

ATTENTION, TOLL INCREASE!

The economic engine is sputtering, industry and private consumption are recovering more slowly than expected. The leading German economic institutes expect gross domestic product to decline by 0.6 per cent in 2023. The situation is exacerbated by unprecedented cost pressures for freight forwarders as well as transport and logistics service providers: they must pay significantly more for trucks, trailers, spare parts and maintenance. Energy costs have risen sharply, as have labour costs due to the shortage of skilled workers.



December 2023: Start of the increased CO₂ toll

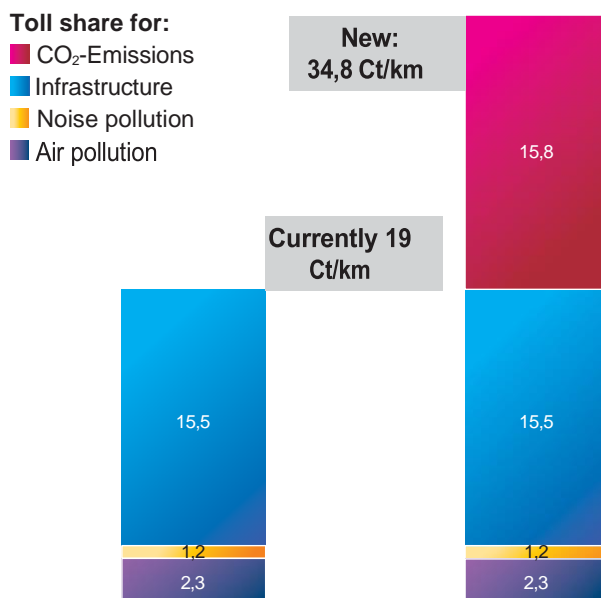
July 2024: Start of the toll for trucks above 3,5 t

In this tense situation, the industry is facing a significant toll increase. The German government is thus implementing the requirements of the EU Vignette Directive by differentiating the toll rates according to the CO₂ emissions of the vehicles. At 200 euros per ton, the government is applying the highest possible rate - the highest CO₂ price in the world! The transport and logistics industry is committed to climate protection and generally sees the CO₂ toll as an incentive to switch to climate-friendly commercial vehicles. The only problem is the lack of zero-emission trucks available, as well as the necessary charging infrastructure or power grid.

And for the future it is uncertain whether there will be indispensable and sufficient public funding for a switch: Battery-electric and hydrogen-powered trucks are three to five times more expensive than diesel trucks.

Fleet operators have already been paying a CO₂ price on fossil fuels in Germany since 2021. With the CO₂ toll, they will be charged twice, which the German governing parties had explicitly ruled out in their coalition agreement. Hauliers will once again become tax collectors on behalf of the state. They must pass on the full toll costs to their customers, even for unavoidable empty kilometres. In view of tight margins, they have no other choice, otherwise their existence would be threatened. The economy will thus be burdened by an additional eight billion Euro a year.

Euro 6 trucks in long-distance traffic: plus 83 % toll



Source: BMDV

7,62

Billion euros
of additional
revenue the toll
increase brings to
the state each
year.

TOLL-FREE ALTERNATIVES ARE STILL LACKING

Goodbye diesel, welcome zero-emission trucks: the transport and logistics industry would like to switch to alternatively powered vehicles. The companies organised in the Association for Forwarding and Logistics Baden-Württemberg (VSL), for example, have joined the Alliance for Fleet Conversion and aim at every second light and medium commercial vehicle to be CO₂-neutral by 2030. This is an ambitious but realistic goal. The situation is much more difficult in long-distance transport, i. e. heavy trucks. They account for most kilometres subject to tolls.

According to the German Federal Motor Transport Authority around 600,000 trucks above twelve tons are registered in Germany. Around 70 percent of these meet the latest Euro 6 standard. This shows that fleet operators are keen to invest in cleanest technologies. But it will take time to take the next big step, the switch to electric and hydrogen trucks. First, a significant number of these vehicles must enter the market. Additionally, a corresponding refuelling and charging infrastructure must be built up.

Electric trucks (BEVs): The first medium and heavy BEVs like this Volvo FH Electric are already on the road. However, at 0.47 per cent, their share of the total truck fleet is not yet significant. Fleet customers still have to wait for vehicles from the local manufacturers Daimler Truck, MAN and Iveco: Daimler Truck will start series production of the eActros 600 by the end of 2024. It has a range of 500 kilometres with full batteries. MAN has announced that it will ramp up production of the eTruck in 2025. Initially, smaller production figures are to be expected.



Hydrogen fuel cell trucks (FCEVs): Heavy trucks with hydrogen fuel cell drive will not be available by the end of the decade. The Gen H2 truck from Daimler Truck is a prototype that engineers are currently putting through its paces. Trucks with hydrogen combustion engines could be an alternative - but they are still under development. Larger numbers of H₂ trucks are not to be expected until a refuelling infrastructure is in place and cost parity is achieved. Currently, a kilo of H₂ costs about 13 euros.

SMALL QUANTITIES

The share of medium and heavy-duty electric and hydrogen trucks in the total truck fleet is not yet significant. These are the current figures according to the federally owned NOW GmbH (as of April 2023).

**Battery-
electric drive**

3.633 vehicles

Fuel cell

11 vehicles

**Plug-in-
hybrid**

9 vehicles

RAIL CAN'T MAKE IT

Shifting freight transport to the railways relieves roads, protects the climate, saves the working time of drivers and may increase the productivity of trucks. There are good reasons in favour of rail. However, the figures on transport volumes from 2022 (medium-term forecast by the German Federal Ministry of Transport) show that the rail system only shoulders a small part of the load, and that road will remain the number one load carrier.

It is even more difficult to shift freight to rail because of the current high number of construction sites. Quality and punctuality are suffering as a result. This situation is likely to worsen between 2024 and 2030, as highly congested corridors of the rail network are to be renovated during this period. The construction work will involve full closures and will have an impact on the entire network.

Road haulage shoulders the lion's share

Share of transport modes in transport volume in Germany

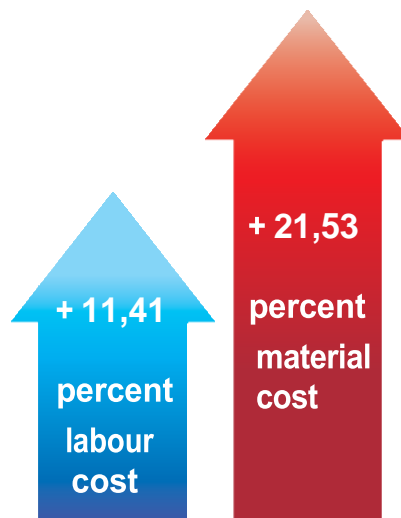


Source: BMDV-medium term forecast 2022

LOGISTICS GROANS UNDER THE COST

The road toll is a considerable cost block for fleet operators. For a long-distance trip from Stuttgart to Hamburg, costs of 133 euros are charged for 700 kilometres on the motorway; in future it will be 243.5 euros! This makes transport considerably more expensive. The larger the consignment, the greater the effect: for partial and full loads, this means a cost increase of about twelve percent.

Companies involved in commercial road haulage operate with low margins. They cannot absorb the additional toll costs but must pass them on to their customers in full. This includes the toll on load kilometres, but also the toll on unavoidable empty kilometres. There are special transports for which no return



Double-digit increases: According to current DSLV surveys, these increases have occurred in the first half of 2023 compared to the same period of the previous year.

transports can be considered - such as construction site transports or chemical transports. Every journey on federal highways to the loading ramp is an empty kilometre subject to a toll. Hauliers must also charge their clients for these. They are the state's tax collectors - a role they did not choose.

These additional costs come at an inopportune time: logistics companies are groaning under a considerable cost burden even without the toll increase. Among other things, the shortage of skilled workers has its price: qualified employees need to be well paid; the result is an increase in personnel costs of 11.41 per cent, according to a DSLV survey. IT/digitisation and insurance costs have led to an increase in material costs by more than a fifth. The increased cost of raising capital has further complicated the situation.

SECURING TOP EMPLOYEES AND CARGO SPACE

Transport and logistics companies employ qualified staff for a wide range of demanding tasks. Whoever drives the truck to the loading ramps is technically savvy, professional in handling load securing and much more.

The industry

The logistics sector is the third strongest in Germany after the automotive sector and the trade industry. Logistics keeps the economy running and ensures the supply of the society – a fact that many first became aware of during the Corona pandemic. It represents 3.3 million employees and an industry turnover of 319 billion euros (Fraunhofer Supply Chain Services figures for 2022).

They are the face to the customer - and thus the business card. According to a study, there is a shortage of around 70,000 truck drivers in Germany, so qualification and training are correspondingly important. The companies in the sector will continue to be actively involved in this area, but this will make great financial demands on them.



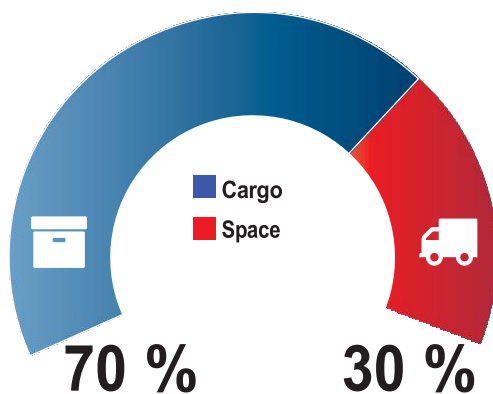
Providing load capacity and modern, low-emission trucks also has its price.

Those companies that operate their own fleet give customers a promise of quality and performance that

their high-quality goods will be delivered safely and responsibly to their

destination by employed drivers in their own trucks. Those who maintain loading space invest permanently in their fleet as part of fleet renewal. Haulage companies need the financial leeway to be able to continue to shoulder these investments - especially in view of the desired change in drive systems, when a considerably more expensive electric or hydrogen truck is purchased instead of a modern diesel.

Scarce cargo space



Imbalance: Loading space remains in short supply, as the current transport boom shows. Companies that hold cargo space invest permanently in their fleets and must continue to be able to afford these investments.

Source: Timocom Transport Barometer, as of beginning of October 2023

Inflation driver



Road tolls continue to fuel inflation. In a medium-sized haulage company, toll costs account for up to 20 percent of total costs. The effects on other sectors vary: According to forecasts, a crate of mineral water will become 50 Eurocents more expensive, and a single-family house as much as 3,000 Euro. In general, the lower the value of goods, the greater the impact of the increased transport costs.

Increasingly, however, logistics companies are also mobilising investments for their digital infrastructure - to increase their data quality, processes and supply chain transparency and to be able to provide information quickly and proactively in real time. Shipping companies benefit from this, as they can plan better, act more efficiently and secure a competitive edge.

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