

**RESEARCH ON THE NEED FOR THE TIR TRANSIT SYSTEM IN
LITHUANIAN COMPANIES**
***TIR TRANŽĪTA SISTĒMAS VAJADZĪBAS IZPĒTE LIETUVAS
UZŅĒMUMOS***

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Abstract. *This scientific article will introduce the concept of the TIR Convention of 1975. Considering the favourable geographical position for transit cargo transportation in Lithuania, the development of logistics areas, potential obstacles and improvements have great importance. The article provides an overview of the basic provisions, the elements of the TIR system, the aims and benefits of this Convention for transport companies. Also, after analysing the results of interviews with various Lithuanian transport companies, there is an investigation of the need for a TIR transit system and the issue raised: whether a system of international freight transportation with TIR carnets is needed today.*
Keywords: *export, import, international warranty, TIR procedure.*

Introduction

The development of transport activities is valid for maintaining rapidly evolving international relations. Due to the economic and political factors, Lithuania has become an ally of one of the many international conventions both in the European Union and around the world. TIR Convention (1975) is one of these contracts and TIR stands for International Road Transport. Lithuania has a well-developed road infrastructure and this has a positive impact on the further growth of transit freight flow. It is said, that TIR system encourages even more intensive international trade and reduces transport costs.

Aim of the research – to investigate whether the system of international cargo transportation with TIR carnet is relevant and necessary for Lithuanian transport companies.

Tasks of the research:

1. Examine the procedures of the TIR system, its elements and advantages.
2. To perform the analysis of the need for the TIR system in Lithuanian companies.
3. To determine whether the TIR system is necessary to ensure large transit cargo flows in Lithuanian companies.

Research methods: analysis of literature sources, interview method, analysis of statistical data.

Overview of the TIR procedure

"TIR procedure" means the carriage of goods between a Customs office of departure and a Customs office of destination under the TIR procedure as defined in the TIR Convention (*Muitinės konvencija dėl tarptautinio krovinių gabenimo su TIR knygelėmis, 1975*). The Contracting

Parties have begun to establish a TIR transit system to facilitate the international carriage of goods by road, recognizing that the improvement of conditions for the carriage of goods is one of the key factors in developing cooperation and agreeing on the need to simplify administrative formalities in international road transport, especially at borders (Figure 1), (*Muitinės konvencija dėl tarptautinio krovinių gabenimo su TIR knygelėmis, 1975*).

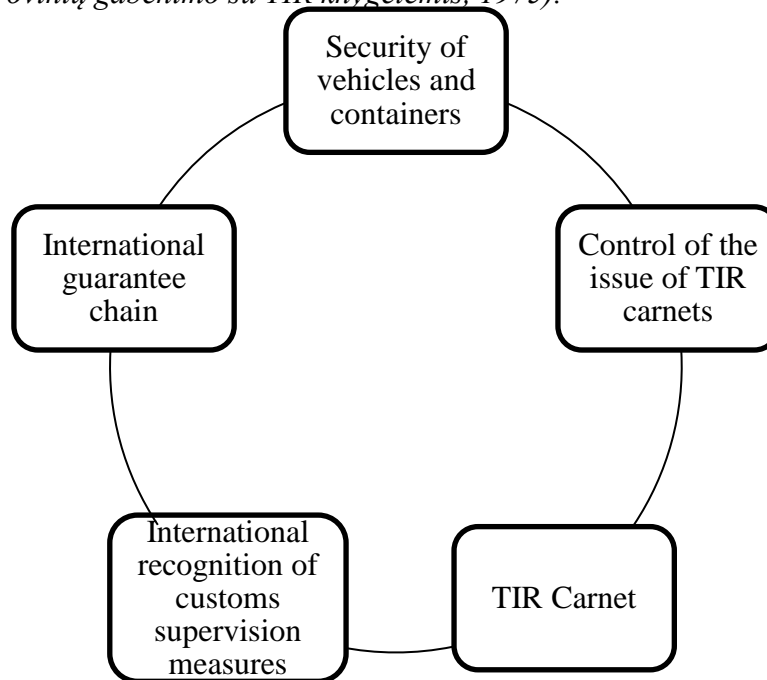


Figure 1. TIR transit system (composed by authors)

The main elements of the TIR transit system are:

- The goods must be transported in safe road vehicles or containers;
- Payment of customs duties and other import duties is secured by an international guarantee;
- The goods must be accompanied by a document recognized by all the Contracting Parties to the TIR Convention (TIR Carnet). This document begins in the country of departure and is used as a control document for the TIR procedure in the countries of departure, transit and destination;
- Customs supervision (identification of goods) measures applied in the country of departure must also be recognized in the countries of transit and distribution;
- The issue of TIR Carnets must be controlled by an authorized national authority, usually the Customs (*Avižienis, Sarapinienė, 2008*).

The first TIR agreement was concluded in 1949 signed by several European countries. The success of this agreement paved the way for the Transport Committee of the United Nations European Commission to adopt the TIR Convention in 1959, which entered into force in 1960. The first TIR Convention was supplemented in 1975, to take into account the experience gained in applying the TIR transit system, technical innovations and changes in customs and transport legislation. The Customs Convention on the International Transport of Goods under Cover of TIR Carnets is one of the most successful international transport conventions and is to date the only universal customs transit system in existence. To date, it has 76 Contracting Parties, including the European Union. This system covers the whole of Europe and extends to North Africa and the Middle East. The TIR system is open to more than 33,000 operators and transports around 1.5 million TIR cargoes per year (*UNECE, 2018*).

Progress of the transit procedure

1. Customs formalities at the customs office of departure: the customs office of departure which issued the TIR carnet and the electronic data and decided to release the goods:

- sends electronic information on the intended arrival to the notified body. The "declarant" shall be informed by electronic means of the forward release.
- issue a Transit Accompanying Document to the carrier or, where necessary, a Transit / Security Accompanying Document, which must accompany the goods to the office of destination, and complete the relevant sheets of the TIR Carnet.

2. Customs formalities at the office of destination: the office of destination shall, after completing the customs clearance, send an electronic notification of the arrival u-registration and the electronic notification of the results of the verification to the customs office of departure and complete the green sheet of the TIR carnet.

3. Where a TIR procedure has not been issued: if company is indicated in box 50 "Executor" of the transit accompanying document during the transit procedure, you have the obligations provided for in Article 233 of Regulation (EU) 952/2013 before the end of the TIR procedure within the transit deadline set by the office of departure. The territorial customs office in whose area of operation the office of departure which placed the TIR procedure belongs shall, following the prescribed procedure, open an investigation and inform you in writing using notification in the prescribed form (*Lietuvos Respublikos Muitinė, 2018*).

It is important to know that the TIR operator (carrier) can calculate the tax liability (which will be registered in the customs records) and the customs authorities will have to take recovery measures no later than 7 months from the latest date when the goods had to be presented at the office of the destination (*Lietuvos Respublikos Muitinė, 2018*).

The aims and benefits of the TIR Convention

The TIR Convention was adopted in case to facilitate the process of international transportation by road transport. One of the ways to achieve that purpose is to simplify the international transport of customs-supervised transit goods and administrative formalities. Of course, in order to make the new system successful, it is important to ensure its clarity. Therefore, it is planned to create a system that is comprehensible to all participants of international transit and to maintain a balance between customs and carrier requirements. The usual procedure of international cargo transportation is characterized by long processes of the customs system and by documentation which occupies about 57% of the total transportation time. The usual procedure of international cargo transportation is characterized by long processes of the customs system and by documentation which occupies about 57% of the total transportation time. In addition, downtime of road freight vehicles at the borders sometimes takes from a few hours to a few days, which leads to the increment of environmental pollution and to the risk of corruption (*International Road Transport Union IRU, 2013*). The obstacles and dangers mentioned above can be avoided under the provisions of the TIR Convention, where the advantages of the TIR transit system for customs and transport industry are highlighted:

1. The administrative burden is reduced for both parties by filling in only the relevant TIR Carnet sheets and data in the electronic system (*International Road Transport Union IRU, 2013*).
2. The institutions of customs can reduce the costs of labour pay and equipment required for the physical check. In most cases, it is sufficient to apply only the minimum intervention measures: checking the external condition of semi-trailers, seals and stamps. Besides, the risk of

misinformation is avoided, as one transit document (TIR carnet) is used internationally (UNECE, 2017).

3. The TIR transit system ensures the safe delivery of cargo, as the Convention provides that goods must be transported in such a way that it would not be possible to reach the cargo without damaging customs seals or leaving other intrusion marks (Avižienis, Sarapiniene, 2008).
4. Because of more efficient administrative processes at customs and shorter downtimes there is an opportunity for carriers to save fuel, reduce transportation time and freight costs.
5. Customs controls allow carriers to choose easier the mode of transport that suits their needs.
6. Reduced barriers to the international transportation of goods by road freight encourage the development of international trade (UNECE, 2017).

International guarantee system

One of the elements of the TIR transit system is the international guarantee chain. It consists of the national associations of all member states of the TIR Convention (in Lithuania – the Lithuanian National Association of Road Carriers "Linava", in Latvia – the non-governmental organization for the transportation of goods and passengers by road "Latvijas Auto") administered by the International Road Transport Union (IRU). The TIR Convention provides for the reliability and safety of road vehicles and containers. The goods must be transported by road freight in such a way that it is not possible to reach the load without leaving visible traces of burglary or without damaging customs seals. The purpose of the international guarantee system is to ensure that customs duties and taxes are paid to customs when a violation is detected. The national guaranteeing association shall be contacted if it is not possible to regain the fees from the TIR carnet holder after an infringement in the TIR transit system. In such a case, the guaranteeing association, after detection of a violation of the TIR system, shall fulfil its obligation to pay the customs duties and taxes to the customs. The national association pays taxes and customs duties for an infringement when it is committed in the territory of that association. It is not considered whether the carrier has a TIR carnet given by that association or the TIR carnet given by another association that belongs to the same guarantee chain (Avižienis, Sarapiniene, 2008). The limits of the monetary guarantee are set for each country separately, but they may not exceed 100 thousand euros (Linava.lt, 2019).

The results of research and their evaluation

The research data showed that, according to the representative of the association "Linava" for the "Cargonews" editorial office, including the candidates, in 2019 there were 798 members (carriers) of the association. What is more, about 231900 TIR carnets have been issued in the last four years (2016-2019) (Volovoj, 2019). However, according to the annual financial statements, sales of TIR carnets are gradually declining, so the question arises – whether TIR transit services are still relevant? In case to determine the demand for transit with TIR carnets the investigation was done. Several logistics services providers were interviewed. Both the attitudes of companies operating under the TIR Convention and of companies not operating under the TIR procedure were analysed. The list of the interviewed companies is presented in Table 1.

Regarding the results 5 of the 15 interviewed companies belonging to the "Linava" carriers' association certain insights on the usage of TIR system may be drawn. Starting with the representative of UAB "Raben Lietuva", it can be stated that the reason why the company does not

belong to the "Linava" association and does not use TIR carnets is related to the geographical transportation chain.

Table 1

Analysis of carriers engaged in road transport activities (compiled by the authors based on the "e.VKTI" data)

Company	Is a member of the „Linava“ association	Relevant information about the company
UAB „Raben Lietuva“	No	Works with subcontracted transport, EBKR license for the carriage of goods. Freight transport in Europe and the local market
UAB "DLG"	No	170 partners or own cars, international logistics. No licenses
UAB „Transekspedicija“	Yes	142 trucks, domestic and international shipments. EBKR license for the carriage of goods
UAB „Vlantana“	Yes	1276 trucks, international and local transportation. EBKR license for the carriage of goods
UAB „Sadvitov transportas“	No	Subcontracted road transport fleet, local and international transport. No licenses
UAB „Baltic Transline transport“	Yes	484 working trucks, freight services in Lithuania and Europe. EBKR license for the carriage of goods and SL license for the carriage of goods on domestic routes
UAB „RM Cargo Baltic“	No	Works with subcontracted transport. Cargo transportation between European and Asian countries. No licenses
UAB „Hegelmann Transporte“	Yes	727 working trucks. The cargo transportation network is developed in Europe and the CIS countries. EBKR license
UAB „Judisa“	No	21 truck. Delivery of various cargoes in the territory of the EU, local transportation. EBKR license
UAB „Easting Transline“	No	Works with subcontracted transport. International transportation of partial loads throughout Europe, CIS countries. No licenses
UAB „AD REM Transport“	No	1 working car. International cargo transportation and forwarding in all European and CIS countries. EBKR license
UAB „Ogtransa“	No	21 cars, local and international shipments in Europe. EBKR license
UAB „Girteka Logistics“	Yes	7400 partners or own transport fleet in Europe, Russia, Scandinavia and CIS countries. No licenses
UAB „Lentransa“	No	7 cars, international shipments throughout Europe, Russia, Central Asia. EBKR license
UAB „MV GROUP Logistics“	No	The transport fleet consists of over 90 partners or own cars, serviced by outlets in Lithuania, Latvia, Estonia and Poland. SL license, which allows to engage in cargo transportation on domestic routes

In this case, the company transport most of the goods in the territory of Europe, therefore the customs system in the CIS countries is not relevant. The representative also mentioned that the decision to apply or not for membership in the association is related to financial aspects. To become a member of the "Linava" association, you need to pay a one-time application fee of 870 euros, an entrance fee of 200 euros and an annual membership and candidate fee of 460 euros.

In addition to the mentioned fees, members also have to pay for the administrative services, as well as paying TIR carnet fees, which, depending on the basic purchase price, cost about 70 euros for a 14-page TIR carnet and about 45 euros for a 6-page TIR carnet (*Linava.lt, 2020*).

It is likely that the high costs also had impact on another logistics company UAB "Vlantana" choice. The company is a member of "Linava" association, but currently does not execute transportations under the TIR Convention. According to the company's representative: "Transportations with TIR carnets are currently not carried out because of economic reasons."

Consequently, there is a problem of excessive costs that some companies are unable to pay for a certain period of their operations. This situation encourages carriers to look for a cheaper solution, which is why they are increasingly choosing a carriage with a customs guarantor, which let them save the TIR carnets costs.

During the interview, the representative of the forwarding company UAB "Lognet" mentioned that the method (with TIR carnets or with a customs guarantor) of international transportation to the Commonwealth of Independent States (CIS) countries is dictated by the customer. The importance of the value of the cargo when transporting with a guarantor was also emphasized: the higher it is, the higher the amount of the guarantor is (the amount of guarantor is paid by the carrier's company). The representative of UAB "Lognet" also picked out several advantages of the TIR system. When transporting with TIR carnets, the borders are crossed faster, the transit time is shorter, so it is more likely that the cargo would be delivered on time. On the other hand, transportation with a customs guarantor is cheaper because fewer taxes are paid. Payment is made only for the customs guarantor and the TIR EPD (electronic TIR pre-declaration). Meanwhile, when transporting with TIR carnets, the costs of the carnet, its completion and presentation to customs, TIR EPD (electronic TIR pre-declaration) is included (*CargoNews.lt, 2015*).

Thus, taking into account the statements of the representatives of the companies and statistical data, it can be stated that the need for transportation with TIR carnets is decreasing. Such a situation is impacted by the emerging alternatives, that allow companies to transport cargo to the CIS countries cheaper.

Conclusions

1. The TIR procedure consists of the carriage of goods between a Customs office of departure and a Customs office of the destination. Today, the TIR system is used by 76 Contracting Parties and about 1.5 million TIR loads are transported per year. This system consists of the control of the issuance of TIR carnets, the TIR carnet (issued in Lithuania by the Lithuanian National Association of Road Carriers "Linava"), the international recognition of customs supervision, the international warranty chain, the security of vehicles and containers. The Contracting Parties consider that the TIR system makes it possible to reduce administrative burdens; to ensure the safe delivery of cargo; because of more efficient administrative formalities TIR reduces downtime and the risk of delays; customs authorities avoid the high costs of labour and equipment required for physical checks; allows more freedom of choice to choose the right transport.

2. The study on the need for the TIR system shows that out of 15 reviewed companies, only one third belong to the “Linava” organization. The representatives of these companies claim that they choose this transit system precisely because of the shorter transit time and reduced possibility of cargo delays. The remaining majority of companies that do not use the TIR system say that the financial factor is the main reason and to avoid higher costs for the company. Representatives of some companies make no secret of the fact that there are much more efficient international road freight transport systems today.
3. According to the annual financial statements, sales of TIR carnets are gradually declining, which means that TIR services are becoming less relevant. The study has shown that there is a problem of excessive costs in the TIR system and that is why carriers are looking for better options. When goods are transported with TIR carnets, the price of the carnet, its presentation to the customs authorities are included. Its price has a huge impact on logistics because the most important goal is to deliver the cargo at the lowest possible cost, which is why companies more and more often choose the customs guarantor.

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Kopsavilkums

Rakstā tiek analizēta Muitas konvencija par starptautiskajiem kravu pārvadājumiem, izmantojot TIR karneti (1975. gada TIR konvencija). Izvērtējot labvēlīgu ģeogrāfisko stāvokli tranzīta kravu pārvadāšanai Lietuvā, loģistikas nozares attīstībai, iespējamiem šķēršļiem un uzlabojumiem ir liela nozīme. Tiek apskatīti pamatnoteikumi, TIR sistēmas elementi, šīs konvencijas mērķi un priekšrocības transporta uzņēmumiem. Turklāt, analizējot dažādu Lietuvas transporta uzņēmumu interviju rezultātus, rakstā tiek pētīta TIR tranzīta sistēmas vajadzība un izvirzīta problēma, vai šodien starptautisko kravu pārvadājumu ar TIR karnetēm sistēma ir nepieciešama.