BOX 4

EC MOBILITY PACKAGE AND LITHUANIA'S TRANSPORTATION SECTOR

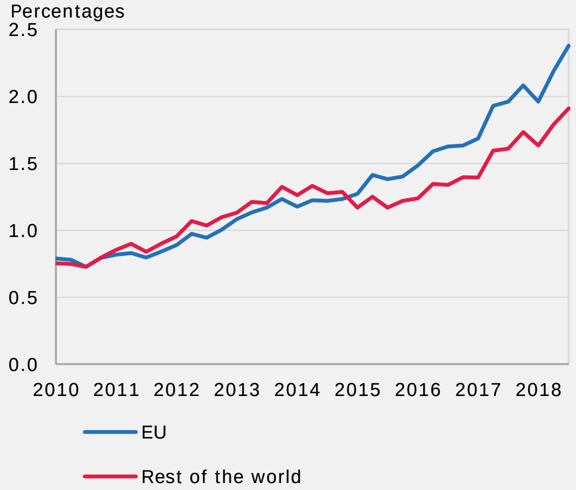
EC is finalising the first Mobility Package – a set of initiatives aimed at harmonising and simplifying the governance of commercial road transport in the EU Member States. According to the EC, the new regulations would improve enforcement of the rules, punish the countries or carriers abusing common procedures, strengthen social fairness and ensure equal competition for all EU countries. At the end of 2018, the EC's Transport Committee approved the Mobility Package.[11]

Key objectives of the Mobility Package:

1. To ensure adequate working conditions for drivers, the regular weekly rest must be spent outside the cabin.
2. Transport operations are to be scheduled in such a way that would allow the driver to return home at least every 4 weeks.
3. The new rules also aim to introduce certain limits on transport operations carried out outside of the home country. The rules for cabotage – transport companies' operations carried out within a national market outside their own country – remain unchanged, allowing a maximum of 3 cabotage operations in 7 days. However, in an effort to prevent unfair practices, the EC's Transport Committee proposes to introduce the so-called cooling off period of 5 days, before further cabotage operations can be carried out in the same country with the same vehicle. More limitations would also apply to mobility and circulation between the country of destination and the country of origin.
4. To ensure compliance with these rules, all vehicles would have to be fitted with smart tachographs by 2024.

Export market share in the transportation sector of the main trade partners is expanding.

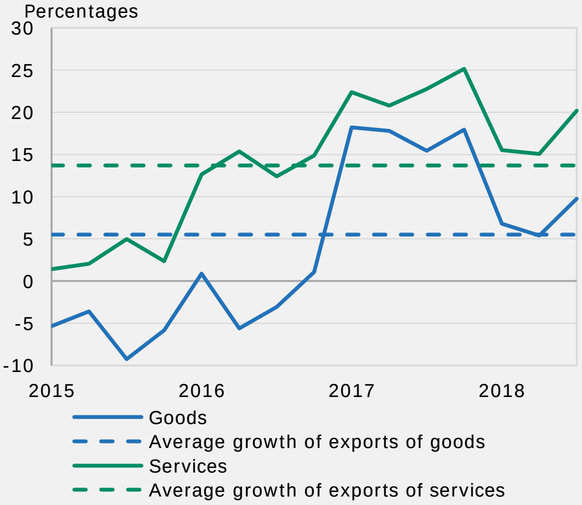
Chart A. Export market share of Lithuania's transportation sector in the EU and rest of the world



Sources: Eurostat and Bank of Lithuania calculations.

The annual growth of exports of services in 2018 outpaced exports of goods.

Chart B. Annual growth of exports of goods and services



Sources: Statistics Lithuania and Bank of Lithuania calculations.

[11] https://www.consilium.europa.eu/en/press/press-releases/2018/12/04/clearer-fairer-and-more-enforceable-rules-for-truck-drivers-council-agrees-its-position/.

In the long run, the new rules might represent serious challenges for the currently booming Lithuania's transportation sector. The Mobility Package could cause considerable difficulties for companies from the EU periphery states that have been expanding their market shares in the EU for quite some time. This is reflected by Lithuania's transportation sector indicators as well: exports are on the rise, the number of employed in the sector is increasing and expansion of vehicle fleets is under way. The implementation of the initiatives of the Mobility Package, such as limitations on transport operations and the so-called cooling off period could increase the number of empty runs for the carriers from the periphery countries.

To retain a competitive edge, some companies could be forced to open branches in target locations. This would allow them to save considerable resources and avoid their trucks having to return to the country of origin. In turn, however, such EU states as Lithuania would lose a chunk of their investments and potential jobs. What is more, funds, which could be used to further expansion, job creation and automation, would instead be diverted to countries in which the companies would carry out transport operations. If some drivers were to be employed in foreign countries, the amount collected in payroll taxes would decrease. This sector accounts for almost 10% of all employed and generates about 12% of added value annually (in 2017). In fact, some major logistics and transport companies already have been expanding their business into new markets closer to the main target countries (Germany, the Netherlands, France and Belgium). They have branches in Russia, Denmark or Poland. According the representatives of one of them, the branch in Poland was established due to more favourable financing conditions and shorter distance to Germany.

Situation in the domestic market also acts as an incentive for improving the drivers' working conditions. The application of payroll taxes to this sector's wages is rather specific. Even though the drivers' taxed monthly wage is only 1.3 of the minimum monthly wage, it is supplemented by similarly-sized daily allowance, which is exempted from social insurance taxes. These payment principles are flawed, since the larger share exempt from payroll taxes translates into smaller pension, as well as sickness and unemployment benefits. Thus, the unions' expressed concern over the share of wages paid as per diem allowance is valid. To this end, the Ministry of Social Security and Labour suggests an increase, i.e. indexing the drivers' taxed minimum monthly wage by the coefficient of 2 in relevance to the minimum monthly wage in the country.