



# BRAVE

## A L L I A N C E

INfuture project

New potential and hindrances affecting IWW between Russia and Finland

Special case: Meriaura's planned pilot vessel to Russian inland waterways

Customer interviews, report

16<sup>th</sup> November 2021

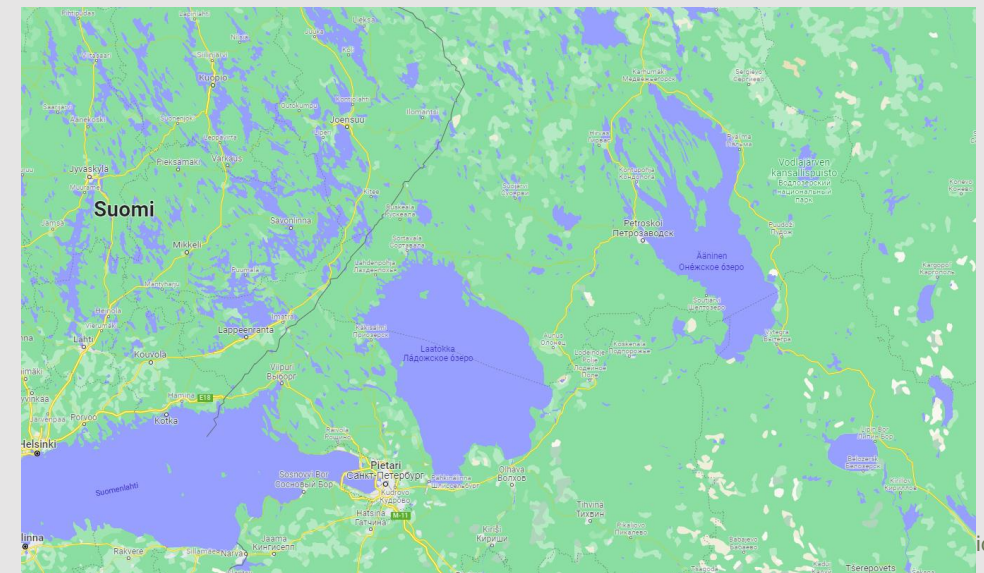
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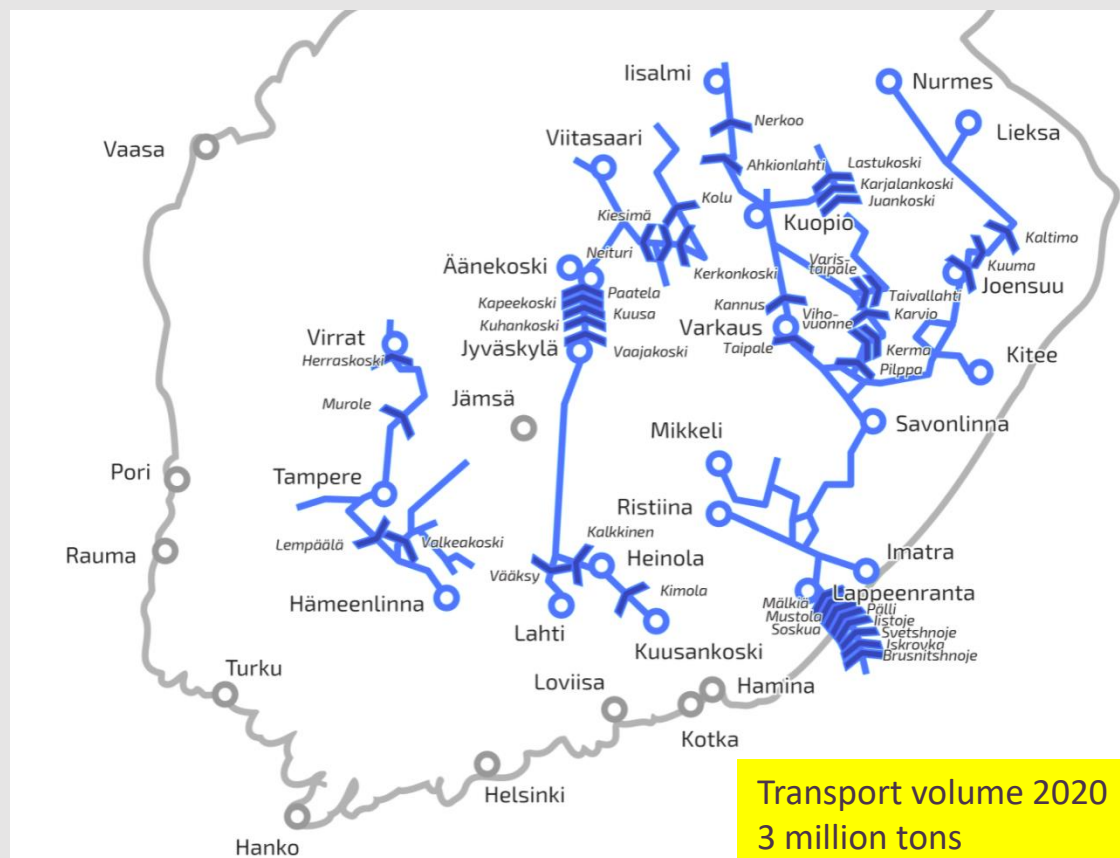
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# Background and questions to the industries and authorities

- Background
  - Marine Cargo Bureau (MCB) made a statistical analysis on the cargo flows between Russia and Finland
    - Some potential commodity groups and companies were identified in the study
    - It was decided in the INFuture-project, that the identified Finnish companies will be contacted in order to get their view on future IWW transports between Russian and Finnish inland ports
  - Following question were asked from the authorities and industries
    - Which are the regulatory hindrances in IWW traffic?
    - Which are the operational hindrances in IWW traffic?
    - Which are the commercial hindrances in IWW traffic?



# IWW in Russia and in Finland



Transport volume 2020  
3 million tons  
10 active IWW ports



Transport volume 2018  
120 million tons  
131 IWW ports



# Short history of Saimaa Canal (1/2)

Taipale Canal locks in Varkaus

- Construction work started in March 1835
- Opening the canal 6th July 1840
- First railway in Finland 1836 - 1840



# Short history of Saimaa Canal (2/2)

- 21st September 1844 (177 years ago)
  - Tsar Nikolai I ordered the Senate to start building Saimaa Canal
  - Construction started in May 1855
  - Opening 7th September 1856 (165 years ago)
- Generations of Saimaa Canal
  - First generation, 1856
  - Second generation, 1927 -> 1939
  - Third generation, 1968
  - Fourth generation, 2022 ->



# Strategic conclusions (1/2)

- Competition between shipping companies in Russian IWW areas
  - Competition between the Russian shipping companies would probably lead to lower logistics costs
- Import of round wood to Finnish forest industries
  - Import of round wood from Russian IWW areas to Finnish forest industries in Lake Saimaa area has a big strategic role
    - Loading ports are “behind St. Petersburg”
    - Round wood is also imported by trucks and rail (approximately 50% by rail)
  - There is a good potential to increase these volumes
- Logistics service providers’ customer service offering in Russian IWW areas
  - There could be more logistics service providers, who could give more competitive offerings to the customers

# Strategic conclusions (2/2)

- IWW business knowhow in Finland
  - Big Finnish companies have internal knowhow for making IWW business
  - Smaller business do not have knowhow for making IWW business with Russian companies
- New and potential IWW business between Russian and Finnish companies
  - There are annually several smaller commodity groups, which are under investigation
    - “High logistics cost stop the business”
  - Pulp from Finland to Russian customers could be a realistic potential
- Environmental values will lead more volumes to IWW, if the logistics cost level will be acceptable



# Strategic actions

- Authorities and persons who manage the river traffic and the IWW ports
  - Marketing campaign to selected person for promoting the Russian – Finnish IWW traffic
- Russian companies located in the IWW area
  - Marketing campaign to selected persons for promoting the IWW traffic
- Marketing campaign for Finnish companies located in the Lake Saimaa area
- Future IWW vessel in the Russian Finnish trade
  - Which “authority/forum” would discuss the future IWW vessels, keeping future regulations in mind?

# Regulatory hindrances

- Old vessels
  - New IMO regulations will change the regulatory role of the Russian vessels
    - Old vessels will not be approved by IMO for future traffic in European IWW
    - This is not an EU – Russia issue. IMO handles this matter.
- Future vessels in Russian and Finnish IWW traffic
  - Which “authority/forum” would discuss the future IWW vessels, keeping future regulations in mind?
- Liquid bulk in the Lake Saimaa area
  - Current Finnish regulations do not allow liquid bulk transports in the Canal and in the lake area
- Local regulations
  - Russian regulations change very quickly, and this causes problems for the industries

# Commercial hindrances (1/2)

- Piloting and other costs on Russian IWW
  - High-cost level makes it impossible for non-Russian vessels to sail in Russian IWW areas
- Russian shipowners = Russian flag does not allow other flags in Russian IWW areas
  - Russian round wood exporters are also owners of the fleet
  - “Round wood business will be controlled by Russian partners”
- Commercial delivery terms in Russian business
  - The trade terms have been changed so that Russian business can control also the logistics chain
- Logistics costs, general level
  - The logistics costs, controlled by Russian companies are considered to be on a high level, example piloting and warehousing costs

# Commercial hindrances (2/2)

- Delivery lead time from Finland to Russian customers
  - Lead time for truck and rail transports are much shorter compared to IWW lead time
- Customer orders, size
  - The customer orders are in current business model smaller, well feasible for truck and train transports
  - Pulp deliveries to Russian customers could be of interest = big volumes





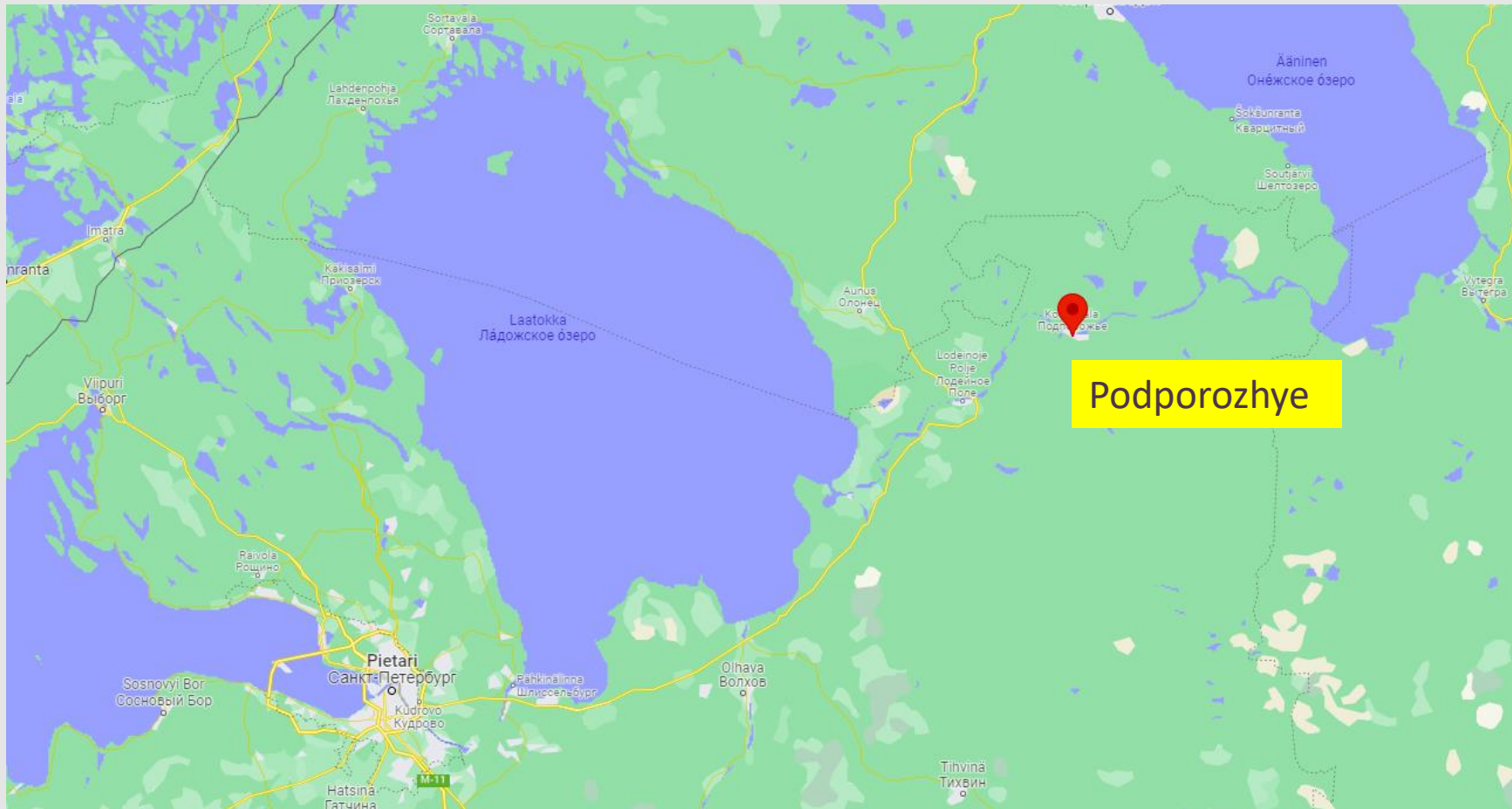
# Commercial hindrances, example (1/3)

## Meriaura's planned pilot vessel to Russian IWW

- Volgo-Balt Administration example of some costs practical calculation related with the dues paid by foreign vessels admitted to Russian inland waterways
- The example from the Table is based on the presumption of following character:
  - Dry Cargo type, gross tonnage 3666 t; LxBxH = 104x15x5,5 = 8580 m<sup>3</sup>;
  - Voyage on the route St.Petersburg - Podporozhye - St.Petersburg – Saimaa;
  - \* Pilot services on the Volgo-Balt part of the voyage shall take 2 pilots engagement for 9 days or 216 hours, rate – 2260,9 RUB per hour;
  - \*\* Navigational dues on the Volgo-Balt part of the voyage (St.-Petersburg – Podporozhye;
  - \*\*\*Fee for birthing of ship along the moorings at the Lieutenant Schmidt embankment in St. Petersburg (mooring due), rate 8,64 RUB x L x Layby time (12 hours) x 1,2.

# Commercial hindrances, example (2/3)

## Meriaura's planned pilot vessel to Russian IWW



# Commercial hindrances, example (3/3)

## Meriaura's planned pilot vessel to Russian IWW

Authority	Port dues	Costs		Overall	
		Entrance	Exit	in RUB	in USD
Marine Port Administration (Big Port of St.-Petersburg)	Ship/tonnage dues 2,4 RUB/GT	4400	4400	8800	116.51
Rosmorport	Lighthouse dues 0,88 RUB/GT	1613	1613	3226	42.71
Rosmorport	Canal dues 5,48 RUB/GT	10045	10045	20090	265.99
Rosmorport	Navigational dues (vessel traffic service) 1,77 RUB/GT	6488	6488	12976	171.80
Rosmorport	Port security fees (ISPS) 1,1 RUB/GT	2016	2016	4032	53.38
Rosmorport	Pilot dues (inward, 28 miles) 0,17 RUB per GT per mile	17450	17450	34900	462.07
Rosmorport	Mooring operation with pilot 1,08 RUB per GT per mile	3960	3960	7920	104.86
Rosmorport (Vyborg)	Canal dues (Saimaa canal, Russian side) 4,04 RUB/GT	14810	14810	29620	392.16
Rosmorport (Vyborg)	Pilot dues (21 miles) 0,32 RUB per GT per mile	24635	24635	49270	652.32
Volgo-Balt	Pilot dues (St.-Petersburg bridges + sea port part)	30617	30617	61234	810.72
Volgo-Balt	Pilot services*	976708	976708	1953416	25862.78
Volgo-Balt	Navigational dues**	135661	135661	271322	3592.24
Volgo-Balt	Fee for birthing***	0	12940	12940	171.32
	Other costs on shipowner:				
	Bilge and Household Waters treatment services (waste)		30000	30000	397.19
	Agent Fee		70000	70000	926.78
<b>TOTAL</b>				<b>2569570</b>	<b>34020.52</b>

Strategic conclusions for the planned test voyage. (Please, note that these cost and income elements are indicative)

- Piloting and other types of maritime costs on Russian fairways
  - Totally 30 000 EUR
  - Piloting costs are approximately 80% of all disbursement costs
- Freight income for the pilot voyage from Russian IWW port to Lappeenranta for round wood
  - 2 200 tons x 20 EUR/ton = 44 000 EUR
- The share of the pilot cost is 70% of the freight income and this leads to the fact, that the planned pilot vessel's profitability would be negative when all costs taken into account
- Similar pilot cost in the Lake Saimaa area is approximately 7 000 EUR. Lappeenranta – Joensuu – Lappeenranta.
- It is to be noted that the Russian vessels pay a much lower pilot cost in Russian fairways. This cost element has not been reported

# Operational hindrances

- Finnish vessel are not feasible for Russian IWW fairways
  - Vessels are too high
- Russian vessel investments in new Saimax- size tonnage
  - Some new Saimax-size vessel are under construction in Russian IWW shipyards. Major part of the Russian new vessels will be of bigger size than Saimax- size.
  - Russian shipowners have ordered new Saimax size vessels
  - Latest new order for new vessels was in Russia 12 years ago (Saimax size)
- Sailing season
  - From Finnish industry side, current sailing season, is considered to be too short. The sailing season could be 2 months longer, depending on the winter.
    - What is the role of icebreakers in the IWW traffic in the future?



# Import of round wood from Russian IWW ports, some observations

- St. Petersburg and Ust Luga ports
  - Round wood arrives to these ports by rail and trucks
  - Even western flag vessels are carrying these volumes to Finnish sea ports
- Russian IWW river and lake ports
  - River vessels are “the only way” to transport round wood from those loading ports
  - Forecasting and planning is working well both for the season and for weekly operations
  - There is enough vessels for these transports, also old vessels
- Import of round wood by trucks and rail to Finland
  - There are big round wood terminals in Vyborg area
  - Trucks (mainly Russian trucks) and rail is used for short distance round wood transports

# Future possibilities

- Environmental trends and IWW
  - How to develop a joint Russian – Finnish IWW environmental approach?
- When the Saimaa Canal lock chambers are longer
  - Do Russian ship owners have longer vessel feasible for new Saimaa Canal?



# Interviewed organizations

- Saimaa Terminals Oy
- StoraEnso Oyj
- UPM Forest
- Meriaura Group Oy
- Saimaa Canal authority





*Thank You*

