ECONOMIC ANALYSIS OF THE ROAD FREIGHT TRANSPORT SECTOR IN BELGIUM WITHIN A EUROPEAN CONTEXT

Employees and employers in 'survival mode'?

Frederic De Wispelaere and Jozef Pacolet

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Samenvatting

België telt ongeveer 7.500 transportbedrijven die goederenvervoer over de weg aanbieden. Zij stellen meer dan 55.000 personen tewerk en genereren een jaarlijkse omzet van € 11 miljard (cijfers voor 2015). De impact op de Belgische economie is relatief beperkt, wetende dat de sector goed is voor ongeveer 0,3% van de totale bruto toegevoegde waarde gecreëerd door de Belgische economie en voor 1,2% van de totale Belgische tewerkstelling.

Het zijn voornamelijk transportbedrijven gevestigd in Duitsland en Polen die het Europese goederenvervoer over de weg domineren. Belgische transportbedrijven hebben hierin een aandeel van 'slechts' 1,7%, wat neerkomt op 30.9 miljard tonkilometer (cijfers voor 2016). Waar in het verleden internationaal transport in omvang nog belangrijker was dan binnenlands vervoer voor de Belgische transportbedrijven, is dit vandaag niet langer het geval. Door de daling in internationaal vervoer, tussen 2008 en 2016 gaat het om een daling van 40%, maakt het binnenlandse goederenvervoer momenteel ongeveer 60% van de totale activiteiten uit van de Belgische transportbedrijven. Het maakt dat in 2016 de omvang van het goederenvervoer over de weg uitgevoerd door Belgische transportbedrijven maar liefst 7,4 miljard tonkilometer lager lag dan in 2008. De daling in uitgevoerde tonkilometers heeft ook een invloed gehad op de Belgische tewerkstelling. Zo daalde de tewerkstelling in de Belgische transportsector met 5.800 werknemers tussen 2011 en 2015.

Het nationale goederenvervoer binnen de EU is door een aantal beperkingen op 'cabotage' nog niet vrijgemaakt. Onder cabotage verstaan we binnenlands vervoer dat wordt uitgevoerd door een transportbedrijf uit een andere EU-lidstaat. Toch wordt in België naar schatting 12% van het goederenvervoer uitgevoerd door transportbedrijven gevestigd in een andere EU-lidstaat. Hiermee is België koploper en tegelijk ook een uitzondering in Europa aangezien het EU-gemiddelde slechts 4% bedraagt. Meer dan 60% van deze activiteiten worden uitgevoerd door transportbedrijven die gevestigd zijn in Nederland en Luxemburg. Het weerlegt de huidige perceptie dat het vooral transportbedrijven uit EU-lidstaten met een lage loonkost zijn die 'cabotage' uitvoeren in België. Het is een gevolg van een Benelux-regeling waardoor in België onbeperkt cabotagevervoer toegestaan wordt voor transportbedrijven uit Nederland en Luxemburg. De baten van de Benelux-overeenkomst liggen voor Nederland en Luxemburg beduidend hoger dan voor België. Belgische transportbedrijven voeren slechts beperkt cabotage uit in Nederland en Luxemburg in vergelijking met Nederlandse en Luxemburgse transportbedrijven in België. Daarenboven zien we dat het goederenvervoer over de weg tussen België en zijn buurlanden in hoofdzaak wordt uitgevoerd door transportbedrijven die gevestigd zijn in deze buurlanden en veel minder door Belgische transportbedrijven. Het (b)lijkt dat Belgische transportbedrijven in belangrijkere mate concurrentie ervaren vanuit de buurlanden dan vanuit nieuwe lidstaten zoals Polen, Slovakije en Roemenië.

Transportbedrijven 'vlaggen uit' naar een andere EU-lidstaat om daar een dochteronderneming/ vestiging op te richten. Toch lijkt de omvang in Europa nog relatief beperkt te zijn. Op basis van een analyse van de Orbis databank van Bureau Van Dijk, die o.a. de jaarrekeningen en de concernrelaties en –structuren van private bedrijven in de EU rapporteert, gaat het om ongeveer 13.500 transportbedrijven (geselecteerd op basis van NACE-code 4941) in de EU die een hoofdaandeelhouder hebben uit een andere EU-lidstaat of 3% van het totale aantal transportbedrijven actief in de EU. Ongeveer 60% van de transportbedrijven in de EU met een aandeelhouder uit een andere EU-lidstaat zijn gevestigd in het Verenigd Koninkrijk. Ook in Roemenië en Slovakije zijn er heel wat transportbedrijven met een buitenlandse aandeelhouder. Als percentage in het totale aantal transportbedrijven gevestigd in een EU-lidstaat, zien we dat transportbedrijven met een aandeelhouder uit een andere EU-lidstaat vooral gevestigd zijn in Luxemburg, het Verenigd Koninkrijk en Ierland.

De strategische beslissing van 'uitvlaggen' om zo kosten te kunnen drukken binnen een sterk arbeidsintensieve en prijsgevoelige internationale markt wordt in hoofdzaak door grote transportbedrijven genomen. Zo hadden 'slechts' 75 Belgische transportbedrijven of 0,6% van het totale aantal transportbedrijven in België één of meerdere vestigingen in een andere EU-lidstaat. Merk op dat het hier enkel om Belgische moederbedrijven actief in de transportsector gaat. Maar zij vertegenwoordigen wel 38% van de omzet gecreëerd door de transportbedrijven in België en 20% van de tewerkstelling. Beide cijfers zijn zelfs een onderschatting omdat niet voor alle transportbedrijven omzet en tewerkstelling gekend zijn. Als we kijken naar alle transportbedrijven in de EU dan hebben ongeveer 0,2% van hen één of meerdere vestigingen in een andere EU-lidstaat. Zij staan wel voor ongeveer 15% van de gecreëerde omzet door transportbedrijven in de EU en voor 9% van de gecreëerde tewerkstelling. Opnieuw zal het aandeel in gecreëerde omzet en tewerkstelling een onderschatting zijn. Transportbedrijven gevestigd in de EU-15 (zogenaamde 'oude lidstaten') hebben veel vaker een vestiging in een andere EU-lidstaat dan transportbedrijven gevestigd in de EU-13 (zogenaamde 'nieuwe lidstaten). Ongeveer 8 op 10 transportbedrijven met één of meerdere vestigingen in een andere EU-lidstaat hebben dan ook hun moederbedrijf in een EU-15 lidstaat. Maar zoals reeds vastgesteld zal men niet noodzakelijk uitvlaggen naar een EU-13 lidstaat.

Ook is nagegaan hoeveel buitenlandse transportbedrijven (eveneens geselecteerd op basis van NACE-code 4941) een Belgische aandeelhouder hebben. Het gaat om een totaal van 455 transportbedrijven gevestigd in de EU. Ongeveer 70% van deze transportbedrijven zijn gevestigd in Roemenië (135), Luxemburg (110) en Slovakije (76). Transportbedrijven gevestigd in Nederland en Frankrijk volmaken de top-5, maar hun aantal ligt heel wat lager. Cijfers over het aantal werknemers dat deze buitenlandse transportbedrijven met een Belgische aandeelhouder tewerkstellen alsook over de door hen gecreëerde omzet en de gemiddelde arbeidskost per werknemer zijn in belangrijke mate onvolledig. Vaststelling is wel dat door de Slovaakse en Roemeense transportbedrijven met een Belgische aandeelhouder de meeste personen worden tewerkgesteld.

De analyse van de financiële informatie voor bedrijven gevestigd in Europa liet ons ook toe om mogelijke risico's van postbusbedrijven en grensoverschrijdende sociale fraude te beschrijven. Tientallen tot zelfs honderden bedrijven zijn soms gevestigd op één en hetzelfde adres. Voor transportbedrijven vonden wij zulke voorbeelden in het Verenigd Koninkrijk en Slovakije. Voor transportbedrijven met een Belgische hoofdaandeelhouder vonden we zo een voorbeeld in Bratislava. Daarnaast beschikken bedrijven niet altijd over het wettelijk oplegde kapitaal en reserves (kapitaal en reserves moeten ten minste € 9.000 bedragen wanneer slechts één voertuig wordt gebruikt en worden verhoogd met € 5.000 per extra voertuig). Soms ligt ook de gemiddelde loonkost in bepaalde transportbedrijven met een Belgische hoofdaandeelhouder opvallend laag. Het doet twijfel ontstaan of de correcte lonen en sociale bijdragen wel worden betaald. Zeker als men weet dat deze bedrijven internationaal actief zijn.

De huidige Europese wetgeving bestrijdt reeds in grote mate risico's van postbusbedrijven, illegale cabotage en grensoverschrijdende sociale fraude. Het gebrek aan duidelijkheid over bepaalde juridische bepalingen of de moeilijkheid om deze te implementeren en te handhaven leidt evenwel tot een verhoogd risico van ongelijke toepassing ervan binnen de EU. Het zogenaamde 'mobiliteitspakket' dat vorig jaar door de Europese Commissie werd aangekondigd heeft de ambitie dit te remediëren. Vraag blijft echter of voldoende middelen worden ingezet om de toepassing van de wetgeving te controleren, dit door zowel inspectiediensten uit zendende en ontvangende lidstaten.

Hier kan de aangekondigde 'Europese Arbeidsautoriteit' misschien enig soelaas brengen. Samenwerking tussen inspectiediensten is noodzakelijk om grensoverschrijdende fraude en postbusbedrijven te detecteren. Het uitvoeren van risicoanalyses op basis van publieke en private databestanden kan hierbij nuttig zijn. Het is wat wij zelf hebben kunnen ervaren bij het schrijven van deze paper.

1 | Introduction

Several recent studies provide an up-to-date and in-depth analysis of the road freight transport sector in the EU (see, among others, EC, 2017; Gibson, 2017a; 2017b; 2015; Pastori and Brambilla, 2017; Broughton, 2015; Windisch et al., 2016; AECOM, 2014; Lhernould and Palli, 2017). The importance of these reports cannot be overestimated for the current debate on the several legislative proposals of the European Commission applying to the road freight transport sector.[1] Our paper avoids repeating this research by conducting a comprehensive analysis of the Belgian road freight transport sector.[2] Furthermore, it wants to demonstrate the added value of other data sources than those used in the studies mentioned above. In this respect, especially the Orbis database from Bureau van Dijk has proved its usefulness. The private database contains (non-)financial information from private companies across Europe. This makes it possible to search and compare standardised company information across borders. In the process of writing this paper, the database helped us to learn more about the ownership structures of transport[3] companies by offering a comprehensive overview of (foreign) subsidiaries and shareholders.

Statistics published by Eurostat on road freight transport in the EU are currently available up to 2016.[4] In the second section of this paper, a detailed analysis of Belgium is carried out for both national and international road freight transport on the basis of these figures. It is useful to assess these figures and put them into perspective by comparing them to the total European road freight transport market. Special attention is given to the use and impact of cabotage, which is national transport undertaken by hauliers from another Member State, knowing that Belgium is strongly confronted with this phenomenon.

Empirical research on the business profile of road freight transport companies has been limited so far. The third section of this paper describes the profile of Belgian road freight transport companies by exploiting both Eurostat figures as well as by making use of the Orbis database. We mainly focus on the evolution of domestic employment, turnover as well as profit margins. Both the EU enlargement in 2004 and 2007 as well as the liberalisation process of the road freight transport market may have caused an increased risk of displacement of domestic workers by workers from 'new' Member States as well as a downward pressure on the turnover of Belgian transport companies.

The extent to which Western European and in particular Belgian companies took advantage of the EU enlargement and made strategic decisions to incorporate in a new EU Member State is discussed in section four. 'Flagging out' is mainly seen as a strategy to reduce costs by exploiting differences in socioeconomic conditions between Member States. However, it might also be a survival strategy, in particular for companies in high-wage Member States, operating within a highly competitive market such as the road freight transport sector. An empirical analysis based on the Orbis database is carried out for the Belgian road freight transport companies with a foreign subsidiary and for the foreign

1 On 31 May 2017, the European Commission presented her so-called 'Mobility Package'. This consists of several legislative proposals. For an overview see https://ec.europa.eu/transport/modes/road/news/2017-05-31-europe-on-the-move_en

2 The paper was presented at the conference 'On the road. Economic and legal aspects of the road transport sector in Europe'. This conference was organised by HIVA, for and in collaboration with EZA and ACV – CSC Transcom. For an overview of the presentations see https://hiva.kuleuven.be/nl/nieuws/nieuwsitems/Conference-On-the-road-Economic-and-legal-aspects-of-the-road-transport-sector-in-Europe-presentations. The authors thank EZA and the European Commission for the financial support.

3 By selecting Nace-code 4941 'freight transport by road'.

4 See http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Road_freight_transport_statistics

road freight transport companies with a Belgian shareholder. In addition, aggregated figures are published for all EU-28 Member States.

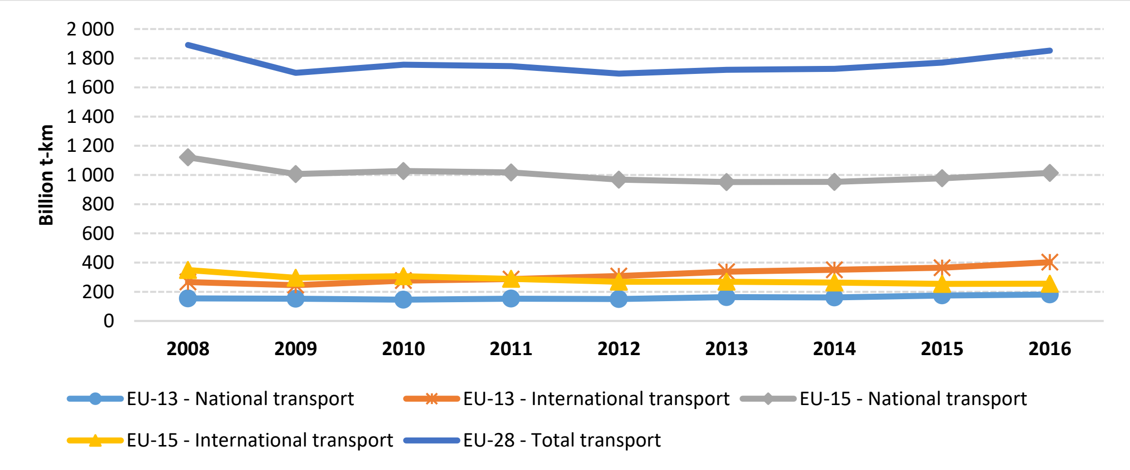
In the final two sections of the paper we discuss the prevalence of letterbox companies and cross-border social fraud by analysing the Orbis database in more detail on the basis of indicators that may indicate misuses. It should be clear that we make a distinction between foreign subsidiaries on the one hand, and letterbox companies on the other. This by defining some risk indicators. Western-European transport companies might have taken advantage of the EU enlargement to found a subsidiary in a 'new' Member State. However, this does not mean that all of them established a letterbox company or committed cross-border fraud.

2 | Belgium within Europe: an overview of the current situation of the road freight transport sector

2.1 International transport provided by Belgian road freight transport companies: melted like snow before the sun?

In 2016, road freight transport activity in the EU-28 amounted to 1,852 billion tonne-km *(Figure 1)*.[5] There has been a continuous growth since 2012 but total road freight transport activity in 2016 was still lower than the level it reached on the eve of the financial and economic crisis. National transport operations accounted for some two thirds of all road freight transport activity in the EU, particularly provided by domestic EU-15 hauliers. In the last decade we witnessed a remarkable eastward shift of international transport activities. Since 2012, more international transport operations (in terms of tonne-km) are provided by EU-13 hauliers than by EU-15 hauliers. The share of the EU-15 in total international transport shrank considerably from 57% of total tonne-km in 2008 to only 39% of total tonne-km in 2016.

Figure 1 **Annual road freight transport by type of transport, in billion tonne-km, EU-15 vs EU13, 2016**



Source Own elaboration on data from Eurostat [road_go_ta_tott]

Germany, Spain and Poland dominated the European road transport in 2016, measured in total tonne-km *(Table 1)*. By making a distinction between national and international road freight transport strong differences among Member States are uncovered. National transport mainly explains the high share of Germany in total European road transport. While Poland is by far the largest international transport Member State in the EU.[6] Belgium has a share of 1.7% in total tonne-km in the EU, with a similar share in total for both national and international road freight transport.

Table 1 also provides a breakdown by type of international transport. We focus our analysis on cabotage and cross-trade. Cabotage means freight transport carried out in country A by hauliers

5 We use the term 'EU-15' to refer to the 'old' EU Member States: Belgium, Greece, Luxembourg, Denmark, Spain, Netherlands, Germany, France, Portugal, Ireland, Italy, United Kingdom, Austria, Finland and Sweden; and 'EU-13' to refer to all the 'new' Member States: Croatia, Romania, Bulgaria, Poland, Czech Republic, Latvia, Lithuania, Slovenia, Estonia, Slovakia, Hungary, Cyprus and Malta.

6 In 2016, some 103,800 A1 forms (this certificate concerns the social security legislation which applies to a person and confirms that this person has no obligations to pay contributions in another Member State) were issued by Poland to persons employed in the transport sector and who are active in two or more Member States (De Wispelaere and Pacolet, 2018). This number is much higher compared to other reporting countries.

registered in country B. So, from the point of view of the haulier, cabotage is considered as international transport. Nonetheless, from the point of view of the movements of goods, it could be considered as national transport. Poland, Romania and Bulgaria were the largest suppliers of cabotage in terms of tonne-km in 2016. A third of all cabotage activity was carried out by Polish operators. Belgium had a share of 3.6% in total cabotage activity in 2016, which is a much higher share compared to its share in other transport activities. Cross-trade is international road transport between two different countries performed by a road motor vehicle registered in a third country. A third country is a country other than the country of loading and the country of unloading. Cross-trade is reported by the country in which the vehicle is registered. Cross-trade is largely performed by operators of the EU-13, particularly by Poland and to a lesser extent by Lithuania and Romania.

Table 1 Main Member States active in road freight transport, by type, share in total tonne-km, 2016

	Total transport		**National transport**		**International transport**			
	Country	*Share in column total*	*Country*	*Share in column total*	*Country*	*Share in column total*	Of which	
Most active	Germany	17.0%	Germany	22.7%	Poland	28.0%		
Second most active	Poland	15.7%	UK	14.3%	Spain	11.0%		
Third most active	Spain	11.7%	Spain	12.1%	Germany	6.7%		
Belgium		1.7%		1.6%		1.8%		
	International transport							
	Goods loaded in reporting country		**Goods unloaded in reporting country**		**Cross-trade**		**Cabotage**	
	Country	*Share in column total*	*Country*	*Share in column total*	*Country*	*Share in column total*	*Country*	*Share in column total*
Most active	Poland	25.4%	Poland	27.6%	Poland	30.9%	Poland	33.6%
Second most active	Spain	15.6%	Spain	13.6%	Lithuania	9.3%	Romania	7.9%
Third most active	Germany	9.1%	Germany	8.2%	Romania	9.2%	Bulgaria	6.7%
Belgium		2.4%		1.8%		0.7%		3.6%

Source Own elaboration on data from Eurostat [road_go_ta_tott]

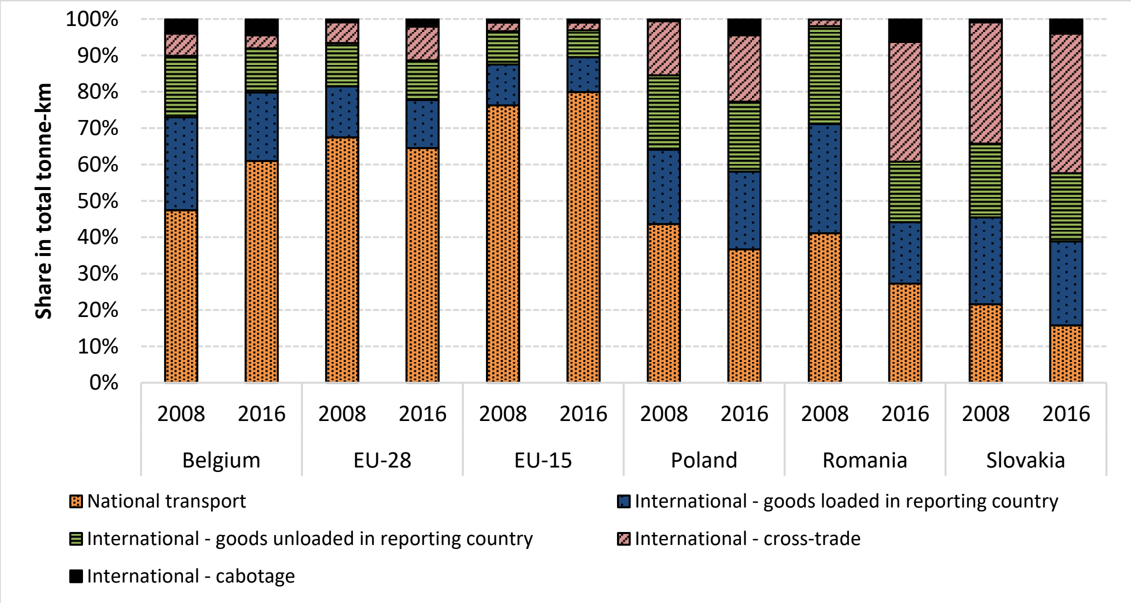
Even after liberalisation of the road freight transport market, the major component in the EU is still national transport. Nonetheless, its share in total road freight transport (in terms of tonne-km) decreased by some 3 percentage points between 2008 and 2016, from 67.5% to 64.5% *(Figure 2)*. Moreover, strong differences appear between EU-15 and EU-13 Member States. EU-13 Member States such as Poland, Romania and Slovakia are mainly active at the international road freight transport market. While the share of international road freight transport in total for EU-15 hauliers decreased slightly between 2008 and 2016. Furthermore, EU-15 Member States experienced a strong reduction in tonne-km between 2008 and 2016, particularly for international transport *(Table 2)*.

The share of international road freight transport in total activities for Belgium decreased by almost 7 percentage points between 2008 and 2016. In 2016, some 40% of the services provided by Belgian road freight transport companies related to the international market and some 60% to the national market. With a decrease of 40% in tonne-km between 2008 and 2016, international transport disappeared like snow before the sun in Belgium *(Table 2)*. This is a much higher decrease compared to other EU-15 Member States (-27%). However, Belgium also has had a stronger focus on international transport activities than other EU-15 Member States in the past *(see 2008– Figure 2)*. The potential loss was/is therefore greater.

Both EU cross-trade (+ 59%) and cabotage (125%) recorded high increases between 2008 and 2016 *(Table 2)*. The strong increase in cabotage activities is partly due to the lifting in 2009 and 2012 of special transitional restrictions on hauliers from most countries that joined the EU in 2004 and 2007, respectively. At EU level, cross-trade has grown significantly from some 5.7% of total tonne-km in 2008 to already 9.3% of total tonne-km in 2016 *(Figure 2)*. Roughly a third of total tonne-km performed by hauliers from Romania and Slovakia relate to cross-trade. Cabotage accounted for some

2.1% of total tonne-km performed by EU-28 hauliers. It grew by roughly 1 percentage point between 2008 and 2016. The relative low share of cabotage cannot be a surprise as there is still a general 'protective' regulation in force limiting cabotage operations within the EU area *(see section 2.2)*.

Figure 2 Road freight transport by type of transport, share in total tonne-km, 2008 and 2016



Source Own elaboration on data from Eurostat [road_go_ta_tott]

Table 2 Evolution of national and international freight transport by road, in tonne-km, 2008-2016

	Belgium	EU-28	EU-15	Poland	Romania	Slovakia
Total transport	-19.5%	-2.0%	-13.7%	76.3%	-14.6%	23.4%
National transport	3.3%	-6.3%	-9.6%	48.3%	-43.3%	-9.8%
International transport	-40.2%	6.8%	-26.8%	97.9%	5.5%	32.6%
Of which: ** Goods loaded in reporting country*	*-40.6%*	*-7.8%*	*-26.0%*	*84.0%*	*-51.9%*	*19.5%*
** Goods unloaded in reporting country*	*-42.2%*	*-10.0%*	*-30.2%*	*65.9%*	*-47.3%*	*13.8%*
** Cross-trade*	*-52.0%*	*58.9%*	*-24.0%*	*115.9%*	*1,488.0%*	*42.2%*
** Cabotage*	*-11.2%*	*125.0%*	*-12.2%*	*1,259.7%*	*3,032.0%*	*448.1%*

Source Own elaboration on data from Eurostat [road_go_ta_tott]

2.2 Cabotage: the Trojan horse for Belgium?

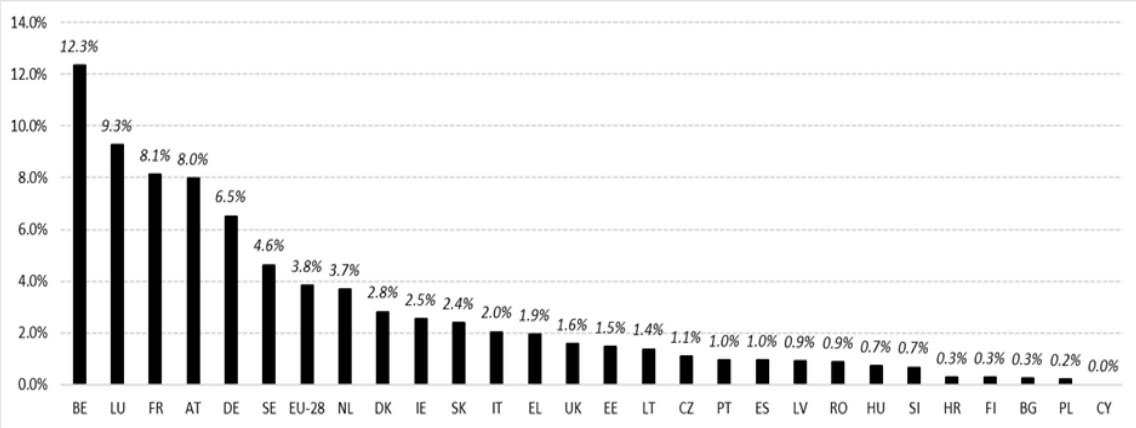
Hauliers may carry out most international transport operations without restrictions. However, in the case of cabotage, transport operations are still restricted. Article 8 of Regulation (EC) No 1072/2009 provides that every haulier is entitled to perform up to three cabotage operations within a seven days period starting the day after the unloading of the international transport.[7]

Germany is by far the main Member State where cabotage takes place (43% of total cabotage operations), followed by France (25% of total cabotage operations). More than two thirds of the EU cabotage takes place in these two countries. It is however more useful to calculate the cabotage penetration rate. This is the market share of foreign hauliers in total national transport activities. Despite the fact that there is significantly more cabotage activity now than in the past *(see Table 2)*, the share of foreign hauliers in all national transport operations is still at a low level of some 4% *(Figure 3)*. The share of foreign road freight transport companies in total national transport activities is the highest in Belgium (12.3%), Luxembourg (9.3%), France (8.1%), Austria (8.0%) and Germany (6.5%). These results show that cabotage is strongly concentrated in a few Western European

7 However, according to Recital 5 of the Regulation "provision should be made for a transitional cabotage regime as long as harmonisation of the road haulage market has not yet been completed."

Member States and thus strongly influence the EU-average (median is only 1.5%). Moreover, the conclusion remains that national transport operations, which still account for two thirds of all road haulage activity in the EU, are still predominantly carried out by domestic road freight transport companies.

Figure 3 Cabotage penetration rate*, 2016

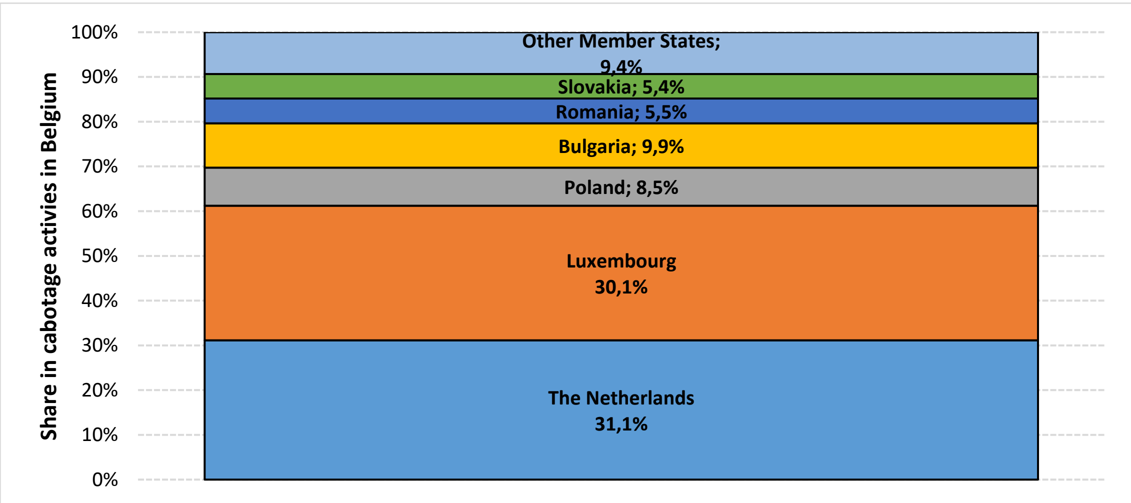


** Cabotage penetration rate: share of cabotage transport in total national transport, where total national transport is the sum of national transport (for hire and reward) and cabotage transport (in that country)) .*

Source Own elaboration on data from Eurostat [road_go_ta_tott] and [road_go_ca_c]

Perception is that most of the cabotage activity in Belgium is performed by EU-13 Member States. This is refuted by the available Eurostat statistics on cabotage. (Reported) cabotage activities in Belgium are mainly performed by hauliers from the Netherlands (31% of total) and Luxembourg (30%), which are two neighbouring countries *(Figure 4)*. The share of hauliers from Bulgaria (9.9%), Poland (8.5%), Romania (5.5%) and Slovakia (5.4%), 'the usual suspects', is much lower.[8] The Benelux countries (Belgium, the Netherlands and Luxembourg) fully liberalised cabotage in 1991 and have repeatedly prolonged this agreement. This explains the high share of both the Netherlands and Luxembourg in cabotage activities in Belgium.

Figure 4 Share in cabotage transport in total tonne-km in Belgium, 2016



Source Own elaboration on data from Eurostat [road_go_ca_hac]

Finally, question is whether above figures underestimate the real extent of the practice. Previous research has already shown that the Eurostat statistics on cabotage operations might underestimate

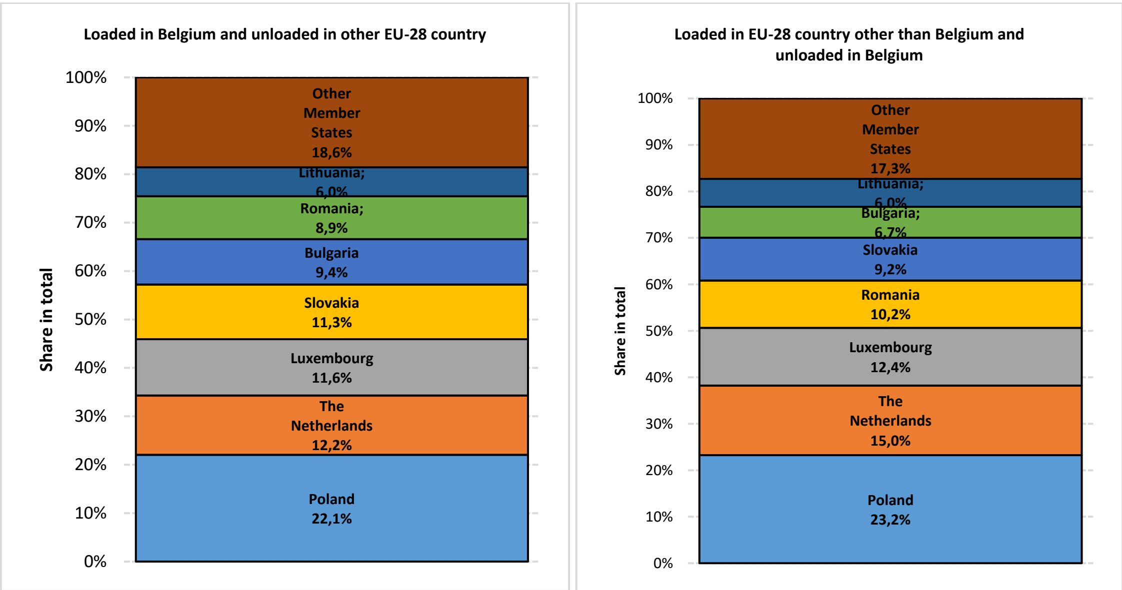
8 Calculated on the basis of Eurostat figures for 2016 [road_go_ca_hac].

the real extent of the practice (see, among others, Sternberg et al., 2015).[9] For Belgium, it might be useful to count/estimate the number of cabotage operations by making use of LIMOSA *(Landenoverschrijdend Informatiesysteem ten behoeve van Migratie Onderzoek bij de Sociale Administratie)*.[10] Recently, Philippe De Backer, the Belgian State Secretary for the Fight against Social Fraud, proposed to use data from ANPR cameras (Automatic Number Plate Recognition) to detect violations of EU cabotage rules.[11] These data might also be useful to estimate the size of cabotage in Belgium.

2.3 Cross-trade road freight transport from and to Belgium

There is a lot of attention in political debate for the evolution and impact of cabotage activities. However, it might be useful to focus attention not only on cabotage but also on cross-trade road freight transport. We concluded already that hauliers most active in cross-trade are established in the 'new' Member States *(see Table 1 and Figure 2)*. For instance, Poland accounted for more than a third of all cross-trade activity in 2016. The share of Poland as well as of EU-13 hauliers in general is somewhat lower for cross-trade road freight transport from and to Belgium *(Figure 5)*. Approximately a fourth of cross-trade from and to Belgium is also provided by hauliers from the Netherland and Luxembourg.

Figure 5 Cross-trade road freight transport from and to Belgium, share in total tonne-km, 2016



Source Own elaboration on data from Eurostat [road_go_cta_gtt]

2.4 A continuing threat of substitutes?

In 2016, road freight transport activity of Belgian hauliers amounted to 30.9 billion tonne-km, of which 18.8 billion tonne-km related to national transport operations and 12.1 billion tonne-km related to international transport operations. While national transport operations remained at a rather stable level (+3.3%), the level of international operations, accounting for 20.1 billion tonne-km in 2008, decreased by some 8 billion tonne-km (or -40.2%) between 2008 and 2016 *(see also Table 2)*. In terms of tonnes of goods moved by Belgian hauliers, national transport accounted for almost 206

9 This is recognised by Eurostat by stating that *"as data are collected on the basis of sample surveys, the importance of cabotage could sometimes either be over- or underestimated."*

10 Since 1 April 2007, the LIMOSA reporting duty provides an advance report of posted employees and self-employed persons to Belgium. The employees and self-employed persons from the industry of international transport of persons or goods are exempt. This exemption, however, does not apply when one comes to Belgium to perform cabotage activities.

11 De Standaard, *'Camera's moeten rij- en rusttijden meten'*, 9 april 2018. This measure has already been proposed in the 2015 action plan on fair competition in the transport sector concluded between the Belgian State secretary for the Fight against Social Fraud, the competent institutions, workers and employers organisations.

million tonnes and international transport for some 50 million tonnes in 2016 *(Figure 6)*. These figures can be compared to the tonnes of goods moved by foreign hauliers in/from/to Belgium in order to have a look at the extent to which Belgian hauliers are in competition with foreign hauliers.

In a recent publication of the European Commission (2017) the top-20 country-to-country intra-EU road haulage flows in 2015 were reported. We notice that Belgium features in 3 of the top-6 country pairs either as a country of origin or as country of destination of the international intra-EU haulage activity (2015 figures). *Table 3* provides an update (2016 figures) of the road haulage flows between Belgium and its neighbouring countries. Belgian hauliers have a remarkable low share in the tonnes of goods moved between Belgium and its neighbouring countries. Hauliers from the Netherlands, Luxembourg and Germany have a much higher share than the Belgian hauliers. The road haulage flow between Belgium and Germany, and *vice versa*, is even mainly provided by hauliers from a third country. Only for the flows from and to France, Belgian hauliers have a higher share than the French hauliers. These figures give the impression that Belgian hauliers are mainly in competition with hauliers from neighbouring countries and not necessarily with hauliers from EU-13 Member States, and even lost this battle.

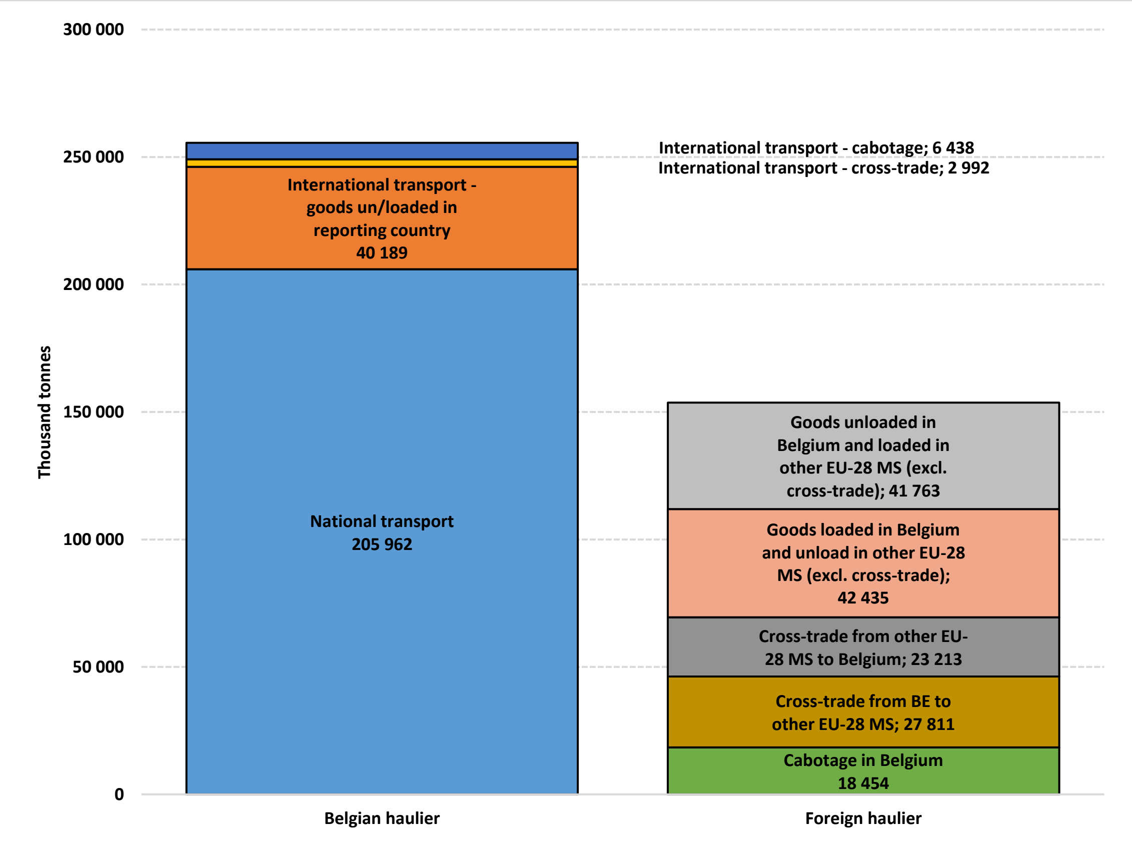
Table 3 Road haulage flows between Belgium and its neighbouring countries, in tonnes, 2016

BE	Neighbouring country (country A)	Total	of which from Belgium to neighbouring country					of which from neighbouring country to Belgium				
		mio tonnes	mio tonnes	of which carried by haulier from Belgium	of which carried by haulier from country A	of which carried by hauliers from 3rd country	Biggest 3rd country	mio tonnes	of which carried by haulier from Belgium	of which carried by haulier from country A	of which carried by hauliers from 3rd country	Biggest 3rd country
BE	NL	52.4	24.9	21.4%	68.2%	10.4%	PL	27.5	13.8%	76.7%	9.5%	PL
BE	FR	51.2	29.4	43.2%	26.7%	30.1%	LU	21.7	35.5%	28.8%	35.8%	LU
BE	DE	41.6	21.5	16.5%	31.2%	52.3%	PL	20.0	15.9%	39.2%	44.9%	PL
BE	LU	6.7	4.6	13.8%	78.8%	7.4%	NL	2.1	8.6%	74.0%	17.5%	NL

Source Own elaboration on data from Eurostat [road_go_ia_rc]

Some 84 million tonnes of goods were moved between Belgium and another Member State by a haulier from this other Member State (excl. cross-trade) and thus not by a Belgian haulier *(Figure 6)*. On the basis of *Table 3* we already concluded that most of these flows are between Belgium and its neighbouring countries. In addition, total cross-trade from and to Belgium amounted to some 51 million tonnes and cabotage transport activities in Belgium to 18 million tonnes. It cannot be denied that a significant part of both cross-trade and cabotage is also provided by hauliers established in the Netherlands and Luxembourg and not by EU-13 hauliers *(see Figures 4 and 5)*. Hence we tend to conclude that Belgium should restore its competitiveness to its neighbouring countries and not only focus on the socioeconomic differences with EU-13 Member States. In order to limit the threat of displacement effects from both neighbouring countries, one could reconsider, among others policy measures, a revision of the Benelux agreement that fully liberalised cabotage between Belgium, the Netherlands and Luxembourg. To make a comprehensive assessment, figures on the extent to which Belgium is providing cabotage in the Netherlands and Luxembourg should be taken into consideration as well. Cabotage transport activities provided by Belgian hauliers accounted for some 6.4 million tonnes in 2016, of which 0.8 million tonnes in the Netherlands. Belgian hauliers mainly provided cabotage activities in France (4.7 million tonnes). As was already concluded, Belgium had a share of 3.6% in total cabotage activity in 2016, which is a much higher share compared to its share in other transport activities. Nonetheless, in terms of tonnes, the benefits of the Benelux agreement for both the Netherlands and Luxembourg are much higher compared to Belgium. Cabotage activities in Belgium provided by hauliers from the Netherlands and Luxembourg accounted for 9 million and 3.7 million tonnes, respectively. This is in contrast to a much lower figure for Belgian hauliers providing cabotage activities in both the Netherlands (0.8 million tonnes) and Luxembourg (confidential – max. 0.5 million tonnes).

Figure 6 Threat of substitution of Belgian companies/employees, in thousand tonnes, 2016



Source Own elaboration on data from Eurostat [road_go_cta_gtt], [road_go_ca_hac], [road_go_ta_tott], [road_go_ia_rc]

3 | Performance of the Belgian road freight transport sector

In this section we analyse the business profile of Belgian hauliers. In 2015, there were some 7,500 companies in Belgium providing road haulage services. The road haulage market in Belgium employs around 55,000 persons and generates a turnover of some € 11 billion *(Table 4)*. Belgian employment in the road haulage market decreased by some 5,800 employees and 4,900 employees in FTE between 2011 and 2015.[12] The negative evolution in employment is much higher compared to other EU-15 Member States and even the opposite of the strong upward trend of employment in EU-13 Member States. Moreover, turnover and the number of enterprises providing road haulage services in Belgium show a negative evolution. The downward trend of both variables is nonetheless lower than the evolution of domestic employment. Despite these negative key statistics, the gross operating surplus of Belgian enterprises increased by 10% between 2011-2015. A figure which is even higher compared to EU-13 enterprises providing road haulage services.

Table 4 Overview of some key statistics, 2015

	Belgium 2015	Evolution 2011 - 2015		
		Belgium	EU-15	EU-13
Number of enterprises	7,469	-0.7%	0.0%	3.9%
Turnover *(in million €)*	11,055.1	-2.6%	5.2%	29.7%
Gross operating surplus *(in million €)*	1,026.9	10.2%	18.9%	7.8%
Personnel costs *(in million €)*	2,259.8	-6.7%	8.5%	44.7%
Persons employed	55,141	-9.6%	-1.5%	18.8%
Change in absolute terms		-5,844		
Employees in FTE	41,383	-10.6%	1.7%	24.8%
Change in absolute terms		-4,929		

Source Own elaboration on data from Eurostat [sbs_na_1a_se_r2]

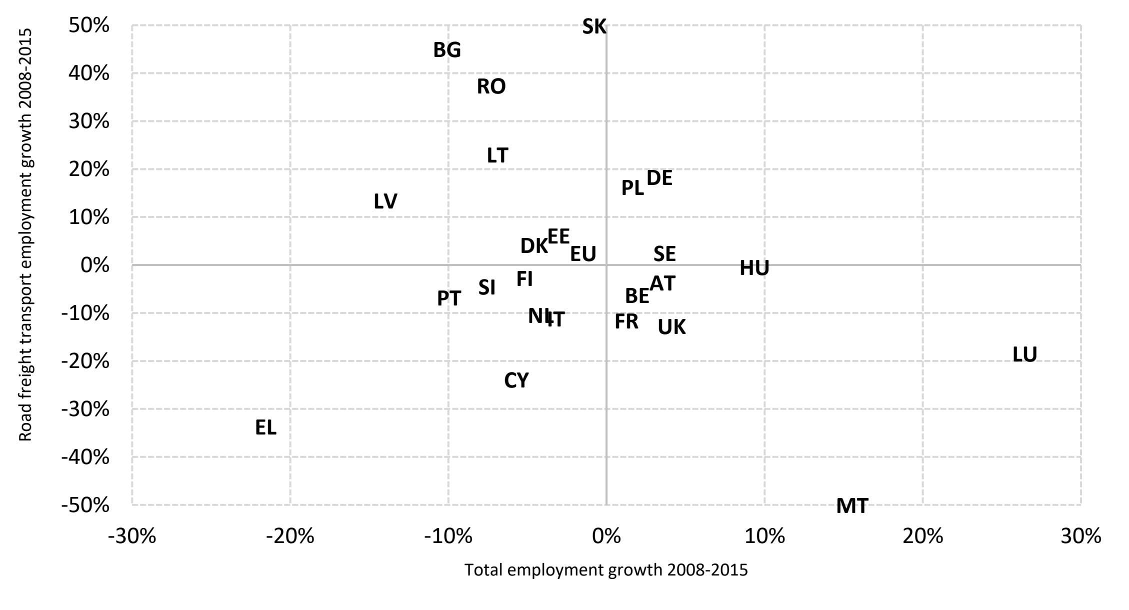
The following paragraphs mainly focus on the evolution of employment in the road freight transport sector. Considering employment trends at the sector level and total economy level *(see Figure 7)*, the EU Member States can be classified into mainly 4 groups.[13] At EU-level, total employment decreased by some 1% between 2008 and 2015 while employment in the road freight sector increased by some 3%. The evolution of both indicators however strongly varies between Member States. For Belgium, total employment shows a positive evolution of 2% but employment in the road freight transport sector declined by 6%. Compared to Belgium, neighbouring countries the Netherlands, Luxembourg and France even show a stronger decline in employment in the road freight transport sector. This is in contrast to some 'new' Member States. An employment percentage increase in the road freight sector between 2008 and 2015 was particularly notable in Slovakia (+129%), Bulgaria (+45%) and Romania (+37%). Despite the upward evolution in employment in the road freight sector, these three Member States show a negative variation in total employment. A striking increase was already

12 However, we get quite a different evolution of the employment in the Belgian road freight transport sector if the 'employers' category 083 (joint committee 140 for transport)' is analysed. The number of blue-collar workers decreased by only -1.8% between 2011 and 2015. In 2016, the number of blue-collar workers was even higher compared to 2011 (Instituut wegTransport en Logistiek in België, 2016).

13 *Group 1:* countries with a negative evolution in total employment but a positive evolution in employment in the road freight sector; *Group 2*: countries with a positive evolution in total employment but and negative evolution in employment in the road freight sector, *Group 3*: countries with both a negative evolution in total employment and employment in the road freight sector; and finally *Group 4*: countries with both a positive evolution in total employment and employment in the road freight sector.

registered between 2000 and 2006 in the road freight sector for Hungary (+155%), Latvia (+112%) and Lithuania (+88%), as well as for Estonia, Romania and Slovakia (an increase of over 40%) (Lodovici et al., 2009).

Figure 7 Employment growth in road freight transport versus total employment growth, 2008-2015



** SK: employment growth of 129% in road freight sector; MT: negative evolution of employment of 100% in road freight transport sector.*
Source Own elaboration on data from Eurostat [sbs_na_1a_se_r2] and [lfsa_egan2] (update of figure 2.13 published by Lodovici et al., 2009)

From the above, one may conclude that the Belgian road freight transport sector has been confronted with a displacement of its domestic workers. However, the occupation of truck driver can also be considered as a so-called 'bottleneck job'.[14] It is on the list of top 10 bottleneck vacancies in Belgium (VDAB, 2018). Figures show both quantitative and qualitative (i.e. lack of skills) shortages in the Belgian transport sector.[15] Moreover, the attractiveness of the job tends to be low due to a number of aspects that are negatively perceived by the drivers, relating to both the physical environment and the social conditions in which drivers work: a negative image of the occupation, health-and-safety-related issues, the negative impact of the job on drivers' social and private life, relatively low wages and poor career prospects.

The shortage of qualified truck drivers might even be a European problem. In a recent study of McGrath and Behan (2018), a shortage of truck drivers was reported by 11 out of 28 public employment services (PES) in the EU. Already in 2009, a study concluded that road freight transport has been experiencing a shortage of professional drivers, estimated at more than 70,000 drivers in the EU of which some 1,600 in Belgium (Lodovici et al., 2009).

14 A bottleneck occupation can be defined as an occupation for which there is evidence of recruitment difficulties.
15 https://www.vdab.be/trendsdoc/beroepen/index.html?brp=TC1810

4 | Flagging out in road freight transport

4.1 Western-European transport companies flagging out

"Flagging out" is an important cost reduction strategy but perhaps also a survival strategy for road freight transport companies. It enables companies to profit from lower standards and therefore to lower costs in a labour-intensive and price-sensitive sector (Kummer et al., 2014; Yannopoulos, 1988). In this regard, Western-European transport companies might have taken advantage of the EU enlargement to found a subsidiary in a new Member State.[16]

Based on an analysis of the Orbis database, we find that a total number of 885 European road freight transport companies had one or more subsidiaries in another EU Member State in 2016 *(Table 5)*. This accounts to only 0.16% of total hauliers in EU-28. However, in terms of turnover and employees the share of road freight transport companies with a foreign subsidiary in total is much higher. Transport companies with a foreign subsidiary represent some 15% of total turnover and 9% of total employment in the EU road freight transport sector. Moreover, turnover as well as employment are underestimated as such information is not available for all transport companies. These figures show that 'flagging out' is mainly performed by large road freight transport companies.

Some 8 out of 10 transport companies with a foreign subsidiary are established in a EU-15 Member State and actually makes that 0.23% of total hauliers established in an 'old' Member State have one or more subsidiaries in another EU-28 Member State. This is in contrast to only 0.07% of total hauliers established in a 'new' Member State.

Most road freight transport companies with a foreign subsidiary are located in Italy, the Netherlands, Spain and Belgium. However, it is more interesting to look at the share of companies with a foreign subsidiary in total number of hauliers established in a Member State. Some 2.5% of road freight transport companies established in Luxembourg have a foreign subsidiary. In Denmark, the Netherlands, Cyprus and Belgium between 0.5% and 1% of road freight transport companies have a foreign subsidiary. In all other Member States this share is lower than 0.5% of total road freight transport companies.[17]

The idea that hauliers only established a subsidiary in 'new' Member States is wrong. Some 581 European road freight transport companies had one or more subsidiaries in an 'old' Member State. It should be noted that this number cannot simply be deducted from the total number of road freight transport companies with a subsidiary as a haulier can have one or more subsidiaries in both a EU-15 and EU-13 Member State. Figures on the country of establishment of the foreign subsidiary are discussed in the following section.

16 In this regard, the road freight transport sector followed the example of the maritime and aviation sector (Jorens et al., 2015).

17 A similar exercise on the basis of variables turnover and/or persons employed would be useful.

Table 5 Number of road freight transport companies with a foreign subsidiary (EU-28), 2016

	Number of active companies (A)	Number of companies with a foreign subsidiary (EU-28) (B)	Share in column total	Share in total (B/A)	To EU-15
Belgium	12,197	75	8.5%	0.61%	54
Bulgaria	19,999	9	1.0%	0.05%	8
Czech Republic	40,773	39	4.4%	0.10%	8
Denmark	6,441	49	5.5%	0.76%	39
Germany	13,330	41	4.6%	0.31%	27
Estonia	4,666	13	1.5%	0.28%	5
Ireland	1,429	6	0.7%	0.42%	6
Greece	449	2	0.2%	0.45%	1
Spain	37,216	97	11.0%	0.26%	76
France	46,923	39	4.4%	0.08%	32
Croatia	6,574	4	0.5%	0.06%	3
Italy	55,162	109	12.3%	0.20%	58
Cyprus	276	2	0.2%	0.72%	1
Latvia	4,715	7	0.8%	0.15%	0
Lithuania	6,888	10	1.1%	0.15%	5
Luxembourg	629	16	1.8%	2.54%	14
Hungary	20,732	19	2.1%	0.09%	5
Malta	23	0	0.0%	0.00%	0
The Netherlands	13,546	101	11.4%	0.75%	76
Austria	9,234	44	5.0%	0.48%	23
Poland	69,048	19	2.1%	0.03%	11
Portugal	9,858	31	3.5%	0.31%	31
Romania	49,957	19	2.1%	0.04%	14
Slovenia	6,902	15	1.7%	0.22%	8
Slovakia	10,882	23	2.6%	0.21%	11
Finland	13,216	22	2.5%	0.17%	11
Sweden	16,126	17	1.9%	0.11%	9
United Kingdom	64,856	57	6.4%	0.09%	45
Total	542,047	885	100.0%	0.16%	581
EU-15	300,612	706	79.8%	0.23%	502
EU-13	241,435	179	20.2%	0.07%	79

Source Own elaboration on data from Orbis

4.2 Do not (only) blame the low wage EU-13 Member States

At EU-28 level, some 14,700 road freight transport companies have a shareholder from another EU-28 Member State of which roughly 13,500 companies have a foreign majority. So, in 9 out of 10 cases the haulier has a foreign majority if there is a foreign shareholder. This implies that some 2.7% of the road freight transport companies have a shareholder from another EU-28 Member State and 2.5% have a foreign majority.[18] At first sight, the number of hauliers with a foreign shareholder appears to be (very) low. These results could be compared to other research.[19] Moreover, above figures should be considered as a lower-bound, as for a lot of companies reported in the Orbis database the location of the shareholder is not known (some 16%).[20] A shareholder with an unknown country might actually be foreign. This is why the user of the Orbis database has the possibility to take shareholders for which the country is not available into account when selecting companies with a foreign shareholder. But they can of course also reside in the country where the company is established. When we assume that all shareholders for which the country is not known are foreign shareholders, then the upper bound can be estimated. In that case some 19% of the road freight transport companies have a shareholder from another EU-28 Member State *(see Annex I – Table A1)*. It clearly

18 A similar exercise on the basis of variables turnover and/or persons employed would be very useful in the future.

19 See, among others, a recent study on the number of Flemish companies with a foreign shareholder (Nys and van Nispen, 2018).

20 Figures should be confronted with national databases (see the business register in Slovakia http://orsr.sk/default.asp?lan=en).

reflects some important limitations of the Orbis database in estimating the share of foreign shareholders as the share will vary between 2.7% and 19%.[21] By subtracting the number of companies for which the location of the shareholder is not known from the total number of active companies a correction for the missing values has been made. In that case some 3.2% of the hauliers have a foreign shareholder and some 3% a foreign majority *(Annex I - Table A2)*.

One way to assess these percentages (and to opt for the lower- or the upper-bound) is to compare the number of hauliers with a foreign subsidiary with the number of hauliers with a foreign shareholder. By using the Orbis database we found some 885 hauliers with a foreign subsidiary. Dividing the lower bound value of hauliers with a foreign shareholder (i.e. 14,684) by the number of hauliers with a foreign subsidiary makes that a haulier with a foreign subsidiary has 17 foreign subsidiaries on average, which is already a very high number.[22] Dividing the higher bound value of hauliers with a foreign shareholder (i.e. 102,980) by the number of hauliers with a foreign subsidiary makes that a hauliers would have some 115 foreign subsidiaries. In this respect, we consider the lower bound figure as a much more realistic estimation of the number of hauliers with a foreign shareholder.

In the following paragraphs we mainly discusses the profile of the companies for which the location of the shareholder is known. Nonetheless, on several occasions we refer to the figures reported in *Annex I – Tables A1 and A2*.

By far the highest number of road freight transport companies with a foreign shareholder are located in the UK *(Table 6)*. Some 60% of the road freight transport companies with a foreign shareholder are based in the UK. These companies account for 13.5% of total road freight transport companies located in the UK.[23] In relative term, most 'foreign companies' are located in Luxembourg as about four out ten road freight transport companies located in Luxembourg have a foreign shareholder. If corrected for the number of companies for which the shareholder is not known, some 16% of total haulers established in Ireland have a foreign shareholder *(Annex I – Table A2)*. Flagging out to new Member States such as Romania and Slovakia has also become popular. In relative terms, approximately one out of ten road freight transport companies located in Slovakia has a foreign shareholder. Nonetheless, the share of road freight transport companies with a foreign shareholder in total hauliers is much lower in the 'new' Member States (1.8%) compared to the 'old' Member States (3.4%). Also in absolute terms more hauliers with a foreign shareholder are established in an 'old' Member State (EU-15: 10,345 <-> EU-13: 4,339). These findings are completely the opposite of what is generally believed, notably that Western European companies are mainly incorporated in new Member States. In this respect, it might also be useful to have a look at the upper bound values reported in *Annex I – Table A1*. In that case, some 25% of the hauliers located in an 'old' Member State have a foreign shareholder whereas the same goes for 'only' some 11% of the hauliers located in a 'new' Member State. In relative terms, almost 9 out of 10 road freight companies located in Portugal, Ireland and Estonia have a foreign shareholder, which seems highly unrealistic[24] The general conclusion is that both lower and upper bound values show that most of the hauliers with a foreign shareholder are located in an 'old' Member State. Despite the importance of Poland in international transport, it seems that only a limited number of Polish hauliers have a foreign

21 Another methodology is that the number of companies for which the location of the shareholder is not known is subtracted from the total number of active companies. In that case some 3.2% of the hauliers have a foreign shareholder *(Annex - Table A2)*.

22 The denominator will be an underestimation as we only selected the number of companies providing activities under Nace-code 4941 'freight transport by road'. In some cases the parent/holding company will not be a transport company. It could be a holding company providing 'business support service activities' (Nace 8290) (see, for instance, Jost Group SA). Moreover, the foreign shareholder could also be a natural person.

23 The number of road freight transport companies with a foreign shareholder even amount to 36% of total number of hauliers in the UK if corrected for the number of companies for which the shareholder is not known *(Annex I – Table A2)*.

24 It might be more an indication of the incompleteness of the company information in these Member States.

shareholder.[25] The lower-bound amounts to 0.4% of the transport companies established in Poland and the upper-bound to 3.1%. Both figures are much lower compared to other Member States.

Finally, we find that some 8 out of 10 foreign shareholders are located in an 'old' Member State when we disregard the United Kingdom *(Table 6)*. A similar conclusion was already made based on *Table 5*. In the United Kingdom only 7% of foreign shareholders are from a EU-15 Member State. It might be a surprise that the percentage of hauliers with a foreign majority located in a EU-15 is lower in the 'old' Member States (65%) than in the 'new' Member States (84%, excl. UK).

25 This is in contradiction to some comments made during the panel discussion at the conference 'On the road. Economic and legal aspects of the road transport sector in Europe'.

Table 6 Number of road freight transport companies with a foreign shareholder, 2016

	Number of companies *(A)*	Number of companies with a foreign shareholder (EU-28) *(B)*	Share in column total	Share in total number of companies *(B/A)*	Number of companies with a foreign majority (>50%) (EU-28) *(C)*	Share in total number of companies *(C/A)*	Number of companies with a foreign majority from EU-15 *(D)*	Share EU-15 in total number with a foreign majority *(D/C)*
Belgium	12,197	215	1.5%	1.8%	183	1.5%	159	86.9%
Bulgaria	19,999	111	0.8%	0.6%	92	0.5%	83	90.2%
Czech Republic	40,773	416	2.8%	1.0%	364	0.9%	209	57.4%
Denmark	6,441	45	0.3%	0.7%	40	0.6%	36	90.0%
Germany	13,330	285	1.9%	2.1%	246	1.8%	172	69.9%
Estonia	4,666	58	0.4%	1.2%	50	1.1%	43	86.0%
Ireland	1,429	39	0.3%	2.7%	23	1.6%	23	100.0%
Greece	449	1	0.0%	0.2%	1	0.2%	1	100.0%
Spain	37,216	162	1.1%	0.4%	149	0.4%	145	97.3%
France	46,923	88	0.6%	0.2%	72	0.2%	72	100.0%
Croatia	6,574	73	0.5%	1.1%	72	1.1%	43	59.7%
Italy	55,162	168	1.1%	0.3%	132	0.2%	67	50.8%
Cyprus	276	7	0.0%	2.5%	7	2.5%	7	100.0%
Latvia	4,715	249	1.7%	5.3%	225	4.8%	103	45.8%
Lithuania	6,888	57	0.4%	0.8%	47	0.7%	36	76.6%
Luxembourg	629	235	1.6%	37.4%	204	32.4%	199	97.5%
Hungary	20,732	19	0.1%	0.1%	15	0.1%	14	93.3%
Malta	23	1	0.0%	4.3%	0	0.0%		
The Netherlands	13,546	84	0.6%	0.6%	80	0.6%	77	96.3%
Austria	9,234	70	0.5%	0.8%	61	0.7%	41	67.2%
Poland	69,048	286	1.9%	0.4%	268	0.4%	239	89.2%
Portugal	9,858	90	0.6%	0.9%	77	0.8%	77	100.0%
Romania	49,957	1,805	12.3%	3.6%	1,532	3.1%	1,328	86.7%
Slovenia	6,902	99	0.7%	1.4%	89	1.3%	74	83.1%
Slovakia	10,882	1,158	7.9%	10.6%	1,080	9.9%	328	30.4%
Finland	13,216	41	0.3%	0.3%	38	0.3%	20	52.6%
Sweden	16,126	50	0.3%	0.3%	44	0.3%	42	95.5%
United Kingdom	64,856	8,772	59.7%	13.5%	8,304	12.8%	596	7.2%
Total	542,047	14,684	100.0%	2.7%	13,495	2.5%	4,234	80.9%**
EU-15	300,612	10,345	70.5%	3.4%	9,654	3.2%	1,727	83.9%**
EU-13	241,435	4,339	29.5%	1.8%	3,841	1.6%	2,507	65.3%

***** Underestimation as information is not available for all companies (see Annex I)

****** Excluding the UK.

Source Own elaboration on data from Orbis

In the following two sections *(4.3 and 4.4)* a detailed analysis is made of the profile of Belgian hauliers with a foreign subsidiary *(section 4.3)* and of foreign hauliers with a Belgian shareholder *(section 4.4)*.

4.3 Profile of Belgian road freight transport companies with a foreign subsidiary

In 2016, only 75 Belgian road freight transport companies had one or more foreign subsidiaries in the EU. This accounts to less than 1% of total Belgian hauliers *(Table 7)*. However, in terms of turnover and employees, the relative importance of Belgian road freight transport companies with a foreign subsidiary in total is much higher. These companies represent some 38% of total turnover and 20% of employment in the Belgian road freight transport sector. On average these transport companies have four foreign subsidiaries. The median however, is equal to only two foreign subsidiaries. This implies that some Belgian hauliers have a very high number of foreign subsidiaries.[26]

Flagging out is mainly performed by large Belgian road freight transport companies. For smaller companies, the related costs for founding and maintaining a foreign subsidiary are too high. Large companies can afford to open an establishment in another country. Moreover, the larger companies are probably also more active in international transport which, due to cabotage restrictions, is the most important domain for flagged-out heavy goods vehicles.

Table 7 Profile of Belgian hauliers with a foreign subsidiary, 2016

	Belgian road freight transport companies with a foreign subsidiary	Total Belgian road freight transport companies	% share
Number of Belgian companies with one or more foreign subsidiaries	75	12,197	0.6%
Total turnover (in € ,000)	3,903,065	10,389,600	37.6%
Total number of employees	10,924	54,536	20.0%

Source Own elaboration on data from Orbis

It would be interesting to have further detailed information about these Belgian companies in question. For instance, on the evolution of the employment, turnover and profit margins in both the Belgian parent company and their foreign subsidiary/subsidiaries. However, this exceeds the ambitions of this paper. Nonetheless, in the next section the profile of foreign road freight transport companies with a Belgian shareholder is described. It should be clear that the sum of the total number of foreign subsidiaries is not equal to the number of foreign freight transport companies with a Belgian shareholder. Only the 'Belgian parent companies' with a foreign subsidiary are discussed above. However, there will not be a Belgian parent company for all foreign subsidiaries with a Belgian shareholder. For instance, the parent company can be located in Luxembourg with subsidiaries in Belgium and other countries. Such cases need to be analysed more in detail by describing the (ownership) structure of the parent company and the several subsidiaries and to link between these companies.[27]

4.4 Profile of foreign road freight transport companies with a Belgian shareholder

In 2016, some 455 foreign[28] road freight transport companies had a Belgian shareholder *(Table 8)*. These companies employed around 9,000 persons and generated a turnover of some € 1,2 billion. Both the number of persons employed and the turnover are underestimated as only a limited number

26 For instance, this is the case for UPS Europe, Henri Essers, Sarens and Katoen Natie.

27 See for instance Jost Group SA. The holding company is located in Luxembourg and it has 19 subsidiaries, of which 9 in Belgium.

28 Located in a EU-28 Member State other than Belgium.

of foreign transport companies with a Belgian shareholder reported such figures. For instance, only 3 out of 26 Dutch hauliers with a Belgian shareholder reported data on their turnover.

When we extrapolate these figures for all 455 companies, some 15,000 persons are employed and a turnover of some € 1.7 billion is generated by foreign hauliers with a Belgian shareholder. These are of course estimates.

Some 70% of the foreign transport companies with a Belgian shareholder are located in Romania (30% of the total), Luxembourg (24% of the total) and Slovakia (17% of the total). To complete the top 5 countries, a much lower number of transport companies with a Belgian shareholder are located in the Netherlands and France. Some 257 companies are located in a EU-13 Member State (57% of the total) and 197 companies in a EU-15 Member State (43% of the total).

The composition of the top-3 countries should not come as a surprise as we already concluded based on *Table 6* that a high number of companies with a foreign shareholder are established in both Slovakia and Romania as well as the fact that Luxembourg has a high relative share. Even some 47% of the Luxembourg hauliers with a foreign shareholder are linked to a Belgian shareholder. This share is 6.6% and 7.5% respectively in Slovakian and Romanian transport companies.

Likewise, in terms of persons employed and generated turnover, most of the foreign road freight transport companies with a Belgian shareholder are located in Slovakia, Romania, Luxembourg, France and the Netherlands. In terms of persons employed, especially Slovakian and Romanian hauliers with a Belgian shareholder employ a high number of persons. In addition, especially the Dutch hauliers with a Belgian shareholder generated a high turnover (however, only 3 out of 26 companies reported figures). Average figures for Romania and Slovakia will be influenced by some companies which reported a very low turnover. For that reason it might be better to look at the median instead of the average figures.

Table 8 Number of foreign freight transport companies (EU-28) with a Belgian shareholder, 2016

Number of companies				Number of employees*				Turnover (in € ,000)*			
No.	*Member State*	*Number*	*Share of total*	*No.*	*Member State*	*Number*	*Share of total*	*No.*	*Member State*	*Number*	*Share of total*
1	Romania	135	29.7%	**1**	Slovakia	2,627	29.1%	**1**	The Netherlands	361,597	31.1%
2	Luxembourg	110	24.2%	**2**	Romania	2,128	23.5%	**2**	Slovakia	209,872	18.0%
3	Slovakia	76	16.7%	**3**	Luxembourg	974	10.3%	**3**	Romania	138,093	11.9%
4	The Netherlands	26	5.7%	**4**	France	930	8.2%	**4**	France	137,881	11.8%
5	France	22	4.8%	**5**	The Netherlands	738	5.0%	**5**	Luxembourg	72,746	6.2%
6	United Kingdom	18	4.0%	**6**	Bulgaria	455	4.5%	**6**	Poland	65,284	5.6%
7	Poland	14	3.1%	**7**	Czech Republic	404	10.8%	**7**	Italy	48,285	4.1%
8	Bulgaria	11	2.4%	**8**	Lithuania	270	3.0%	**8**	Bulgaria	32,399	2.8%
9	Germany	8	1.8%	**9**	Italy	119	1.3%	**9**	Czech Republic	29,910	2.6%
10	Italy	8	1.8%	**10**	Latvia	110	1.3%	**10**	United Kingdom	27,198	2.3%
11	Latvia	8	1.8%	**11**	United Kingdom	102	1.2%	**11**	Lithuania	19,016	1.6%
12	Czech Republic	7	1.5%	**12**	Germany	93	1.1%	**12**	Latvia	9,347	0.8%
	Other countries	12	2.6%		Other countries	90	1.0%		Other countries	12,814	1.1%
	Total	455	100.0%		Total (n: 274)*	9,040	100.0%		Total (n: 304)*	1,164,442	100.0%

***** Underestimation: only 274 out of 455 companies reported figures on the number of persons employed (extrapolation: some 15,000 employees) and out of companies on the turnover. In addition, some 304 out of 455 companies reported figures on the number of persons employed (extrapolation: some € 1.7 billion).

Source Own elaboration on data from Orbis

5 | Letterbox companies and cross-border social fraud in road freight transport

An ex-post evaluation of the legislation concluded that the safeguard of working conditions and of fair competition seemed sometimes at risk in the road freight transport sector (Gibson et al., 2015). This is partly because of the existence of letterbox companies and cross-border social fraud (ETF, 2012).

In recent years, several initiatives were taken at the Belgian level to fight social fraud in the road freight transport sector.[29] In 2015, an action plan on fair competition in the sector was concluded between the Belgian State secretary for the Fight against Social Fraud, the competent institutions and finally workers and employers organisations. In addition, several bilateral agreements about the fight against cross-border social fraud were concluded between Belgium and other Member States. Most recently, bilateral agreements (October 2017) were concluded with Slovakia and Portugal. In 2015, an agreement was signed which aims to enhance collaboration to fight social fraud and social dumping in the Benelux. Under this agreement, Belgium, the Netherlands and Luxembourg will work together against social dumping, undeclared work and other types of social fraud. A recent agreement between the competent authorities in these three Member States aims to exchange data in order to fight, among others, illegal postings (April 2018).

In 2010, 2012 and 2017, the Belgian Transport Workers Union BTB-UBT published a so-called 'Black book on social dumping' that investigated the phenomenon of letterbox companies founded by Belgian hauliers in Slovakia. BTB-UBT executed a number of visits on location in Slovakia and described their observations in these black books. By making use of the Orbis database from Bureau van Dijk a similar exercise is possible, even on a larger scale. It should be clear that we do not consider all foreign subsidiaries as potential letterbox companies. Based on some indicators we will make a risk assessment. The results are for several reasons an underestimation of the real size of the problem. Firstly, it is unlikely that all 'fraudulent' companies are registered in the Orbis database. Secondly, for several companies some relevant variables are not reported in the Orbis database. When we do not have an address of the company or when figures on the capital or the average labour cost are missing these companies cannot be analysed in the exercise below.

5.1 Letterbox companies

A 'letterbox company' can be defined as a company that is formally registered in a Member State, but none of its administrative or commercial activity of the company takes place in that Member State. Interesting research on letterbox companies (in the transport sector) was recently published by several scholars (Hastings and Cremers, 2017; Houwerzijl, 2016a; 2016b; ETUC, 2016). Most of this research makes a detailed analysis of the phenomenon without estimating its size. Only Gibson et al. reported a detection rate of letterbox companies of around 1% or less (2015).

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29 The results of audits performed by the Belgian inspectorates are summarised by the Belgian Court of Audit in a recent report of 2015. More detailed information is available in the separate annual reports of the inspectorates.

Regulation 1071/2009 introduced some important requirements for all transport undertakings authorised by a Member State, helping to clamp down the phenomenon of letterbox companies. The core requirements for engagement in the occupation of road transport operator are summarised in Article 3(1) of Regulation 1071/2009 as follows:

- Have an effective and stable establishment;
- Be of good repute;
- Have appropriate financial standing; and
- Have the requisite professional competence.

Article 3(2) of the Regulation allows Member States to impose additional requirements next to the four requirements given in Article 3(1), as long as these are proportionate and non-discriminatory. The most common additional requirement at the national level is for a parking space, which is specified in Austria, Bulgaria, Ireland, Slovakia and the UK (Gibson et al., 2017a).

5.1.1 Do transport companies have an effective and stable establishment?

Undertakings engaged in the occupation of road transport operator should have **"an effective and stable establishment"** in a Member State. In order to satisfy this requirement, Article 5 of the Regulation provides that an undertaking will in the Member State concerned:

(a) have an establishment situated in that Member State with premises in which it keeps its core business documents, in particular its accounting documents, personnel management documents, documents containing data relating to driving time and rest and any other document to which the competent authority must have access in order to verify compliance with the conditions laid down in this Regulation. Member States may require that establishments on their territory also have other documents available at their premises at any time;

(b) once an authorisation is granted, have at its disposal one or more vehicles which are registered or otherwise put into circulation in conformity with the legislation of that Member State, whether those vehicles are wholly owned or, for example, held under a hire-purchase agreement or a hire or leasing contract;

(c) conduct effectively and continuously with the necessary administrative equipment its operations concerning the vehicles mentioned in point (b) and with the appropriate technical equipment and facilities at an operating centre situated in that Member State.

A possible indicator to assess above requirements is the number of transport companies located at the same address. On the basis of the Orbis database we find a strong concentration of road freight transport companies located in the same city and even at the same address *(Table 9)*. Some remarkable cases are detected in Rugby (UK) and Bratislava (Slovakia). Some 235 road freight transport companies have their offices in Clifton Road 21-23 at Rugby, including 129 transport companies with a shareholder residing in another Member State. Most of the shareholders are a natural person from Poland and Romania. In Bratislava, a very high number of companies, of which also road freight transport companies, have their offices at Tallerova 4 and Kopcianska 10. Based on these results, it is hard to believe that the reported companies are located in buildings suitable as an 'operating centre' as required by Article 5 of the Regulation.[30]

30 Also based on Google Street View.

Table 9 **Road freight transport companies located at the same address, some cases in the UK and Slovakia**

		Total companies		Road freight transport		
City	*Address*	*Registered*	*Foreign shareholder*	*Registered*	*Foreign shareholder*	*Belgian shareholder*
			United Kingdom			
Rugby	CLIFTON ROAD 21-23	281		235	129	
			Slovakia			
Bratislava	TALLEROVA 4	523	155	38	12	
Komarno	BASTOVA 28	205	96	30	13	
Bratislava	HRANICNA 18	161	72	29	24	16
Bratislava	KOPCIANSKA 10	870	274	22	8	
Bratislava	LUCENECKA CESTA 2266/6	71	37	13	10	9

Source Own elaboration on data from Orbis

Several websites even offer the possibility to found a 'virtual office' at above addresses:
- https://www.rugbybusinesscentre.co.uk/
- https://www.onlineinvestgroup.eu/virtual-office-in-bratislava-slovakia
- https://www.davismorgan.sk/virtualne-sidla
- http://www.tallerova.sk/

We found 16 (letterbox) transport companies with a Belgian shareholder registered at the same address in Slovakia (Hranicna 18 - Bratislava). However, this is an underestimation of the real size. Based on an analysis of the Slovakian business register[31] by ACV-Transcom some 39 companies with a link to Belgium were detected at this address. This shows some important limitations of our analysis.[32]

5.1.2 Do transport companies have appropriate financial standing?

Undertakings engaged in the occupation of road transport operator should have appropriate financial standing. Article 7 of the Regulation stipulates that an undertaking should at all times be able to meet its financial obligations in the course of the annual accounting year. To this end, the undertaking should demonstrate, on the basis of annual accounts certified by an auditor or a duly accredited person, that, every year, it has capital and reserves at its disposal totaling at least € 9,000 when only one vehicle is used and € 5,000 for each additional vehicle used.[33]

The average amount of capital (excl. reserves) is calculated for 'foreign' road freight transport companies with a Belgian shareholder *(Table 10)*. In addition, a distinction is made between the number of firms with a capital of lower / higher than € 9,000. We observe that 87% of the Romanian road freight transport companies with a Belgian shareholder have a capital of lower than € 9,000. Also 8 out of 10 Slovakian road freight transport with a Belgian shareholder which have their address at Hranicna 18 in Bratislava show a capital lower than € 9,000. Above figures are in contrast with Luxembourg and Dutch hauliers with a Belgian shareholder as more than 9 out of 10 of these firms have a capital of more than € 9,000.

Given the fact that the amount of the reserves is not known, it would be wrong to conclude that most of the Romanian and Slovakian road freight transport with a Belgian shareholder do not fulfill the requirements and hence do not have appropriate financial standing. Nonetheless, it is remarkable that a high number of these firms have such a low capital.

31 http://orsr.sk/default.asp?lan=en
32 Possible reasons are: companies are not reported in Orbis, place of residence of the foreign shareholder is not known etc.
33 These amounts are not corrected for purchasing power.

Table 10 **Capital of foreign road freight transport companies with a Belgian shareholder, in €, 2016**

		Lower than € 9,000		Higher than or equal to € 9,000	
	Average (in € ,000)	*Number*	*Row %*	*Number*	*Row %*
Romania (n: 92)	27.3	80	87.0%	12	13.0%
Luxembourg (n: 79)	51.4	3	3.8%	76	96.2%
Slovakia (n: 75)	37.2	42	56.0%	33	44.0%
HRANICNA 18	*13.0*	*12*	*80.0%*	*3*	*20.0%*
LUCENECKA CESTA 2266/6	*12.8*	*4*	*44.4%*	*5*	*55.6%*
The Netherlands (n: 17)	111.4	1	5.9%	16	94.1%

Source Own elaboration on data from Orbis

5.2 Cross-border social fraud

The average hourly labour cost in the road freight transport sector amounts to € 5.5 in Romania and € 8.7 in Slovakia. Both are much lower than the average hourly labour cost in Belgium (€ 36.5). Most of the Romanian road freight transport companies with a Belgian shareholder have a yearly labour cost per employee lower than € 5,000 (or € 417 per month) *(Table 11)*. This does not necessarily imply that wages are not respected by these transport companies. Therefore, one should know whether international transport activities, of which cabotage, were provided by these hauliers. This kind of information was not yet available. Nonetheless, it might be possible to match Orbis data with data of companies providing cabotage activities in the near future.[34]

Table 11 **Annual labour cost per employee employed in a foreign road freight transport company with a Belgian shareholder, in €, 2016**

		Lower than € 5,000 per year		Higher than € 5,000 per year	
	Average hourly labour cost (€)	*Number*	*Row %*	*Number*	*Row %*
Romania (n: 78)	5.5	50	64%	28	36%
Slovakia (n: 61)	8.7	7	11%	54	89%
Belgium	36.5				

Source Own elaboration on data from Orbis and Eurostat

34 For instance on the basis of LIMOSA for hauliers providing cabotage operations in Belgium.

6 | Enhancing the fight against letterbox companies and cross-border social fraud: collection and analysis of transnational data

An important requirement to fight cross-border social fraud is that enforcement bodies have access to the most relevant information. Extracting knowledge from databases can support the ambitions of public administrations to tackle cross-border social fraud by moving to a risk-based audit selection (i.e. selecting cases based on the risk estimates provided (so-called 'red flags')). These databases can support policy makers and enforcement bodies in making strategic decisions by monitoring and improving inspections.

A broad range of databases might be of interest when trying to detect cross-border social fraud. A key question is how to get these data, as enforcement bodies often need to rely on administrative data from other public authorities or even private companies[35]. However, it is not always easy to gain access to these data. The recent proposal of the European Commission to establish a 'European Labour Authority' is, in this regard, very important. In the proposal of the EC for establishing a European Labour Authority (COM(2018) 131 final) we read that "the Authority will be entrusted with a number of operational tasks, namely to provide relevant information and services to individuals and employers, as well as support Member States in cooperation, information exchange, concerted and joint inspections, risk assessment, capacity building, mediation, and cooperation in the event of cross-border labour market disruptions" (p. 2). Article 11 of the proposal outlines the analytical and risk assessment function of the Authority regarding cross-border aspects of labour mobility, setting out the details of the activities and context under which such work will be carried out.

It will be important to collect and analyse transnational data which facilitates risk assessment and supports the fight against letterbox companies and cross-border social fraud in the road freight transport sector. In this respect, the Orbis database from Bureau Van Dijk may be very useful for enforcement bodies. It will help them to improve knowledge about the corporate ownership structure of hauliers as these companies may have several foreign subsidiaries. In addition, it might be very time-consuming to get financial information from the enforcement bodies located in another Member State.

35 See, for instance, Graydon. "*Graydon provides business intelligence solutions for Credit Management and Risk & Compliance.*"

- APPENDICES -

appendix 1

Table A1 **Share of road freight transport companies with a foreign shareholder *including* shareholders with an unknown country in total number of companies, 2016**

	Number of companies (A)	Number of companies with a foreign shareholder *including* shareholders for which the country is not known (B)	Share in column total	Share in total number of companies (B/A)	*Pro memoria:* Share in total number of companies (Table 6)
Belgium	12,197	480	0.5%	3.9%	1.8%
Bulgaria	19,999	3,408	3.3%	17.0%	0.6%
Czech Republic	40,773	613	0.6%	1.5%	1.0%
Denmark	6,441	58	0.1%	0.9%	0.7%
Germany	13,330	426	0.4%	3.2%	2.1%
Estonia	4,666	4,070	4.0%	87.2%	1.2%
Ireland	1,429	1,229	1.2%	86.0%	2.7%
Greece	449	20	0.0%	4.5%	0.2%
Spain	37,216	7,100	6.9%	19.1%	0.4%
France	46,923	5,021	4.9%	10.7%	0.2%
Croatia	6,574	1,147	1.1%	17.4%	1.1%
Italy	55,162	331	0.3%	0.6%	0.3%
Cyprus	276	9	0.0%	3.3%	2.5%
Latvia	4,715	1,168	1.1%	24.8%	5.3%
Lithuania	6,888	93	0.1%	1.4%	0.8%
Luxembourg	629	245	0.2%	39.0%	37.4%
Hungary	20,732	20	0.0%	0.1%	0.1%
Malta	23	11	0.0%	47.8%	4.3%
Netherlands	13,546	119	0.1%	0.9%	0.6%
Austria	9,234	83	0.1%	0.9%	0.8%
Poland	69,048	2,150	2.1%	3.1%	0.4%
Portugal	9,858	8,806	8.6%	89.3%	0.9%
Romania	49,957	5,697	5.5%	11.4%	3.6%
Slovenia	6,902	4,076	4.0%	59.1%	1.4%
Slovakia	10,882	4,802	4.7%	44.1%	10.6%
Finland	13,216	2,176	2.1%	16.5%	0.3%
Sweden	16,126	65	0.1%	0.4%	0.3%
UK	64,856	49,557	48.1%	76.4%	13.5%
Total	542,047	102,980	100.0%	19.0%	2.7%
EU-15	300,612	75,716	73.5%	25.2%	3.4%
EU-13	241,435	27,264	26.5%	11.3%	1.8%

Source Own elaboration on data from Orbis

Table A2 Share of road freight transport companies with a foreign shareholder in total number of companies excluding companies for which the foreign shareholder is not known, 2016

	Number of companies (A)	Number of companies for which the foreign shareholder is not known (B)	Corrected number of companies C = A-B	Number of companies with a foreign shareholder (EU-28) known in Orbis (D)	Share in corrected number of companies (D/A)	*Pre memoria:* Share in total number of companies *(Table 6)*
Belgium	12,197	265	11,932	215	1.8%	1.8%
Bulgaria	19,999	3,297	16,702	111	0.7%	0.6%
Czech Republic	40,773	197	40,576	416	1.0%	1.0%
Denmark	6,441	13	6,428	45	0.7%	0.7%
Germany	13,330	141	13,189	285	2.2%	2.1%
Estonia	4,666	4,012	654	58	8.9%	1.2%
Ireland	1,429	1,190	239	39	16.3%	2.7%
Greece	449	19	430	1	0.2%	0.2%
Spain	37,216	6,938	30,278	162	0.5%	0.4%
France	46,923	4,933	41,990	88	0.2%	0.2%
Croatia	6,574	1,074	5,500	73	1.3%	1.1%
Italy	55,162	163	54,999	168	0.3%	0.3%
Cyprus	276	2	274	7	2.6%	2.5%
Latvia	4,715	919	3,796	249	6.6%	5.3%
Lithuania	6,888	36	6,852	57	0.8%	0.8%
Luxembourg	629	10	619	235	38.0%	37.4%
Hungary	20,732	1	20,731	19	0.1%	0.1%
Malta	23	10	13	1	7.7%	4.3%
Netherlands	13,546	35	13,511	84	0.6%	0.6%
Austria	9,234	13	9,221	70	0.8%	0.8%
Poland	69,048	1,864	67,184	286	0.4%	0.4%
Portugal	9,858	8,716	1,142	90	7.9%	0.9%
Romania	49,957	3,892	46,065	1,805	3.9%	3.6%
Slovenia	6,902	3,977	2,925	99	3.4%	1.4%
Slovakia	10,882	3,644	7,238	1,158	16.0%	10.6%
Finland	13,216	2,135	11,081	41	0.4%	0.3%
Sweden	16,126	15	16,111	50	0.3%	0.3%
UK	64,856	40,785	24,071	8,772	36.4%	13.5%
Total	542,047	88,296	453,751	14,684	3.2%	2.7%
EU-15	300,612	65,371	235,241	10,345	4.4%	3.4%
EU-13	241,435	22,925	218,510	4,339	2.0%	1.8%

Source Own elaboration on data from Orbis

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