Forum of the Adriatic and Ionian Chambers of Commerce

SEA TRAFFIC OBSERVATORY

2010 REPORT

by Ida Simonella

1. Objectives and methodologies.

Since 2002, the Forum of the Adriatic and Ionian Chambers of Commerce has promoted and sponsored the sea traffic Observatory in the basin, coordinated by Istao, the Adriano Olivetti Study Institute for the Economy and Businesses of Ancona.

At the annual AIC Forum meeting every year, the data concerning sea traffic trends in the major ports of the area is presented. This year 171 ports were monitored and the results gave an overall view of the sea traffic trends in 2010 - a year characterised by economic recovery, even though differences between countries are many.

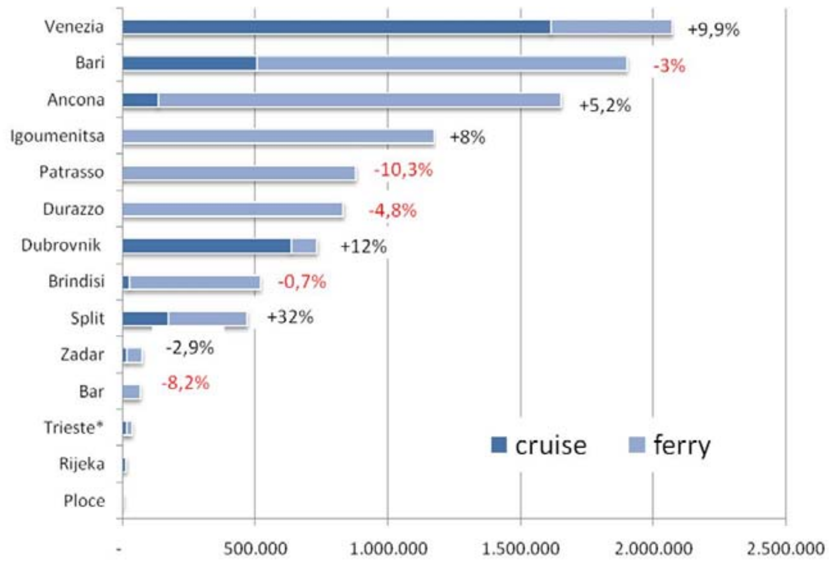
This year, the study, in line with the Forum's general guidelines, was dedicated to the development of short sea shipping traffic. The objective was to highlight the development opportunities that ports of the Adriatic-Ionian basin have in relation to the growth of some Mediterranean economies. The countries on the south bank that today are facing a critical political and social crisis, characterised by high rates of economic development and an international opening that will have hardly any effect on the economic situation.

2. Sea traffics as of 2010

Ferry and cruise traffic. In 2010, the passenger traffic vis a vis international connections has outlined a growth of the cruise traffic in the entire basin and almost all ports. On the other hand, the ferry traffic has significantly declined everywhere, except in Croatia.

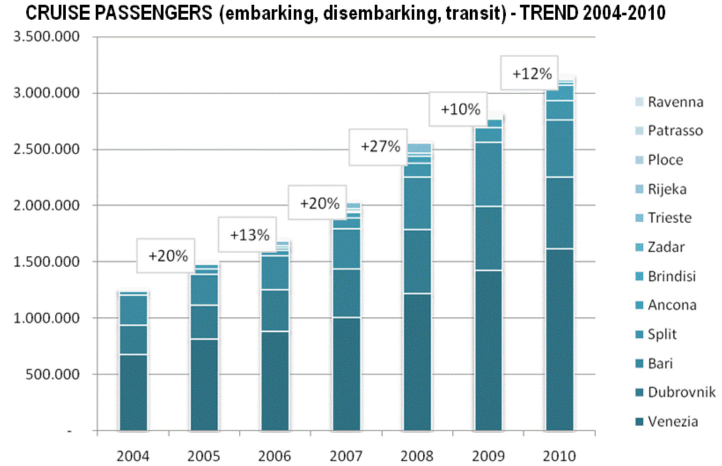
For the first time ever, a port of the basin has passed the 2,000,000 passengers mark. This port is Venice which, thanks to its strong cruise traffic, has overtaken Bari and become the area leader. Should we consider also the local passengers – i.e. those who commute within national borders – the main port would be Split with over 4 million passengers per year. In fact, where there are connections with national islands the total number of passengers is much higher: it is not a coincidence that we find, in addition to Split, Igoumenitsa (which has frequent connections with Corfu) and Zadar on top of the chart.

ADRIATIC AND IONIAN PORTS – INTERNATIONAL PASSENGER MOVEMENTS -2010



The cruise element is growing steadily: in 2010 there was an increase of 10% compared to the previous year. The attraction of the Adriatic and of the whole Mediterranean sea keeps growing. As a result, the cruise lines have increased the supply over the last few years. At world level, the supply of beds in the Mediterranean area has gone from 12% in 2000 to 18% in 2010. Venice, with its 1,617,000 passengers has grown by 14% and is now the leading port in the basin. However, all ports have had double digit growth, except for Bari that has shown a negative trend with -11%.

CRUISE PASSENGERS (embarking, disembarking, transit) - TREND 2004-2010



INTERNATIONAL PASSENGERS MOVEMENTS. TREND 2001- 2010

	2005	2006	2007	2008	2009	2010
Venezia	815.153	885.664	1.003.529	1.215.088	1.420.980	1.617.011
	20%	9%	13%	21%	17%	14%
Dubrovnik	297.466	367.321	435.486	571.328	573.742	637.269
	14%	23%	19%	31%	0%	11%
Bari	277.979	303.388	351.897	465.739	567.885	507.712
	6%	9%	16%	32%	22%	-11%
Split	47.315	46.999	99.281	124.871	131.833	172.378
	39%	-1%	111%	26%	6%	31%
Ancona	39.638	18.916	48.652	61.423	75.445	135.858
	701%	-52%	157%	26%	23%	80%

In terms of ferry traffic, the 2010 situation overall has worsened:

- GREECE – The total movements from and to Greece has dropped by 1.7%. This is the second year in a row that traffic has decreased. In 2009 the decrease was of 2.1%. None of the Italian ports has recorded a traffic increase: Venice kept the same rate and Ancona, the leader with over 50% of the market share, lost 2%. The same trend was observed in Bari (-1.1%) and Brindisi (-3.4%). On the Greek side, Igoumenista and Patras are now almost level with a +8% and -10.4%. The drop of the HGV-trailer traffic is even more drastic with an overall -6%. Particularly negative results were observed for Ancona and Brindisi (both -11%) and Bari (-2%). A countertrend was recorded for Venice with +4%.

  The Greek negative results were definitely affected by economic factors and the severe economic and financial crisis that this country is suffering. This is proven by the fact that, over a 2 year period, the HGV-trailer movement decreased by about 100,000 units, equal to -25% compared to two years ago.

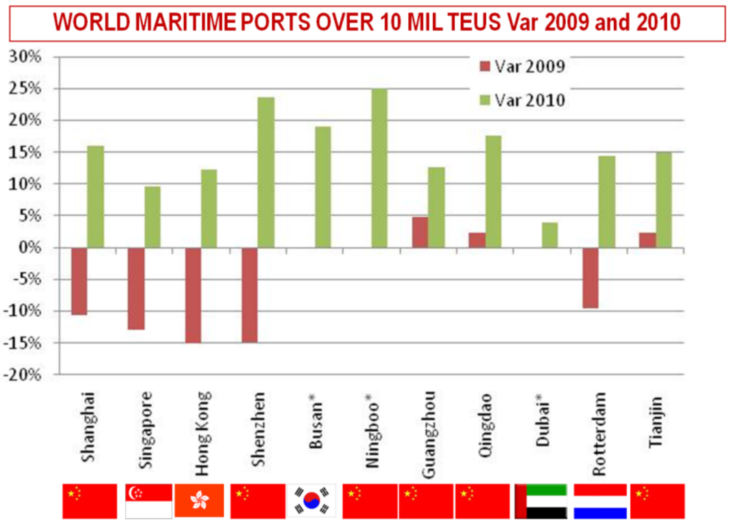
  Even so, the passenger market, aimed at satisfying the touristic request, has considerably dropped over the years. The peak was recorded in 2002 with 2.7 million movements. Over the last four years, the rate has been about 2.2 – 2.3 million passengers per year.

- ALBANIA – After years of steady growth, even the traffic from and to Albania has suffered a decline. In 2010 the data was -4.8% for passenger traffic and -2.8% for heavy vehicles.

- MONTENGRO – The decrease of connections and movements started in 2008 has continued.

- CROATIA – The only market with a countertrend is the Croatian one. After a particularly negative year in 2008 (-5.2%) and a stable one in 2009, in 2010 the passenger traffic increased by 11.8%. Ancona on the Italian side and Split on the Croatian side recorded a true boom in movements with +20.3% and +33.8%. Even the connection Bari – Dubrovnik showed very good results. According to the opinions of a good many of the operators, the result was mainly determined by the religious tourism to Medjugorie.

Good traffic – container –



Fonte: elaborazioni OTM su dati AP

At world level, 2010 was marked by the economic recovery of the container market. In particular, the main world ports for container traffic have shown a recovery so significant that they were able to make up for the losses suffered in the previous year. They are mainly all Asian ports, especially the Chinese ones. The only European port that showed a positive trend was Rotterdam with +14%, recovering for the drop suffered during the world recession.

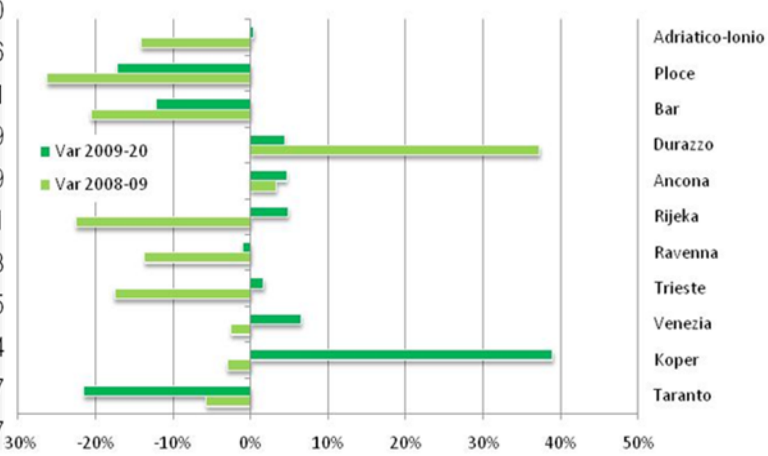
In the Adriatic-Ionian basin, the overall growth was lower and very different, depending on the countries in which the ports are based. The average growth was 0.4%. However, if we consider only the Adriatic sea and leave Taranto out with -22%, all ports recorded a growth of +11%.

However, the Italian ports grew about 3%, which is in line with the weak national recovery. On the other hand, the Slovenian port of Koper showed a growth of 39%, whilst those on the Eastern bank grew only by about 5%. Bar (-12%) suffered the only negative result.

CONTAINER TRAFFIC TEU IN THE MAIN ADRIATIC AND IONIAN PORTS

	2010
Taranto	581.936
Koper	**476.731**
Venezia	393.459
Trieste	281.629
Ravenna	183.041
Rijeka	137.048
Ancona	110.395
Durazzo	71.614
Bar	30.477
Ploce	21.457

Variation 2010-2009 and 2009-2008



Source: ISTAO OTM on Port Authorities data

3. Development opportunities of short sea shipping traffic in the Adriatic and Ionian seas

The Adriatic and Ionian ports have prospects for growth in terms of short sea shipping traffic that goes beyond the movements within the basin.

It is worthwhile remembering that the Mediterranean Sea is the second European basin, after the one of the North Sea, in terms of short sea shipping traffic. A great part of these movements are oil-related (over 50%), whilst the remaining ones are split among mixed solid goods, containers and RORO ferries.

This last segment, as we know, represents an important asset for the Adriatic and Ionian basin and according to all the sector’s experts, is a traffic type doomed to grow for various reasons. The first reason is related to the structural characteristics of the ships and of the services.

- RORO traffic has a high capacity of integrating with other transport systems: it is easy to go from sea to road or rail.
- They allow quick terminal operation in the ports.
- Structurally, they allow a high flexibility in terms of request: lorries, trailers, containers, palletised goods and passengers can all be boarded on the same ship. All this enables to fraction the risk and to reach more rapidly economic sustainability.
- The increasing ship speed (which can reach 25-30 knots) ensures transit times are reduced and that even further destinations are reached.

- Lastly, during the recent international economic crisis, this type of traffic has shown the ability to absorb external shocks by keeping good levels of movements notwithstanding the collapse of all the other sea traffic segments.

The second reason why there are good prospects for growth of this segment is due to the fact that Europe keeps investing a lot in terms of economic support to targeted initiatives and services aimed at the development of the Sea Freeways. To this end, Marco Polo II, of which we will extensively talk about in the next chapter, is among the most active programs.

The third reason that makes us reflect upon the development potential of the RORO traffic in the Adriatic and Ionian ports is related to the development of the Mediterranean economies, especially those of North Africa. If it is true that big ports established on the southern bank of the Mediterranean Sea are doomed to steal some of the traffic from the European transhipment ports, it is also true that the economic growth of these states will probably result in an increase of traffic and activities with Europe in which our ports could take part in providing services on short to medium distances.

The Arab revolutions (except for Libya) will presumably quicken the development paths already started in these countries. In particular, the countries of the Eastern Mediterranean area have high potential for the following reasons:

- *Economic growth*: according to IMF forecasts, the GDP of countries such as Turkey, Israel and Egypt will grow by 4% to 6% over the next few years. Egypt's GDP grew 5% during the period of world recession. The port economy in particular is rapidly expanding (Port Said, for instance, is now the second port of the Mediterranean sea for container traffic).
- *International opening*: this is represented by those countries that have a high level of integration with Europe and Italy. Egypt, thanks to a number of commercial agreements, has a high degree of international opening. Its first export partner is Italy.
- *Population*: the three countries mentioned above have about 160 million people and are due to hit the 180 million mark in about 4 to 5 years. Notwithstanding the numbers, this is certainly not a basin of high consumption: the income per capita of the 80 million Egyptians is about US$3,000 (which represenst the current social issue). The per capita income of the 70 million Turkish people is US$10,000. Only Israel, with its US$27,000 of income per capita, is near the European standard. However, it is also true that an increasing number of people, even in poorer countries, begin to be an interesting basin of consumption.
- *Signals:* the trial of new direct connections with RORO ferries, the increase of the Inframed services in the container traffic are signs of a growing interest for these areas.

4. Europe and the sea freeways: the Marco Polo II program

Europe has been applying a number of policies to support the sea freeways. Such a program is, in fact, the 21st project among those defined as "priority" in the Trans-European Network of Transport development plan.

The support is provided through the TEN-T program, as well as the Marco Polo II program. The latter one has the objective of reducing road congestion, improving the environmental performances of the transport system and enhancing intermodal transport by contributing in this way to establish a sustainable and efficient transport system capable of making European economy and integration grow without any negative consequences in terms of economic, social and territorial cohesion.

On a yearly basis, enterprises or group of enterprises and/or institutions submit projects of a various nature through bidding. The most recurrent ones are those that aim at moving part of the European traffic from the road to the rail or to the sea. The size of this movement represents the parameter on the basis of which the start-up funding of the service will be measured.

The program must regard:

- the territory of at least two country members;
- or, the territory of at least one member-country and one of a third nearby country (sharing the borders). Given the current geographic and administrative set-up, all territories of the Adriatic and Ionian basin, even non-EU countries, can take part in the program.

Many short sea shipping services have been activated over the years from and to Adriatic and Ionian ports. Call 2011 is expected to be launched in a few days' time.

5. Conclusions

Whilst in 2009 passenger traffic on ferry boats held quite well, 2010 was marked by a negative performance of these markets.

Traffic from and to Greece is suffering: -2% for passenger traffic, -6.5% for HGV/trailer traffic. The Greek economic crisis keeps producing negative effects even in 2010. Even the traffic from and to Albania, following years of steady growth, experienced a halt. The traffic from and to Montenegro is also falling.

Great performances were shown by the international connections with Croatia. The tourist demand connected to the sea was coupled with religious tourism. The positive trend of the cruise traffic (+12% compared to last year) shows that this segment is going from strength to strength. Thanks to this positive trend Venice has now become the first port in the Adriatic and Ionian area for international movements.

2010 marked a strong recovery of the container traffic all over the world. Most main world ports (almost all Asian) made up for the losses suffered in 2009. This recovery, even though less significant, was observed in Europe too. Italy grew about 3% -a slow development - in line with the national economic growth.

In the Adriatic and Ionian basins, Koper has become the first port in the Adriatic whilst Trieste, Venice, Rijeka and Ancona are in strong recovery. The only ports with negative trends are Ravenna and, on a smaller scale, Bar in Montenegro.

The Eastern Mediterranean area, including the African bank, represent the real borderline of short sea shipping services from and to Adriatic and Ionian ports. Countries such as Turkey, Israel, Egypt show high potential in terms of GDP growth, infrastructural set-up and degree of international opening.

Helps for the development of these services can come even from Europe through the Marco Polo II program, whose 2011 bid should be launched within the second semester of this year.

The real challenge for the Adriatic ports remains the connections with inland areas and with the rich consumption basins of Central and Northern Europe. To this end, sea-rail intermodal services are fundamental.