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BPO BALTIC PORTS ORGANIZATION

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# There's still a lot of room in the Baltic Sea

***A talk with Bogdan Ołdakowski, BPO Secretary General***

■ ***What is the main challenge that Baltic Ports are facing at this time? What can they do to overcome these challenges? What is BPO's role in helping the ports overcome these challenges?***

I think that one of the main challenges for the Baltic ports is to find the right balance between planned investments and future cargo demand. There is no doubt that international trade and associated cargo flow will be increasing in the Baltic region. For some of the ports the infrastructure shape in hinterland connections is also a key issue for their development. For example, in St. Petersburg the roads system within the city limits further increases cargo. Also Polish ports are awaiting better roads and rail connections to/from the ports – their markets are in Central Europe. There is also a trend to move cargo operations from the city centres (historically port areas) to new sites away from agglomerations. This is also a big challenge for the ports because it costs money and a new investment always needs a lot of attention and the permission phase is a rather complex process.

BPO's role is to provide a platform for the know-how and exchange of experiences, so the ports may learn from each other, e.g. how to manage port investment projects. We also conduct some market studies and analyses in the form of reports (e.g. Baltic Seaports Outlook 2007) that help port managers make decisions. Every year BPO holds a seminar in the European Parliament to meet with Brussels' decision makers and lobbyists in order to secure the Baltic region's adequate positioning in EU policies.

■ ***How has having the BPO Secretariat in Gdynia impacted Poland's role in BPO?***

The movement of the BPO Secretariat was associated with the decision to allocate the new BPO chairman in Poland. Mr. Julian Skelnik, the marketing director at Port of Gdańsk, has chaired this position for a year now. Once every few years BPO is chaired by a different country to let different ports contribute to the organization. As BPO is now located in Poland, we focus more on the developments in ports on the southern and eastern part of the Baltic. Of course, we understand that all Baltic ports benefit from the growth of trade in the region.

■ ***What can friendship members gain from their BPO membership and how does one become a friendship member?***

Friendship members are a part of the organization, so they can benefit from being among the port managers, they can contribute to the quality and progress in port operation and management, they can also initiate new technology solutions, etc. Every company which works in the port industry may become a BPO friendship member. The application is approved by the BPO Board.

■ ***Are you satisfied with the position of maritime transport in the region, comparing it to other branches of transport?***

It is quite hard to give one "pan-Baltic" answer. In some parts of the Baltic Sea transport is a natural complement of the whole transport system (e.g. Scandinavia). In some parts of the Baltic region the ports compete with land transport (Polish, Lithuanian, Latvian ports). In such cases, the key factor lies in the hinterland connection. The better the roads and rails are to the ports, the stronger the market position of the ports and sea shipping.

■ ***In your view, what are the benefits and disadvantages of European short sea shipping?***

If you mean the EU policy promoting short sea shipping, of course it is a very interesting initiative, but I am afraid the results are not satisfactory for the ports and maritime industry.

■ ***Why not?***

There are some examples of projects that really moved the cargo from roads to the sea, but if you look at the statistics, road transport is mainly growing and there are still many opportunities for sea transport development. From the other side, we have to understand that the way the cargo goes is driven by cost and time factors, so if sea transport is more costly and longer, cargo will not travel by sea.

■ ***Do you see a big future in port consolidation in the Baltic Sea region?***

There have been some cases where the port business has been consolidated (e.g. CM Port, Ports of Stockholm), but I cannot see that this is a real trend in the region. On an operational level there were some takeovers by global port operators but they rather acquired a single terminal. With the dynamic growth of cargo flow and port business, the activity of the global port operators will definitely be intensified which would also lead to consolidation in the port industry.

■ ***What are the expected changes in the structure of export freight flows from Russia in the next years?***

Russia now imports a lot of consumer products and exports mainly raw materials. If the flow of direct investment in Russia will be high we could expect that Russia would export more general cargo, but I would not expect this soon. Therefore, in coming years, Russia will remain the main exporter of coal and crude oil and the importer of consumer goods.

■ ***Is the Baltic transport infrastructure ready for the increase in container transportation volumes?***

Yes, it is ready and general container terminals and ports, as such, do not have the congestion problems as they have in North Sea European ports. Research shows that the growth of containers in the Baltic ports is much higher than in North Sea ports, so the market position of the Baltic ports is growing.

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# There's still a lot of room in the Baltic Sea

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**■ *What can we expect in the Baltic freight market in 2009?***

I think that the recent trend will be kept: a growth in containers by more than 10 percent, a small percentage growth in the ro-ro segment, also an increase in export of crude oil and coal from Russia, as well as some stabilisation in the passenger sector.

**■ *What are the most significant threats to reducing maritime safety? Is the Baltic Sea ecosystem really threatened?***

The Baltic Sea is a semi-enclosed sea, so generally the Baltic is a heavily polluted sea. The main pollution comes from land sources via rivers. Contribution of the sea transport is rather low, but is not negligible. The Baltic ecosystem has been changed. To make the Baltic cleaner, we need Baltic cooperation and of course on a governmental level, the Helsinki Convention plays such a role.

**■ *How can society and public participation improve the situation?***

It is a very complex issue. Societies should influence politicians and governments to have visions and apply adequate policies. This process has been observed in Scandinavian countries for years. Also, the awareness of societies from new EU members as regards to environmental behaviours is much higher. The role of the businesses is to comply with the standards and go even beyond to promote the technology, management, operation that make it less harmful for the Baltic. Education and promotion of good environmental behaviours is also very important, e.g. Ports of Stockholm is giving a prize called the 'Environmental Buoy Award' to put focus on the environmental work carried out by a person, organisation, company or public authority for their work in contributing to environmental improvement in shipping and ports sectors.

**■ *Do we gain enough from the Baltic Sea? How can we increase the economic benefits?***

It can be more, but we must always maintain a balance between how much we can gain from the Baltic without destroying the natural ecosystem. As regards to transport, the Baltic Sea is a perfect road to carry the cargo, and there is still a lot of room for more ships and bigger ships. On the other hand, we have to do the outmost to avoid ship collisions and an "oil disaster".

**■ *Thank you for your time.***

***Alison Nissen***

*Deep-water plans for the Port of Klaipeda*

# Over the optimistic

*Photo: Klaipėda State Port*

**With 27.3m tonnes of total cargo turnover in 2007, Klaipėda remains the 7th biggest port in the Baltic Sea. Moreover, with a 16.2% growth in total cargo turnover, it is the second most dynamically developing port in the region.**

But these good results force the port authority to think about future challenges and to work on a plan for a new deep-water port on an artificial island.

The necessity of the port extension is based on forecasts made by various institutions like the European World Bank, the Bank for Reconstruction and Development, and the Japanese International Cooperation Agency. These forecasts have tried to answer what kind of improvements Klaipėda needs in order to meet future traffic demands.

"Until the last year we were in the middle of those forecast lines, half way between the most pessimistic and the most optimistic," explains the port's marketing director, Arturas Drungilas. "But 2007 provided a great jump in volumes – in the range of 16%, which means 3.7 million tonnes more than in the previous year. Thus, we found ourselves over the optimistic line. And this year, so far, we have also had a 20% growth. So the construction date, which depends on the development, is only a question of time."

According to Arturas Drungilas, the Lithuanian government, which is the port owner, is ready to give a 'green light' to the plan at any moment.

"We are a small country so we are very flexible in the decisions. Especially in such national projects like building a nuclear power station or the extension of a harbour. So, it's probably much easier than in bigger countries, where more interests and more politics are involved. Today we are in a preparatory period, working on a feasibility study in order to create a Master Plan. After completing the Master Plan we will start technical drawings and projects. The Master Plan should answer a lot of questions. I think we will succeed, the only thing is if there will be enough cargo."

## Transit cargo is coming back

The Port of Klaipėda's volumes depend mostly on transit cargo. Lithuanian national cargo has the possibility of growing but it's limited to the national resources and the development of the country. The national cargo is estimated at a range of 16-18 million tonnes, with a growth possibility of 8% per year.

# line

The maximum calculated handling volume for the existing port is approximately 37m tonnes.

It may take up to ten years or more until it will be reached. But everything depends on transit, something that can be controlled neither by the port authority nor the government since it's Belarusian, Russian, Kazakhstani and Ukrainian cargo. It's a bit of a risky situation especially in a region where the economy is not always separated from politics.

In 2000 Russia changed its tariff policy, assigning much higher rail tariffs to the border stations than to their own ports. At that time Klaipėda (as well as other ports in the Baltic States) lost a lot of Russian cargo. Its redirection was caused by a lack of capacity in Russian ports, which were not so well developed to accommodate such traffic. It resulted in some big investment plans of developing and building new ports in Russia, but also led to a tariff unification. Thus, Klaipėda is facing a return of Russian cargo.

Although Russian Primorsk, year by year, sets records in exporting raw oil, there are not so many ports in Russia that can handle oil products. With respect to the railway tariff policy and also to the growing demand for this product worldwide, Klaipėda expects that they can count on 7.5-7.7 million tonnes per year.

Also Belarus introduced a new view of transport industry. Cargo is directed through the most economic way of transportation, in order to save money for the national economy. That works in favour of Klaipėda, which is the closest port to Belarus in terms of distance, so it appears to be the lowest cost of transportation, as well. Therefore, it receives a higher share of Belarusian cargo annually.

"I hope everything will continue to develop this way," says Arturas Drungilas. "The Russians are coming back with their industrial cargo, export cargo, which is mainly fertilisers and oil products, because of several reasons. Mainly a lack of capacity in their own ports, also railway tariff unification inside Russia and the good quality and competitive prices of our transport services, including railway, ports, handling, storage, everything seems to be in desire of our clients, meet their requirements."

## Longer trains, good roads

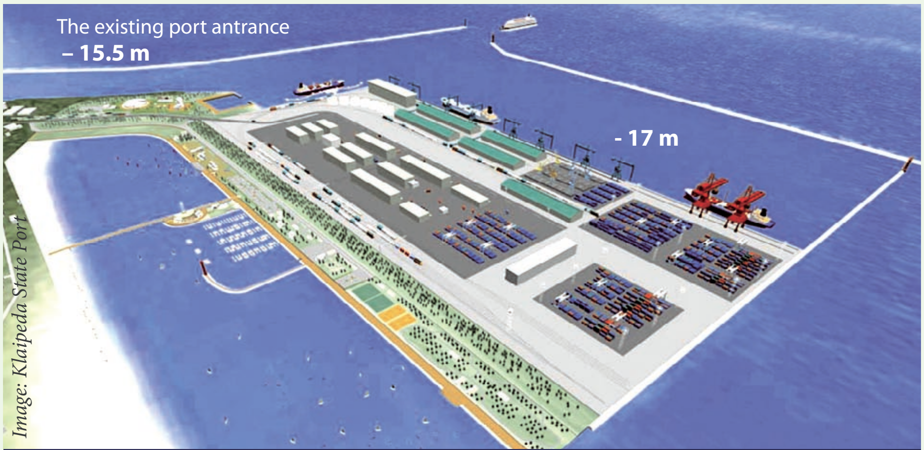
The new situation is reflected by introduction of shuttle train services from Klaipėda to Moscow. Viking is currently operating, while Mercury, which was stopped, will soon be relaunched (probably under a different name). These projects, together with Rail Baltica, are very helpful and very useful to the port.

"As much connection as you have to the hinterland, and as long as you have them, so much traffic you can attract to you port," admits Arturas Drungilas. "From one side – you attract cargo owners, from other side you attract shipping lines, which are very important in container and ro-ro transport. And shipping lines are not only buying port services but they are directly involved with customers as well."

Lithuanian Railways are investing a lot to develop their main railway lines. Thanks to that, it has been possible to operate longer, 1,050-metre trains, to Klaipėda port.

70% of cargo arrives in Klaipėda by rail. This is due to the raw materials like oil products and fertilisers. With containers it is quite the other way – from the 3m tonnes handled in Klaipėda in 2007, only 400,000 came or left the port on rail.

Roads in Lithuania are of good quality and a lot of money is invested every year to build new roads and renew old ones. Volumes which are crossing Lithuania are very high and roads suffer a lot. So probably Euroviniet for transiting trucks is not enough to compensate this damage to the environment and roads.




The size of the artificial island in the port of Klaipeda will be determined after assignment of terminals to be built on it. Initially it was suggested that it should be 1,800 meters long and 900 meters wide.

## Who will pay?

But it's not only the forecasted congestion that lies behind the plan of building a deep-water port. Even now in some of the existing terminals depths are not sufficient enough, especially in oil product terminals.

"We were berthing tankers with a capacity of 150,000 DWT," informs Arturas Drungilas, "but we could load only 105,000. To load the rest, tankers had to sail to some other ports. So we need a deep-water port to fully accommodate these tankers."

The same situation is with fertilizers. With the export to China, the port needs to load big ships, even post-panamax and this cannot be done now. 70,000 DWT is the maximum with the current depths.

In 2004 it was estimated that deep-water port construction costs might reach EUR 630m, but today, as construction prices have gone up, they will certainly be higher. And it is also still not clear who will invest the money. According to Arturas Drungilas it shall be decided by the state whether or not the port will be privatised or remain a state port.

As Klaipėda is the only important Lithuanian seaport, in the last years the government has considered it of strategic importance and was determined to control it in every aspect.

"After our entry into the EU and NATO the situation has changed a little bit with the role of the port, and its impact on the national economy, safety, and security. It might be that the state decides that we can afford private port if we obtain investors to it," explains Arturas Drungilas.

By now the only decision made was an approval of an implementation plan of the preparatory works of the construction of a deep-water port. The government of Lithuania also obliged state institutions, i.e. the Ministries of Transport and Communications, Finance and Economy by September 30 to investigate financing possibilities of the construction of the port and determine the types of financing sources and the Ministry of Finance was assigned to submit proposals to the government concerning the allocation of budget funds to Klaipėda County Administration for the completion of the Klaipėda County Master Plan and execution of EIA.

***Dariusz Szreter***

## What's new in the ports?

**The Freeport of Riga** welcomed another rise in transshipment volumes. A total of 17m tons of cargo was handled at the port during the first seven months of 2008, which is 13.5% more than in the respective period last year. The main factor of that progress is almost a 33% increase in bulk cargo, especially grain products. In the general cargo segment, the leading timber handlings already reached 1.32m tons.

**The Port of Turku** responds to the market's needs by increasing field areas for car import. With the main destination point being Russia, import of new cars through the Finnish ports has been rapidly growing throughout the year. At the beginning of August an additional area of two hectares between the Turku Free Zone Area and Ruissalo bridge was fenced and asphalted for this purpose. The entire area is covered by the port's electronic surveillance system. If the trend continues, the Port of Turku will break an all-time record of 100,000 imported cars at by the end of the year.

**The Port of Helsinki** is developing its cargo handling equipment by two new container cranes ordered by Steveco Oy from Konecranes. The first of them arrived at Vuosaari Harbour on 29th July. The second is expected in spring 2009. Both cranes are Panamax-class and BoxHunter-type, with a lifting capacity of 50 tonnes and a reach of 38 m. Earlier, Finnsteve Oy Ab brought two new container cranes to the eastern part of the harbour. With the new purchases, a total number of ten container cranes will be located at Vuosaari.

**The Port of Klaipėda** signed a contract with the American company SAIC (Science Applications International Corporation), which will prepare the Klaipėda Port Security Plan. SAIC experts executed preparatory works in Klaipėda for two weeks, analysing risk assessment, surveying the port both from the water and land side, and meeting representatives of the coast guard, customs, port police and navy forces, all to improve security standards and to make the port a safer workplace.

**The Port of Rostock**, after recording a great increase in cargo and ferry passengers turnover in the first half of 2008, is planning investment projects in 2008 with a total volume of EUR 17 million. In addition to current repair and maintenance projects, the plans involve newbuilding of berth 8 in Warnemünde (including surfacing and utility laying), as well as of berth 36 at Pier II in the seaport.

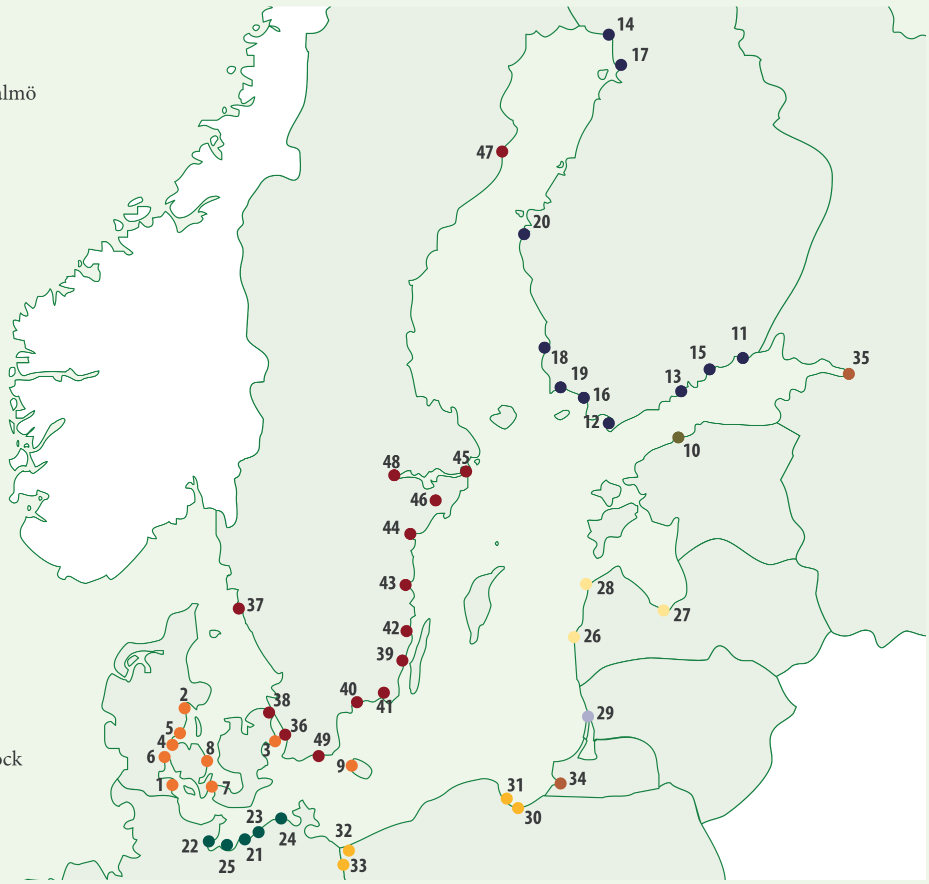
**The Port of Gdynia** welcomed the cruise liner Aidabella on 19th August, and along with this arrival the number of visitors at the port has exceeded 90,000 this year. Even now, when the season is not over yet, this is already more than in 2007, and the final result for 2008 should assumedly reach 100,000 tourists. A total of 86 cruise ships and liners are to visit Gdynia this summer.

**Denmark**
1. Aabenraa
2. Århus
3. Copenhagen/Malmö
4. Fredericia
5. Horsens
6. Middelfart
7. Nakskov
8. Nyborg
9. Rønne

**Estonia**
10. Tallinn

**Finland**
11. Hamina
12. Hanko
13. Helsinki
14. Kemi
15. Kotka
16. Naantali
17. Oulu
18. Rauma
19. Turku
20. Vaasa

**Germany**
21. H-E Rostock
22. Lübeck
23. Seehaven Rostock
24. Stralsund
25. Wismar




**Latvia**
26. Port of Liepaja
27. Riga
28. Ventspils

**Lithuania**
29. Klaipėda

**Poland**
30. Gdańsk
31. Gdynia
32. Świnoujście
33. Szczecin

**Russia**
34. Kaliningrad
35. St. Petersburg

**Sweden**
36. Copenhagen/Malmö
37. Göteborg
38. Helsingborg
39. Kalmar
40. Karlshamn
41. Karlskrona
42. Mönsterås
43. Norrköping
44. Oxelösund
45. Stockholm
46. Södertälje
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