

# Dynamics of the European road transport sector

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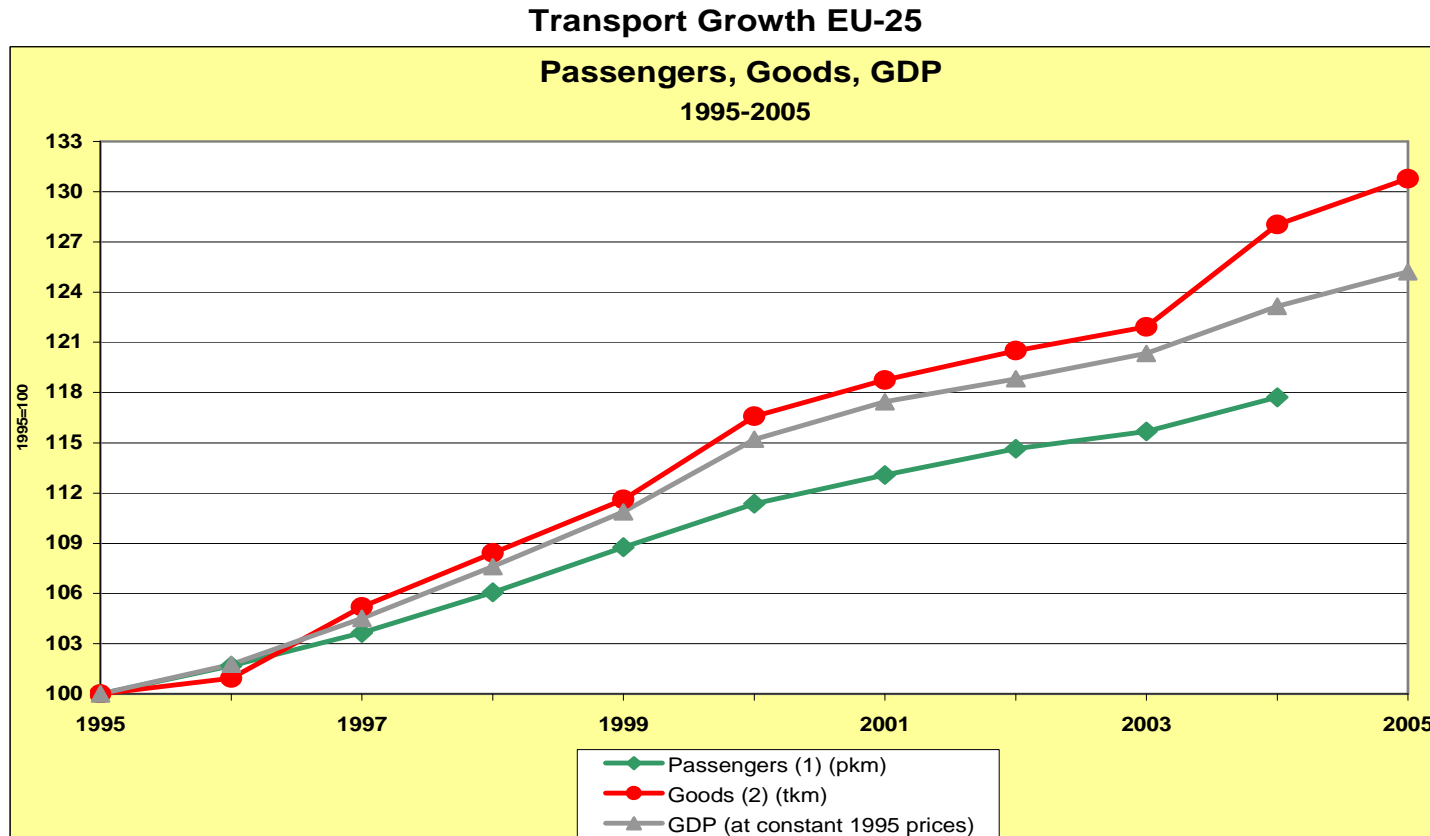
# Dynamics of the European road transport sector

1. Drivers supporting the European road transport market
2. Growth forecast of the European road transport market
3. Impact of road transport growth on European truck market
4. Main Opportunities and Threats

# Dynamics of the European road transport sector

1. Drivers supporting the European road transport market

# Transport sector vs GDP



Source :  
Eurostat

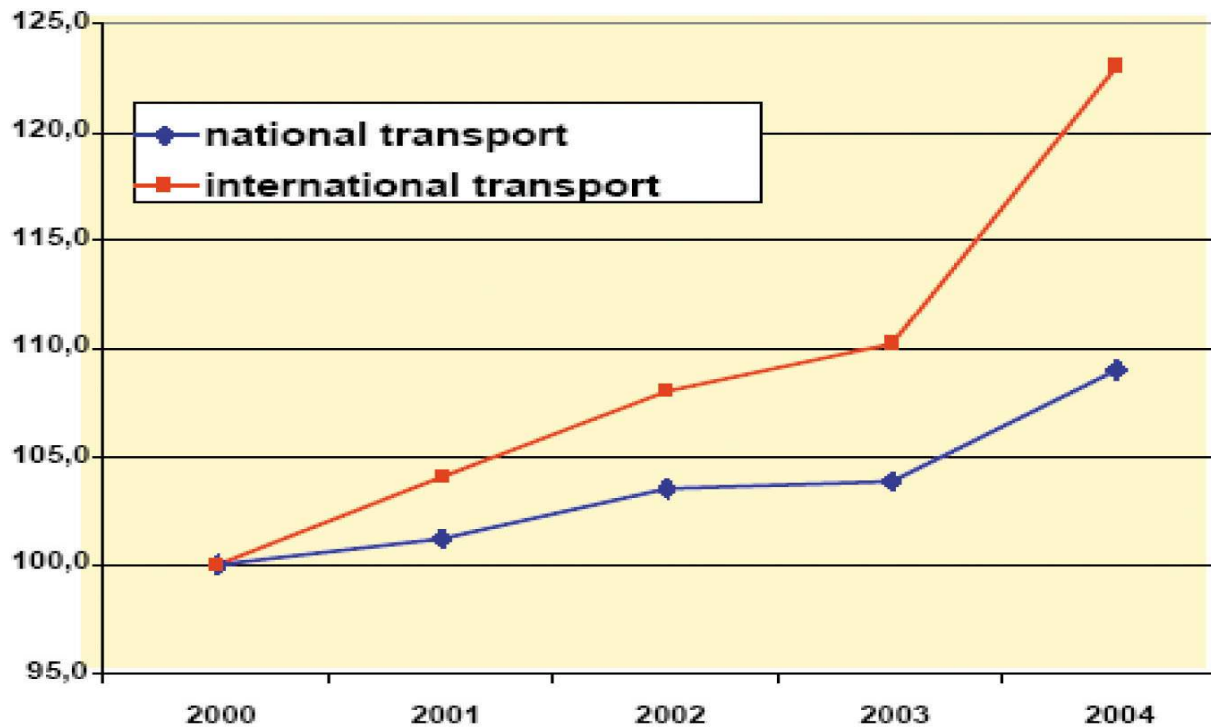
**Notes :**

- (1) : passenger cars, powered two-wheelers, buses & coaches, tram & metro, railways, air, sea
- (2) : road, sea, rail, inland waterways, pipelines,
- GDP: at constant 1995 prices and exchange



# Growth national vs international transport

Evolution of national and international road freight transport since 2000 (based on tkm)



Source :  
Eurostat

# National transport still dominant

1995 (EU15)

National transport = 861.5 bln tkm

International transport = 265.7 bln tkm (= 23.5 %)

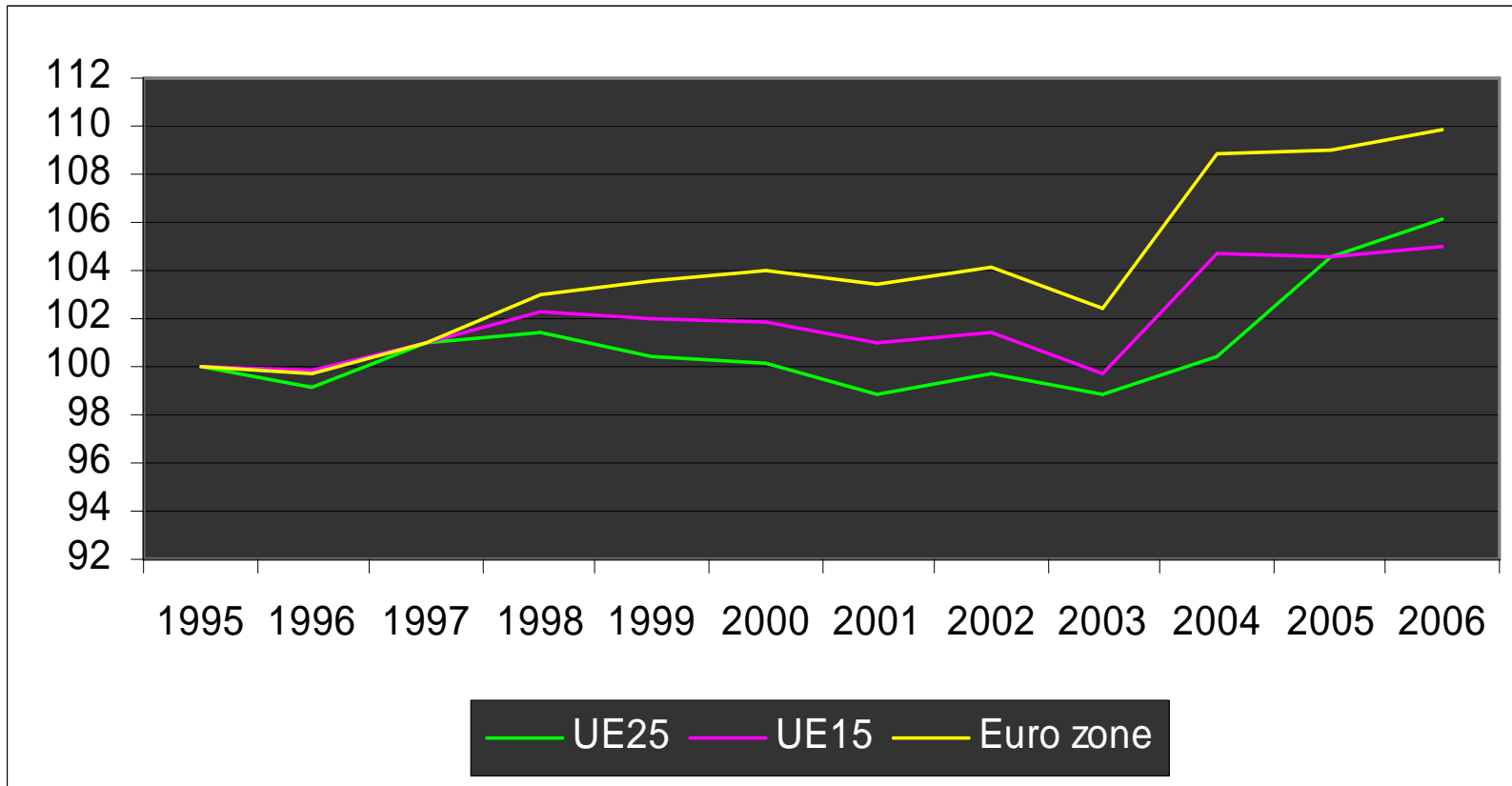
2005 (EU25)

National transport = 1094.4 bln tkm

International transport = 525.5 bln tkm (= 32.4 %)

*International transport is gradually making up lost ground, but most goods are still transported across less than 150 km*

# 2004, a landmark



Ratio between transport activity (tkm) and GDP growth. Source : Eurostat

# Transport outgrows GDP

- Reasons :
  - Good overall motorway infrastructure in EU15
  - More companies concentrate on a specific part of the value chain > more complex supply chains
  - Consignment size ▼ , speed ▲
  - EU enlargement : more consumers with a (gradually) higher purchasing power
  - EU enlargement > relocations : production plants further removed from consumer base > longer supply chains
  - Global Village > increased container traffic through major ports

> *Goods Transport is being driven by both ends of the Supply Chain*

# Asia, the leading power

## Worldwide Sea Freight Activity

Transpacific : 19 %	}	Asia = 56 %
Intra-Asia : 22 %		
Asia-Europe : 16 %		
Transatlantic : 5 %		

## Forecasts for China (container volumes)

2000 : 20 million Twenty Feet Equivalent Units (TEU)

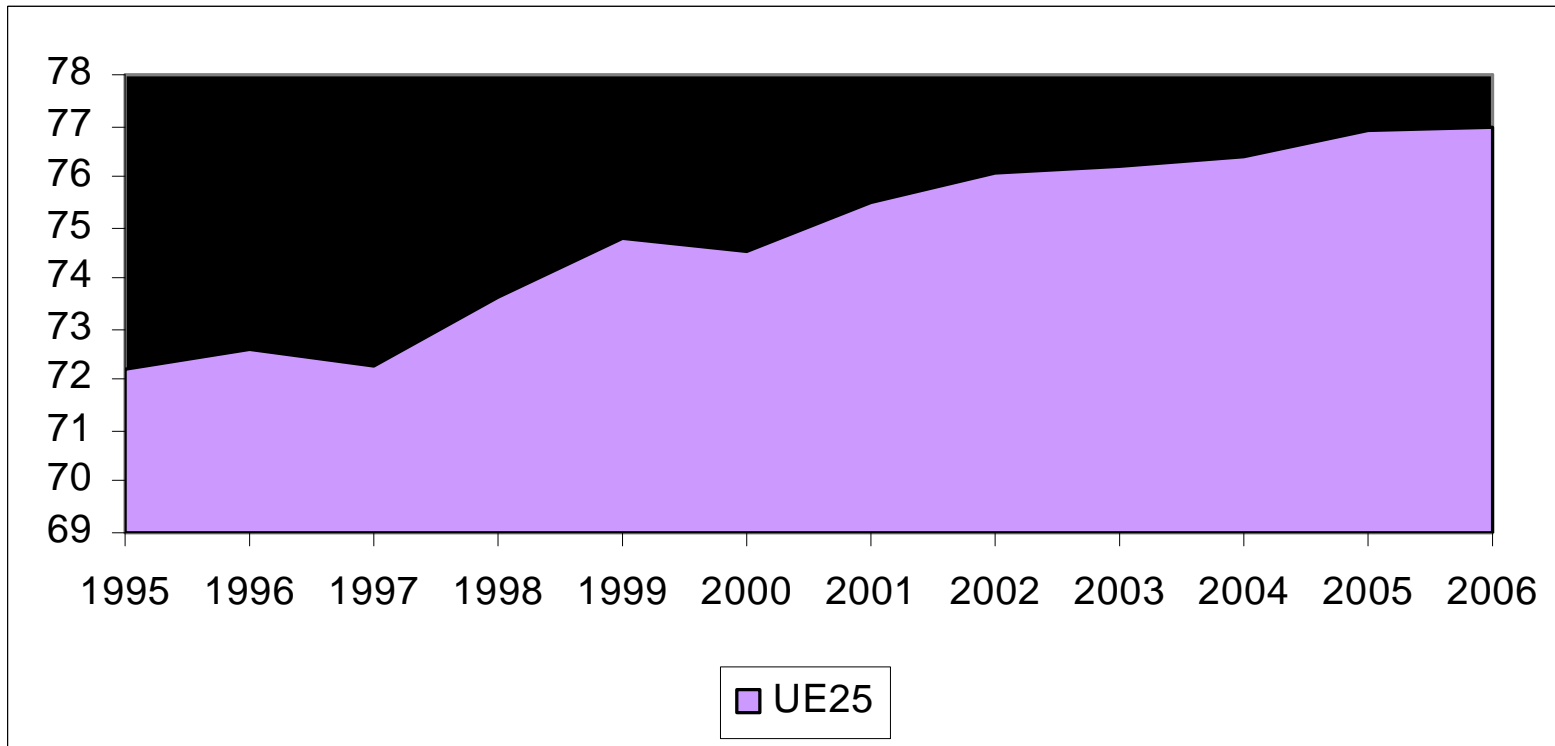
2005 : 70 million TEU

2020 : 295 million TEU

# Road transport vs other modes of transport

- ◆ Faster, more flexible, better suited to JIT and door-to-door
- ◆ Despite political will to favour other modes of transport (EC White Book 2001, revised 2006)
- ◆ Despite increasing congestion, driver shortages, rising cost price, low operational margins, new regulations
- The growth of road transport is decided upon by industries and shippers

# Modal share 1995-2006



Share of road transport in Europe

Source : Eurostat

# Modal Share > 2030

Limited growth potential of rail transport

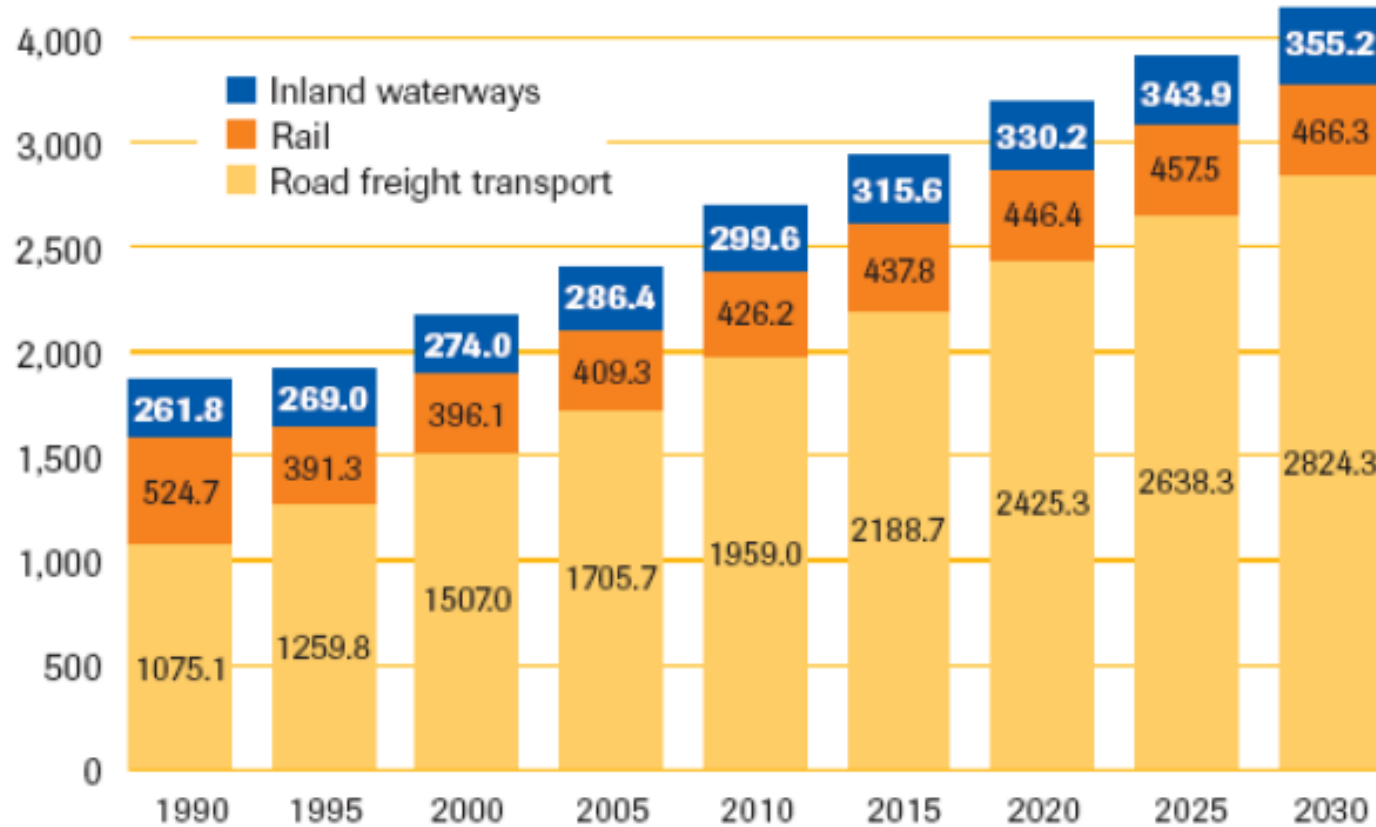
Slightly bigger growth potential of waterways, but only in limited areas

- Even if those two modes doubled their transport capacity, this would not be enough to cope with growing demand.
- Road transport is set to grow even further.

# Dynamics of the European road transport sector

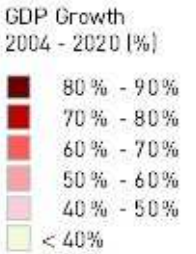
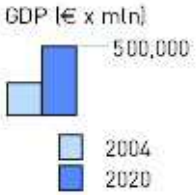
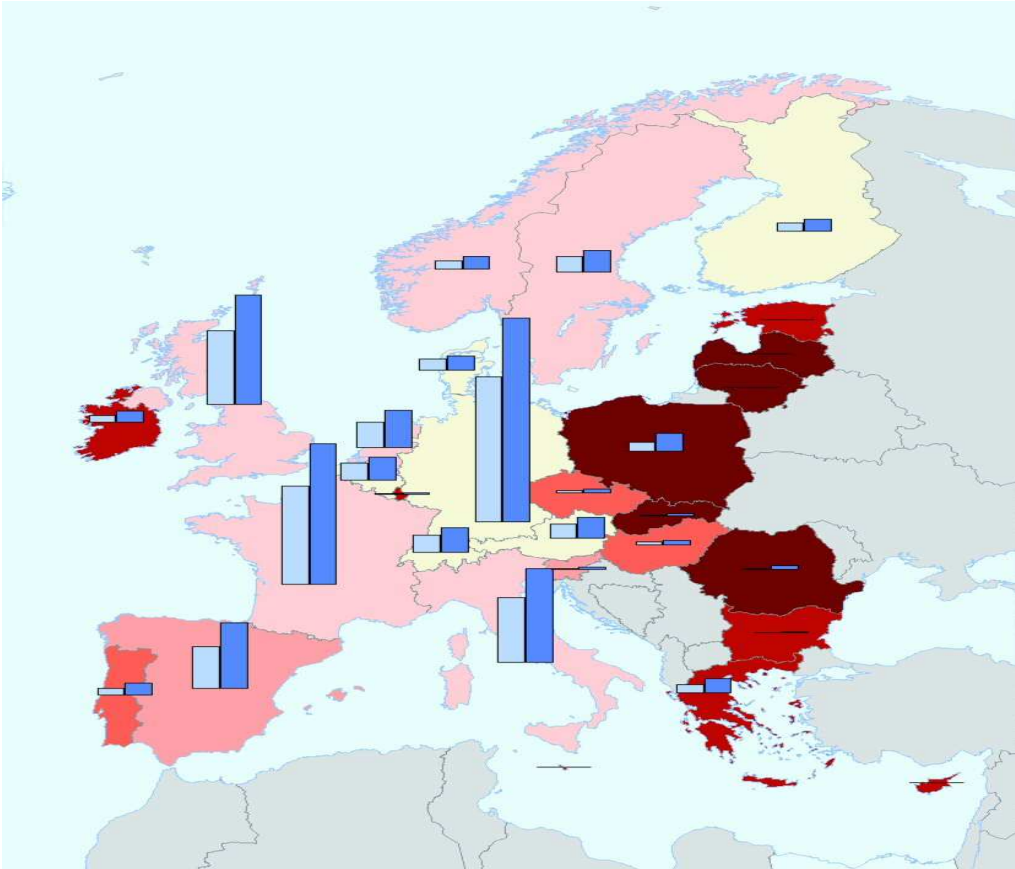
## 2. Growth forecast of the European road transport market

# Growth forecast (EU 27)



Source : European Commission

# GDP growth by region > 2020

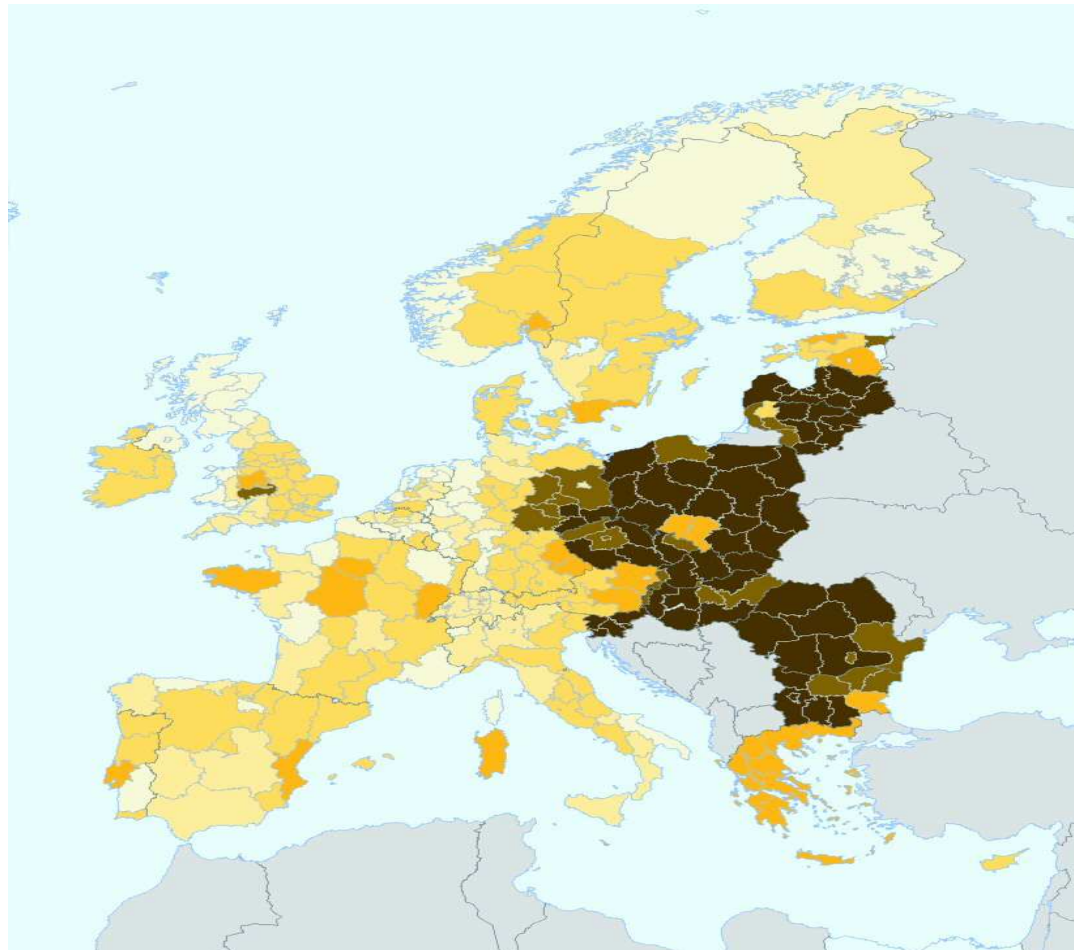


Source : NEA

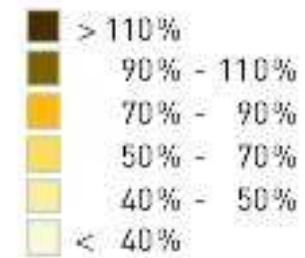
National transport is mostly driven by GDP growth



# Attraction of trade by region > 2020



2004 - 2020 (%)



Source : NEA

# Growth forecast by region

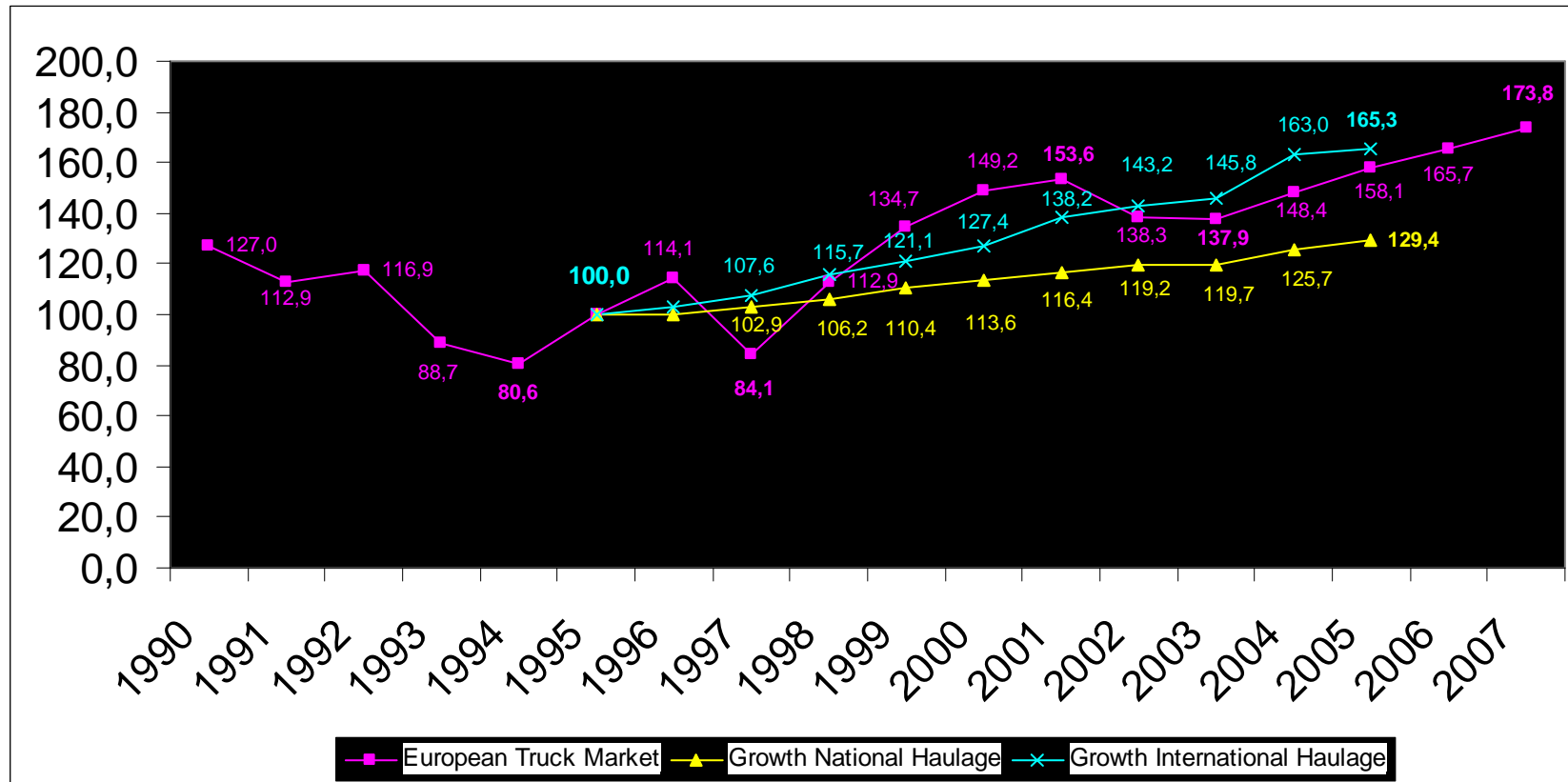
	2005	2020	Growth
Intra WE	1482	1975	33 %
Intra CEE	63	112	77 %
WE > CEE	74	124	68 %
CEE > WE	154	239	55 %

In million tonnes / source : NEA + EC

# Dynamics of the European road transport sector

## 3. Impact of road transport growth on European truck market

# European Truck Market vs European road transport sector.



Source : Eurostat / ACEA

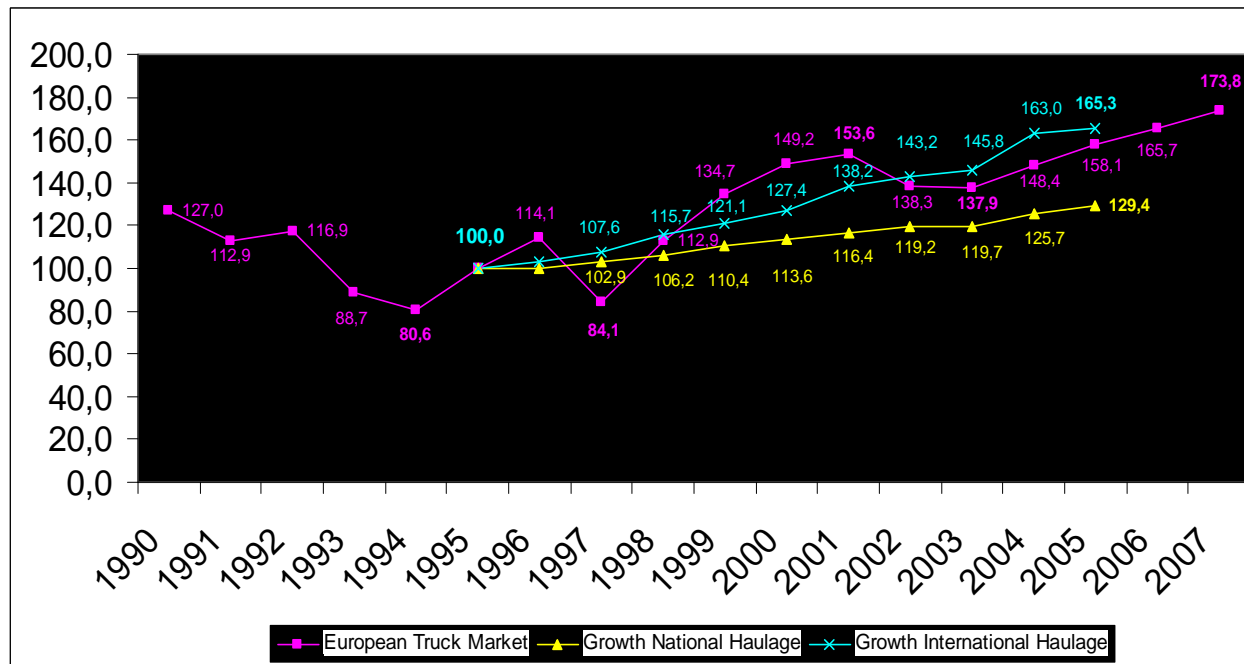
# Drivers of the European Truck Market

- ◆ **Demand for road transport**
- ◆ Replacement cycles
- ◆ New regulations (Euro standards)
- ◆ Confidence level of road transport operators
- ◆ It is a cyclical market, but cycles are tending to become longer
- ◆ The current cycle will be the longest so far

# Impact of new regulations

1997

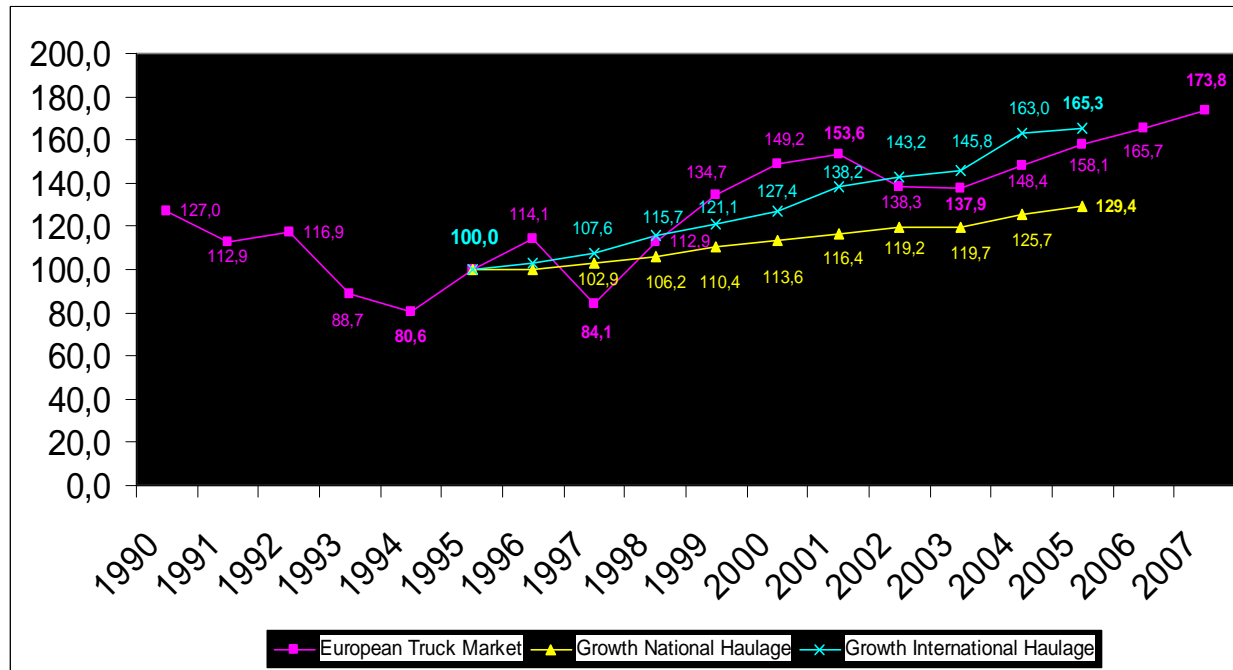
- ◆ weak economic prospects
- ◆ hiccup in Germany
- ◆ Euro 2 contributed to a further decline in the market



# Impact of new regulations

2001

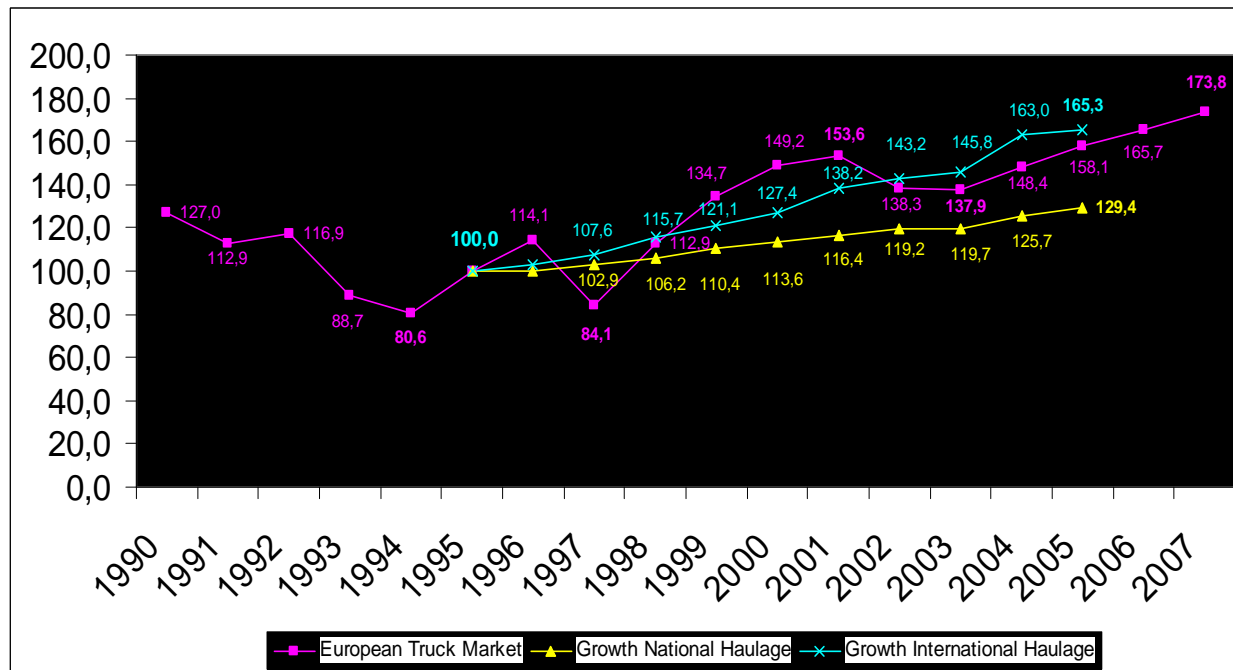
- ◆ very good economic situation
- ◆ Euro 3 had no negative impact



# Impact of new regulations

2006

- ◆ very good economic situation
- ◆ Euro 4 and digital tachograph launched simultaneously
- > strong pre-purchase effect



# Impact of new regulations

2007

- ◆ 11/04/2007 : 48-hour week comes into force
- ◆ '107 % rule' in international transport
- ◆ further boost for the truck market

Impact of national regulations may be strong, but mostly limited in time

# Confidence level of European hauliers

	Satisfaction 2007	Confidence 2008
NL	6.99	6.16
RO	6.67	7.37
DE	6.41	6.03
BE	6.32	6.21
CZ	6.25	5.91
PL	6.25	5.37
FR	5.76	5.44
PT	5.56	5.51
IT	5.47	5.54
ES	5.43	4.93
UK	5.29	5.65
<b>Average</b>	<b>6.56</b>	<b>5.84</b>

Source : European Transport Barometer

# European Truck Market

**2000 : 370.374 units**, of which

75.2 % registered in Top 5 markets

22.0 % registered in medium-sized markets

3.8 % registered in small markets

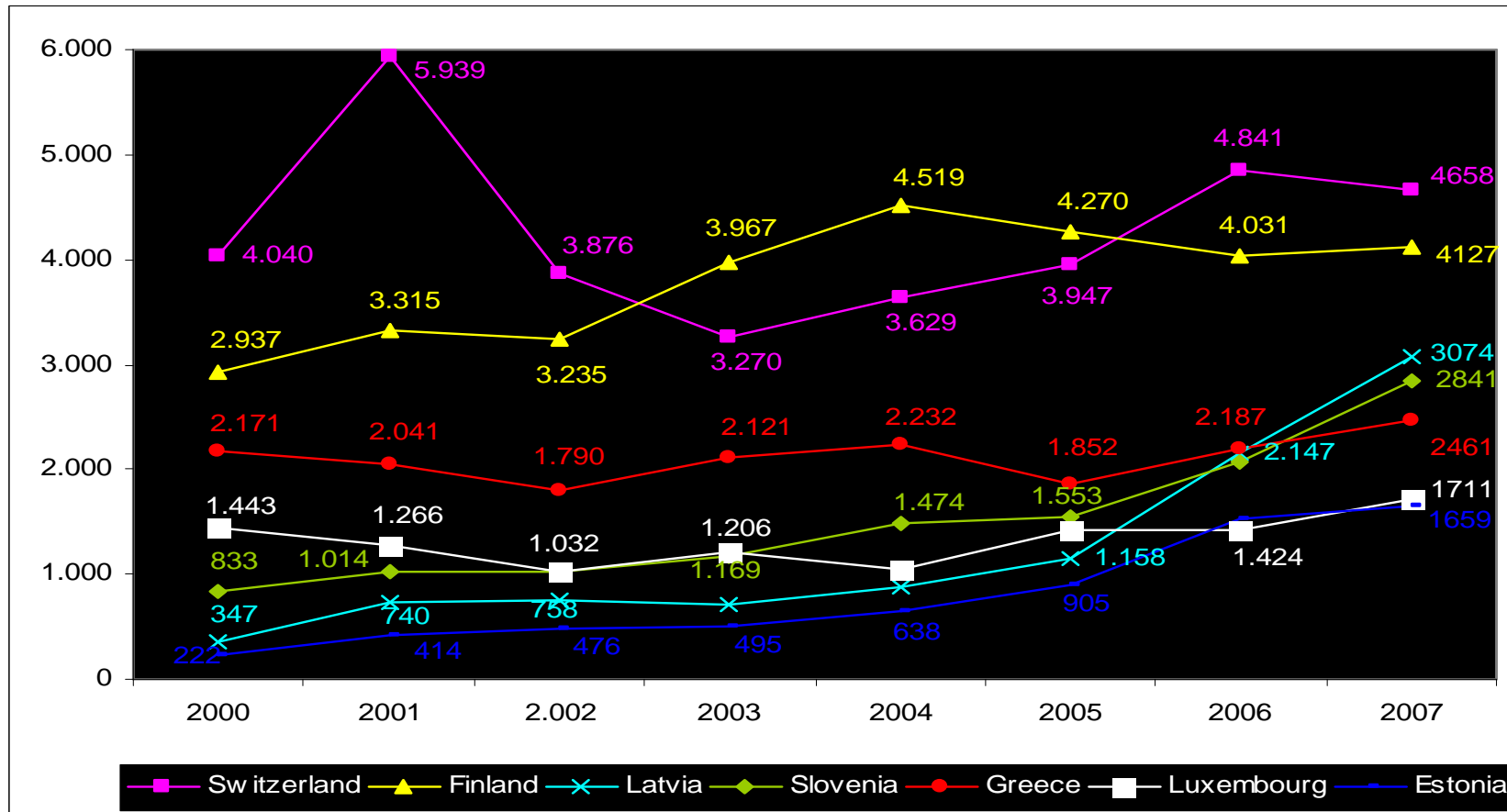
**2007 (forecast) : 431.937 units**, of which

65.8 % registered in Top 5 markets

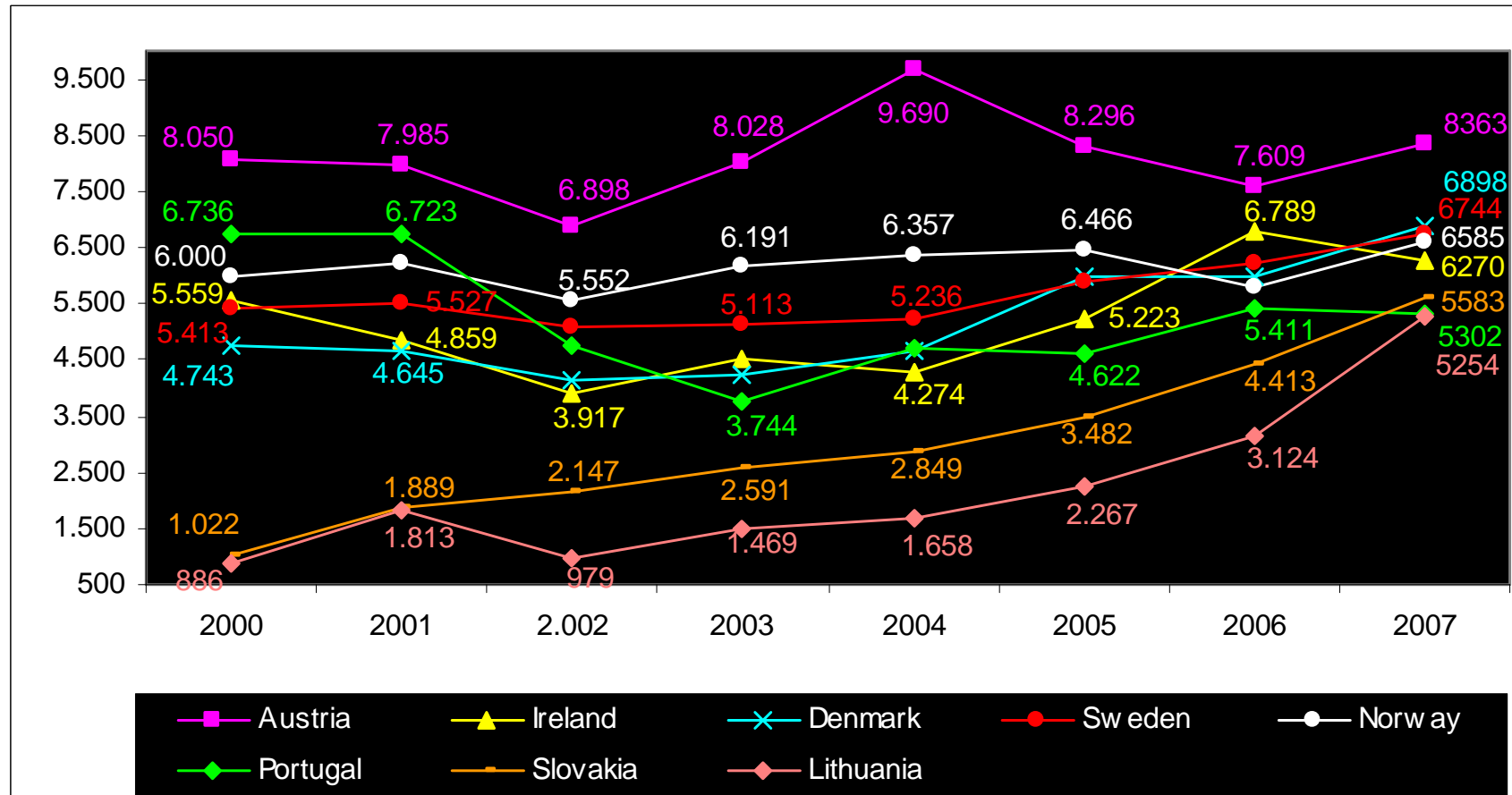
29.5 % registered in medium-sized markets

4.7 % registered in small markets

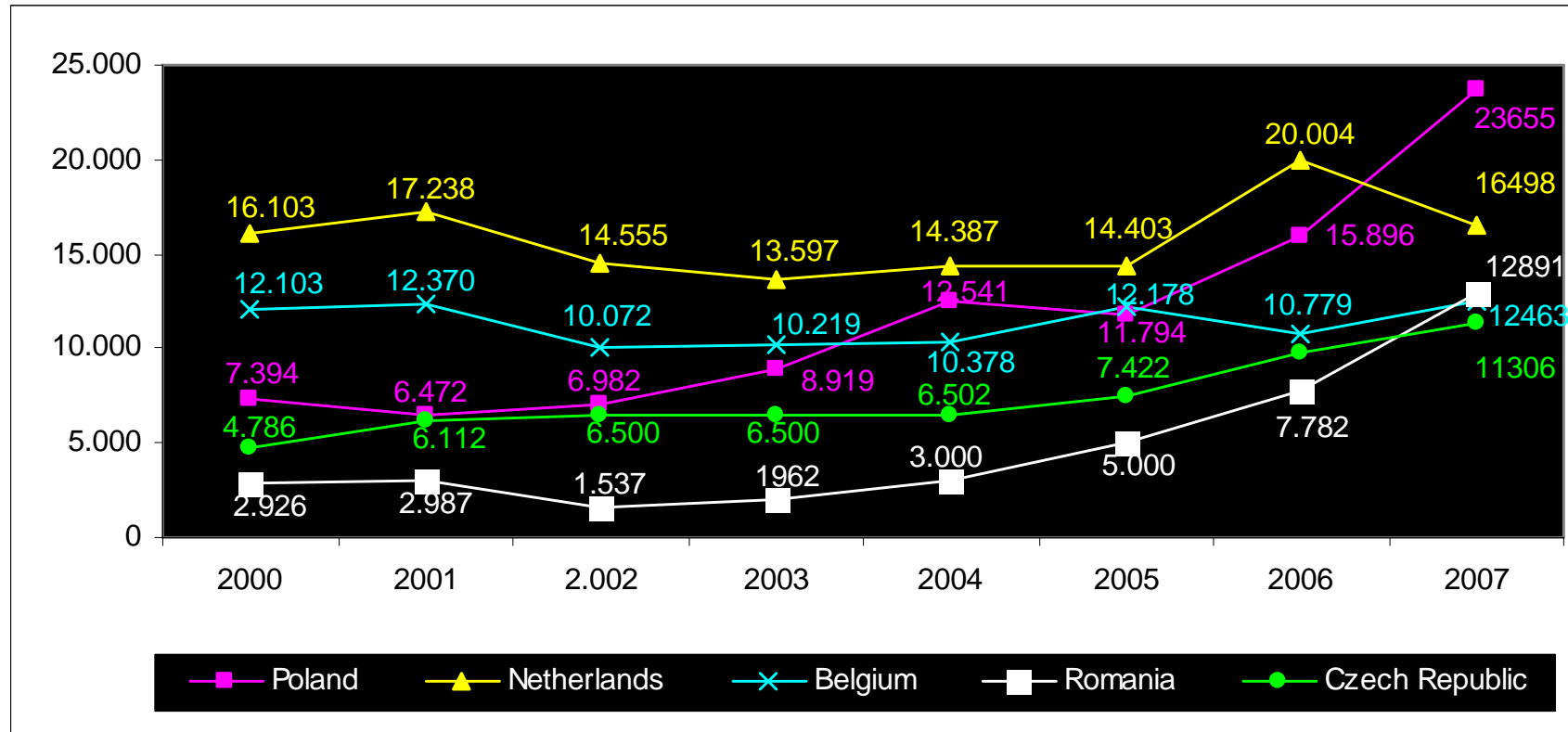
# Small markets (< 5000/y)



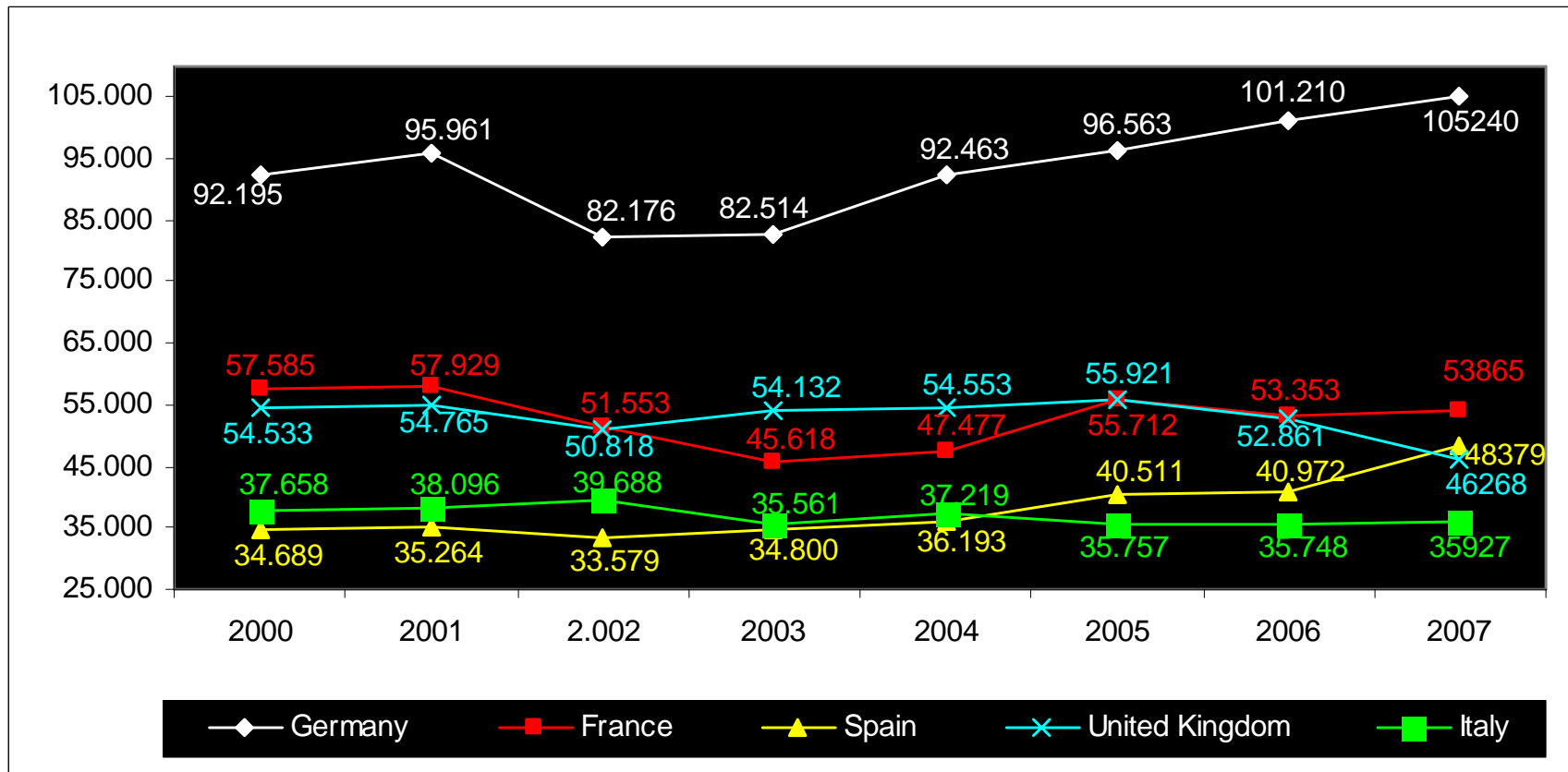
# Medium-sized markets (5000 > 1000/y)



# Places 5 to 10



# Top 5



# Global trends 2000 > 2007

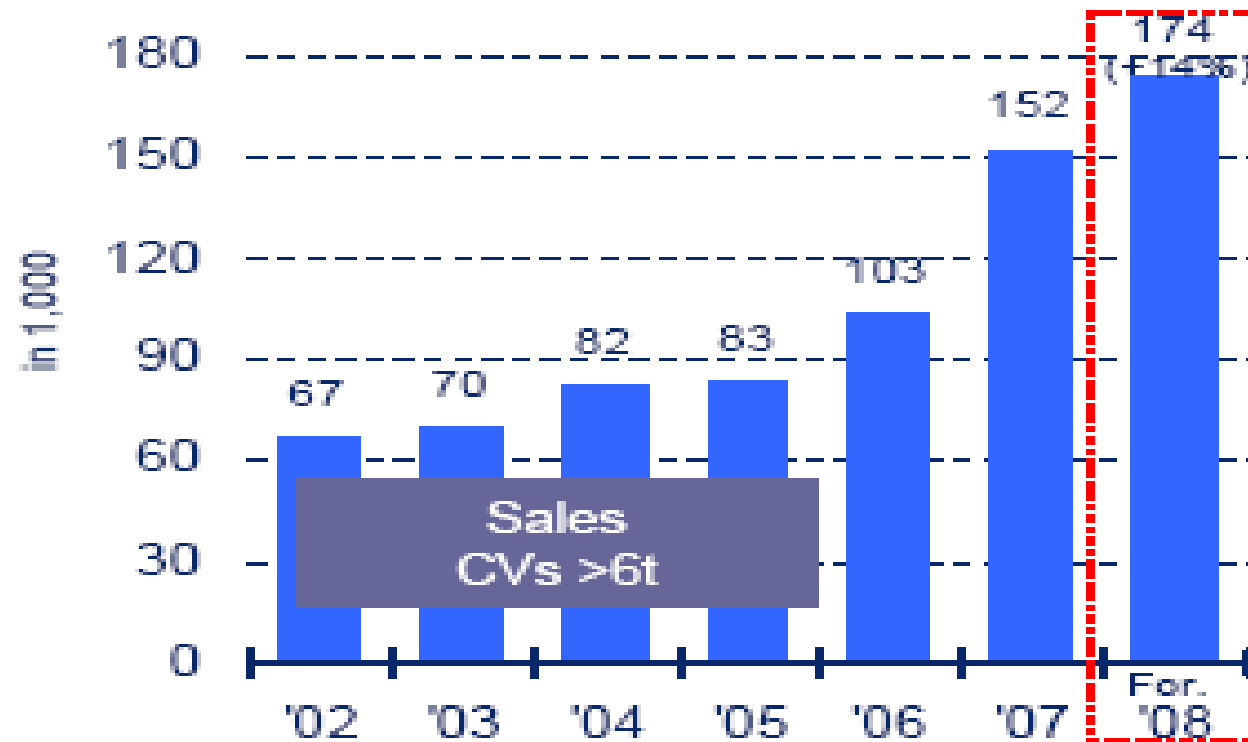
- Global European market : + 16 %
- WE : + 6 %
- CEE markets : + 407 %

But...

WE = 88 % / CEE = 12 % of the European market

# Russia

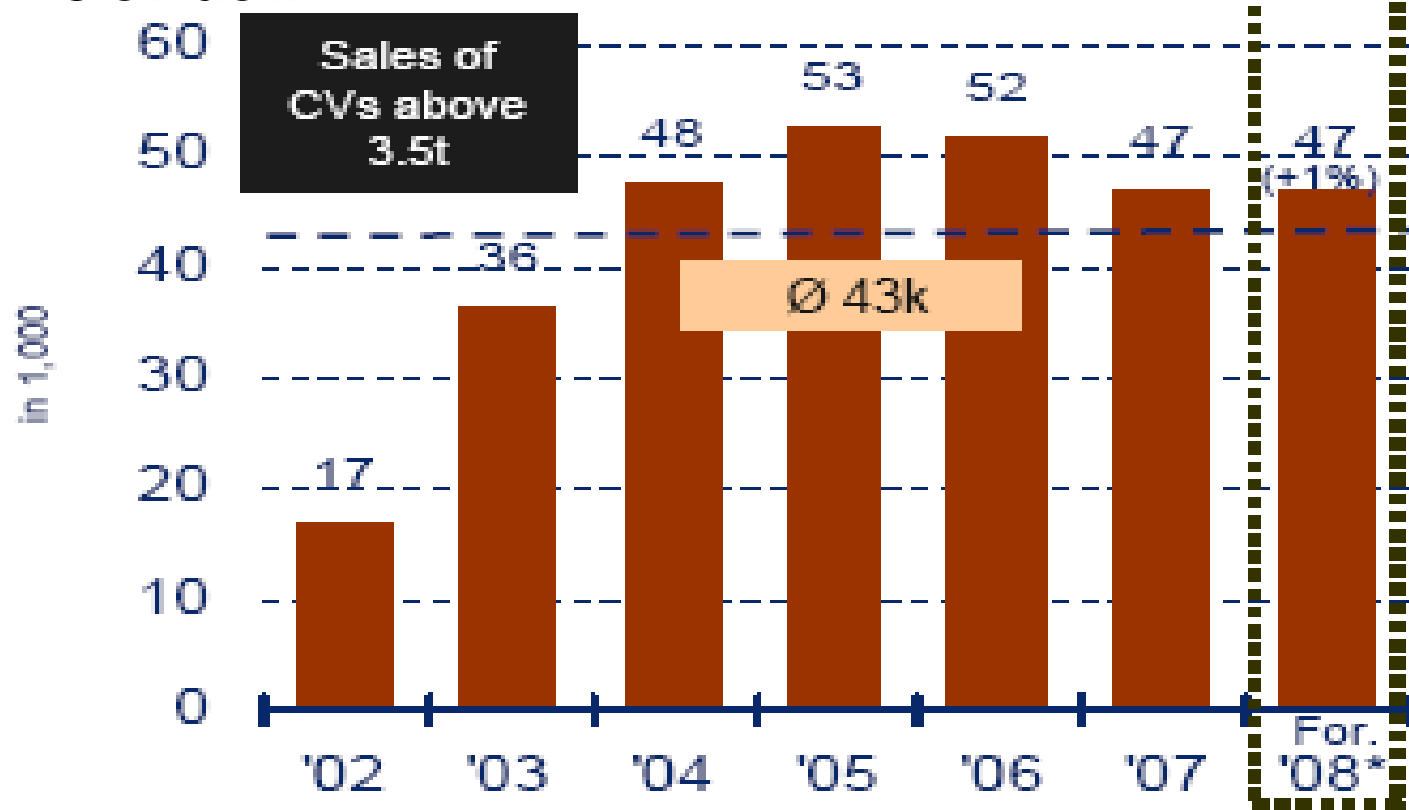
2002 > 2008 : + 160 %



Source : VDA, Global Insight

# Turkey

2002 > 2005 : strong growth (+ 311 %) followed by slowdown



Source : VDA, OSD

# Truck sales per inhabitant (2007)

European average 0.89

Mature Markets 1.04

- Luxembourg 3.29
- Latvia 1.70
- Lithuania 1.65
- Norway 1.49
- Ireland 1.45
- Slovenia 1.39
- Denmark 1.34
- Germany 1.27
- Estonia 1.23
- Belgium 1.19
- Czech Republic 1.15
- Spain 1.08

Poland 0.66  
Romania 0.64

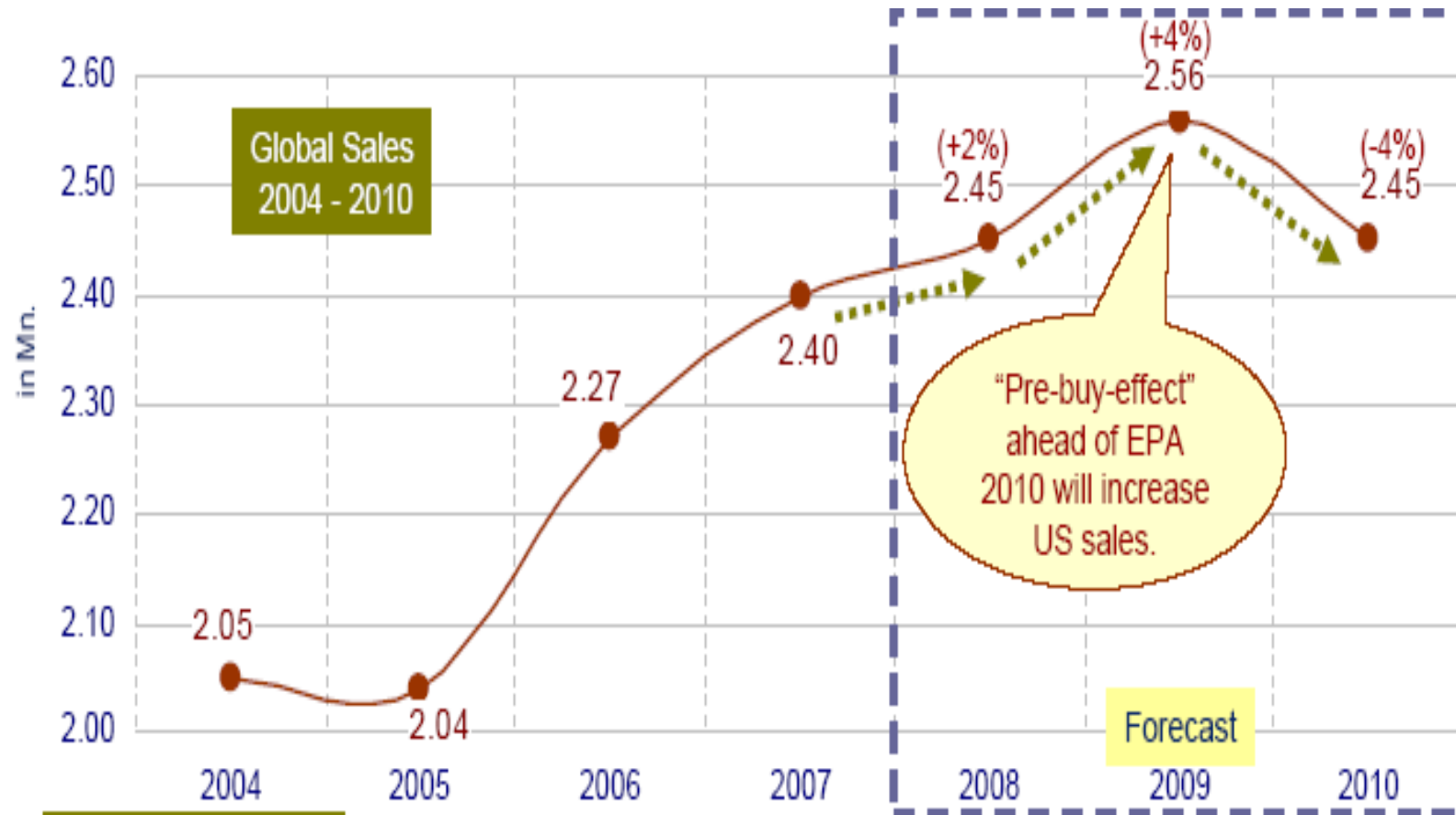
## 2007 > 2008 : a turning point

- ◆ Booming second-hand market, residual values at a peak in 2007 > flat market in 2008
- ◆ Weakening economic growth > lower confidence levels
- ◆ Rocketing costs > postponement of investments
- ◆ Too much speculation in 2007 + anticipation of an everlasting boom > excess of transport capacity

## 2008 forecasts

- Western Europe : + 2 %
- CEE : + 5 %
- BRIC : Russia + 14 %, China + 13 %, India + 6 %, Brazil + 24 %
- USA : -7 %

# Worldwide truck sales > 2010

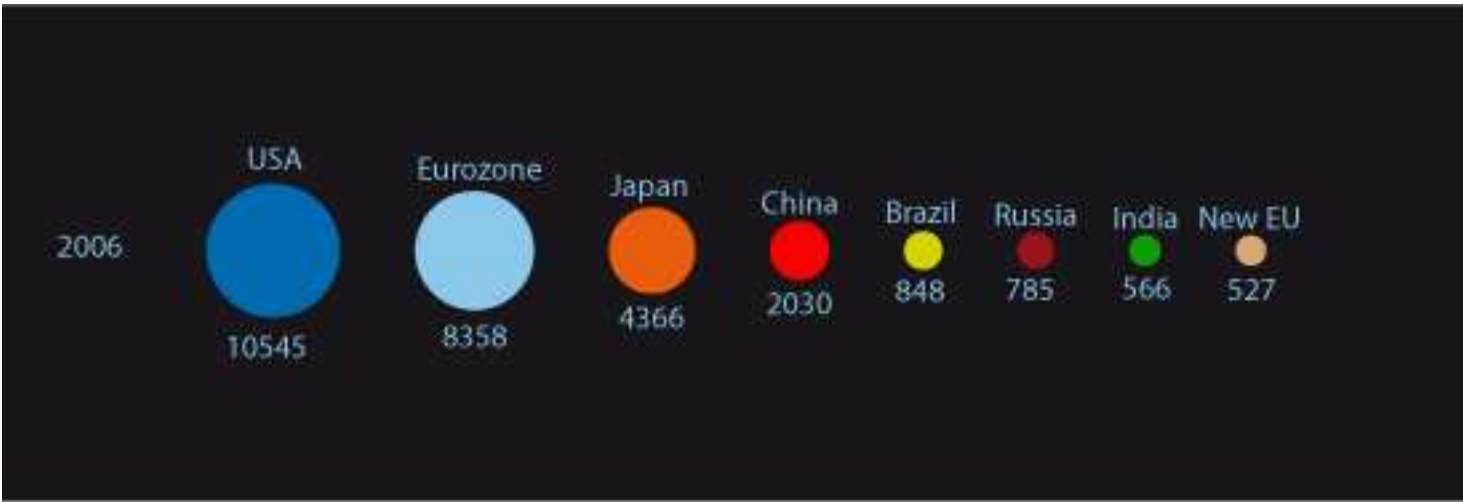


Source : VDA, Global Insight

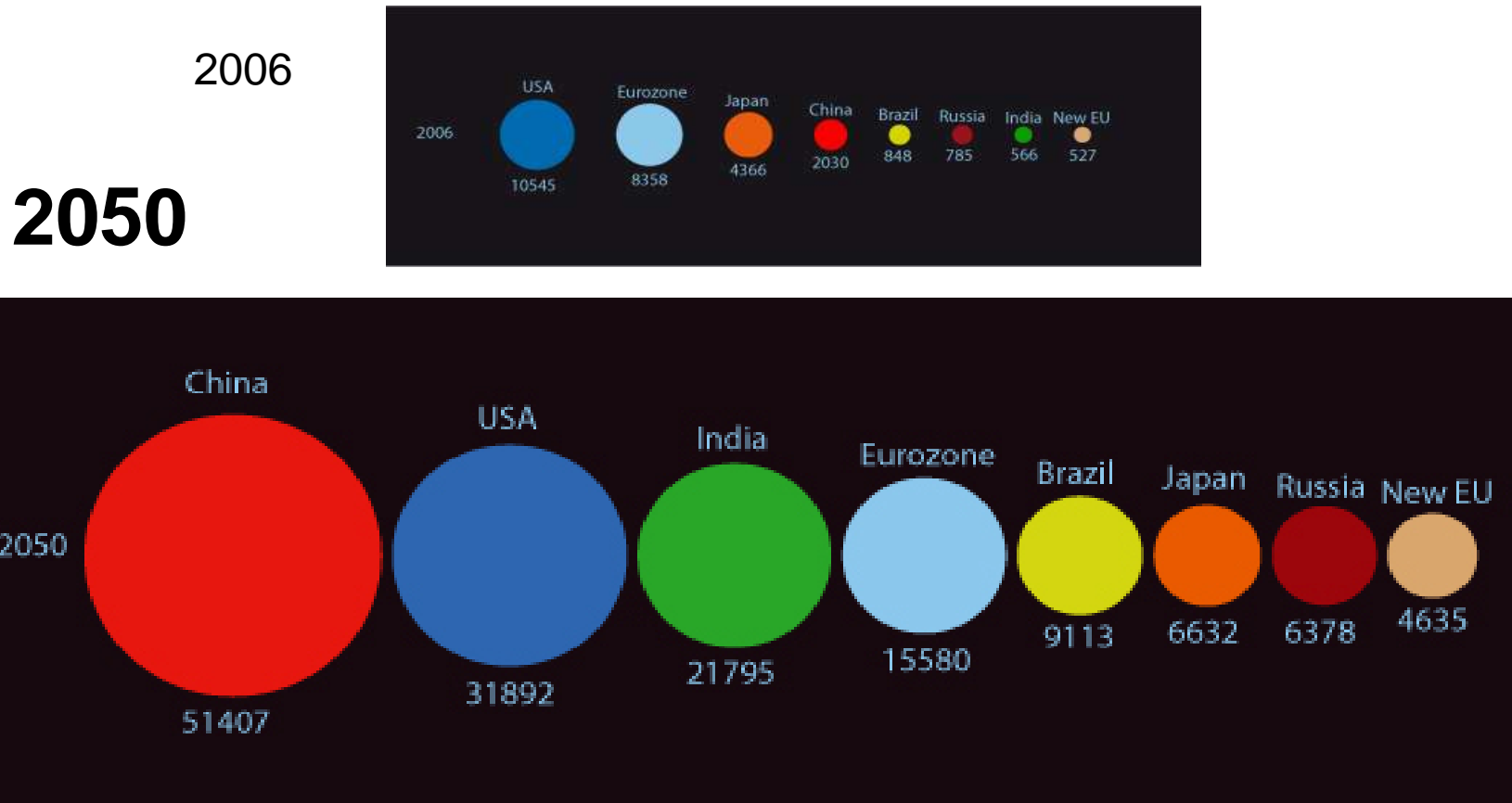
# Dynamics of the European road transport sector

## 4. Main opportunities and threats

# Opportunities through Global Economic Outlook



# Opportunities through Global Economic Outlook



Source : ING

# Growth for Road Transport

- ◆ No reason why demand for road transport would not outperform GDP
- ◆ Alternative transport modes more efficient in 2020, but rising capacity not sufficient to cope with rising demand
- ◆ Even if railways doubled their capacity (and average speed)
- ◆ But...

# Major Threats

- ◆ Driver Shortage, road congestion
- ◆ Rising costs and difficulty to pass costs on
- ◆ **Environmental debate**

# Costs vs Prices



**Q1 : By what percentage did your operating costs increase or decrease last year ?**

**Q2 : By what percentage did your prices change last year ?**

# Costs vs Prices

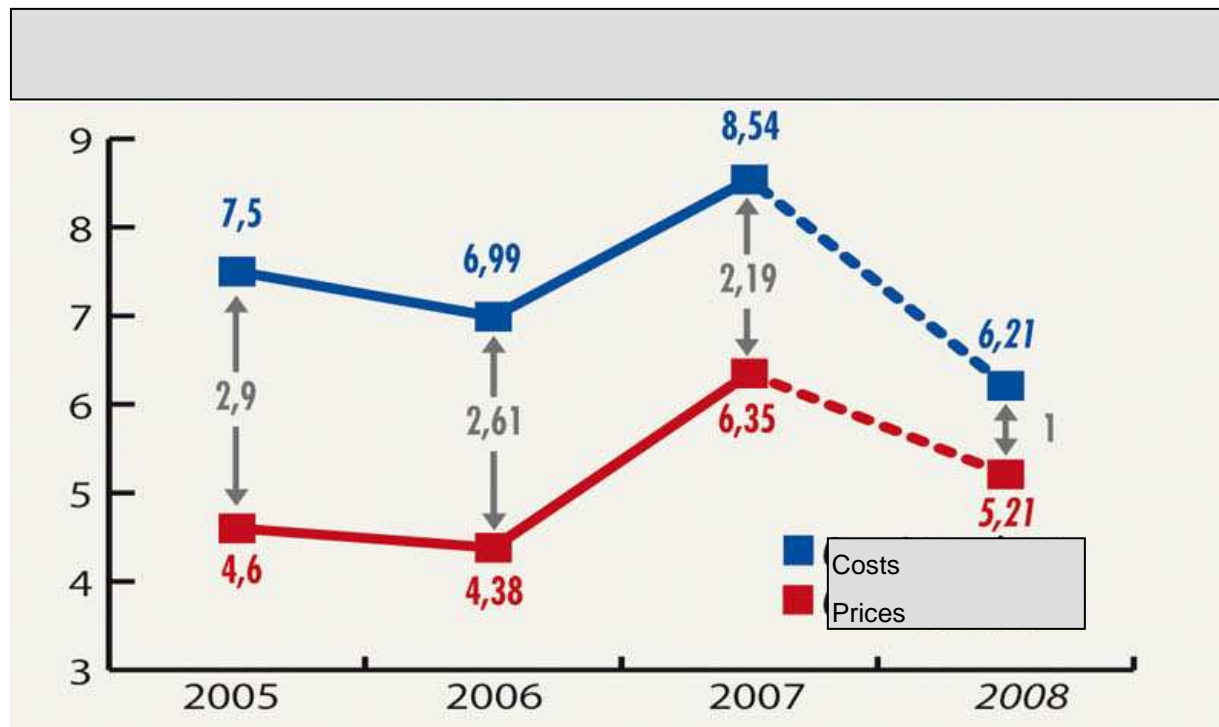
## Belgium

	2005	2006	2007
Higher costs	93.8	91.7	98.7
Better prices	70.1	90.4	95.5
<i>Diff.</i>	23.7	1.3	3.2

*The proportion of companies who can't pass on higher costs to their customers has dropped significantly in a period of strong growth*

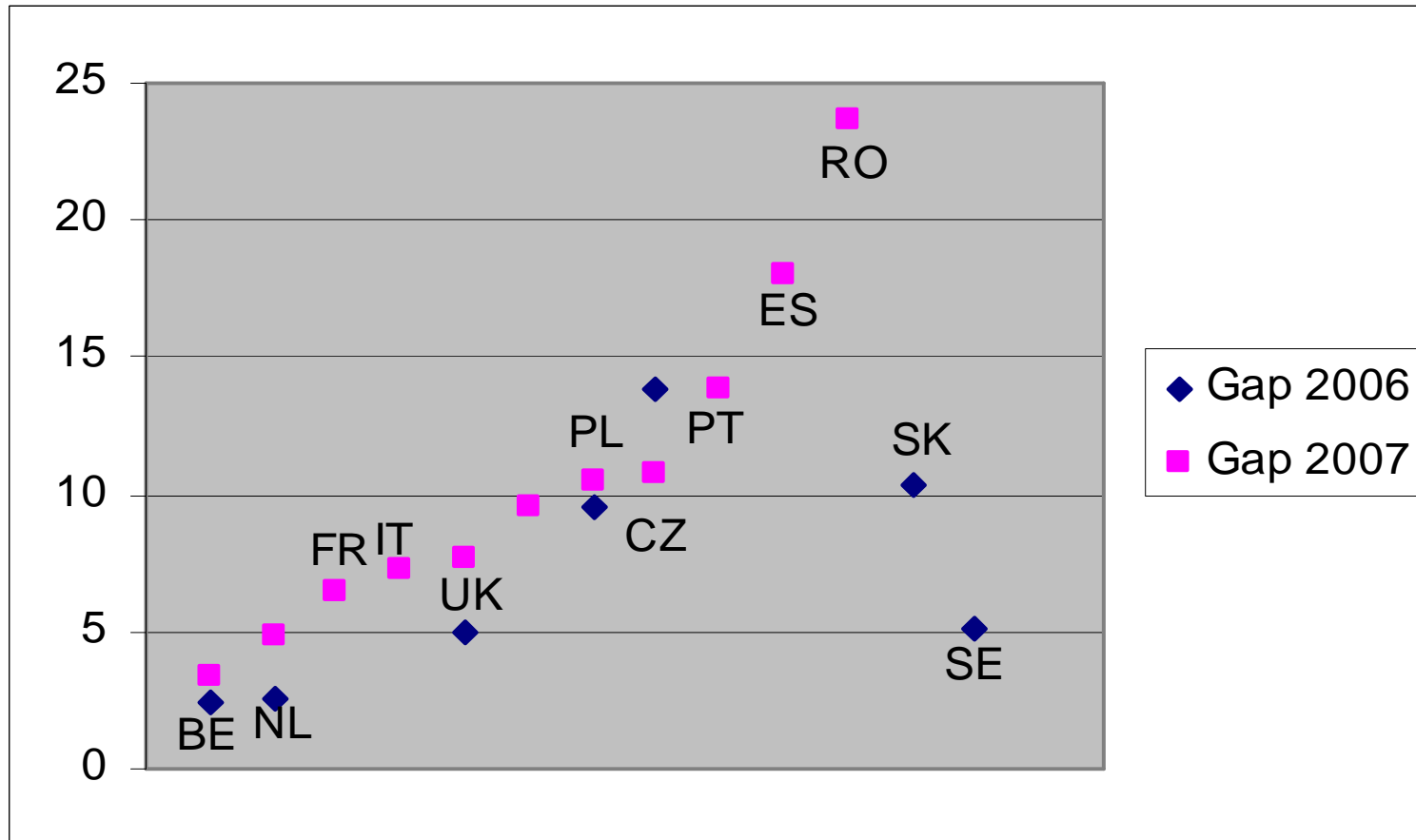
# Gap Costs vs Prices

## Cost vs Price evolution - Belgium



*It is impossible to pass on all rising costs to the customers, even with a shortage of transport capacity*

# Gap Costs vs Prices



Source : European Transport Barometer

# Wanted : road transport professionals

In Flanders :

- Only 20 % knows real costs per trip
- Only 9 % have calculated those costs before the transport mission AND check them after the transport mission
- 62.5 % calculate offers based on fixed hour-based or km-based price structure
- 23.5 % calculate offers based on guessed cost price
- 21.5 % uses on-board computers in whole fleet
- 8 % used OBCs in part of the fleet

Source : Vlaams Instituut voor de Logistiek

Thank you very much

*For more info : Claude Yvens (cyvens@mmm.be)*



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