



ECG Academy

Thesis

**Competitiveness study. Vehicles import to Russia
through Baltic ports**

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Table of Contents

Table of Contents	- 1 -
List of tables	- 2 -
Abbreviations	- 2 -
1. Introduction	- 3 -
2. Goals of the project and steps to be taken.....	- 4 -
3. Study objects Description	- 5 -
3.1. Port of Klaipeda	- 5 -
3.2. Port of Riga.....	- 6 -
3.3. Port of Ventspils.....	- 7 -
3.4. Port of Tallinn.....	- 8 -
4. Study.....	- 9 -
4.1. Sea transportation	- 9 -
4.1.1. Geographical positions and infrastructure to serve ships	- 9 -
4.1.2. Operating Ro-Ro shipping lines.....	- 10 -
4.2. Port transit operation	- 11 -
4.2.1. Infrastructure ready.....	- 11 -
4.2.2. Operators ready.....	- 12 -
4.3. Pre carriage to destination	- 13 -
4.3.1. Means of transport.....	- 13 -
4.3.2. Capacity.....	- 14 -
4.3.3. Legislation	- 15 -
4.3.4. Economical aspects.....	- 16 -
4.3.5. Transit time	- 18 -
5. Conclusion	- 19 -
Literature	- 20 -
Word of honour statement	- 21 -



List of tables

Table No. 1 - Distance from Ports till destination

Table No. 2 – Prices for pre carriage from Baltic ports to Moscow

Table No. 3 – Transit time in days from the Ports till Moscow

Table No. 4 – Ports evaluation based on the Study data

List of Charts

Chart No. 1 – Cargo turnover at the Ports, source public and official Ports data

Chart No. 2 - Changes in car transporter capacity 2007-2011 in Baltic countries

Chart No. 3 – General cost break down for international transport

Abbreviations

OEM – original equipment manufacturer;

Ro-Ro ferry – ship dedicated to carry roll on roll of goods;

Apparel – ramp for loading vehicles into railway wagons;

PDI – pre delivery operations;

PPO – post production operations.



1. Introduction

Three Baltic countries Lithuania, Latvia, Estonia were always treated as crossroad between West and East. Having good geographical location they were always developing logistics and transport sectors for both direction.

Every country has port and even several of them, Port are really one of the main logistic clusters in every of it, adding big part of GDP, creating new working places, attracting investors and business.

Study will focus on Russia new vehicle import, using Baltic countries recourses for transit. Russia is almost the only market with volumes above 1'000'000 units, which is still increasing in 2012.

Despite huge investments made to manufacture vehicles locally, in 2011 - 850'000 new vehicles where imported through various destinations, comparing with year 2010 grow of import was 43%. Market in total was 2'400

thousands vehicles and expected grows in 2012 is up to 2'800 thousands new vehicles sales¹.

Import in 2012 should still remain at the same level as 2011, meaning huge opportunities to get in to the race and strengthen our company position in the Baltic market.

In this case study import will consist of 3 main steps:

- Sea;
- Port transit operations;
- Pre carriage to destination - Moscow.

Each step will be evaluate separately to give as a clear view on all advantages and risk it could face.



Picture 1. Baltic countries and Ports map

¹ — Association of European Businesses in the Russian Federation



2. Goals of the project and steps to be taken

Study will try to answer to the main question:

Which Baltic port is the most competitive to make a transit of new vehicles for Russia market;

And several side ones:

Are Ports ready to do that?

What is needed to be developed in every port to increase its competitiveness in this field;

What factors aren't allowing to increase transit volumes trough ports;

Study will cover 4 ports in different countries:

- Lithuania – Port of Klaipeda (<http://www.portofklaipeda.lt>)
- Latvia – Port of Riga (<http://www.rop.lv>)
- Latvia – Port of Ventspils (<http://www.portofventspils.lv>)
- Estonia – Paldisky port (<http://www.portoftallinn.com>)

Evaluation will made on those aspects:

Sea

- geographical positions and infrastructure to serve ships;
- operating RO-RO shipping line.

Port transit operations

- infrastructure ready;
- operators ready;

Pre carriage to destination

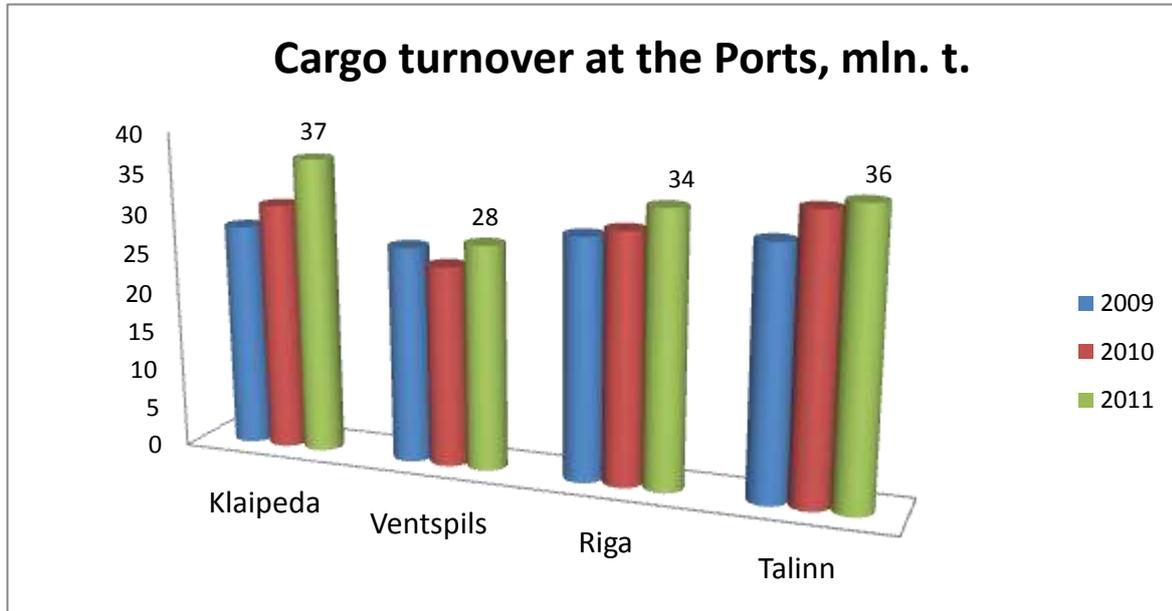
- means of transport;
- available capacity;
- legislation for transit;
- economical aspects;
- transit time.



3. Study objects Description

All four Ports are in huge competitions against each other and also against other ports in the region for ton of cargo:

Chart 1. Cargo turnover at the Ports, source public and official Ports data



3.1. Port of Klaipeda¹

Klaipeda State Seaport is the northernmost ice-free port on the Eastern coast of the Baltic Sea. It is the most important and biggest Lithuanian transport hub, connecting sea, land and railway routes from East to West.

Klaipeda is a multipurpose, universal, deep-water port, providing high quality services. 17 big stevedoring companies, ship repair and ship building yards operate within the port as well as all types of marine business and cargo handling services.

The shortest distances connect the port with the most important industrial regions of the Eastern hinterland (Russia, Belarus, Ukraine etc.). The main shipping lines to the ports of Western Europe, South-East Asia and the continent of America pass through Klaipeda port.

IMPORTANT

More than 800 economic agents are directly related to the operations of the port Klaipeda. The port and the enterprises related to its operations provide more than 23,000 jobs and 4.5% of the Lithuanian GDP. Because of the port operations, approximately 185,000 jobs are created. The port of Klaipeda is directly or indirectly related to 18% of Lithuania's total GDP.

ICE-FREE

An ice-free port that does not freeze even during very cold winters guarantees smooth traffic and uninterrupted stevedoring operations. As the port of Klaipeda is situated at the junction of international transport corridors, it is a bridge between the Commonwealth of Independent States and the countries of Asia, the European Union and other markets.

¹ – source official Port of Klaipeda website, <http://www.portofklaipeda.lt/en.php>



MODERN

Between 1993 and 2006 the Klaipeda State Seaport Authority and the stevedoring companies operating in the port allotted 2 billion Litas (600 million Euro) for its modernization. 1 billion 215 million Litas (350 million Euro) should be invested in the years 2008 to 2013.

The Klaipeda port is rapidly developing and sets out ambitious plans for further expansion

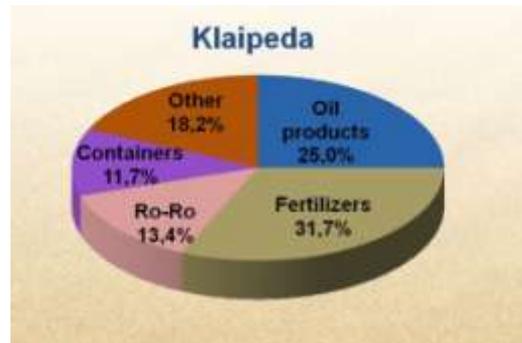
DEEP-WATER

The depth of the entrance channel is 15 meters. The depth of the port navigation channel is between 13 and 14.5 meters. Therefore, the port can accept large-tonnage vessels: dry-cargo vessels up to 80,000 DWT, and tankers up to 150,000 DWT.

INTERMODAL

The port of Klaipeda is the leader among the ports of the Baltic Sea in terms of container handling. Its well-coordinated operations of sea and hinterland transport, the Free Economic Zone (**FEZ**), the EU short-sea shipping network, and the wide-range operation of logistic and industrial enterprises ensure the operations of intermodal transport.

An innovative logistic product in the Baltic States, the container and container train **Viking**, connects the markets of the Baltic Sea and the Black Sea regions from the port of Klaipeda per Minsk, Kiev to the ports of Odessa and Ilyichevsk.



Picture 2. Structure of handled cargo in Port of Klaipeda in 2011

CHARACTERISTICS

Port area	498 ha
Water area	629 ha
Total length of quays	26 923 m
Length of port railways	99 000 m
Length of Northern breakwater	733 m
Length of Southern breakwater	1374 m

STORAGE FACILITIES

Area of covered storage facilities for general cargo	89 013 m²
Area of storage facilities for bulk cargoes	143 700 m²
Area of storage facilities for refrigerated cargoes	47 550 m²
Area of open storage facilities	934 677 m²
Storage tanks for liquid cargoes	738 300 m³

3.2. Port of Riga¹

Freeport of Riga lies on both banks of the River Daugava covering 15 kilometres in length.

¹ – source official Port of Riga website <http://www.rop.lv>



Loading capacity (assessed) at the terminals of the Freeport of Riga accounts for **45 million tons** per annum.

In 2010 the volume of the trans shipped cargoes has reached **30,5 million tons** – it is the highest index during all the 805 years of Riga port activities.

Number of vessels in 2010 amounted to **4 040**.

Up to **80%** of the Freeport of Riga cargo turnover is made up of transit cargoes forwarded to or received from the CIS.

32 stevedore companies and **35** shipping agents successfully operate at the Freeport of Riga.

Main types of cargo handled at the Freeport of Riga are containers, various metals, timber, coal, mineral fertilizers, chemical cargoes, oil and food products.

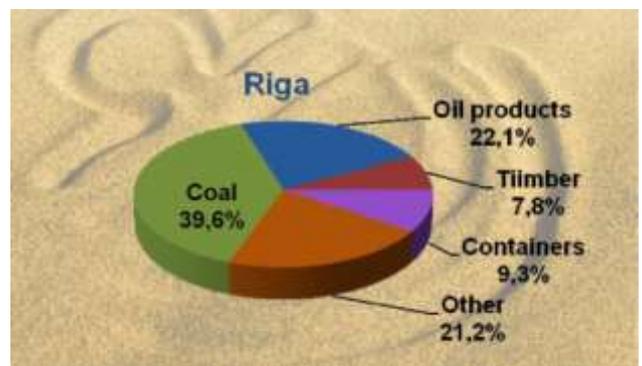
On 3 July 2003, the Freeport of Riga received a quality certificate compliant with the ISO 9001:2000 standard requirements issued by the **Bureau Veritas Quality International**.

On 10 July 2005, the Freeport of Riga received a quality certificate compliant with the ISO 14001:2004 standard requirements issued by the **Bureau Veritas Quality International**.

The port is open for navigation **all year round**.

Facts and figures

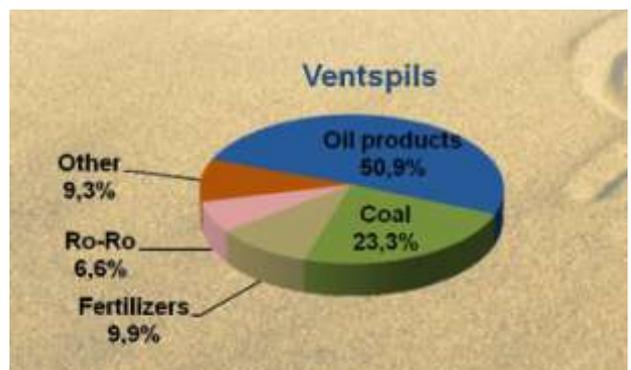
Total territory of the port	6 348 ha
Land of the port	1 962 ha
Port water area	4 386 ha
Total length of berths	13,8 km
Maximum permissible vessel draft by the berth	14,7 meters
Storage area	180 000 m ²
Cargo area space	1 797 000 m ²
Refrigerator cargo storage capacities	31 750 t
Liquid cargo storage capacities	309 500 m ³



Picture 3. Structure of handled cargo in Port of Riga in 2011

3.3. Port of Ventspils¹

Today Ventspils port is a significant transit center. Favorable investment climate, various business incentives, clean environment despite the location of the port amid the city, business-minded attitude of the port specialists, these are just a few of the factors placing Ventspils among the leaders of the Baltic Sea Region.



Picture 4. Structure of handled cargo in Port of Ventspils in 2011

¹ - source official Port of Ventspils website <http://www.portofventspils.lv>



The port, which is ice-free the whole year round, provides for timely and effective cargo operations on its powerful terminals. Current utilization of the port barely corresponds to 50% of the maximum capacity, and port, as well as city administration, are devoting large part of their efforts to ensure the satisfying utilization of Latvia's main economical asset. After the accomplishment of the port deepening, it can accommodate vessels up to 150 000 DWT.

Facts and figures

Parameters:

- Maximum depth: 17.5 m
- Maximum tonnage (DWT): 150 000
- Maximum draught: 15 m
- Number of berths: 60
- Overall length of berths: 11 012 m
- Overall length of dry bulk and general cargo berths: 7 896 m
- Overall length of liquid cargo berths: 3 116 m
- Vessels' LOA: 270 m
- Overall liquid cargo storage capacities: 1 500 000 m³
- Overall closed storage area: 170 000 m²
- Overall open storage area: 190 000 m²
- Cold store area: 5 000 m²
- Overall port territory: 2 451.39 ha
- Available territories: 1 240 ha

3.4. Port of Tallinn¹

In the study Paldisky South Harbour which is developing Automotive and RO-RO activities most will be taken into account.

Paldiski South Harbour, the Port of Tallinn's second cargo harbour, is located 45 km west of Tallinn.

The core activity of the harbour is focused on the handling of Estonian export and import cargo and transit cargo. Mainly ro-ro cargo, scrap metal, timber, peat and oil products are handled there. Developing fields of activity include transit of new cars for neighboring markets and pre-sale service.

Due to the harbors development potential, remarkable proportion of the port's investments goes to Paldiski. The currently ongoing developments include construction of new quays and enlargement of car terminal areas. Read more about the development plans.

Also there is a **Industrial park** area close to the harbour, which plots are ideal for companies whose operations assume direct closeness of a port. Read more.

Numbers:

- Territory 138.6 ha
- Aquatory 137.2 ha
- Number of berths 8

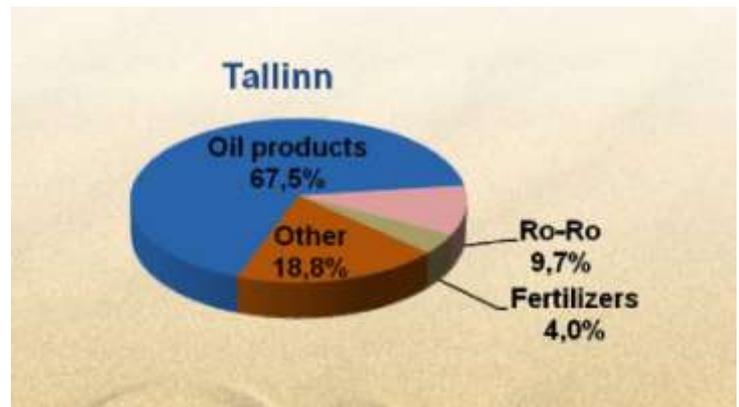
1 - source official Port of Tallinn website <http://www.portoftallinn.com>



- Total length of quays 1.4 km
- Max. Depth 13.5 m
- Max. length of a vessel 230 m
- Max. width of a vessel 35 m

Terminals:

- Passenger Terminal
- Petroleum Terminal
- 2 Car Terminals
- Ro-Ro Terminal
- General Cargo Terminal
- Timber Terminal
- 3 Metal Terminals
- Wood Pellets Terminal
- Peat Terminal
- Biodiesel Terminal



Picture 5. Structure of handled cargo in Port of Tallinn in 2011

Storage area:

- Warehouse area: 15,000 m²
- Open storage area: 270,000 m²
- Oil tank capacity: 345,000 m³

4. Study

4.1 . Sea transportation

4.1.1. Geographical positions and infrastructure to serve ships

All 4 ports are at the East coast of Baltic sea and distances between each other are quite small in terms sea distances. Port are located on the way toward Finland or Russia, meaning that ships heading there can easily call any of those Ports, without changing their routes very tremendously.

Klaipeda and Ventspils are Ports with ICE FREE status meaning that no ICE even in the coldest winters, ships of class 0 ICE can be used during winter to call Ports.

Situation with Riga and Tallinn is quite different. Riga is located a Riga Bay and during winter there are periods when it's totally blocks and ships can reach Port only with the help of ICE- breakers. Tallinn is the northeast Port from all for in the Baltic Sea so during winter it's quite heavily iced.

Riga and Ventspils are Ports in the riverhead what makes navigations more complicated especially with big ships when shipping activity is high. Tallinn and Klaipeda are open water Ports meaning ships can easier reach berth and navigation is more simple and fast.



Ports possibilities to serve Ro-Ro ships

Every Port is capable to provide port services for Ro-Ro ships, several ramps are build in every port at few berth.

Nevertheless only Ventspils and Tallinn at the moment are ready to operate ships with draft more than 11 m, meaning that only those Ports can make service for deep sea Ro-Ro vessels.

Klaipeda and Riga are able to serve Ro-Ro ships with max 9.5 – 10m¹ draft at the moment, Ro-Ro ramp is located at the berth with such depth. Plans for drilling fairways and preparing berth for higher deep are already launched, but there implementation depends on the economical situation.

Conclusions

Leading positions in terms of navigation and services definitely belongs to Port of Ventspils, as it's ICE FREE port with very good geographical position and possibility to provide services not only for short sea carriers, but also deep sea ones.

Port of Tallinn with possibility operate deep sea vessels is in the second place and Klaipeda with ICE FREE is third.

4.1.2. Operating Ro-Ro shipping lines¹

Port of Klaipeda

At the moment 4 Ro-Ro ferry lines are actively calling Klaipeda all them are operated by DFDS LISCO company:

- Klaipeda – Kiel (Germany) – 6 times a week
- Klaipeda – Karlsham (Sweden) – 7 times a week
- Klaipeda – Copenhagen - Aarhus - Fredericia (Denmark) – 3 times a week
- Klaipeda – Sassnitz (Germany) – 3 times a week

Port of Ventspils

At the moment 3 Ro-Ro ferry lines are calling Ventspils:

- Ventspils - Nynäshamn (Sweden) – 5 times a week, operator Scandlines
- Ventspils – Travemunde (Germany) – 2 times a week, operator Scandlines
- Ventspils – Lubeck (Germany) – 2 times a week, operator Finnlines

Port of Riga

At the moment only one Ro-Ro line is operated in Riga:

Riga – Stockholm (Sweden) – 7 time a week, operator Tallink

¹ – Source official websites of the Ports



Port of Tallinn

16 Ro-Ro ferry lines regularly are calling Port of Tallinn

Operator:	Route:	Arrival:
Eckerö Line	Tallinn (Old City Harbour) - Helsinki - Tallinn (Old City Harbour)	Mon, Tue, Wed, Thu, Fri, Sat, Sun
KESS	Paldiski - Hanko - Uusikaupunki - Emden - Grimsby - Zeebrugge - Malmö – Paldiski	Fri
Mann Lines	Paldiski - Turku - Bremerhaven - Harwich - Cuxhaven - Paldiski	Thu
Mann Lines	Paldiski - Haraholmen-Terneuzen - Vlissingen (Flushing) - Paldiski	Mon
Spliethoff	Baltimore (USA) – Jacksonville (USA) – Paldiski – Hamina	Monthly
Tallink	Paldiski - Kappelskär – Paldiski	Mon, Tue, Wed, Thu, Fri, Sat, Sun
Tallink	Tallinn (Old City Harbour) - Helsinki - Tallinn (Old City Harbour)	Mon, Tue, Wed, Thu, Fri, Sat
Tallink	Tallinn (Old City Harbour) - Mariehamn - Stockholm - Mariehamn - Tallinn (Old City Harbour)	Mon, Tue, Wed, Thu, Fri, Sat, Sun
Transfennica	Paldiski - Hanko – Lübeck	Tue, Fri, Sun
Transfennica	Paldiski - Hanko – Antwerpen	Tue, Fri
Transfennica	Paldiski - Hanko – Antwerpen – Zeebrugge - Bilbao	Tue, Fri
Transfennica	Paldiski - Hanko – Tilbury	Fri
Transfennica	Paldiski - Hanko – Lübeck – St. Petersburg	Tue
Transfennica	Paldiski – Gdynia – Lübeck	Sun
Viking Line	Tallinn (Old City Harbour) - Helsinki - Tallinn (Old City Harbour)	Mon, Tue, Wed, Thu, Fri, Sat, Sun
St. PeterLine	St. Petersburg - Helsinki - Stockholm - Tallinn (Old City Harbour) - St. Petersburg	Twice a week

Conclusion

Port of Tallinn is in the huge lead of attracting Ro-Ro shipping lines among other 3 Ports. Klaipeda and Ventspils are in front of Port of Riga.

4.2. Port transit operation

4.2.1. Infrastructure ready¹

Port of Klaipeda

Only one Ro-Ro terminal, which is not complying with OEM standards, poor conditions of asphalt in the yard, no separation of storage areas for trucks with goods and new vehicles.

Terminal has 2 railways connections, with possibility to load one block train per time, length of gauges inside terminal are 180m each.

Apparel is in poor conditions and need to be replaced

No PDI center.

¹ – source inside company information



Port of Ventspils

Ro-Ro terminal is newly build in 2009 started operations, at the moment is partly used as container yard. Good logistics in the terminal, high level of yard cover made from pavement blocks

Terminal has 12 ha of paved area and possibility to extend it up to 21 ha.

4 railways gauges allows to load 2 block train in one time, cut by half. 2 Trains stations are serving the Ports, so no train conjunctions are possible and fast in and out is granted.

No PDI center.

Port of Riga

At the moment no terminal dedicated for Ro-Ro operation, exciting area of passengers terminal could be used, but storage capacity is not more than 150 units, which is very low number.

No PDI center.

Port of Tallinn

2 vehicle operations terminals are build in the port, both of them have PDI centers and are able to provide PDI and PPO services.

One of the terminal is equipped with railway connection and is able to load one block train per one time, Port as well have others gauges, which could be used for new vehicle loadings to the train, without crossing other logistic flows.

At this moment both terminals together are able to store up to 15000 units, and has possibilities to double these numbers.

Conclusion

Port of Tallinn is a clear leader with ready Automotive terminal solutions with PDI centers among competitors. Next in the chase are Ventspils, Klaipeda and Riga.

4.2.2. Operators ready

As we hardly found functioning vehicles logistic terminals in Klaipeda, Ventspils and Riga, there is also qualified terminal operators for new vehicles transshipment is missing. There is personal able to load and unload vehicles from the ship and train wagons, but operation is far from OEM standards.

The only one Port, who has already functioning terminal and operators is Tallinn, where 2 most experience players in that field can be found, companies – Autolink Baltics and Assitor, already for years are doing that business and are certified by OEM (VW, MB, TOYOTA and others)



4.3. Pre carriage to destination

4.3.1. Means of transport

Pre carriage to destination Moscow could be done either by train or by trucks.

Train, - is very much efficient when big volumes are involved and blocks trains can be used.

Block train – is 32 car carrier wagons train, with the scheduled arrival and departure times. Meaning we need at least 12'500 units to have one a block train per week.

Every Port is equipped with railways infrastructure and the same railway gauge width is in Baltics and Russia 1520mm, what is not the case in most of the Europe where it's 1435mm, so there is no big difference from which port to run with the train.

Some special equipment (ramp) and trained personal is needed to load a train at the moment only 3 Ports – Klaipeda, Riga and Tallinn has ramp and trained personal to perform this service.

Being very much efficient on volume base anyway trains can't provide door to door solution as dealer don't have railway connection near their facilities and volumes to one particular dealer are not so big.

Wagon used to transport cars are always closed, 2 main types are used:
 single deck – transport bigger vehicles with loading factor 4 or 5 units.
 double deck – transport passenger vehicles with loading factor 8-12 units.

As wagons are closed it minimizes risks of damages and good quality results can be achieved during transport.



Picture 6. Example of double deck wagons, type 11-1804



Picture 7. Example of single deck wagon type 11-9779

Trucks – special structure equipment used only to transport vehicles is very flexible solution in terms of capacity and destinations.

No special solutions or additional personal is needed to load or unload trucks, it's always done by driver, meaning very clear handover of responsibility.

Conclusion

Train transportation is efficient only when big volumes are involved and block train can be involved.

Trucks transport is very flexible and can be good solution when facing market and production fluctuations.

As all Ports are equipped with rail gauges and if terminal exist loading space for trucks is dedicated, no advantages for any Port is given.



4.3.2. Capacity

Number of wagons for car transportations in all countries which uses railway gauge 1520mm in 2010 was 4500 units¹. 80% car transportation wagons fleet belongs to 3 Russian companies, which are dictating capacity availability on the market. In Baltic countries there are few wagons owners owning fleet of 250 units all together, so it can't be considered as a capacity from any point of view.

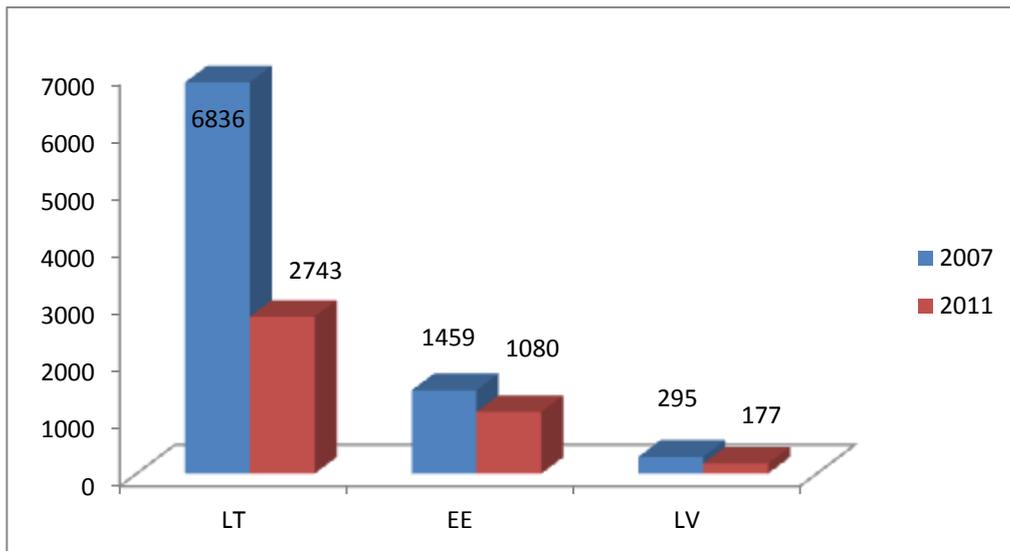
Also Russia government in 2010 issued a program supporting Automotive sector (manufactures and sales) in the far East part of the country, - 0\$ tariff for vehicles transportation on the Trans Siberian railways. What of course reduced capacity of the wagons for destination West from Moscow. One round trip from Moscow to Vladivostok last 56 - 65 days, it's very interesting for wagon owner, - wagons are employed for a long time.

During 2009 crisis many old wagons were destroyed and unfortunately today very few companies are investing into new fleet, maybe some psychological aspect is still keeping them very cautious. As production and import volumes are increasing in Russia, this sooner or later will overheat logistic market and will bring to the prices wars as it was in 2007.

Trucking capacity for transporting vehicles was quite impressive in 2007 in all 3 Baltic countries especially in Lithuania, unfortunately crisis made a lot correction and at the moment trucking capacity is reduced by half (see. Chart No.1)². What is more important that fleet is getting old very fast, today average fleet age is more than 5 year and during 2 last year's only several new car transporters were bought. This situation is also leads to uncertain future, where grows of logistic cost could be seen.

Another very sharp challenge for transport companies is lack of drivers, huge emigration from Baltic countries and work force liberalization rules, bring to the point, when transport company at first is looking for the driver and only after is buying a truck.

Chart 2 Changes in car transporter capacity 2007-2011 in Baltic countries (source state vehicle registration authorities.)



¹ – internal company information

² – source states vehicles registration authorities



Conclusion

Only Klaipeda would have advantages in case of truck transportation, because capacity of trucks in Lithuania is far away the biggest against other 2 countries. Railway capacity anyway doesn't depends on the Port or country.

4.3.3. Legislation

All vehicle going to Russia are the subject of customs as duties has to be paid in Russia, for transport it means special conditions. In such case logistic operator performing operation of such transportation, has to make sure that goods will reach destination and duties will be paid, meaning during transport Logistic operator is responsible for that. Responsibility can be covered by becoming custom insurance or money in the account of authorities.

For trucks transportation there is one more issue transport permits for performing transportation to third party countries (outside EU), this will be explained late when we will talk about trucks.

Rail

As railways infrastructure belongs to the railways and they are performing services it means State owned company, they are by default are custom trusted carrier, which doesn't need any other proves or insurance that goods will reach destination. Only transit documents should be issued at the dispatch point.

Trucks

As many suppliers would be involved Logistic operator has to make sure, that goods will reach destination and duties will be paid. For that every dispatched truck has to open TIR Carnet – issued by IRU¹. TIR Carnet is a customs transit document used to prove the existence of the international guarantee for duties and taxes for the goods transported under the TIR system, within the limit of the amounts specified by the contracting parties and under conditions stipulated in the TIR Convention².

To open TIR Carnet custom office is needed, it proves that goods were loaded on to the specified vehicle and documents for transportation are complying with the regulation with in the country.

Not every transport company has a right to transport under TIR Carnet conditions, such right is issued by IRU representatives in the country, most of the time it's international carrier transport association inside the country.

TIR Carnet being an insurance police has his own costs, which has to be added to the transport cost as well, it means that in future if inevitability to have TIR Carnet will end, transport cost could be even lower for truck transportation.

The second documents which is needed for road transport is permits for haulers for international goods transport by roads, those permits are issued by the country to which transport has to be provided, numbers of those permits has quota's which agreed each year between the countries.

Permits can be single use and ECMT (European Conference of Ministers of Transport) book for multiple usage, 95% of permits used are single used. ECMT books are very low in numbers which are agreed during yearly European Conference of Ministers of Transport. Only companies with big fleets and sustainable development are able to get ECMT books, referring to the last year result, how many transport they did using permits.

¹ – International Road Transport Union (IRU) is the world road transport organisation

² – source www.iru.org



Single use permits are also divided into:

- bilateral - for driving with or without a load between a point located in the territory of one contracting party, and a point located in the territory of another contracting party to carry out transportation;
- transit - to go with or without a load through the territory of another contracting party;
- from (to) third party - for the carriage between a point located in the territory of another contracting party, and a point located in the territory of a third country and vice versa

Sometimes those permits are used as political leverages to reach agreements and results, because they are directly affecting business. In 2010 January Russia and Poland, weren't able to reach agreement of exchanging permits for 3 month and only in April they agreed. This affected all the logistic industry, because non Russian or Polish truck were able to deliver good or even cross each other country.

In such case Lithuania (Klaipeda) is in the best position against other countries, because Kaliningrad region is totally cut from Russia and all import/export on road is possible only crossing Lithuania.

Conclusion:

Rail transport is more flexible in term of legislation and it doesn't affect any stage of transport;

Truck only Klaipeda has theoretical advantage, due to possibility to hold pressure from Russia side, if such will happen.

4.3.4. Economical aspects

Rail

Tariffs consist from two main parts, - rent of railway wagons and railway tariffs itself.

As the market is growing and competition is getting harder wagons rent tariffs are growing as well. In 2011 there was a possibility to rent wagons for 55USD per day and in 2012 this number is already reaching 80USD per day of use.

Wagon owners rent of wagon calculating very simply:

Rent price x Days to be used = PRICE, (source internal company information).

As railways are working and performing transport 365 days a year, price is calculated from this perspective.

Railway tariff is also has to be split in 2 parts, as every country is providing tariffs for crossing it, so we will speak about 2 part:

- tariff for the crossing country were Port is based;
- tariff for Russian federation territory;

Ports being very competitive between each other (transit Cargo is 50% to 70%) and belong to the states they have very close tariff politic against each other. And it really changes in every of them if any countries railway decides to decrease tariff for any type of cargo.

Russian part tariff are given by Russian Railways, which are the owner of infrastructure, there is a methodology of calculation, in is openly spread and we won't be getting very deep in it. Unfortunately Russian Railways politic for vehicle transportation is defending their own ports (St. Petersburg, Ust-Luga), so import



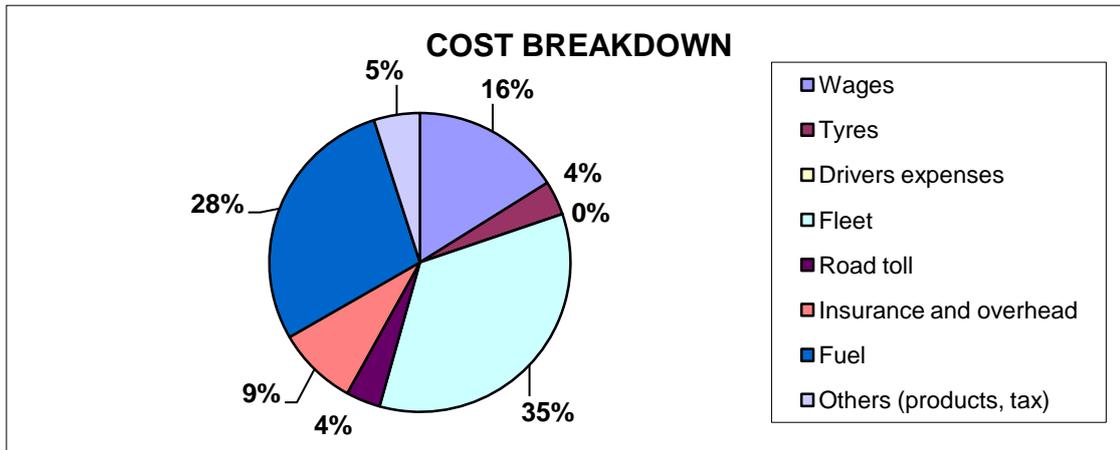
railway tariffs for vehicle transportations are quite high, unless the distance ran on territory is more than 1500km, what is not the case in our scheme, see Table No.1.

Trucks

Due to the specialized type of trucks, costs of transport in vehicle logistics are higher compared to tilted trucks. The trailer represents higher investment costs. Also the driver wages due to responsibility (loading and unloading) and training is more expensive.

The following chart show the average split of costs that would occur in transport companies used for import to Russia.

Chart 3: General cost break down for international transport.(source: internal company data)



As we can see there are 3 big elements affecting trucks transport costs, - Fleet, Fuel and Wages.

Thankfully low fuel prices in Russia still let to keep truck rates in quite low position comparing to other part of Europe. Fuel in Russia is still at the level of 0.65 - 0.70Eur per liter, what is almost twice lower than EU in average.

Also maintenance cost and road tolls are significantly lower towards Russia. Possibility of using Euro3 trucks, without additional charges also gives opportunity to lower cost of pre carriage.

All these effects gives a clear picture (see table No.2)that trucks is still in favor position against railways, when it comes to pre carriage to Russia from Baltic ports. Never the less train solution is more favorable when we speak about big volumes and block trains can be fast and efficient there.

Table No. 1 Distance from Ports till destination

		Full km	Empty km	Total distance, km
Klaipeda	Moscow	1214	1214	2428
Ventspils	Moscow	1106	1106	2212
Riga	Moscow	918	918	1836
Tallinn	Moscow	1016	1016	2032



Table No. 2 Prices for pre carriage from Baltic ports to Moscow, Train and Truck (source internal company information)

Country of Origin	Origin	Country of Destination	Destination	Model	Loading Factor	Price per Wagon/ Truck	Price per vehicle
Train							
Lithuania	Klaipeda	Russia	Moscow	Mix	8.0	€ 3,511.54	€ 438.94
Latvia	Riga	Russia	Moscow	Mix	8.0	€ 3,215.38	€ 401.92
Latvia	Ventspils	Russia	Moscow	Mix	8.0	€ 3,173.08	€ 396.63
Estonia	Paldisky	Russia	Moscow	Mix	8.0	€ 3,300.00	€ 412.50
Truck							
Lithuania	Klaipeda	Russia	Moscow	Mix	7.5	€ 2,475.00	€ 330.00
Latvia	Riga	Russia	Moscow	Mix	7.5	€ 2,310.00	€ 308.00
Latvia	Ventspils	Russia	Moscow	Mix	7.5	€ 2,420.00	€ 322.67
Estonia	Paldisky	Russia	Moscow	Mix	7.5	€ 2,365.00	€ 315.33

Conclusion:

Trucks transportation is more efficient cost wise against train transport, in average is 30% lower in price per vehicle.

Talking about Ports we see that Riga is slightly favour against Tallinn and Ventspils and Klaipeda are following those two. In general differences looks not so big and depends only on locations of the port.

4.3.5. Transit time

Transit time is not very much differ in term of the same means of transport from any port as a differences in distance (see table No.1) are not big.

Transit time is more depends on the mean of transport and capacity especially for railway, as single wagon transit time is totally different as block train (see table No.3)

Table No 3. Transit time in days from the Ports till Moscow (source internal company information)

		Klaipeda	Ventspils	Riga	Tallinn
Block Train	Moscow	4	4	3	4
Single wagon	Moscow	7	7	7	7
Truck	Moscow	3	3	3	3

Conclusion:

As no any Port has big advantage against other on transit time, we assume that any of it is good in terms of transit time.



5. Conclusion

As we can see from the information provided by study (table No.4) the leader in competitiveness and operations of the Port race is definitely Port of Tallinn, which is already leading in operations with new vehicles and not only for transit to Russia also for internal Baltic countries market.

Table No.4, Ports evaluation based on the Study data

	Geographical positions and infrastructure to serve ships	Operating RO-RO shipping line	Infrastructure ready	Operators ready	Means of transport	Available capacity	Legislation	Economical aspects	Transit time	TOTAL points
KLAIPEDA	2	3	2	1	2	4	4	1	3	22
VENTSPILS	4	2	3	1	2	3	3	3	3	24
RIGA	1	1	1	1	2	3	3	4	4	20
TALLINN	3	4	4	4	2	3	3	2	3	28

Study also provide us clear evidences that some Ports are not ready or are not focusing on providing automotive solution. They are strategically focusing on other type of cargo letting the leaders increase the gap even more. It means that if volumes would be provided Klaipeda or Riga won't be able to cope with them and provide quality services or services at all.

Some fast developments are needed in Riga and Klaipeda to be able to operate bigger ships and these question should be addressed to the state or Port Authorities, who are responsible for infrastructure. When infrastructure will be provided business will find the way and time to invest into terminals and human power.

Of course when speaking about competition in Automotive logistic in this region we have to admit that Baltic Ports are quite young and are facing big competition from Finland – country providing OEM logistic solution for Eastern market already for decades, Russia Ports, which are following market and growing very quickly and aggressively.

Nevertheless there is always possibilities on the market, just you need to be prepared to provide services on the quality you are requested and not on the one you are able to do it and a good example of that is Port of Tallinn.



Literature

Every source which is used for the thesis has to be mentioned. The sources should be documented in alphabetical order.

1. Internal company documents and personal market experience

Internet:

4. PSA intranet portal (contains press review on automotive industry)
5. http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm
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17. <http://www.lauto.lv/>
18. <http://www.iru.org/>



Word of honour statement

I declare that I have written the thesis with the title

Competitiveness study. Vehicles import to Russia through Baltic ports

on my own. Information from other sources or ideas from other persons are marked.

Riga, 16.04.2012

_____, Martynas Kersys

Signature of writer