

# Finland has a new port

*An interview with Kimmo Naski, Managing Director, Port of Kotka*



Photo: Port of Kotka

**In BTJ 4/10 we wrote about the possible merger of the Finnish ports of Kotka and Hamina. Now we can state it for sure: HaminaKotka Port Ltd will start operating in May 2011. Kimmo Naski, the newly appointed MD, tells BTJ of the ambitions and plans the largest Finnish export harbour has.**

■ *How will you be preparing yourselves up to May 2011, when the new port starts operating?*

We will certainly have a lot to do before the new company, HaminaKotka Port Ltd, is ready to start. This work is already in progress and I am sure that we will be ready by 1<sup>st</sup> May 2011.

Both ports will operate as normal until that date. Fortunately, no layoffs will be necessary.

■ *The decision in Kotka City Council was unanimous and made quickly. Hamina, however, had some doubts...*

It is not very unusual that the smaller partner has doubts. Additionally, politics in southeast Finland has traditionally been very challenging. The negotiations haven't been easy from a regional and political point of view.

■ *What will be the first thing you'll do after entering the new office in May 2011?*

The priority will be to convince the customers, owners and personnel of the great advantages of the merger in practice.

■ *What are the strongest elements in the new port's offer?*

We will be a full service universal port for all kinds of cargo, from raw materials to finished products, with a wide range of added value services. We will be a strong player among the Baltic Sea ports in many cargo sectors. We hope the new elements of the offer are to come due to added competitiveness of the port. I am proud to say that we have almost unlimited expansion potential.

■ *What will be the advantages of HaminaKotka Port?*

Beside the size of the port, our great benefit is its location between Helsinki and St. Petersburg. We now have the possibility to maximize our common forces and co-ordinate different cargo groups to most reasonable harbours for each cargo inside the HaminaKotka Port Group. We can also avoid overlapping investments.

■ *How will the new port be organized and managed?*

We are still working on its organization. What we know is that the City of Kotka will appoint five and the City of Hamina – three members of the board. I will hold the position of managing director and Jan Gran, who's now MD of Port of Hamina, will be vice managing director. Everything else is still open.

■ *How will the revenues be distributed?*

HaminaKotka Port Ltd will be a normal limited liability company with all rights and responsibilities. The City of Kotka will hold 60% and City of Hamina 40% of the shares. It is for the owners to decide if they want to issue dividends (60/40) after each financial year. I would also like to stress that the total cost is relatively low compared to the value of the merger. Naturally, it will be covered by the two ports.

■ *The most important economic direction for both ports is Russia. What is HaminaKotka Port's strategy towards its Eastern partner?*

We have two main hinterlands: Finland and Russia. Our strength is a combination of Finnish exports and Russian imports, but we are certainly open to any other markets as well. Besides Russia, and all the former Soviet Union countries, plays a considerable role. Continental Europe, Great Britain, Sweden and the whole of Asia are utmost important destinations for us.

■ *What are your plans in terms of investments in the new port?*

In Hamina, the whole port is situated in the same location. On the other hand, in Kotka there are in total eight harbours in the port. Therefore, we gain a lot of capacity and can postpone the existing investments plans of both ports. It means that we plan to do only minor investments in the next 5-10 years and will postpone the major, hitherto planned investments for the period after that.

The number of industrial and logistic companies as well as employees is expected to grow. The competitiveness of the Kotka-Hamina area will increase. The profits of the two ports are expected to grow considerably in a well organized, one common company.

■ **What numbers in terms of yearly revenues and turnover will you consider a success after the fusion?**

We are expecting an average yearly increase of 5-7% in revenue and traffic turnover, which is more than double the long term economic growth of Finland.

■ **How will the Baltic Sea region benefit from the merger?**

Shipping lines operating the north-eastern part of the Baltic Sea will benefit through more efficiency in our port. This also goes for the industry and trade using ports in our area.

Additionally, in my opinion, there is a need for a closer cooperation between the ports in the entire Baltic Sea area – cooperation aiming deeper than, for example, common marketing. We would be happy to exchange experiences with other Baltic Sea ports.

■ **The case of Kotka and Hamina is the first port fusion in Finland. Do you think it will be a kind of good practice for other Finnish ports and maybe a catalyst for their merger decisions?**

Well, at least it gives them one possible model for future consideration of port mergers – not only for Finnish, but also international ports. Ports located close to each other and having the same traffic profile are potential candidates. A port merger is an excellent way to add effectiveness, specialize and avoid overlapping investments. It is worthwhile to consider a merger as a solution for a better future.

■ **There are hundreds of ports in the Baltic. “I feel that around 50-60 would be enough,” said Markus Nyman of the Finnish K+N when we asked him about the possible Kotka-Hamina merger in the previous issue of BTJ. Would you agree?**

In my opinion, physically, there is a need for a larger amount of ports in the Baltic Sea than only 50-60. This is because of the long coast line and due to the fact that there are nine independent countries around the sea. More important is the fact that there are too many port organizations and port authorities. With specialization through mergers there is a huge potential to reduce the number of them, which would serve the BSR well. ■

*Martyna Bildziukiewicz*

Merging the ports of Hamina and Kotka will constitute the largest seaport in Finland. According to estimates, based on the both ports' statistics for the January – October 2010 period, the joint turnover of the two ports will reach approx. 15.3 mln tonnes, including approx. 500,000 TEU. In terms of total turnover, HaminaKotka Port Ltd is likely to take 15<sup>th</sup> (or similar) place in the Baltic ports ranking. Simultaneously, it would become the third largest container port.



The future between Kotka and Hamina ports will soon be joint, since we will be acting as one company, HaminaKotka Port. The most important advantages of the merger will be creation of the biggest general port in Finland. The advantage of operating as one unit will come from the optimization of the joint activities and traffic patterns in the most cost-effective way. The biggest direct saving will come from postponing major investments. Over the next five years we will save approximately EUR 60 mln thanks to this operation, which is a considerable amount taking into account the size of the new company and the Cities of Kotka and Hamina. I believe this merger can be a model for other ports and we will see more of such operations happening in the future.

**Jan Gran**  
Managing Director, Port of Hamina

## Upcoming BPO events

### BPO Seminar: LNG in the Baltic and North Sea Business opportunities or the cost factor for the ports

12<sup>th</sup> January 2011, 9<sup>00</sup>-16<sup>00</sup>, Gothenburg, Sweden  
Venue: Quality Hotel 11 & Eriksbergshallen  
(located in the heart of Port of Gothenburg)

The seminar, organized in cooperation with the Port of Gothenburg is addressed towards ports, the shipping sector and other relevant businesses. Subjects to be discussed include:

- LNG – importing energy and new fuel for shipping in Northern Europe;
- LNG import terminal in Port of Świnoujście, Poland;
- LNG in the Port of Gothenburg by 2013;
- LNG from a ship owner's perspective;
- Development of bunker regulations, the missing link between a terminal and vessel;
- LNG bunkering in ports;
- LNG distribution terminals – opportunities for the ports;
- Marine operations in LNG terminal – requirements.

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