

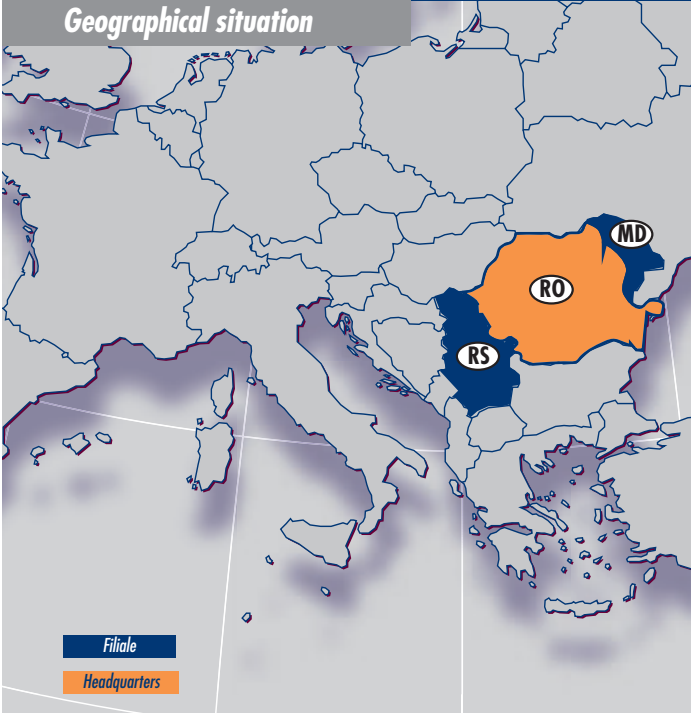
From distributor to



CONTEXT

The origins of Aquila are not to be found in transport in the accepted sense of the word, but in distribution. For it was in 1994 that the company started to represent the Unilever group in Rumania, to the point of taking care of 70% of the group's sales in 2008. The company now has other multi-nationals on its client list. As sub-contracting was not a phenomenon much in evidence in the Rumanian mentality, Aquila took it upon itself to take care of the physical distribution of products throughout the country, and then developed its own international transport activities on behalf of third parties from 1998.

Geographical situation



Key figures

Headquarters: Ploiesti, Rumania

Personnel: 2300 personnes

Turnover: 150 million EUR (2007), target 175 million EUR for 2008

Turnover (transport division): 7 %

Certification : ISO 9001/2000

Distribution fleet: 801 vehicles, of which 45% are light utility

Distribution infrastructure: 18 depots in Rumania

Transport fleet: 228 vehicles

Distribution centres: 18,000 m² (Ploiesti and Tureni)



Aquila is developing its transport services independently, but its original activities remain its core business.

If the transporters of Central Europe have had no more than five years to learn the ropes which their Western colleagues have had thirty years to come to grips with, the Rumanians are faced with an even shorter learning period. At Aquila, thoroughness in management stems from an original activity which was not transport in the accepted sense. This is perhaps why the company is better positioned than many of its competitors.

Truck Europe: How did Aquila become a transport company?

Bujor Stanescu, Logistics Director:

Originally, back in 1994, we were born as a result of the arrival of the Unilever group in Rumania, following the purchase of a local detergent factory. Unilever was looking for a representative in Rumania, and we grew with them. At the beginning, we just had a few drivers and we only worked in the Ploesti region. From 1998, we developed our own distribution fleet, which now serves 40,000 clients across the whole country. In 2003 Unilever decided to sub-contract its logistics as well and we won the call for tenders, even though we had no experience in logistics.

transporter



By attracting managers who have proved their worth in large international groups (Bujor Stanescu is ex-TNT), the company has sown the seeds of its future growth.



Aquila intends to play a major role in professionalizing Rumanian road transport.

Growing with Unilever... and becoming liberated from them

In parallel with our partnership with Unilever, we were looking to extend our activities for other clients. In 1998 we obtained the importation and distribution for Ferrero in Rumania, which meant transporting from their factory in Hungary to their Rumanian distribution centre. This is how we started in international transport. But the activity was very irregular and variable, with peaks and troughs. It was at that moment that we developed a true commercial service for the transport division, which now employs five people.

What is the current balance between distribution and transport activities?

B. Stanescu: Out of the 2,300 persons we employ today, there are around 1200 in distribution and 600 in transport and logistics. The rest are employed in central support functions. As for pure international transport, this now represents 7% of our turnover. Distribution remains our core business.

What type of clients does the transport division now work for?

B. Stanescu: Firstly there are the major clients of the distribution division (Unilever, Ferrero, Wrigleys, SCA Hygiene Products), but we are now undertaking our development above all with large international transport groups, where we are looking for contracts which offer a profitable critical mass, with a minimum of five dedicated vehicles. So for example we have 6 vehicles dedicated to TNT, 10 to Logesta and others for DHL.

How much integration is there between the distribution fleet and the international transport fleet?

B. Stanescu: Purchasing and maintenance are centralised, with DAF and Iveco as our main suppliers of HGV's. But the two dispatching processes are separate. The distribution activities are based around more or less fixed routes, with the windows for loading and unloading known in advance. But we have obviously set up communications channels between the two dispatching processes for when the need arises.

Lack of drivers

How has your relationship with drivers evolved since Rumania joined the European Union?

B. Stanescu: This is our greatest problem. I may be slightly exagger-

ating, but I would call 2007 the good old days. But since about March 2007, all Rumanian transport companies have been experiencing a serious problem of lack of drivers. And it isn't the subsidiaries of the European transporters which cause us the problems. It is the drivers who are leaving. In our case alone, 58 drivers left to go and work in Spain, Italy or Germany in just a few weeks. And all the other major transporters in the country have seen the same exodus. The situation is now so bad that we have to use head hunters to find drivers!

Within this context, have you thought about recruiting from outside Europe?

B. Stanescu: Up to now we haven't done this. For one thing, we have our own subsidiaries in Serbia and Moldavia. And we also have to take



Three quarters of the fleet are DAF, but Iveco is also represented...

account of the very strict Rumanian working regulations concerning this: we are only allowed to recruit abroad if we can prove that we haven't been able to find workers in Rumania. And finally, although we know that Czech and Hungarian transporters are using Asiatic drivers, we do not yet have confidence in this solution for a number of reasons: the cultural differences, the lack of understanding of elementary transport regulations in Europe and the knowledge of languages.

myself to what degree the Indians would like to come and work in Europe. Because there are currently many Indians leaving their jobs in the UK to go back to their own country, for example.

Within such a competitive market, I imagine that the salary is a determining factor in the choice of drivers...

B. Stanescu: Today, a driver will decide on one or other employer for a matter of 50 EUR more or less per

12,000 and 14,000 km per month. This is the case for drivers driving for DHL, who are paid both according to the distances covered and results obtained in line with the KPI's of DHL.

A sector to be professionalized

You are one of the large fleets in Rumania, but what is the situation with the small fleets?

B. Stanescu: We offer higher salaries, but we also have greater demands, because we are working for the major international clients. We have to renew our fleets more regularly, with strict maintenance schedules and full IT equipment, and all this considerably increases our cost prices. Add to this our higher general costs, and our profitability is therefore potentially lower than that of the small transporters. But we have clients who are ready to pay a fair price if we guarantee them quality services, which the small companies are unable to guarantee. Today, even if they have the know-how and the

desire to work well, they don't have the necessary strength to reach this level.

So is there a real problem of professionalism in the Rumanian road transport sector?

B. Stanescu: An enormous problem. Following the revolution (in 1989 - ed.) many entrepreneurs wanted to re-invent the wheel, but without any expertise. From 1993, this expertise started to arrive via the multi-nationals who came to set up in the country. The notion of quality of service became important, but only within the large fleets. And don't forget that barely 8 years ago only, the largest Rumanian fleets only had 50 or so vehicles. For the smallest fleets, before 2007, this wasn't even a priority, because international transport was growing by 30% per year, with excellent profitability thanks to salaries remaining very low.

What influence does this situation have on the current price levels for transport in Rumania?

"We are using head hunters to recruit drivers."

On this last point, I am certain that the barriers to communications can be more easily broken down.

But if it became possible, would you go and look for Chinese drivers?

B. Stanescu: I am thinking very seriously about this... but I am letting some of my colleagues try it out first! Having said that, I am also asking

month. There is therefore real inflation in salaries. In 2004, the total monthly cost of an international driver was 600 EUR, but today it can be as high as 2,100 EUR per month in extreme cases. The net salary of a driver varies from 750 to 1,600 EUR per month. But to earn that, he will be abroad for a period of 2 to 3 months and will drive between



The national distribution and international transport activities are managed separately.

B. Stanescu: Aquila is not a competitor of the small transporters. We are not in the same markets. My clients are first and foremost buying a level of service, and they pay a reasonable price for that. This doesn't mean we are not battling every day to squeeze our cost prices, with a weekly check on the cost per vehicle and per client.

How are you adapting your pricing policy to the increase in fuel costs?

B. Stanescu: We apply a principle which is similar to the airlines' fuel surcharges. Every increase of above 5% is automatically passed on.

What sort of competition did you see from Western European transporters at the time?

B. Stanescu: The competition was weak, because Rumania produced almost nothing. With a few exceptions, imports and exports were in the hands of Rumanian transporters. The prices were good, and cash was paid before the goods left! At that time, many thought that transport was a very profitable

business, and transport capacity quintupled in just a few years, just before exports started to drop. There were a great many new companies, some of them successful, but a lot of failures. You can imagine what happened next: companies with leasing contracts had to keep their trucks on the road at any price, and with salaries going up their profitability fell into the red. This is the current situation of transport in Rumania.

A clearout in view

So are you expecting a series of failures?

B. Stanescu: There will be many companies going out of business over the next 18 months. On the one hand we are witnessing an economic slowdown in Western Europe, and the growth predictions of 7 to 8% in Rumania cannot be maintained for long. But we also have to face up to a banking crisis, with interest rates climbing beyond 10%. Not only this, but we are also in an election year, which slows down even further the decisions

that have to be taken to improve the road infrastructure. And yet this is urgent, because Rumania has built three times less motorways than Bulgaria over the past ten years. At the end of the day, I think that these failures will have the effect of cleaning out the market, eliminating the weakest and least professional players.

And who will benefit from this cleaning out?

B. Stanescu: The best structured local companies will be the first to benefit. We are in a position which still allows us to grow. But when this critical phase in the market has been reached, there will be a desire for acquisitions by foreign groups, that's certain.

Have the major environmental themes had any importance for an enterprise like yours?

B. Stanescu: Absolutely. We are engaged in fuel consumption reduction projects with DHL, and we will do all we can to get hold of the first hybrid vehicles to be built by DAF. For us, it's a question of standing out.

An interview by
Claude Yvens ■



OPINION

In a country where there is still everything to be done in terms of building road infrastructure and where the imbalance between imports and exports still stands at 5 to 1, you have to have good financial backing to develop an international transport company of any size. In the particular case of Aquila, transport is indeed still subsidiary to the basic activity, which remains trade. Aquila therefore has everything to gain from the market clearout which is set to take place in Rumania. But when this happens, the company becomes an even more interesting takeover target. . .