

Larive International

Business consultancy in an emerging world



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Economic impact of DCFTA between the EU and Ukraine on road freight sector

Summary

Presented to:

Participants of Dutch economic mission to Ukraine

Prepared by:

Larive International

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Logistics performance Ukraine

World Bank survey “Connecting to compete”



The logistics Performance Index (LPI) is the weighted average of the country scores on the six key dimensions:

- ◇ The efficiency of customs and border management clearance
- ◇ The quality of trade and transport infrastructure
- ◇ The ease of arranging competitively priced shipments
- ◇ The competence and quality of logistics services—trucking, forwarding, and customs brokerage
- ◇ The ability to track and trace consignments
- ◇ The frequency with which shipments reach consignees within scheduled or expected delivery times

Development of LPI index by dimensions, Ukraine (2010-2014)

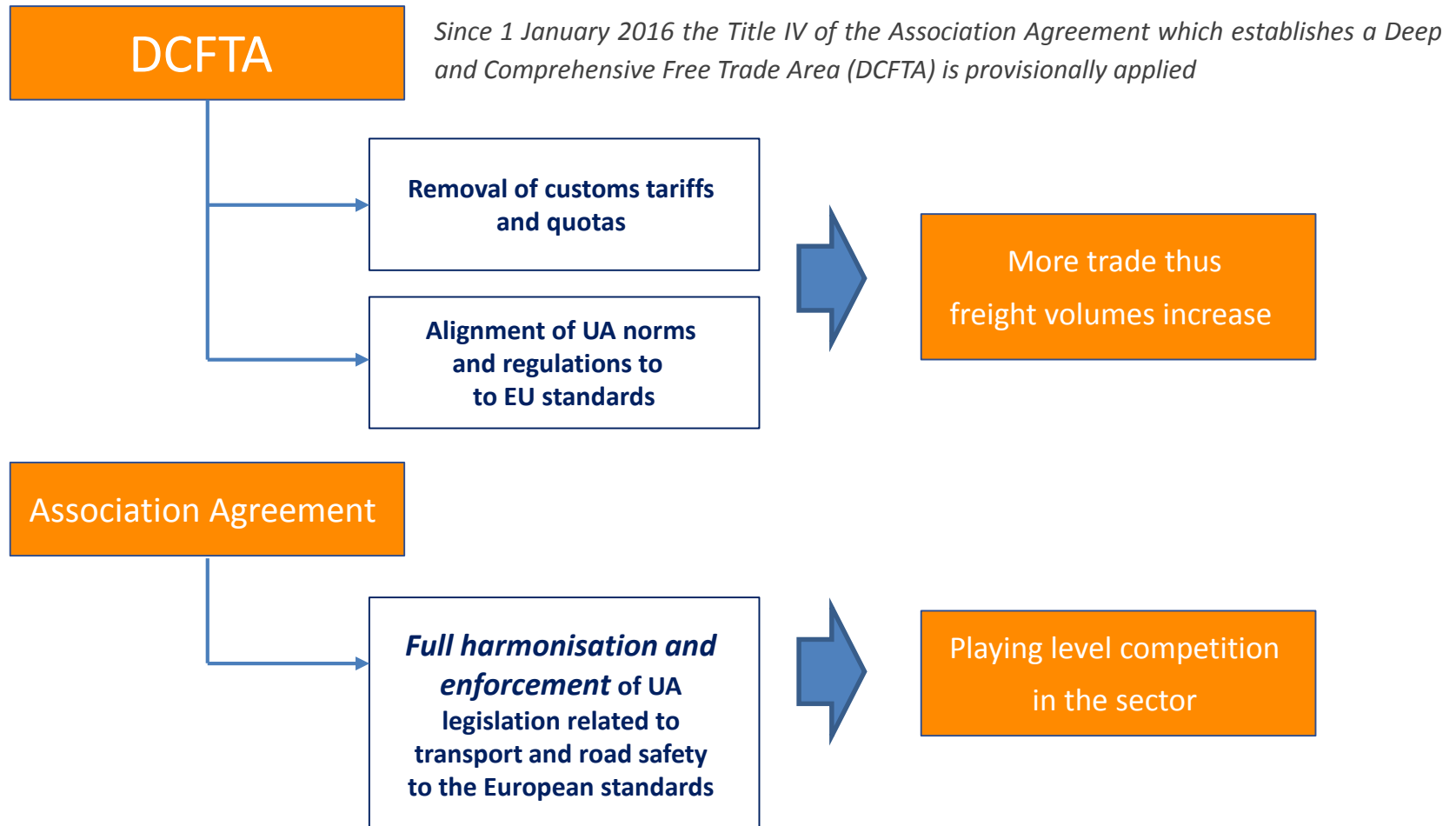
Year	LPI Rank	LPI Score	% of highest performer	Customs		Infrastructure		International shipments		Logistics quality and competence		Tracking and tracing		Timeliness	
				Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
2014	61	2.98	63.3	69	2.69	71	2.65	67	2.95	72	2.84	45	3.20	52	3.51
2012	66	2.85	59.3	88	2.41	70	2.69	83	2.72	61	2.85	50	3.15	68	3.31
2010	102	2.57	50.6	135	2.02	79	2.44	84	2.79	77	2.59	112	2.49	114	3.06

Association Agreement between Ukraine and the EU

Impact for EU businesses from transport and logistics sector



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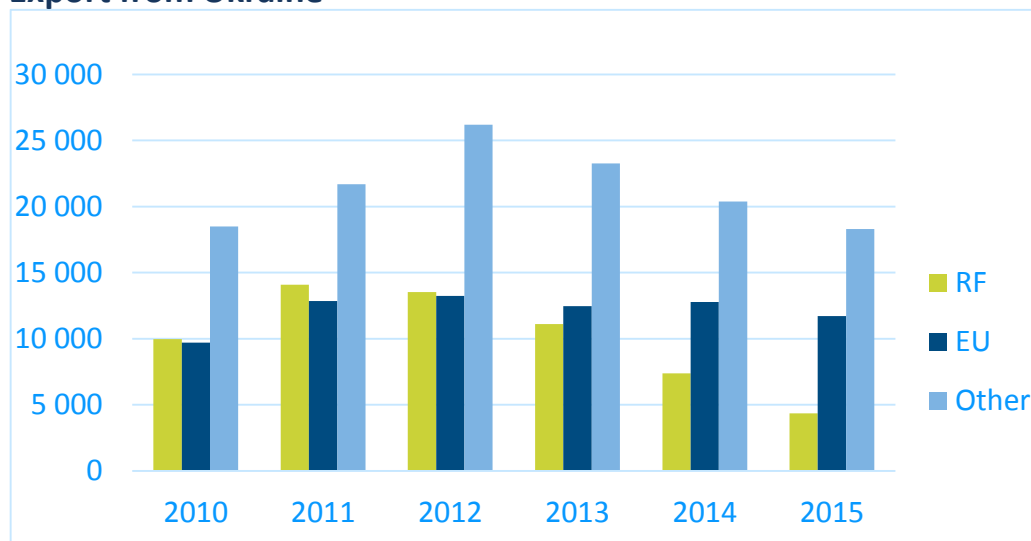




International trade Ukraine

Foreign trade volumes (EUR million)

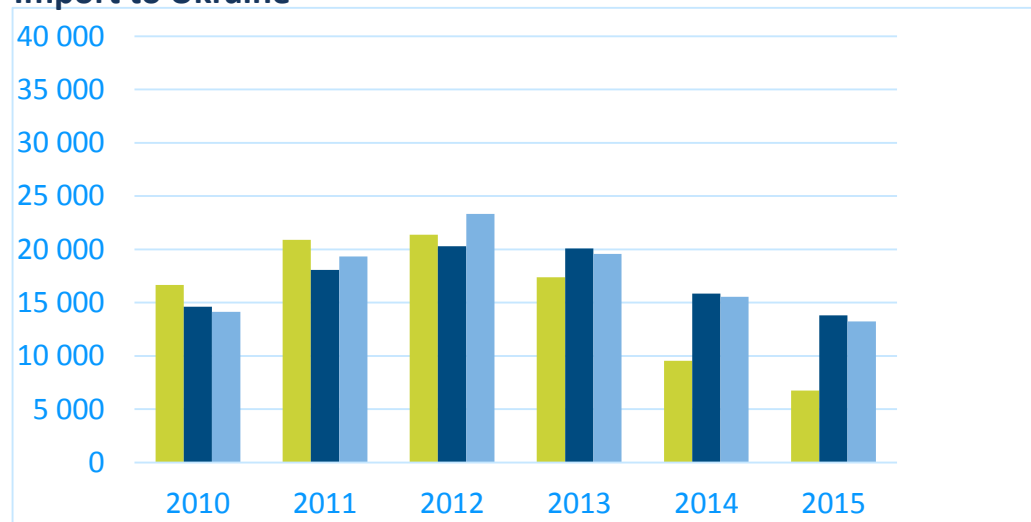
Export from Ukraine



Shares in overall UA exports

	RF	EU
2012	26%	25%
2015	13%	34%

Import to Ukraine



Shares in overall UA imports

	RF	EU
2012	33%	31%
2015	20%	41%

Source: UA statistics, 2016.

International trade Ukraine

Main product traded (EU, RF)



Ukraine's exports to the EU:

- iron & steel
 - mining products
 - agricultural goods
- and to a lesser extent:
- chemicals
 - and machinery.

Main EU exports to Ukraine :

- machinery & appliances
- transport equipment
- chemicals
- other industrial products.



Ukraine's traditional exports to RF:

- iron and steel
- railway equipment
- nuclear reactor and machinery
- electrical equipment
- inorganic chemicals
- pipes.

Main RF exports to Ukraine :

- natural gas
- supplies to nuclear facilities.

International trade Ukraine

Ukraine's exports to Russia (USD billion)



	Product category	2013	2014	2015	Change (%) 2015/2013
	Total	14.79	9.79	4.83	-67%
1	Nuclear reactors, machinery	2.17	1.68	0.9	-58%
2	Iron and steel	2.16	1.44	0.78	-64%
3	Railway or tramway locomotives	1.74	0.60	0.11	-94%
4	Electrical equipment	1.09	0.67	0.25	-77%
5	Inorganic chemicals	0.85	0.74	0.61	-28%
6	Articles of iron or steel	0.83	0.62	0.25	-69%
7	Paper and paperboard; articles of paper pulp	0.77	0.58	0.32	-59%
8	Salt; sulphur; earths and stone; plastering	0.47	0.37	0.14	-69%
9	Plastics and articles thereof	0.39	0.23	0.18	-54%
10	Dairy produce; birds' eggs; honey	0.38	0.12	0.01	-97%
11	Other product categories	1.99	1.22	0.57	-71%

Source: EU Delegation to Ukraine, 2016.

International trade Ukraine

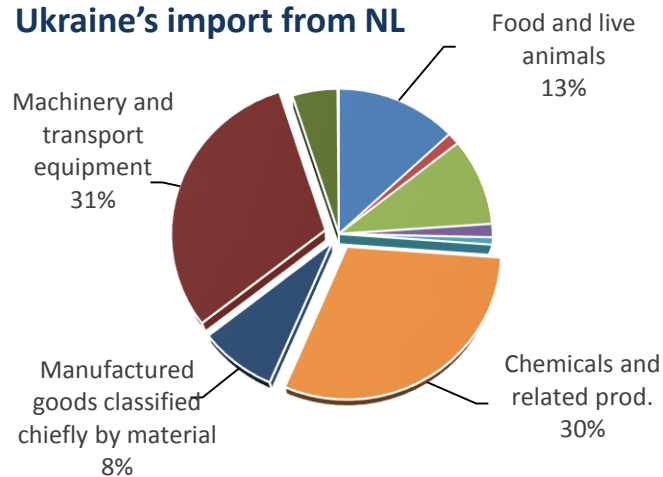
Bilateral trade with NL (EUR million)



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Ukraine's import from NL



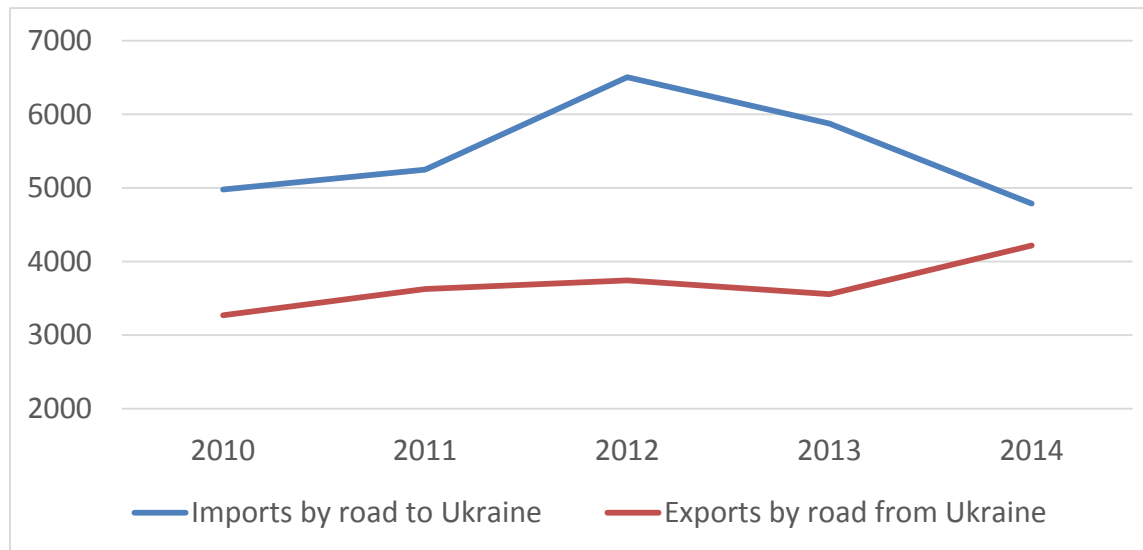
Ukraine's export to NL



Road freight volumes Ukraine

Road-based trade volumes with the EU and NL

Development of EU's trade by road from/to Ukraine 2010-2014 ('000 tons)



Source: AsMAP Ukraine, 2016.

Road modal share in (UA trade)

	UA exports	UA imports
2010	5%	17%
2011	5%	18%
2012	5%	20%
2013	5%	21%
2014	5%	18%

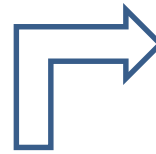


Source: EUROSTAT, 2016.

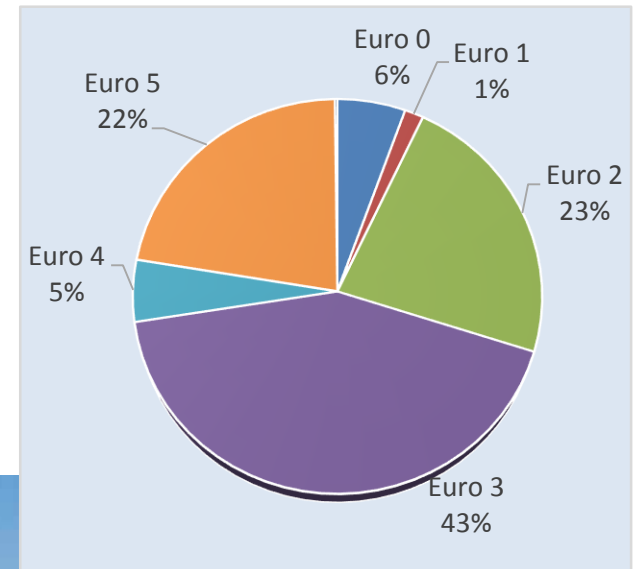
International road freight sector in UA

Current situation (facts and figures)

- ◇ 3,300 companies
- ◇ 32,000 trucks
- ◇ 60,000 employees
- ◇ 80 – 90% have fewer than 10 trucks



Commercial vehicles of by Euro standards (2015)



Source: AsMAP UA, 2016.



International road freight sector in UA

Current situation (interviews with the market vendors)

- ◇ The import volumes from the EU were decreasing
- ◇ Export of manufactured goods from Ukraine for consumer markets of the EU is increasing
- ◇ Hauls from/to Russia have been considerably reduced, the transport companies are re-orienting the activity towards other markets
- ◇ Opportunities for transit hauls (export) are restricted by transit quotas
- ◇ LTL hauls are getting more share by expense of FTL hauls
- ◇ Costs became the primary factor for client (the same as during 2008-2009 crisis years)
- ◇ Prices for export and import hauls have equalized

Raben



DSV

Opportunities for Dutch companies

Summary

Trade opportunities (supply of goods):

- Modern trucks
- Specialized trailers and vehicles
- Equipment for road safety
- Equipment for weight control (weighting stations, weight-in-motion)

Supply of road transport services:

- Transportation of high-value goods by specialized vehicles (f.i. protected vehicles)
- Joint hauls with Ukrainian transport companies (on-border trailer change)
- Transportation of Dutch exports (horticultural products etc.) to Ukraine and neighboring countries

Opportunities for consultancy services:

- Institutional development projects financed by IFO's and focused on the road freight sector
- Projects in other transport modes interconnected with road transport (f.i. river ports etc).





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