



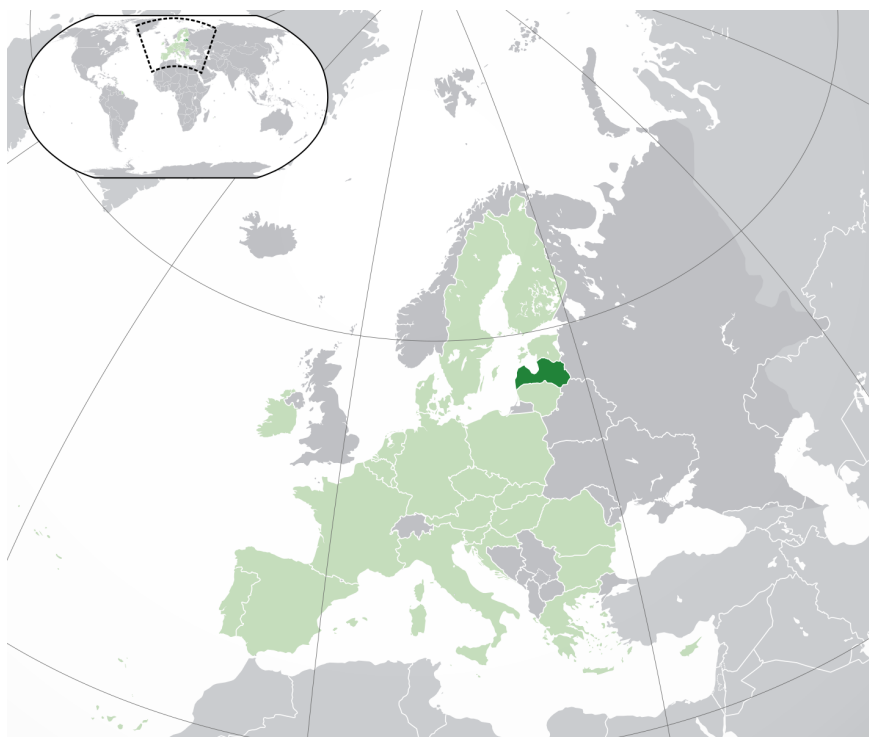
Comité National Routier



EUROPEAN STUDIES

The Latvian road freight transport sector

2020 study



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The Latvian road freight transport sector

2020 study

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WARNING

Following on from the study devoted to the Latvian RFT sector realised in 2017, this survey, which was conducted in 2020, is intended to provide updated statistics concerning the activity of this sector as well as about 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 2021. The representative profiles given are the same as the ones used in the context of the economic conditions prevailing in 2020.

It is also important to note that this study was conducted during the Covid health crisis. Our analysis was intended to focus on pre-Covid figures, i.e. for 2019. However, during the interviews, Latvian hauliers found it difficult to make a distinction between the situation in 2020 and that of the previous year. The Covid crisis has had a definite impact on the data contained in this study. This point thus needs to be taken into account when interpreting the findings.

SUMMARY

Located in the north-east of the European Union and bordering Estonia and Lithuania, Latvia enjoys a strategic geographical position, which enables its sector to trade with both Western Europe and with Russia and the other countries belonging to the Commonwealth of Independent States (CIS).

Latvian road freight transport (RFT) is mainly internationally-focused (i.e., around 80% of the sector's total activity). Latvian companies tend to operate primarily in Scandinavia, the Baltic States and Russia. Travel to Western European countries was less frequent over the period studied than in 2017. The annual mileage of a Latvian heavy goods vehicle is lower than in the previous study: 120,400 km per year in 2020 compared to 138,000 km per year in 2017. The hauliers we met with pointed to the Covid health crisis and the consequences of the EU Mobility package to explain these changes. Drivers with Latvian contracts working internationally thus return home more often, on average once every two weeks. Several companies even report that their international drivers return home every weekend. Overall, a driver working internationally travelled 110,400 kilometres in 2020, compared with 130,000 kilometres in 2017.

In addition to the changes observed in the operating conditions of vehicles and the working conditions of drivers, it appears that certain cost items have increased in three years. This is the case for driver cost, which has risen 20.6% since 2017. This increase is explained by the rise in the national minimum wage (up 31.6% between 2017 and 2021) and increased travel allowances. Other noteworthy increases since 2017 include tolls (up 27.7%) and the cost of vehicle ownership (up 25.3%).

Furthermore, the tax on motor vehicles, *Transportlīdzekļu ikgadējā nodeva*, now takes into account the Euro class of the vehicle; as a result, Euro VI heavy goods vehicles now pay a lower charge. This was not the case in the last CNR study on the Latvian RFT sector.

Overall, in 2020, the total cost per kilometre of a Latvian heavy goods vehicle used for international long-distance transport is estimated to be 0.82 €/km. Compared to the 2017 CNR study, this represents an increase of 27%.

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1. ECONOMIC, SOCIAL AND ENVIRONMENTAL FRAMEWORK OF THE LATVIAN FLAG

1.1. LATVIA IN BRIEF

Capital	Riga
Area	64,586 km ²
Population	1,907,675 inhabitants (Eurostat, 2020)
Official EU language(s)	Latvian
Political system	Parliamentary Republic
Head of State	Eglis Levits
Prime Minister	Arturs Krišjānis Kariņš
Minister of Transport	Uldis Augulis
Date of EU membership	1 May 2004
Date of adoption of the euro	1 January 2014
Seats in the European Parliament	8 seats
Currency	Euro
European Commissioner	Valdis Dombrovskis, Trade Commissioner
GDP growth (%)	2% (Eurostat, 2019)
Inflation (%)	0.1% (Eurostat, 2020)
Unemployment rate (% of active population)	8.1% (Eurostat, 2020)
Trade balance	339 million € (Eurostat, 2020)
Gross minimum wage	€500 (Eurostat, S1 2021)
Greenhouse gas emissions	6.1 tonnes/inhabitant (Eurostat, 2019)

1.2. ROAD FREIGHT TRANSPORT IN LATVIA

TRANSPORT POLICY AND TRANSPORT INFRASTRUCTURE

Transport policy

Transport and logistics are priority sectors in Latvia due to the geographical situation of the country. Latvia has thus developed into a stable transit route. This can be explained in particular by the active trade in goods between Western Europe, Russia and other Commonwealth of Independent States (CIS) countries.

The freight transport sector occupies an important place in the Latvian economy, with which it is closely intertwined.

The country's main roads, railways and ports are part of the European TEN-T network¹ and benefit from significant European funding for their renovation and maintenance.

The rail network is connected to Latvian ports, which in turn link the country to the major ports in Sweden and Germany.

Latvia regards the development of an efficient, safe, multimodal, geographically-balanced, environmentally-friendly and competitive transport system as a priority. The gradual increase in the volume of goods transported, the development of distribution and logistics centres and the increase in the added value of products are similarly regarded as being of vital importance. Latvia has three main ports: Riga, Ventspils and Liepaja, all of which are connected to the TEN-T road and rail network.

Transport infrastructure and use

Modal split of freight transport in % (based on tonne-kilometres)

2019	Road	Rail	Inland waterways
European Union	77.4%	22.6%	5.6%
Latvia	26.4%	73.6%	0.0%

Source : Eurostat

The road network

The Latvian road network is comprised of 58,645 kilometres² of roads.

From north to south, Latvia is crossed by the European "Via Baltica" E67 corridor (Helsinki - Tallinn - Riga - Kaunas - Warsaw), which in turn is connected to the E77 (Riga - Kaliningrad - Gdansk). From east to west, Latvia is crossed by the E22 European route, which begins in the United Kingdom and stretches to Central Russia. The E22 crosses Latvia, via the following route: Ventspils - Riga - Rezekne - Russian border.

All the country's main road links are part of the Trans-European Transport (TEN-T) network. The flow of traffic from Latvian ports to neighbouring Russia and Belarus is thus facilitated.³

¹ The Trans-European transport network: a transport infrastructure development programme financed by the European Union.

² Compiled from Eurostat data.

³ <https://www.transport.lv/en/autotransports/autocelu-infrastruktura/>

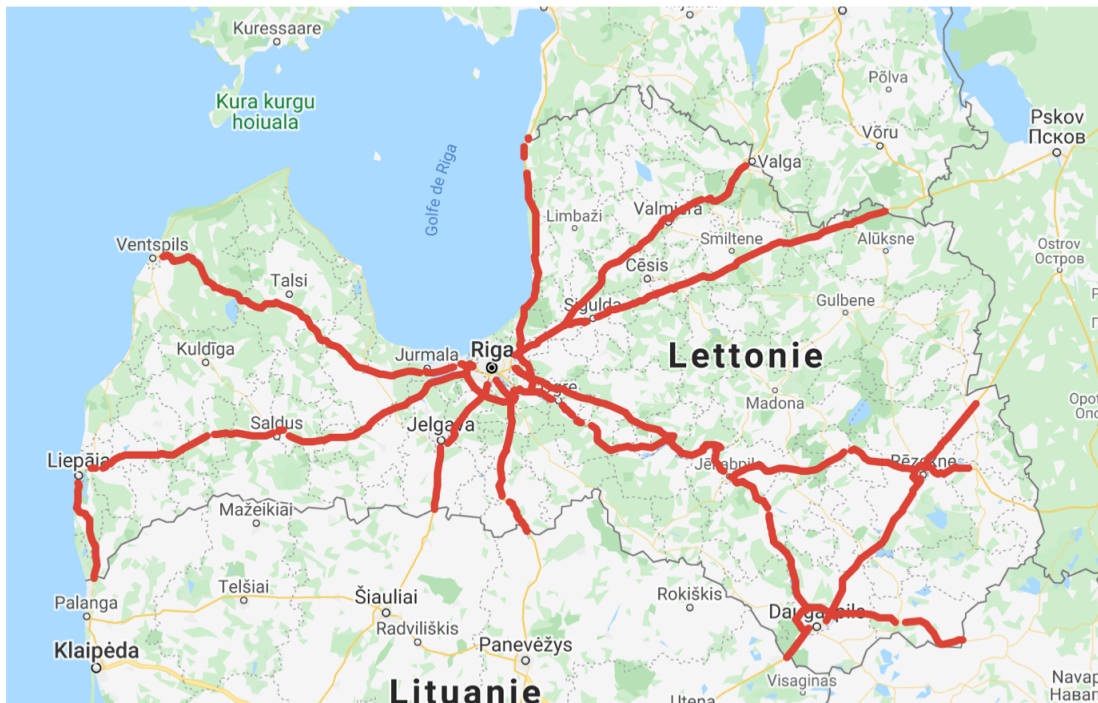
The Latvian road network



Source: Latvian State roads

Of the 58,645 kilometres of roads in the Latvian road network, 1,624 kilometres require the purchase of a vignette for vehicles weighing more than 3 tonnes.

The Latvian road and motorway network where the vignette applies



Source : <https://www.google.com/maps/d/embed?mid=114wGXkRRo465HHNibVbPQjwsEO8>

The rail network

The Latvian railway network connects seamlessly with railway networks in CIS member states, thus providing easy access to the Baltic Sea. In 2019, more than 15 million tonnes of freight were transported by rail. As a reminder, the rail transport accounts for 73.6% of all Latvian freight transport, which is an exceptional figure compared to the European average of 22.6%.

In a legacy of the Soviet era, the country's railway network is thus well developed, like in the other Baltic states. Along with Lithuania and Estonia, Latvia is part of the "Rail Baltica" project, which involves significant investment in rail infrastructure by the country. This project connects the countries located in northern and central parts of the European Union via the cities of Helsinki, Tallinn, Pärnu, Riga, Panevėžys, Kaunas, Vilnius and Warsaw. It thus aims to integrate the Baltic countries into the European rail transport network.

Ports

The main Latvian ports handle goods in transit. The port of Liepāja is developing various investment projects aimed at the construction and development of industrial parks, thus expanding the range of services provided and creating new jobs. Smaller ports such as Jūrmala, near Riga, are mainly involved in the transport of timber and fishery products. During the summer season, they operate as marinas. The smaller ports currently occupy a stable place in the Latvian economy and have become centres of regional economic activity.

Latvian ports are seeking to strengthen their leading position among Baltic ports, preserving existing cargo volumes and attracting new flows of goods as well as alternative types of cargo and customers. In Latvia today, the focus is on diversifying cargoes. The aim is to increase the volume of containers passing through Latvian ports. In addition, the growth in container trains to Asia, the Black Sea and Russia is an important development. Latvia is also seeking to strengthen its position vis-à-vis other logistics centres in the Baltic States. The development of logistics and distribution sectors is thus a major priority for the Latvian state. The government's objective is to attract more and more high value-added consumer goods in order to develop both logistics centres as well as storage and distribution companies.

ROAD FREIGHT TRANSPORT OPERATORS

Institutional stakeholders

Road Transport Administration (Autotransporta Direkcija)

Reporting to the Ministry of Transport⁴, this department is responsible for:

- Granting road transport licences, and road freight transport licences in particular.
- Coordinating access to the RFT market.
- Compiling statistics on transport companies.
- Reporting on developments and future prospects for the sector.
- Monitoring compliance with the regulations governing RFT operations.
- Maintaining and developing an efficient, safe, competitive and environmentally-friendly public transport system.

Latvian State Roads Company (Latvijas Valsts ceļi)

This State company is responsible for the management of the Latvian road network, as well as the administration of the National Road Fund and the overseeing of public contracts. Its role is to provide Latvians with a competitive, safe, sustainable and environmentally-friendly national road network. Maintenance and development of local roads are also part of its remit. Since 26 October 2004, the Latvian State Roads Company has been a State-Owned Limited Liability Company that operates according to Company Statutes and in accordance with the Road Sector Management Agreement signed by the Ministry of Transport. This company is wholly owned by the State.⁵

Road Safety Authority (CSDD)

The CSDD is a public body whose responsibility is to ensure implementation of the State's road safety policy. It has a total of 26 regional authorities.

It is responsible for:⁶

- Developing and implementing a coordinated road safety policy.
- Improving vehicle roadworthiness testing.
- Coordinating driver training and the issuing of driving licences.
- Vehicle registration.
- Helping to prevent road accidents.
- Supervising the construction, repair and operation of roads.

⁴ <https://lvceļi.lv/en/about-us/>

⁵ <http://www.atd.lv/en/road-transport-administration>

⁶ <http://www.csdd.lv>

Professional organisations

Association of Road Hauliers (Latvijas Auto)

Founded on 23 March 1990, the role of this association is to develop the road transport sector in Latvia, to represent and promote Latvian road transport activities abroad and to implement international conventions and agreements entered into by the country.

On 29 April 1992, *Latvijas Auto* became a member of the International Road Transport Union (IRU).

At the time of its creation, it had only 32 members, whereas today it boasts 459 member companies.

As a result, *Latvijas Auto* has a wide range of responsibilities:

- Representing the interests of road hauliers, both nationally and internationally.
- Developing a positive business environment.
- Increasing the competitiveness of Latvian road hauliers.

The services offered by the IRU include the issuance of TIR Carnets, the organisation of driver training, assisting hauliers with the process of obtaining visas for the Eastern markets, and providing companies with assistance when it comes to labour and fiscal issues in a number of countries.

Freight Forwarders and Logistics Association (LAFF)

Founded on 15 August 1994, LAFF is a public body that is made up of Latvian freight forwarders and customs warehouses. Its role is to promote the development of the RFT sector and of its related services.

Its tasks are as follows:

- Assisting in the drafting of tax and customs legislation and regulations.
- Providing advice to association members on customs, tax, insurance and other regulatory issues.
- Helping to resolve problems specifically related to freight transport.
- Assisting its members develop business contacts abroad.

Trade union organisations

The Free Trade Union Confederation of Latvia (LBAS) was founded in 1990. Almost all trade unions belong to it. However, only 10% of Latvians are union members.

LBAS coordinates 20 different independent trade unions. The *Road Workers Trade Union* is one of them.⁷

⁷ <https://arodbiedribas.lv/en/lbas-2/affiliates/>

THE LATVIAN RFT SECTOR – KEY DATA

Structure of the Latvian RFT sector in 2019⁸

Structure of the Latvian RFT sector in 2018

2018	Goods transported	Tonne-kilometres achieved		Average distance	Vehicle-kilometres achieved
	Thousand tonnes	million t.km	%	km	million vehicle.km
TOTAL	76,701	14,997	100.0%	196	947
Domestic transport	58,536	3,459	23.1%	59	225
International transport	18,165	11,538	76.9%	635	722
<i>International transport of goods loaded in Latvia</i>	4,293	3,486	23.2%	812	206
<i>International transport of goods unloaded in Latvia</i>	3,323	2,853	19.0%	859	181
<i>Cross-trade</i>	5,017	4,278	28.5%	853	271
<i>Cabotage</i>	5,532	921	6.1%	166	64

Source : Eurostat

Latvian road freight transport is mostly internationally focused. Domestic activity accounts for 23% of overall business. In terms of international activity, it is worth noting the prominence of cross-trade, which alone accounts for 28.5% of the Latvian RFT sector's activity (i.e. 37% of its international activity).

Evolution of the Latvian RFT sector

Evolution of the Latvian RFT sector in million tonne-kilometres

Million tonne-kilometre	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AAGR*
TOTAL	12,344	8,115	10,590	12,131	12,178	12,816	13,670	14,690	14,227	14,972	14,997	14,965	1.77%
Domestic transport	2,526	2,149	2,561	2,646	2,616	2,803	2,740	2,753	2,807	3,240	3,459	3,350	2.60%
International transport	9,807	5,966	8,029	9,485	9,562	10,013	10,929	11,937	11,420	11,732	11,538	11,615	1.55%

Source : Eurostat

*Average annual growth rate

Despite a drop in activity in 2009, Latvian RFT has been on the rise since then, with volumes in 2019 well above pre-crisis levels. Between 2008 and 2019, overall activity grew at an average rate of 1.77% annually. International transport is growing at a slower rate than domestic transport, averaging 1.55%/year compared to an average increase of 2.6%/year in the domestic activity of the Latvian sector. Over the period studied, the share of international activity tends to remain steady at around 80% of total activity.

Cabotage

Cabotage carried out by the Latvian sector accounts for more than 7% of international road transport in 2019 and represents an important area of potential development. In the space of 11 years, Latvian

⁸ Due to a lack data regarding cross-trade and cabotage on the Eurostat website, it is not possible to provide a detailed picture of the situation in 2019 in the table entitled Structure of the Latvian RFT sector.

cabotage activity has increased by more than 32% per year on average. Latvia is ranked 14th in the EU when it comes to cabotage.⁹ Latvia carries out 44 times more cabotage than is carried out on its soil by other national sectors.

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

Million tonne-kilometre	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AAGR*
Cabotage under Latvian flag	50	158	217	259	330	312	453	684	817	1,029	921	1,068	32.09%
<i>in Germany</i>	9	9	61	59	79	74	157	228	227	202	163	268	36.14%
<i>in Sweden</i>	17	45	47	63	120	74	69	158	218	223	225	280	29.01%
<i>in France</i>	-	57	73	105	84	96	140	185	209	383	226	235	15.22%**
Share of cabotage in Latvian transport %	0.41	1.95	2.05	2.14	2.71	2.43	3.31	4.66	5.74	6.87	6.14	7.14	-

Source: Eurostat

*AAGR: Average annual growth rate

** Average annual growth rate calculated between 2009 and 2019

The three countries where the Latvian sector carries out the most cabotage are Germany, Sweden and France. The number of tonne-kilometres involved in this cabotage activity in Sweden and France has increased significantly since 2014.

Cabotage in Latvia

Million tonne-kilometre	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AAGR
Cabotage in Latvia	9	2	20	8	5	5	17	14	19	8	37	24	9.33%
Penetration rate of cabotage*	0.36%	0.09%	0.77%	0.30%	0.19%	0.18%	0.62%	0.51%	0.67%	0.25%	1.06%	0.71%	-
Market share of cabotage**	0.50%	0.14%	1.10%	0.42%	0.27%	0.24%	0.85%	0.68%	0.90%	0.33%	1.39%	0.91%	-

Source: Eurostat

AAGR: Average annual growth rate

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

**cabotage under foreign flag / (domestic transport for hire or reward of the country + cabotage under foreign flag)

Cabotage activity conducted in Latvia remains low in absolute terms but has been increasing over 11 years by an average of +9.33%/year, rising from 9 million tonne-kilometres in 2008 to 24 million tonne-kilometres in 2019. Business volumes remain extremely low, with a penetration rate of 0.71% in 2019.

RFT companies

Evolution of the number of companies, employees and turnover in the Latvian RFT sector

Year	Number of RFT companies	Turnover, in million euros	Number of employees
2010	2,711	888	17,904
2011	2,581	1,116	18,797
2012	3,061	1,323	21,757
2013	3,133	1,378	23,449
2014	3,182	1,391	24,338
2015	3,193	1,320	24,362
2016	3,216	1,311	24,335
2017	3,165	1,413	24,739
2018	3,130	1,510	25,054

Source: Eurostat

⁹CNR – 2018 European RFT ranking

The number of RFT companies in Latvia rose between 2010 and 2018, i.e. 1.81% per year over eight years. Road freight transport revenues also increased over the same period, with an average annual growth rate of 6.86%. The number of people employed in the sector also increased over this period, i.e. up 4.29% per year over 8 years.

Number of RFT and removal companies depending on size classes (employees) in Latvia

Size classes	2015	2016	2017	2018	2018 Structure
From 0 to 1 employee	1,207	1,306	1,232	1,122	33.19%
From 2 to 9 employees	1,606	1,584	1,557	1,623	48.00%
From 10 to 19 employees	378	331	369	353	10.44%
From 20 to 49 employees	175	192	198	217	6.42%
From 50 to 249 employees	58	58	64	61	1.80%
250 employees and more	3	3	3	5	0.15%
Total	3,426	106,405	3,423	3,381	100.00%

Source: Eurostat

More than 81% of RFT and removals companies are very small (i.e. fewer than 10 employees), which means that the sector is highly fragmented.

Key figures on RFT employment in Latvia, 2018

Companies number	3,130
Turnover - million €	1,510
Employees' cost - million €	215
<i>Wages and salaries - million € (a)</i>	173
<i>Social security costs - million € (b)</i>	42
Apparent employer contribution rate (b/a)	24.3%
Number of persons employed	26,321
<i>Unpaid persons employed</i>	1,267
<i>Employees</i>	25,054
<i>Share of employed in total workforce</i>	95.2%
Average number of persons employed per company	8
Average cost of employee in €	8,600
Added value per employee in €	16,700
Turnover per person employed	57,400
Investment per person employed in €	7,200
Investment rate (Investment/Added value)	45.1%

Source : Eurostat

Vehicle fleet

Vehicle fleet in Latvia

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Road tractor	11,600	12,700	13,200	13,137	13,379	13,541	14,312	14,782	14,886
Trailers and semitrailers	56,200	59,500	62,300	64,595	67,638	65,086	68,765	72,372	76,298

Source: Eurostat

The fleet of vehicles has steadily increased over the period 2011–2019. The number of tractors recorded in Latvia has risen (up 3.2% per year on average over this period).

1.3. FISCAL AND LABOUR REGULATIONS APPLICABLE TO ROAD FREIGHT TRANSPORT IN LATVIA

ROAD FREIGHT TRANSPORT TAXES

Corporate income tax (Valsts ieņēmumu dienests)

Corporate income tax is assessed in accordance with the Corporate Income Tax Act (which came into force on 1 January 2018) and Cabinet Regulation no. 677 of 14 November 2017 (“Regulation Regarding the Application of the Standards of the Corporate Income Tax Act”).

The law sets out new procedures for the payment of corporate income tax. It stipulates that all retained earnings are tax free. This exemption covers active and passive earnings (dividends, interest, fees, etc.). This tax system is applicable to Latvian resident companies and permanent business operations belonging to non-resident companies registered in Latvia.

The taxation of profits is deferred until they are distributed as dividends or deemed to have been distributed.

The tax base is thus composed of distributed profit and profit deemed to have been distributed.

A corporate tax rate of 20% is levied on this tax base. However, before this statutory rate is applied, the tax base is divided by 0.8. The tax rate thus amounts to 25%.¹⁰

VAT (Pievienotās vērtības nodoklis)

The standard VAT rate in Latvia is 21% and it applies to the majority of goods and services. However, reduced rates are in place. A rate of 12% is applied to certain food products, pharmaceuticals, domestic passenger transport, books, newspapers, and hotels. Lastly, a rate of 0% is applied to international and intra-EU transport¹¹.

Road tax on motor vehicles (Transportlīdzekļa ikgadējā nodeva)

A new feature of motor vehicle tax in Latvia is that it is now calculated based on the Euro class of the vehicle. Thus, cleaner vehicles, such as those classified as Euro VI, are subject to a lower tax.

¹⁰ <https://taxsummaries.pwc.com/latvia/corporate/taxes-on-corporate-income>

¹¹ <https://www.vid.gov.lv/en/value-added-tax-rates>

Vehicle tax amounts in Latvia (excluding towed vehicles) according to the number of axles and types of suspension in 2021

Motor vehicle EURO standard	Number of axles of the HGV	Tax amount (€)
Euro 0, Euro I, Euro II	Until 3 axles	420
	4 axles and more	540
Euro III, Euro IV	Until 3 axles	300
	4 axles and more	390
Euro V	Until 3 axles	192
	4 axles and more	264
Euro VI and less polluting	Until 3 axles	156
	4 axles and more	192

Source: Law on vehicle and company car tax

2021 Vehicle tax amounts for semi-trailers in Latvia

Number of tractor axles	Vehicle GVW	Amount of tax for a 2-axle semi-trailer (€)		Amount of tax for a 3-axle semi-trailer (€)	
		If the tractor has air suspension	If the tractor has other type of suspension	If the tractor has air suspension	If the tractor has other type of suspension
2 axles	Until 29,000	60	60	60	60
	29,001 - 31,000	60	78	60	60
	31,001 - 33,000	162	162	60	60
	33,001 - 38,000	294	456	204	258
	More than 38,000	294	540	342	444
3 axles and more	Until 36,000	60	60	60	60
	36,001 - 38,000	156	204	60	60
	38,001 - 40,000	294	372	60	60
	More than 40,000	456	666	162	282

Source: Law on vehicle and company car tax

The amount of the tax is 498 € for a 40-tonne, 5-axle (2+3) semi-trailer truck with air suspension (i.e. 156 € in tax for a 2-axle tractor and 342 € for a 3-axle semi-trailer).¹²

¹² <https://likumi.lv/ta/id/223536-transportlidzekla-ekspluatācijas-nodokļa-un-uzņēmumu-vieglo-transportlidzekļu-nodokļa-likums/redakcijas-datums/2021/01/01>

Tolls

The Latvian vignette is designed to help maintain and develop national roads and promote more environmentally friendly vehicles.¹³

The associated fee is levied on vehicles whose total weight exceeds 3,000 kilograms and which are used solely for road freight transport.

The fee is paid on the basis of the specific characteristics of the vehicle (emissions, number of axles, period during which the vehicle uses the national roads) set out in Annex I of the EC Directive 2006/38 on the charging of heavy goods vehicles for the use of certain infrastructures.

Overall, out of the 58,600 km of roads in Latvia, 1,624 km of regional roads (P5 and P80) and motorways (A1 to A15) are subject to the vignette.

Vignette amounts in Latvia for vehicles over 12,001 kg in 2021

Vehicle EURO standard	Number of axles	Vignette amount (in €)			
		Daily amount (€)	Weekly amount (€)	Monthly amount (€)	Annual amount (€)
EURO 0	No more than 3 axles	12	30	61	611
EURO I	No more than 3 axles	12	30	61	611
EURO II	4 axles and more	12	51	101	1,018
EURO III	No more than 3 axles	9	24	48	484
	4 axles and more	11	40	80	804
EURO IV or less polluting	No more than 3 axles	8	21	43	427
	4 axles and more	11	36	71	711

Source: <https://www.lvignette.eu/tariffs>

In the case of a 40-tonne, 5-axle Euro VI semi-trailer truck with air suspension, the amount of the vignette is 711 € per year.

¹³ <https://www.csdd.lv/autocelu-lietosanas-nodeva-vinjete/autocelu-lietosanas-nodeva>

Latvian main roads subject to vignette in 2021

No.	Main roads	Main road names	Sections of roads subject to vignette (in km)	
			From	To
1.	A1	Rīga (Baltezers)—Estonian border (Ainaži)	0	101.7
2.	A2	Rīga—Sigulda—Estonian border (Vecilaicene)	0	195.6
3.	A3	Inčukalns—Valmiera—Estonian border (Valka)	0	123.7
4.	A4	Rīga bypass (Baltezers—Saulkalne)	0	20.5
5.	A5	Rīga bypass (Salaspils—Babīte)	0	40.9
6.	A6	Rīga—Daugavpils—Krāslava—Bielorussian border (Patarnieki)	0	306.5
7.	A7	Rīga—Bauska—Lithuanian border (Grenctāle)	0	85.6
8.	A8	Rīga—Jelgava—Lithuanian border (Meitene)	0	76.1
9.	A9	Rīga (Skulte)—Liepāja	0	199.3
10.	A10	Rīga—Ventspils	0	190.1
11.	A11	Liepāja—Lithuanian border (Rucava)	0	58.9
12.	A12	Jēkabpils—Rēzekne—Ludza—Russian border (Terehova)	0	159.2
13.	A13	Russian border (Grebņeva)—Rēzekne—Daugavpils—Lithuanian border (Medumi)	9,9	163.4
14.	A14	Daugavpils bypass (Kalkūni—Tilti)	0	15.6
15.	A15	Rēzeknes bypass	0	7.1
16.	P5	Ulbroka—Ogre	0	19.9
17.	P80	Tīnūži—Koknese	0	63.6

Source: <https://www.lvignette.eu/about>

Excise duty on commercial diesel fuel

In accordance with Directive 92/12/EC and 2008/118/EC, Latvia has instituted an excise duty system.

As of 2 March 2020, the excise duty on diesel was 42.60 €/hl. It is worth noting that there is no provision for partial refund of excise duties on commercial diesel in Latvia.¹⁴

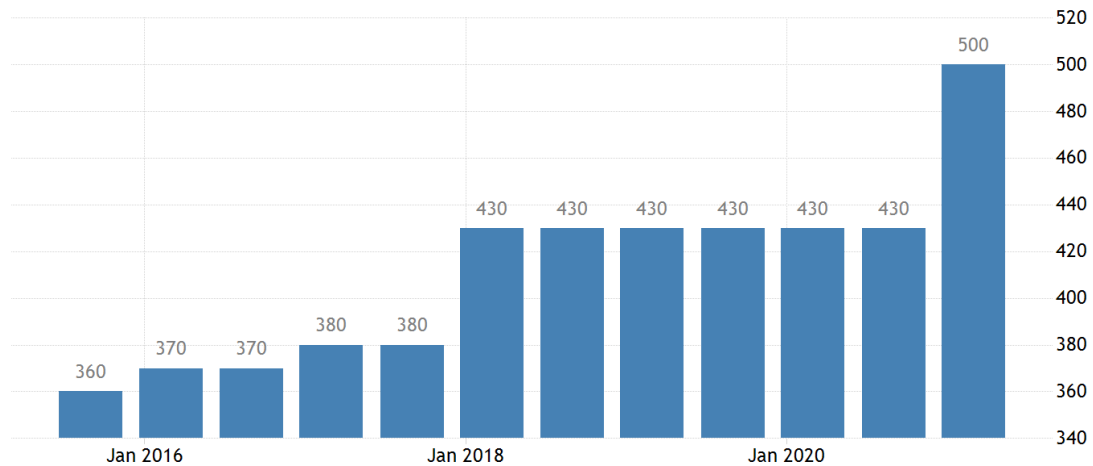
¹⁴ Excise duties and mechanisms for partial refunds on diesel in Europe - CNR study, 19 March 2020

LABOUR REGULATIONS APPLICABLE TO ROAD FREIGHT TRANSPORT

Pay rates

In 2020, the Latvian minimum wage stood at 430 € per month. It had remained unchanged since 2018. In 2021, it rose sharply to 500 € per month, an increase of 16.3%.

Evolution of the Latvian minimum wage between 2016 and 2021 (in €)



SOURCE: TRADINGECONOMICS.COM | EUROSTAT

Paid leave

All employees are entitled to annual paid leave of at least 4 weeks. If the employee and the employer agree that paid leave may be taken in a number of portions, no part of the annual leave may be shorter than two consecutive weeks. In certain exceptional cases where the taking of the full amount of paid leave would affect the smooth operation of the business, the employer may, with the written consent of the employee, transfer the unused leave days to the following year. Untaken leave may be carried over for one year only.

Travel allowances

Latvian Cabinet Regulation No. 969, adopted on 12 October 2010, specifies the levels of travel allowances for all occupations.¹⁵

¹⁵ <https://likumi.lv/doc.php?id=220013>

**Latvian travel allowances per destination
applicable in 2020**

Country	Daily allowance (€)
Germany	50
Austria	50
Belgium	60
Bulgaria	35
Cyprus	46
Croatia	40
Denmark	60
Spain	50
Estonia	40
Finland	55
France	60
Greece	55
Hungary	35
Ireland	60
Italy	60
Lithuania	30
Luxembourg	60
Malta	45
Netherlands	60
Poland	35
Portugal	50
Czech Republic	40
Romania	35
Slovakia	35
Slovenia	35
Sweden	50

Source: Latvian Cabinet Regulation No. 969

Social security contributions

Social security contributions in Latvia are paid on all salary earnings subject to income tax, up to a maximum of 62,800 € net before tax per year. This ceiling applies to the period 2019-2021.

As of 1 January 2018, social security contributions amounted to 35.09%: 24.09% paid by the employer and 11% by the employee. The detailed breakdown of employer and employee contributions is not known.

Social contributions applicable to driving staff as of January 1st, 2020	Rates
Pension (old age and survivors)	24.50%
Unemployment	1.84%
Occupational injuries and professional illness*	0.53%
Disability	2.23%
Sickness-maternity	4.65%
Parental contribution	1.34%
Total	35.09%

Source: Cleiss

* Applicable rate for lorry drivers' occupational injuries

**24.09% for employer contributions and 11% for employee contributions

In the case of salaried employment, sickness and maternity, disability, old age, survivor, unemployment and occupational injury and illness insurance are all covered by a single contribution.¹⁶

Since 2017, a solidarity tax has been payable on income in excess of the 62,800 €/year net income before tax threshold, and it is administered by the state. The rate of this solidarity tax is 25.50%. It is worth noting that, out of this tax, 1 point is withheld by the tax authorities and transferred to the health system. The remainder is managed by the National Social Insurance Agency, with 14 points going to fund pensions and 10.5 points to the payment of income tax.

Personal income tax

In 2018, the personal income tax procedures were changed. The various tax rates are now based on an individual's annual income. In 2020, these rates remain unchanged, but the tax brackets have been modified:

- 20% on annual incomes up to 20,004 €.
- 23% on annual incomes between 20,005 € and 62,800 €.
- 31% on annual incomes above 62,800 €.¹⁷

As a reminder, personal income tax also applies to non-residents who earned income in Latvia during the tax period in question. The following types of income are subject to tax:

- Income from employment.
- Income from business activities.
- Intellectual property income.

¹⁶ https://www.cleiss.fr/docs/regimes/regime_lettonie-s.html

¹⁷ <https://taxsummaries.pwc.com/latvia/individual/taxes-on-personal-income>

Latvia has also introduced a differentiated minimum tax-free allowance of 250 € per month for those earning a monthly income of no more than 440 € in 2020.

This minimum tax-free allowance is degressive and is applicable to incomes of up to 1,200 € per month.¹⁸

Differentiated non-taxable annual minimum (in €) between 2018 and 2020	2018	2019	2020
Ceiling of the non-taxable annual minimum (€)	2,400 (200€ per month)	2,760 (230€ per month)	3,000 (250€ per month)
Annual income up to which the non-taxable annual minimum ceiling applies (€)	5,280 (440€ per month)	5,280 (440€ per month)	5,280 (440€ per month)
Annual income up to which the non-taxable annual minimum applies on a declining scale (€)	12,000 (1,000€ per month)	13,200 (1,100€ per month)	14,400 (1,200€ per month)

Source: Latvian Ministry of Finance

¹⁸ <https://www.fm.gov.lv/en/tax-system-latvia>

2. OPERATING CONDITIONS AND COSTS FOR A 40-TONNE LATVIAN HGV OPERATING INTERNATIONALLY

This part of the study describes the economic and social conditions prevailing in 2020. In carrying out this study, CNR has drawn on research focused primarily on the fiscal and labour aspects of the RFT sector, as well as on previous CNR studies of the country and feedback from the experts with whom CNR collaborates. These different sources provide an overview of the Latvian RFT sector internationally and highlight the main developments observed since the last study. This research and process of dialogue are further backed up by interviews with Latvian hauliers and lorry drivers (see below and page 30).

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 12 Latvian road freight transport companies involved in long-distance transport operations, mainly internationally. The companies included in this study have the following characteristics:

	Number of tractors	Number of drivers	Principal markets	Turnover
Company 1	68	68	Benelux, France, Germany, Italy, Poland	6,442,000 €
Company 2	50	54	Europe, Scandinavia, Russia	3,819,000 €
Company 3	30	32	Russia, Scandinavia, Belarus, Ukraine	3,225,000 €
Company 4	4	4	Italy	527,000 €
Company 5	5	8	Latvia, Lithuania, Estonia	692,000 €
Company 6	23	23	Germany, Poland, Europe	2,242,000 €
Company 7	38	39	Germany, the Netherlands, Belgium	3,291,000 €
Company 8	121	180	Poland, Lithuania, Estonia	5,254,000 €
Company 9	10	10	Sweden, Benelux, Denmark	3,358,000 €
Company 10	50	40	Benelux, Germany, Italy, Russia	2,744,000 €
Company 11	6	6	Latvia, Lithuania, Estonia, Poland, Russia	1,089,000 €
Company 12	10	15	Russia, Kazakhstan, Norway, Sweden, Denmark, Finland, Eastern Europe	n.d

The companies visited for this study are extremely diverse in terms of their size and structure. They are all specialised in international RFT.

To enable a comparison with the data from other CNR country studies, only companies whose main activity is international long-distance freight transport have been selected. Their long-distance international transport operations are often combined with other more specific activities, such as domestic transport.

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 – Use

Vehicle use depends on the characteristics of the customer and the main markets in which the companies operate. The number of days vehicles are operated varies between 220 and 360 days, with a clustering around 263 days per year, compared to a figure of 265 days in 2017. The average annual distance travelled by the vehicles of the hauliers we met with is between 110,000 and 127,500 km, with a clustering around 120,400 km per year. Vehicle mileage is also down compared to the last CNR study in 2017, when it was 138,000 km per year. There are several reasons for this sharp decline: the Covid crisis and the EU Mobility package appear to have had a negative impact on the Latvian sector.

The length of time tractors used for international operations are kept ranges between 5 and 10 years, with a clustering around 7 years for the vast majority of companies surveyed. Vehicles are often acquired via 60-month leasing and kept for an additional 2 years after the end of the contract.

The tractor/semi-trailer ratio reported in the course company surveys was 1.61, up from the last CNR study, when the tractor-trailer ratio was 1.2.

TRANSPORT EQUIPMENT – Financing

The average purchase price of a Euro VI tractor established based on interviews with Latvian hauliers is between 75,000 € and 90,000 €, with a clustering around 80,000 €. The purchase price of a semi-trailer is estimated at 23,000 €. Most companies seem to use leasing over a period of 60 months.

In addition, some companies opt to take out 60-month bank loans for the purchase of tractors.

The period for which a tractor is kept ranges from 5 to 10 years; the average figure for semi-trailers is 10 years.

Data on interest rates (estimated at 3%) and leasing contract conditions allow the annual cost of owning a 40-tonne semi-trailer truck to be calculated. The figure that emerges is approximately 14,460 €, with a ratio of semi-trailer/tractor ownership of 1.61. The cost of owning a semi-trailer truck has increased since the last study in 2017. The figure arrived at in that study was 11,539 € per year per semi-trailer truck, which means that there has been an increase of 25.3% in 3 years.

FUEL

When it comes to buying fuel, Latvian companies source some 30% of their requirements from Russia. In 2020, they paid an average of 0.56 € (inclusive of non-recoverable VAT) per litre of fuel in Russia. This practice was already in evidence in previous CNR studies in Latvia and Lithuania. As for the remaining 70% of their purchases in the European Union, more than 50% of the carriers we met chose to buy in Poland (at average cost of 0.846 €/litre), and the rest in Latvia at an average cost of 0.864 €/litre.

Based on the fuel shopping basket calculated by the CNR (using information provided by companies), the price of one litre of fuel was 0.7513 €.

MAINTENANCE & REPAIRS

Half of the companies met have an in-house garage, while the others often use leasing with a maintenance contract. It is also difficult to calculate the cost of maintenance-repairs, as some hauliers find it difficult to isolate tyres from this cost item. In the companies we visited, these costs varied between 3,000 € and 6,000 € per year per semi-trailer truck.

The annual cost of maintenance-repairs for a 40-tonne semi-trailer truck is estimated to be 4,200 €/year. This figure has risen since the study carried out by CNR in 2017. As a reminder, the annual estimated amount at the time was 3,525 € per semi-trailer truck.

TYRES

The annual cost of tyres ranges widely, from 1,100 € to 3,700 €. This cost item varies greatly depending on the method of purchase of the vehicles (with or without a tyre contract) or on the brand chosen, but also depending on the mileage and the loads transported. Half of the companies we met with have a special contract for their tyres.

Based on information provided by Latvian hauliers, the annual cost of tyres for a 40-tonne semi-trailer truck is estimated at 2,280 €.

TOLLS

The annual toll costs for a 40-tonne semi-trailer truck operating internationally range widely, between 10,000 € and 20,400 €. Costs vary greatly depending on the countries visited and the main markets in which the companies operate. This cost item has increased since the 2017 Latvian study. This increase can be explained in particular by the growing number of countries using a mileage-based tax (e.g. Belgium) and by a widespread increase in tariffs, such as the Maut in Germany.

This figure includes the Eurovignette, which is used in the Netherlands, Luxembourg, Sweden, and Denmark.

The annual cost of tolls for a typical Latvian company is estimated at 15,840 € (including the Eurovignette). This cost item has increased by 27.7% since 2017, the date of the last CNR study on the Latvian sector.

INSURANCE

The amounts reported by hauliers vary widely, ranging from 1,400 € (per year, per semi-trailer truck) to 5,000 € (per year, per semi-trailer truck). The companies visited in the main opted for comprehensive insurance for their tractors. On the other hand, they tend to use third-party insurance for their semi-trailers.

The figure estimated by the CNR for a 40-tonne semi-trailer truck with comprehensive insurance is 2,245 € per year. Insurance costs are lower compared with the last CNR study on the Latvian sector in 2017. In that earlier study, insurance was estimated at 2,850 €/year, which means that this cost item has decreased by 21%. Latvian hauliers appear to be particularly sensitive to this cost item.

AXLE TAX AND OTHER VEHICLE TAXES

The tax on a 40-ton 5-axle, semi-trailer truck with air suspension is 498 €.

OVERHEAD COSTS

Information on overhead costs is often difficult to collect. The way in which these costs are calculated differs from one company to another. Some take into account the cost of the in-house garage, while others include in their calculations the cost of ancillary activities such as logistics. The professionals we met on-site estimated this cost at between 6 and 8% of the total cost of the vehicle. Overhead costs

are estimated at 7% of the total cost of the vehicle as shown in the overview of the conditions and costs of an international Latvian HGV (page 32).

1.4. EMPLOYMENT CONDITIONS AND DRIVER EMPLOYMENT COSTS

Employment conditions and driver pay in Latvia were surveyed during two rounds of interviews: a first phase in companies with Latvian employers; and a second phase, involving face-to-face interviews with drivers in car parks and rest stops in Poland. During this second phase, around twenty drivers, employees with Latvian 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 a Latvian contract working internationally.

WORKING CONDITIONS

Permanent contracts are the most common form of employment contract in the sector. The number of working days per year is 241 days, ranging from 200 days to 276 days. The statutory amount of paid leave is 4 weeks, i.e. the European minimum. These days off are often taken in the summer and during the Christmas and New Year period. In other words, drivers' actual working year averages 11 months.

In terms of their schedule, Latvian drivers working internationally generally spend approximately 20 nights away from home per month, and the vast majority of them go home at once every two weeks. The figure of 20 nights away from home was thus chosen for the purposes of defining the typical profile of a driver with a Latvian contract working internationally.

Lastly, the average mileage that emerges from company surveys is approximately 110,500 km per year. Meanwhile, drivers report driving nearly 110,300 km annually. The average used for this latest study is 110,400 km per year, significantly lower than in 2017 (130,000 km/year). Three factors explain this decline: the Covid crisis in 2020, the EU Mobility package and the principal markets served by the companies we visited. The vast majority of companies report that they travel to Scandinavia, the Baltic countries and Russia. This is a change from 2017, when trips tended to be more in Western Europe. As a result of these changes, drivers tend to return home more often, with some companies reporting that their international drivers come home every weekend. The driver/tractor ratio was 1.09. This ratio is higher than in 2017, when it was 1.06.

Finally, it is worth mentioning that the number of working weeks is higher than the average in most of the countries studied by the CNR. Driving time, however, is lower, estimated at 1,950 hours per year. One possible explanation for this fact might be the use of ferries to access the Scandinavian market. Moreover, the Covid crisis probably had an effect on the number of hours worked. As a reminder, the driving time recorded in 2017 was broadly similar.

NOTE ON DRIVING PERSONNEL COST FORMATION

Drivers with Latvian contracts receive a fixed monthly salary over 12 months, supplemented by daily allowances.

In the course of our interviews with them, companies frequently reported that they had adopted payment conditions in line with European regulations. Consequently, the mileage-based system of

payment has been replaced by a quasi-automatic system of daily allowances, based on the countries being visited.

Thus, a basic salary of 800 € gross per month – in addition to certain bonuses (such as the bonus for driving in an eco-friendly manner or for not having an accident), estimated at 30 € per month in the payslip below (page 31) – makes up the initial component of drivers’ compensation, which is subject to income tax. As noted in the 2017 study, the basic salary of drivers with Latvian contracts working internationally is higher than the national minimum monthly wage. This fixed amount is supplemented by a variable component consisting of travel allowances. As a reminder, and as was noted in the previous CNR study, monthly travel allowances may not exceed 50% of total pay. These daily allowances are not subject to social security contributions or income tax. The travel allowances below are calculated based on a mixture of trips in Western and Eastern Europe.


TYPICAL PROFILE OF A DRIVER WITH A LATVIAN CONTRACT WORKING INTERNATIONALLY AND BREAKDOWN OF HIS COST

Typical profile of an international driver - Latvia - 2020					
Characteristics		<ul style="list-style-type: none"> - International mid-distance driver. - Two-week European tours, mainly intra EU, with 3 or 4 days of rest at home in the majority of cases. - Low mileage due to Covid crisis over the survey period. - Annual paid leave of 4 weeks, all taken. - Remuneration made up of a fixed base salary higher than the national minimum wage supplemented by a variable part not subject to social contributions and income tax. The basic salary, higher than the national minimum wage, is between 700 € and 1,000 € gross per month. - Travel allowances often used to reflect the variable part of the remuneration on the payslip. 			
Annual mileage achieved		110,400 km			
Number of actual working days per year		241			
Number of working weeks per year		44			
Number of driving hours per year		1,950			
Cost breakdown of a typical Latvian international driver in 2020					
Reconstitution of a payslip					
EMPLOYER			EMPLOYEE		
Gross salary	€/month	830.00 €	Gross salary	€/month	830.00 €
Fixed gross salary	€/month	800.00 €	Fixed gross salary	€/month	800.00 €
Other bonuses (monthly basis)	€/month	30.00 €	Other bonuses (monthly basis)	€/month	30.00 €
Social contributions		24.09%	199.95 €	Social contributions	
				11.00%	91.30 €
				Salary after social contributions	
					738.70 €
				Income tax	
					60.02 €
Gross salary subject to employer contributions			1,029.95 €	Net salary after social contributions and income tax	
					678.68 €
Travel allowances for an actual working month (11 months per year)			950.00 €	Travel allowances for an actual working month (11 months per year)	
					950.00 €
Monthly cost of a driver for a month of full activity			1,979.95 €	Net salary of a driver for a month of full activity	
					1,628.68 €
Breakdown of the annual cost of a typical Latvian international driver in 2020					
Fixed gross salary + bonuses* 12 months			9,960.00 €	Fixed gross salary + bonuses* 12 months	
					9,960.00 €
Employer contributions * 12 months			2,399.36 €	Social contributions and income tax * 12 months	
					1,815.84 €
Fixed gross salary subject to employer's contributions * 12 months			12,359.36 €	Fixed salary after income. tax * 12 months	
					8,144.16 €
Travel allowances * 11 months			10,450.00 €	Travel allowances * 11 months	
					10,450.00 €
Total annual cost			22,809.36 €	Annual net salary	
					18,594.16 €
Cost of an hour of driving €			11.70 €	Average monthly net salary	
					1,549.51 €
Cost per kilometre €			0.21 €		

Source: CNR European studies

Based CNR surveys, driver costs have increased by 20.6% since 2017 (from 18,911 € to 22,809 € in 2020). This rise is explained by the increase in the minimum wage (up 31.6% since 2017) and in travel allowances. In the space of 3 years, the total annual cost of an international driver increased by 6.5%/year on average. The number of working days per year driven by a “typical” driver with a Latvian contract increased, while annual mileage decreased (see page 26). Overall, the cost of an hour of driving rose to 11.70 €, an increase of more than 22.5% compared to 2017. As a reminder, the cost recorded by the CNR in 2017 was 9.55 €/hour.

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

Operating conditions and costs of a 40-tonne HGV operated on long distance international routes, 2020 conditions 		
	Unit	Latvia Simulation
Annual mileage of a vehicle	km	120,400
Number of operating days	days/year	263
Semi-trailer/tractor ratio		1.61
Driver cost	€/year	22,809
Driver/tractor ratio		1.09
Annual cost of vehicle financing and possession	€/year	14,460
Average consumption per 100 km	litres	30.8
Unit fuel price, 2020 average	€/litre	0.7513
Fuel cost	€/year	27,860
Tyres	€/year	2,280
Maintenance-repair	€/year	4,000
Tolls and vignettes	€/year	15,840
Insurance (vehicle)	€/year	2,245
Axle tax and other vehicle taxes	€/year	498
Synthesis - cost price (excluding overhead cost)		92,045
Cost/mileage ratio per annum	€/km	0.76
Overhead costs	€/year	6,443
Synthesis - full cost price		98,488
Full cost per kilometre	€/km	0.82

Source : CNR European studies

According to CNR calculations, the cost per kilometre of a Latvian 40-tonne heavy goods vehicle used for international long-distance transport is 0.76 € (excluding overhead costs) compared with 0.60 € in 2017, an increase of more than 26.7% compared with the previous study. Certain cost items such as the driver cost (+20.6%), the cost of ownership (+25.3%) and tolls (+27.7%) have increased significantly compared to 2017.

Ultimately, when overhead costs (estimated at around 7% of the total cost) are factored in, the cost price in 2020 is estimated at 0.82 € per kilometre. This estimate is in line with the information provided by the hauliers, who estimate their cost price at between 0.70 €/km and 1 €/km, with a clustering around 0.84 €/km.

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Latvian Ministry of Finance <https://www.fm.gov.lv/en/tax-system-latvia>

VAT <https://www.vid.gov.lv/en/value-added-tax-rates>

Transport stakeholders

Road Transport Administration www.atd.lv/en/road-transport-administration

Latvian State Roads Company <https://lvceli.lv/en/about-us/>

Road Safety Authority <http://www.csdd.lv>

Association of Road Hauliers <https://www.lauto.lv/en/>

LBAS <https://arodbiedribas.lv/en/lbas-2/affiliates/>

Legal text

<https://likumi.lv/ta/id/223536-transportlidzekla-ekspluatacijas-nodokla-un-uznemumu-vieglo-transportlidzeklu-nodokla-likums/redakcijas-datums/2021/01/01>

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