



UNION OF ROAD TRANSPORT ASSOCIATIONS IN THE BLACK SEA ECONOMIC COOPERATION REGION
(BSEC-URTA)

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Istanbul, 8 May 2009

FIFTEENTH MEETING OF THE BSEC-URTA GENERAL ASSEMBLY

Hotel Metropol, Yerevan – ARMENIA
Tuesday, 12 May 2009, at 10:00 hrs

**IMPACT OF GLOBAL ECONOMIC DOWNTURN ON THE
ROAD TRANSPORT INDUSTRY IN THE BSEC REGION AND THE EU**

(Information Paper prepared by the BSEC-URTA International Secretariat)

The global economic downturn has an inevitable and immense impact on the road transport activities *inter alia* the BSEC region. This significant impact gradually leaves an increasing stress on sustainability of the true fleet operators, who face unbearable pressures in order to maintain their labor force, to move their vehicle fleet and to survive in these heaviest times of the crisis.

At a time when all the BSEC governments and G-20 countries together with the UN development partners have been concentrating on expensive economic packages to rescue big financial institutions and stimulate demand for certain durable products such as private cars, white goods, furniture, IT products, etc., the road transport industry is totally forgotten, which is the most hit by the global crisis due to unprecedented sharp decline in the world trade.

However, once the crisis will have found its deep and a gradual economic recovery will begin, nobody can be sure that the true transport operators will still be in market.

The purpose of this information paper is to compile statistical data that can shed a light on the magnitude of the impact of global economic downturn on the road transport industry in the BSEC region as well as the EU, which is the main trade partner of the BSEC Member States.

International Road Transport Industry Performance in the BSEC Region In 2008

	2005	2006	% change to the previous period	2007 (upd.)	% change to the previous period	2008 (*)	% change to the previous period
Total number of trips	3.368.627	3.400.674	0,95	2.538.133	-25,36	2.773.278	9,26
Trips within BSEC	755.565	805.614	6,62	728.712	-9,55	834.310	14,49
Trips to EU	1.656.614	1.743.859	5,27	1.222.213	-29,91	1.251.434	2,39
Trips to Rest of the World	956.448	851.201	-11,00	587.208	-31,01	689.990	17,50
BSEC Trips/Total Trips, %	22,43%	23,69%		28,71%		30,08%	

The table provides a comparative outlook of the BSEC international road transport market between 2005 and 2008. It is observed that, in 2008, there is a 9 % increase after a very big decrease in 2007 by a quarter of the total market according to the available data as provided by the Member Associations. Compared with year 2006, the number of trips from the region to EU and to the rest of the world has very much decreased in 2008. The total number of trips in 2008 has been less by 20% than in 2006.

Foreign Trade Performance of the BSEC Region in 2008

	2005	2006	% change to prev. period	2007	% change to prev. period	2008	% change to prev. period
Foreign Trade Within BSEC	135,71	169,94	25,23	223,49	31,51	(*) 250,77	12,20
Total BSEC Foreign Trade	805,62	997,24	23,79	1.207,44	21,08	1.413,11	17,03
Within BSEC/Total BSEC	16,85%	17,04%		18,51%		17,75%	

The table shows different foreign trade indicators of the BSEC region in 2005-2008, and percentage changes between periods. It is seen that, in 2008, the growth rates of foreign trade within BSEC and the total BSEC foreign trade have decreased, thus bringing the weight of intra-regional trade over the region's whole foreign trade volume from 18,51 % in 2007 to 17,75 % in 2008.

Impact of Global Economic Downturn on the Road Transport Industry in the BSEC Region

AEBTRI-Bulgaria

In 2008, the Republic of Bulgaria managed to retain stable economic growth of 6 % (as for the first three quarters the growth of the GDP was as high as 7 %, 7,1 % and 6,8 %, respectively). The real growth of the GDP for the fourth quarter of 2008 compared to the same period of 2007 was 3,5 %.

Till September 2008 the international trade turnover increased between 20 and 30% compared to the respective periods of 2007, since October 2008 the pace of the growth has slackened gradually to reach a serious fall off at the beginning of 2009. In January 2009 the export was 27,7 % (for EU - 20,5 %, for third countries – 40,4 %), and the import - 33,1 % (from EU 23,4 %, for third countries – 43,5 %) less than in January 2008.

In February 2009 the industrial production was 17,7 % below the same month of 2008, the turnover of the production companies decreased by 17,2 % and the receipts from sales in wholesale and retail trade was 10,1 % less than the same period of 2008.

The unemployment rate in 2008 was 5,6 %. In the first quarter of this year it increased continuously - in January it reached 6,5 %, in February - 6,68 % and in March - 6,88 %.

According to data from the Union of the Vehicle Importers in Bulgaria, the sold new trucks and busses for the first quarter of 2009 were 70 % less than for the first quarter of 2008 and 50 % less than for the first quarter of 2007.

Until now the National Statistical Institute has processed the data for the performed carriages of goods for the first three quarters of 2008. The statistical information for the last quarter of 2008 is envisaged for publishing on 30.04.2009.

Road transport of goods

Type of transport operation	2008					
	First Quarter		Second Quarter		Third Quarter	
Trips with load	Thousandth tones	First Quarter 2007=100	Thousandth tones	Second Quarter 2007=100	Thousandth tones	Third Quarter 2007=100
Domestic transport	34 199.9	75.73	42 730.1	133.49	52 478.2	219.,01
International transport	1 512.5	92.11	1 741.7	119.96	2 091.1	112.27
Total	35 712.4	76.30	44 471.8	132.91	54 569.3	211.31

January – September 2008	Thousandth tones	January – September 2007=100
Domestic transport	129 408.2	127.96
International transport	5345.3	107.84
Total	134 753.5	127.02

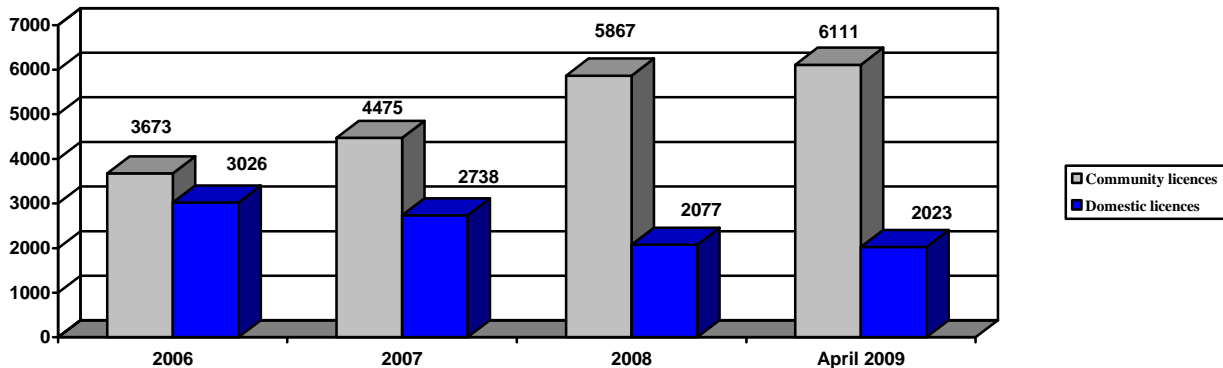
The table shows that after certain decrease in the first quarter, in the second and third quarter of 2008 the transported goods in the road transport sector increased considerably – by 7,84 % for international and by 27,96 % for domestic transport compared to the first three quarters of 2007.

The growth of road transports till September 2008 has been confirmed also through the number of issued TIR Carnets at that time. In October almost the same quantity of TIR Carnets has been issued as in October 2007. In November

started a decrease (by 13 %), in December 2008 – by 15 % compared to 2007, which trend is continuing and in the first quarter of 2009 the number of issued TIR Carnets dropped by 25 % compared to the first three months of 2008.

The hauliers estimate that the volume of loads has dropped by 50 to 80% depending on the market segment. One of the most active loads-exchange TimoCom registers demand/supply ratio 81/19, as only six months ago the ratio was reverse, exceeding the supply over the demand (45/55). In the same time the number of transport operators has increased.

Licensed transport operators in Bulgaria



There is a strong trend of increase of the number of carriers having a Community licence. Their number has increased over a two-year period by about 60 %. At the same time, the issued licenses for domestic transport of goods have dropped by about 30 %. The main reason for this significant decrease is the fact that the agreed transitional period with regard to the lower financial standing of domestic carriers will expire in the end of 2010 and most of the companies prefer to apply for Community licence, which entitles them to perform both types of transport. Due to the restructuring, the actual growth of the road haulage operators compared to 2006 is about 20 %. Additionally, since the beginning of 2009 till 16.04.2009, 190 new companies for road transport have received their licences.

In the last years the transport costs have increased. According to the road transport industry, despite of the fuel prices decrease, which forms about one third of the prime cost of the service, the other costs have increased by about 70%. There is a significant growth in the labor costs, and the road user charges in the most of the EU-member States are increasing continuously. As of 1 February 2009 a road user charge for Bulgarian hauliers has been introduced also in the Russian Federation.

Under high-competitive market conditions, especially since the end of the previous year, the freight rates have decreased dramatically.

All this factors lead the transport companies to a grave financial condition. There is a real danger of bankruptcy, mostly for the transport companies, operating with leased vehicles that do not manage to pay their leasing rates.

Since the beginning of 2009, 206 ordinances have been issued for ceasing the rights stemming from the Community licenses for transport operators, which do not meet the requirements for financial standing any more. 41 ordinances are already in force, an appeal has been launched against 17 others and the rest 148 are under enforcement procedure.

II. Measures taken by the Bulgarian competent authorities to restrain the effect of the economic crisis

1. General measures, announced in the governmental Plan 2009:

- to maintain the stability of the financial system through sustaining the currency board and the current fixed exchange rate, prudent management of the budget surplus and keeping the confidence in the banking system;
- to keep the economic growth and the positive business mood through augmentation of the capital costs, allocated among all economic sectors;
- measures for continuing the policy of renovating and modernizing the road infrastructure to stimulate the economic activity in the regions, creating favorable conditions for economic and commercial activities;

- to consign BGN 500 millions to the Bulgarian Bank of Development to stimulate the banks to grant credits to the SMEs;
- measures to support the enterprises in innovations: foreseen funds of BGN 2,3 billions including national co-financing and EU funds for the period 2007 – 2013;
- to provide, until the end of the year, BGN 196 million as a free help for enterprise's technological modernization;
- to decrease, in 2009, by 2,4 points the general social insurance burden for the employers;
- to continue the implementation of the National employment plan for creating new working places, training and professional education;
- to invest BGN 27 millions as a stimulus for the employers to keep their employees by ensuring for each of them 50 % of the minimum salary in Bulgaria in addition to their reduced salaries. This stimulus is foreseen for those employers, who, due to the production necessity, have introduced reduced working time for a 3 months period in order to keep their staff employed. This could preserve the employment of 16 000 workers;
- to initiate changes in the labor law for a more flexible and adaptable business by giving rights to the employers to introduce reduced working time due to production necessity for a 6 months period per year.

2. Measures taken by the Road Transport Administration:

- it has adopted and implements an Action Program against the gray economy and for improving the competitiveness in the road transport of passengers and goods, of which major components are: strict control of transport enterprises for license requirements conformity; suggestion to bind the certified true copies of the Community authorizations to specific vehicles to avoid the unfair competition; strengthen the control of the loads at risk, including the transports for own account, transport of dangerous goods, bulk cargo, specialized transports of passengers and the unauthorized carriages; active cooperation with other governmental institutions involved – Ministry of internal affairs, National Revenue Agency and the State Receivables Collection Agency;
- a task group has been established to study the decrease of the road transports and to draw up a report to the minister of transports on the possibility for market crisis to be declared.

3. For the last quarter of the past year the Bulgarian banks and leasing companies have increased the interests on credits and leasing installment charges, which affected badly the financial standing of the transport operators. Since January 2009 Bulgarian National Bank decreased the basic interest rate (today it has decreased with 2 points compared to December 2008). The interest rates on the credits offered by the commercial banks and leasing companies still maintain the previous high levels. Some of them are renegotiating the repayment terms, but this is done on individual basis.

III. Expectations of the transport sector

AEBTRI previsions are that the transport operators will be able, to a limited extent, to take advantage of the governmental anti-crisis measures.

They insist on strengthening of the control on the gray economy and to be declared a road transport market crisis by stopping the issuance of new licenses for 6 months period.

The expectations of the hauliers are that, in case that the crisis goes in deep, a large scale of bankruptcies is possible, especially for companies, which have leased the biggest part of their fleet.

AITA-MoldovaCountry Data

2009 Planned Currency Reserve: USD 2,08 bilions

Expectation: USD 1,27 bilions

2009 Planned Budgetary Deficit : 0,5 % of GDP

Expectation: 10,5 % of GDP

Association Data

Issuance of TIR carnet:

Year	January	February	March
2008	5072	6666	6524
2009	3962	4747	5636
Reduction (%)	22 %	29 %	14 %

11 % of AITA Members, which are authorized to perform transport operations under the TIR System are not active in 2009.

ARTRI and UNTRR-Romania

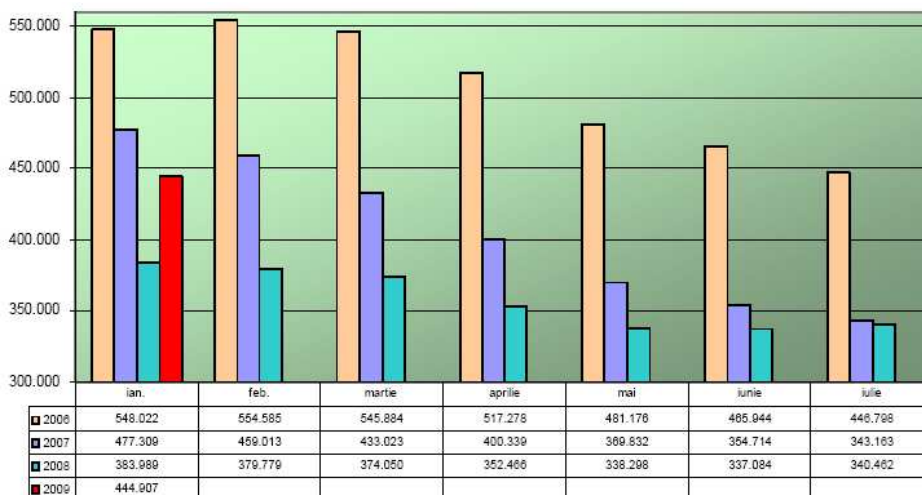
IMPORT and EXPORT VALUES for the last two months of 2008 in Romania:-

2008	November	December
EXPORT (FOB)	↓ 9%	↓ 24,6%
IMPORT (CIF)	↓ 17%	↓ 20,7%

The national currency (RON) evolution from December 1st, 2008 until 24 February 2009:-



The unemployment statistics (January 2009 – in red)!



Romania - Goods transport

Road transport	Year	Goods Transported, thousand tons				Goods Routes, million ton km			
		Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Total	2007	75119	92010	99870	89670	17159	13757	14835	13766
	2008	81232	106743			17730	14502		
National	2007	69707	87746	95736	85090	5670	5938	6765	5554
	2008	75863	102142			5693	6863		
International	2007	5412	4264	4134	4580	11489	7819	8070	8212
	2008	5369	4601			12037	7639		

Romania - New registered vehicles:

Vehicles	Year	Quarter			
		Q I	Q II	Q III	Q IV
Trucks, road trains used for special purposes and other road vehicles	2007	12503	18867	17015	17441
	2008	17222	19779	18808	
Trailers and semitrailers	2007	4489	6556	7421	6562
	2008	6143	7248	6265	

Vehicles entering and leaving through the RO border crossing points:

Period	Entered Romania	Left Romania	Total
01 01 – 30 11 2007	1.015.987	1.113.170	2.129.157
01 01 – 30 11 2008	1.353.191	1.585.205	2.938.396

ASMAP-Russian Federation

Based on the data provided by the international road carriers of the Russian Federation, the import volume of transport operators has sharply decreased since 4th quarter of 2008 and this trend continued in January-February 2009.

Distribution of volumes of the international carriages of goods of the Russian Federation showed that the total volume of the performed carriages of goods in 2008 has decreased by 2,5 % (1 million tons) in comparison with 2007.

In 4th quarter of 2008 in comparison with the same period of 2007 the volume of the international carriages of goods, performed by the Russian carriers reached a serious fall by 18,2 %, mostly due to the reduction of import volume from Finland by 15 %, China by 37 %, Lithuania by 19 %, as well as export volume to Finland by 37 %, Germany and China by 56 % and 58 %, respectively.

It is needless to say that reduction of the volume of the international carriages of goods affected the charter rates which decreased in the end of 2008 by 30-40 % in comparison with August 2008.

In the first quarter of 2009 the number of issued foreign permits and TIR Carnets decreased by 30 % in comparison with the same period of the last year.

According to Federal State Statistics Service (Rosstat), net financial result of the transport organizations (which is calculated as the difference between total profits and losses) in 2008 amounted to RUB 9,2 billions. Thus the share of the unprofitable organizations in this sphere reached 45,2 %, while the average value of all fields of activity was 25,2 %. In January 2009 net financial result in the sphere of transportation amounted RUB - 3,1 billions, while the share of the unprofitable organizations in this sphere was 62 %.

Measures taken by the Government of the Russian Federation to restrain the impact of the economic crisis

In the fiscal and budgetary policies:

- significant change of the timing and terms of payment of value added tax (VAT) as well as income tax. The aim is to make taxes more uniform, to exclude loans from state taxpayers;
- facilitation of the rules of tax arrears repayment;
- optimization of procedure for charging VAT on advance payments;
- increase of the depreciation premium for individual groups of fixed assets from 10% to 30%;
- reduction of the tax rate from 24% to 20%;
- In April 2009, it is scheduled to return to the issue of streamlining the tax system.

In the employment policy:

- the maximum amount of unemployment benefits increased from RUB 3124 to 4900;
- The federal budget earmarked up to RUB 50 billions (out of a total 325 billions) on an active employment policy, including: public works, both for the unemployed, and for citizens who were transferred to part-time or are forced to leave; rapid retraining of redundant workers; assistance in moving to a new place of work.

In March 2009 the Government of the Russian Federation prepared the program of priority actions to restrain the impact of the global financial crisis in 2009. Needless to say, Association of International Road Transport Carriers (ASMAP) also made its contribution to the abovementioned anti-crisis program, which is currently being finalized.

UND and TOBB-Turkey

As it is well-known, the crisis which has been started in finance sector in the US, has been spread to all over the world and to whole sectors. Consequently, in the last five months when the affects of the crisis have started being felt very strongly, Turkey has been wounded by the situation. An apparent indicator of this may be the % 6.2 shrinking in the economy in the last quarter of 2008. Furthermore, worse figures are being expected in the first quarter of 2009.

This situation naturally affects the transport sector, too. The countries that are main destinations of Turkish exports have entered serious recession period. The crisis has affected the countries such as Germany, Russia, and France with which Turkey has important trade partnerships. The decrease observed in Turkey's exportation is also reflected in the transport sector. Taking into account that 42 % of our exports is being carried by road transport, the decrease in our exports naturally affects our transport sector.

In this context, the exports of Turkey in March 2009 decreased by 34,92 % compared to the same month of the last year and has amounted to 7,1 billion \$. When it is compared to the first three months of last year, exports decreased by 33 % being recorded as 21,9 billion \$.

In parallel with these developments, by examining the statistics on the international road transport sector, in the first two months of 2009, there has been a 12 % decrease in export transport operations to all countries and 24 % decrease in the import transport operations.

With the spread of the crisis from US to European coasts and its consequences, the export transport operations to those regions have decreased by 26 % in the first two months of 2009 although normally every year it had been observed an 15 % increase. Plus, when it is compared to 2007, there was a 31 % increase in export transport operations to Russia and CIS countries in 2008, but in the first two months of 2009 it has been recorded a 5% decrease also in those regions.

UND Board has elaborated some precautions in order to overcome this financial crisis with minimum loss. In this regard, both our sector as well as our government should take necessary measures including the following:

Deference of Social Security premiums and taxes, necessary agreements to be negotiated with banks to ensure they stop recalling credits, realizing a different pricing for fuel purchases for the transport sector, recognizing the SME status of international transporter companies and allowing such companies benefit from investment benefits, solutions aimed at compensation of the permit charges imposed by neighboring countries are some of the precautions.

Furthermore, at a time like this firms have some responsibilities, too. First of all, firms should increase the savings inside their enterprises. Since the market will shrink, instead of having destructive competition, they have to search for ways to create partnerships or possible cooperation. To decrease the cost, they can use the operation centers collectively.

The transport sector of Turkey is trying to balance the loss of the market to Europe with Middle East but this doesn't exactly offset one another. For this reason, to avoid the 30 % shrinking in operations cause more damages, necessary precautions should be taken by the government and by the firms immediately.

Exportation from Turkey to other BSEC-URTA Countries

Discharge country	2006	2007	Annual Change	2008	Annual Change	March 2008	March 2009	Annual Change
ROMANIA	38.590	53.470	39%	49.093	-8%	14.171	7.520	-47%
GREECE	24.956	28.492	14%	31.144	9%	7.590	6.823	-10%
BULGARIA	23.674	25.195	6%	28.141	12%	5.740	7.382	29%
SERBIA	7.185	9.197	28%	8.079	-12%	2.149	1.324	-38%
MOLDOVIA	2.160	2.776	29%	3.289	18%	958	434	-55%
ALBENIA	3.342	4.718	41%	4.876	3%	1.087	1.074	-1%
GEORGIA	19.547	28.152	44%	34944	24%	6.879	6.080	-12%
RUSSIA	15.139	15.424	2%	17927	16%	3.303	1.878	-43%
AZERBAIJAN	13.401	22.124	65%	36158	63%	5.988	9.189	53%
ARMENIA	0	4		205		4	13	

Number of trucks crossing Turkish border crossing points in 2007

Name of the Border Crossings Point	Number of Entry		Number of Exit	
	Empty	Loaded	Empty	Loaded
Ambarlı	80	12,118	85	12,876
Cilvegözü	39,458	13,292	4,603	44,011
Dereköy	-	5	4	-
Gürbulak	27,662	49,730	4,847	82,318
Habur	271,660	28,274	25,956	282,200
Hamzabeyli	31,640	50,286	9,020	63,692
Haydarpaşa	624	50,999	1,823	47,786
İpsala	27,119	34,915	2,938	63,711
Kapıkule	63,384	186,842	2,538	252,684
Öncüpınar	9,817	11,069	3,863	18,580
Sarp	56,283	7,872	969	63,222
TOTAL	527,647	433,284	56,561	918,204

Number of trucks crossing Turkish border crossing points in 2008 (01 01 - 30 11)

Name of the Border Crossings Point	Number of Entry		Number of Exit	
	Empty	Loaded	Empty	Loaded
Ambarlı	180	11,473	42	14,473
Cilvegözü	30,855	15,448	5,646	42,302
Dereköy	1	-	41	2
Gürbulak	29,547	39,430	4,465	78,305
Habur	243,435	41,468	32,236	258,445
Hamzabeyli	40,130	59,535	3,216	69,391
Haydarpaşa	1,402	59,937	1,132	57,078
İpsala	29,469	30,371	2,237	61,741
Kapıkule	59,522	150,860	1,667	237,247
Öncüpınar	4,850	7,053	4,274	7,585
Sarp	69,074	7,616	976	74,878
TOTAL	508,465	423,191	55,931	901,447

Source: TOBB

SECTOR'S EXPECTATIONS FROM THE TURKISH GOVERNMENT

The economic conditions worsened by the global financial crisis, necessitates both a cooperation among the sector companies and other actors involved in the logistics industry to a certain extent as well as a well-established PUBLIC-PRIVATE PARTNERSHIP. Bearing this need in mind, UND has been calling the government to put in place the following measures required for a smooth survival of the Turkish foreign trade and the Turkish international freight transport sector to ensure a minimum level of safeguard against imminent risks:

1. Deferring social security Premium payments and relevant taxes,
2. Making arrangements with banks to ensure that they facilitate use of credits and to avoid credit-calling with a view to avoid a liquidity crisis,
3. Establishing a special pricing system for the fuel used by transport sector (reduction of excise duties etc. / following the best practices for example the one applicable in Italy),
4. To expand the special procedure applicable at border crossing points for fuel purchases (fuel exempt from excise duty and VAT) to include the loading points,
5. To ensure that tax-free fuel purchases (exempt from excise duty and VAT) allowed when entering Turkey can be applicable when exiting Turkey, enabling transporters to buy fuel at fuel stations located at border crossing points,
6. To ensure international transport companies obtain SME status,
7. To ensure that vehicle fleet can be accepted by the Eximbank as a guarantee, similar to the acceptance of non-financial guarantees and establishment of an insurance fund dedicated for this,
8. Realizing necessary arrangements at border crossing points to minimize waiting times at customs offices and borders and to increase efficiency,
9. To impose a strict limitation on "payment collection period", similar to the one applied in France and to apply sanctions against those companies that do not fulfill this requirement (to pay the freight charges) on time,
10. To manage the existing over-capacity problem through "freezing the existing licensing process (whereby new companies obtain licenses to access to the profession) for a certain period, under the principles already exist in the Road Transport Law and Regulation
11. To exempt the sector from motor vehicle tax.

AIRCU-Ukraine

ASMAP UA does not have detailed statistical data concerning the volume of domestic and international road freight transport (monthly ton and tkm figures).

Generally, in previous years the road freight transport market developed dynamically in Ukraine.

In 2007 road freight transport export activity grew by 33.7% in comparison with 2006, and road freight transport import activity increased by 27.2% representing 5.8 and 8.8 million tons respectively (information from the State Customs Service of Ukraine).

As per information from the State Committee of Statistic of Ukraine, the volume of domestic road freight transport was 1'167 million tons in 2006, 1'255 million tons in 2007 and it would be 1'367 million tons in 2008 (forecast).

The number of vehicles which are passing through the biggest border crossing point "Yagodyn" on the Western border of Ukraine with Poland (entry / departure) has been 291'001 for January–November of 2008, including in October 30'445 and November 25'564. For the similar period January–November of 2007 it was 271'278 including in October 29'521 and November 27'502.

Member operators registered with ASMAP UA have operated 6'250 vehicles in the period January–November 2008, during the similar period of 2007 the number of vehicles was 6437, practically the same quantity.

ASMAP UA has no statistics about the number of bankruptcies among road freight transport operators, ASMAP UA Members.

The number of TIR Carnets issued by ASMAP UA has been 314'841 for the period January–November 2008, including for October 29'843 and November 21'873. For the period January–November 2007 this figure was 314'350, including in October 32'916 and November 32'687.

Source: ASMAP UA

IRU's 6 RESCUE MEASURES FOR THE ROAD TRANSPORT INDUSTRY

At its last General Assembly meeting in Geneva on 3 April 2009, the IRU adopted a special Resolution to reduce the impact of the economic crisis on road transport.

In this connection, the IRU also calls for all Governments to apply a recovery strategy for the road transport industry based on 6 rescue measures as follows:-

1. Reduce costs for road transport

- resolve to create no further new taxes or charges that are duplicating vehicle and fuel taxes,
- examine how existing taxes and charges can be reduced.

2. Restore the availability of credit lines to road transport companies

- encouraged banks to start lending again,
- consider debt moratoriums to prevent the collapse of companies because of short term capital constraints.

3. Revise insolvency rules

- help enterprises by allowing them to operate at reduced capacity instead of liquidating the whole company.

4. Reject neo-protectionism

- maintain the free movement of goods and services.

5. Retain workers in the sector

- do not lose skilled labor, which will be needed when transport demand recovers,
- adopt 'economic unemployment' schemes (pay salaries of workers put on an inactive status for a temporary period).

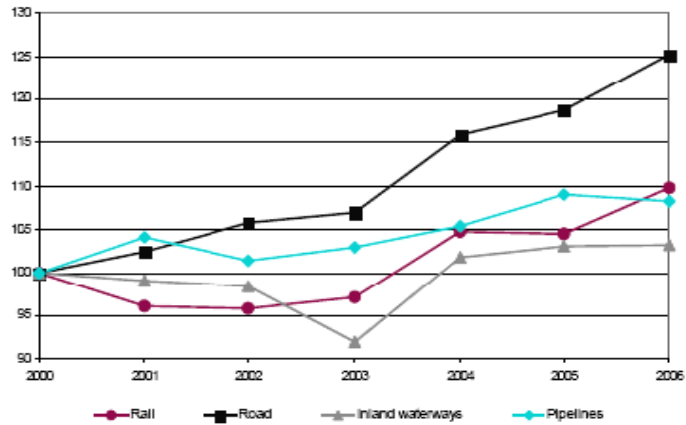
6. Reinvest in roads

- public works and infrastructure schemes are proven methods to keep unemployment under control and to remove bottlenecks from the road networks.

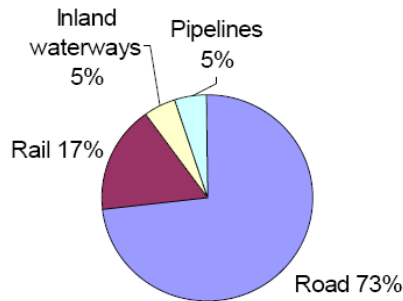
Road Transport of Goods in Europe (2005-2008)

Evolution of EU-27 freight transport for inland modes – based on tonne-km (2000=100)

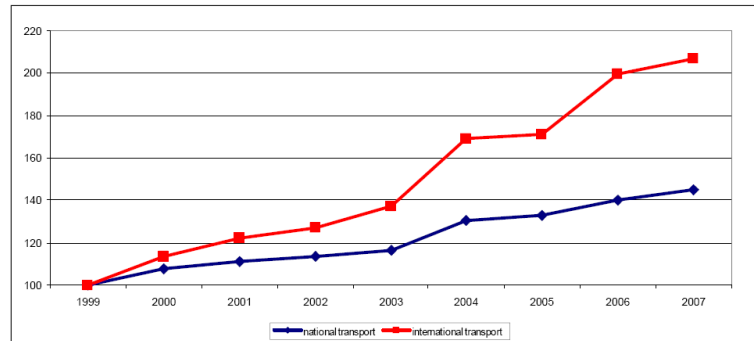
Total freight transport by inland modes in the EU totaled 2,595 billion tonne-kilometres (tkms) in 2006. Road freight transport represented about 73% of the inland freight transport market. Rail had a share of 17 % with inland waterways and oil pipelines accounting for 5 % each.



Shares of inland transport modes in EU freight transport in tonne-kms – 2006



Evolution of national and international road freight transport (index numbers based on tonne-kms) – 1999-2007 – EU-27

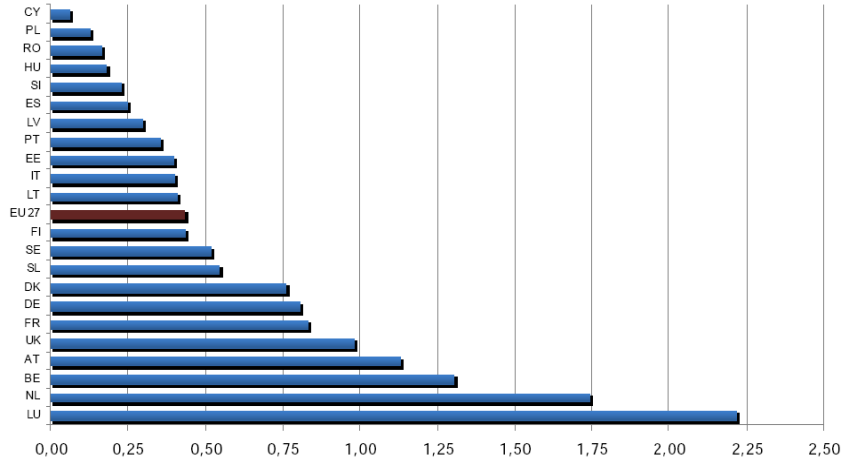


International road freight transport accounted for about one third (or 612 billion tkms) of total road freight transport in the EU in the year 2006. National road freight transport represented the other two thirds (1,266 million tkms).

Turnover and productivity

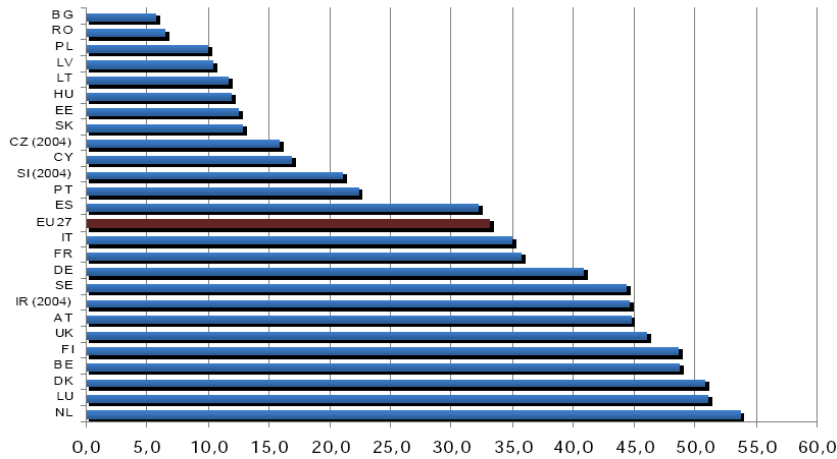
The average turnover of the EU-27 road freight enterprises was EUR 430.000 in the year 2006. The average turnover in individual Member States ranges from as little as EUR 57,000 in Cyprus up to EUR 1.7 million in the Netherlands and EUR 2.2 million in Luxembourg.

Average turnover of road freight enterprises by country (EUR millions) – 2005



Value added per person employed in the road freight transport sector by country (EUR 1000) – 2005

Average labor productivity, as measured by the gross value added of the road haulage industry per person employed, was about EUR 33,000 in the year 2005.

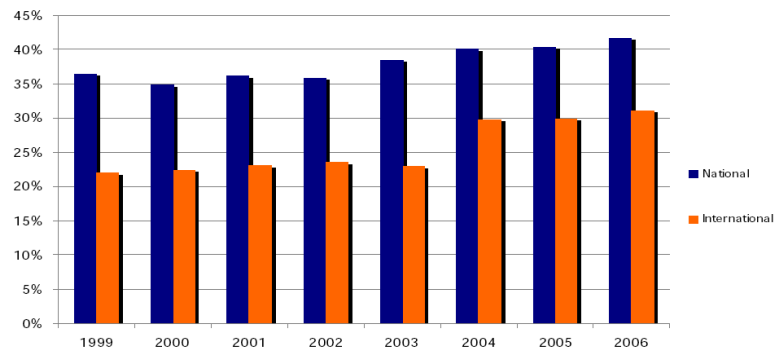


The productivity in the road transport sector was still low in the EU-12, with Bulgaria and Romania at minimum levels (only slightly above EUR 5.000) and the other 10 EU-12 Member States between EUR 10.000 and EUR 5.000. Portugal (EUR 22.000) and Spain (EUR 32.000) were the only EU-15 countries below the EU-27 average. On the other hand, the Netherlands, Luxembourg and Denmark each showed an average productivity above EUR 50.000.

Efficiency

The average share of empty journeys was higher (above 35 %) for national transport compared to international transport (below 30 %). However, the share of empty journeys has been increasing in recent years, both in national and international transport.

Average share of empty journeys for national and international transport in the EU- 1999-2006

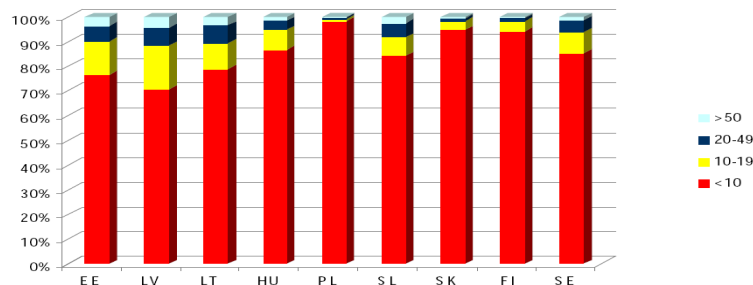


The trend is towards an increasing share of empty journeys in recent years, both for international and national transport. Particularly evident is the step change around the year 2004 for international transport.

Fragmentation and employment

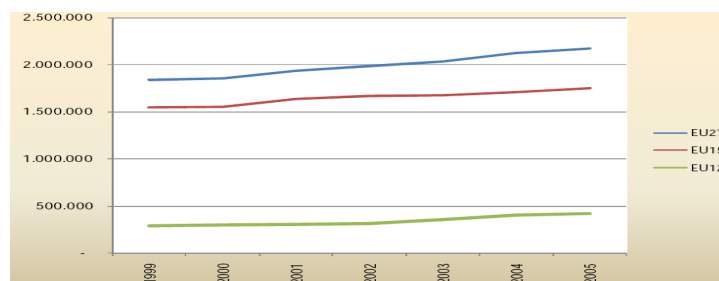
The road haulage sector is fragmented in a big number of small business units in almost all countries: Spain (more than 130.000 companies in 2005), Italy (100.000 companies) and Poland (70.000 companies). Other big markets – France, UK and Germany – include more than 30.000 road haulage operators each. In all the other countries, with the exception of Czech Republic where the number of companies is about 25,000, the number of companies is smaller.

Distribution of road haulage companies by number of employees, by country - 2004



The share of companies with more than 50 employees is very small, usually 1 %. On the other hand, the share of micro-companies with less than 10 employees is about 80 % or more in almost all the countries.

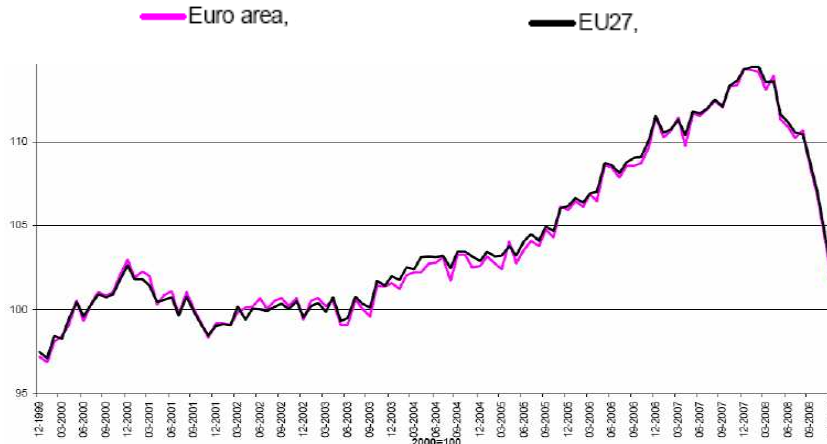
Evolution of employment in road freight transport - 1999-2005 – EU-27, EU-15, EU-12



The number of employees in the road haulage industry in EU-27 countries increased from about 1,800,000 in 1999 to about 2,100,000 in 2005.

Short Term Impact of the Financial and Economic Crisis on the Road Transport Sector in EU

Total industrial production excluding construction (Euro area and EU27)

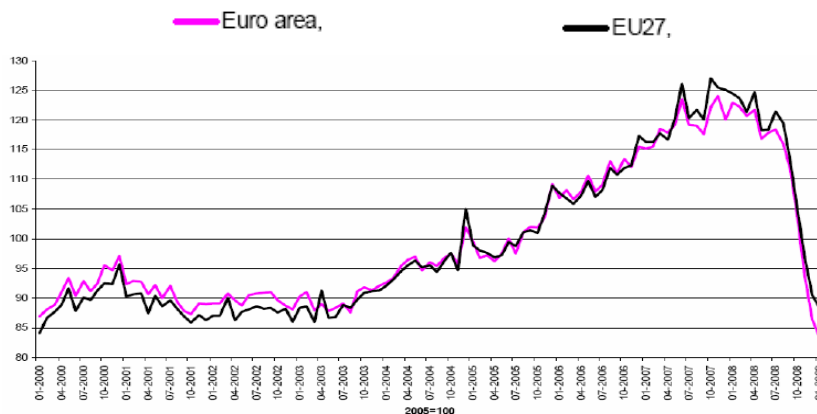


Since it is closely linked to general economic conditions, the demand for transport services is decreasing rapidly and transport companies are facing economic difficulties and bankruptcies

Orders for new road transport vehicles have plunged and in some countries come to a quasi stand-still. According to figures published by Renault Trucks, the European market should absorb 256,000 trucks of over 6 tonnes in 2009, which is a 37 % drop compared to 2007. This would therefore be the worst performance by the market since 1995, and could lead to an ageing fleet, higher operating cost and lower environmental performance.

Overall, new manufacturing orders have fallen sharply since the third quarter of 2008 and have come back to a level similar to that of 2000.

Total manufacturing working on orders



The fall in the oil price has resulted in a reduction of operating costs, and is expected to continue due to forward buying by oil distribution companies. However, the relatively cheap price of oil might delay decisions to renew fleets with more fuel efficient vehicles. Furthermore, the low price of oil does not compensate for the drop in road transport demand due to the pressure from overcapacity and reduced orders. It also provides an argument for customers trying to push prices down.

An increasing number of road haulage companies are having difficulties keeping up with their payments. According to the IRU, the number of bankruptcies of road haulage companies may have increased by up to 110 % since the end of 2007. Financial difficulties also seem to affect businesses whatever their size. French road transport organization FNTR reports that out of 210 insolvency cases recorded in the road goods transport sector in France in January 2009, 82 % took place in small or very small enterprises.

The sector, of which around 50 % of workers are self-employed, is set to suffer a high social toll from the crisis. According to the industry, as of January 2009 an estimated 10000 jobs had been lost in France, 16 000 in Spain and 4 000 in Belgium following cases of bankruptcy since the beginning of the crisis. According to figures of IRU, a total of 140 000 jobs in EU road freight transport are currently at risk or have already been lost since the end of 2007. The number of jobs lost is only one indicator of the effects of the crisis on employment. Employment conditions in existing jobs are also affected by the crisis, with many businesses choosing to reduce or adapt working hours.

The first forecasts for the rest of 2009 are pessimistic. In January 2009, the IRU published its yearly road transport indices, according to which growth in the transport sector in Western Europe is set to stagnate at a low level over the first half of 2009. Results communicated by ACEA (the European Association of Automobile Manufacturers) confirm this view: over the year 2008, new truck (> 3.5 t.) registrations fell by 4.0 % in the EU-27 and EFTA (without Cyprus and Malta), mainly because of the 21.1% decrease in the EU-12. The latest figures for HGV registrations in February show the same trend for the beginning of the year, with a drop of 43.7 % compared to February 2008 for the over 3.5 tonnes category and 46.4 % for the over 16 tonnes segment.



The economic downturn is already having a dramatic impact on HGV traffic. Traffic volumes on motorways have dropped by between 5 % (France) and 34 % (Spain) in December 2008 compared to the same month in 2007. First figures for 2009 show that this trend is expected to worsen in the near future. Traffic (measured in vehicle per km) dropped 8.27% in December 2008 in Austria compared to the same month a year before, while the decrease recorded in January 2009 reached 20.27 %. International road traffic, which was

set to grow rapidly before the crisis, also appears to be affected by the recession. The latest statistics from German motorways (Mautstatistik) show that the number of HGV crossing borders on toll roads in Germany in February 2009 had decreased 17,3 % compared to the previous year.

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