

## **The controversy of the EU's international truck driver rest time propositions: Road transport price increases ahead!**

Peter Klaus, vers. 2018. 07. 28.

In a vote on the 4<sup>th</sup> of July 2018, the Members of the European Parliament rejected the amendments of the Transport Committee to proposals on updating truck drivers' rest time rules, cabotage and posting of drivers. They referred them back to the committee for further consideration.

### **What is the controversy?**

On the 31<sup>st</sup> of May 2017 the EU Commission introduced a wide-ranging set of initiatives which is commonly known as the Mobility Package.

The EU Commission's well-meant rationale is to eliminate safety hazards caused by fatigue of long-distance international road drivers, and to improve and harmonize competitive conditions, working conditions and work life quality of those drivers, regardless of their country of origin. But ever since the introduction of the Mobility Package, members of the road transport industry have been questioning the feasibility of the two most relevant initiatives, i.e. the ban on taking the drivers' mandatory 45+ hrs. weekly rest periods in the cabin of the vehicle, and the application of the Posted Workers Directive to the mobile workers of the industry.

On the 4<sup>th</sup> of June 2018, the Committee on Transport and Tourism (TRAN), which is a committee of the European Parliament, voted in favor of the following proposals for more workable changes to the package:

- Drivers can work for three weeks in a row taking advantage of a reduced weekly rest period in the cabin of the vehicle, however this must be in a dedicated parking area;
- Posted Workers Directive is applicable in case of cabotage operations and the road leg of combined transport, while other international transport operations are excluded from the posting regime.

But the European Parliament, on the 14<sup>th</sup> of June 2018, refused the committee's proposals. On the 4<sup>th</sup> of July 2018 they were referred back to the TRAN committee.

### **What does this mean to the transport industry?**

In any event: There will be severe consequences. Some of these consequences, apparently, have not been considered by the politicians involved, and are not yet fully understood by the affected shipper community.

Look at the example of Germany: Germany is at the crossroads of the European long-distance road transport activities. 20-25% of the total EU road transport activities take place here. Approximately 150-160 thousand international trucks and truck drivers are estimated to operate within the German borders every day: loading, running, unloading, waiting or resting. They log about 56 million km/workday (14 billion km annually), which corresponds to 42% of the total "mileage" logged by all heavy vehicles on German highways.

Our estimates suggest that this translates into

- *demand every workday* for 120+ thsd. truck parking spaces by drivers who need to take their daily (9-11 hour long) rest period. This rest may be spent inside the truck cabin and parked alongside highways and on industrial sites.
- *demand every week* for 50+ thsd. truck parking spaces and separate sleeping facilities to accommodate the EU requirement for the full 45+ hour weekly rest periods, which *are not allowed to be spent inside a truck cabin*.

The original EU regulation of May 2017 requires that at least *two* full 45+ hour rest periods are taken in adequate accommodations outside of truck cabins within any 4-week working period by a long-distance driver. Up to two weekly rest periods may be reduced to 24 hours and spent inside cabins. The rejected TRAN proposal would have required that *one* 45+ hour rest period is taken every three weeks.

Germany has a severe shortage of dedicated truck parking spaces alongside the “Autobahns” which are suitable for the truck drivers’ daily rest periods. This is a fact of which politicians and the public are well aware. Some capacity enhancements are on the way.

But hardly any capacity in hotel, motels, and comparable facilities is available at this time which is suitable to host drivers and allows for legal and safe truck parking, as required by the current regulations. According to our estimate less than 1% of the 44 thousand German hotels and pensions would be accessible by 40 tonnes articulated vehicles.

How, then, could international road transport companies comply with the regulation? There are four alternatives, in principle:

1. Setting up networks of dedicated driver resting facilities:  
A very few examples are known in Europe, where large trucking companies are planning to install such facilities at selected locations.  
But – even under most optimistic assumptions – finding the necessary sites, financing and building a sufficiently dense network to host the several hundred thousand international road drivers across Europe will be a very long term proposition.
2. Change to “Relay” type operations:  
Some operators will be able to accomplish this by organizing Relay- (or “Pony-Express”-) type schedules for their trucks on certain two-directional traffic lanes. Drivers travel only for trip-segments not longer than one shift. Then they will be met by a driver coming the opposite direction, switch trucks or trailers, and return back home. A long-distance trip will be cut into several segments not exceeding a one-shift distance range around a driver’s home location.  
But this option is open only to operators serving freight lanes where large and highly regular two-directional freight volumes are moving. Only a relatively small share of European international freight volumes will meet those conditions. Where they can be applied, load factors will be lower than in flexible on-demand operations because of the rigidity of schedules necessary with this type of operation<sup>1</sup>.
3. Enforced “Rapid-Turn” operations:  
All other carriers will be forced to change their operations to a “rapid-turn” mode. i.e. making sure that their drivers will be back to their respective home locations within

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<sup>1</sup> The very same arguments apply to the option of shifting long-distance road to intermodal operations, which is not discussed here.

the two or three week time window, before the mandatory 45+ hour weekly rest period outside of the truck cabin is due. Rapid driver returns to their home bases will have to be made irrespective of the availability of backhaul- (or onward-) freight. The number of “forced” empty backhaul runs will increase. Capabilities by the carriers to respond to freight flow imbalances and fluctuations, which are inherent in Europe’s economic system, will be drastically curtailed.

4. “Non-Compliance”:

For those operators who cannot or will not choose any of the previous alternatives, there will be a permanent incentive to circumvent regulations.

### **Consequences on European transport prices and capacities**

If the assumption is made that international trucking operations could continue unchanged, and only the extra cost for hotel-type accommodations is calculated when drivers’ take their full weekly rest periods away from home, we estimate that the added direct cost to trucking operations in Germany will be in the order of € 250 million annually, about € 1 billion for the EU economy. That corresponds to an approximate increase of international trucking cost by 1.5-2%. This sounds like a moderate price for added road safety. But it has been shown to be *a mostly theoretical option* due to the non-availability of suitable parking and sleeping infrastructures for many years ahead.

Where road transport operators follow the options 2. and 3., as outlined above, in order to comply with the EU’s regulations, industry insiders estimate that *additional cost of empty miles and lower average load factors* will depress productivity and increase the total cost of international long-distance truck freight movements *up to 20% and more*: The current average share of empty run kilometers by heavy goods vehicles in Europe is 23%<sup>[2]</sup>. An increase by just 1% due to enforced changes to more “Relay” and “Rapid Turn” operations will add about 600 million empty run km p.a., corresponding to 180+ million liters of Diesel burnt, requiring 5000 additional trucks to be added to the European fleet of trucks of about 500 thousand heavy units which are involved in international moves at any time<sup>[3]</sup>. More trucks and drivers need to be employed.

Could such effects be absorbed by the carriers somehow?

The road transport, freight forwarding and logistics sector has been exposed to above-average increases in operating expenses for three years now: Due to demographic and economic trends the wages of the diminishing pool of European long-distance drivers are rising faster than general wage rates. So are insurance, and especially road tolls. For a time international carriers were able to compensate such increases with lower fuel prices, the second largest cost item in their operations. But this trend has changed recently. Just over the last five months the price of Diesel increased by at least 10%.

Trucking industry representatives claim that price adjustments in the order of 15-20% are necessary to maintain current capacity and service levels – and that is before the full negative productivity effects of the new regulations are accounted for.

### **Considering broader economic and social effects**

Transportation cost increases of this magnitude will cause the transportation industry’s customers – the shipper community – to redesign many of their supply chains. This is likely

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<sup>[2]</sup> Source EC (2017): An Overview of the EU Road Transport Market 2015, p. 17.

<sup>[3]</sup> Details on these estimates will be provided by the author upon request.

especially for price sensitive goods such as fruits and vegetables, and other low value consumer goods- A very large share of these products consumed in Europe is currently being moved over long distances - for example from the Iberian Peninsula and from South-Eastern Europe to Central European consumers. Significant increases of transport prices will cut off those regions as competitive suppliers from central European markets with hard-to-assess consequences for the emerging economies at the geographic periphery of the EU. Comparable effects may be seen with “extended workbench” arrangements between the higher-wage and lower-wage European countries.

Another effect will be in the accelerated concentration in the European road transport industry towards very large operators. They are in a relatively better position to invest in new driver accommodation networks and apply new types of operations practices than the smaller and medium sized operators.

Last not least: there are additional questions about the true effects of the new regulations upon the truck drivers’ work life quality, about road safety, and how the regulations could be enforced. If hundreds of thousand road drivers across Europe would spend 2-day weekly rest periods away from home at hotel-type facilities, will this in fact mean that they continue their trips better rested? Will drivers view oof-cabin rest periods as a true improvement of the quality of their work lives? How will it be possible for the authorities to systematically and fairly distinguish drivers who legally rest in their cabs from those who do not?

#### **A need for patience and bearing the cost of a sustainable European cargo transport system**

Over time the European road transport system will have to find healthy compromises to balance the complex interrelationship of safety concerns, economic and social effects, and the current realities of limited road, parking, and accommodation infrastructures. Shippers will have to face - and accept - that there will be significantly rising cost for a European transport system which is capable of meeting their capacity requirements. On this basis the carriers will have to build their capabilities to innovate and invest into their workforce, new operational technologies, and new infrastructures for a sustainable future.

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