Baltic past-present review

by Przemysław Myszka

The passing decade brought numerous events, both ones which made us proud and happy and others causing sleepless nights. We talk with Kimmo Naski, the Port of HaminaKotka's Managing Director and BPO's Deputy Chairman, about the past & present face of the port business, the main challenges lying ahead as well as changes within the organization.

■ ***How have the Baltic port business and the BPO changed over the last 10 years?***

The last decade has indeed been quite eventful and we experienced several major changes. Somewhere around 2004 the modernization of the Russian economy started to gain momentum thanks to which Finland witnessed e.g. a rapid growth in car transits to Russia (something, unfortunately, which saw its conclusion in the decade in question as well). Then in 2007 Lehman Brothers went bankrupt, starting a long process of economic difficulties, which soon reached the old continent as well as our region. In Europe, only Poland managed to stay in the black, while others suffered a lot and many still haven't recovered. Moreover, the Lehman Brothers' snowball led to the euro fiscal crisis and the Union's currency has had, and continues to have, a lot of difficulties. Having mentioned Poland, another big change took place in Gdańsk, where container handlings started to build up at an impressive pace and soon the port became a European box hub. This is something special that nobody expected.

Next, we have the so-called Port Package on the European level; the idea failed a number of times in the past, but now it is again on the agenda, although there's no commonly shared solution in place yet. Then we have the Sulphur Directive, too. For many it has been quite clear that the rules will see the light of day at the beginning of 2015, despite long-lasting discussions about the fairness of dividing Europe into SECA-2015 and SECA-later halves. We at BPO were lobbying in favour of a Europe-wide level playing field in this regard. No doubt about it, the more stringent sulphur rules are a topic which follows us literally every day.

Nowadays we also read daily in the newspapers about the Russia-Ukraine crisis. As a consequence, the Russian economy has entered into gloomy times and, frankly speaking, we do not know what to expect. In a globalised world, such happenings backfire and the reality is that freight traffic and ports' volumes are going to suffer as a result.

Last, but not least, concerning major past events, and something I'm personally very proud of – namely the 2011 merger of the Hamina and Kotka seaports. Port unification is quite unique in this business and establishing the joint Port of HaminaKotka Authority was the very first such event in Finland, a successful finale to a long process. The Baltic Ports Organization also underwent changes during the last 10 years and I think that we are in a great position to deal with future challenges. We are well-organized as well as swiftly managed. What's most important, the organization has become much more proactive in reacting to events taking place in the port business.

■ ***What do you consider the biggest challenges as well as opportunities for the Baltic ports in the short- and long-run?***

I can see three big challenges ahead and they are actually a little bit the same as what has been happening in the past years. One is the sulphur regulations and how they are going to change the balance both within the Baltic, and on a European scale, tipping the competitive scale of one nation at the expense of others. Then we have the EU and how it is going to change in days to come. Are we going to have commonly accepted ports and sea traffic legislation? How much emphasis will be put on the environment, job creation or re-industrialization?

Nobody wants to ground his or her business plans on pure guesswork, however, it would be nice to have more certainty.

And finally – Russia. Western capital has fled from the country to a great extent and it

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seems that Western investments returning to the Russian Federation is something that will only happen after several years have passed. It is a big question for states bordering this country, i.e. what will happen with Russian freight traffic, a large portion of which is transited via EU Member States. At the same time, we have to be ready to take as much traffic as we can.

All in all, it's hard to predict what exactly will happen. The Sulphur Directive and ways how to deal with it are in my opinion short- or medium-term issues, while the EU and Russian affairs will accompany us for a longer period of time.

■ ***How about the outlook for Finland?***

Every Baltic country will have its local and specific hurdles. Finland has about 60 harbours, too many for such a small country in terms of cargo volumes. The country's economy is struggling to return to a growth path too. Some of its main parts, e.g. the forest & paper industry, are undergoing a structural change; the abovementioned business will most probably limit its size, resulting in a lower market share, be it on the global markets or a more modest input into Finland's economy. Surely this won't go unnoticed through ports' statistics.

Baltic ports and the MoS programme – a BPO 2014 report

Ports on the go

by Ksenia Chruslova

During the past few years a growing interest in the EU's Motorways of the Sea programme has been observed, with the Baltic Sea region being the most active area in this field.

Maritime motorways – an extension of land routes – act as a substitute for land transport, as a result resolving bottleneck problems on the highly congested roads. Establishment of a well-functioning sea motorways network is in the interest of Baltic ports, therefore BPO research team, being convinced of active engagement of the organization's member ports into the MoS development process, has prepared a report on this very issue, entitled "The Baltic Seaports in the TEN-T Policy concern the Motorways of the Sea development – current achievements and future challenges".

According to the document, within the framework of the 2007-2013 budgetary period, until May 2014 a total of 62 eligible MoS proposals were submitted, 32 of which were selected for TEN-T funding. Of these – 20 projects involve the Baltic countries. Thirteen out of all of the Baltic projects involved only the countries of the BSR, five projects were a joint action of the Baltic and North Sea countries and two – of Baltic, North Sea and other EU countries. The total cost of these 20 projects amounted to EUR 1,160.95 mln, which constituted 87% of the whole budget of all MoS projects under the TEN-T programme. The TEN-T funding rate for projects that involve Baltic countries is at the moment at the level of 23.6% and amounts to EUR 273.65 mln (84.2% of the total funding for the Motorways of the Sea projects), of which EUR 168.22 mln is granted to 13 purely Baltic projects.

In the report it is highlighted that most of the Baltic MoS projects (14) within the period in question addressed 'wider benefit' issues. Such projects include, among others, deployment of LNG bunkering infrastructure for ships on a wider regional scale (e.g. LNG in Baltic Sea Ports, LNG Bunkering Infrastructure Solution and pilot actions for Ships operating on the Motorway of the Baltic Sea), system of using shore-side electricity (Onshore Power Supply – an integrated North Sea network), icebreaking (WINMOS project), dredging operations, scrubber technology (e.g. PILOT SCRUBBER – New Generation Lightweight Pilot Scrubber Solution installed on ro-ro ships operating on the Motorway of the Baltic Sea), as well as setting up common IT systems, traffic monitoring and management or electronic reporting systems, to name only a few. Less popular were maritime link-based projects, designed with the objective to establish or improve MoS services along the main freight transport corridors. Such projects involve at least two ports from two different Member States, one maritime operator and ideally hinterland transport operators. There have only been six such projects within the BSR so far.

The BPO report further describes in detail all the Baltic projects, of which two have already been finalised: Motorway of the Sea – High Quality Rail and Intermodal Nordic Corridor Königslinie (The project was partially completed and ended in December 2011 at the initiative of the beneficiaries) as well as Baltic Link Gdynia-Karlskrona (finalised at the end of 2013). On the other hand, two others were cancelled, namely: Green Bridge on Nordic Corridor and Onshore Power Supply – an integrated North Sea network.

As of January 2014, the European Union has a new transport infrastructure policy that connects the continent between East and West, North and South. A new, corridor approach to the TEN-T development, as well as the creation of the Connecting Europe Facility tool for co-funding of the transport projects during 2014-2020, provides a unique opportunity to accelerate improvement of the MoS network on the Baltic. The new TEN-T funding tool especially constitutes a chance for core seaports, but also for those ports that are included in the comprehensive network, if they establish a joint project with the core ports. As the report's authors underline, a significant interest in MoS development

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