

## **New Corridors and Transport Solutions: Europe's Emerging Trade Routes**

The presentation will bring some recent results, including from some ongoing European projects and research, conducted in the area of North East Adriatic, Central- Eastern Europe and some emerging scenarios which are showing some changes in the European geo balance as well as new challenges and opportunities.

### General Issues

The fundamental paradigm of transport economy has been always the following: transport of goods and logistics are services with the mission to reduce production and distribution processes improving their quality and the competitive advantage of companies. Meaning that the transport economy is led by the Demand. This also explain why Cina and Far East ports have been on top of world wide list in the recent years.

It looks nowadays that this paradigm is not working in certain areas of Europe, where the majority of infrastuctural development projects in transport start with the assumption that the increase of Offer is sufficient to create/attract Demand. This is valid only if services provided are unique and/or different/better from others already offered. The current situation looks like that 'the best service' means 'the one offered at the lowest price' and only for some shipper the quickest and more reliable.

Another key point is represented by the level of competing infrastructures. That means that any single infrastructure initiative needs to face the current infrastructural context. This obviously has an impact on price pressure and profit margin both for the new entries and for the already operating entities. This for example is strongly valid in areas like the Adriatic where there are several ports not far from each others and several ongoing infrastructural development port projects.

Last point: Governance, meaning capacity for the Offer planning, resources rationalisation, facilitation of the market forces and their equilibrium. After 2008 Crises public administrations are facing great difficulties in that sense and private undertakings are more and more working with the public for the realisation of projects.

### The Adriatic / Central-South Eastern Europe Dimension

Analysing the aggregate demand we may realise:

- risk of exceed of offer at port and inland terminal in certain areas (e.g. North East in Italy)
- possibility in this areas to acquire new traffics from/to Central Eastern Europe (Bavary, Hungary, Serbia)
- logistics real estate investment tailored to quality and towards stabilisation of let prices. Less speculations (especially for the North East Italy).
- Inland Terminals better if they pone themselves as interlocutor of the ports in the land leg. They can be gateway for the consolidation of the traffic flows
- A need for everyone to plan at least main routes and logistics network in order to avoid overlapping

### Adriatic as Gateway to boost traffic

There are some additional underpinning factors to bear in mind like: Enlargement, shift of productions towards East, increase of vessels size, emerge of new economical power, the utopic Corridor V, which are changing the geo political face of Europe.

- Nowadays Adriatic can and should in the future play a major role as gateway of traffic to Central/South East/Black Sea.
- German, Austrian, Czech, Slovak operators look at Adriatic as maritime terminals for Far East, Cina, India and North Africa. While in the North of Europe Hamburg showed a restrained increase of traffic in 2010 and Rotterdam via a good price policy has taken from Hamburg part of its share of transshipment to/from Baltic and Russia.

The maps show some of the main ports in the North Adriatic representing a gateway for Central-East EU- Far East. In this area ports like Trieste Koper Rijeka have grown with more than 8,6% yearly, while West Adriatic Ports 3,2%.

We can also see Inland terminals, which can support this developement, with Padova for Eastern EU, Verona for Central-North EU, Bologna for North South in Italy.

We are assisting at a shift towards the East.

A new 'blue banana' is moving. Axis Baltic-Adriatic growing importance, with Baltic to Russia, through Adriatic to Central Europe and again North East Adriatic to boost towards Eastern EU and Med-Far East and Black Sea.

### MARKET TRADE DEVELOPMENT IN ADRIATIC

Looking at their data related to Region to Country pairs, it is interesting to note:

- Export increase with Russia and Cina at the expense of UK, Belgium, NL.
- Import increase with Cina, Hungary, Romania and decrease traditional countries like USA, UK, Swiss, Sweden.

Interesting to note that Cina is increasing but only about 5% export, 2,4 % import from North East of the share in these two main Adriatic Regions, meaning that much more can be expected in the future, as we will see in next slides.

It is important to note that the growth in the Med ports is mainly due to transshipment: 37,6% in 2001, 47% in 2009.

In parralel with that there has been an increase with direct traffic with Far East (for example 7% capacity in 2009 vs 5% in 2008 for the North East Ports of Adriatic in Italy).

Important to note the regional specialisation, meaning a reallocation of the transhipmnet activities from Hub ports (like Gioia Tauro, Port Said) to regional hubs (like Venice, Trieste, Ravenna).

Among non hub ports interesting to note Costanza with transshipment at more than 60% which again show the importance of the Balck Sea. And with more than 30% ports like Beirut, Ambarli.

Looking at the data we may also highlight that due to the crisis we there has been a:

- reduction of services offered but not of ports covered
- shift of vessels from primary routes to secondary routes
- increase 26% average dimension vessels for the route Med-Far East
- constraints more in the main East-West routes than North-South ones

The next slides show some data on real routes, coming from a recent project 2011<sup>1</sup> and related to a specific route investigated. This exercise was conducted directly with operators performing the services and using a blueprint methodology<sup>2</sup>. This has been done to analyse much more in detail some peculiarities and real performance indicators coming out of real segments in the areas addressed by the presentation and therefore see weaknesses and strong points comparing various ports and segments and their competitiveness in the port side (meaning services, infrastructures, port labour, duties, handling, depth of water, etc) and in the one related to timing, costs, quality of service to transfer goods from port to destination.

## OVERALL CONCLUSIONS

1. Maritime traffic increase especially with Far East and East EU. Great margins of growth for the North Adriatic. In 2020 we predict a market extra-Suez at 4 mio teu only for the ports on the North Adriatic assuming same connections (right now 1,5 mio teu).
2. To meet this expectations some requirements:
  1. the current increase of infrastructural development made efficiently avoiding overlapping and situations where competition is only exacerbated and destructive
  2. increase land service competitiveness, especially for rail, need to increase capacity in terms of infrastructure and train length.
  3. Need to improve services and connections sea side for the better coverage of all deep sea routes, Intra Med and North Eu
  4. Improve railways services especially towards East Eu
3. Regional Specialisation towards a regional hub in the North Italy specifically for Far East traffic and important role to play for the inland terminals
4. The enlargement of the Panama canal, opening a shorter route to Far East towards East Coast of USA, may well redimension the role of Med
5. Last but not least, much more opportunities for the establishment of new lines might exist taking also into account grants provided by the EC in order to develop maritime transport and smart transport solution. In this context, it is interesting to mention the Marco Polo programme, which is a good vehicle to support the establishment of new lines and right now there are hundred of million euro available. The Programme is specifically intended to help cover initial losses of new intermodal services and logistical innovations. Applying for participation in the programme is possible once a year. Entrepreneurs in the transport and logistics sector who want to contribute toward achieving modal shift or transport reduction have the opportunity to apply for subsidy from the European Commission. The programme is applied for the implementation of new line services including, if any, supply chain distributions, in-out logistics, production processes changes and production sites developments/relocations.

One of the action of the Marco Polo is Motorways of the Sea, therefore specifically tailored to maritime lines. For example, everyone knows that the investment cost of new ships to upgrade the service is huge, so the programme can bring significant financial benefit in the start-up phase. A few projects on MOS have been funded since the start of the Programme because a few proposals have been submitted. That means still lot of opportunities can be taken, also for SME involved in the sector.

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FINAL REPORT WATERMODE Project, WP5, Comparison of global costs between multimodal and road transport systems. Author: Dr. Walter Vassallo

<sup>2</sup> The methodology was developed taking into account the work done by previous EU projects and particularly REALISE. It should be noted that REALISE ([www.realise-sss.org](http://www.realise-sss.org)) is one European Project which used and applied in real transport segments the RECORDIT methodology and was defined by the European Commission as a stepping stone to be used for the comparisons of performance of different transport solutions across the same route.



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