

IGOR JAKOMIN, D. Sc,
MARINO MEDEOT, M. Sc.
Univerza v Ljubljani
Fakulteta za pomorstvo in promet
Pot pomorščakov 4, Portorož, Republika Slovenija

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SLOVENIAN FREIGHT FORWARDING AFTER THE ACCESSION TO THE EU

ABSTRACT

The moment the Republic of Slovenia joins the EU all the service offices or agencies related to cross-border operations, in particular the freight forwarders, will feel the consequences reflecting these issues, or resulting therefrom:

- *In the field of legislation, no major direct consequences are expected, but rather some indirect ones;*
- *Bigger freight forwarders, better provided with capital and present globally will affect the operations arising from the changed market position in the common European logistical market;*
- *As result of market changes, certain adverse financial effects will occur in some forwarders. This will affect the social position of employees as well;*
- *The consequences in the macro-economic level will not only reflect on the social area, but also on lower newly added value, and on some non-exploited part of the capital.*

The facts listed above show that the accession of Slovenia to the EU will bring about a series of adverse consequences in all freight forwarders in the first stage. The economic consequences will be mainly visible in the decrease of revenues of freight forwarders, whereas the social outcome will reflect in redundancies. These will lead to closing-down, liquidation or bankruptcy of minor freight forwarding agents.

KEY WORDS

freight forwarding, freight forwarder, customs broking, single administrative document (SAD)

1. INTRODUCTION

In the European Union (EU) free movement of people, goods and information rank among the underlying goals of the Community; however, this development has opened and brought about several new issues related to the activity of cross-border services. The whole range of customs-broking operations, police controls and a vast number of administrative procedures involved in the transport of goods across

the border need to be abolished gradually and selectively.

As a markedly transit country, Slovenia has very good traffic connections with its neighbours. The borders of Slovenia were considered as one of the most open borders already in the former state (Yugoslavia). Accordingly, important border services have been developed on the borders, facilities and terminals have been built that will lose their function with the accession of Slovenia in the EU.

By adopting the document »the Single European Act« (1985), the European Community has set the goal to create the Common European Market and the common European Economic Area. To achieve these goals, procedures have been conceived to allow free movement of persons and goods.

The candidate countries have been getting ready for the accession to the European Union and harmonizing their legal system with the "Acquis Communautaire" for several years. After the accession of Slovenia to the EU, the customs broking formalities and inspection controls on the borders of the EU-member states will be abolished in full and will lead to heavy redundancies.

The freight forwarding organizations, in which 1,825 employees in customs broking generate a turnover of EUR 53,890,867 will find themselves in a particularly difficult position. Only 10% of the current volume of operation is estimated to be performed on the Croatian border. For the major part of the staff who will be out of work, a well harmonized programme of restructuring, training and employment in the scope of logistics will be needed.

2. SLOVENIAN BORDERS

The borders of the Republic of Slovenia are 1,334 km long, out of which 232km border with Italy, 330km with Austria, 670km with Croatia, and 102km with Hungary.

Table 1 - Length of Slovenian borders with neighbouring countries

Neighbouring country	State border length (in km)
Italy	232
Austria	330
Croatia	670
Hungary	102
Total	1334

The sea coast in the length of 47 km is included in the above figures.

The major part of traffic across the state borders runs through international border crossings; however, some other interstate border crossings are also relevant.

Considering the border length and the number of international and interstate border crossings, the borders with Austria, Hungary and Croatia are approximately equally passable: there is an international or interstate pass every 20 km, while the border with Italy has a border crossing at a distance of every 17 km.

Due to its specific geographical position, integration in the European flows and its impact on the efficient development of national economy, the Slovenian traffic system - consisting of the road and railway network, airport and port infrastructure and telecommunication network - is an underlying component of the development.

The following service offices or agencies dealing with cross-border operations are accommodated within the area of the border crossings:

- border freight forwarders,
- border police forces,
- border customs authorities,
- inspection services,
- petrol stations,
- supporting and accessory border offices or agencies providing services,
- other services (catering, tourist organizations, etc.)

As our paper focuses on the issues of border freight forwarders, we will dedicate our attention to them.

3. BORDER FREIGHT FORWARDERS

Border freight forwarders are responsible for speedy and simple flow of goods between two countries. The majority of procedures on the border is a conventional border dispatch, re-forwarding the goods under the transit customs declaration (the official term is the Single Administrative Document, in further text referred to as the SAD) to an inland customs office where the goods are cleared through cus-

tom and released into free movement of goods. Recently, there has been an increasing extent of tasks that were earlier performed only by freight forwarders within a country. Goods can be declared not only by transit customs declaration (SAD), but also by other instruments such as the TIR carnet, ATA carnet, or more recently, by increasingly popular simplified procedures (against the invoice of goods). In addition to these basic services, the border freight forwarder also accepts payments for road-use tax and communal fees, sells insurance green cards, runs exchange offices, escorts the valuables, etc.

However, the problem of the forwarder's operation is not merely related to border dispatch, but also to the organization of the whole forwarding business.

4. CORPORATE STRUCTURE OF FREIGHT FORWARDING COMPANIES IN SLOVENIA

In Slovenia there are 363 legal entities in the freight forwarding business, 307 thereof in international freight forwarding, and 56 in domestic forwarding operations.

The Slovenian freight forwarders are typically organized in smaller organizations. There are ten employees on average in active enterprises, against 5,1 employees in all entities registered for freight forwarding.

There are only two forwarding companies in Slovenia with more than one thousand employees, eighteen companies employ between 200 and 299 staff members, 194 smaller freight forwarders employ up to 200 people, and 143 forwarders have fewer than 10 employees. The number of the employed in freight forwarding is 4,384.

As regards the legal form and organizational status, the majority of Slovenian freight forwarders (166 or 46%) are limited liability companies, followed by subsidiaries (135 or 37%), sole traders and other legal forms (34 or 9%). There are 27 joint-stock companies, or 8 percent.

As a rule, freight forwarders are distributed over the whole territory of the Republic of Slovenia. The majority of them are in bigger towns on the main di-

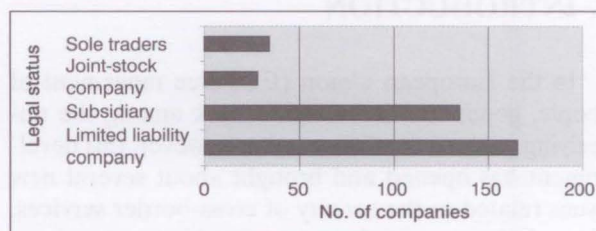


Figure 1 - Overview of freight forwarders according to legal and organizational status

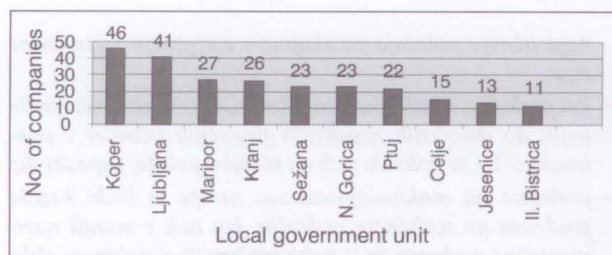


Figure 2 - The number of freight forwarders according to the local government units of the Republic of Slovenia

rections of the Pan-European Corridors V and X. The diagram shows ten local government units (UE) with the highest number of freight forwarding companies.

We find that 1,825 forwarders are involved in customs broking operations. This represents 41.2% of all employees in the entities dealing with freight forwarding as their core business.

5. VOLUME OF WORK AND REVENUES FROM CUSTOMS BROKING IN FREIGHT FORWARDING

In our research to establish the income generated by customs-broking we have taken into account only the SAD documents issued in the years 1999, 2000 and 2001 by all the customs offices in the Republic of Slovenia.

The data we obtained reveal that the average annual number of all SAD-documents issued during the three-year period amounts to 2,155,635.

Table 2 - Overview of SAD issued according to the customs offices in the years

Customs Office	1999	2000	2001	Average
Ljubljana	751,443	748,012	779,383	759,613
Maribor	364,186	374,985	394,720	377,964
Celje	128,209	133,006	150,124	137,113
Koper	118,216	113,973	114,939	115,709
Jesenice	175,636	164,801	155,901	165,446
Murska Sobota	139,656	150,808	159,262	149,909
Dravograd	57,351	61,739	71,578	63,556
Sežana	145,065	174,799	196,210	172,025
Nova Gorica	207,491	212,705	222,706	214,301
Total	2,087,253	2,134,828	2,244,823	2,155,635

Table 2 shows that the highest number of issued SADs is in the Customs offices in Ljubljana, followed by Maribor, Celje, Koper, Jesenice, Murska Sobota, Dravograd, Sežana and Nova Gorica.

In our calculations of the forwarders' revenues from customs-broking we relied on the data on the average number of the issued SADs in the Republic of Slovenia in the period 1999-2001. We calculated the revenues from customs-broking by applying the average rate as charged by the freight forwarders for one SAD issue (the rate of € 25 is based on the figures given by ten freight forwarders chosen at random).

Table 3 - Overview of forwarders' revenues from customs-broking according to the Customs Administration Offices of the Republic of Slovenia

Customs Office	Revenue (in EURO)
Ljubljana	18,990,317
Maribor	9,449,092
Celje	3,427,825
Koper	2,892,733
Jesenice	4,136,150
Murska Sobota	3,747,717
Dravograd	1,588,900
Sežana	4,300,617
Nova Gorica	5,357,517
Total	53,890,867

The estimated revenues from customs-broking for the average number of issued SAD documents (2,155,635) in the 1999-2001 period amounted to EUR 53,890,867 annually.

Considering the fact that 90% of the goods flows crossing Slovenian territory will be related to the EU member states, there will be only 10% of goods crossing the border of Croatia, for which only 182 employees will be needed for customs-broking. We may conclude that some 1,643 employees will be made redundant in the freight forwarding business when Slovenia joins the EU.

6. CONCLUSION

Starting from this situation, we are faced with two underlying questions:

1. How to make up for the loss of revenues from customs broking after Slovenia's accession to the EU?
2. What is to be done for the redundancies resulting from the Slovenia's accession to the EU?

Both questions are closely interrelated and result from the changed position of the freight forwarder in the logistical market. The forwarder must leave the conventional tasks and start to sell the logistical products. Forwarding organizations will need new knowledge and skills to cope with the new role, and they can only obtain this knowledge by retraining or additional

vocational training in logistics, or by achieving advanced educational levels in the field of logistics. The prerequisite for all this are sufficient financial means.

According to the current laws, the obligations of the government and employers regarding the redundancies resulting from Slovenia's accession to the EU, it is estimated that EUR 55m will be needed for the compensation for the redundant employees, for new vocational training for other areas/professions, updating or ongoing training in the field of logistics, and for achieving advanced educational levels for new employment. Out of this sum, the freight forwarders could provide funding for about EUR 25m, which leaves EUR 30m to be funded by the government.

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POVZETEK

S trenutkom vstopa Slovenije v EU bodo vse obmejne službe, še posebej pa špedicije, občutile posledice, ki se bodo odražale v sledečem:

- v smeri zakonodaje ne pričakujemo pomembnih direktiv, ampak le določene indirektno posledice;
- večji, kapitalsko močnejši in globalno bolj prisotni špediterji bodo vplivali na poslovanje, ki bodo izhajali iz spremenje-

nega tržnega položaja na skupnem evropskem logističnem trgu;

- kot posledica tržnih sprememb bo prišlo pri nekaterih špediterjih do določenih negativnih finančnih učinkov v poslovanju. To bo vplivalo tudi na socialni položaj zaposlenih;
- posledice na makroekonomskem nivoju se bodo kazale predvsem na socialnem področju, kot tudi v manjši novo ustvarjeni vrednosti in v neizkoriščenosti določenega dela kapitala.

Iz zgoraj navedenih dejstev je razvidno, da bo vstop Slovenije v EU povzročil v prvi fazi vrsto negativnih posledic pri vseh špediterjih. Ekonomske posledice se bodo kazale predvsem v zmanjšanju prihodkov špediterjev, socialne posledice pa pretežno v presežkih zaposlenih. Zaradi omenjenega bo prišlo do zapiranja, likvidacije ali stečaja manjših špediterskih podjetij.

KLJUČNE BESEDE

špedicija, špediter, obmejne službe

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