

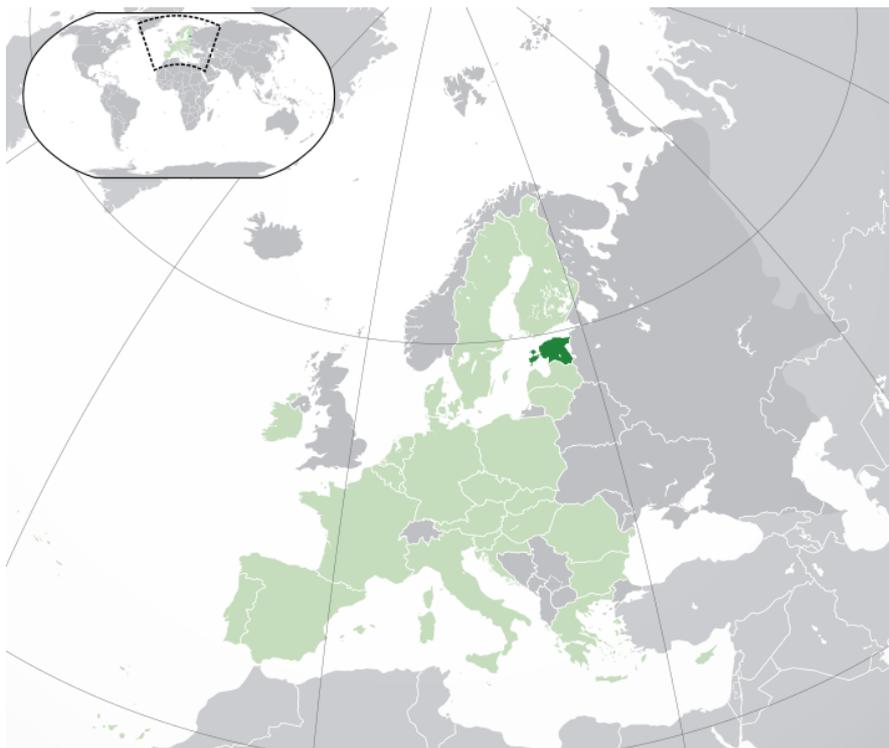


Comité National Routier



EUROPEAN STUDIES

The Estonian road freight transport sector in 2019



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The Estonian road freight transport sector in 2019

This survey, which was conducted in 2019, is intended to provide updated statistics concerning the activity of the Estonian sector, the fiscal and social environment in which it operates as well as the typical operating conditions and costs for a 40-tonne heavy goods vehicle used for international long-distance transport.

In some cases, data may have been updated to reflect figures from 2020.

The representative profiles given are the same as the ones used in the context of the economic conditions prevailing in 2019.

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SUMMARY

As a small sector situated at the northern tip of the European Union, the Estonian sector is often confused with its Baltic neighbours. However, it possesses significant distinctive features both from a fiscal and a social point of view.

International activity accounts for almost two thirds of the Estonian sector's total activity. This activity is primarily focused on Scandinavian countries and Finland in the West (via ferry crossings), but also on Russia in the East. Thanks to the cultural and linguistic affinity of a majority of Estonians with Finland and, to a lesser extent, with Russia, the sector acts as a bridge between these two geographical areas. However, its geographical location means that its mileage figures are lower; ferry crossings are time consuming and driving in Russia involves lower speeds than in the EU. According to official statistics, international activity has fallen sharply since its peak in 2016, i.e. -37% over three years.

Since Estonia joined the European Union on 1 May 2004, the basic minimum wage (in euros) has been increased fourfold, i.e. an average annual growth rate of 8.5% over 17 years. The simplification of social security contributions and the introduction of a flat income tax, virtually non-existent corporate taxation, significantly higher wages in the RFT sector following a very basic collective agreement: these are some of the distinguishing features of the Estonian sector. Relatively high driver costs (26,000 € per year for an average mileage of 116,000 km) are offset by the low cost of tolls and fuel; thanks to the ability to fill up in Russia, the sector's fuel costs are 0.8943 €/l (excl. VAT) according to the average "fuel shopping basket" calculated by CNR.

Overall, the Estonian pavilion has a cost per kilometre of 0.90 € (0.84 € excluding fixed costs). This is higher than in its Latvian and Lithuanian neighbours but in line the average for Central European sectors.

CONTENTS

SUMMARY	5
1. OVERVIEW OF THE ECONOMIC AND SOCIAL ENVIRONMENT OF THE ESTONIAN SECTOR	9
1.1. ECONOMIC FRAMEWORK	9
ESTONIA IN BRIEF	9
NOTE ON THE CONDITIONS UNDER WHICH THE STUDY WAS CARRIED OUT	9
1.2. OVERVIEW OF ESTONIAN ROAD FREIGHT TRANSPORT	10
TRANSPORT AND INFRASTRUCTURE POLICY	10
ROAD FREIGHT TRANSPORT OPERATORS	11
THE ESTONIAN RFT SECTOR IN 2019 – KEY DATA	14
1.3. OVERVIEW OF FISCAL AND LABOUR REGULATIONS IN ESTONIA	18
TYPES OF COMPANY	18
TAXES APPLICABLE TO ROAD FREIGHT TRANSPORT	18
NOTE ON LABOUR REGULATIONS APPLICABLE TO ROAD FREIGHT TRANSPORT	23
2. STUDY OF THE OPERATING CONDITIONS AND COSTS FOR A 40-TONNE ESTONIAN HGV OPERATING INTERNATIONALLY	29
2.1. OPERATING CONDITIONS AND COSTS FOR COMPANIES	29
TRANSPORT EQUIPMENT – Operational data	30
TRANSPORT EQUIPMENT – Financing	30
FUEL	31
MAINTENANCE & REPAIRS	32
TYRES	33
TOLLS, TOLL STICKERS AND FERRIES	33
INSURANCE	33
AXLE TAX	34
FIXED COSTS	34
2.2. EMPLOYMENT CONDITIONS AND DRIVER EMPLOYMENT COSTS	34
WORKING CONDITIONS	34
NOTE ON DRIVING PERSONNEL COST FORMATION	35
TYPICAL PROFILE OF A DRIVER WITH AN ESTONIAN CONTRACT WORKING INTERNATIONALLY AND BREAKDOWN OF THEIR COST	36
2.3. OVERVIEW OF THE OPERATING CONDITIONS AND COSTS OF A “TYPICAL” INTERNATIONAL HGV	37
3. BIBLIOGRAPHY	39

1. OVERVIEW OF THE ECONOMIC AND SOCIAL ENVIRONMENT OF THE ESTONIAN SECTOR

1.1. ECONOMIC FRAMEWORK

ESTONIA IN BRIEF

Capital	Tallinn
Area	45,227 km ²
Population	1,328,976 inhabitants
Official EU language(s)	Estonian
Political system	Parliamentary Republic
President of the Republic	Kersti Kaljulaid
Prime Minister	Kaja Kallas
Minister of Transport	Taavi Aas, since 26 January 2021
Date of EU membership	1 May 2004
Date of adoption of the euro	1 January 2011
Seats in the European Parliament	7 seats
European Commissioner	Kadri Simson, Energy Commissioner
GDP growth (%)	+ 5.0% (Eurostat, 2019)
Inflation (%)	+ 2.3% (Eurostat, 2019)
Unemployment rate (% of active population)	6.8% (Eurostat, end 2020)
Trade balance	-845 million euros (2020)
Gross monthly minimum wage	584 € per month (as of 1 January 2021)

NOTE ON THE CONDITIONS UNDER WHICH THE STUDY WAS CARRIED OUT

This study on the Estonian RFT sector was carried out under the economic conditions prevailing before the 2020 Covid crisis. The data and operating conditions are thus in keeping with other previously published RFT studies carried out by CNR in European Union countries.

Due to the exceptional conditions brought about by the Covid crisis, the Estonian sector has most likely suffered a sharp fall in its volume of activity, especially the international segment. The closure of the border with Russia, the impossibility of crossing by ferry to Finland due to the quarantine imposed on drivers for several weeks in March and April 2020 and the general decline in economic activity in Europe has doubtless had a major impact on the Estonian sector.

1.2. OVERVIEW OF ESTONIAN ROAD FREIGHT TRANSPORT

TRANSPORT AND INFRASTRUCTURE POLICY¹

Transport policy

In terms of transport, the Estonian government periodically publishes a multi-year road map. The latest version, covering the period from 2014 to 2020, lists five main transport policy objectives:

- 1- Maintaining the condition of main roads, improving the condition of secondary roads and continuing the expansion of the Tallinn-Tartu motorway.
- 2- Reducing the use of motor vehicles in city centres by encouraging walking, cycling and public transport and providing smart solutions to create new transport option such as bicycle rental and car sharing.
- 3- Increasing the frequency and speed of trains to make this mode of transport more attractive, in particular thanks to improved connections between Tallinn and other provincial cities. In addition, improving the rail link to Latvia (the Tartu-Riga line as part of the Baltic Rail project) and Russia (shortening the Tallinn-St. Petersburg journey time to less than 5 hours). Setting up a tram line to Tallinn airport.
- 4- Improving transport safety to reduce fatalities to 50 people over three years, with an ultimate goal of zero deaths in the near future.
- 5- Increasing the proportion of fuel-efficient vehicles that run on renewable energy and making biomethane, or compressed natural gas from biomass and waste, the main alternative energy source in Estonia.

As regards road freight transport policy, Estonia is focused on developing its seaports and on its long tradition of railways in order to improve its operational efficiency. The Ministry of Infrastructure points to a relatively high levels of rail transport on the East-West route (Tallinn – Saint Petersburg) and is looking to make improvements in terms of the North-South routes, namely the Estonian Tallinn-Pärnu section of the Helsinki – Tallinn – Riga – Kaunas – Warsaw line.

The Estonian RFT sector, whose scope is largely regional, hopes to benefit from the development of seaports that are offering more and more ferries to Finland and Sweden. The Estonian sector also wishes to improve its prominent position in terms of RFT activity between Saint Petersburg and the European Union.

¹ <https://www.mkm.ee/en/objectives-activities/transport>

Transport infrastructure and use

Estonia's road infrastructure is well developed and has changed little over the last decade. Its ageing rail network, a legacy of the Soviet era that now requires large-scale investment, still provides nearly 40% of domestic freight transport.

Evolution of modal split of inland freight transport in Estonia (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Road transport	25%	28%	33%	36%	45%	48%	57%	56%	54%	58%
Rail transport	75%	72%	67%	64%	55%	52%	43%	44%	46%	42%
Inland waterways transport	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Eurostat

Transport infrastructures in Estonia

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Length of roads	16,487 km	16,470 km	16,500 km	16,512 km	16,542 km	16,576 km	16,584 km	16,597 km	16,594 km	16,605 km	16,609 km	16,609 km
of which paved roads	9,923 km	10,188 km	10,492 km	10,657 km	10,922 km	11,164 km	11,304 km	11,507 km	11,742 km	11,880 km	11,959 km	12,045 km
Length of rail network	919 km	919 km	919 km	918 km	916 km	916 km	916 km	922 km				
of which electrified	131 km	131 km	131 km	132 km	138 km							
Length of inland waterways	335 km	399 km	416 km	416 km	416 km	416 km	449 km	449 km				

Source: Statistics Estonia

ROAD FREIGHT TRANSPORT OPERATORS

Professional RFT organisations

[Estonian Association of International Road Hauliers \(ERAA\)](#)

The ERAA was created on 30 October 1991 in Tallinn. Since May 1992, the ERAA has been a full member of the International Road Transport Union (IRU). The aim of the association is to develop road transport as an industry and to protect the interests and rights of its members. In order to achieve this objective, the Association:

- represents its members, including in negotiations with public authorities and employee organisations,
- participates in the development and harmonisation of road transport legislation, including customs, transport contracts and road safety legislation and guidelines, and in negotiating agreements,
- collects and analyses road transport information, maintains relevant databases and provides information services,
- acts to enforce road transport agreements as mandated by legislation and international agreements,
- sets up funds, if necessary, for the use of its members,

- creates or is involved in companies or is a member of for-profit organisations, as the case may be, with a view to providing the necessary services to the members of the association,
- organises road transport training.

Membership of ERAA is open to companies with vehicles that have been engaged in road transport for at least two years, and which are located in the Republic of Estonia and registered in accordance with the laws of the Republic of Estonia. At least two years must elapse after registration to be recognised as a member. The practical issues handled by ERAA on a daily basis are as follows:

- issuance of “TIR carnets” to Estonian hauliers,
- issuance of transport permits (including EMTCs) to Estonian hauliers with an international business licence,
- informing Estonian hauliers about the transport requirements in foreign countries and standards established by international conventions,
- helping hauliers obtain payment cards and obtain foreign VAT rebates,
- organising the purchase of rolling stock and other special equipment that hauliers need at advantageous prices,
- solving many other practical problems in order to further the development of international transport and increase the competitiveness of Estonian transport companies in Europe.

As of 28 April 2021, the organisation had a total of 265 members, representing more than 50% of RFT activity in Estonia.

[Estonian Transport Workers Union – ETTA](#)

ETTA is a private non-profit organisation primarily represents workers involved in transport and related sectors. The transport union has:

- over 2,000 members from all across Estonia
- more than 50 departments and 6 sub-sections (drivers, bus drivers, ambulance drivers, lorry drivers, aeronautics and public services)
- A total of 5 employees in its 3 offices in Tallinn, Tartu and Pärnu.

This transport union was established in 1989 and is now one of the largest unions in Estonia. It works closely with other Estonian trade unions as well as with trade unions elsewhere in Europe (ETF).

Regulatory authorities

National Road Administration (Transpordiamet)²

The National Road Administration is a government agency operates under the authority of the Department of Economic Affairs and Communications. It is responsible for the maintenance of national roads, mobility planning for people and vehicles and for road safety.

The main tasks of road administration are as follows:

- creating the conditions for safe, sustainable and efficient road transport and mobility planning for people and vehicles,
- planning and maintenance of national roads,
- improving road safety and organising road safety education,
- reducing the environmental impact of vehicles,
- managing of traffic and public transport,
- maintenance of databases stemming from legislation,
- participation in the development of policies, strategies, development plans and legislation related to its area of activity, as well as the preparation and implementation of international projects,
- implementation of government policies and development plans that fall within the scope of the Administration's activities,
- representation of the State in international relations that fall within the scope of the Administration's activities.

The Administration's main activities are carried out by the Strategic Planning Department, the Road Maintenance Department and the Traffic Department, which are headed by three directors who report to the Director General, the Head of the Estonian Road Museum and the heads of the relevant support units.

² <https://www.mnt.ee/eng/organization/operating-areas-and-structure>

THE ESTONIAN RFT SECTOR IN 2019 – KEY DATA

Structure of the Estonian RFT sector in 2019

Structure of the Estonian RFT sector in 2019

2019	Goods transported	Tonne-kilometers achieved		Average distance	Vehicle.kilometres achieved
	thousand tonnes	million t.km	%	km	million of vehicle.km
TOTAL	28,373	4,794	100.0%	169	296
Domestic transport	23,356	1,710	35.7%	73	112
International transport	5,017	3,084	64.3%	615	183
<i>International transport of goods loaded in Estonia</i>	1,378	930	19.4%	675	na
<i>International transport of goods unloaded in Estonia</i>	1,243	775	16.2%	623	na
<i>Cross-trade</i>	1,490	1,096	22.9%	736	na
<i>Cabotage</i>	906	283	5.9%	312	na

Source : Eurostat

The international activity of the Estonian pavilion is double that of its domestic activity. The average domestic haulage distance (73 km) reflects the country's small size. At the same time, in term of its international business, the sector is focused on medium- and long-distance activity. The Estonian sector's main markets are Finland, Sweden and Russia. It is also worth pointing out the importance for the Estonian sector of transport between third countries (nearly 23% of total activity), as well as of cabotage (5.9%).

Evolution of the Estonian RFT sector

Evolution of the Estonian RFT sector in million tonne-kilometres

In million t-km	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Evolution 2016/2019
TOTAL	5,340	5,614	5,912	5,791	5,986	6,310	6,263	6,716	6,189	5,775	4,794	-28.6%
Domestic transport	1,326	1,388	1,561	1,599	1,593	1,541	1,524	1,792	1,631	1,686	1,710	-4.6%
International transport	4,014	4,226	4,352	4,192	4,394	4,769	4,739	4,924	4,558	4,089	3,084	-37.4%

Source : Eurostat

The Estonian sector experienced a peak in activity in 2016, thanks in particular to the dynamism of its international activity. Since then, this flagship activity has declined by over 37% in terms of volume. Although the volume of domestic activity is smaller than that of international activity, it has remained fairly stable over the long term, growing at an average rate of 2.58% per year since 2009, but it has experienced a decline of 4.5% over the last three years.

Cabotage

Cabotage under Estonian flag in the 3 main "cabotaged" countries

In million tonne-kilometres	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AAGR*
Cabotage under Estonian flag	207	268	273	311	281	367	447	499	344	390	283	3.16%
<i>in Sweden</i>	47	56	78	70	72	107	82	131	140	104	48	0.23%
<i>in Norway</i>	3	7	na	9	39	57	61	48	50	78	67	37.90%
<i>en Germany</i>	37	31	40	46	57	39	93	117	55	55	27	3.10%
Share of cabotage in Estonian transport %	3.9	4.8	4.6	5.4	4.7	5.8	7.1	7.4	5.6	6.8	5.9	-

*AAGR : average annual growth rate

Source: Eurostat

Cabotage is an important activity for the Estonian sector. It is complementary to international trips. Similar to international activity, cabotage has been losing momentum since 2016. However, it remains quite significant in comparison with other European sectors.

Sweden, the main cabotage market for the Estonian sector, has apparently tightened its controls to protect its domestic RFT sector. Between 2016 and 2019, Estonian cabotage in Swedish territory has declined threefold. Germany, which was the Estonian sector's second-largest cabotage market, also tightened its controls over this period, causing a collapse of Estonian cabotage in the country (-77% in 3 years). Conversely, Estonian cabotage in Norway has soared, up +38% per year on average since 2009.

Cabotage in Estonia

In million tonne-kilometres	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AAGR*
Cabotage in Estonia	6	3	3	14	34	3	13	24	15	43	32	17.30%
Penetration rate of cabotage*	0.49%	0.25%	0.18%	0.84%	2.07%	0.18%	0.83%	1.33%	0.92%	2.51%	1.84%	-
Market share of cabotage**	0.58%	0.30%	0.20%	0.92%	2.33%	0.20%	0.91%	1.47%	1.04%	2.85%	1.56%	-

AAGR : Average annual growth rate

Source : Eurostat

*cabotage foreign flag / (total domestic transport + cabotage under foreign flag)

**cabotage foreign flag / (domestic transport for hire and reward + cabotage under foreign flag)

Cabotage in Estonia remains very low in absolute terms, but has been growing at +17.3%/year since 2009 and now accounts for 1.5% of the Estonian domestic market. The sectors most active in the cabotage in Estonia are those from neighbouring countries, i.e. Latvia and Lithuania.

RFT companies

According to the professional RFT organisation ERAA, there are officially more than 12,000 road transport and logistics companies in Estonia. Of these companies, more than half would appear to be inactive and nearly 3,500 of them are in fact independent drivers, who can be considered as employees since they often work for a single client.

Excluding the self-employed, the actual total number of RFT companies would appear to be somewhere between 3,000 to 3,500, with about 12,000 vehicles: i.e. 4 vehicles on average per company. This number is consistent with public data from the Ministry of Economic Affairs and Communications, whose remit extends to transport.

In 2015, the latest official statistics available on transport sector finances indicate that fuel accounted for 26% of total costs. The other main cost items are set out in the following table, but personnel expenses need be analysed carefully since a portion of driver costs involves the costs of temporary drivers, which are included under subcontracting expenses.

Lastly, the sector posted a net profit of 4.5%.

**RFT* Business Statistics in Estonia
(Latest available data in 2015)**

	2015
Number of enterprises	2,977
Number of persons employed	16,047
Number of employees	15,688
Net sales	1,162,500.7 k€
Sale to nonresidents	375,764.4 k€
Other revenues	27,488.1 k€
Costs	1,120,585.4 k€
of which merchandise	28,463.6 k€
of which materials, supplies and intermediate goods	95,708.3 k€
of which purchased fuel and power	291,781.2 k€
of which payments of long term rental and ope. leasing of goods	19,885.5 k€
of which laid-out work and subcontractors	361,816.5 k€
of which personal expenses	182,118.4 k€
of which wages and salaries	136,293.3 k€
of which social security costs	45,825.1 k€
of which depreciation	88,798.5 k€
of which taxes	2,480.2 k€
of which travel costs	47,865.1 k€
Net profit or loss	52,328 k€
of which net profit	65,343 k€
of which net loss	-13,015 k€
Dividends	11,532 k€

* Companies of RFT and moving services, according to national classification EMTAK 2008 - Class H494

Source : Statistics Estonia

Vehicle fleet

Estonian RFT companies have 4 vehicles and just over 5 employees, on average. Turnover per vehicle is around 100,000 €, which is similar to CNR estimates.

Vehicle statistics in Estonia					
		2015	2016	2017	2018
Road tractors	Total	10,813	11,365	11,867	12,197
	Less than 2 years	1,160	1,273	1,510	1,606
	2 to 5 years	2,068	2,106	1,991	1,912
	5 to 10 years	3,821	3,565	3,057	2,850
	10 to 20 years	3,221	3,792	4,493	4,865
	More than 20 years	543	629	816	964
Lorries > 3.5 tonnes	Total	24,974	25,417	25,795	26,102
	Less than 2 years	462	474	565	621
	2 to 5 years	617	656	671	720
	5 to 10 years	2,682	2,205	1,654	1,265
	10 to 20 years	6,791	7,244	7,613	7,722
	More than 20 years	14,422	14,838	15,292	15,774
Lorries <= 3.5 tonnes	Total	65,986	71,435	77,118	83,313
	Less than 2 years	7,149	8,282	9,112	9,647
	2 to 5 years	8,905	9,619	10,798	12,377
	5 to 10 years	14,780	14,765	13,851	14,463
	10 to 20 years	23,276	25,676	28,452	30,183
	More than 20 years	11,876	13,093	14,905	16,643
Trailers and semi-trailers	Total	17,283	18,441	18,926	19,394

Source : Statistics Estonia

1.3. OVERVIEW OF FISCAL AND LABOUR REGULATIONS IN ESTONIA

TYPES OF COMPANY

Types of company in Estonia and their main features
<p>Fuusilisest isikust ettevotja or F.I.E. (Sole proprietorship)</p> <p>Number of partners: 1 person. Capital (max/min): No minimum capital. Shareholders and liability: Liability is unlimited.</p>
<p>Osaühing or O.U. (Private Limited Company)</p> <p>Number of partners: No minimum. Capital (max/min): Minimum EUR 2,500. Shareholders and liability: Partners' liability is limited to the amount contributed.</p>
<p>Aktsiaselts or A.S. (Public Limited Company)</p> <p>Number of partners: No minimum. Capital (max/min): Minimum EUR 25,000. Shareholders and liability: Partners' liability is limited to the amount contributed.</p>
<p>Taisühing or T.U. (General partnership.)</p> <p>Number of partners: Minimum 2 partners. Capital (max/min): No minimum capital. Shareholders and liability: The partners are solitarily liable for the obligations of the partnership with all of their assets. Limited liability for limited partner.</p>

Source : Société Générale

TAXES APPLICABLE TO ROAD FREIGHT TRANSPORT

Corporate income tax (Äriühingu tulumaks)

Estonian companies have not been subject to income tax since the 2015 tax reform. Instead, Estonia imposes *a tax on the distribution of corporate profits*. Under the Estonian Corporate Tax Act, companies are only taxed on distributed profits. Under the terms of this new law, legal entities are exempt from tax on undistributed profits, whether reinvested or retained. All retained earnings are thus tax free. This exemption covers both active (e.g. trade) and passive (e.g. dividends, interest, royalties) sources of income. It also covers capital gains derived from the sale of any type of security, including shares, bonds and real estate.

Payments made to foreign subsidiaries are also exempt from tax when they serve the business interests of the company. Consequently, there is no provision for depreciation or for the carrying forward or back of tax losses.

The rate of this distribution tax is 20%.

VAT

In 2009, the government led by Liberal Prime Minister Andrus Ansip increased the VAT rate in Estonia from 18% to 20% in a tax reform aimed at harmonising Estonian taxation with European standards.³

Some goods and services are subject to a reduced VAT rate of 9%. This includes books, textbooks, accommodation, medicines, hygiene products designated by the Ministry of Social Affairs and medical tools.

The zero rate applies to a number of products and services such as goods and services exported to another European Union country, air and sea transport equipment, transport services (air, sea, road) and ancillary transport services.⁴

Axle tax – Heavy goods vehicle tax (Raskeveokimaksu seadus)

The axle tax was introduced in Estonia on 1 January 2004 as part of the harmonisation of local regulations with those of the European Union, which the country joined 4 months later. The axle tax – or the HGV tax as it is called in Estonia – is paid quarterly to the National Tax and Customs Office. This tax is a national tax, so it does not vary by region or city.

No notice is sent to the companies concerned and they are required to periodically pay the tax by bank transfer into the Office's account, specifying the vehicle registration number.

The annual tax on heavy goods vehicles in Estonia is 515 € for a 40-tonne vehicle set with hydraulic suspension.

The person responsible for paying the tax is either the owner of the vehicle or the user named on the registration certificate in the case of long-term rental or leasing. For vehicles with foreign owners, the person liable for the tax is the one who registered the vehicle in Estonia.

³ <http://ttarkvara.ee/131-2/>

⁴ <https://www.eesti.ee/en/doing-business/taxes/valueadded-tax/>

Heavy goods vehicle tax for lorries - 2020			
Number of axles	Maximum authorised weight (kg)	Tax rate according to type de suspension of driving axle (per quarter)	
		Air suspension or equivalent suspension	Other type of suspension
2 axles	12,000 – 12,999	-	7.90 €
	13,000 – 13,999	7.90 €	21.70 €
	14,000 – 14,999	21.70 €	30.30 €
	15,000 and more	30.30 €	68.70 €
3 axles	12,000 – 14,999	-	-
	15,000 – 16,999	7.90 €	13.70 €
	17,000 – 18,999	13.70 €	28.10 €
	19,000 – 20,999	28.10 €	36.10 €
	21,000 – 22,999	36.10 €	55.90 €
	23,000 and more	55.90 €	86.30 €
4 axles	12,000 – 22,999	-	-
	23,000 – 24,999	36.10 €	36.70 €
	25,000 – 26,999	36.70 €	57.00 €
	27,000 – 28,999	57.00 €	90.50 €
	29,000 and more	90.50 €	134.30 €

Heavy goods vehicle tax for road trains (tractor + semi-trailer) - 2020			
Number of axles	Maximum authorised weight (kg)	Tax rate according to type de suspension of driving axle (per quarter)	
		Air suspension or equivalent suspension	Other type of suspension
2+1 axles	12 000 – 13 999	-	-
	14 000 – 15 999	-	-
	16 000 – 17 999	-	3.50 €
	18 000 – 19 999	0.04 €	8.00 €
	20 000 – 21 999	0.08 €	18.80 €
	22 000 – 22 999	0.19 €	24.30 €
	23 000 – 24 999	0.24 €	44.00 €
	25 000 et plus	0.44 €	76.80 €
2+2 axles	12 000 – 14 999	-	-
	15 000 – 22 999	-	-
	23 000 – 24 999	0.08 €	17.50 €
	25 000 – 25 999	0.18 €	28.80 €
	26 000 – 27 999	0.29 €	42.50 €
	28 000 – 28 999	0.43 €	51.10 €
	29 000 – 30 999	0.51 €	84.00 €
	31 000 – 32 999	0.84 €	116.60 €
2+3 axles	33 000 et plus	1.17 €	176.70 €
	12 000 – 35 999	-	-
	36 000 – 37 999	0.93 €	128.80 €
3+2 axles	38 000 et plus	1.29 €	175.10 €
	12 000 – 35 999	-	-
	36 000 – 37 999	0.82 €	113.50 €
	38 000 – 39 999	1.14 €	157.50 €
3+3 axles and more	40 000 et plus	1.58 €	232.60 €
	12 000 – 35 999	-	-
	36 000 – 37 999	0.47 €	56.30 €
	38 000 – 39 999	0.56 €	84.00 €
	40 000 et plus	0.84 €	133.80 €

Source : Ministry of justice, Estonia

Tolls⁵

Beginning on 1 January 2018, all vehicles with a gross vehicle weight of 3.5 tonnes or more have been subject to a toll for use of the Estonian public road network. Estonian road tolls are not based on distance but on duration. The amount therefore depends on the chosen period of use but also on the vehicle's emissions class and the number of axles. It is thus an updated toll sticker system.

Payment must be made before the vehicle uses a toll road. Payments are fully automated and can thus be made at any time using a variety of methods (mobile application, physical terminals in service stations or on the Internet). There is no paper proof to be kept in the cab and checks are carried out electronically using license plate readers.

Tolls - Estonia - 2020						
Vehicles with maximum authorised weight between 3,501 and 12,000 kg						
Emission class	Number of axles	1 day	7 days	30 days	90 days	365 days
All	All	9 €	25 €	50 €	125 €	500 €
Vehicles with maximum authorised weight over 12,000 kg						
Emission class	Number of axles	1 day	7 days	30 days	90 days	365 days
EURO 0, I or II	Up to 3 axles	12 €	45 €	90 €	225 €	900 €
	4 axles and more	12 €	65 €	130 €	325 €	1 300 €
EURO III	Up to 3 axles	11 €	40 €	80 €	200 €	800 €
	4 axles and more	12 €	60 €	120 €	300 €	1 200 €
EURO IV or V	Up to 3 axles	10 €	35 €	70 €	175 €	700 €
	4 axles and more	12 €	55 €	110 €	275 €	1 100 €
EURO VI and less polluting	Up to 3 axles	10 €	30 €	60 €	150 €	600 €
	4 axles and more	12 €	50 €	100 €	250 €	1 000 €

Source : Road transport administration, Republic of Estonia

Partial reimbursement of the toll is possible upon request in the event that the payment has been made for 90 or 365 days and the period for which the toll was paid has not fully elapsed. Reimbursement is possible if the vehicle has changed hands, if it has been removed from the register or if its use has changed and the new use is exempt from the toll (e.g. military use).

If the toll has not been paid properly, the National Police, the Border Police or the Customs officers may stop and immobilise the vehicle and fine the owner and the driver of the vehicle.

⁵ <https://www.emta.ee/eng/business-client/excise-duties-assets-gambling/road-toll>

The fine for the driver is 160 €, while the fine for the owner or manager of the vehicle can be up to 1,800 € in the event of a repeat offence.

The following map shows the Estonian road and motorway network where the toll applies:



Excise duty on commercial diesel fuel

In accordance with Directive 92/12/EC and 2008/118/EC, Estonia has instituted an excise duty system. When this study was carried out in 2019, excise duty in Estonia was 49.30 €/hl, one of the highest in Europe. The people we met in Estonia told us that some politicians were proposing to reduce this amount.

In early 2020, a proposal by the Chairman of the Economic Committee of the Estonian Parliament on 24 April 2018⁶ to adopt a system of reduced excise duties for the road haulage sector was approved by the government.

As part of the emergency measures to respond to the Covid health crisis, the government decided to temporarily lower the level of excise duty for all sectors in order to offset additional costs arising from the reduced availability of low-cost fuel supplies from Russia. As of 1 May 2020, the excise duty on diesel was 37.20 €/hl. This system is expected to end on 20 April 2022.

It is worth noting that there is no provision for partial reimbursement of excise duties on commercial diesel in Estonia.⁷

NOTE ON LABOUR REGULATIONS APPLICABLE TO ROAD FREIGHT TRANSPORT

Salary conditions

In Estonia, the statutory working week is limited to 40 hours, or 173.33 hours per month. This legally-mandated maximum is coupled with a minimum monthly wage, which grew quite quickly after in the aftermath of the 2008 economic crisis (see below).

The working conditions of Estonian workers are governed by the country's Labour Code but also by the relevant European legislation.

Employment contracts

Under Estonian regulations, an employment contract may be oral if it does not exceed two weeks. A long-term or permanent employment contract must be in writing.

There is only one type of employment contract in Estonia. It may be of a limited duration if the parties decide to include an end date in the contract, in which case the maximum duration is 5 years, including renewals. Otherwise, a contract is deemed to be open-ended.

The employment contract must specify:

- the names of both parties,
- the contract start date,
- employee qualifications,
- the description of the job in question,
- the place of work,

⁶ <https://www.err.ee/825581/sester-kutuseaktsiisi-soodustust-logistikasektorile-tasuks-kaaluda>

⁷ Excise duties and mechanisms for partial rebates on diesel in Europe - CNR study, 19 March 2020

- salary conditions (monthly or annual salary, any bonuses and the amount of travel allowances if applicable),
- working time, working schedule,
- amount of paid leave,
- the conditions of termination of the employment contract.

But also, if applicable:

- the duration of the trial period,
- specific managerial or supervisory conditions,
- a list of job-specific conditions if a specific collective agreement or regulations exists.

The trial period may not exceed 4 months.

Termination of the employment contract may take place under certain conditions:

- If termination is by mutual agreement, the end date of the contract and the severance pay must be specified.
- The employee must give one month's notice to terminate the contract.
- The employer may terminate the employment contract with one month's notice if they have a valid reason to do so. No severance pay is provided for unless explicitly stated in the employment contract.
- The employer does not need to inform its employee in advance if the termination is for economic reasons.

Collective agreement

For the first time in Estonia, a collective agreement was signed in 2018 between the drivers' unions and the professional organisation *Autoettevotete Liit*.

At little more than a page long, this brief document does not go into detail about the working conditions of lorry drivers but sets the minimum wage amount for professional lorry drivers at 950 € gross per month for the second half of 2019, with monthly increases of 50 € monthly in 2020 and 100 € in 2021 (i.e. 1,100 €). This is 75% more than the basic minimum wage. These wage requirements must be adhered to by all road hauliers based in Estonia as well as foreign hauliers involved in cabotage activities on Estonian soil.

Pay rates

There is a basic minimum wage in Estonia. In 2019, it was 540 €. It was increased to 584 € in 2020 and is not expected to be raised in 2021.

Since Estonia joined the European Union on 1 May 2004, the basic minimum wage has increased fourfold. There was no increase for 3 years following the economic crisis of 2008 and it also remained unchanged in 2021 due to the health crisis.

This minimum wage does not apply to sectors or professions that have negotiated their own specific wage rates as part of a collective agreement. Lorry drivers working in the road freight transport sector are one of the cases where a specific monthly salary has set by means of a collective agreement.

Evolution of minimum wage in Estonia		
Date	Monthly amount	Yearly evolution
01.01.2021	584.00 €	0.0%
01.01.2020	584.00 €	8.1%
01.01.2019	540.00 €	8.0%
01.01.2018	500.00 €	6.4%
01.01.2017	470.00 €	9.3%
01.01.2016	430.00 €	10.3%
01.01.2015	390.00 €	9.9%
01.01.2014	355.00 €	10.9%
01.01.2013	320.00 €	10.3%
01.01.2012	290.00 €	4.3%
01.01.2011	278.02 €	0.0%
01.01.2010	278.02 €	0.0%
01.01.2009	278.02 €	0.0%
01.01.2008*	278.02 €	20.8%
01.01.2007*	230.08 €	20.0%
01.01.2006*	191.73 €	11.5%
01.01.2005*	171.92 €	8.5%
01.01.2004*	158.50 €	14.8%
01.01.2003*	138.05 €	16.8%
01.01.2002*	118.24 €	15.6%
01.01.2001*	102.26 €	14.3%
01.01.2000*	89.48 €	

*Converted to euros using the official exchange rate on 1st January

Source : Eurostat

Travel allowances (Välislahetuse päevaraha)⁸

Estonian travel allowances are the same regardless of the country of travel.

Employees is entitled to a travel allowance if the destination in question is at least 50 km from the Estonian border. A daily allowance is paid from the first day for travel abroad if the vehicle leaves at 9 p.m. at the latest. As for the day of return, the payment of a daily allowance is required if the vehicle arrives in Estonia after 3 p.m.

As regards the amount of the standard daily travel allowance for travel outside Estonia, companies must comply with a minimum of 22.37 € per day. Daily travel allowances are not capped. However, the tax exemption limit is set at 50 € per day for the first 15 days of the month. It is then reduced to 32 € per day for any additional days.

The level of travel allowances an employee is entitled to is often stipulated in their employment contract and may be modified if the regulations in this area change.

Employee travel allowances do not apply to self-employed individuals who are required to deduct their actual expenses based on receipts submitted to the tax authorities.

Social security contributions (Sotsiaalmaks)⁹

The Estonian social security system is funded mainly by employers, self-employed workers and the State.

Employers and the self-employed are subject for an overall contribution (*sotsiaalmaks*) of 33% (with no ceiling): in the case of the former, this is calculated based on the gross salary of their employees; in the latter, on the self-employed individual's taxable income. This overall contribution comprises health insurance (13%) and pensions (20%).

In 2019, the Social Tax Act stipulated a minimum contribution of 165 € per month, increasing to 178.20 € per month in 2020¹⁰ (in the case of part-time work or if the employment contract began part-way through the month).

For a self-employed worker, the maximum annual taxable amount for social security purposes is 10 times the national minimum monthly wage rate for the period in question.

⁸ Official Journal, <https://www.riigiteataja.ee/akt/121122011010?leiaKehtiv>

⁹ Cleiss, Les cotisations en Estonie (Social Security Contributions in Estonia), [https://www.cleiss.fr/docs/cotisations/estonie.html#:~:text=Employeur%20et%20travailleur%20ind%C3%A9pendant%20sont,et%20pensions%20\(20%20%25\)](https://www.cleiss.fr/docs/cotisations/estonie.html#:~:text=Employeur%20et%20travailleur%20ind%C3%A9pendant%20sont,et%20pensions%20(20%20%25)).

¹⁰ National Tax and Customs Office, <https://www.emta.ee/eng/business-client/income-expenses-supply-profit/social-tax>

Unemployment insurance is financed by employers and employees (0.8% and 1.6% of gross salary respectively). Workers who have reached the legal retirement age (minimum age 65) are exempted from the employee share. This unemployment insurance does not apply to self-employed workers.

Finally, all workers born since 1983 are obliged to join a pension fund (capitalised system). They are required to pay a contribution equivalent to 2% of gross pay (contribution deducted by the employer) or of their taxable income (self-employed workers).

There is no specific occupational accident and health insurance; these risks are covered by health insurance (health care and daily allowances in the event of temporary incapacity) and pensions (in the event of permanent incapacity).

Social contributions in Estonia

Social contributions applicable to driving staff as of 1st January 2019, valid in 2020	Employer	Employee
Health insurance	33.0%	0.0%
Pension		
Unemployment	0.8%	1.6%
Accidents at work and occupational diseases	0.0%	0.0%
Additional pension fund (only for those born after 1983)	0.0%	2.0%
Total (excluding the additional pension fund)	33.8%	1.6%

Source: Estonian tax and customs board

Personal income tax

In 2020, personal income (salary, bonuses, other elements of remuneration subject to tax, capital income, property income, pensions) is taxed at 20% in Estonia. Since 1 January 2018, all income up to 6,000 € per year, or 500 € per month, is exempt from income tax.

The exact amount of income that is exempt from tax depends on the level of an individual’s taxable income:

- If the sum of all income (compensation, bonuses, rental income, dividends, etc.) does not exceed 1,200 € per month, then the amount of tax exempt income is 500 €.
- If income exceeds 2,100 € per month, no exemption is applicable.
- If income is between 1,201 € and 2,099 €, tax exempt income gradually decreases, from 500 € to 0.

2. STUDY OF THE OPERATING CONDITIONS AND COSTS FOR A 40-TONNE ESTONIAN HGV OPERATING INTERNATIONALLY

This part of the study describes the economic and social conditions prevailing in 2019, at the time this updated study was conducted. In carrying out this study, the CNR has drawn on a research focused primarily on the fiscal and social aspects of the RFT sector, as well as on feedback from the experts with whom the CNR collaborates. These different sources provide an overview of the Estonian RFT sector internationally. This research and process of dialogue are further backed up by interviews with Estonian hauliers and lorry drivers.

All the figures eventually adopted by the CNR in order to construct the typical profile represent the best expert appraisal of this set of data sources.

2.1. OPERATING CONDITIONS AND COSTS FOR COMPANIES

This section is mainly based on face-to-face interviews with 10 Estonian road freight transport companies involved in long-distance transport and selected by the CNR because of their focus on long-distance haulage, mostly abroad. All the companies visited were able to provide us with the information we were seeking. Thus, the 10 companies involved for this study have the following characteristics:

	Number of tractors	Number of semi-trailers	Main markets	Number of drivers	Turnover
Company 1	28	28	DE, Benelux, UK, CH	34	3,000,000 €
Company 2	18	19	ES, Benelux, DE, FR, SP, CH, IT	22	1,500,000 €
Company 3	43	43	EST, LT, FI	46	3,100,000 €
Company 4	24	24	Scandinavia	32	4,000,000 €
Company 5	22	29	Benelux, Russia, Scandinavia, Turkey	22	3,000,000 €
Company 6	22	25	Benelux, Est, FI, DE	25	3,200,000 €
Company 7	9	15	No, FI, LV, LT	11	920,000 €
Company 8	85	90	Scandinavia, RU	92	10,000,000 €
Company 9	13	13	DE, Benelux, FI, AT	12	1,700,000 €
Company 10	30	29	DE, Benelux, FI, CH	30	3,140,000 €

The companies visited for this study were either small or medium-sized and were extremely diverse in terms structure. They are specialised in international RFT, although some also engage in a significant amount of additional domestic activity.

With regard to Scandinavian and Finnish clients, the Estonians have developed a good working relationship, which means that these clients do not routinely use large subcontracting companies. In Eastern markets, the situation is markedly different, with subcontracting being the norm.

In Estonia, a very large portion of transport is carried out by small and medium-sized companies. They have invested in automated communication systems to keep in touch directly with their customers. As a result, the market appears to be less under pressure from large RFT companies. The Estonian sector serves as a bridge between the Finnish market and

the rest of the European Union, thanks, in particular, to numerous ferries between Tallinn and Helsinki. Estonian RFT companies often have direct customers in Finland or work subcontractors for large Finnish companies. This is true to a lesser extent in the Swedish market.

The CNR is hereby reporting the results of these interviews, which have no statistical value. However, they do shed light on figures and information obtained elsewhere. Ultimately, the CNR uses figures based on expert opinion to establish the costs and operating conditions that pertain for a “typical” HGV operating internationally.

TRANSPORT EQUIPMENT – Operational data

Vehicle use in Estonian RFT companies seems less intensive than in most neighbouring RFT sectors. This is mainly due to the travel time spent on ferry crossings, which reduces vehicle mileage.

The average annual mileage travelled by the vehicles of the hauliers we met with is between 100,000 km and 132,000 km. According to its calculations (which are consistent with driver mileage) and based on expert opinion, CNR has arrived at an estimated mileage figure of 128,500 km per year per vehicle.

The length of time vehicles are kept varies greatly depending on each company’s business strategy. Based on interviews carried out on site and feedback from experts, CNR has estimated tractors are kept for 6 years on average (the figure for semi-trailers is 10 years), bearing in mind that more than half of companies change their vehicles at the end of 4 or 5-year leasing contracts. Others buy them at the end of the contract and keep them for two more years, while some companies self-finance them and keep them for 7 to 8 years. A small proportion of companies that opt to keep their vehicles for longer do so in order to operate them mainly in Russian and Belarusian markets.

In terms of semi-trailers, low-end or mid-range models are preferred, sometimes ones with a reinforced chassis. Semi-trailers are kept for 10 years, which is in line with the regional average. The most common method of acquiring trailers is via 5-year leasing.

The tractor/semi-trailer ratio reported in the course of company surveys is in line with the regional average. It stands at 1.07, a figure well below what is usually the case in most Central and Western European sectors. According to the hauliers, the regularity of customers, goods and trips facilitate the cost-effective use of their semi-trailer fleets.

TRANSPORT EQUIPMENT – Financing

The average purchase price of a Euro VI tractor established based on interviews with Estonian hauliers is at the higher end of the European price range, with a clustering around 89,000 € - 90,000 €. The figure arrived at in this study is 89,650 €, while the price of a new semi-trailer is estimated at 25,300 €.

The financing method used is typically leasing. Contracts are for 5 years in the vast majority of cases. Leasing contract interest rates are in line with the average for European sectors. The adoption of the single currency in 2011 appears to have put an end to speculative interest rates and allowed hauliers to avail themselves of rates of between 2% and 2.5% on their 5-year leasing contracts. By returning their vehicles after 5 years of leasing, companies can avoid paying the 15% deposit for the purchase of new vehicles. In other cases, a 10% down payment is sufficient to initiate the contract, but hauliers can exercise an option to purchase at 5-10% of the new vehicle price.

Some large companies interviewed prefer leasing contracts that include a range of services, such as a maintenance or tyre contract, which makes it difficult to break down the reported cost into individual items for purposes of comparison with other CNR studies. Based on the interest rate data (estimated at 2.5 %) and leasing contract conditions collected during our interviews, the annual cost of owning a 40-tonne articulated vehicle set can be calculated based on expert opinion. It is nearly 15,727 €, with a ratio of semi-trailer/tractor ownership of 1.07. This relatively high cost reflects the strategy of frequent fleet renewal followed by these companies.

FUEL

The average unit price of fuel in 2019 (for the Estonian sector) was 1.106 € per litre according to official figures published in the European Commission's Oil Bulletin.

However, this fuel price in Estonia does not reflect the cost borne by Estonian companies, who diversify their fuel shopping basket as much as possible to minimise the ultimate cost. Only 20% of the fuel consumed by Estonian companies is purchased in Estonia, very often in bulk with a discount of 4 euro cents on average.

As for the remainder, it is purchased mainly in Russia, despite the “poor” quality of fuel. The average purchase price of a litre of diesel in 2019 in Russia is estimated at 0.6450 €. The price shown is inclusive of VAT as Russian taxes are not recoverable. Other countries of supply, their weight in the Estonian “fuel shopping basket” and the average price in 2019 are shown in the following table.

Fuel basket - Estonia - Estimation 2019		
Country of supply	%	Price
Estonia (bulk)	20%	1.0660 €
Russia (VAT included)	35%	0.6550 €
Lithuania	15%	0.9430 €
Latvia	10%	0.9900 €
Germany	15%	1.0540 €
Finland	5%	1.1350 €
Medium weighted	100%	0.8943 €

Source : CNR European studies

The average unit price of the fuel purchase basket of an Estonian haulier in 2019 is therefore estimated at 0.8943 €, i.e. between 5 and 18 cents below the prices paid by other European hauliers not located near the Russian market.

Average fuel consumption is estimated at 31.4 litres per 100 km, which is slightly above the figures observed elsewhere in Europe. According to hauliers, this could be due to the lower quality of Russian diesel and the climatic conditions of the region.

Note: due to the economic climate resulting from the Covid health crisis, the Estonian government has decided to reduce the amount of excise duty for a limited period of time (see page 18). The calculation of fuel costs in the Estonian sector in 2019 thus reflects the situation before the health crisis.

MAINTENANCE & REPAIRS

The use of leasing contracts that include a service contract is a growing trend in Estonia and is becoming affordable for a large number of companies with fleets of more than 20 vehicles. According to those running haulage companies, a maintenance contract for a new vehicle with a 5-year lease with no purchase option costs between 600 € and 700 € per month per tractor over the period of the lease, i.e. between 7,200 € and 8,400 € per year. Based on our interviews with these hauliers, it would appear this generally includes the cost of tyre maintenance. A maintenance contract excluding tyres costs about 450 € per month, or 5,400 € per year.

For nearly 30% of the companies surveyed, this cost item amounts to about 2,000 € for the first two years following the purchase of vehicles, increasing to 7,500 € in the 6th year of vehicle ownership. In other cases where the haulier has their own integrated in-house garage, the overall cost (including maintenance, repairs and tyres) is around 8,000 €, including about 2,000 € for the purchase of tyres.

Notwithstanding the varying accounts, it has been possible to determine a figure for the purpose of this 2019 study. It is 5,700 € per year per vehicle.

TYRES

Given the availability of maintenance contracts that include tyres, the frequency with which vehicles are renewed when leasing contracts expire, and the increase in the number of tyre contracts based on a fixed cost per kilometre, it is becoming increasingly difficult to estimate this cost item.

Based on information provided by Estonian hauliers and an analysis of a certain number of contract details, it can be established that the annual cost of tyres for a 40-tonne articulated vehicle set varies between 1,800 € and 4,750 €. For appraisal purposes in this 2019 study, CNR has used data obtained from companies that keep detailed accounts and that estimate tyre costs at 3 euro cents per kilometre. Thus, the figure used is 3,750 € for a 40-tonne Estonian articulated road train.

TOLLS, TOLL STICKERS AND FERRIES

With regard to tolls, the Estonian case is an exceptional one. An Estonian toll sticker costs 1,000 € per year per vehicle. In Finland, the main market for Estonian hauliers, there are no toll roads. Thus, the only cost associated with accessing the Finnish market is the cost of the ferry, which can reach as much as 20,000 € per year per vehicle for RFT companies specialising in this market.

As a reminder, the cost of the Eurovignette for Sweden, Denmark, Luxembourg and the Netherlands is 1,250 € per year. The Latvian toll sticker costs 713 € per year and its Lithuanian equivalent 753 €.

According to information provided by Estonian companies, CNR has identified two comparably sized groups of companies. The first group, whose main markets are Finland and Scandinavia, has toll and toll sticker costs of about 4,000 € per year and per vehicle, to which must be added 15,000 € in ferry costs, giving a total of 19,000 €. The second group, whose main markets are the Baltic countries, Russia, Poland and Germany, has annual toll costs of around 8,000 €.

In the case of companies whose operations predominantly involve ferry crossings, the cost of ferries is often included in the quoted price when it comes to long-term contracts or for bundled jobs. However, ferries are often billed separately for occasional customers.

Typically, the average cost of tolls, excluding ferries, is estimated at nearly 5,500 € for the sector as a whole. This cost item increases to 13,500 € when the cost of ferries is included.

INSURANCE

As is the case throughout Europe, vehicle insurance is made up of components that can be purchased separately, i.e. a compulsory third-party insurance policy and a comprehensive or “Casco” insurance policy that can be added to the former. The amounts reported by hauliers are largely consistent, ranging from 2,850 € (per year, per vehicle set) to 4,500 € (per year, per vehicle set).

Based on the preponderance of responses, the figure estimated by CNR for comprehensive insurance in the case of a 40-tonne vehicle set is 3,550 € per year.

AXLE TAX

The annual axle tax for a 40-tonne Estonian road train is 515.20 €.

FIXED COSTS

Fixed costs are calculated by most of the Estonian companies we met with. Without being able to verify the details of the reported calculations, the data obtained from 8 companies visited show costs of about 0.067 € per kilometre, i.e. 8,375 € in fixed costs per year and per vehicle, which is equivalent to 7.2% of total costs.

2.2. EMPLOYMENT CONDITIONS AND DRIVER EMPLOYMENT COSTS

Employment conditions and driver pay in Estonia were surveyed during two rounds of interviews: a first phase in companies with employers; and a second phase, involving face-to-face interviews with drivers in car parks and rest stops in Poland, as well as at the Lithuanian border. During this second phase, around twenty drivers, employees with Estonian contracts, volunteered to be interviewed about their working conditions and pay.

Based on an analysis of these sources and a review of the literature, the CNR has produced a typical profile (in terms of employment conditions and pay) of an RFT driver with an Estonian contract working internationally.

WORKING CONDITIONS

Open-ended employment contracts (the equivalent of permanent contracts) are the general rule in the sector. Young drivers are often hired on a 4-month trial basis. Some companies we interviewed hired drivers on a part-time or seasonal basis to cope any increase in activity.

Estonian drivers report working between 210 and 232 hours per month. The figure established for working hours by the CNR is 220 hours per month, of which 174 hours are driving time. The number of working days per year is 239 days, ranging from 222 days to 242 days. The number of working weeks is estimated at 45 weeks.

The number of days of leave reported by the drivers surveyed is 20 days per year for drivers with an average age of 26.5 years and an average length of service of between 5 and 6 years. As a reminder, Estonian employees are entitled to a minimum of 20 working days of paid leave per year. Drivers rarely get more paid leave than this. Of the 20 drivers surveyed, only 2 reported receiving additional paid leave as a reward for their seniority in the company.

As regards work schedules, several different situations were observed. The main market in which the transport company operates directly affects the duration of driver trips. For the

majority of Estonian drivers encountered, trips last between 10 and 14 days, which mean they get to return home every other weekend on average, for 3 days off.

A second set of drivers (representing a quarter of cases) do round-trips to neighbouring countries. This allows them to return home every weekend.

For other drivers with an Estonian contract (often Russian nationals), trips to the countries to the east of the EU (including Russia, Belarus and Ukraine) can last up to 2 months. However, this type of driver appears to be becoming rarer in Estonia due to rising wages and increasing employee demands.

Finally, the average driver mileage that emerges from company surveys is around 108,000 km per year. Meanwhile, drivers reported driving less: i.e. 124,000 km annually. The figure used in its latest report is 116,000 km per year, reflecting the low mileage of drivers crossing the Baltic Sea by ferry. Under these conditions, more than half of drivers do not reach the maximum driving time of 90 hours over two weeks provided for under European regulations.

As for the driver labour market in 2019, Estonian companies report difficulties in hiring despite the increase in wages. Indeed, the salaries of Estonian drivers had apparently already reached almost 1,000 € before the collective agreement was signed against a backdrop of labour market tensions. As the hiring of non-European drivers is quite difficult, business owners believe that the shortage of drivers will persist for a long time.

Based on interviews with companies, the driver/tractor ratio is 1.11.

NOTE ON DRIVING PERSONNEL COST FORMATION

International driver pay

Drivers with Estonian contracts receive a fixed monthly salary of just under 1,000 € gross, which is very close to the minimum monthly salary of 950 € gross per month stipulated in the 2019 collective agreement. Given the high level of wages, companies do not award bonuses. The only exceptions are drivers who are willing to work on public holidays or to postpone their holidays to coincide with periods of reduced work activity.

In addition to their monthly salary, Estonian drivers receive international travel allowances. These allowances are often capped, i.e. 15 days of travel allowances at 50 € per day (legal limit), plus 2 additional days at 32 €. The final 5 days of driving in Estonia (and within 50 km of the border) are paid at the minimum rate of 22.37 € per day. This makes a total of 925 € for month's full-time work. Within these limits, companies do not have to pay social security contributions on travel allowances.

TYPICAL PROFILE OF A DRIVER WITH AN ESTONIAN CONTRACT WORKING INTERNATIONALLY AND BREAKDOWN OF THEIR COST

Standard profile of an international driver - Estonia - 2019					
Characteristics	<ul style="list-style-type: none"> - 70% of driver's work realized on international routes. - Middle range and long distance international itineraries (Scandinavian countries, Baltic countries, Russia, Germany, Netherlands) - Two week rounds, two weekends spent at home, traveling mostly to Finland, Sweden, Norway and Germany. - 2 weeks of paid holidays systematically taken in summer period, then about 10 days during Christmas time and a few days during low activity periods. - Income composed of a high fixed salary but close to the collective contract minimum, completed by a variable part composed of travel allowances which represent half of full income. - Travel allowances usually reflect the reality and their amounts are respected. - Monthly working time close to 220 hours. - Low mileage due to frequent use of ferries. 				
Annual mileage achieved	116,000 km				
Number of actual working days per year	239				
Number of working weeks per year	45				
Number of driving hours per year	1,920				
Cost breakdown of a standard Estonian international driver in 2019					
Presentation of a standard pay slip					
EMPLOYER			EMPLOYEE		
Gross salary	€/month	978.33 €	Salaire Brut	€/month	978.33 €
Fixed gross salary	€/month	970.00 €	Fixed gross salary	€/month	970.00 €
Other bonuses and extras (on monthly basis)	€/month	8.33 €	Other bonuses and extras (on monthly basis)	€/month	8.33 €
Cotisations sociales	33.80%	330.68 €	Cotisations sociales	1.60%	15.65 €
Overall contribution	33.00%	322.85 €	Included in employer's overall contribution		-
Unemployment	0.80%	7.83 €	Unemployment	1.60%	15.65 €
			Income tax	20.00%	95.67 €
Monthly salary after payment of contributions		1,309.01 €	Net salary after social contributions and income tax		867.01 €
Travel allowances for a full working month (11 months in a year)		925.85 €	Travel allowances for a full working month (11 months in a year)		925.85 €
Monthly cost of a driver for a month of full activity		2,234.86 €	Net income of a driver for a month of full activity		1,792.86 €
Breakdown of annual cost of a standard Estonian driver in 2019					
Fixed gross salary + bonuses * 12 months		11,740.00 €	Fixed gross salary + bonuses * 12 months		11,740.00 €
Employer's social contributions * 12 months		3,968.12 €	Employee's contributions and income tax * 12 months		1,335.84 €
Salary cost after payment of contributions * 12 months		15,708.12 €	Net fixed income after income tax * 12 months		10,404.16 €
Travel allowances * 11 months		10,184.35 €	Travel allowances * 11 months		10,184.35 €
Total annual cost		25,892.47 €	Annual net income		20,588.51 €
Cost of one hour of driving in €		13.49 €	Average monthly net income		1,715.71 €
Cost per kilometre in €		0.22 €			

Source: CNR European studies

CNR estimates driver costs at 26,000 € per year. Unusually for a country located in the east of the EU, more than half of driver compensation is subject to social security contributions and income tax.

Overall, the cost of an hour of driving is 13.49 €, while the cost per kilometre is estimated at 0.22 €/km.

2.3. OVERVIEW OF THE OPERATING CONDITIONS AND COSTS OF A “TYPICAL” INTERNATIONAL HGV

Operating conditions and costs for a 40-tonne HGV operated on long distance international routes, 2019 values 		
	unit	Estonia Simulation
Yearly mileage of a vehicle	km	128,500
Number of operating days	days/year	265
Semitrailer/tractor ratio		1.07
Cost of one driver	€/year	25,892
Driver/tractor ratio		1.11
Yearly cost of vehicle financing and possession	€/year	15,727
Average consumption per 100 km	litres	31.4
unit fuel price, 2019 average	€/litre	0.8943
Yearly fuel cost	€/year	36,048
Tyres	€/year	5,700
Maintenance-repair	€/year	3,750
Tolls and vignettes	€/year	13,500
Insurance (vehicle)	€/year	3,550
Axle tax and other vehicle taxes	€/year	515
Synthesis - cost price (excluding overhead costs)		107,500
Cost/mileage ratio per annum	€/km	0.84
Overhead costs	€/year	8,341
Synthesis - complete cost price		115,841
Complete cost per kilometer	€/km	0.90

Source : CNR European studies

According to CNR calculations, the cost per kilometre of a 40-tonne Estonian heavy goods vehicle operating on international routes, excluding structural costs, is 0.84 €. When fixed costs (estimated at around 7.2 % of the total cost) are factored in, cost price in 2019 is estimated at 0.90 €/km. This amount is slightly below the figures provided by hauliers, who estimate their cost price at about 0.92 €/km.

Looking more closely, certain cost items diverge from those typically observed in the region, particularly in Lithuania and Latvia. The fact that some Estonian companies specialise in the Finnish market, access to which requires frequent ferry crossings, seems to have a significant impact on the sector: low annual mileage, which reduces fuel costs, and a significant disparity in terms of transport infrastructure costs (motorway tolls, toll stickers, ferries). This cost item shown, which is shown in the table above, represents the average for the Estonian sector as a whole, regardless of the main markets served by the companies surveyed.

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