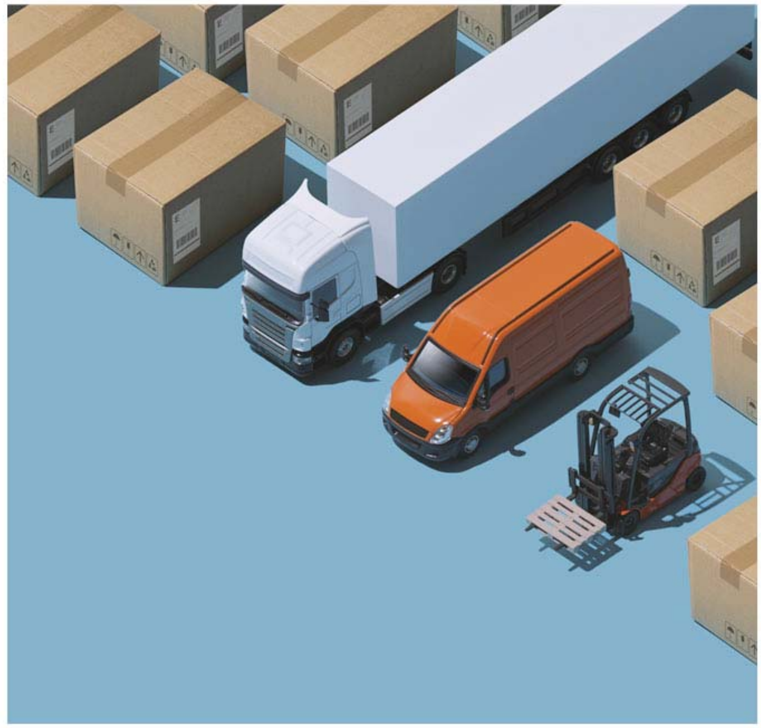

ROAD TRANSPORT: TRUCKING

IN-DEPTH REVIEW OF STRATEGIC TRADE SECTORS IN UKRAINE

USAID COMPETITIVE ECONOMY PROGRAM IN UKRAINE (USAID CEP)

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USAID Competitive Economy Program in Ukraine (USAID CEP) promotes a strong, diverse, and open economy of Ukraine by enhancing the business environment for small and medium enterprises (SMEs), improving competitiveness in promising industries, and enabling Ukrainian companies to benefit from international trade.

This Research Conducted by:

INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

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List of abbreviations

GVA gross value added

PE private entrepreneur (short for a physical person – entrepreneur)

SME small and medium-sized enterprises

UAH Ukrainian hryvnia

Executive Summary

The Ukrainian trucking sector is an essential segment of freight transportation generating 1.1% of the gross value added (2018). More than 73% of all goods are transported by vehicles.

The sector is mostly privately owned; the share of public companies on the market is 9%. Most companies working in the trucking sector in Ukraine are small or medium companies.

Trucking also plays an important role in Ukraine's international trade, especially in imports, in which the share of trucking reached 23% in 2018. Ukrainian companies wanting to transport cargo to Turkey need to have a permit and, occasionally, a license for trucking. Permits for international passenger and freight transport are issued following the international commitments within the annual quotas agreed by the Ministry of Infrastructure of Ukraine with other countries. In the case of the transportation of hazardous goods, a special license is required.

Signing a Free Trade Agreement with Turkey may allow Ukraine to abolish the system of permits for road freight transportation.

Summary table

Indicator	Value	Year of observation
Value added, % of GVA	1.1	2018
SMEs value added, % of sector total	98	2018
Real output growth, % CAGR, 2018	22.83	2018
Hired employees, thous.	113.4	2018
Average monthly wage, UAH	4252	2018
Exports, USD bn	0.3	2018
Exports, % of domestic production	56	2017
Imports, USD bn	1.46	2018
Imports, % of domestic absorption	24	2017
Ukraine RCA, world	1.57	2017

Sources: Ukrstat, WITS, authors' estimates

1. The general situation in the trucking sector

1.1. Domestic production

Value added. The trucking sector is an essential segment of freight transportation in the country. More than 73% of all goods are transported by vehicles.

In 2017, the road transport system of Ukraine was comprised of more than 9.2 million vehicles, including 6.9 million cars, 250 thousand buses, 1.3 million trucks, and more than 840 thousand units of motorcycle transport.[1] As a whole, at present, almost 56.2 thousand carriers act as entrepreneurs in the market of commercial transportation, and they use more than 154 thousand vehicles.

According to the IER estimates based on the official data, the trucking sector generated ca. 1.1% of the gross value added in 2018 (see Table 1). Though, the estimate should be taken with caution as at least one-third of operations is done unofficially in cash form.[2] The entire sector, "Transport, warehousing, postal and courier services", created 6.7% of the gross value added in 2018.[3]

Table 1: Value added in the sector*, 2013 – 2018

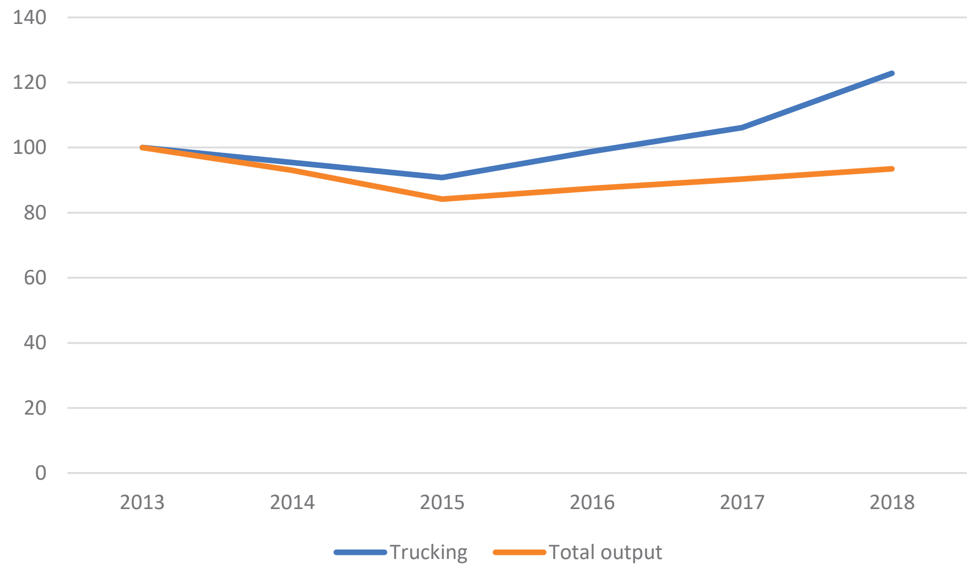
	2013	2014	2015	2016	2017	2018
Value added, UAH bn	12.1	13	13.8	20.7	29.6	32.5
Value added, % of output	39.7	34.8	29.7	34.7	38.0	33.2
Value added, % of GVA	0.9	0.9	0.8	1.0	1.2	1.1
Value added produced by SMEs, % of total	96	95	92	95	92	98
Value added produced by PE, % of total	33	27	27	28	31	36

Source: Ukrstat
*Note: * based on information for private companies*

The sector has been growing over the last six years, surpassing the average growth rate of the economy (see Figure 1).

[1] https://logistics-ukraine.com/2017/06/26/current-state-and-near-term-prospects-for-development-of-the-transport-logistics-market-in-ukraine/
[2] https://mind.ua/openmind/20207842-transportni-pitannya-yaki-perspektivi-rozvitku-galuzi
[3] Ukrstat data

Figure 1: Real output trends, 2013-2018 (index 2013=100)



Source: Ukrstat

In 2019, the market volume was 242.7 m t, featuring a 30% increase from the previous year. Major (by volume) cargo for road transportation is clay, peat, granite, and grain. In particular, in 2018, grain shipment by trucks increased by 1.6 m t to 15 m t, partly substituting rail as costs for grain transportation by railway grew and some of the small railway stations were closed.[4] The important trend in the latest years was also an increase in construction, food, and processing industries cargo.[5]

Sector structure. Transportation services are part of the logistics market. Different levels of logistics integration and logistics models are coded from 1PL to 5PL, where PL stands for party logistics. For example, 1PL or First Party Logistics is referred to a company or an individual that has cargo and can transport goods from one point to another. There are no middlemen on this level. 2PL or Second Party Logistics involves the transportation of goods from a particular transport area of a supply chain. 3PL includes the provision of complex logistic services, 4PL are companies-integrators into logistic chains, and 5PL are virtual enterprises that provide and control logistics services using a common information platform in real time (more details about each logistics level see in Annex 1).

In Ukraine, most logistics companies provide 2PL services. The share of 3PL companies is continuously growing, from 4% in 2010 to 34% in 2014.[6] Though the exact number is difficult to assess because the company can provide several types of logistics services, i.e. it can be both 2PL and 3PL company.

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[4] https://www.apk-inform.com/ru/exclusive/opinion/1502283

[5] https://mind.ua/openmind/20207842-transportni-pitannya-yaki-perspektivi-rozvitku-galuzi

[6] Kostenyuk Y., Kapitonets M. Logistic Outsourcing in Ukraine: Status and Features of Development. http://jeou.donnu.edu.ua/article/download/7768/7766

A prominent example of the 4PL company in Ukraine is METRO Cash&Carry, which was the first company that signed an outsourcing agreement (purchase of logistics services from a third-party company) in the history of Ukrainian retail.

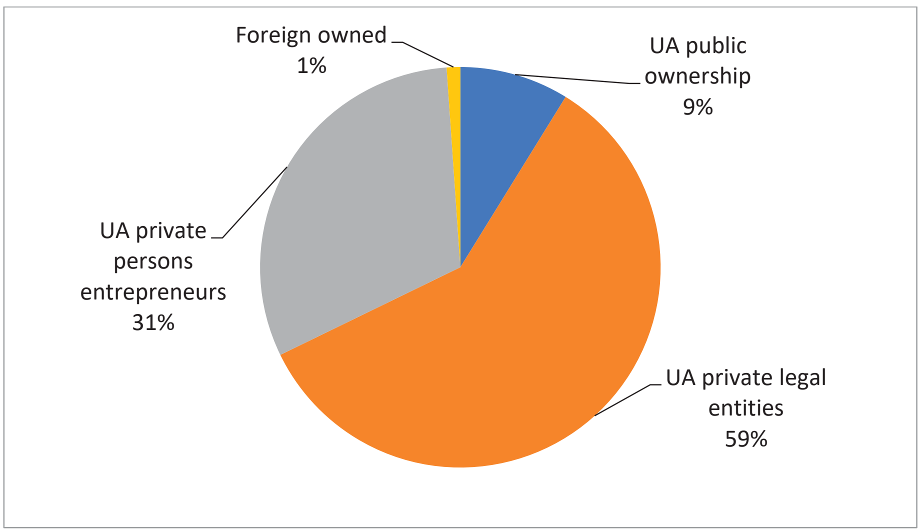
The domestic market for logistics intermediaries is characterized by a high number of small specialized companies that address local issues, a lack of 5PL providers, and stiff competition.

The major players are UVK, Raben, Schenker, Kuehne & Nagel, Fiege, FM Logistics, Lux Logistics, AsstrA, Komora-S, Fordon, Maxan, TNT, DHL, Euro-express, Autolux, Night Express, Bridge Express, Deliveri. The GoodFirms site names these TOP-10 logistics and supply chain companies in Ukraine: GEFCO, Nexus Logic, ZAMMLER, KTL Ukraine, CAT LC Ukraine, Polar Logistics, ICT Logistics, MeerLand, UVK, and Neolit Logistics.[7]

Traditionally, trucks are used for transporting small loads of cargo on short distances. In logistics schemes, they are usually combined with other modes of transportation for freight distribution from big terminals.

Ownership structure. In 2018, the total number of enterprises in the sector "Freight road transport, provision of transportation services" (code 49.4) was 6203. The sector is mostly privately owned; the share of public companies on the market is only 9% (see Figure 2). The percentage of foreign ownership on the market is a mere 1%.

Figure 2: Ownership structure of the Trucking Sector, 2013-2018



Source: Ukrstat

Big foreign logistic companies work in Ukraine as franchising because the internal market remains unclear and inconvenient for them.[8] According to SAT, the Ukrainian client is more demanding than the European one, while Ukrainian tariffs are lower than in Europe for the same delivery time. The price-setting mechanism is not transparent and prone to competition abuse — some companies artificially lower prices to gain market share.

Market concentration. According to our estimates, top-4 companies in the "Land transport and transport via pipelines" sector hold 44% of the market, while top-8 companies possess

[7] https://www.goodfirms.co/supply-chain-logistics-companies/ukraine

[8] https://logist.fm/publications/optimizaciya-eto-process-nepreryvnyy

47%. However, the majority of this sector is pipeline transportation, so the abovementioned numbers do not characterize the trucking sector. Trucking companies are usually not organized and are highly competing for cargo. The only exemption is trucking companies working abroad which are organized into the Association of International Road Carriers of Ukraine (AsMAP UA).[9]

Informal sector. Market players note that a significant share of the trucking sector is informal. For example, participants of the transportation focus group indicated that transportation of grain is mostly informal.[10] According to our estimates, the informal sector constitutes about a third of the transportation market. In the "Land transport and transport via pipelines" sector, the informality index is 33.9.[11] It is a relatively low number but considering that it includes other types of transportation, a real figure for the trucking sector is likely to be higher.

1.2. Employment

Sector's role as an employer. The hired employees of the trucking sector constituted about 1.6% of the total hired employees in the economy in 2018. Most of them are working for small or medium companies (see Table 2).

Table 2: Employment in the trucking sector*, 2013 – 2018

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Number of hired employees in the sector, thous.	120.5	112.6	98.9	95	103.1	113.4
Hired employees working in sector SMEs, %	94	91	90	99	100	98
Hired employees in the sector, % of total in the economy	1.4	1.5	1.5	1.4	1.5	1.6
Average monthly wage, UAH	1940	1938	2630	2644	3713	4252
Average monthly wage, USD	242.7	163	120.4	103.5	139.6	156.3
Real average monthly wage, index, 2013=100	100	87.5	79.9	70.5	86.5	89.3

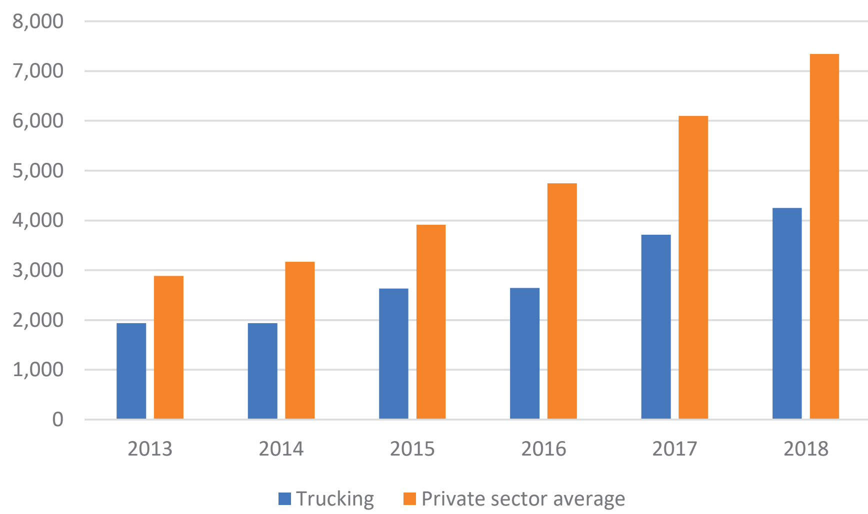
Source: Ukrstat
*Note: * based on information for private companies*

[9] http://www.asmap.org.ua
[10] Own data.
[11] Percentage of GDP.

Labor turnover. In 2018, 67 thousand people quit their jobs in the sector "Activities in the transportation sector" that includes the trucking sector.[12] That constitutes 25% of the total number of officially employed persons. For comparison, in 2017, 32% of the total number employed in the sector were hired and 36% fired. This means that approximately a third of people working in the trucking sector change their jobs each year.

Wages. In 2018, the official wage in the trucking sector was almost twice lower than the private sector average (see Figure 3). The wages of different professionals in the sector can differ significantly. In 2017, the salaries of transport specialists in Kyiv ranged from UAH 8,000 to 12,000, and the wages of middle managers – from UAH 4,500 to 8,000.[13] At the same time, in 2020, the average salary of an international driver was UAH 55,000; other categories of drivers earned UAH 35,000 – 45,000.[14]

Figure 3: Average monthly wage, 2013-2018



Source: Ukrstat

Market players note that to become a truck driver, the person not only needs a special drivers licence but also an experience of driving such vehicles.[15] So good drivers are always in high demand. In 2018, 35% of logistic companies in Ukraine experienced a deficit in qualified labor.[16]

[12] In addition, 2.5 thous. people were fired due to liquidation of job positions. Movement of workforce. 2018. Ukrstat

[13] https://logistics-ukraine.com/2017/06/26/current-state-and-near-term-prospects-for-development-of-the-transport-logistics-market-in-ukraine/

[14] Data on vacancies from the job portal Rabota.ua https://rabota.ua/ua/prozora?keyword=%D0%92%D0%BE%D0%B4%D1%96%D0%B9%20%D0%BC%D1%96%D0%B6%D0%BD%D0%B0%D1%80%D0%BE%D0%B4%D0%BD%D0%B8%D0%BA&cityId=0&rubricId=5

[15] https://radiotrek.rv.ua/articles/dalekobiynyk_z_volyni__pro_grabezhi_na_dorogah_poviy_i_te_chomu_nayvazhche_porozumitysya_z_nimtsyamy_241682.html

[16] https://logist.fm/publications/rynok-gruzoperevozok-v-ukraine-tendencii-i-vektory-razvitiya

1.3. Sector development assessment

We can highlight several important issues for the internal development of the trucking sector in Ukraine, including trucks overload, safety control, fuel costs, and information services.

Trucks overload. In Ukraine, trucks are usually overloaded that damages the roads. Recently, a truck set a new anti-record for overloading – 202 t,[17] while the maximum permitted load is 40 t for truck tractors with a semi-trailer.

In 2019, Ukraine introduced a new system for weighing rucks – weigh-in-motion (WIM). After the WIM system is installed under the road cover, the built-in weights measure the axle and wheel loads. The above-ground part of the WIM system is comprised of surveillance cameras and sensors of speed and temperature.[18] The WIM system also can identify number plates, the vehicle's place of registration, and determine whether the driver violated the speed limit.

Tighter control of truckloads is expected to raise prices for road transportation in Ukraine. Experts estimate that prices might increase by 20-25%.[19] This may induce clients to switch to railway or river transportation.

The problem with road damage due to truck overloading is heightened during summer. As a result, there are seasonal (summer) limitations for trucks on using the major roads. These limitations specify the hours when the trucks are allowed, the truckloads, and the air temperature. For example, in the Zaporizhzhya region, the trucks that weigh more than 24 t and with an axle weight of more than 7 t are not allowed between 8 AM and 8 PM on days with an air temperature of 28C and above.[20]

Low control on road safety. The Ukrainian drivers note that the most significant change when they drive in Europe is the necessity to use tachographs that measure the time of work and leisure as well as the speed of the vehicle.[21] Each driver has an individual chip which he inserts in the tachograph. In Ukraine, drivers are not required to use a tachograph; no one measures how much time the driver is behind the wheel, and thus it is harder to control road safety. Besides, Ukraine lacks rest areas for drivers where they can park safely, walk around and refresh themselves before continuing their journey.

Dependence on fuel costs. In 2017, around 60% of the freight price was the cost of fuel; other components were the cost of spare parts, profit, and drivers' wages.[22] Since in Ukraine, petroleum and diesel are mostly imported, the sector is also vulnerable to fluctuations in the currency exchange rates. In 2014-2017, the price of freight increased in UAH but decreased in USD due to hryvnya devaluation, inflation, and a decrease in profit margin. According to ZAMMLER logistic company, the profitability of the trucking business in Ukraine is 7%.[23]

Information services. A significant number of small companies working in the sector and the absence of the professional association creates demand for special IT products that can bring

[17] https://gazeta.ua/articles/avto/_vstanovili-novij-rekord-perevantazhennya-furi/910989
[18] https://rubryka.com/article/weight-in-motion/
[19] https://mind.ua/openmind/20207842-transportni-pitannya-yaki-perspektivi-rozvitku-galuzi
[20] https://tv5.zp.ua/news/u-zaporizkij-oblasti-vvodjat-obmezhennja-na-proizd-fur/
[21] https://slovopravdy.com.ua/na-furi-po-yevropi-yak-vyglyadaye-robota-ukrayinskogo-dalekobijnyka-u-yes/
[22] https://trademaster.ua/articles/312756
[23] https://logist.fm/publications/mi-ne-navyazuiemo-svoyih-pravil-namagaiemosya-zadovolniti-bazhannya-i-prohannya

together buyers and sellers of road transportation services. The trucking industry uses different support services to simplify the exchange of information between senders and receivers of cargo, the so-called "transport exchanges". These are online resources that gather information about demand and supply on the freight market and also offer insurance, financing, and other auxiliary services. Among the biggest in Ukraine are lardi-trans.com, della.ua, and degruz.com.[24] The primary users of such sites are forwarding companies (46%), transport companies (18%), and producers (18%). According to the Logistics Management Center survey, 73% of respondents use transport exchanges daily.

A study of demand for forwarding services held in 2016 and based on the data from lardi-trans.com showed that 80% of requests were for tented vehicles, and 72% of claims were for shipment volume more than 18 tons.[25]

Some services work as a sort of "Uber Freight", directly uniting the producer and the transport company. However, they are less popular than transport exchanges because cargo transportation is a multi-stage process, including loading, offloading, storing, document keeping, financial operations, etc.

Impact of Covid-19. During the Covid-19 pandemic lockdown, prices for trucking services in Ukraine did not change much. However, the volumes decreased by 10%, according to ZAMMLER logistics company.[26]

2. Foreign trade

2.1. Exports and imports

The trucking sector also plays a notable role in Ukraine's international trade, especially in imports. The share of trucking in the total service imports reached 23% in 2018 (see Table 3). Moreover, the trucking imports significantly surpass exports.

Table 3: Foreign trade in the trucking sector*, 2013 – 2018

	2013	2014	2015	2016	2017	2018
Value of exports, USD bn	0.44	0.46	0.25	0.24	0.27	0.3
Exports growth, % year-on-year		5	-46	-4	15	11
Exports, % of total exports	3	4	3	2	3	3

[24] https://logistics-ukraine.com/2017/09/18/%d0%b2%d0%b0%d0%bd%d1%82%d0%b0%d0%b6%d0%bd%d1%96-%d0%b0%d0%b2%d1%82%d0%be%d0%bc%d0%be%d0%b1%d1%96%d0%bb%d1%8c%d0%bd%d1%96-%d1%82%d1%80%d0%b0%d0%bd%d1%81%d0%bf%d0%be%d1%80%d1%82%d0%bd%d1%96-%d0%b1/#more-446

[25] Vitalii Naumov, Oksana Kholeva. Studying Demand for Freight Forwarding Services in Ukraine on the Base of Logistics Portals Data. https://www.sciencedirect.com/science/article/pii/S1877705817319112

[26] http://kiev-chamber.org.ua/uk/17/2091.html

	2013	2014	2015	2016	2017	2018
Value of imports, USD bn	1.69	1.38	1.15	0.99	1.21	1.46
Imports growth, % year-on-year		-19	-16	-14	23	21
Imports, % of total imports	22	22	21	19	22	23
Trade balance, USD bn	-1.25	-0.92	-0.9	-0.75	-0.94	-1.16

Source: Ukrstat/WITS
*Note: * based on information for private companies*

Ukraine exports over half of its trucking services and actively use imported services for domestic consumption. Moreover, the sector relies on imported inputs, in particular, fuel (see Table 4).

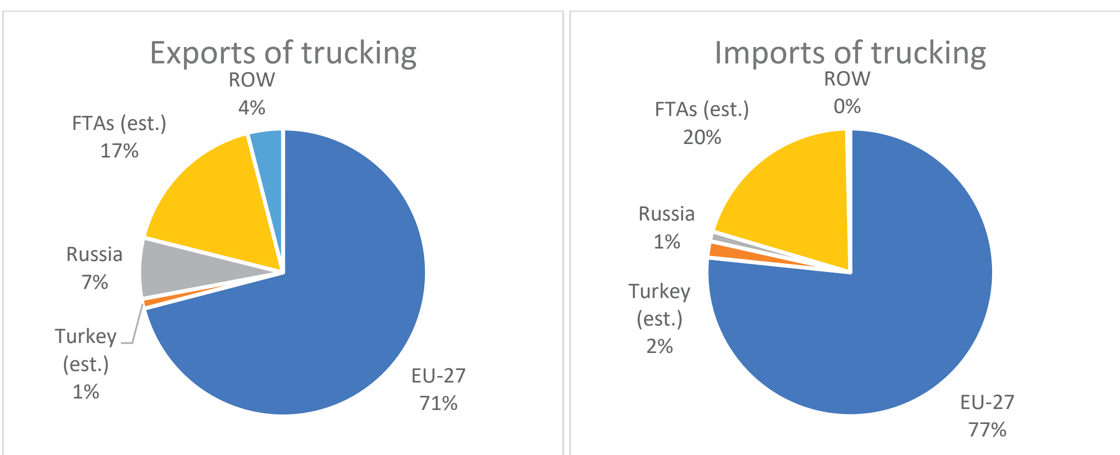
Table 4: Export orientation and import dependence of the trucking sector, 2017

	% exports in domestic production	% imports in domestic absorption	% imported inputs in intermediate consumption of the sector
Trucking	56	24	29

Source: Ukrstat

The biggest consumers of Ukrainian trucking services are the EU countries, other countries, with which Ukraine signed free trade agreements, and Russia (see Figure 4).

Figure 4: Key trade destinations, 2018



Source: WITS

Note: for Turkey and some FTA countries, the data was estimated based on official data for transport services.

Transportation services play an essential role in foreign trade with Turkey. In 2018, their share in Ukraine's exports to Turkey was 82.2%. The percentage of transportation services in Ukraine's imports from Turkey was 23.4% in 2018.

2.2. Revealed comparative advantage

Both Ukraine's and Turkey's exports feature a definite comparative advantage in road transportation services, suggesting that the countries will be ready to compete in case of the sector opening.

Table 5: Revealed Comparative Advantage in trucking services, 2014-2017

	2014	**2015**	**2016**	**2017**
Ukraine RCA	2.38	1.66	1.56	1.57
Turkey RCA*	1.90	1.61	1.90	1.63

Source: Ukrstat, ICT Trade Map, own estimates
*Note: * estimated for the sector "Other modes of transport (other than sea and air), Feight" (EBOPS 3.3.2)*

3. Trade regime issues

3.1. Trade regime for exporters to Turkey

The Ukrainian companies wanting to transport cargo to Turkey need to have a permit and, occasionally, a license for trucking.

Currently, there are five types of permits for crossing the Turkish border for Ukrainian drivers: bilateral, transit, transit Euro-1, to/from third countries, and for empty vehicles.[27]

Permits for international passenger and freight transport are issued following the international commitments within the annual quotas agreed by the Ministry of Infrastructure of Ukraine with other countries.[28] In the case of the transportation of hazardous goods, a special license is required.

Due to the high demand for permits, the Ukrainian government first divided the annual quota into monthly quotas (1/12 of the yearly quota) and later, after the strike of transport companies on February 12, 2020,[29] changed the monthly quotas to a restriction of maximum two permits per vehicle per month for countries that experience a deficit of permits (including Turkey).

On March 23, 2020, Turkey closed its border for passengers due to the Covid-19 pandemic that erupted at the end of 2019 – early 2020. Freight transportation was not stopped, but the drivers had to undergo a 14-day quarantine. Besides, non-Turkish drivers could not cross the border. They needed to pass the cargo to a Turkish driver at particular border points. As a result, the Ministry of Infrastructure of Ukraine recommended Ukrainian drivers abstain from going to Turkey.[30]

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[27] http://asmap.org.ua/countries/turkey/tr_permits.pdf
[28] https://www.eurointegration.com.ua/articles/2019/10/3/7101458/
[29] https://logist.fm/publications/shcho-bude-z-mizhnarodnimi-dozvolami-na-avtoperevezennya
[30] https://mtu.gov.ua/news/31725.html

At the beginning of April, after the protests of Ukrainian drivers,[31] Turkey relaxed the restrictions and allowed crossing the border by foreign drivers but kept the requirement of a 14-day quarantine.[32] At the end of April, the quarantine requirement was also cancelled for drivers who do not have symptoms of Covid-19. They were given 72 hours to finish transportation and offload the cargo. On May 19, the Turkish government clarified that foreign drivers do not have to undergo the 14-day quarantine if they take an obligation to leave Turkey as soon as possible after offloading.[33]

3.2. Trade regime for importers from Turkey

Hiring a Turkish company to transport goods in Ukraine by trucks will require getting a permit from Ukrtransbezbeka within the annual quota. The number of Ukrainian permits for international cargo transportation is limited but is not binding as usually it is higher than the number of requests. In the case of the transportation of hazardous goods, a special license is required.

However, market players note that the Ukrainian trucking market is very different from transportation in the EU or Turkey.[34] The main barriers are international borders, long waiting lines, lousy road infrastructure. Trucks wait at the border for 5-7 days. There are lines even at offices where permits are issued. Therefore, many Turkish companies do not want to work in Ukraine.

On March 14, 2020, the Ukrainian government adopted a resolution about temporary restrictions on crossing the border due to the Covid-19 pandemic.[35] This resolution stated that there could be reciprocal measures towards truck drivers whose countries restricted border crossing for Ukrainian drivers. That came as a response to the Turkish reaction to the Covid-19 described in the previous section. However, no restrictive measures were introduced.

3.3. The European Common Transit Convention

In September 2019, Ukraine adopted a law that introduces a regime of common transit and national electronic transit system.[36] This law implements provisions of the Convention on a Common Transit Procedure in Ukraine. According to the accession procedure, an aspiring country has to use the provisions of this Convention for at least a year to introduce an IT product to control the transit of goods. If Ukraine joins the common transit system, it will be able to exchange customs information with 35 countries in real-time, use a single customs document for the transit of goods, introduce particular transit simplified rules and a common

[31] https://shpalta.media/2020/03/31/zastryagli-mizh-kra%D1%96nami-perevizniki-vlashtuvali-mirnij-miting-na-ukra%D1%96nsko-rumunskomu-kordoni/
[32] https://www.ukrinform.ua/rubric-economy/3003952-ukraina-i-tureccina-domovilis-pro-peretin-kordonu-dla-vantazivok.html
[33] https://mtu.gov.ua/news/31877.html
[34] Own data from focus-group with transport companies
[35] https://zakon.rada.gov.ua/laws/show/287-2020-%D1%80
[36] https://zakon.rada.gov.ua/laws/show/78-IX

financial guarantee, among other things.[37] It also means one document for transporting goods between Turkey and Ukraine.

4. Impact of the FTA with Turkey

Signing a Free Trade Agreement with Turkey might allow Ukraine to abolish the system of permits for road freight transportation. The countries planned to cancel the restrictions already in 2019[38] , but it did not happen. In November 2019, the Ukrainian Minister of Infrastructure Vladyslav Krykliy said that Ukraine is ready to amend the Agreement on International Road Transport and to liberalize motor transportation between Ukraine and Turkey as early as the beginning of 2020.[39] Then, the Covid-19 pandemic stroke and the negotiations were suspended.

We considered several policy shocks to assess the impacts on FTA with Turkey on Ukraine, including:

- The reduction in trade costs due to reduced time required to import or export goods, both on the Ukrainian and the Turkish sides;
- The reduction of non-tariff barriers on goods by both Ukraine and Turkey;
- The mutual elimination of tariffs between Ukraine and Turkey; and
- The reduction of barriers on foreign providers of services for selected categories of services, not including tourism and hospitality sector.

In the model, the trucking sector is a part of a broader sector of land transportation, featuring high trade barriers.

The model shows that in the deep liberalization FTA scenario, the sector's output will reduce by 2.8% due to the reallocation of resources within the economy driven by the opening of Turkish goods markets. Exports will decrease by 6.0% as the positive gains generated by the reduction in the sector's barriers on both cross-border trade and FDIs are overridden by the strong resource reshuffling caused by the tariff liberalization scenario. Still, the domestic supply of trucking services will increase by a moderate 1.0%, driven by the expansion of imports, estimated to grow by 3.6%.

5. Conclusions

Ukraine's trucking sector is an essential segment of freight transportation, with more than 73% of all goods are transported by vehicles. The sector generates at least 1.1% of the gross value added (2018). The actual size of the sector might be higher as there are many unofficial cash transactions in the sector.

[37] http://www.visnuk.com.ua/uk/news/100014151-rezhim-spilnogo-tranzitu-vru-priynyala-zakon

[38] https://www.unian.ua/economics/transport/10288083-ukrajina-i-turechchina-domovilisya-znyati-obmezhennya-na-vantazhni-avtoperevezennya.html

[39] https://www.kmu.gov.ua/en/news/ukrayina-gotova-do-liberalizaciyi-avtomobilnih-perevezen-iz-turechchinoyu-vzhe-na-pochatku-2020-roku-vladislav-kriklij

The sector is mostly privately owned; the share of public companies on the market is 9%. Most companies working in the trucking sector in Ukraine are small or medium companies.

Trucking also plays an important role in Ukraine's international trade, especially in imports, in which the share of trucking reached 23% in 2018. Ukrainian companies wanting to transport cargo to Turkey need to have a permit and, occasionally, a license for trucking. Permits for international passenger and freight transport are issued following the international commitments within the annual quotas agreed by the Ministry of Infrastructure of Ukraine with other countries. In the case of the transportation of hazardous goods, a special license is required.

Signing a Free Trade Agreement with Turkey may allow Ukraine to abolish the system of permits for road freight transportation, although it might also be achieved through bilateral sectoral agreement. Another positive change is expected from the membership in the European common transit system, enabling customs information exchange with 35 countries, including Turkey, the use of a single customs document and other trade facilitation measures.

To facilitate the sector's development, we suggest focusing on the following measures:

- The fast and effective implementation of the conditions needed for the accession to the European common transit system;
- The conclusion of the agreement abolishing the system of permits for road freight transportation between Ukraine and Turkey;
- The facilitation of the development of the IT solutions for the sector to improve its efficiency;
- The fight with the overload to ensure the level-playing field in the sector;
- The development of road infrastructure.

Annex 1: Transport services in the logistics market structure

Logistics level	Description	Role of transportation
1PL	Production companies perform logistics activities with their own fleet	Supplementary. Provides transportation of produced goods to consumers
2PL	Transport and freight forwarding companies	Key. Constitutes the main activity
3PL	Providing complex logistics services. The companies need to have a transport fleet, storages, manage logistics using an information system	One of the key together with the function of storage and forming of cargo parties
4PL	Company-integrator of the logistics chain. Besides, complex logistics services also provide general management	One of the key together with the function of storage, forming cargo parties, and consulting services
5PL	Virtual enterprises that provide and control logistics services on the basis of the common information platform in real time	Not defined because such companies are not present in Ukraine

Source: Logist.fm https://logist.fm/publications/doslidzhennya-rinku-vantazhnih-avtomobilnih-perevezen-ukrayini-za-suchasnih-umov