



## THE VALUE OF TRANSPORT SERVICES AND POSITIONING OF SHIPPING COMPANIES

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### Abstract

The main goal is to preserve the sustainability of marine transport enterprises in the transport market according to the criteria of entrepreneurial and non-systemic efficiency. The essential conditions of activation of functioning and development of the national marine transport complex are reviewed. In conditions of a rigid competition in the global market of maritime transport of goods the parameters of the status of sea country become the principle in the management's system of development's efficiency. In conditions of relatively high density of merchant shipping it is necessary to develop methodology that reflects conditions and objectives of the strategic positioning of shipping companies, for the effective development of the national merchant marine fleet. The principles of the effective development of the global merchant shipping are taken into account during selection of targets of the program of development of Ukraine as a maritime state.

**Key words:** shipping company, transportation, value, positioning, the freight market, services, resources.

### Introduction

The current scope of integration of Ukraine in the system of international and regional division of labour maritime transport should be considered as the most important economic guarantor of stability and independence positioning of foreign economic activity. In this process fundamental changes are necessary in the management mechanism of economic parameters of national divisions, which are focused on the functional activity in the global economic space [1]. The justification of the general paradigm of forming and realization of priorities in the development of the national maritime transport complex, based on economic freedom, investment and operating activity, is predetermined in this publication.

The value of the maritime transportation services, that provide 90 percent of the international transport and economic ties, acquires special importance. This raises the tasks

balance of business and macroeconomic interests of functional activities of merchant fleet and ports.

Simultaneously strengthening of geopolitical approaches to implementation of the projects of development of specialized segments in the maritime transport industry is based on the increase of the role of individual regions in the formation of new directions of inter-regional exchange of goods. Most of the routes of movement of the mass of commodities in the Eurasian economic space, to one extent or another are related to the development of transport potential of Ukraine. This process is based on the natural ratio of demand (traffic parameters) and transportation capacity of fleet or ports. Such a situation is consisted in the goods exchange between the countries of Central Asia and Europe. The trend is characterized by long-term sustainability. Commodity turnover that is increasing by estimations to \$27-\$30 billion, requires reliable transport services.

So it is necessary to pay attention to the formation of the economic potential of the regional facilities of the maritime transport industry. The main condition is the strengthening of the role of institutional limits and the international administration. It corrects investment activities and functioning by the criteria of the wide security system.

## **1. Specific features of the maritime market's condition**

Cyclicity as a general pattern of forming the basic parameters of the market of seaborne trade predetermines the necessity of the regular analysis of the situation and prediction of its changes. Herewith it should be focused on the most important features of temporal fluctuations of the freight market. In fall stage of activity deteriorations in operation of the fleet of all load ranges of the corresponding specialization similar by results are occurred. At the stage of revival or lifting, there is unequal and significant change in groups of similar tonnage. Especially it is significant for container vessels.

Nevertheless, the foundation of the state maritime transport policy should be considered from the point of view of macroeconomics and enterprise structures tasks. The degree of development of the marine economy should be viewed from the position of social significance enterprises. General economic value of the overall system and individual residents is allocated. However, commercial tasks are provided by every enterprise on its own under the current market conditions of operating activity. Therefore it is important to improve management decision-making subject to the conditions of dynamic components of the global freight market. In any case, regardless of the nature and degree of integration processes it is necessary to ensure national interests.

The expansion of foreign trade on the basis of the WTO (World Trade Organization) increases the economic role of maritime transport enterprises as a key factor in maintaining the stability of economic relations. The challenges of meeting global needs and achieve the required commercial efficiency are formed, because it is detailed statistics and analysis concerning the condition of the maritime transport industry [1, 2].

Economic competition, but rather a competition of regional unions and individual states, the periodic strengthening of their position in the international division of labour predetermine the choice of investment strategy and the functional activity of the fleet and ports. Transport security is an essential condition for the realization of integration tendencies of the world economy that is testified by studies [3, 4, 5]. They take account the subsequent increase in value of marketable weight, being in the process of transportation.

However, there are possible alternative approaches to the evaluation of price competition [6, C. 331] in the positioning system of maritime transport enterprises in the selected sector of the market on the basis of:

- full costs for production;

- analysis of the external market with the establishment of the curve of demand for the product;
- taking into account internal factors and competitive position that determines the admissibility of the company's price;
- the principle of cost recovery and formation of reasonable profit;
- an expert or experienced destination price.

The major task is becoming the assessment of the effectiveness of the implemented investment projects on system of criteria and indicators. Generally indicators of general and comparative efficiency of design solutions are allocated [7, 8]. On the basis of assessment of the absolute efficiency the role of the additional value is extended. On the basis of indicators of comparative effectiveness it is used the change of efficiency, i.e. cost price. So the interest rate level close to the overall effectiveness is laid to the basis of the norms of discounting of multi-temporal capital investments. However, the major problems of the balanced development of the maritime transport industry on the criteria of perceived value and business results are undisclosed.

Systematization and generalization of conditions of formation of market of maritime trade aims at achieving sustainable and balanced capacity of the fleet and freight. So the main purpose of the article is to disclose the peculiarities of the positioning of shipping companies in the realization of the competitive advantages on the criteria of the perceived value of the transportation process. In this process, it is important to clarify the features of the mechanism and tools for sustainability management of shipping companies at any phase of the economic cycle.

## **2. Differentiation of approaches to achieve sustainability**

Criteria of functional and economic sustainability of the maritime market entities are normative parameters of the state of the productive capacity of the shipping company. They are limited by the terms of the freight market and possibilities of investment support.

Management principles of economic sustainability fleet in the changing market's conditions of maritime trade are reduced to achieve normalization of the functional and financial condition for individual shipping companies.

While considering parameters of the participation in the logistics flow of goods should be used macro-and microeconomic approaches. In the first case, the major task becomes the evaluation of the relationship between units of the maritime complex with elements of global economy.

The second approach gives the possibility to determine the expediency of implementation of the relevant projects on the basis of the effectiveness of internal changes in production and economic characteristics of the enterprises of the country's maritime complex [9, C. 243]. The global market of seaborne trade doesn't ensure an equality of participation of any shipowner's structures that meet safety requirements. It should be taken the necessary decisions to solve problems on the intergovernmental (global) level. Among these should be mentioned the following:

- the priority of formation of freight rates on the principles of free market and informed technical and economical level of servicing cargo flows;
- the reduction of the cartel regulation's role of operator's activity on the basis of the agreed tariff rates that limit other participants' activities in the market of seaborne trade;
- the validity of conclusions of confidential contracts by individual rates without monopoly's influence of the cartel shipowner' associations.

In this series stands the principle of fixed prices with shipping alliances and conferences that limit the freedom of shippers' choice during the implementation of foreign trade contracts.

### 3. Feature restrictions of shipping companies' positioning

It should be noted that the change of the so-called public building in a number of countries since 80 -90's of the XX century has impacted on the character of globalization. Priorities have shifted in the direction to economic processes in the basis of development. Social problems are considered as criteria of restrictions. Therefore, at the end of the XX and the beginning of the XXI century a change in management of the world's merchant fleet has happened. The leading factors of the world development are the technical and production aspects. They determined the priorities for the development of Japan, Germany and then China.

Taking into account the most important rules of market economy, which is concisely expressed in the form: "For sale are intended only levels, the value of which exceeds the cost of producing them" [8, p. 70] the scope of operator's and investment's activity of shipping companies must be selected. The elaboration of a scale of delivery's of the goods values from the cargoowner's position needs for the conditions of the freight market and feasibility level of individual shipping companies . The general idea is presented in the form of a graph (Fig. 1).

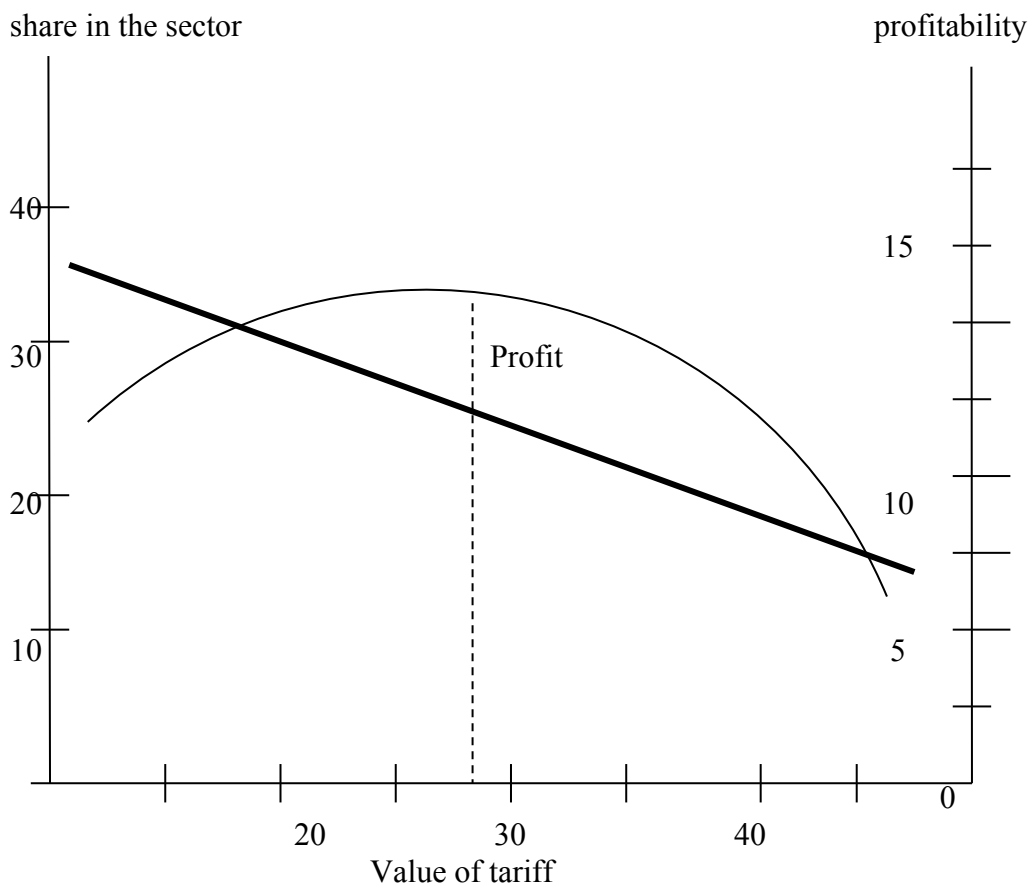


Fig. 1. The order of shipping company's positioning regarding the transport services' value

Source: Usage the ideas of publications 1,6,8

A change of position on the market of seaborne trade in the specialization fleet segment at the low quality (value) of services and the growth of tariff is reflected by sloping straight line (Fig. 1). The figure 1 reflects the significant efficiency differentiation of positioning of various specializations vessels. At the same time, remains the risk of profit margins differences on the

types of vessels remains, that retains the possibility of periodic imbalances in the system of maritime transport industry.

During price adaptation [8, p. 132] a range of differentiation of values of transport services should be taken into account. In a different interpretation of similar programs for individual groups of passengers or individual cargoowners is formed the price discrimination. This is based by parameters of the demand curve for relatively homogeneous groups of transportation technologies. One option of basic strategy's realization remains for shipowner or stevedoring company. For customers remains a significant number of alternative solutions, which define the boundaries of the tariff level's changes.

#### 4. The optimization's performance of the shipping company's crisis cycle

The fleet diversity, especially considering the growth of the cruise shipping segment [9], determines the differentiation of values SC as to the consumers and the shipowners' tasks .

Each SC, forming one's own strategy, has to take into account the targets of other operators as the main condition for achieving relative stability and minimize the risk of loss position, as well as compliance with the requirements of the administration. Therefore, it seems expedient to use a system of indicators reflecting the totality of interests and conditions of the formation of the parameters of this segment of maritime market.

Economic results of the innovation and technological development are calculated in the form of direct and associated effects (losses). This differs to common effect, or loss, which represents the economic value result which is obtained (lost) by related departments under the influence of the parameters of main (projected) object. External effect (loss) represents the changes in the value of the results or the costs of the main object under the influence of the impact of relevant conditions (external economic systems).

Development of shipping companies as on the basis of expanding the composition of the fleet, on the one hand, and the replacement of obsolete ships, on the other, may be based on the assessment of the dynamics of the integral economic effect for the billing period of the life cycle or at the ships' average lifetime. Integral economic effect by the method of net present (current) value for a period of time (the project lifecycle) is determined by the comparison of the discounted results and costs. For investment resources compounding is used.

$$E_n = \sum_{i=1}^{T_i} Q_t p_f \alpha_{ii} - \sum_{k=1}^N W_{ii} z_{ii} p_{ri} \alpha_{ii} - \sum_{j=1}^{T_L} K_{pj} \alpha_{ij} + K_{pL} \rightarrow \max, \quad (1)$$

where:

- $T_i$  – the project's life cycle of transport enterprise;
- $Q_t$  – project's volume of transport performance per annual capacity;
- $p_f$  – the tariff rate of the fulfillment of transportation work;
- $\alpha_{ii}$  – discount factor of cash flow by a factor of change of money' value over time;
- $N$  – the number of resources' types that are necessary for the enterprise's stable functioning;
- $W_{ii}$  – production and technical parameters of the object, which vary the required economic resources;
- $z_{ii}$  – cost standard of production resources;
- $p_{ri}$  – cost description of different types of resources which are used in enterprise's production activity;
- $T_L$  – investment period in stages of capital investments;
- $\alpha_{ij}$  – rise expenses ratio by a factor of diversion of funds from production use;

- $K_{pl}$  – object's liquidation value.

Valuation of direct results of innovative development is based on calculation of total income for the transportation services for the billing period. Furthermore, the concomitant result which is formed on the basis of externalities is considered. Social and environmental impacts should be taken into account by parameters deviations of project indicators from the standards or the underlying results and the scale of the impact on the natural environment.

Consolidated economic effect of any technological or innovation project is composed in structure:

$$E_c = E_n + \sum_{t_b}^{T_i} \sum_k^m \Delta E_{bc} \alpha_{ti} \quad (2)$$

where:  $m$  – the subspecies of non-systematic and external effects or losses ( $\Delta E_{bc}$ ) by options for development.

The value and expenses on the basic transport objects are given to the project terms of new vessels' usage to ensure the comparability of the compared alternatives.

In Ukraine it is used excessive administration of certain activities of marine transport enterprises. It is suffice to mention the necessity of holding an auction for the sale or other forms of alienation of unused capacity. This procedure is long in time and costly for the enterprise, because it is necessary to pay a fixed percentage of the sale price of the auction's organizer.

## Conclusions

Ultimately, the maritime transport policy should stipulate mechanisms and tools of sustainable renewal of the production potential. This is solved on the basis of the criterion of outstripping increase of technical-economic level. It stimulates the expansion of the alternative sectors of the freight market. There should be formed a real budget support programs, which provided the compensation of budget funds subsequently on the basis of the multiplier effect.

The basis of normalized sea transport development should be considered the transport security of the country. Under the transportation security should be considered the creation and maintenance of national-level aggregate of conditions for sustainable development of the fleet capacity. It should ensure the achievement of effective social, environmental and economic standards. This guarantees the protection of the competitive positions of domestic producers in international economic relations.

At any position of the global maritime transport industry the choice of strategy is important to reflect the principles of optimizing the ratio between direct and opportunity costs involved in delivery of cargoes and the perceived by operators of foreign economic relations of the transportation value. It must be considered that the main in the world trade is becoming turnover ratio of resources of the enterprises. Exactly on these criteria shipbuilders have to justify the design features of the transport fleet.

Organizational-economic mechanism of optimization of SA' technical and economic level, that form an integrated transportation system, is oriented to maximize business efficiency. This condition leads to a search for different strategies to minimize costs relative to the value of the fleet. The most dynamic solutions are in the system of private property. That is why in the conditions of mobility freight market prevailing place are held by private and joint-stock forms of ownership. However, the maritime states are interested in intensifying the activity of the national shipping complex and widely use various methods of implementation of preventive state maritime policy.

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## WARTOŚĆ USŁUG TRANSPORTOWYCH A POZYCJONOWANIE PRZEDSIĘBIORSTW ŻEGLUGOWYCH

### Streszczenie

Głównym celem funkcjonowania przedsiębiorstw transportu morskiego na rynku transportowym jest zachowanie stabilnego i zrównoważonego rozwoju, zgodnie z kryteriami prywatnej i społecznej efektywności. W artykule zostały omówione zasadnicze warunki aktywizacji funkcjonowania i rozwoju ukraińskiego transportu morskiego. W warunkach stosunkowo wysokiej intensywności żeglugi handlowej konieczne jest opracowanie metodologii, która odzwierciedlałaby warunki i cele strategicznego pozycjonowania ukraińskich przedsiębiorstw żeglugowych. Zasady skutecznego i efektywnego rozwoju światowej żeglugi handlowej zostały wzięte pod uwagę przy doborze celów rozwoju Ukrainy jako państwa morskiego.

**Słowa kluczowe:** przedsiębiorstwo żeglugowe, transport, wartość, pozycjonowanie, rynek frachtowy, usługi, zasoby

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