THE COFACE ECONOMIC PUBLICATION

panorama

Winter 2014

coface

Company Insolvencies

CONTENTS

In this Panorama, you will find the Coface barometer which reviews French insolvencies in 2013. With 63 452 insolvencies (+5.3% compared to 2012), we have reached the 2009 record level, as 63 204 businesses failed at the peak of the crisis. The financial cost of these insolvencies (4.82 billion euros) also exceeds the 2009 level (4.7 billion euros).
A sector by sector analysis shows that risks related to retail, services to individuals, electronics and IT-telecoms worsened more or less strongly in 2013. Only chemicals improved, with a 3.3% fall in insolvencies.

We then focus on the French Road Goods Transport (RGT), a key sector of the French economy. Despite specific improvements since 2008, it turns out that RGT cannot get out of stagnation. Why? Where are the bottle-necks? Are they cyclical or structural or both? We try to answer all these questions and will conclude by setting out ways, drawn from the experience of other European countries, to exit from the crisis.

Insolvencies Barometer (2013 report)

Khalid Ait Yahia, Jennifer Forest and Emmanuelle Hirsch
economic research, Coface

2013 was characterised by significant rise in the number of company insolvencies (+5.3%). SME's are particularly affected (+8.2%).

The financial cost exceeds the 2009 record level (€4.82bn, +10.4%).

	January - December 2013			
	Number	Cost (€ bn)	Cost/GDP	Jobs threatened
Insolvencies	63,452	4.82	0.23%	211,716
Change*	+5.3%	+10.4%	+8.9%	+6.3%

* Versus the same period 12 months earlier

Sources : Scores & Décisions, Coface

Number of insolvencies

In 2013, 63 452 insolvencies were reported, representing an increase of 5.3% over one year and the same level as 2009 (63 204, chart 1). This deterioration was particularly marked in the 2nd and 3rd quarters: the number of insolvencies during these periods rose respectively by 9.8% and 8.2% year on year. But there was only a 2.9% rise in Q4.

If we look at the insolvency situation according to the companies' legal status, we note a worsening in the figure for commercial companies in 2013 which amounted to 47 191, with a 6.2% up on 2009. In contrast, the number of individual firms becoming insolvent fell 13.3% between 2009 and 2013, dropping from 18 749 to 16 261.

Meanwhile, insolvency rates were stable compared to 2012 (0.81% in total and 2.7% for commercial companies [1]) and correspond to pre-crisis rates.

Insolvencies costs

The costs associated with insolvencies remained high in 2013, witj a level close or higher than 2009.

Accordingly, the **financial cost** (made up of all the accounts receivable of insolvent companies) amounted to €4.82 billion in 2013, representing 0.23% of GDP. Even though medium-sized businesses were slightly less affected, the cost was still very high, especially because of the insolvencies of Fagor-Brandt and Mory Ducros in November: these two companies represented 6% of the total cost. The cost also remained high because of the great number of failing companies: this corporate typology represents 74.4% of total insolvencies which presents an average cost per company of €120 000 and 4 employees, while, for individual entrepreneurs, the average costs are €2 500 and 1 employee.

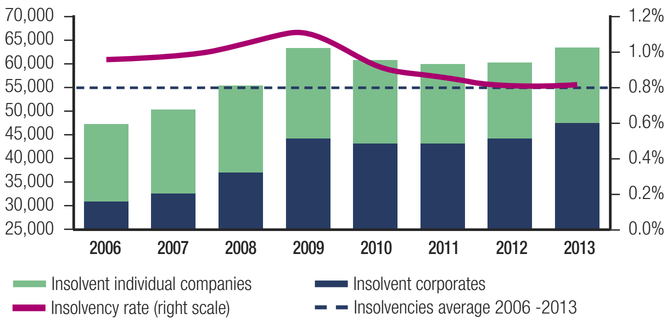
The **social cost** increased by 6.3% with 211 716 jobs at risk due to insolvencies. This is an issue for a majority of SMEs, chiefly in the road goods transport sector, which was marked in particular at the end of 2013 by the bankruptcies of «Méditerranéenne Logistique Transport» and «Marchal Technologies», which each had 200 employees.

The number of jobs affected by insolvencies is dependent on the rise of insolvencies of small sizes companies: micro-businesses +5.2%, very small businesses +5.8% and SMEs +8.2%.

The SME's situation is mainly deteriorated in the 2nd semester 2013. The MSB situation benefited, therefore, from the slight drop in insolvencies figures (-4.9%).

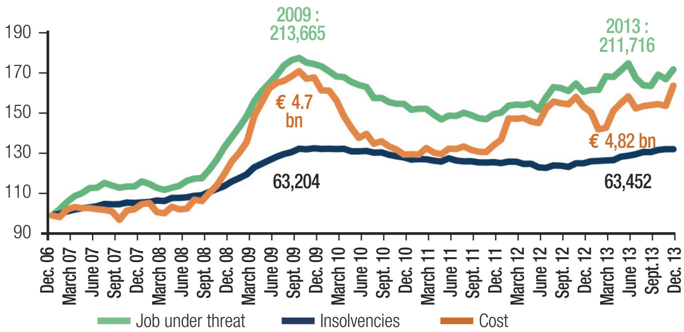
(1) See glossary page 3

CHART 1:
Number of insolvencies and associated rates



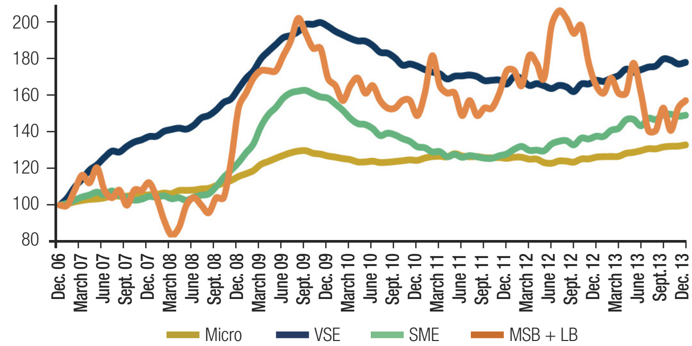
Sources: Scores & Décisions, Coface

CHART 2:
Change in number and cost of insolvencies (base 100: December 2006)



Sources: Scores & Décisions, Coface

CHART 3:
Change in number of insolvencies by company type
(base 100: December 2006)



Sources: Scores & Décisions, Coface

Analysis by sector

In 2013, the number of insolvencies rose sharply in the retail sector (especially bookshops), services to individuals, as well as electronics and IT. Conversely, the chemicals sector continued its recovery.

Sectors	Number**	Change**	Share***	Change in cost**	Cost share	Insolvency rate
Construction	20,425	3.2%	32%	8.2%	25.3%	0.8%
Services to individuals	10,955	6.1%	17%	6.3%	4%	1.8%
Other services*	9,542	6.5%	15%	5.9%	9.4%	0.4%
Retail	5,993	9.7%	9%	60.2%	10.4%	1.3%
Automotive and transport	4,186	2.7%	7%	4.6%	9%	1.9%
Food industry	4,507	6.6%	7%	-21.8%	8%	0.6%
Textiles and clothing	2,378	7.5%	4%	57.9%	4.7%	1.2%
Electronics and IT-telecoms	1,943	9.2%	3%	46.3%	10.3%	1.3%
Paper-wood	1,810	5.8%	3%	-0.4%	5.2%	0.4%
Metals	1,097	1.6%	2%	29.4%	6.9%	1.4%
Chemicals	616	-3.3%	1%	-21.5%	6.9%	0.9%
Total	**63,452**	**5.3%**	**100%**	**10.4%**	**100%**	**0.8%**

* Services for companies and local authorities
** 12 months from January to December 2013
*** Share: number of insolvencies in the sector/total number of insolvencies

Sources: Scores & Décisions, Coface

The sectors where risks are worsening

- **Retail**

  This sector, especially specialized retailers was especially hard hit at the end of the past year. The number of insolvencies grew by 9.7% and costs exploded (+60.2%). This is a sector undergoing huge changes and one which is suffering from the boom in on-line services and cautious household spending. Bookshops have, for example, taken the brunt: the number of insolvencies rose by 17.5% year-on-year, in particular because of the bankruptcies in December 2013 of «Librairies du savoir» (533 employees), «Alsatia» (343 employees), «Livres et compagnie» (212). Florists are also struggling (insolvencies up 12.8%), as are toyshops (+45.8%) and furniture shops (+13%).

  General food retailers were also affected in 2013, with insolvencies up by 13%.

- **Services to individuals**

  This is the second largest sector in terms of insolvencies (accounting for 17% of total insolvencies), it remains especially at risk, with a default rate of 1.8%. The number of insolvencies grew by 6.1% in 2013 and insolvency costs by 6.3%. As retail, households are reining in spending on services provided by businesses specialising in hair and beauty, which saw insolvencies rise by 14% in 2013. The catering sector was also badly hit: insolvencies rose by 6%, representing 52.6% of the entire sector. For example, the fast food chain «Viagio» was liquidated in June 2013. Likewise, driving schools have seen their situation deteriorate, with the number of insolvencies up by 28% and costs up 9%.

- **Electronics and IT**

  The sector continued its slow decline with 1 943 insolvencies in 2013, i.e. an increase of 9.2% compared with 2012. The 46.3% increase in costs is explained by the fact that the sector's three largest insolvencies, namely «Fagorbrandt», «Overlap» and «LFoundry Rousset SAS», alone represent 51% of costs and 26.3% of the workforce. The retail subsector (white and brown goods) is suffering from the competition of e-commerce and sluggish demand, with insolvencies rising by 35% year on year. Generally speaking, micro-businesses and SME's are the ones that tend to be affected, especially the IT programming and consultancy sector, where the number of insolvent companies (although more stable overall from one year to the next) represent one third of insolvencies registered in 2013 (609 businesses concerned).

The sectors where risks are improving

- **Chemicals**

  Overall, the chemicals sector saw insolvencies decline by 3.3% between 2012 and 2013.

  Insolvencies registered in the chemical industry subsectors fell by 9.1% in 2013 compared with 2012, despite the insolvency of «JM Recycling» in November 2013.

  Plastics processing was stable, even if one of its main clients, the automotive sector, continues to suffer.

  Finally, pharmaceuticals reflect the strongest drop in the number of insolvencies in the chemicals sector, declining by 5.7% between 2012 and 2013. Nevertheless, pharmacies are still in a precarious position, as is shown by the insolvency of «pharmacie Serrier» in November 2013, which had a turnover of €20 million.

  The cost associated with these insolvencies in the chemicals sector has fallen even more significantly by a whopping 21.5%. This is due to the fact that there have been less insolvency by the major players.

GLOSSARY

- **Insolvency:** legal insolvency i.e. court-ordered receiver ship or liquidation
- **Default rate:** Number of insolvencies/Number of businesses
- **Micro-businesses:** business with less than 10 employees
- **VSE:** very small entities with 10-19 employees
- **MSB:** medium-sized businesses with between 250 and 4,999 employees
- **Cost of insolvency:** total outstanding amounts of each insolvent companies
- **Individual businesses:** a business owned by a natural person (business owners). These are, in particular, artisans, retailers, members of the liberal professions and farmers.
- **Companies:** these have a legal personality and mainly have thefollowing legal forms in France: SA, SARL and *sociétés civiles*

French Road Goods Transport (RGT): between economic difficulties and structural problems…

Grzegorz Sielewicz and Khalid Ait Yahia,
economic research, Coface

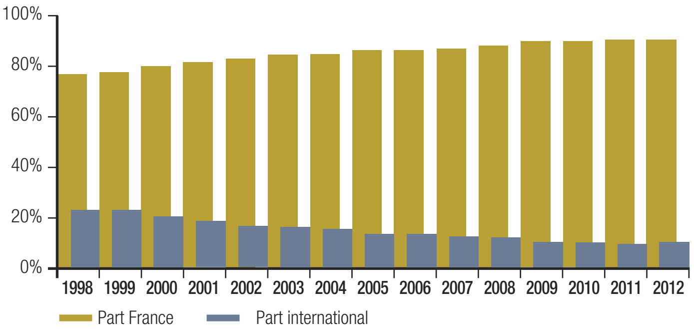
If there is one sector that has been hit by the decline in activity associated with France's "double dip" recession, it is the road goods transport sector. Despite improvements from time to time since 2008 2008, the sector has not been able to find its way out of this slump. Several factors may explain this downturn. Competition from Eastern European carriers would appear to offer a ready-made culprit for the sector's performance issues. It is the case that these operators have indubitable competitive advantages, which put our carriers under considerable pressure. Nonetheless, a careful study of the situation leads us to other answers, which could well explain the decline of this sector. In truth, we can learn from the experience of our neighbours.

We will first analyse the current state of the sector and then try to identify, in part two, the real reasons for the poor performance. We will then end by showing that there are some ways out, taking inspiration from our neighbours' experience.

A SECTOR UNDER PRESSURE

A sector directed mainly towards its domestic market

CHART 1:
Changes in domestic and international parts of French carriers



Source: SOeS

One of the features of French road freight transport is its strong presence on the domestic market. For over a decade, the international share of the French fleet has been declining continuously, falling from 23% in 1998 to 9% in 2012. This trend is also noticeable if one considers the distances covered. Almost ¾ of the distances covered in 2012 were on routes of less than 500 km.

Table 1:
Distances covered in percentages by number of kilometers

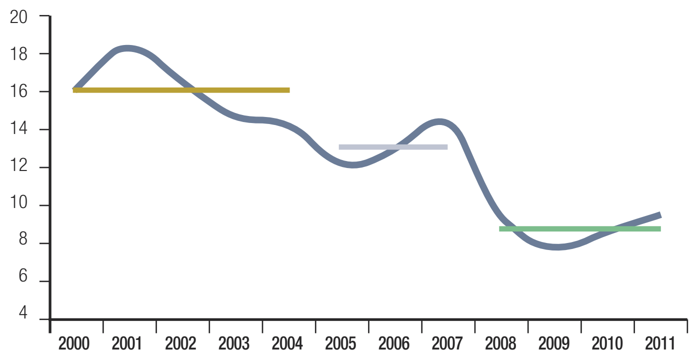
Distance	2012	2004
Less than 150 km	31%	27%
From 150 km to less than 500 km	43%	42%
Total less than 500 km	*74%*	*68%*
500 km or more	26%	32%
Total	**100%**	**100%**

Source: SOeS

Alongside a worsening financial situation

This refocusing on the domestic market has had adverse consequences, in particular a fall in profitability. Current earnings before turnover tax fell from 1.1% in 2009 to 1% in 2011 (year for which the most recent ratio is available). Historically, this sector has always suffered from weak and, depending on the period, potentially volatile profitability. This explains the decline in the sector's share of GDP. In 2000, the sector's share of value added as a percentage of GDP was 1%. In 2012, this share shrank to reach 0.7%. As for the margins [1], these have fallen sharply since 2008, since when, as illustrated in chart 2, they have fallen below the 10% threshold. The margin is an indicator of companies' ability to self-finance and offers a "safety cushion" to such companies when business is slow. The margins referred to are gross margins, meaning they include amortisation and depreciation which are significant in an industry with fairly high structural costs due to rolling stock which is costly to finance and maintain (almost 19% of cost price according to the Comité National Routier (National Road Transport Committee)).

CHART 2:
Road freight transport gross margins



Sources: SOeS, INSEE

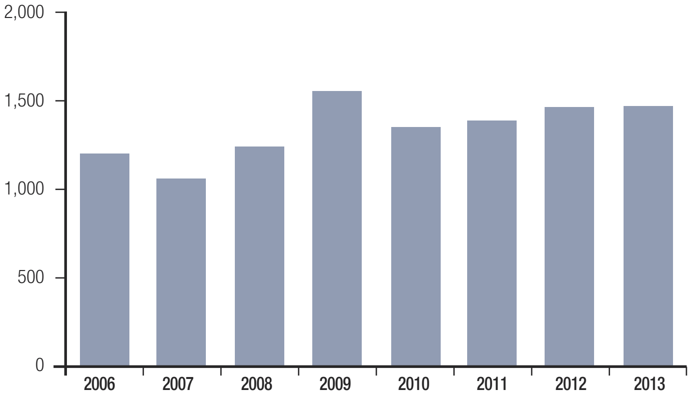
With company insolvencies remaining at high levels

Therefore, it should come as no surprise that insolvencies have reached high levels. Between 2006 and 2013, the average rate was 3.4%, whereas the average rate for the economy as a whole was 0.9%. As one can see in chart 4 page 5, the road freight transport insolvency rate remained high following the sharp rise in 2009, while the rate for the overall economy has been on a slow downward trend since 2010.

Nevertheless, start-ups in the sector are lively with nearly 3527 new firms established between 2003 and 2011, with faster growth in recent years thanks to the introduction of the auto-entrepreneur scheme, which is not included in the insolvency figures.

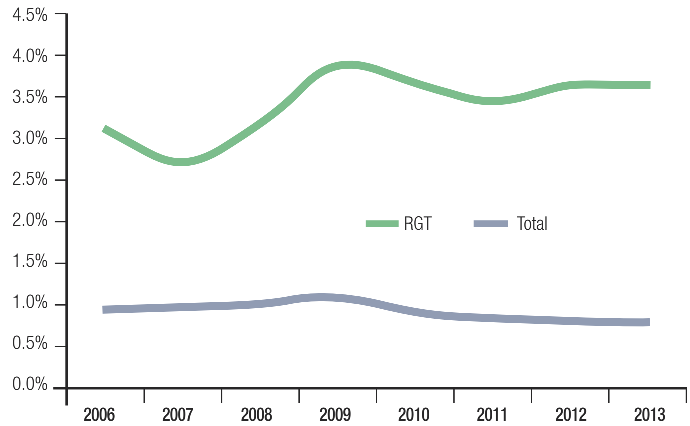
(1) Ratio of gross operating surplus to value-added

CHART 3:
Number of RGT insolvencies



Sources: Scores & Décisions, Coface

CHART 4:
Comparison of RGT insolvencies and rest of the economy

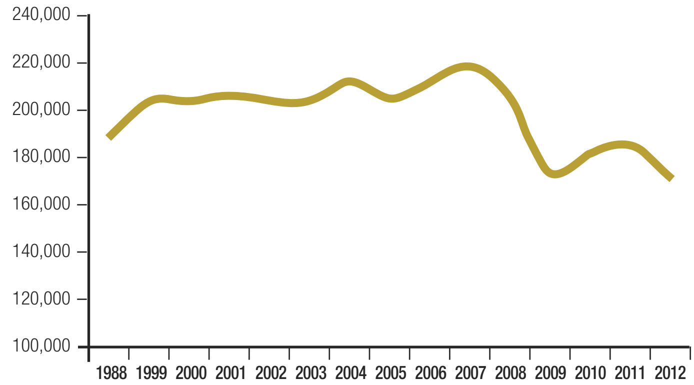


Sources: Scores & Décisions, Coface

This renewal in the supply of businesses has, therefore, led to increased production capacity in the sector, at a time of declining activity. Charts 5 and 6 show this adverse development. Business volume in 2012 was 79% of that in 2007, a record year for the decade. To put it another way, the number of companies in 2011 was the same as in 2007, whereas the level of activity fell by 19%.

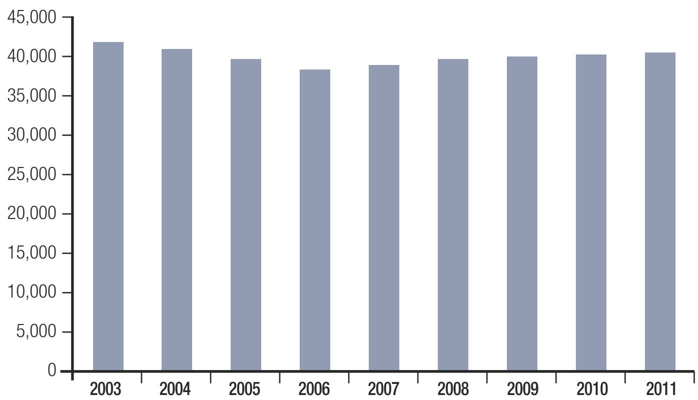
We can be more specific by analysing the fleet, which comprises the number of trucks and articulated lorries used in the transport business. In 2012, it was made up of 427 000 vehicles, while in 2007 the fleet counted 432 000 vehicles. In other words, activity plummeted by 21% between these two dates, while the number of vehicles was only 1% lower. RGT prices have, accordingly, been dragged downwards.

CHART 5:
RGT business in tonne-kilometres



Sources: SOeS

CHART 6:
Development in number of RGT companies



Sources: Scores & Décisions, Coface

Carole Boisselet,
Head of arbitrage, Western Europe

The French road goods transport sector is very fragmented, consisting of very small firms. 90% of the businesses have fewer than 50 employees, and 75% have fewer than 5. They lack a sufficient capital base and very few have a presence beyond our borders. This is compounded by weak profitability, for which there are several reasons: higher wage and fuel costs, but also sluggish activity. Productivity is also an issue, as our truck drivers drive less than those of our neighbours, mainly the Netherlands and Germany.

There are, of course, national champions large enough in scale to absorb the impact of a mediocre economic environment and fairly tough competition. This should not obscure the fact that they are not immune to shocks. The bankruptcy of the Mory group serves as a good reminder. Meanwhile, the sector is rather crisis-prone and moreover has recorded a high rate of company insolvencies compared to the rest of the economy since 2006.
Management of trade receivables is a key issue. Beyond increasing turnover, the collection of receivables is a business component requiring particular attention. Not having enough liquidity frequently leads to insolvency. The companies which survive are those which have understood what is at stake by improving this item of the balance sheet.

WHAT MIGHT BE THE REASONS FOR THIS CONTRACTION?

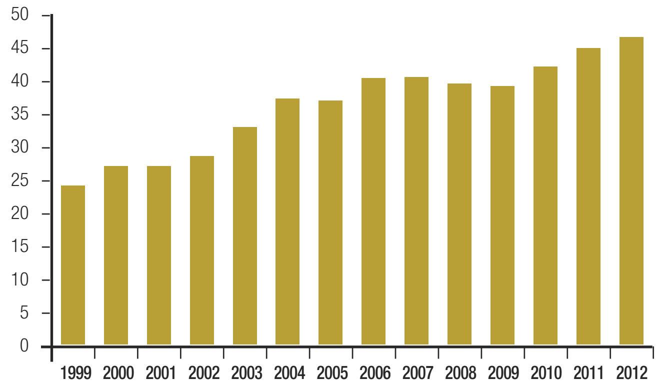
Five reasons explain this contraction: the irresistible rise of the RGT in the CEE countries, the high costs, the deindustrialisation, the domestic economic environnment and a small international presence.

The irresistible rise of the RGT in the CEE countries

Poland

Facing poor domestic demand the Polish companies became more active on the exporting side. On one hand they were cooperating with their traditional trade partners so advanced economies of European Union (¾ of all exports) but experiencing the subdued demand there they also started to explore new markets, especially emerging economies where the middle class society has been expanding – the exports share increased there from 6.1% in 2007 to 8.7% in 2013.

CHART 7:
Development of the share of exports on the Polish GDP



Source: Eurostat

In line with growing exports the Polish entrepreneurs benefited from the opportunity to deliver goods to recipients and having been supported by attractive labour costs they were able to offer attractive prices for freight services. Indeed, Poland has a significant transport fleet – there were 2.9 million lorries and 258 thousand road tractors as well as 824 thousand trailers and semi-trailers registered at the end of 2012. Road tractors in a reasonable range age not older than 10 years constituted 54% of all. The average monthly gross wages in the transport sector amounted to PLN 3133.90 (EUR 749) in 2012 (lower by 11% than the country's average). However drivers operating at international routes and leaving their homes for weeks are paid much more. The Polish companies are aware they are able to operate and provide attractive prices on Western European markets – the average hourly labour cost in France (EUR 34.20) is more than 4 times higher than in Poland (EUR 7.40).

Romania

The picture of growing exports as well as a gradual recovery in advanced economies was supportive for the Romanian road transport sector. The country was able to compete for the European customer with the second biggest stock of vehicles in the CEE region. With an economy dependent on the agricultural sector, Romania should experience a growth rate of 2.4% in 2014. Exports will be mainly driven by the automotive industry and the agricultural products.

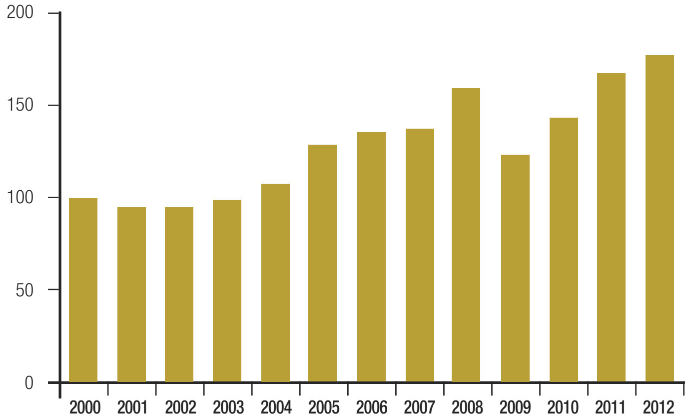
Romania offers the most attractive hourly labour costs in the European Union (EUR 4.40 and EUR 3.60, respectively). As such it is able to produce cheaper than its regional peers and the huge part of exports increase discussed above was supported by the growing automotive sector with local factories of Dacia (Renault group) and Ford. The estimated and already initiated recovery in the Western Europe so the main trading partner of not only Romania but the Eastern Europe in general makes their prospects more positive. Moreover they do not only supply European consumers but also use the opportunity of outsourcing as well as providing components and intermediate goods to further manufacturers – such countries like Germany experience a strong demand for their quality products coming from the growing middle class in emerging economies, mainly in Asia.

High costs

One of the main cost items squeezing hauliers' margins is the cost of fuel. Between 2000 and 2012, the cost of commercial diesel fuel grew at an average annual rate of 4.5%. In other words, between these two years, the cost of a litre of commercial diesel fuel rose by 77%. This is shown in chart 8 below.

According to the Comité National Routier (hereinafter CNR), the cost of fuel at 28% is the major item of cost. Still according to the CNR, this item is expected to remain fairly stable in 2014, unless a geo-political event drives prices up. Coface forecasts the price of Brent in 2014 at $105/b, dipping slightly from an annual average in 2013 of $108.7/b.

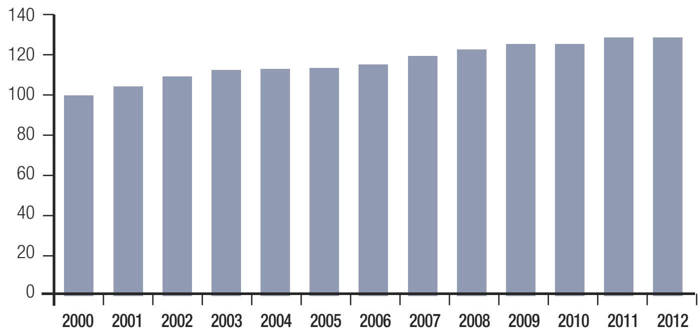
CHART 8:
Change in price per litre for commercial diesel fuel, base 100 in 2000



Source: CNR

The second largest share of the cost price is represented by drivers' pay, as this accounts for 27.8% of costs. In chart 9 below, one can see the constant rise in drivers' remuneration costs. Between 2000 and 2012, drivers' pay rose by an average annual rate of 2%. According to the INSEE, the average rate of inflation over the same period was 1.9%, pointing to a slightly above-inflation wage rise. The increase in real terms is, therefore, fairly low and one needs to keep this in perspective.

CHART 9:
Change in drivers' pay, base 100 in 2000

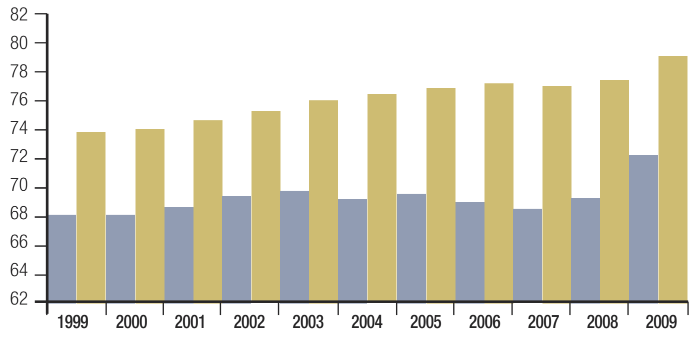


Source: CNR

Deindustrialisation

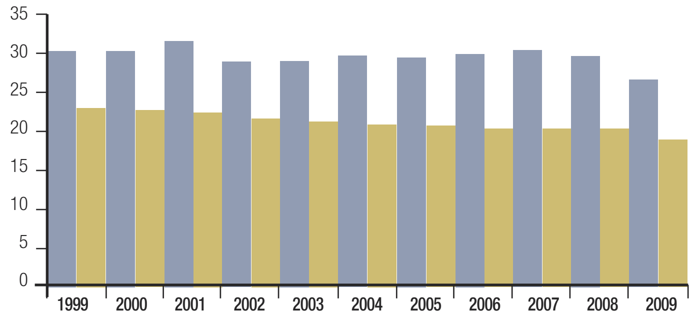
The services sector makes the largest contribution to GDP, well ahead of industry and agriculture. This is a feature of most industrialised countries, especially Germany, a country which has been able to maintain an industrial base, allowing it to provide business opportunities to its sub-contracting sectors such as road goods transport. Chart 9 illustrates this contrast. Services impact less strongly than industry on road goods transport because industrial trade allows goods to circulate and thus provides orders for transporters, who find themselves at a disadvantage in the face of the dematerialisation of whole sections of our economy. Germany has managed to keep the contribution from its industrial sector at stable levels for several years, whereas France has struggled to cope with this process of deindustrialisation.

CHART 10:
Share of services in French and German GDP



Sources: World Bank, Les Echos

CHART 11:
Share of industry in French and German GDP

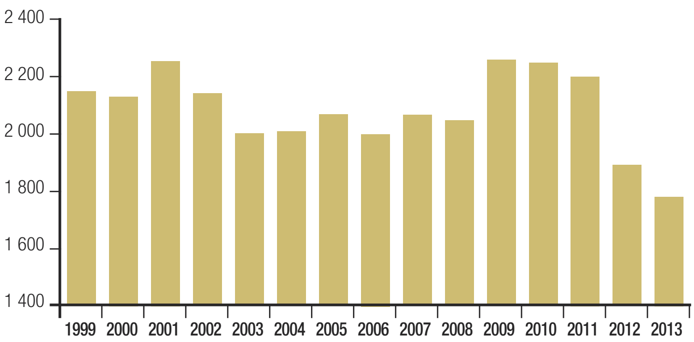


Sources: World Bank, Les Echos

The domestic economic environment

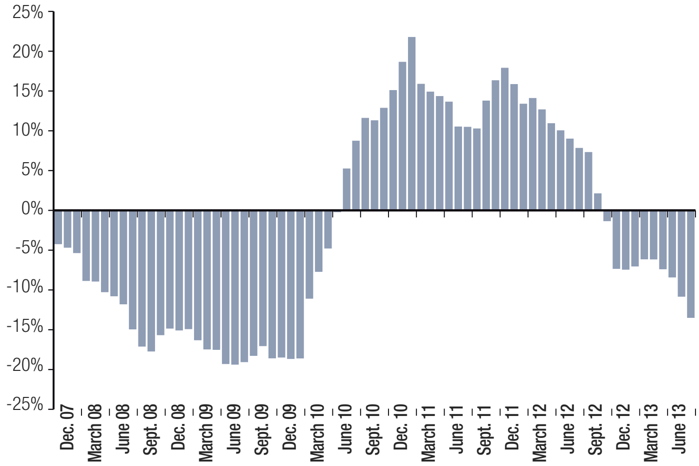
From a more economic perspective, the road goods transport client sectors have been hit by the weak growth reported by France at the start of 2014. The leading client sector is agri-food, representing 28%, followed by construction (11%), transport vehicles and machinery (10%) and the petrochemical sector (9.4%). Charts 12 and 13 illustrate the difficulties faced by the main client sectors. Agri-food is characterised by very low profitability and fairly high debt. This could push companies to restructure, especially in the meat segment.

CHART 12:
Car sales in France



Sources: ACEA, Les Echos

CHART 13:
Development of building permits

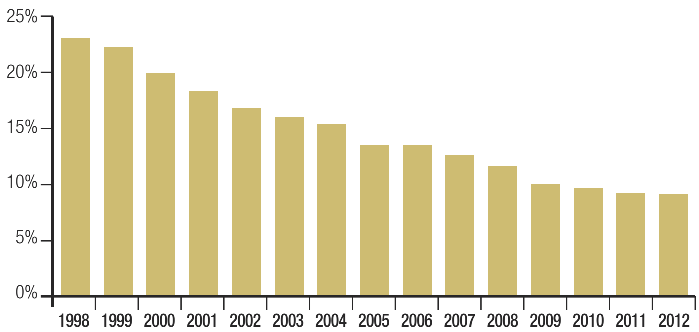


Source: *Ministère de l'écologie*

Industrial activity is on a downward trend, with French companies suffering, among other things, from a collapse in its partner markets in Southern Europe. At the beginning of 2014, INSEE's industrial production index still hadn't returned to its pre-2008 level. This is accompanied by a rise in insolvencies in several sectors. In agri-food, insolvencies were up 6.1% at the end of December 2013 compared with the end of December 2012. By way of example, the most symbolic failures in the meat segment were the bankruptcies of the GAD abattoirs and of the poultry group Doux. The same is true for automotives and engineering, with insolvencies up by de 2% at the end of 2013. Construction, which saw a 2.8% rise in bankruptcies over the same period, as well as distribution which reported the strongest rise, with bankruptcies nearly 9% up compared with end of December 2012. And it is these sectors which are the largest suppliers of transportable goods. Their poor performance directly influences the French RGT situation, as one can see from the 6.6% fall in the transport of agri-food products between 2011 and 2012. This fall is even more marked when one compares it with data from 2004, with a 17.5% fall in agri-food tonnage, while total RGT tonnage was down 18.7%.

Too small a presence internationally

CHART 14:
Development of international RGT activity



Source: SOeS

For over a decade, French hauliers' international business fell continuously, dropping from 23% of total domestic road freight activity in 1998 to 9% in 2012. The fall in this share of activity is much more marked than the overall decline in activity. This is because, still between these two dates, activity by French hauliers as a whole was down by 9%, while international activity collapsed by a massive 63%. French transporters are less and less present on the Italian and Spanish markets, leaving the way free for not only Polish and Spanish, but also German truckers. The combination of competition from Eastern European countries and the two European recessions (2008 and 2011) has led to this chronic decline.

The collapse in the markets of our close European neighbours, Italy, Spain and Portugal, has led to a slowdown in our exports. But well before the double-dip, French exports of goods to the Europe 15 and to the euro zone in particular, were dropping. One of the consequences is a trade deficit with this region, which continues to widen. Ultimately, the fastest growing markets, emerging Asia and the Americas, contribute little to domestic RGT, as other forms of transport are preferred.

UNDENIABLE POTENTIAL

The Dutch and German cases

The Dutch and German cases show, in our view, that goods transport in Europe's high-income countries is anything but moribund. We base this opinion on a study by Laurent Guilhéry, from the Laboratoire d'Economie des Transports, LET (Transport Economics Laboratory), published in 2008. Several points will be referred to, however, it must be remembered that the two countries studied are characterised by one dynamic: they have maintained a solid international presence.

The economies of both the Netherlands and Germany have a strong industrial fabric which is heavily directed towards exports. With regard to the Netherlands, one might add that the presence of the port of Rotterdam provides an opportunity for transporters as this port, Europe's leading port, enables the flow of goods al along the Rhine. Moreover, the Netherlands is host to EDCs (European Distribution Centres), i.e. distribution platforms for large multinationals.

Moreover, there are a few factors which we believe to be particularly pertinent: German transporters, generally larger in size, offer a segmentation of their services to match the high-end products in which their industry excels. Like the industrial sector, the goods transport sector has also developed the "made in Germany" idea, which is synonymous with reliability, punctuality and rigour. This is accompanied too by cross selling, taking on responsibility for customs clearance, which adds extra value to a "unique" transport service. This makes the offer comprehensive. It is true that there is a dichotomy between the länder of the West and East: the latter providing services much more cheaply than their neighbours.

In the Netherlands, almost 80% of RGT firms have specialised in international business. Dutch RGT has a major share not only in exports from the Netherlands, but also in the country's imports (57% and 52% respectively). Both countries derive mutual benefit from their own dynamism, as the Netherlands' leading partner in this sector is Germany. France is a long way behind, in about 16th place.

Finally, German and Dutch transporters try to minimise their costs using various methods, by focusing on hyper-productivity. Such hyper-productivity offsets the higher costs in both countries. For example, vehicle purchase costs are 10% higher in Germany. Insurance premiums are twice as high and diesel is also more expensive. In the Netherlands, the hourly rate for drivers is 8% higher, and insurance premiums are 50% higher. To compensate for these disadvantages, the German (or Dutch) driver covers greater distances (kilometres per year), and so transports more goods. The Dutch carry between 25% and 50% more than French drivers, while Germans cover, per truck, 12.5% more.

The end of the European recession: a ray of hope?

An EU-wide economic recovery would have a positive impact on France's economy. However, it would impact less strongly on the state of French road goods transport than would a reorganisation of the sector. Both are needed if this crucial economic sector is to recover.

Coface recently produced a growth forecast for France's main economic partners, which we set out in summary in table 2 below.

Table 2 :
Growth forecasts for 2014, for some European economies

	Growth 2014
France	0.6%
Spain	0.5%
Italy	0.4%
Germany	1.8%
Austria	0.8%
Netherlands	0.3%
Eurozone	0.9%
EU- 15	1.2%

Source: Coface

This renewed growth will provide business for transporters after a year of contraction in 2013.

In France, because French RGT is over-dependent on the domestic market, the Bank of France in its January 2014 economic survey emphasises the rise in investment by industrial companies, as well as the increase in construction, transportation and communications. Regarding wholesale trade, the Bank notes that purchases and sales are likely to intensify in the coming months.

CONCLUSION

The difficulties of Road Goods Transport are related to the economy. But these difficulties also have a structural dimension. Tough competition from Eastern European hauliers, as well as a fairly heavy cost structure are hampering its development. Nonetheless, this sector is a collateral victim of the lack of competition in the French economy and struggling export flows, even on our partner markets. France's road goods transport is no exception because it is absent from the markets of our closest neighbours, depriving itself of a whole area of business much to the joy of its rivals. This is not inevitable. The Dutch and German cases show that high costs can be offset by a real move upmarket. Both these countries have succeeded in maintaining their market share and holding onto their predominance in international trade. Better organisation, together with a segmented offer, adapted to the demand, can win tenders. Admittedly having the dynamic, industrial economies behind them plays a part. Nevertheless, the Netherlands were very badly hit by the European recession, even more so than France. The end to recession in Western Europe provides some light at the end of this rather dark tunnel. Will it be enough to enable the recovery of this key sector?