

EUROPEAN COMMISSION MOBILITY PACKAGE: UPDATE Q4 2021

REVISED LEGISLATION FOR THE EU TRANSPORT MARKET

DPDHL Corporate Representation Brussels / DHL Freight Non Terminal Based Operations
Bonn, November 2021

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Current Status / Recent Developments

➤ First set of measures has come into effect in mid-2021 (Driving hours, rest time provisions, and smart tachograph requirements)

➤ Guidelines provided for implementation of return of the driver

➤ Second wave of measures due to be implemented by latest February 2022

- Cabotage: Will be implemented across all member states
- Posting of Drivers: Country specific measures already implemented in DE, FR, BE
- Return of the Vehicle: Will be implemented in 2022 despite reviews as part of “Green deal”

➤ Further development of the IMI database to register drivers posted in other member states

➤ First reports published by the European Commission to establish impacts of the legislation

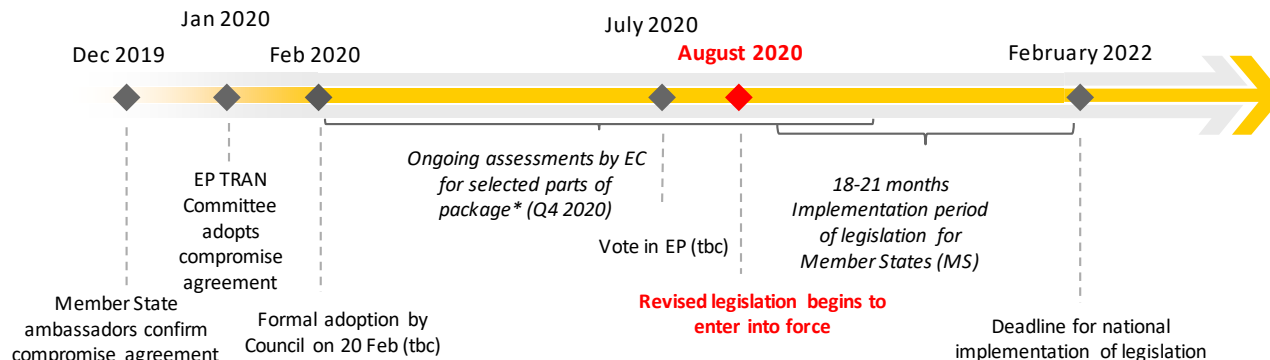
Institutional agreement on the EU Mobility Package: Revised road transport legislation is beginning to enter into force on an EU level



Summary

1. Institutional agreement on the EU Mobility Package was reached between EP and Council in December 2019; the Package consists of the following legislation:
 - a. Regulation on driving and rest periods as well as tachographs;
 - b. Directive on the enforcement of social legislation and the posting of workers;
 - c. Regulation on access to the road haulage market and occupation
2. Legislation **enters into force mid-2020 on EU-level**

Indicative timeline of legislative process

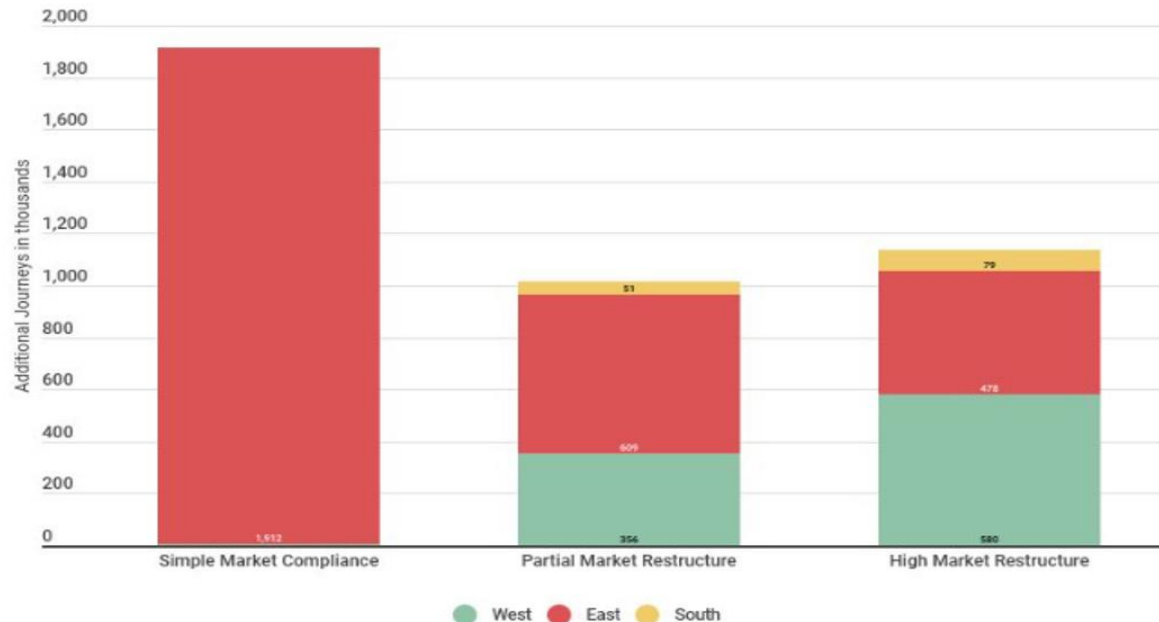


*Commission to review impacts on „Green Deal“ for e.g. 8-week return obligation and cabotage for domestic road legs of combined transport

Findings of European Commission Impact Analysis

- The European Commission has made an assumption in analysis, that companies will potentially restructure based on the new legislation. The restructuring refers to moving base of operations, refusing to take on certain transports which were covered in the past, or scale down operations
- The scenarios are:
 - Simple restructuring – Few operators relocate and change their operations
 - Partial restructuring – Mix of reactions in operators
 - High restructuring – Many operators make significant changes
- Impact of new legislation on:
 - Number of Journeys
 - Number of Kilometers Driven
 - CO2 Emissions
 - Costs for Operators

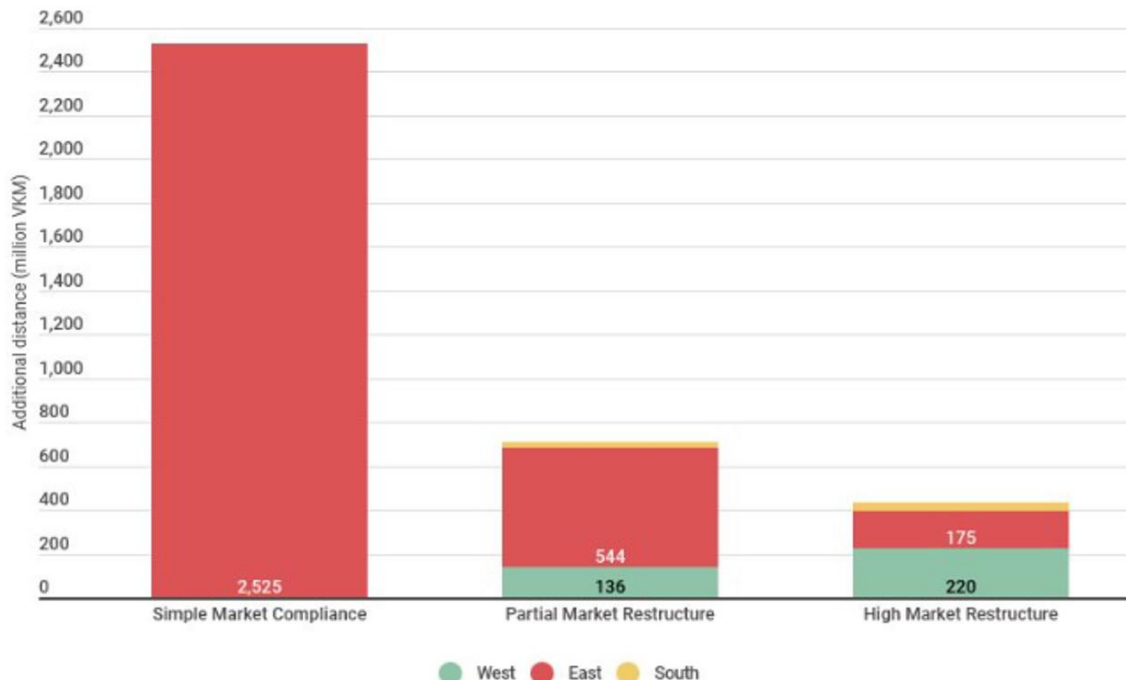
Impact on Number of Journeys per Scenario for each Member State Cluster expected



- Numbers refer to scenario in 2023
- Number of additional journeys increase due to:
 - Return of vehicle
 - Return of driver
 - Change in cabotage regulations

Source: European Commission; Ricardo; Transport Intelligence

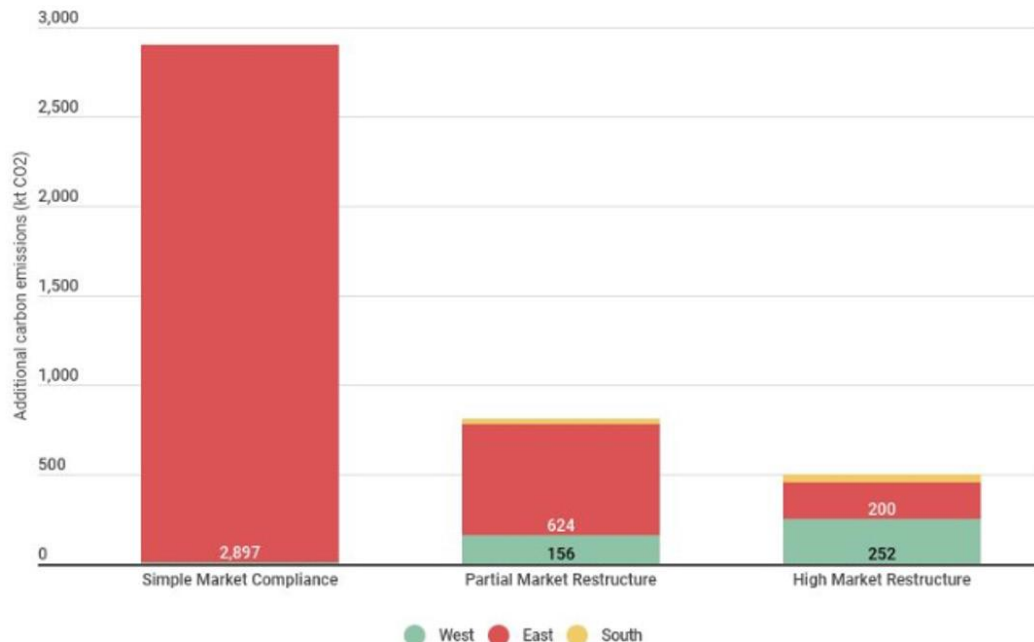
Impact on Number of Vehicle Kilometers per Scenario for each Member State Cluster expected



- Numbers refer to scenario in 2023
- Number of additional km increase due to:
 - Return of vehicle
 - Return of driver
 - Change in cabotage regulations

Source: European Commission; Ricardo; Transport Intelligence

Impact on Number of CO2 emissions per Scenario for each Member State Cluster expected



- Numbers refer to scenario in 2023
- Numbers increase due to
 - Return of vehicle
 - Return of driver
 - Change in cabotage regulations

Source: European Commission; Ricardo; Transport Intelligence

Estimates regarding Cost and Capacity Impacts

The European Commission estimates that additional costs for repositioning vehicles could amount to as much as €11,000 per truck – a 10% increase compared to a normal, business-as-usual year. This equates to roughly 250 Euro per truck, per week additional costs.

The return of the vehicles to home base also means that either capacities are reduced, or new vehicles must be purchased to compensate – both have an additional impact on cost due to significant market pressures which are not incorporated in the below scenario

Impact of the Mobility Package on truck operating costs per annum

Carrier's region of origin	Business area	Additional operating costs per truck	Cost difference compared to local carriers	Expected difference compared to local carriers upon introduction of the Mobility Package (baseline scenario)
Eastern Europe	Western Europe	€10,894	65%	72%
Eastern Europe	Southern Europe	€15,748	76%	88%
Eastern Europe	Eastern Europe	€6,486	100%	107%

Source: European Commission; Ricardo; Transport Intelligence

DHL Freight Preparation for Implementation

	Description	Status and Actions
Internal Comms. and Trainings	<ul style="list-style-type: none"> Detailed overview of relevant legislation and timeline shared with operations community Deep dive information sessions held covering legal and operational changes (e.g., planning impacts) Review with countries on how and when own member states are implementing regulations ongoing 	<ul style="list-style-type: none"> Started in 2019 and ongoing
Haulier Comms.	<ul style="list-style-type: none"> Communications prepared for hauliers Updated: <ul style="list-style-type: none"> Standard terms and conditions DPDHL Standard Code of Conduct agreement 	<ul style="list-style-type: none"> Shared and integrated in all transport orders and standard T&C
Haulier Audits	<ul style="list-style-type: none"> Standard process to audit hauliers, both targeted and randomly selected Use of benchmarking to identify outliers in terms of cost 	<ul style="list-style-type: none"> Started



Information for Price Discussions with Customers

It is important to share information on the Mobility Package with our customers, but some points should be taken into consideration:

- Shared information in the course of GRI package
- Important to de-couple Mobility Package pricing negotiations from annual GRI process – this is a different conversation once the effects are more transparent – we will not know this until earliest later next year
- External customer communication template to be distributed to all countries

DETAILED DESCRIPTIONS

NOT EXHAUSTIVE



Mobility Package: Summary Major Changes and Impacts (1/2)

Item	Description	Impact	Implementation Date
Posting of drivers	<ul style="list-style-type: none"> Drivers must be paid the minimum wage of the country they are registered in, with the exception of bilateral transport (a single transport starting or ending in the state of registration) Exception for one pick up or drop off each direction, or two in one direction only Drivers must be registered to work within another country (declaration valid for six months) 	<ul style="list-style-type: none"> Higher driver costs when operating out of home country due to higher local minimum wage Additional administration for hauliers (registration, complex payroll processes) 	<ul style="list-style-type: none"> Latest end 2021
Return home of the driver	<ul style="list-style-type: none"> The statutory long rest of the drivers has been increased In any 2 consecutive weeks drivers shall take at least 2 regular weekly rest periods or 1 regular weekly rest period and 1 reduced weekly rest period of at least 24h Drivers must return to the Member State of establishment of their employer or the drivers' place of residence every 4 weeks Drivers will only be able to spend 2 consecutive reduced weekly rest periods if they are engaged in international transport and return home every 3 weeks 	<ul style="list-style-type: none"> Reduction of driver capacity due to increased rest periods and increased requirement for drivers to return to home country Expectation that majority of typical International FTL business will follow model where driver must return home every three weeks 	<ul style="list-style-type: none"> Immediately
Return of the vehicle	<ul style="list-style-type: none"> Vehicles will be obliged to return to the Member State of establishment every 8 weeks* Currently drivers swap the vehicle with another driver in the location of operation often return to their home state without the vehicle (e.g., in minivan) 	<ul style="list-style-type: none"> Reduction of capacity as trucks will need to return to home member states Change of market dynamics on certain trade lanes possible 	<ul style="list-style-type: none"> Latest end 2021

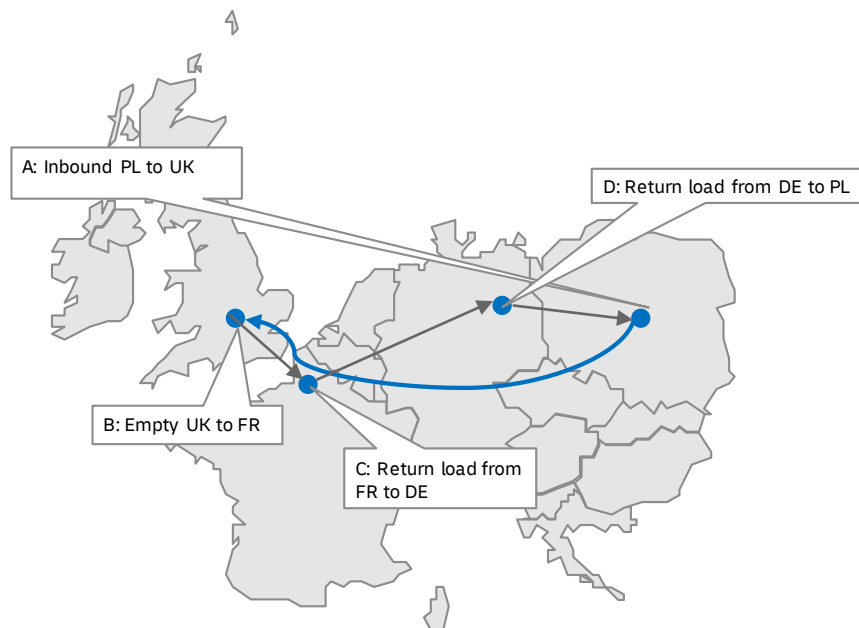
*Commission to review impacts on „Green Deal“ for e.g. 8-week return obligation and cabotage for domestic road legs of combined transport

Mobility Package: Summary Major Changes and Impacts (2/2)

Item	Description	Impact	Implementation Date
Cabotage	<ul style="list-style-type: none"> • Current cabotage rules will be maintained, allowing 3 cabotage operations within 7 days • Introduction of a cooling-off period of 4 days, meaning no cabotage operations with the same vehicle in the same host Member State within 4 days & until they have performed a new international transport • The Member States will have a possibility to impose cabotage rules on domestic road legs of combined transport* 	<ul style="list-style-type: none"> • Reduction of domestic capacities 	<ul style="list-style-type: none"> • Latest end 2021
Regular weekly rest	<ul style="list-style-type: none"> • The regular weekly rest and longer rest periods cannot be taken in the vehicle or in the parking area. They can only be taken in a suitable accommodation (i.e. hotel), which may be adjacent to the parking area • This has existed in some member states since 2018 (e.g., FR, BE, and DE) 	<ul style="list-style-type: none"> • Additional KM must be driven to find appropriate resting area • Added complexity in trip planning to ensure suitable resting location • Increase of costs due to hotel requirement 	<ul style="list-style-type: none"> • Immediately
Chain liability	<ul style="list-style-type: none"> • Member States should also provide for sanctions on consignors, shippers, freight forwarders, contractors and subcontractors where they knew, or, in the light of all relevant circumstances ought to have known, that the transport services that they have commissioned involve infringements 	<ul style="list-style-type: none"> • Additional administration in controlling hauliers for freight forwarders and consignors • Potential reduction of capacities if it is not possible to assess how some hauliers are complying with regulation 	<ul style="list-style-type: none"> • Latest end 2021

*Commission to review impacts on „Green Deal“ for e.g. 8-week return obligation and cabotage for domestic road legs of combined transport

Example Impacts for International Round Trip Poland - UK

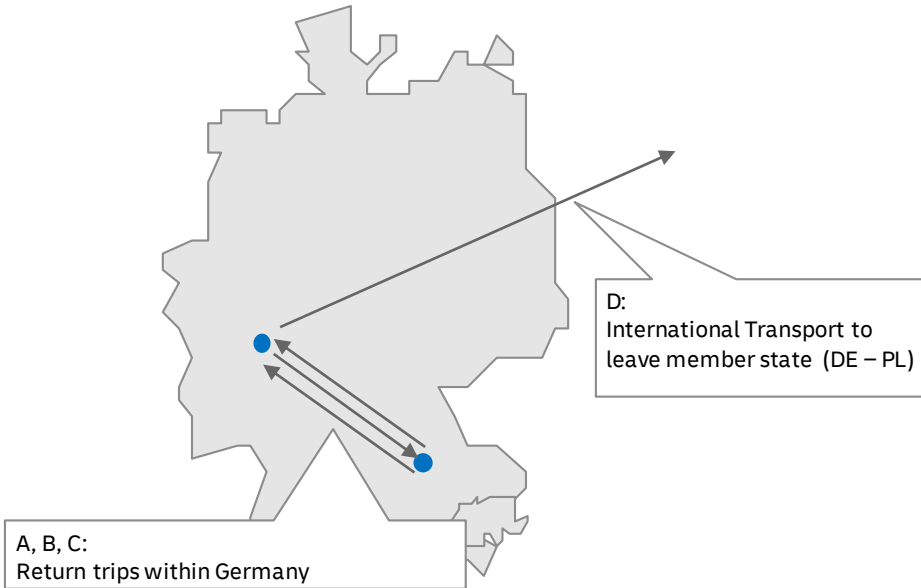


Assumption: Polish Haulier Company, all lanes full truck load

New implications for the example would mean:

- For flow A limited impact on inbound lane
- For flows B and C a **higher minimum wage** would be paid then today
- Assuming complete transit time of +40 hours, at least **one hotel stay** will be required during roundtrip (across all flows)
- Overarching **capacity challenge** due to driver and equipment need to return to home state (e.g., Poland for a Polish company) more frequently
- Additional **planning complexities**:
 - Need to find **accommodation en route and in line with driving hours**
 - Need to reposition the vehicle so that the driver (and potentially vehicle) can return to member state of establishment

Example Impacts for Domestic Round Trips Germany



Assumption: Polish Haulier Company, all lanes full truck load

New implications for the example would mean:

- For flow A, B, C the truck is running a regular domestic cabotage shipment as today
- For Legs A, B, and C the driver must be paid the local (DE) minimum wage
- After three legs the vehicle must have a cooling down period and cannot perform any more cabotage shipments until the requirements are met
 - Four days cooling off period
 - One further international transportation conducted; leaving and returning to the member state alone is insufficient
 - No more than 3 cabotage shipments within 7 days

DHL Freight Preparation for Implementation

	Description	Status and Actions
Internal Comms. and Trainings	<ul style="list-style-type: none"> Detailed overview of relevant legislation and timeline shared with operations community Deep dive information sessions held covering legal and operational changes (e.g., planning impacts) Review with countries on how and when own member states are implementing regulations (to be completed by end 2021) 	<ul style="list-style-type: none"> Started in 2019 and ongoing
Haulier Comms.	<ul style="list-style-type: none"> Communications prepared for hauliers Updated: <ul style="list-style-type: none"> Standard terms and conditions DPDHL Standard Code of Conduct agreement 	<ul style="list-style-type: none"> Started in 2019 and ongoing
Haulier Audits	<ul style="list-style-type: none"> Standard process to audit hauliers, both targeted and randomly selected Use of benchmarking to identify outliers in terms of cost 	<ul style="list-style-type: none"> Started

Directive 96/71/EC, Directive 2006/22/EC, Directive 2014/67/EU

Implementation of social legislation (Posting of drivers)



Item	Description	Further explanation
Posting of drivers	<ul style="list-style-type: none"> The posting rules will apply to cabotage and international transport from day 1 Exclusion from the posting rules will be applied to bilateral transport (plus one extra activity of loading and/or unloading in each direction or zero on the way out and up to two on return) as well as transit without loading/unloading of goods and the initial/final road leg of a combined transport operation if the road leg on its own consists of bilateral transport operations 	<p>Exemption bilateral transport:</p> <p>a) When a driver engages in bilateral transport operations from the Member State where the undertaking is established to the territory of another Member State or a third country or to the Member State of establishment, the nature of the service is closely linked with the Member State of establishment.</p> <p>Including:</p> <p>b) 1+1</p> <p>c) 0+2</p> <p><i>As of 2023 this exemption shall apply solely to drivers using vehicles fitted with a smart tachograph</i></p>
		<p>If posted, obligation for the road transport operator (Article 1(13)):</p> <p>a) Submit a posting declaration (6months period) <u>beforehand</u></p> <p>b) Ensure that the driver has the following docs for roadside checks (in paper or electronic form):</p> <p>(i) posting declaration</p> <p>(ii) evidence of transport carriage (eCMR)</p> <p>(iii) tachgraph records</p> <p>c) Submit <u>after the posting period</u>, on the direct request of the competent authorities of the Member States where the posting took place: (ii), (iii), documentation of remuneration, employment contract, time-sheets, proof of payments</p>

Driver shall record border crossing data manually until smart tachograph becomes available

MS implementation 18 months after entry into force

Regulation 561/2006

Driving times, breaks and rest periods (1/2)



Item	Description	Further explanation
Scope	<ul style="list-style-type: none"> NEW: From 1 July 2026, to the carriage by road of goods in international transport operations or in cabotage operations, where the maximum permissible mass of the vehicle, including any trailer, or semi-trailer, exceeds 2,5 tonnes 	Meaning these vehicles must be retrofitted with the smart tachograph.
Return home of the driver	<ul style="list-style-type: none"> In any 2 consecutive weeks drivers shall take at least 2 regular weekly rest periods or 1 regular weekly rest period and 1 reduced weekly rest period of at least 24h Drivers must return to the Member State of establishment of their employer or the drivers' place of residence every 4 weeks Drivers will only be able to spend 2 consecutive reduced weekly rest periods if they are engaged in international transport and return home every 3 weeks 	<p>Article 8a:</p> <p>"A transport undertaking shall organise the work of drivers in such a way that the drivers are able to [...] return to the employer's <u>operational centre where the driver is normally based</u> and where the driver's weekly rest begins, in the <u>Member State of the employer's establishment</u>, or to return to the <u>drivers' place of residence</u> within each period of four consecutive weeks, in order to spend at least one regular weekly rest period or a weekly rest of more than 45 hours taken in compensation for reduced weekly rest."</p>

Regulation is entering directly into force from Aug 2020

Regulation 561/2006

Driving times, breaks and rest periods (2/2)



Item	Description	Further explanation
Regular weekly rest	<ul style="list-style-type: none"> The regular weekly rest and longer rest periods cannot be taken in the vehicle or in the parking area. They can only be taken in a suitable accommodation (i.e. hotel), which may be adjacent to the parking area 	<p>Article 8c: “They shall be taken in a suitable and gender-friendly accommodation with adequate sleeping and sanitary facilities.”</p>
Smart tachograph	<ul style="list-style-type: none"> To be used for the enforcement of legislation, such as posting and cabotage 	<ul style="list-style-type: none"> The 2nd generation smart tachograph, which records border-crossing & additional activities such as loading/unloading, will be introduced in 3 different stages: <ol style="list-style-type: none"> New trucks will have to be retrofitted in 2023 Vehicles with analogue and digital tachograph will have to be retrofitted from 2024 Vehicles equipped with the 1st generation smart tachograph will have to be retrofitted from 2025 LCVs exceeding 2.5 tons that operate internationally [for hire and reward] will have to have the second-generation smart tachograph on board from July 2026

**Regulation is
entering directly into
force from Aug 2020**

Regulation 1071/2009 and 1072/2009

Access to profession & road haulage market (1/2)



Item	Description	Further explanation
Scope	<ul style="list-style-type: none"> NEW: requirements for access to the profession (1071/2009) should become mandatory for operators using vehicles <u>exclusively</u> for the carriage of goods and with a permissible laden mass between 2.5t and 3.5t involved in international transport NEW: Undertakings operating vehicles exceeding 2.5t are included in the scope and need a Community license (under 1072/2009) 	<p>Not applicable to:</p> <ul style="list-style-type: none"> Undertakings engaged in the occupation of road haulage operator solely by means of vehicles the which does not exceed 3.5t engaged exclusively in national transport operations in their Member State of establishment Undertakings engaged in the occupation of road haulage operator solely by means vehicles of which does not exceed 2.5t → exempted from the need for a Community license
Cabotage	<ul style="list-style-type: none"> Current cabotage rules will be maintained, allowing 3 cabotage operations within 7 days Introduction of a cooling-off period of 4 days The Member States will have a possibility to impose cabotage rules on domestic road legs of combined transport* 	<ul style="list-style-type: none"> Cooling off period: meaning no cabotage operations with the same vehicle in the same host Member State within 4 days & until they have performed a new international transport

MS implementation 18 months after entry into force; phasing in of LCVs 21 months

*Commission to review impacts on „Green Deal“ for e.g. 8-week return obligation or cabotage for domestic road legs of combined transport

Regulation 1071/2009 and 1072/2009

Access to profession & road haulage market (2/2)



Item	Description	Further explanation
Return of the vehicle	<ul style="list-style-type: none"> Vehicles will be obliged to return to the Member State of establishment every 8 weeks* 	Article 5 (b): Conditions relating to the requirement of establishment: "organize its vehicle fleet's activity in such a way as to ensure that vehicles at the disposal of the undertaking and used in international carriage return to one of the operational centers in that Member State at least within eight weeks after leaving it"
Chain liability <i>(Provision also under Article 5 of the Posting Regulation)</i>	<ul style="list-style-type: none"> Member States should also provide for sanctions on consignors, shippers, freight forwarders, contractors and subcontractors where they knew, or, in the light of all relevant circumstances ought to have known, that the transport services that they have commissioned involve infringements 	Article 14 (a): "[...]non-compliance with Chapters II (International carriage: community license, driver attestation etc.) and III (Cabotage) of Regulation 1072/2009 [...]"

MS implementation 18 months after entry into force; phasing in of LCVs 21 months

*Commission to review impacts on „Green Deal“ for e.g. 8-week return obligation or cabotage for domestic road legs of combined transport