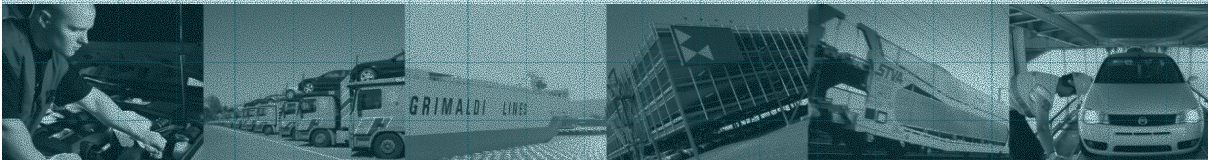




# Shortage of drivers in the finished vehicle logistics sector



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This paper is an response to the 'Questionnaire on professional driver shortage' sent by Italian Transport consultancy "TRT Trasporti e Territorio" in Milan, which together with the Italian Research for Social Affairs (IRS), has been commissioned by the European Parliament for carrying out a study on the driver shortage issue.

### **Problem:**

The problem of shortage of drivers is a structural problem although exacerbated by the cycle of the economic trends.

Today, due to the economic downturn and overcapacity in the sector, the problem of shortage of drivers does not exist. However only 6 months ago the sector suffered severely from the shortage, up to the point that normal supply of transport services was affected.

Now due to the economic downturn many drivers have been laid off and are forced to look for jobs in other sectors. This is a very dangerous process as it is very likely that once the economic climate improves there will be even less drivers available on the market than before the crisis.

Therefore we believe that the problem of the shortage of drivers will exacerbate in the future, once the economy picks up again.

### **Main causes for the shortage of drivers in general (regardless of the crisis):**

1. Working conditions: It is not an attractive career
  - drivers are away from the family for long periods of time
  - in most of the EU countries the levels of pay do not compensate for one or more weeks spent away from home or time spent stuck in the traffic. The companies however cannot increase the pay levels as their margins do not allow it.
2. Specific qualifications: Particularly in the vehicle logistics sector drivers are responsible for the loading and unloading of cargo which is unpackaged and easily damageable (cars). This means higher responsibility and more work requiring specific skills
3. Lack of traditional sources of supply: In the past many drivers have been supplied by the national military forces. Nowadays, after young people finished their military compulsory period, there is no ready supply of drivers
4. Restrictive national legislation: Currently in some countries (France in particular) companies are not allowed to pay drivers according to personal performance or productivity, as a result good drivers are paid as much as average ones and companies do not have any means of rewarding and motivating good drivers (apart from prioritizing allocation of new trucks for example)
5. Cost of training: Private companies are less likely to train the drivers themselves as it is expensive and restraints of trade rules make it difficult to impose post qualifications lock-in clauses. In order to become qualified drivers, very often people interested have to pay a substantial amount of money themselves

Therefore in usual market conditions, the vehicle logistics sector the shortage of drivers is both **quantitative** and **qualitative**. There is an overall shortage of drivers on the one hand and lack of good, well qualified drivers, on the other.

### **Impact:**

It is very difficult to quantify the impact that such a shortage can have when it occurs. There is an anecdotal evidence that companies from Western Europe were employing drivers from Eastern Europe due to the shortage in their own countries. This quickly resulted in the shortage of qualified drivers in Eastern Europe (shift of problem).

All companies whether big or small have been affected by the shortage of drivers, however small and medium sized companies struggle more to attract or retain drivers as they can offer less attractive pay levels.

In order to estimate the financial impact of the shortage of drivers on the finished vehicle logistics industry, it could be assumed that the cost of driver shortages manifests itself in increases in drivers' wages. Checking driver wage cost indices in France (for example) over the past years reveals the following data: over the past 10 years wage costs have risen by 34%, over the past 5 years wage costs have risen by 13%. Wage costs and driver fringe/expenses costs account for 35% of company's total costs. Given that over the past 10 years, and the past 5 years in particular, average car transportation rates have at best remained static, or more likely reduced, increased driver wage costs over the same period have therefore led to a direct erosion in company margins.

Applying these % increases to 35% of the cost base equates broadly to 12% of turnover profit reduction over 10 years and 4.6% of turnover reduction over 5 years. Taking an example of one of our French members, this equates to €7.8 million and €3.0 million respectively versus the 2008 transport revenue base. This shows clearly the impact on the development of companies in a low margin sector such as finished vehicle logistics.

### **Impact of EU legislation:**

#### **Directive 2002/15/EC (working time) and Regulation 561/2006 (driving times and rest periods)**

The impact of both pieces of legislation has been very negative on the vehicle logistics sector. Road transport sector is the only business sector (apart from the aviation sector) which is subject to two legislations controlling the driving and working of drivers.

The vehicle logistics sector where drivers not only drive, but are also responsible for the loading and unloading of expensive and easily damageable cargo (cars) has been particularly severely affected.

The regulation 561/2006 states that the weekly driving working time shall not exceed 56 hours weekly, 90 hours fortnightly and shall not result in the maximum weekly working time laid down in Directive 2002/15/ EC being exceeded(Article 6, paragraph 2). As a result, the difference between the average weekly working time (48 hours) specified in the Directive and average weekly driving time (45 hours) set in the Regulation does not leave much time to do other tasks related to the work of the truck drivers (loading, unloading etc.)

Consequently companies need more drivers to drive the existing fleet. A car transport company in UK estimated, at the time when WTD entered into force, that as a result, it would need an additional **21 % of drivers**. Therefore the introduction of the WTD resulted in increased employment cost due to additional drivers required to bridge the deficit in drivers' hours, cost of additional wages and cost of recruitment training.

### **Directive 2003/59/EC (Certificate of Professional Competence (CPC))**

This scheme, which is obligatory from 10 September 2009, will have positive as well as negative consequences for vehicle logistics sector and the shortage of drivers.

On the one hand it will improve the qualifications of the drivers and hence reduce the damage rates and optimize the fuel consumption. The professionalism and the quality of service offered by professional drivers should also improve across the EU member states. This should facilitate the free movement of workers across EU and encourage more drivers into the road haulage, which consequently could at least partly solve the shortage of drivers' problem.

On the other hand either the driver or the employer will have to cover the costs of this additional training, which as estimated by the British Driving Standards Agency (DSA) may be as high as 3000 GBP (full training for initial qualification) and several hundreds pounds (for periodic training of 35 hours). The fee for sitting the CPC test will amount to around to 200 GBP.

This increased cost of training of drivers, which is obligatory for the drivers in order to perform their job, will be an additional burden either on the employer or the driver himself and will exacerbate the issue of shortage of drivers.

### **Measures to tackle the problem:**

1. Market forces should be free to define the absolute pay levels, but national governments and the EU should provide training grants/financial aid to drivers and companies to recruit and train drivers. This will be even more necessary as a result of additional CPC's requirements applicable from 10 September 2009.
2. Means of recovering training costs from early leavers should be strengthened for companies that invested in their drivers' training
3. The problem of absolute pay levels (increasing wages) should be addressed by relaxing employment laws to permit individual productivity and the performance to be awarded individually.
4. There should be more investment by governments and EU into better roadside facilities for drivers e.g. purpose-made and secure truck stops for dining and overnight accommodation with all the facilities necessary