



The Terms of Reference for a Scientific Research No 1

THE SCOPE OF IMPACT OF THE TRANSIT IN THE ESTONIAN ECONOMY

1. BACKGROUND INFORMATION

The contracting entity of the research, Estonian Logistics and Transit Association (hereinafter referred to as LTA), is a non-profit organisation uniting companies providing logistics services and transit. LTA is the leading partner of the Estonian Logistics Cluster. Further information available at www.transit.ee

According to the Bank of Estonia, the logistics services form the largest percentage in the Estonian services exports, amounting to 40% of the total volume of the Estonian services exports. The services exports in turn amount to one third of the Estonia's total exports. In the case of logistics services exported, a customer residing outside of Estonia is paying the invoice to the Estonia-registered logistics service provider.

One of the categories of the logistics services exported is transit, in which the goods that are transported, trans-shipped, stored or have value added to them in any other way are not originating from Estonia and their final destination is not Estonia, but their journey from their place of origin to the place of destination is routed through Estonia.

2. HYPOTHESIS

The aggregated scope of impact of transit is one third of Estonia's gross domestic product (GDP).

3. PROBLEM DESCRIPTION

Estonia lacks understanding of the transit's scope of impact in our economy. It is due to a concurrence of several factors, of which the third prominent ones are:

3.1. Lack of the complete review of the transit capacities passing through Estonia. When the transit weight in the goods turnover in harbours and in rail transport is largely identifiable (with the exception of some Ro-Ro and container shipments), then road and air transit statistics are not shown separately anywhere. In addition, the statistics gathered and presented in Estonia does not consider transit separately, but as a part of exports and imports. Therefore statistically the Estonia's largest export articles are e.g. petroleum and mineral products that in fact originate from Russia and Central Asia;

3.2. Lack of overview of the direct impact of transit in the Estonian economy.

3.2.1. Lack of overview of the companies involved in transit and the number, qualifications, and wage rates of their employees as well as any added value created by these companies in operating transit;

3.2.2. Lack of overview of the reduced load on the tax payer that is due to transit. More precisely, what tax load Estonian tax payer is exempt of due to some of the income of the state earned from transit?

(Example: Passenger train traffic in Estonia is subsidised greatly from the rail freight transport, of which capacities about ~80% is made up by transit);

3.3. Lack of overview of the indirect impact of transit in the Estonian economy.

3.3.1. In addition to the companies directly involved in handling the transit goods, various co-operation partners are indirectly involved in it and it expands in circles. Lack of overview of how many and what kind of indirect job positions have been created enabled by transit. What kind of qualifications and wage rates these positions entail? How many and which Estonian companies are providing what kind of services and in how large volumes to the companies directly involved in transit? How high is the added value created by the companies in providing services indirectly associated with transit?

(Example: Fully transit logistics dedicated Estonian companies owns a terminal at a harbour, providing trans-shipment, storage and value-added services. The company is directly employing couple of dozen people. In the meanwhile the described company has

indirectly provided and is providing employment for a larger number of people in partner companies. In order to set up and build the infrastructures and terminal itself, design work and planning, construction and construction supervision services have been employed as well as the real estate requiring continuous maintenance and administration, security surveillance, illumination, heating, and electricity. In its everyday operations, the company needs office equipment and supplies, communication, information technology, banking and insurance services. For commuting to harbour and back, the employees need means of transport or transport services etc. None of the listed activities would be performed, if there were no transit trade flows through that company operating at the harbour.);

3.3.2. Lack of overview of the companies operating in Estonia due to transit and which are not service providers to the logistics companies, but their customers or representatives of the customers. Lack of overview of how many such companies are operating in Estonia. What kind of employment are they providing and with what kind of wage rates? What kind of added value these companies generate for Estonia?

Not all the logistics services associated with Estonia's transit are classified as export services. That in cases, when transit logistics services are provided by Estonia-registered company to a company that is also registered in Estonia; however, the goods that are object of the service provided are not originating from Estonia, their final destination is not Estonia, but their journey from their place of origin to the place of destination is routed through Estonia. In such cases the re-exporter is the client whom the transit logistics services are provided to. (Example: The owner of the transit goods being routed through Estonia whom the transit logistics services are provided to is an Estonia-registered company engaged in international trade.)

3.3.3. Lack of overview of the areas of economic activities that are enabled and supported by transit, yet not associated with it. The main premises for the involvement in transit are an advantageous location in the economic geographic sense, an infrastructure with sufficient capacities, good transport connections, warehouse and terminal structures, professional logistics services, optimum total costs, and maximum added value generated. All this enables successful competition with alternative transport corridors and to attract trade flows for a long term.

The possession of all the capabilities listed above creates the premises for more competitive foreign trade activities of the companies of the transit country, in the current context

Estonia, in using the same infrastructure, terminals, transport connections and logistics services. Considering the relatively small capacities of the Estonian export and import companies, it would have not been possible to create the current infrastructure without transit. Therefore transit has indirectly enabled and facilitated the development in many non-transit-related areas of economic activities. Unfortunately, there is a lack of overview of what areas of activity and companies have been developing due to transit. How large is the indirect role of transit in enabling their operations, in their competitive abilities and sustainability? How many such companies are there? How large is the employment ensured by these companies? What kind of added value these companies generate?

(Example: Without transit capacities, the container vessels would call the Port of Tallinn remarkably less, considering the low export and import volumes of Estonia itself. Due to transit, container vessel call frequently, which in turn provides Estonia's exporters a wider range of options, lowers logistics costs, and increases their competitiveness at the target markets.)

4. THE OBJECTIVE OF THE RESEARCH

The objective of the research commissioned is to determine the scope of impact of transit in the Estonian economy.

5. THE CONTENT AND EXPECTED RESULTS OF THE RESEARCH

The research study has to determine and establish

1. the transit capacities passing through Estonia, pursuant to the clause 2.1. of the problem description, encompassing all modes of transport and excluding all overlapping (so the same cargo items are not counted several times). The exception are the transit passengers, who have to be counted each time they pass through Estonia in transit;
2. the direct impact of transit to Estonian economy, pursuant to the clause 2.2. of the problem description;
3. the indirect impact of transit to Estonian economy, pursuant to the clause 2.3. of the problem description.

Compulsory requirements

- The research has to be conducted based on reliable sources only. All the sources used have to be references properly.
- The methods employed in the research have to minimize subjectivity and to provide as objective answers as possible to all the questions stipulated in the terms of reference.
- The methods employed in the research have to be described coherently enough to enable the use of the same methods in verifying the results.
- The presentation language of the research and its results shall be English.
- The research report and all annexes thereof have to be presented in electronic format.

6. THE TENDER HAS TO INCLUDE

- 6.1. The contact data and introductions of the person(s) submitting the tender together with an overview of any earlier assignments performed;
- 6.2. The list of the membership of the research team together with the members' CVs;
- 6.3. The description of the methods employed;
- 6.4. Performance schedule of the research;
- 6.5. The cost and detailed budget of the research.

7. CONTRACTING ENTITY CONTACT

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