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# Economic costs of the non-application of the TIR system by the Russian Federation

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# Preface

The International Road Transport Union (IRU) has commissioned Copenhagen Economics to provide a study of the economic consequences of the non-application of the TIR system by the Russian Federation.

The report calculates the total direct costs of the additional national guarantees which must now be purchased when transporting goods into Russia by road. The report also analyses the indirect costs of the new system and the wider economic consequences of the restrictions of the TIR system.

# Table of contents

# Executive summary

This report assesses the direct and indirect costs associated with Russia's non-application of the International Road Transport system, TIR, to which Russia has been operational since 1974.[1]

The UN TIR system is an international harmonised system of customs control that facilitates trade and transport whilst effectively protecting the revenue of each country through which goods are carried. The so-called *TIR carnet* is a document used by transport operators when crossing borders of TIR countries and according to the TIR Convention this document is treated as customs duty guarantee.

But since September 2013, Russia unilaterally decided to no longer accept TIR carnets as sufficient customs duty guarantee. Consequently transport operators hauling goods into Russia must obtain a new Russian guarantee to secure customs clearance. Until now, the cost of the new Russian system has not been known, but expectations were that Russian system will be significantly more costly than having continued with the TIR system.

This report provides a quantification of these costs and asks whether the new system is beneficial to the Russian and the global economy.

Having assessed the costs of the new Russian system and compared with the costs of the TIR system it is intended to replace, we find that the new system adds significant costs on imports into Russia. Based on a sample of actual costs from transport operators and after deducting savings for TIR carnets where relevant, we estimate an additional cost of up to USD 2.2 billion per year as a result of the new Russian system.

As a result of the new system, import into Russia by road is getting more expensive. Comparing with the value of goods transported, we find that the direct cost associated with the new system is equivalent to an additional tariff of 0.6 per cent to 1.4 per cent for road transport entering into Russia. Ultimately, these costs will be passed on to the Russian economy and the new system will result in higher prices for Russian consumers.

To arrive at these numbers, we have used data on the actual pattern of the use of TIR carnets by issuing country. The data shows that 1.4 million individual vehicles' journeys were terminated in Russia using a TIR carnet in 2013. Today, each of these vehicles must pay for additional guarantees and mandatory services per crossing of the Russian border under the new system compared to a situation with continuation of the TIR system. This adds huge costs to transport operators who in turn will be forced to pass-on this cost to their customers.

We find that in addition to the Russian guarantee itself, transport operators must also purchase very expensive mandatory services when crossing the border into Russia. The

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1 'TIR' stands for *Transports Internationaux Routiers*. The TIR system has 68 Contracting Parties (including the European Union) on four continents, and by 2012 the TIR system was operational in 58 countries.

price of these services is typically in the same order as the cost of the Russian guarantee, but is in some situations more than twice the cost of the additional guarantee. As a result, the total direct cost of the 'complete' additional guarantee is two to three times the price of the guarantee.

In addition to the direct costs there are also significant indirect costs of the new system. The uncertainty inherent in the system has led to an increased administrative burden of as much as 25 per cent. Furthermore, since the national guarantee, in contrast to the TIR system, does not provide any actual guarantee for the transport operators, there is an increased financial risk for the operators who risk economic losses or even bankruptcy.

Our sample of prices for the new guarantee and the prices of the mandatory services also revealed that many Russian transport operators are harmed by the new system, and many Russian transport operators are facing the same costs as non-Russian transport operators. The only beneficiaries of the new system is a small group of around 135 Russian transport operators acknowledged as so-called "trusted operators".

All in all, we find that the new system in Russia is significantly more expensive for almost all transport operators than a continuation of the TIR system. The new Russian system imposes substantial additional and direct costs of up to USD 2.2 billion on Russia's own import. Taking into account the indirect effects the total costs of the new system could be up to 1.5-3.7 billion dollars – a bill which will ultimately end up with the Russian consumers. In addition, there are significant indirect costs for operators, and the system has no economic benefits over the pre-existing TIR system.

Consequently, the system is harming Russia's own economic interests and adding new costs on trade with its main partners at a time when open and free trade is needed more than ever.

Chapter 1
# Background

The Russian economy is dependent on trade. In 2012, Russia's total exports amounted to 29 per cent of GDP[2] (of which 75 per cent[3] was gas, oil and other petroleum products). The same year, Russia's total import of goods and services were 22 per cent of GDP[4]. The trade balance thus accounted for roughly 7 per cent of Russia's GDP in 2012.

## 1.1 The situation before: a secure and effective system

Shortly after World War II, in 1949, the first TIR ('Transports Internationaux Routiers' or 'International Road Transports') agreement was concluded and led to the elaboration of the TIR convention in 1954 under the United Nations Economic Commission for Europe. The current convention came into force in 1975. The purpose of the TIR System was, and is to this date, to facilitate trade and transport.

TIR is an international customs transit system. It allows transport operators to transport goods through third countries with customs control recognition along the supply chain. The nature of the TIR System means that administrative and financial burdens are minimised. The benefits of the TIR systems arise through two channels. First, under the TIR system physical inspections in countries of transit other than checking seals are avoided. Hence, goods can be transported across national borders with a minimum of interference and delays by customs administrations. Thereby, the TIR System allows goods to be transported cheaper and more effectively.

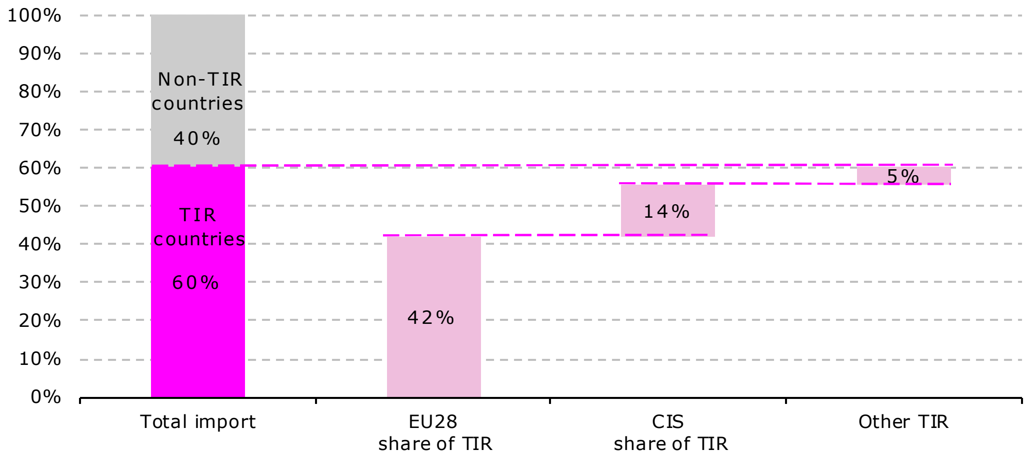
Second, the TIR system provides security to both transport operators and customs authorities. Due to the TIR guarantee, transport operators avoid the need to deposit a guarantee covering duties and taxes at transit borders. This minimises risk and uncertainty for transport operators while enabling faster and more efficient goods transports.

More countries joined the system because it offers transport operators and Customs authorities a simple, flexible, cost-effective and secure system of international transport of goods across borders. Today, the TIR System has 68 contracting parties and 58 operational countries, including the European Union. It covers the whole of Europe and reaches out to North Africa and the Near and Middle East. More than 35,000 operators are authorised to use the TIR system and in 2013 around 3 million TIR Carnets[5] were issued. Ultimately, the system facilitates and encourages international trade, and thereby creates benefits for individuals and nations.

2 The World Bank, World Development Indicators, 2012
3 Eurostat, DS-022469-EXTRA EU Trade Since 1999 By Mode of Transport (NSTR)
4 The World Bank, World Development Indicators, 2012
5 A TIR Carnet is a harmonised control document accepted by the Customs authorities of the countries of departure, transit and destination

Of the 3 million TIR transports in 2013, almost half of them terminated in the Russian Federation. In 2012 more than 40 per cent of Russia's total import came from EU countries, c.f. Figure 1. Furthermore, 68 per cent of the import from EU countries came by road[6].

## Figure 1 Russia's import in 2012 by origin




Note: CIS countries included Belarus, Kazakhstan, Uzbekistan, Ukraine, Azerbaijan, Moldova, Armenia, Kyrgyz Republic, Tajikistan and Russia in 2012

Source: Copenhagen Economics based on the World Bank

On this background, it can be concluded that import from TIR countries and import by road are important for Russia's economy and any cost increase for imports will harm the Russian economy.

## 1.2 The situation now: Russia restricts application of TIR

In September 2013, the Federal Customs Service of Russia (FCS) introduced restrictions on usage of TIR Carnets at Russian borders. This restriction of the TIR System in Russia happened without prior notice to TIR stakeholders.

In practice, this restriction means that the majority of transports to or through Russia is now subject to an additional national customs guarantee. National guarantees for transports into Russia must be purchased at one of the brokers agencies certified to issue guarantees.

Russia's non-application of the TIR system undoubtedly affects transport operators who will now have to deal with a new, and potentially more expensive, system when transporting goods into Russia. Furthermore, the restrictions of the TIR system will have an affect on international trade and thereby the economy as a whole. The question is, whether the Russian economy benefits from the non-application of the TIR system?

6 Eurostat, DS-022469-EXTRA EU Trade Since 1999 By Mode of Transport (NSTR)

Chapter 2

# Direct costs of the additional guarantees

The new system imposes costs on the transport operators, both directly and indirectly. The first part of this chapter describes the different elements of these costs while the last part calculates the direct costs of the new system.

## 2.1 The additional guarantees impose costs on the operators

To assess the cost of the additional national guarantees we have received details about actual payments for transport into Russia and further validated this data through personal interviews with transport operators during a field trip to Estonia (c.f. Appendix A and B).

Based on this information we have concluded that there are significant additional costs associated with the new system compared with the TIR system. These costs arise through different channels and are presented below.

**The four elements of the increased costs**
The new Russian guarantees add costs to transport operators in several ways:

1. **Higher costs**. The new national guarantees are more expensive than the TIR system. The direct costs include both the guarantee itself plus mandatory additional services required by the Russian issuer of the guarantees.
2. **Increased uncertainty** about costs. With the TIR system there is a transparent and reliable price system where operators know the cost of a TIR Carnet. For the national guarantees, prices vary dramatically, even for the same routes and types of transports. Furthermore, combined transports are significantly more expensive than simple transports. Under the TIR system, there is no price difference for combined and single transports, which gives the right incentives for efficiency.
3. **Increased administrative burden**. Back offices of the transport operators must spend significantly more time on administrative work to avoid delays of the transports entering into Russia and to negotiate new terms of cooperation with their clients and with Russian issuers of the new national guarantees. This results in higher freight costs.
4. **Increased financial risk**. In contrast to the TIR system, which provides a high level of protection for the transport operator against risks of non-payment of customs duties, the new Russian system does not contain a guarantee. Instead, transport operators are held liable in case of claims, which results in an increased risk of economic loss or even bankruptcy for the operator.

Together, the increased uncertainty about costs and the increased administrative burden result in higher costs per truck entering into Russia. The increased financial risk of the operator for transports into Russia will further add to the increased costs of transport, since risk requires higher rewards. This will over time push up the costs of transports into Russia.

As a result of these four factors, transporting goods into Russia have become significantly more expensive with the new guarantees compared to the situation with the TIR system.

The first element is the direct cost. It consists of the cost of the additional guarantee and the costs of the mandatory services operators now have to purchase from the brokers. The direct costs are calculated in the remainder of this chapter.

The last three elements are the indirect costs. These are the costs that operators do not pay directly at the border but still have to bear as the result of the new national guarantee system. These costs are analysed in Chapter 3.

It is important to note that the new system affects only import into Russia, while exporting goods out of Russia by road is not subject to the new additional guarantee. The calculations are therefore focused on Russian import.

## 2.2 Cost of the additional guarantee

The prices of the additional guarantees are not transparent and unlike the TIR system there is no price list. As a result, transport operators have no certainty about the cost of transports into Russia. The data collected for this study shows a substantial degree of variation in the prices paid, which highlights that prices are very unpredictable for the operators. Furthermore, prices are sometimes even negotiable, which was also confirmed at our field trip.

The median price paid for the national guarantee is 320 $. However, more than 10 per cent of the observed transports paid a price of more than 1,000 $ and the maximum observed price is 3,876 $. This very high degree of variation highlights the uncertainty of the new system.

Based on our observations we have estimated the following range of costs of the additional guarantee:

## Table 1 Costs of additional guarantees

| | USD per truck into Russia |
|---|---|
| Low estimate | 320 |
| Average | 415 |
| High estimate | 525 |

Note: The low estimate is calculated as the median observation. Due to the few very high observations, the median is well below the average. For the average cost we have used an average number adjusted for extreme observations. More specifically, we have calculated the average of the observations falling in the $5^{th}$ to the $95^{th}$ percentile. Lastly, the high estimate is the simple average, which also takes into account the high observations of more than 1,000 $.

Source: Copenhagen Economics

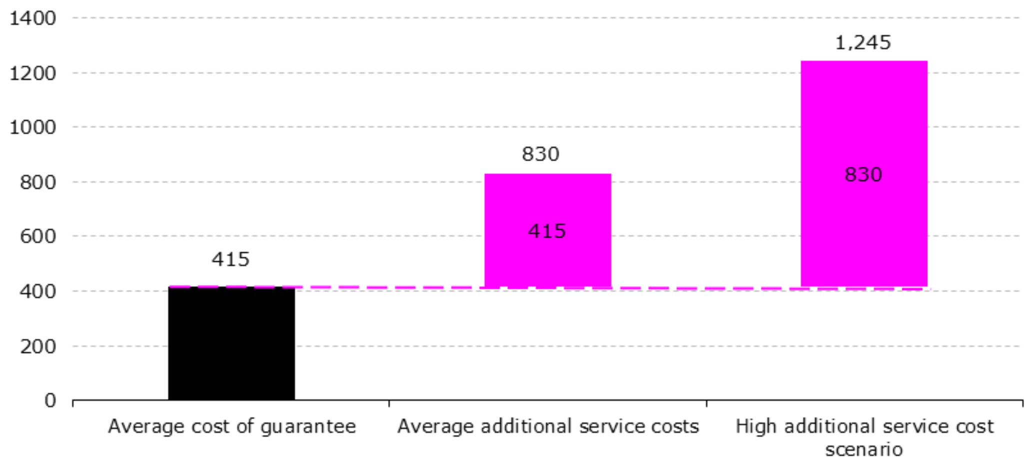
## 2.3 Costs of the mandatory services

When crossing the border into Russia, transport operators have to purchase the national guarantee. In addition they must purchase mandatory associated services from the customs brokers such as electronic declaration or in some cases escorts. It is worth noting that these are services the operators did not need, nor purchased, under the TIR system.

Based on the observed prices paid by operators in addition to the new guarantee we estimate that there is a 1:1 relationship between the price of the new guarantee and the mandatory services. This is confirmed by interviews with transport operators during a field trip carried out in March 2014. In some situations, however, a 1:2 relationship is observed. As a high case scenario, we therefore use the 1:2 relationship.

Consequently, the low, average, and high estimates for the service costs are 320$, 415$, and 525$ respectively for the 1:1 case. For the 1:2 case the low, average and high estimates are 640$, 830$, and 1,050$. The relationship between the price of the guarantee and the price of the services is illustrated in the figure below.

**Figure 2 Cost of mandatory service relative to the average cost of guarantee (USD)**




Source: Copenhagen Economics

## 2.4 Total direct costs

We have now calculated the two components of the direct costs of the new system: the price of the guarantee and the price of mandatory services.

In 2013 there were more than 1,400,000 terminations of transport operations under TIR in Russia. Today, these transports are not able to use the TIR system and instead have to purchase the national guarantee. If prior to entry in Russia, the goods have to transit through a third country, there will still be a need to use other guarantee instruments such as TIR, which would be valid on the territories of those countries. However, if the goods are transported from a neighbour country directly to Russia without transit, the operator can purchase solely the national guarantee. In order to calculate the additional cost of the new system we will have to distinguish between these two situations.

Based on the number of TIR transport termination in Russia in 2013, we have defined three categories of transport operator origin.

1. TIR Carnets issued in countries that *do not* share a border with Russia (10 per cent of total)
2. TIR Carnets issued in countries that do share a border with Russia (54 per cent of total)
3. TIR Carnets issued in Russia (36 per cent of total)

Transports based on all three categories will be subject to the new system. However, there will be slight variations in the costs dependent on whether or not a TIR Carnet is still needed for the transport in question.

**1. TIR Carnets issued in countries that do not share a border with Russia**
TIR transports originating from countries without borders with Russia will now have to purchase the new guarantee. However, since these transports will have to transit through third countries a TIR Carnet is still needed[7].

Consequently, for these transports, the additional cost of the national guarantee is the full price of the guarantee plus the price of the mandatory service.

**2. TIR Carnets issued in countries that do share a border with Russia**
The majority of transports from countries that share a border with Russia (henceforth 'border countries') will no longer need the TIR system for transports into Russia. Instead, they will need only the new guarantee in addition to the mandatory services. For these transports, the cost of the new system is slightly smaller since the cost of a TIR Carnet (a 4 volet Carnet costs roughly 55$) is saved.

However, some transport operators in the border countries will still choose to purchase both the TIR and the national guarantee. This could be because they – despite the fact that their country of departure shares a border with Russia still transits through a third country. For example a transport departing in Estonia, transiting through Finland and terminating in Russia, or alternatively passing through Russia to e.g. Kazakhstan. For these transports, the cost of the new system will be the full cost of the guarantee plus the price of the mandatory service, as for the non-border countries mentioned in category 1.

Based on interviews, 10 per cent of transports still need to purchase TIR Carnets in addition to the new guarantees and mandatory services. For the remaining 90 per cent, the *additional* costs are the cost of the new guarantee plus the costs of the mandatory services minus the 55$ that they will no longer spend on the TIR Carnet. This is illustrated in the table below.

## Table 2 Additional cost of national guarantee for operators in border countries who no longer purchase TIR

| Measure | | Average service cost scenario (USD) | High service cost scenario (USD) |
|---|---|---|---|
| Low average | [cost of new guarantee plus mandatory services minus cost of TIR] | 585 | 905 |
| Average | [cost of new guarantee plus mandatory services minus cost of TIR] | 775 | 1,190 |
| High average | [cost of new guarantee plus mandatory services minus cost of TIR] | 995 | 1,520 |

Note: This cost is relevant for transports carried out without a TIR Carnet, using only the national guarantee

Source: Copenhagen Economics

7 If, before entering Russia, the goods are transited through only the territory of the EU and Turkey it is also possible to use the T system instead of the TIR system. The T system is a transit procedure used for moving goods between the EC and EFTA countries. This transit procedure is not compulsory and the TIR system may be used instead. The price of the T system services can vary greatly based on the type of consignment, itinerary and number of loading etc.

**3. TIR Carnets issued in Russia**

The last category is TIR Carnets issued in Russia. This will typically be Russian transport operators importing goods into Russia. These transport operators will now also have to pay the higher costs of the new system.[8]

Similar to the case for the border countries, some of these transports will now need only the new guarantee while some will need the new guarantee and the TIR system. The share that still needs to purchase the TIR Carnet in addition to the new guarantee is determined from the pattern of Russian import. 30 per cent of Russia's import from TIR countries comes from border countries and the remaining 70 per cent comes from non-border countries[9]. Hence, we assume that for the 30 per cent, the cost of the new system is identical to the costs for the transports in the border countries (category 2). For the remaining 70 per cent the additional cost of the new system is simply the full price of the guarantee and the mandatory services (identical to category 1).

**Total direct costs of the new system**

To determine the total costs of the new system we weigh the transports which now need only the new guarantee and the transports which need both the new guarantee and the TIR system, using the percentages mentioned above.

In total we estimate that 41 per cent of the former TIR transports into Russia will be transports using both the TIR system and the new guarantee while 59 per cent will purchase exclusively the new guarantee and hence save the cost of the TIR Carnet.

This structure gives rise to the total direct cost per transport listed in the table below

## Table 3 Additional direct costs of the new system per transport

| Measure | Average service cost scenario (USD) | High service cost scenario (USD) |
|---|---|---|
| Low average | 610 | 930 |
| Average | 800 | 1,215 |
| High average | 1,020 | 1,550 |

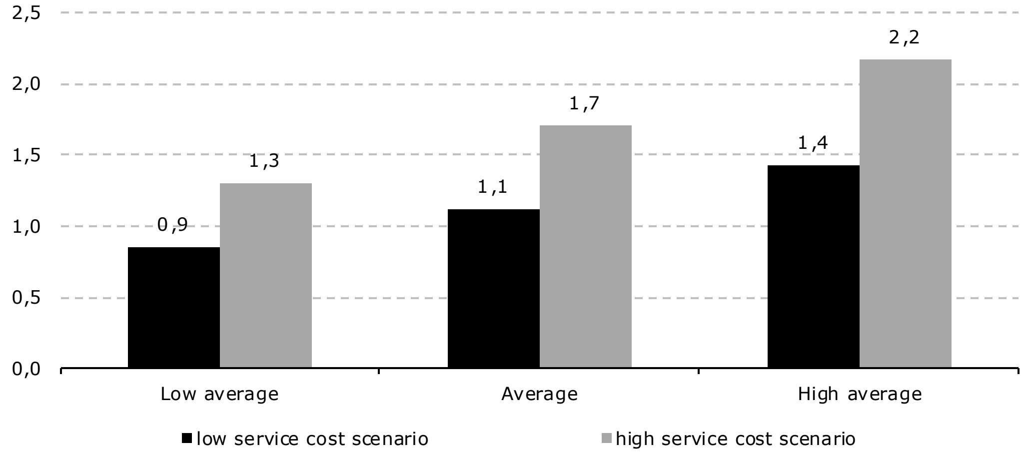
Source: Copenhagen Economics

In order to calculate the total cost of the new system, the costs per transport in Table 3 are multiplied by the 1.41 million TIR transports into Russia. We estimate total additional cost of the national guarantees and the mandatory services, taking into account potential savings on TIR, of up to 2.2 billion dollars per year.

8 It is worth noting that a few selected so-called 'trusted' operators are exempt from purchasing the national guarantees. However, according to our information, only around 135 transport operators out of thousands have this possibility. Therefore, the vast majority will have to pay the increased costs of the new system.

9 The World Bank, data from 2012

## Figure 3 Total direct costs of the new system




Note: Billion USD

Source: Copenhagen Economics

It is worth noting that there will typically be some additional costs associated with the mandatory services, which are not included in the above estimate. For example, some operators mentioned that their drivers had to cover costs for the person escorting them when they were told to purchase mandatory escort.

Further, some transport operators are using alternative routes to borders where TIR was for a certain time still accepted in order to avoid the new additional guarantees. This means further additional costs of for example longer routes through for example Belarus or costs of ferries to Finland. These opportunities disappear as e.g. the restrictions of the TIR system was introduced at the Finland border in March 2014.

Chapter 3
# Indirect costs of the additional guarantees

In the previous chapter we have calculated the direct costs of the new system for the operators and shown that is adds direct costs of up to 2.2 billion dollars per year. In this chapter we describe the indirect costs of the national guarantee system. Based on interviews with transport operators we have identified three main sources of indirect costs. First, the new system has led to increased uncertainty for transport operators about the price. Second, the new result has led to an increased administrative burden, among other things due to the increased uncertainty. Lastly, the lack of an actual guarantee system in the Russian national guarantees leads to increased financial risk for the operators. We discuss these in turn.

## 3.1 Increased uncertainty

The Russian national guarantee system is not transparent and there is an inherent uncertainty for operators about the costs they will ultimately have to pay at the border. The uncertainty is highlighted by the considerable variation in prices of the additional guarantees as well as the extent and price of the mandatory services.

Furthermore, when the system was first introduced there was an increase in waiting time at the borders. Issues with the brokers' companies could mean a risk of up to four days delay at the border. Today, however, the increased uncertainty and risk of waiting times are being dealt with at the back office (see next section) and consequently there is no waiting time at the borders but certainly additional administrative work to avoid or minimise the risk of delays.

## 3.2 Increased administrative burden

Handling the new system takes time. As described above, there is a high degree of uncertainty inherent in the system and as a result, back offices must spend significantly more time on administrative work to avoid delays for the transports entering into Russia as well as negotiating new terms of cooperation with their clients and not least with brokers in Russia. This includes the freight costs resulting from increased uncertainty about costs and coverage of the additional guarantees. Consequently, the time spent on administrative work per transport has increased significantly.

The cost of this increased administrative burden is complex to calculate since the cost of administration, for example wages, vary considerably between TIR countries. However, interviews with transport operators indicate that the time spent on administrative work per transport has increased as much as 25 per cent.

## 3.3 Increased financial risk

An important part of the TIR system is the build-in guarantee. For Customs, the guarantee protects the duties and taxes at risk. For transport operators, the TIR system avoids the need to deposit a guarantee covering the duties and taxes at transit borders. This minimises administrative risk and financial risk burdens.

In contrast to the TIR system, the additional national guarantee system does not contain a backing structure that would provide sufficient protection for operators. As a result, transport operators are held liable in case of claims, which results in an increased risk of economic loss or even bankruptcy for the operator.

This means that the responsibility is now resting entirely on the operators, who have to secure additional financial reserves in case of requested payments. These reserves cannot be used for investments or the like, which is a further indirect cost of the system.

Chapter 4

# Economic consequences of the system

In the previous two chapters we have analysed the direct and indirect costs of the national guarantee system for the transport operators and showed that there is a significant increase in import costs. This section will discuss the wider economic consequences for the global economy.

## 4.1 There are negative economic consequences of the system

As demonstrated in the previous chapter there are sizeable costs associated with the national guarantees. The costs, as well as the way the new system works, have negative consequences for both the global economy and for the Russian economy.

First, the new system favours a selected group of a few Russian operators who are 'trusted' and therefore do not have to pay the cost for the additional guarantee. This is however only a small number of operators (our information indicates around 135 out of many thousands of operators). Since only very few operators can obtain access to this 'group' of trusted operators, the vast majority of operators will see their costs increase. This will ultimately lead to higher prices.

Furthermore, there is a risk of the new system leading to less efficient transportation. Under the TIR system, combined transports, where a truck carries goods from different clients, cost the same as single transports, transporting for one client only. However, under the new system, combined transports are more expensive. Hence, the new system incentivises single transports. From an efficiency stand point, combined transports are desired if the alternative is to drive with less than full trucks. Consequently, this behaviour should not be punished by the system.

## 4.2 Quantifying the economic costs

Numerous studies have sought to quantify the additional indirect effects of changes to transport costs. The study 'Economic Costs of Barriers to Road Transport' by the Hague Consulting Group finds that indirect costs such as lost opportunities due to longer and unreliable transport time are at least of the same size as the direct losses. The general numbers found in this literature[10] is somewhat smaller, in the range of 40-70 per cent of direct costs.

10 See for example SACTRA (1999) "Transport and the Economy" Department of Transport Great Briatin, Persson and Goodwin (2001) "Assessing the Benefits of Transport" ECMT OECD publications, Copenhagen Economics (2004) "Economy-wide benefits – Dynamic and Strategic Effects of a Fehmam Belt Fixed Link".

We have estimated the direct costs of the new system to be in the range of 0.9-2.2 billion dollars. If we take the relationship between direct and indirect costs to be 70 per cent as suggested above, the indirect costs are estimated to be in the range of 0.6-1.5 billion dollars. Adding together the direct and indirect costs yields an estimation of total costs associated with the new system of between 1.5-3.7 billion dollars.

## 4.3 The national guarantees will ultimately hurt Russian consumers

The non-application of TIR by the Russian Federation makes imports into Russia more expensive. The additional guarantees and the mandatory services result in sizeable additional costs of transports into Russia. The impact of these increased costs will be similar to that of an import duty.

Import from TIR countries is a vital part of Russia's total import. Furthermore, 68 per cent of the total import from the EU in value enters Russia by road. When Russia sets up measures that make this import more expensive it will affect overall trade.

Our calculations, based on the pattern of Russia's trade with TIR countries versus non-TIR countries suggest that the impact of the national guarantees is equivalent to an additional tariff of 0.6 per cent to 1.4 percent for all road transport entering into Russia.

Such a restriction on trade will have a negative impact on the Russian economy. As found in Marel and Dreyer (2013)[11], more trade protectionism and poor market access has already affected Russia's international competitiveness negatively. The authors further argue that good domestic institutions affect trade on the export as well as the import side. A deterioration of institutions leads Russia to become less and less integrated with the world's global supply chains. As shown, the new Russian system is clearly a deterioration of the international road transport system, which has been very well institutionalized for more than 50 years.

Increased cost of import will ultimately hurt Russian consumers. Transport operators will pass-on their increased costs to their clients, who will then again pass them on to their clients. In the end, the Russian consumers will pay.

11 Erik van der Marel and Iana Dreyer (2013) "Beyond Dutch Disease: When Deteriorating Rule of Law affects Russian Trade with and Investments from Advanced Economics"

Chapter 5
# Conclusion

In conclusion, it is our view that there are sizable costs resulting from the non-application of the TIR system by the Russian Federation. These costs consists of both the direct costs that operators have to pay the brokers agencies for additional guarantees and mandatory services, as well as the indirect costs arising from the restrictions of the TIR system.

Ultimately, the costs of the new system are equivalent to an additional tariff on road transport into Russia of 0.6 per cent to 1.4 per cent. Restricting trade in this way is neither beneficial for the Russian economy, nor for the Russian consumers who will experience higher prices as a result of the up to 2.2 billion dollars additional direct costs per year.

The system imposes a significant additional cost on Russian consumers and hurts growth in Russia. It further has no benefits over the well-established TIR system, apart from benefitting a selected group of 'trusted' transport operators.

Overall, it would be more beneficial for the Russian economy as a whole to continue using the TIR system instead of issuing national guarantees.

Appendix A
# Questionnaire sent to Estonian transport operators prior to field trip

## Questions regarding the non-application of the TIR system

Copenhagen Economics
7 March 2014

### Direct impact from the non-application of the TIR System

How expensive are the additional guarantees
- highest number (in € or USD)
- lowest number (in € or USD)
- average number (in € or USD)

Is it your impression that waiting times have increased?
- No increase
- 1 hour
- 2-3 hours
- 3-5 hours
- More than 5 hours (please specify)?

### Indirect impact from the non-application of the TIR System

Are there any other barriers resulting from the new system?
- Increased uncertainty which transport route to take
- Denied access into Russia
- Additional bureaucracy / additional requested documentation
- Other irregularities

Do you know of any operators who are no longer serving the Russian market as a result of the new system?

Has the profitability of road transportation into Russia decreased since the non-application of the TIR System?

How do you deal with the additional costs of the additional guarantee?
- Do you internalise the costs,
- Do you pass them on to the client?
- To whom do you pass them on: client in Russia, client country of origin (Estonia)

Do you know of any operators who had to lay off people or close their business completely?

# Appendix B
# Receipts for additional guarantees purchased at the Russian borders

## Table 4 Examples of actual payments at the Russian borders

| Name of company | Date when alternative guarantee and associated services purchased | Entry border crossing point where alternative guarantee purchased | Region | Itinerary | Russian Guarantee, Associated Services and payment proofs |
|---|---|---|---|---|---|
| Company 1 | 14.11.2013 | Smolensk Customs (Central Customs Region) | Central Customs Region | Smolensk-Almaty | 1.Provision of insurance guarantee by Arsenal -139000 RUR( 2804 EUR); + 800 RUR( 16EUR)<br><br>2.Preparation of documents and information for customs formalities - 15000 RUR (~303 EUR);<br><br>3.Temporary storage in warehouse - 6'000 RUR (~121 EUR);<br><br>4. Bank commission -4824 RUR (~97EUR). |
| Company 2 | 01.11.2013 | Smolensk Customs (Central Customs Region) | Central Customs Region | Lithuania-Almaty | 1. Temporary storage in warehouse - 6'000 RUR (~121 EUR);<br><br>2. Security and escort services - 9'000 RUR (~184 EUR)<br><br>3. Escort service 307 USD<br><br>4. Provision of insurance guarantee by Arsenal -3'000 RUR (~60 EUR)<br><br>5. Preparation of documents and information for customs formalities – 7'200 RUR (~147 EUR) |
| Company 3 | 16.11.2013 | Smolensk Customs (Central Customs Region) | Central Customs Region | Smolensk-Moskov Oblast | 1.Provision of insurance guarantee by Arsenal -15000 RUR( 303 EUR);<br><br>2.Preparation of documents and information for customs formalities - 7900 RUR (~159 EUR);<br><br>3.Temporary storage in warehouse - 3'000 RUR (~60 EUR);<br><br>4. escort service 9000 RUR(182 EUR)<br><br>5. Bank commission -1047 RUR (~21EUR). |

Source: Copenhagen Economics