivers has been made easy and is believed to have a negative pressure impact on remunerations, thus maintaining basic salaries close to the collective agreement minimum.

Subcontracting is rather underdeveloped in the Portuguese sector. However, a number of Portuguese hauliers work for Spanish forwarding companies that are mainly based in Irun, on the French-Spanish border.

### Operating conditions and costs

Within the scope of its international surveys, CNR arranged interviews with local hauliers to assess the operating costs and observe the market conditions. In 2014, CNR met a dozen company representatives and some twenty drivers.

The Portuguese requirements relating to the financial standing of RFT businesses are unique in Europe. To prevent market fragmentation and strengthen the financial health of these businesses, the Portuguese regulations require them to have a €125,000 minimum share capital upon their creation (whatever their legal form). This comes on top of the customary financial conditions provided for in the RFT European regulations.

A Portuguese feature in the European RFT sector is the intensive use of the rolling stock. Indeed, the Portuguese businesses tend to operate their vehicles as long as they possibly can. The newest vehicles are often operated internationally, mainly to save on toll costs. As a rule, all new HGVs are operated internationally up to 1,000,000 km (i.e. 7 years). Then, according to vehicle condition, it is either sold or operated countrywide for another 2 to 3 years. This practice accounts for the low financing and annual life cycle costs, despite high interest rates in Portugal.

A Portuguese vehicle is driven for over 30,000 km/year more than a French HGV, which can be compared to the intensified use of vehicles in the Eastern European countries. Portuguese average fuel consumption amounts to just a little below that observed in France. On the other hand, the net price of fuel is higher in Portugal. Small businesses take little advantage of either the TICPE tax recovery in France or its Spanish equivalent.

<b>Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2013 values</b>			
	unit	France	Portugal
Yearly mileage of vehicle	km	111,830	141,034
Number of operating days	days/yr	229	244
Semitrailer/tractor ratio		1.35	1.27
Driver cost	€/yr	46,862	26,217
Driver/tractor ratio		1.07	1.04
Yearly cost of vehicle financing and possession	€/yr	13,777	12,355
Average consumption per 100 km	litres	33.4	32,3
Fuel cost. 2013 average (1)	€/litre	1.08	1.13
Fuel cost	€/yr	40,407	51,426
Tyres	€/yr	3,254	3,500
Maintenance-repair	€/yr	8,689	5,923
Tolls	€/yr	8,828	13,000
Insurance (vehicle)	€/yr	2,702	2,300
Axle tax and other vehicle taxes	€/yr	516	655
<b>Synthesis – cost price (except structural costs)</b>		<b>128,315</b>	<b>116,425</b>
Cost/mileage ratio per annum	€/km	1.15	0.83
Base 100 France		100	72

(1) after partial recovery of TICPE in France

Source : CNR european studies

As for the other cost items, toll costs are high for the Portuguese hauliers, especially because of the more frequent use of the motorways abroad. Yet, some hauliers state they do not systematically favour motorways and believe they save a lot by driving along the domestic road network in Portugal, Spain and France.

Ultimately, CNR considers that the Portuguese operating costs (excluding structural costs) are 28% lower, in particular thanks to lesser labour costs in Portugal (an advantage for the cost items related to the drivers and the maintenance/repair staff).

### **Driver employment and cost conditions**

The labour code reform of early 2012 has fundamentally changed the employment and dismissal conditions of the Portuguese wage earners. From then on, the Portuguese labour market has profited from some flexibility in terms of dismissal, resulting in a downward pressure on salaries. As for RFT, the significant drop in domestic activity has resulted in an oversupply of drivers. Consequently, the salaries observed by CNR in the field are getting closer to the collective agreement minimum.

In Portugal, RFT collective agreement has been in force since 1980. It is mandatory. The minimum gross salary paid to the long-haul drivers amounts to a monthly €545. The collective agreement provides for the settlement of 14 months per year. The 13<sup>th</sup> and 14<sup>th</sup> months can be paid on a monthly basis.

In addition to the basic salary, the collective agreement provides for several mandatory bonuses and allowances:

- Long-service bonuses amount to at least €14.23/month for every 3 years of service.
- Clause 74 of the agreement provides for a remuneration that compensates for arduous working conditions as well as possible overtime, which are not easy to verify precisely. The remuneration in the Clause 74 cannot be lower than two hours' overtime per day. Its calculation is based on the driver's hourly salary, increased by the legal additional overtime payments. The monthly median value of this provision is €240/month. It is also applied to the 13<sup>th</sup> and 14<sup>th</sup> months.
- The TIR bonus is paid to those drivers that drive abroad in the performance of their duty. It is completely independent from the number of days spent travelling. It amounts to €105.74 per month of activity and is updated every year. It is subject neither to social contributions nor to the income tax.
- Weekend allowances are paid for every weekend spent away from home. The amount varies according to the companies, but it amounts to some 80 € in average per weekend. These allowances are subject neither to social contributions nor to the income tax.
- Travel allowances are exempted from social contributions and taxes if they do not exceed a daily ceiling of €39.83 in Portugal and €72.72 abroad.

Both the minimum salary and the above benefits are mandatory. In addition, there is a variable part of €0.065 per km driven in the month, which is settled as travel expenses. According to CNR's observations, the companies grant some €800 by month of effective work as travel expenses to those drivers driving the maximum driving time provided for by the European regulations. Payslips do not mention the actual number of working hours, as the minimum basic salary is a 30-day monthly lump-sum. Overtime is scarcely paid and is sometimes settled as days off. Employer/employee relationships are based on flexibility and reciprocity. More details are to be found in particular on pages 42 to 46 of the full report.

Comparison between the cost of drivers in France and in Portugal, 2013 values			
	Unit	France	Portugal
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	28,740	11,318
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	8,724	10,868
Employer contributions (after deduction of state aids)*	%	32.7%	28.5%
Employer contributions in absolute terms	€/year	9,398	3,220
Annual cost total	€/year	46,862	26,217
Number of actual working days per year	day/yr	215	235
Working time per year	hour/yr	1,546	1,980
Annual mileage		104,514	135,610
Cost of one hour's work	€/h	30.31	13,24
Base 100 France		100	44
Cost per kilometre	€/km	0.45	0.19
Base 100 France		100	43

\*after Fillon deductions in France

Source : CNR European Surveys

To conclude, the crisis has led the Portuguese drivers to make serious efforts on their remunerations and working conditions. Consequently, they demonstrate very high productivity. On average, they cost €26,217 annually to their employers for a driving time of at least 1,980 hours per year. Thus, the cost of one hour drive is estimated at 55% below the French cost. This labour cost can even compete with that of the Eastern European countries. Therefore, all transport statistics indicate that the international activity of the Portuguese RFT has been preserved.