

Activities of the Maritime Administration in collecting lighthouse and navigation dues and organising procurements

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Summary

The State of Estonia must ensure the maintenance of public waterways and the conditions for vessels navigating in Estonian waters for safe and secure traffic. For this reason, the state must ensure the existence of accurate navigational charts, mark the shipping lanes, keep the most important ones ice-free in the winter, guarantee the monitoring of vessel traffic and transmitting of necessary information to the vessels, etc.

The ship owners must pay to the state for these services. In 2004, ship owners paid EEK 148 million to the Estonian state budget as lighthouse and navigation dues. In the establishment of the state budget for 2005, the estimated revenue from the dues was EEK 170 million.

It is the task of the Maritime Administration to provide the said services to the ship owners, to submit invoices to them and to monitor the payments. The SAO audited the activities of the Maritime Administration in collecting these dues, and also whether it has adhered to the rules established by the state on buying goods, labour and services with the money allocated for this purpose.

Main observations

Although the dues charged for visiting Estonian ports are competitive compared to the neighbouring countries, the amount of tariff rates established by the state do not cover the expenditure the state considers necessary to make for the better service of ship owners. The state must decide whether it wants to cover these expenses from the income received from maritime affairs, which requires the increasing of the rates of lighthouse and navigation dues, or from the revenue received from other fields of activity.

The Maritime Administration has managed to calculate and collect the lighthouse and navigation dues satisfyingly and has collected most of the revenues. However, there have also been several mistakes. The observations made in the sample examined in the course of the audit allow claiming that the percentage of vessels from which lighthouse and navigation dues have not been collected is estimated to be 1.4. Due to the misinterpretation of law, the lighthouse dues have been overcharged in the amount of EEK 1.9 million; in several cases, the amounts collected from undertakings have also been smaller than prescribed. Without sufficient grounds (with the knowledge of the Minister of Economic Affairs and Communications), the Maritime Administration has waived its right to collect debts from Tallink Grupp AS and Hansatee Cago AS in the amount of EEK 6.3 million. Past mistakes in the establishment of national fees may result in potential claims against the state in the amount up to EEK 715 million.

In most cases of buying, the Maritime Administration has followed the requirements of Public Procurement Act. However, the audit also revealed non-conformities with the requirements of the Public Procurement Act: the prohibition of dividing the procurement into parts with the intention of avoiding public procurements was not always adhered to, or the chosen form of public procurement was not appropriate. In some cases, the relevant documentation regarding the procurement was not preserved and there were deficiencies also in submitting the data to the state register of public procurements.

The amount paid for the conversion of the buoy ship EVA-316 was approximately EEK 30 million higher than the initial tender, as in the initiation of the procurement, the estimated cost of the procurement was miscalculated and the procurement was initiated without having enough money to pay for the conversion. The contract awarded for the conversion was not favourable from the state's point of view: the contractor was promised advance payments on more favourable conditions than usual, the state assumed some of the contractor's risks without any grounds, and the contract did not establish the dividing of savings due the replacement of machinery between the contracting entity and the contractor. Due to the changes made to the design documentation in the course of the invitation to tender, the capability of the ship to help other vessels in severe ice conditions diminished.

Major proposals

To the Minister of Economic Affairs and Communications

- Initiate activities to amend the Maritime Safety Act, if the Ministry does not consider it right to collect lighthouse and navigation dues more than once within twenty-four hours, but upon entering a different port and from vessels entering in a tow, calculated on the basis of the tonnage of each vessel.
- Change the directive No. 203 of May 23, 2005 with respect to the opinion on the possibility of recovering the claim (presented in the period after the amendments to the Maritime Safety Act took effect on 25 April 2005) against Tallink Grupp AS and Hansatee Cargo AS to collect lighthouse dues in the total amount of EEK 6.3 million (i.e. not to consider it as a hopeless case); and issue an order to register it in the Maritime Administration's balance sheet and to collect it.
- Decide the recovery or waiver of the claims regarded in the Minister's directive No. 203 of May 23, 2005 in the total amount, i.e. EEK 33.6 million.
- Commission additional surveys to ascertain how the rise in the rates of lighthouse and navigation dues for covering the investments planned in the draft of the transport development plan and the draft of the Estonian ice breaking development plan for 2006-2013 would effect the competitiveness of our ports.
- Decide whether it is relevant to initiate a draft to ensure the steady financing of investments necessary for providing lighthouse and navigation services, which would assign the revenue received from lighthouse and navigation dues either partially or fully to cover these costs.
- Explain the reasons of the delay in the settling of the issues of financing the conversion of EVA-316 which increased the cost of the procurement by 30 EEK million; and ensure that there would be an analysis of the expected cost of the procurement before organising complex and large-scale procurements of governmental authorities and that procurement activities would not be initiated without the availability of adequate financial cover.

To the Director General of the Maritime Administration

- Organise the calculation of lighthouse and navigation dues paid to the state in a way which precludes failure to submit invoices to some taxable persons. Submit invoices retrospectively to the ships who have not received them or who were asked to pay a smaller sum than determined by the law.
- Rationalise the internal audit system of the Maritime Administration in relation to the organisation of procurements and implement measures to ensure the preservation of the documentation concerning procurements. For instance, enhance cooperation between the managers of structural units and the person responsible for coordinating public procurements when preparing a procurements plan in the beginning of a fiscal year and appoint a person responsible for the preservation and circulation of documents in the procurement procedures.

The Minister of Economic Affairs and Communications agreed to the proposals by the SAO, including the proposals to initiate amendments to the law. He indicated that the statement of claim for the satisfaction of claims against Tallink Grupp AS and Hansatee Cargo AS will be submitted in April 2006. The Minister also promised to do his best to ensure that there would be a thorough analysis of the expected costs of the procurements organised for shipbuilding, and that procurement activities would not be initiated without the availability of adequate financial cover.

The Director General of the Maritime Administration announced his agreement to the proposals by the SAO and informed about the measures that will be implemented to avoid the mistakes identified in the course of the audit in the future. He also gave additional explanations for the reasons why the Administration organised several procurements mentioned in the audit report as aimed at specific persons.

The full responses of the Minister of Economic Affairs and Communications and the Director General of the Maritime Administration are attached to the report.

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