

GERMANY

The Federal Road Transport Authority reports for November 2008 a fall of registration of new tractive units of 45% compared to November 2007, following a decrease of 20% in October this year. In this respect the road user charge (LKW-Maut) increase also has an impact. The German logistics industry, which already suffered from the diesel price explosion, will pay for a charge on average 50% higher compared to the beginning of the year. In such a situation all investment in new vehicles will be carefully thought about. Thus, the bill has landed with the large German vehicle manufacturers and their suppliers, who should give careful consideration to the employment of their personnel.

For 2009, the consequence of a mistaken SME policy of the Federal Government is, with an economic downturn in the background, that the German logistic companies should reduce their capacities by 10-30%.

Bankruptcies grew in 2008 by 19% compared to 2007.

Source: BGL press releases

The strong growth in the area of inland traffic was especially decisive for the development of road haulage in the 1st half of 2008, which can be traced to the high rate of growth in short-distance transport and the upwards trend in traffic in the hinterland of seaports.

The growth in the area of international transport was less than in preceding years.

After own account company-operated transport decreased during the past year, the increase in this area in the 1st half of 2008 was clearly higher than that of commercial traffic for hire and reward.

In spite of the positive order and employment situation in the 1st half of 2008, the economic situation worsened in the majority of German transport companies in comparison with the previous year. Almost all transport companies were able to achieve rate increases with their customers for New Year 2007/2008. But these often were not sufficient to completely cover the great increases in the cost of fuel during the course of the 1st half of 2008. The portion of the economy with goods to ship was only partially prepared to undergo repeated price negotiations to compensate for increasing fuel prices, according to the Federal Office for Goods Transport. The resulting worsening of the economic situation in numerous transport companies is reflected in an increase in bankruptcy proceedings.

After a tangible "off-season", the order volume in the road haulage market has decreased dramatically since the beginning of the 4th quarter of 2008.

As there is an increasing surplus of freight space capacity due to the economically induced reduction in demand in the market, a new intensification in cost and

performance competition is imminent. The current decrease in fuel prices is positive from the point of view of the economy. An increasing portion of the transport services subject to tolls on German federal highways are performed by environmentally friendly vehicles. But German transport companies fear increasing costs as a result of the recently passed increase in the truck toll, which will be introduced on January 1, 2009 and thus a further worsening of their economic situation.

Small companies in particular generally do not have the necessary funds to convert their vehicle fleet to the latest, environmentally friendly vehicles, according to representatives of these companies. This is accompanied by a strong decline in used vehicle prices for Euro 3-vehicles. That means that the equity capital basis of the affected companies is depleted.

Bankruptcies and withdrawals from the profession:

In the 1st half of 2008, bankruptcies as a whole grew by 3.1% representing altogether 14'650 cases compared to the same period of 2007. With respect to road transport companies (incl. removal operators) the total number of 396 bankruptcy cases was 13% higher than in the 1st half of 2007. Thus the bankruptcy rate of the road transport industry grew again significantly, following a decrease as a result of positive market developments in the 1st half of 2006 and 07. Among forwarders (without own fleets) bankruptcies grew in the 1st half of 2008 by 2.5% compared with the same period of 2007.

According to market reports, on the basis of the bad economic situation, there will be a growing number of bankruptcy cases in the 2nd half of 2008.

Source: BAG via BWVL