

INFORMATION CONCERNING NEW FAIRWAY DUES



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According to the decision of the Swedish Government of 19 February 2004, the Swedish Maritime Administration was assigned the task of developing the fairway dues system based on the proposals presented in the Ds 2003:41 Report and in line with the assessments presented by the Government in its decision.

Efforts to attain a detailed configuration of fairway dues have proceeded on the basis of the Government's directive and the proposals of the Report. The Swedish Maritime Administration has also had contact with representatives of the shipping industry and Swedish ports. In all essentials, the principles underlying the proposals in the Report have been observed. The effects on ferry traffic have been mitigated slightly compared with the proposal presented by the Report. Otherwise, only certain adjustments of dues have been implemented in order to finance the proposal within the prevailing financial framework. For the Administration's part, changes in fairway dues are neutral in terms of revenue. Details of the new dues system are presented below.

The introduction of the new fairway dues from 1 January 2005 will require certain changes in the ordinance (SFS 1997:1121) governing fairway dues. The Swedish Maritime Administration has presented proposals for such changes in a separate document.

Number of calls subject to dues

The number of calls subject to dues for the gross tonnage-based portion of fairway dues is set at a maximum of five and two calls, respectively, per calendar month for passenger vessels and other vessels.

Dues based on gross tonnage

Passenger vessels, excluding cruise vessels

The portion of fairway dues levied on the basis of gross tonnage is SEK 1.80 for each unit of gross tonnage for passenger vessels. This represents a difference compared with the Report's proposal, which assumed a similar level of dues for passenger and cargo vessels, excluding tankers. The downward adjustment is warranted by a number of circumstances:

- Ferry traffic fulfils a function that may be referred to as “portable bridges” for the more high-value goods traffic and for personal trips requiring high and regular transport frequency. The Administration believes that this type of frequent transport is gaining greater significance for the Swedish economy, and thus, in its opinion, warrants a certain downward adjustment of dues.
- Ferry traffic generates considerable revenue onshore.
- The ferries are frequently of a high ice-class and thus contribute to curbing the ice-breaking costs of the Administration.

Another factor that suggests a lower increase in dues for passenger vessels than the relatively sharp rise proposed in the Report is that gross tonnage does not provide a perfect picture of the vessel’s power output and thus neither of the emissions generated.

In view of the above, the Administration intends to introduce a lower dues level for passenger vessels of SEK 1.80 per unit of the vessel’s gross tonnage. This means that the average maximum increase for a passenger vessel in frequent traffic is to be cut from 67% to 46%, excluding sulphur charges.

For the present, the Swedish Maritime Administration has chosen not to offset the lower dues for ferry traffic by a similar increase for cargo vessels. Conditions for the shipping industry are currently favourable, with rising volumes in ports, and the Administration expects this trend to continue in 2005. Should maritime traffic decline, the lower dues may be viewed as an advancement of the continuing shift in dues that the Administration expects in 2005 in connection with the next adjustment of pilotage fees. For 2006 and 2007, cruise traffic – which is dealt with below – will provide an incremental but as yet highly limited revenue contribution.

Cruise vessels

In the case of cruise vessels, the Government offers the Administration the possibility of gradually phasing this traffic into its dues system. The Administration intends to phase in cruise vessels over a three-year period. The dues for 2005 are set at zero, as cruise programmes have already been set, and the industry should be given time to adjust to new dues levels. For

2006, the dues per unit of the vessel's gross tonnage will be SEK 0.50. The dues for 2007 may now be estimated at about SEK 1 per unit but will be fixed later in the light of developments. The Administration has studied the cost for cruise vessel calls in a number of Baltic ports and concludes that this level and the resulting gradual adjustment will not discourage cruise vessels from calling at Swedish ports.

To avoid unfair competitive conditions for different cruise lay-outs, a single charge alone, levied in the first Swedish port of call, should be charged for the same cruise. For cruises in which more than 90% of passenger replacement occurs in Swedish ports, no dues will be charged for the time being.

The Administration has chosen not to fully include cruise vessels in the environmental differentiation system. The incentive for cruise vessels in international traffic to use low sulphur bunker oil in all circumstances must be viewed as far too low for meaningful measures to be taken considering the low dues level. As regards the cleaning of nitrogen oxides, it has emerged that measures aimed at reducing these can be expected, and have been implemented in certain cases, and thus a decrease in fairway dues can be included in the system. This will be proportional to the reduction offered to other vessels.

Other vessels

The level of dues in the new system is set at SEK 2.20 for oil tankers and at SEK 2.05 for other vessels per unit of gross tonnage. This means that vessels making fewer than 24 calls per year will incur lower dues than at present. The level of dues is in line with that used as a computational example in the Report and, as noted above, represents a certain advancement of the ongoing shift in dues towards pilotage fees.

Maximum amount

The maximum amount to be charged per call – after adjustments in the level arising from the halving of the dues charged per unit of the vessel's gross tonnage – will remain unchanged in relation to current circumstances and the proposals in the Report. This means that the maximum amount for oil tankers will be SEK 80,000 if the vessel's nitrogen oxide emission level is more than ten grams per kilowatt-hour (kWh), minus SEK 3,000 for

each full gram below this level down to one gram per kWh. For other vessels, the amounts are SEK 50,000 and SEK 2,000, respectively.

Sulphur-related dues

According to the prevailing EG-directive (1999/32/EG) covering the reduction of the sulphur content of certain liquid fuels, marine diesel oil (MDO) or marine gas oil (MGO) may not be used in Swedish territorial waters if their sulphur content exceeds 0.2 %. The directive does not cover heavy fuel oil (HFO) or the fuel in a ship's tanks passing the border between Sweden and non-EU countries. The environmental differentiation of fairway dues – aimed at providing an incentive for vessels to use low-sulphur bunker oil – must now be adjusted to prevailing rules. Although most vessels using marine fuel covered by the directive are obliged to use bunker oil with a sulphur content less than 0.2 percent by weight, the Administration believes that these should be given a certain discount, as there is otherwise a risk of these vessels switching to HFO. Moreover, a certain stimulus should be given to vessels not covered by the directive.

Consequently, the Swedish Maritime Administration is introducing four limits for sulphur-related dues for all types of vessels: less than 0.2 percent by weight; between 0.2 and up to 0.5 percent by weight; between 0.5 and up to 1 percent by weight and exceeding 1 percent by weight. The table below shows the sulphur-related dues per unit of the vessel's gross tonnage.

Sulphur content, percent by weight	Passenger vessels, SEK	Other vessels, SEK
0 – 0.2	0	0
0.21 – 0.5	0.30	0.20
0.51 – 1.0	0.60	0.40
1.01 -	0.60	0.60

In the Administration's view, the significance of passenger vessels in cutting sulphuric emissions to the atmosphere corresponds to the difference in the incentive structure vis-à-vis other vessels, as shown in the table.

Implementation of the aforementioned sulphur-related dues will enhance the incentive level, in line with the Report's proposal, by a total of 20%.

Nitrogen oxide discount

The Swedish Maritime Administration believes that technological progress in marine engines warrants a reduction in the upper limit for discounts from 12 g/kWh to 10 g per kWh. The scale extends down to 0 g/kWh. The fact that the Administration has chosen to go one step further than the Report, in which the lowest limit is set at 1 g/kWh, is because it wants to provide a stronger incentive to include auxiliary engines in measures to cut Nox emissions. The table below shows the dues after discount per unit of the vessel's gross tonnage.

Emission level, gram NOx/kWh	Passenger vessels, SEK	Cruise vessels, SEK	Oil tankers, SEK	Other vessels, SEK
0 – 0.50	0.60	0.38	1.00	0.90
0.51 – 1.00	0.70	0.44	1.10	1.00
1.01 – 2.00	0.90	0.50	1.30	1.15
2.01 – 3.00	1.08	0.60	1.48	1.33
3.01 – 4.00	1.17	0.65	1.57	1.42
4.01 – 5.00	1.26	0.70	1.66	1.51
5.01 – 6.00	1.35	0.75	1.75	1.60
6.01 – 7.00	1.44	0.80	1.84	1.69
7.01 – 8.00	1.53	0.85	1.93	1.78
8.01 – 9.00	1.62	0.90	2.02	1.87
9.01- 10.00	1.71	0.95	2.11	1.96
10.01 -	1.80	1.00	2.20	2.05

In the case of cruise vessels, the above discounts will be gradually introduced into the dues system. The proposed discounts for vessels that have taken action to reduce nitrogen oxide emissions represent a strengthening of the financial incentive by a total of 41%.

Discounts

The new system permits the removal of the discount for Mediterranean traffic. The Administration's estimates indicate that the new dues system results in a decrease in actual dues of 8 % or a total of SEK 400,000.

As regards car carriers, the current discount of 60% is reduced to 30%, representing an unchanged cost level for these vessels.

In line with the proposals in the Report, dues for oversea liner traffic remain unchanged at SEK 1.2 million annually per line.

In the case of transit traffic, for which only one goods-based due is levied, there are no changes to existing rules.

Summary

The dues system presented here entails a strengthening of the environmental differentiation of fairway dues. The financial incentive to take measures to reduce sulphur and nitrogen oxide emissions to the atmosphere – meaning the Swedish Maritime Administration's discounts – are raised for a full dues-paying vessel compared with a maximum environmentally clean vessel by 5 and 17 percentage points, respectively, amounting to 23% and 56%, respectively.

The dues levied per unit of the vessel's gross tonnage are further differentiated with the introduction of lower levels for passenger vessels and cruise liners.

The effects of the proposal have been calculated by port and by type of vessel. For the ports, the effects depend entirely on traffic frequency and the traffic composition in the port in terms of vessel type and size, and whether or not the vessels have adopted environmentally-enhancing measures. In general, cargo vessel traffic gains reductions in dues, while passenger vessels incur increases.