

“MSUN LINE” LAUNCHING AS AN INVESTMENT TOOL FOR APEC SUMMIT

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The following article contains information about launching and development of shipping between Vladivostok and Busan sea ports. The possibility of fast development of liner service due to APEC summit taking place in Vladivostok in September 2012. The author researched the perspective of launching “Msun Line” Busan-Vladivostok.

Keywords: sea carriage, shipping service, liner terms, the ports of final destination, summit APEC.

Russia’s Chairmanship at APEC Forum in 2012 in Vladivostok encourages the organic embedding of our country into economic relations in the Asia-Pacific region and to promote innovative development of national economy, notably Siberia and Far East regions.

Cheap and reliable goods transportation from manufacturer to customer is one of the key elements for international trade development. It includes finding cost-effective and secure supply chains of goods, arrangement of effective interaction between different modes of transport, modernization of transport hubs and corridors with technology facilities and satellite navigation systems, improvement of transport security standards.

Significant growth of port charges and taxes and insufficient financing of Russian maritime transport after collapse of the Soviet Union were the main reasons for the deep systemic crisis in this industry. Therefore, creation of effective financing system for shipyards

and naval enterprises becomes a priority since maritime transport and shipbuilding today are among the top priority branches of the economy of any coastal country, with a direct impact on its economic and social development as well as foreign policy.

Unprecedented improvements have been made in previously restricted area of Vladivostok during preparation for APEC Summit 2012. Great development impulse has been given to the transportation system of the Far East region. Construction of new pipelines, roads and bridges, new airport and railway terminal to the airport is taking place in Vladivostok. Changes are also coming in ocean freight and coastal passenger transportation. In this regard an active development of new investment projects in the context of the rapidly changing market situation has started in the department of maritime transport management of Adm. Nevelskoy Maritime State University (MSU(N) under the guidance of Dr. A.V. Stepanets and Dr. A.A. Lugovets.

According to experts, the Russian national shipping business in the Far East region was reduced by almost 10 times over the past 10 years. At the same time, the number of regular shipping lines between ports of the Republic of Korea and Vladivostok as well as volume of traffic at these lines grew about 7 times. It should be noted that all the newly opened lines are foreign and all its income (up to 100%) is sent by owners abroad.

Earlier only one shipping company “Korea-Soviet Direct Line” (KSDL) established 06/07/1991 connected the ports of Busan, Ulsan, Port Vostochny and Vladivostok, working exclusively in that direction (see Figure 1).

Today there are 10 international shipping liners between these ports officially registered in the Ministry of Transport of Russia. All companies have weekly service schedule. Some of them conduct transportation from Korean ports to Vladivostok directly; the others do it with intermediate call to Port Vostochny. Maersk Line, Sinokor and American President Lines (APL) are intensifying volume of transported cargo more than others. The detailed activity of the shipping companies in this direction is displayed in Table 1.

As a result the number of container terminals in the port of Vladivostok has increased from 2 to 6 (“VCT”, berth No. 9-”VMTP”,

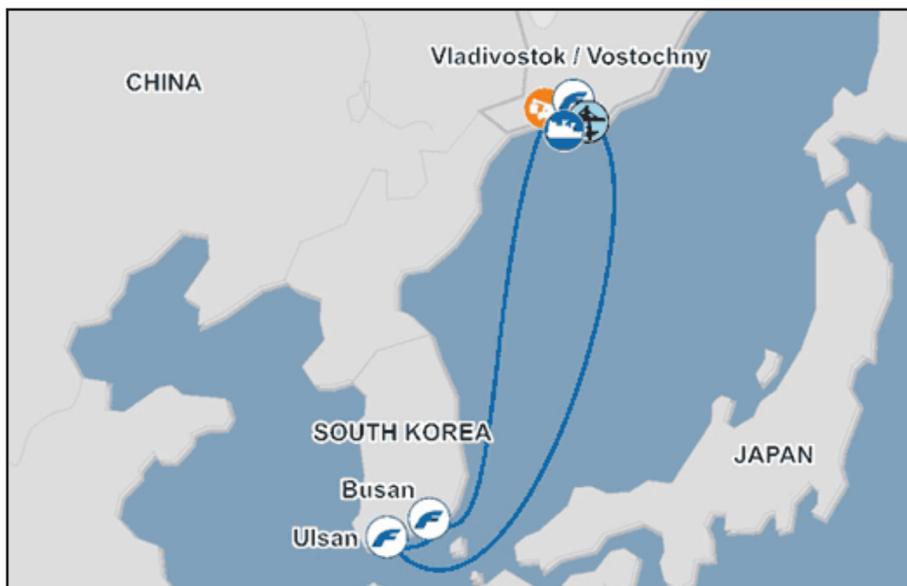


Figure 1. Scheme of the Vladivostok-Busan lines.

“VMCT”, “Dalzavod-Terminal”, “Vostokmorservis”, “Bagram”). At the same period additional 15 container terminals have been constructed in the port of Busan.

It should be noted that the total volume of transported cargo from Busan to Vladivostok is less than 1% of the total freight turnover of the Busan port. Also it is interesting that today the port of Busan processes as many containers per day as the port of Vladivostok for 0.7 years because of terminal technical shortages of the latter and this gap is continuously growing up. Total container traffic in North-East Asia is estimated at 100-150 million TEU. The share of Russia in the traffic at the moment is very low and makes up only 0.6%. The prospects for the new transport corridors are assessed now, such as East-By-West Corridor, Primorye-1, Primorye-2, etc., which can really increase this share up to 7-8% of the market.

The Russian-Korean lines perform such transport operations as passenger carrying, ordinary, hazardous and refrigerated cargo traffic in containers of liners (COC) or containers of clients (SOC) as well as transportation of machines, equipment, general bulk cargo using specialized “Open Top” or “Flat Rack” equipment and b/bulk opportunity.

Table 1. Vladivostok-Busan shipping lines capability

	Line	Cargo	Service	Vessel	Capacity TEU	Volume per voyage(TEU)
1	Korea-Soviet Direct Line (KSDL)	cntr	weekly	K.Afanasiev	1800	2520
2	MAERSK Line Vld(vct+vsct) - Bus	cntr	weekly	Dolphin Strait	1200	1680
3	American President Line (APL)	cntr	weekly	AS Florentia	1100	1100
4	Sinokor Line (Vld-Bus)	cntr	weekly	Golden Wing	450	720
5	KMTC, CKLine, PCL	cntr	weekly	Vega Spinell	350	660
6	Sollers Line (Pohang-Dalzavod)	cntr	weekly	Sinokor Star	300	580
7	Rusam Line (Bus-VSCT)	b/bulk+kt	weekly	Larsen	255	430
8	PIL(Pacific International Line)	cntr	weekly	Kota Darjah	530	755
9	Cruise Ferry Line (Vld-Donghe-Sakaiminato)	b/bulk+kt	weekly	EASTERN DREAM	30	55
10	Arco Flay (Bu-Fish Port)	Ro-Ro	Trucks	TBN		
	TOTAL	b/bulk+kt	weekly		6015	8500

All freights are carried as export-import communication and transshipment from the ports of South Korea, China, Japan, South-East Asia, the United States, India, Europe, etc. using feeder carriers and related modes of transport. The share of transit goods shipped from Busan to Vladivostok is 50-60%.

Various liners operating between the Republic of Korea and Vladivostok visit the following ports: Vladivostok-Busan-Ulsan-Pohang-Sokcho-Donhè-Port Vostochny.

Ship departure frequency is 1 voyage per week. Round-trip duration is 7 days. Transit time from South Korean ports to Port Vostochny and Vladivostok is 1.5 days and 2 days respectively. Container transportation from the Republic of Korea and South-East Asia to anyplace in Russia is often made using their own transport line assets i.e. railway rolling stocks, autotrucks, FESCO or SASCO coastal lines. Also using specialized cargo container vessels in tandem with shuttle-trains makes

possible the shortest transit time of container shipping from South Korea to Moscow - 17 days.

Currently the nomenclature of goods consists of building materials, household electrical appliances (TVs, washing or sewing machines, etc.), textiles and perishable products delivering in refrigerators.

As per load rate since the beginning of this year the situation is as follows: in the direction of ROK-Russia the average load is 90% and vice versa 85%. In the “peak season” it reaches 100%. Table 2 shows base freight rates applied in the study area.

Table 2. Base container transport rates in Vladivostok-Busan line.

Bilateral Rate	POL	POD	Container Kind	Destin or Origin	20'	40'
W/B	BSN	VOS / VLA	COC	Russia	725	1250
				Russia	505	750
E/B	VOS / VLA	BSN / ULS	COC / SOC	Russia / Central Asia	305	410
Reefer (W/B, E/B)			SOC		705	1500
EMPTY (W/B, E/B)			SOC		275	350

Effective Date : January 12 - March 31, 2012

1) Term : COC : CY - CY, SOC : Korea Tackle - Russia CY.

2) Above rates are subject to Korean THC K.WON 101,000/20' & 137,000/40' for laden containers.

3) The rates are subject Russian THC RUB 2,400/20'; RUB 3,600/40' and RUB 4,800/container (RF, FR, OT) for laden containers.

4) The rates are subject to Russian THC RUB 520/20' & 40' DC(HC) and RUB 1,040/20' & 40' RF(FR, OT) for empty containers.

5) The rates are subject to BAF on West Bound usd75/TEU and East Bound usd25/TEU.

6) Dangerous cargo Surcharge is as follows: Vostochny – US\$ 150/ container. Vladivostok - DG class 1, 2, 6 US\$450/cont; 3, 4, 5 US\$300/cont; 8, 9 US\$150/cont.

7) O.O.G surcharges: WBS\$150/DEAD-TEU; EB \$100/ DEAD-TEU

Based on the above mentioned rates and an analysis of the actual loading of ships the average net freight (FIO) for a vessel with a capacity of 1200TEU (Maersk) is:

Busan-Vld: $\$650 \times 250 / 20' + \$950 \times 350 / 40' = \$49\,500.00$

Vld-Busan: $\$300 \times 100 / 20' + \$410 \times 100 / 40' = \$71\,000.00$

Vld-Busan-Vld = \$566 000, per month - \$2 264 000.

Per year in 11 months (counting idletime=30days) it means \$24 904 000.

If we assign by a training vessel like “Professor Yuschenko” or similar one to serve this line and on conditions that the overall load from Busan to Vladivostok consists of 30% of containers, 30% of automobiles, 40% of general purpose cargo and in the back direction includes b/bulk containers that net freight (FIO) is: Busan-Vld:

$\$500 \times 10 / 20' + \$750 \times 5 / 40' + \$950 \times 15 + \$11 \times 3300 = \$59\,300.00$

Vld-Busan: $\$200 \times 30 / 20' + \$300 \times 30 / 40' + \$2000 / G.cgo = \$17\,000.00$

Vld-Busan-Vld = \$76 300, where the duration of the voyage is 10 days, 3 voyages per one month = \$228 900.00 and for a year in 12 months = \$ 2 746 800.00.

Problems of line shipping between the ports of the Republic of Korea, and Vladivostok are:

- Sizeable waste of time because of customs refusal to process arrival/ departure of ships at night in the port of Vladivostok and enormous duration of customs procedures in Russia.

- Insufficient berthing line and technical backwardness of the Vladi-vostok container terminal (VCT), as well as the other container terminals in the port of Vladivostok, which seems to be anachronistic in comparison with ports in Korea, China and other countries.

- Lack of alternative roads for container transportation in the port of Vladivostok. Now it is transported via the center of the city thus leading to terrible traffic jams and creating potential security problems, especially in the days of major international events like APEC Summit-2012.

- Idle time of container vessels is increased up to 5 days as well as ship schedule disruptions occur due to shortage of container terminals and prolonged vessels arrival/departure registration procedure in the port of Vladivostok.

Prospects of line shipping development between the ports of ROK

and Vladivostok are the following:

– The rapid growth of the volume of container transport by SOLLERS Company, which produces vehicles of Ssang Yong Company at its Dalzavod facility.

– The growth of traffic in connection with the forthcoming Olympic Games 2014 in Sochi, as large amounts of imported products from China and Korea is used for facilities construction, etc.

– Threat of pirate attacks near the Somalia coast and perspectives of APEC 2012 Summit general economic trends will potentially lead logistic companies to consider the opportunity to switch South-East Asia to Europe containers transport by “Deep Sea” to the Trans-Siberian railway shipment. It can increase the volume of containers processed in Far Eastern ports of Russia from 1 to 13 million TEU per year and as a result the region’s revenue can rise to 30-45 billion US\$ per year.

– Completion of the APEC 2012 Summit facilities assumes keeping the building capacities and human resources concentrated in Vladivostok and redirecting them to construction of a new modern container terminal out of the city, as it is done in Busan (New Port), Tokyo, Shanghai, and other main cities of SEA.

Taking into account the recent government directives to strengthen commercial activity of Russian universities and other higher education institutions and to give them some preferences and tax incentives, it is necessary, relying on the above mentioned analysis and calculations, to conduct a detailed study of the “MSUN Line” Vladivostok - Busan investment project as well as to establish small innovative enterprises or a joint company with FESCO, Woojin, SASCO, Maersk, Korean Maritime University, etc. to realize this idea.

Operations of vessels like MV “Professor Yuschenko” or MV “Georg Ots” on the line Vladivostok - Busan (subject to optional directions Vladivostok - Dalian, Vladivostok - Niigata, etc.) would solve the problem of the maritime universities of Russia, ROK, China, Japan to conduct full scale joint practice for their students on a commercial basis.

Now the number of multinational crews in international shipping is rapidly increasing. Joint training for them in Russia is absent because of lack of specific training centers as well as training ships for student practice (engineering, electrical, navigational, etc. specialties). The

practice on sail training ships like STS “Nadezhda” cannot produce good specialists for the modern commercial vessels. That’s why the strategic ideas to open transit transport corridors through the ports of the Russian Far East as well as enhance international cooperation in maritime education sphere could also be proposed for consideration by APEC member countries at the APEC 2012 Summit in Vladivostok.

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