

No ships to sail in our harbor.

Rates and charges in Russian ports are 35-40% higher than in neighboring countries.

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Port charges in Russian have always been complained about by shipowners. Russian Union of Shipowners (SOROSS) has sent a few letters to Ministry of Transport and Federal Antitrust Service calling for attention of executive authorities to high rates/tariffs unsupported by any reasonable calculations in Russian ocean ports. They are 35-40% higher compared to neighbors.

The gist of shipowners' claims is easy to explain. Their vessels call in foreign ports and are serviced at lower rates and better quality. Shipowners say, "If the service in our ports is compared to that overseas, it is fairly worse. Pilotage, towage, further stevedoring services are criticized by shipowners. However even the government cannot improve the situation. State entities providing those services are monopolistic".

They are right in that. Port rates are set by port authorities represented by Federal state unitary enterprise *Rosmorport* and administrations of seaports (ASP) directly subordinate to Federal agency for sea and river transport (*Rosmorrechflot*).

As to Vladivostok seaport administration, we charge only vessel's duty. Vessel duty was last set by Federal service for tariffs in December 2007. They have not changed since, says Yelena SERGIYENKO, head of finance and economic dept. of Federal state entity Administration of Vladivostok seaport.

Nevertheless, payment of vessel duty is a significant financial burden on shipping business. The paradox is that port administrations and *Rosmorport* do economic feasibility of rates on their own.

Shipowners are always telling the government that the legal nature of rates is contradictory. Most of funds received from rates are spent on commercial and partly commercial entities acting in ports. They are right. Vessel duty rate depends on gross tonnage of vessel.

As Yelena SERGIYENKO opines, there is direct dependency between the number of vessel calls and rate size. The more vessels call in a port, the more money is received by port administration. Therefore, financial standing of port administrations depends of shipping activity in any region. On the other hand, port administration may not and should not earn on that, as it has no profit plans while money from charges are spent on lease, wages, utility costs. The only thing confusing experts is that the existing system of port charges in no way motivates port administration to improve its services.

"Shipowners claim that charges are too high. But we did some analysis and found that our vessel duty rate is not too different from those in Asia-Pacific ports. The problem is that stevedoring services, agency and other port rates are lower there. So, shipowners opine that the total financial load in Russian ports is rather high", Yelena SERGIYENKO says.

Marine law specialists support shipowners paying attention to one more specific feature of port charges – their duality. "A number of charges have tax nature despite that they at the same time have civil nature", lawyer from *Inmar* company Pavel FIGUROV states. "This relates to vessel, lighter, channel, berthing and anchor duties. Their payment is ensured by administrative methods as

well. Using such an approach it becomes clear why there is no direct dependency between the volume of services and the size of the said duties. Moreover, some vessels are exempted from payment of vessel duty if they do no commercial cargo/passenger operations. It looks like a preference depending on the kind of business which is quite typical for taxation system”.

Yelena SERGIYENKO says that the unchanging cost of vessel duty within two years has negative impact on her organization. We provide a number of services aimed to ensure navigation safety. Those include arrival/departure clearance by port control specialists, issue of seafarer’s passports, diplomas, qualification certificates while we charge nothing for that. In the meantime, we have not increased salaries as vessel duties have not been raised. In connection with that, Vladivostok port administration may be increasing rates but the final decision to be made by tariffs service”, she says.

To understand real load on shipping business we will list a few examples. Passenger cruise liner Princess pays charges once a year according to rules. Average vessel duty for her is 270,000 rubles. But only passenger vessels can pay vessel duty once a year. Other shipping companies have to pay for each call in port.

Companies operating vessels officially admitted liners may save on vessel duty. For example, on Sakhalin – Vladivostok or Vladivostok – Japan lines. For them, lowering factors have been introduced for calculation of port charges. Unfortunately, the crisis led to breakdown of most lines. Shipping companies dealing with timber, metal, cars are nearly bankrupt. All hopes of port administrations and *Rosmorport* on financial improvements are linked with the beginning cargo turnover of commercial ports in the Russian Far East.