



EUROPEAN ROAD FREIGHT MARKET SURVEY 2017



During September and October 2017, Ti undertook an online survey with road freight operators and shippers active in the European road freight market. With 37%, Logistics/Road Freight Operators represented the largest participant group. Shippers represented 26% of the total and the remaining 37% came from other industry sectors, including consultancies, ocean carriers and research organisations.

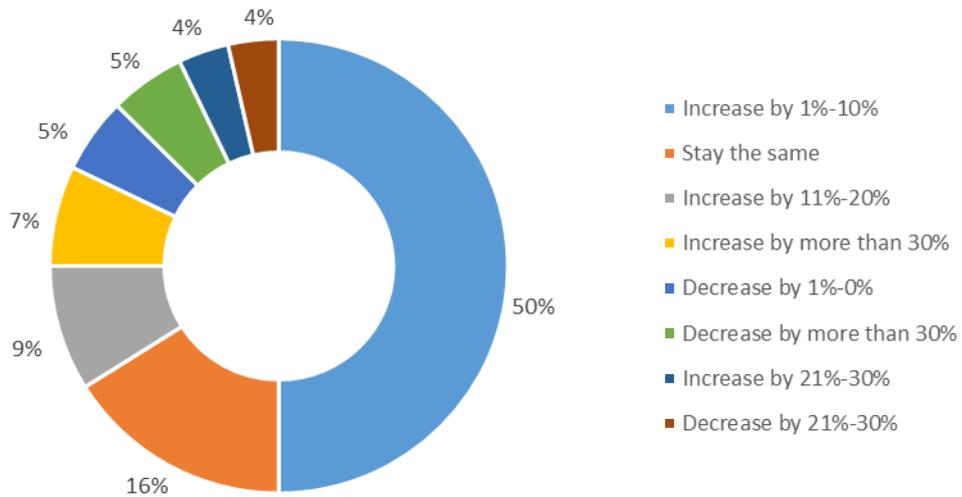
KEY FINDINGS

- Around 60% of respondents expect 'significant' levels of M&A activity in European road freight over the next five years
- Around 60% of respondents expect LTL volumes to expand faster than FTL over the next five years
- Those surveyed also expect faster growth in express products than in standard products. The median response group for standard was 1-10% while for express it was 11-20%.
- Respondents selected digital freight marketplaces and better transportation management systems as the innovations which have the greatest potential to transform the road freight market, ahead of autonomous vehicles, albeit marginally.
- The driver shortage was by far the most popular choice identified as a threat to road freight operators over the next five years, followed by government anti-diesel regulation and city bans, an economic downturn and road congestion.
- Over 70% of survey respondents believe the impact of Brexit on UK-EU road freight traffic will be negative to some degree.

1.1 FREIGHT RATE CHANGES

Executives operating in the road freight market forecast significant fluctuations in road freight rates in the coming year. More precisely, 70% of those surveyed anticipate an upward trend of freight rates whereas only 14% expect rates to decrease. The anticipated growth in freight rates might be attributed to rising fuel prices, which drive up hauliers' operating costs. Increase in other costs, such as drivers wage, repair and maintenance, could also be one of the drivers behind the anticipated rate increase. Another factor could be relatively strong demand anticipated in the sector in the coming year.

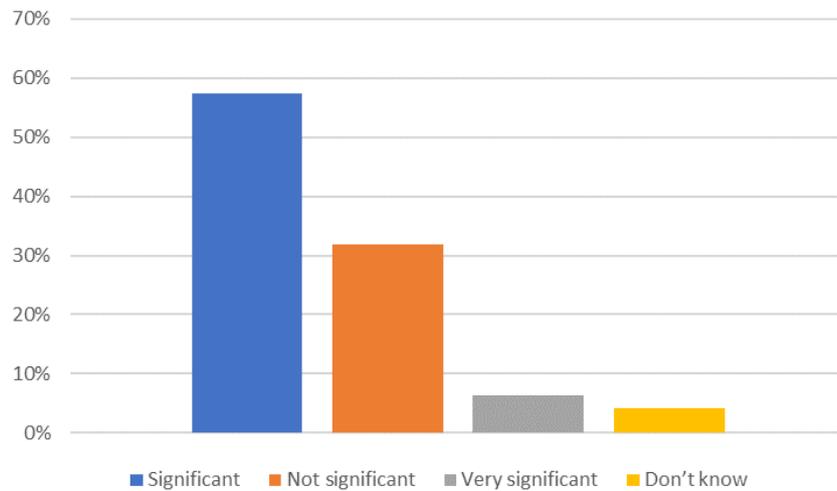
Chart 1.1 By how much will road freight rates increase or decrease in the coming year?



1.2 M&A ACTIVITY

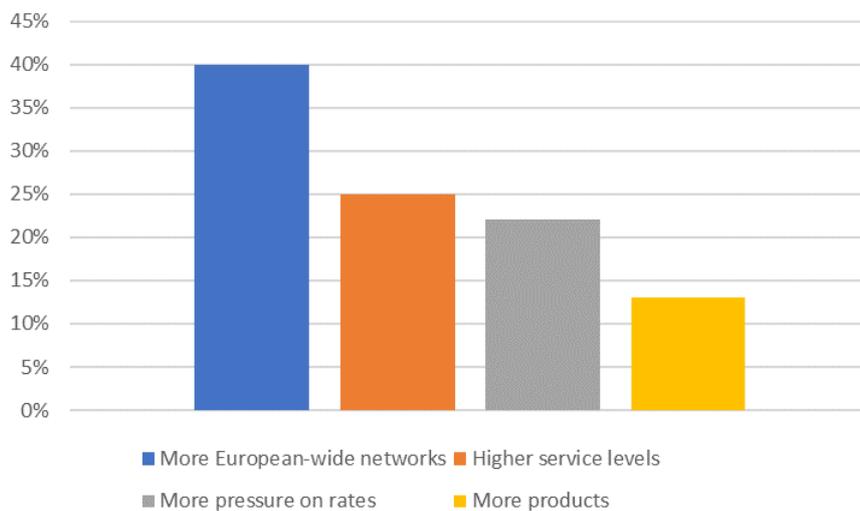
To measure the industry’s sentiment regarding the level of consolidation in the market, respondents were asked to evaluate the prospects for M&A activity over the next five years. The results show that the industry anticipates significant activity in the M&A market. An increase in M&A activity would mark a continuation of the consolidation trend in the road freight market. This trend has seen big haulage operators acquiring smaller operators as well as some mid-market transactions in an effort to gain access to new geographies and realise cost and revenue synergies.

Chart 1.2 Over the next five years, what levels of merger and acquisition activity will there be in the European road freight market?



Overall, there is a general agreement across the survey audience that the impact on the market of M&A activity will be positive and will translate into more European-wide networks, higher service levels and more products. However, 22% of participants pointed out that pressure on rates should also be expected as a result of the increased consolidation in the market, perhaps because they believe it will result in a less competitive market.

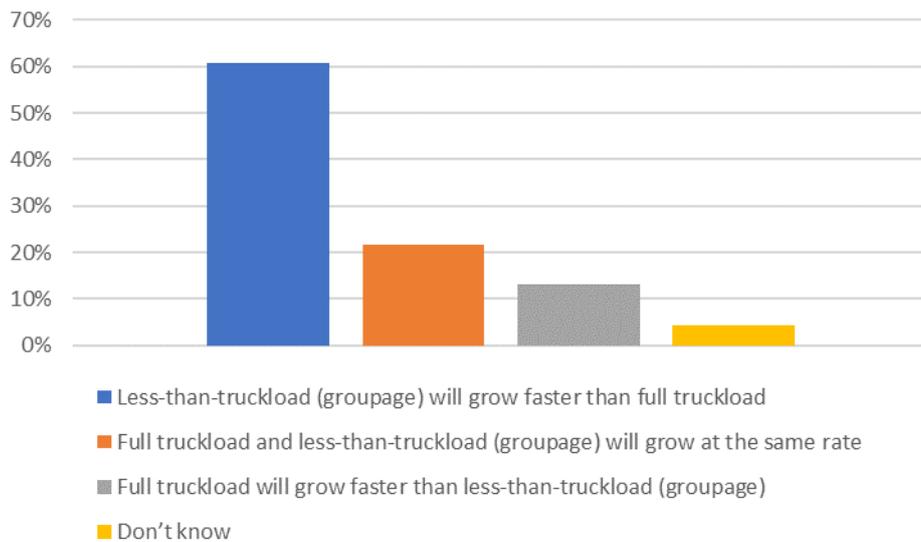
Chart 1.3 What will be the impact of the merger and acquisition activities on the market?



1.3 LTL AND FTL GROWTH

The survey found that the structure of the European road freight market will experience some changes in the next five years. An overwhelming 61% of survey participants believe that Less-than-Truckload (groupage) volumes will grow faster than full truckload. The assumption is therefore that haulage operators that have well-developed groupage networks across Europe will be able to capture growth driven by the rising volumes of less-than-truckload shipments.

Chart 1.4 How will the structure of the European road freight market change in the next 5 years?



1.4 STANDARD AND EXPRESS GROWTH

Survey participants anticipate changes in the use of both standard road and express transport products in the next five years. 74% of participants anticipate growth in the standard segment versus 26% who anticipate decrease. The growth is even more pronounced for the express segment. For this segment, 85% of participants anticipate increase in the use of express products and only 15% predicted a decline.

The balance of opinion is that express road transport products will experience higher growth rates than standard road products. Namely, respondents anticipate slight growth in the latter segment, with the median response predicting growth of 1%-10%. On the other hand, moderate growth is expected in the express road segment, with the median response predicting growth of 11%-20%.

Chart 1.5 How will the use of standard road transport products change in the next 5 years across Europe?

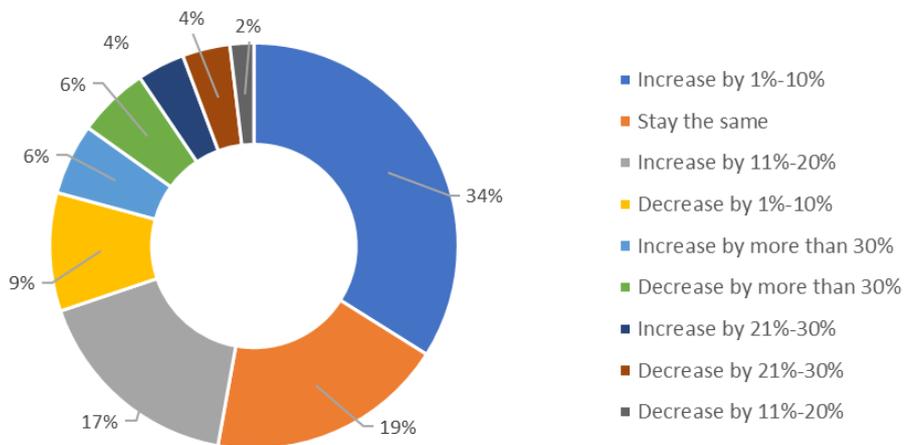
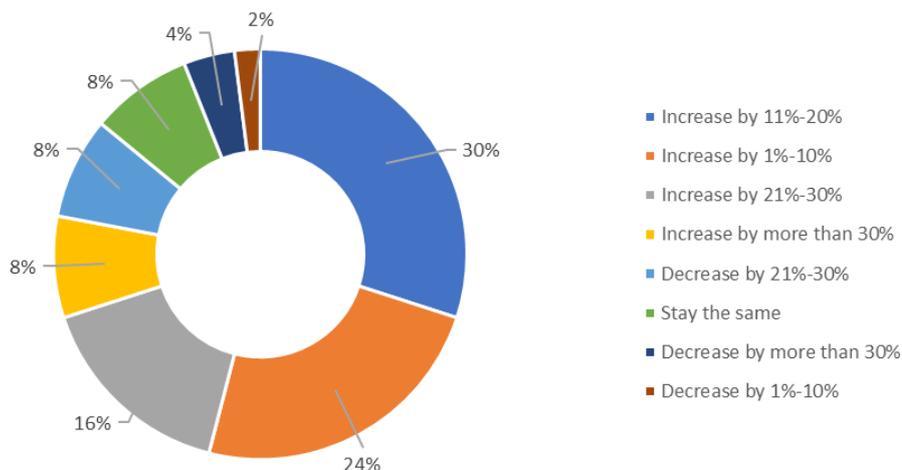


Chart 1.6 How will the use of express road transport products change in the next 5 years across Europe?



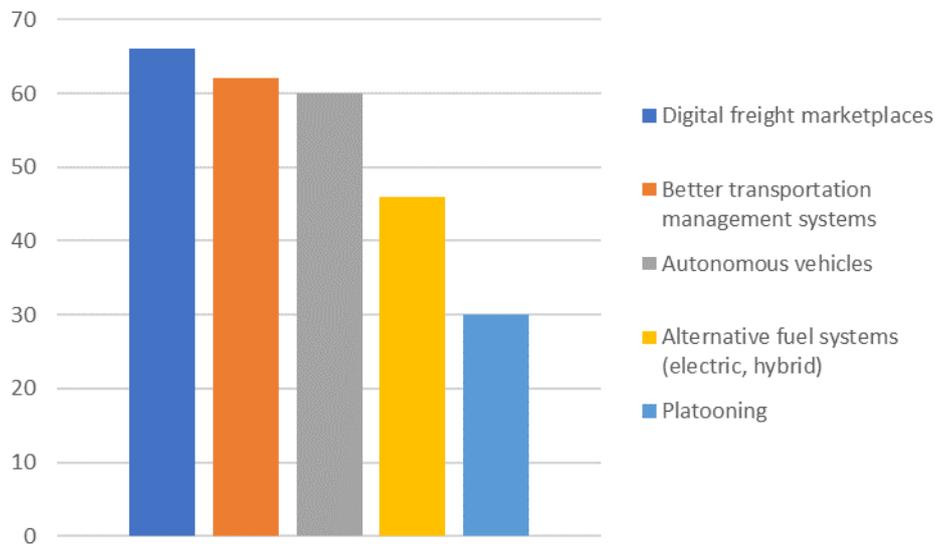
1.5 NEW TECHNOLOGIES

Survey respondents were asked which technologies have the greatest potential to transform the road freight market, ranking innovations on a scale of 1-3. First preferences were awarded three points, second preferences two points and third preferences one point.

On this basis, respondents believe that digital freight marketplaces have the greatest potential to transform the market, followed by transportation management systems. Autonomous vehicles also rank relatively highly, while alternative fuel systems and platooning ranked considerably lower.

It is perhaps strange that autonomous vehicles were not the runaway winner here, however perhaps many respondents took the “believe it when they see it” view, assessing fully driverless trucks as something of a pipe dream. The two winning innovations – digital freight marketplaces and better transportation management systems – are perhaps perceived to be the easiest innovations to widely implement.

Chart 1.7 Which of these technologies do you believe has the greatest potential to transform the road freight market?

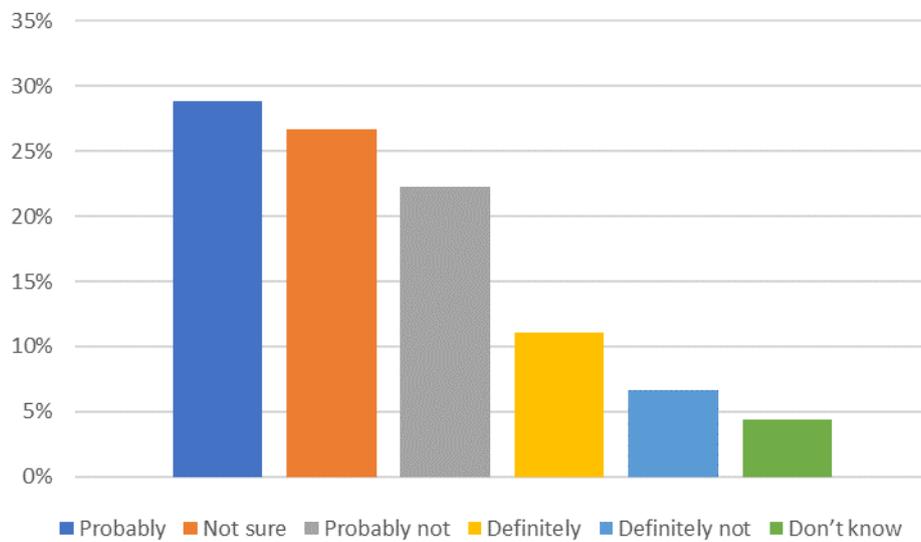


1.6 FULLY DRIVERLESS VEHICLES

The relatively high level of confidence in the transformative impact of driverless vehicles seems to directly impact the propensity to invest in these technologies. Namely, 40% of the respondents stated that they would consider investing in or utilising full driverless vehicles in the next five years, provided that the necessary technology and government regulations are in place.

The relatively high propensity to invest in fully autonomous vehicles means that road freight executives recognise the potential of these technologies to mitigate a number of threats. The advent of driverless vehicles, for instance, will have the potential to eliminate the driver shortage, which is perceived as a major threat to road freight operations.

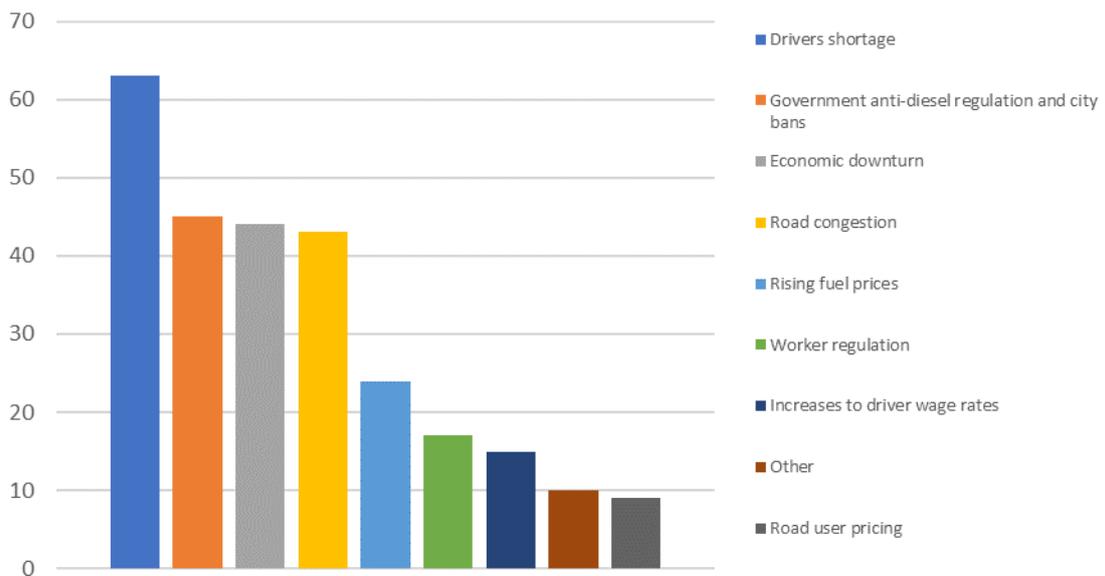
Chart 1.8 If technology and government regulations allow, would your company consider investing in or utilising fully driverless vehicles in the next 5 years?



1.7 THREATS TO ROAD FREIGHT OPERATIONS

To gain insight into the main challenges facing road freight operators across Europe, the survey asked respondents to rank the top three threats to their road freight operations. The findings reveal that driver shortages will pose a major threat to the industry over the next five years. The assumption is therefore that this problem will continue to loom large and road freight operators will have to put measures in place to mitigate this threat, such as fleet optimisation systems or investments in fully driverless vehicles.

Chart 1.9 What do you consider to be the main threats to your road freight operation in the next 5 years?



1.8 EC MOBILITY PACKAGE

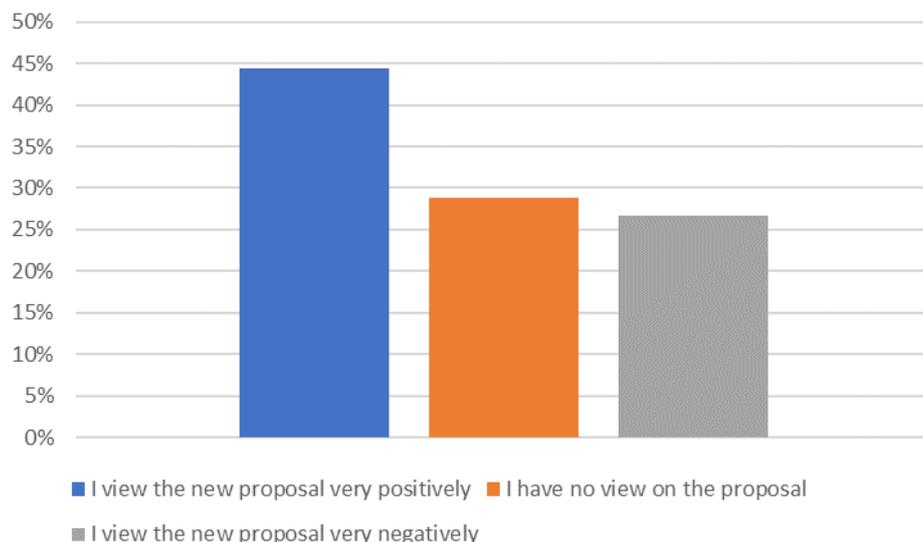
Respondents were asked to assess the new EC mobility package and more precisely the new cabotage regulations contained in the package.

44% of survey respondents view the proposals very positively, while slightly more than a quarter of respondents have the opposite opinion and view the proposal very negatively. This division between supporters and opponents of the deregulation of cabotage market basically reflects market reality and in particular the East-West clash regarding cabotage operations.

Namely, lower-wage countries will tend to be in favour of the new proposals as these would allow them to operate more freely in higher-wage countries. Operators from higher-wage countries, on the other hand, will tend to oppose the proposals as increased cabotage operations increases competition within their domestic markets and puts pressure on prices and driver wages. Shippers, on the other hand, are likely to be in favour of the new proposals given they are likely to put downward pressure on freight rates.

EU rules presently allow for three cabotage operations within a seven-day period following the international delivery. The new proposed rules will allow for any number of cabotage operations for five days after the international delivery.

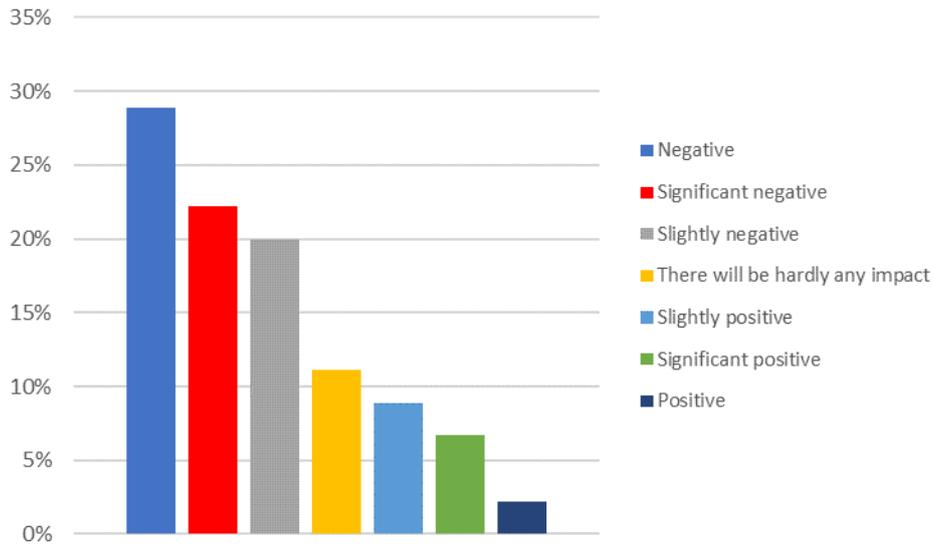
Chart 1.10 The new EU mobility package proposal allows unlimited cabotage deliveries over five days. What is your view on this measure?



1.9 BREXIT AND THE IMPACT ON UK-EU TRAFFIC

Overall, the dominant perception across the survey audience is that Brexit will have a negative impact on road freight traffic between the UK and the EU. An overwhelming 71% of survey respondents believe that the impact will be negative, with variations in the perceived severity of the impact. These variations acknowledge the uncertainty surrounding Brexit and the impact thereof on the European road freight market.

Chart 1.11 What will be the impact of Brexit on road freight traffic between the UK and EU?

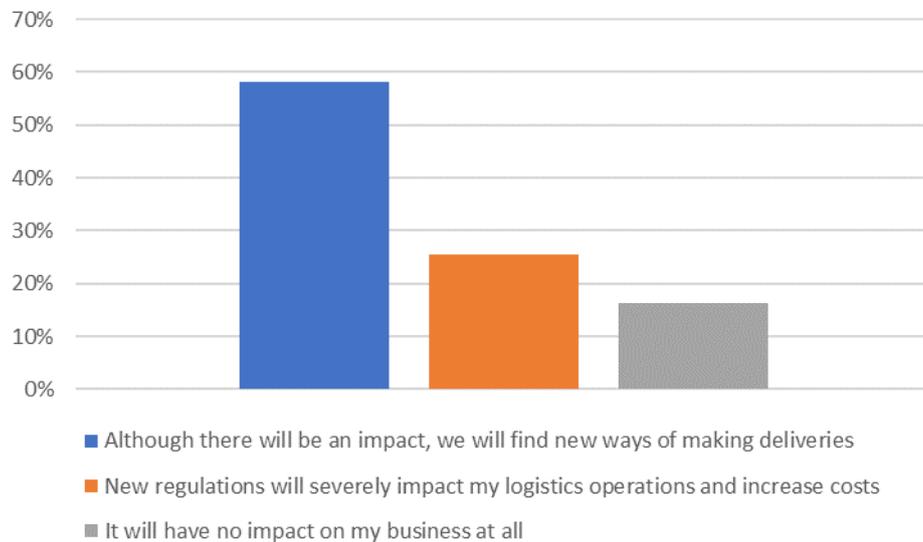


1.10 DIESEL BANS

The survey findings regarding the major threats facing the European road freight market revealed that government anti-diesel regulation plans and city bans ranked quite highly. Indeed, the acknowledgement of the immediate impact of this type of measures on road freight operations is evident from the chart below. When asked how worried they are about government plans to ban diesel engine vehicles from city centres, 84% of respondents stated that these will have some degree of impact on their business.

However, 58% of participants stated that despite this, they will find ways of making deliveries, suggesting that diesel bans will not have a major disruptive impact on road freight. The results also suggest an industry-wide perception that the disruptive effects of city bans can be managed and minimised if the appropriate measures are put in place.

Chart 1.12 How worried are you about government plans to ban diesel engine vehicles from city centres?



CONTACT

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If you have questions about this survey or would like to discuss Ti running a survey for you please contact Michael Clover, E: mclover@ti-insight.com or T: +44 (0) 1666 519907

About Ti



Ti's Origin and Development

Ti is a leading logistics and supply chain market analysis company developed around five pillars of growth:

- Logistics Briefing
- Ti Market Research Reports
- Ti Insight portals
- Ti Consulting
- Ti Conferences and Training

Ti acts as advisors to the World Economic Forum, World Bank, UN and European Commission and have 14 years worth of providing expert analysis to the worlds leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

What Sets Ti Apart?

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- Global Associate Network provides a multi-country, multi-disciplinary and multi-lingual extension to Ti's in-house capabilities
- More than fourteen years of knowledge delivery to global manufacturers, retailers, banks, consultancies, shipping lines and logistics providers
- Unique web-based intelligence portals
- Interactive dashboard
- On-going and comprehensive programmes of primary and secondary research