

Face to face with challenges

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Ports in order to thrive must not only be well prepared to function in the new market economy, but have to come up with responses concerning the near future. The competition is getting fiercer; the range of regulations to fulfil is getting broader, and times are uncertain. BPO gathered again to debate on the key matters for the sector.

This year's Baltic Ports Conference held together with the General BPO Assembly were of a unique character, as they accompanied the celebration of the 20th anniversary of the Baltic Ports Organization. BPO stakeholders gathered in HanseMesse Rostock, the conference venue, to discuss the economic situation of the Baltic Sea market after the recession. The theme of the event included the challenges that the market is currently faced with.

Baltic countries are viewed as much safer than some eurozone countries, but with the world financial markets getting out of control, Baltic states will take a hit if the eurozone breaks apart. Both the US and the eurozone countries are faced with challenging debt problems without having a near term solution at hand. The oil market is suffering from recession fears. The crisis is four years old and it is unclear as ever where it will end – these were the conclusions concerning the background of the current Baltic market situation, comprehensively described by Dr. Cyrus de la Rubia of HSH Nordbank.

Among all conference subjects, the matter which consumed the most attention was the impact of the International Maritime Organization's decision to decrease the allowed sulphur content in the marine fuel from 2015, as well as possible solutions to this issue. Basing on the new regulations, only ships powered with a 0.1% sulphur fuel will be allowed to operate in the Baltic, making it less competitive than the other seas of Europe. Michael Tasto from the Institute of Shipping Economics and Logistics (ISL) presented the results of ISL's research on the consequences of these regulations for shipping in the Baltic and North Seas. ISL's task was to estimate the volumes that would likely be shifted in container traffic and in truck traffic in 2015, by modelling transport costs for both land transport and sea transport and setting up a modal split function, quantifying the losses or gains for each group resulting from the changes in the shipping fuel prices. As Tasto summed up his presentations, "It is widely accepted that IMO regulations will lead to shifting transportation from sea routes to other roads – directly in the opposite way as was suggested for over 20 years. The highest shift risk is between Russia and the Baltic States – there is fierce competition from the land routes. The current aim is to mitigate

the negative effects of the regulations – i.e. to subsidize pilot projects as the scrubber technology. It is a pity that such studies weren't done before Member States agreed to IMO regulations." Among other



possible scenarios is the use of Liquefied Natural Gas (LNG) as a ship fuel which was identified as perhaps the most promising response. Following a lively debate, the conclusion was made that more time is needed for technology and infrastructure development, before LNG fuel can be used in the BSR on a comprehensive level. The participants suggested that a re-thinking of these regulations is needed and postponing them until the sector is ready. Mogens Schröder Bech from the Danish Maritime Authority presented the LNG infrastructure project (described in BTJ 4-2011, in the interview with Monica Gullberg of ÅF Industry, entitled: “Maritime LNG infrastructure within the SECA”), co-funded from the European Union TEN-T programme Motorways of the Sea. Generally speaking, its aim is to design and set up guidelines and recommendations regarding the usage of LNG as fuel, to ensure safe development of the industry, which is of essence if investments are to be made; and ultimately prevent IMO’s SOx regulation’s negative consequences for the shipping industry. Ship owners and ports, while recognizing the indisputable value of this new policy – protection of the environment – agreed that the sector will not be ready for this tremendous change in four years and expressed the fear of increased costs as well as a modal backshift to the road.

A bulk part of the conference was devoted to trends and reforms in ports’ governance in Europe, with special focus on the Baltic Sea region. Dr. Ulrich Bauermeister, MD of Rostock Port, focused on the development of German Ports, linking the fast-growing Baltic Rim and Central/Southeast Europe, and presented the problems lying ahead of them. The prognosis of cargo turnover in German ports by the year 2025 are quite optimistic, yet several factors have to be dealt with, such as the preparation to fulfil the environmental requirements, i.e. sulphur and nitrogen emissions legislations as well as the nutrient intake from passenger ships or to changes in the

Kimmo Naski described the case of Finnish reforms in port management. A change in Finnish municipal law in 1992 made it possible to commercialise ports and separate their budget from the municipal budget, resulting in increased power in decision making. Further on he presented a 40-year old issue of cooperation between the Ports of Kotka and Hamina, which was finally settled this year, when Port of Kotka Ltd. and Port of Hamina Ltd. were merged into the Port of HaminaKotka Ltd. The main reasons for merging the ports were the need to increase flexibility; separation of the port economy from municipal households as well as ensuring future investments and continuity of development through independent financing. This decision empowered the port and enabled it to succeed in international competition, it also lessened the need for investments, which is a key factor during economic slowdowns. The merger allowed in addition smoother coordination and optimization of traffic inside the port, more efficient financing as well as the use of port capacity. Moreover, it brought considerable benefits for shipping lines and forwarding companies, as well as for customers, and the majority of owners who recommended it. The numbers say it all: savings in investments will result in up to EUR 60 mln within 10 years and the estimated turnover growth is to range between EUR 15 -30 mln within 5 years.



Photos: Port of Rostock, nordlicht

market that come with new land transport infrastructure such as the Fehmarnbelt and new motorways on the southern Baltic coast, which again might lead to a modal shift from sea to roads. Bauermeister argued that improved competitiveness of transport modes other than SSS is needed and minimizing overall transport costs is possible due to the settlement of industries dependent on sea transport in/close to port areas. Among possible strategies he named High Energy Efficiency, obtainable e.g. by the concentration of cargo flows, improved quality of and access to intermodal transport – improved capacity by the Motorways of the Sea project, extension of rail shuttle connections; a higher share in rail transport in the hinterland as well as minimizing the environmental impact. Ulrich Bauermeister also pointed out that concessions for port operators bring worse conditions for investments in ports; this issue was further debated later, as a follow up to the speech by Joanna Szychowska, Head of Unit of DG Internal Market & Services European Commission, “Concession rules for the ports in EU – new rules to be proposed”.

The presentations, touching upon the issues of port laws, efficiency and competitiveness, were concluded with a panel, during which the future of port authorities was discussed.

The Gala Dinner, held in the sky bar of Neptun Hotel in Warnemünde, gave over one hundred delegates the chance to celebrate the organization’s anniversary as well as honour its members while enjoying the ship lights twinkle on the sea. Julian Skelnik, BPO Chairman since 2007, who was confirmed in office, expressed his satisfaction: “In the past 20 years the Baltic Ports Organization could establish itself as a social platform for representatives from different economic sectors and politicians. Today we are equipped to meet the future challenges of the maritime sector. These include not only adapting to climate and environmental laws, but also the development of the hinterland connections of all the Baltic ports.” ■

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