SEA TRAFFIC OBSERVATORY

2009 REPORT

by Ida Simonella

1. OBJECTIVES AND METHODOLOGY.

Since 2002, the Forum of the Chambers of Commerce of the Adriatic and Ionian Area has promoted and sponsored the Observatory on sea traffic 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, along with European policies on infrastructures and transport involving the basin.

This year 18 ports are monitored. Together with the usual ports[1] we add the port of Astakos in Ionic Greece, actually operational since 2008, but which looks to become a very important port, mainly in container movement.

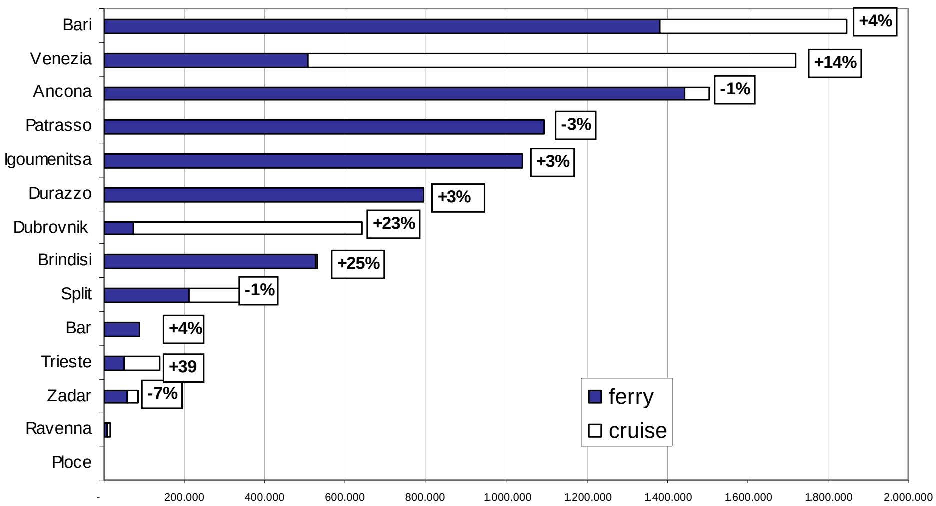
This year, the above-specified analyses have been flanked by an investigation into the perception of the economic crisis by the Port Authorities, with particular reference to the forecasts made by business players on competitive scenarios and traffic for 2009.

[1] We recall: Trieste, Venice, Ravenna, Ancona, Bari, Brindisi and Taranto for Italy; Koper for Slovenia; Rijeka, Split, Zadar, Ploce and Dubrovnik for Croatia; Durres for Albania; Bar for Serbia-Montenegro; Igoumenitsa, Patras, Preveza for Greece

2. SEA TRAFFIC AS OF 2008

Passenger traffic. At end 2008, Bari confirmed its status as first port in the A-I basin, with 1,846,408 passengers on international routes and growth of 4%. Bari lost approximately 3% ferry traffic, mainly due to the reduction of movement with Greece (-60,000 units) and Montenegro (-10,000 units approx.), partially offset by a greater passenger flow with Albania (approx. +20,000 units). The Apulia port, however, reports +32% on cruises, thereby allowing for an overall increase in traffic.

PORTS AI – INTERNATIONAL PASSENGER MOVEMENTS - 2008



Source: Processing by the Sea Traffic Observatory of Port Authority data

The driving force of the cruise segment is, furthermore, a phenomenon that also affects other ports. Those specialising in the cruise segment, as a matter of fact, report significant increases, whilst those of others are far more limited. This is why Ancona, Italy's first port in international ferry connections, shows a slight decrease in traffic, and the ports of Igoumenista and Patras offset each other’s losses. Only Brindisi on the Italian Adriatic front and Durres on the eastern Adriatic register an increase in traffic due to the ro-ro pax segment.

Generally speaking, the market linked to ferry traffic between the two shores of the basin, is basically stationary. It grows by taking market shares from others, rather than due to an overall increase in total market.

On the contrary, the cruise sector maintained impressive development rates throughout 2008. In the ports monitored, average growth was around 26% (as against +20% registered in 2007), without considering the very significant movements in minor ports, which we did not evaluate. If we think that the average growth in the segment in Italy was 11.6%, the performance of the Adriatic and Ionian ports appears even more important.

The following table shows the figures relating to the cruise segment over the last 5 years.

CRUISE PASSENGER MOVEMENT (DISEMBARKMENT+EMBARKMENT+TRANSIT) – TREND 2001 - 2008

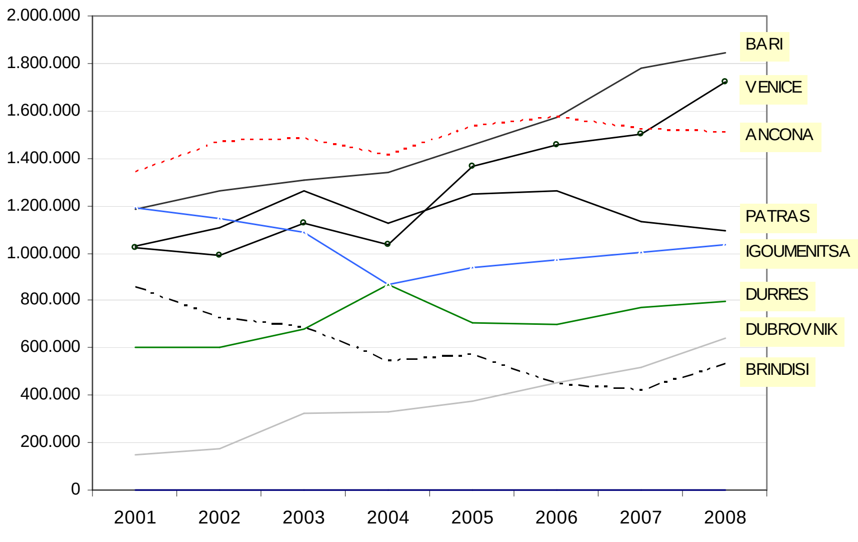
	2004	2005	2006	2007	2008
Venezia	677.990	815.153	885.664	1.003.529	1.215.088
Var	*-2%*	*20%*	*9%*	*13%*	*21%*
Dubrovnik	260.801	297.466	367.321	435.486	569.117
Var	*0%*	*14%*	*23%*	*19%*	*31%*
Bari	262.888	277.979	303.388	351.897	465.739
Var	*23%*	*6%*	*9%*	*16%*	*32%*
Split	34.134	47.315	46.999	99.281	124.871
Var	*-26%*	*39%*	*-1%*	*111%*	*26%*
Trieste			40.286	54.755	87.740
Var				*36%*	*60%*
Ancona	4.949	39.638	18.916	48.652	61.423
	1523%	*701%*	*-52%*	*157%*	*26%*

Source: Processing by the Sea Traffic Observatory of Port Authority data

In the first three ports of the basin, total movements basically doubled, and ports such as Split, Trieste and Ancona, up until a few years ago outside the circuits of the major cruise companies, have today become important stopping points for holidays, with clear benefits not only for the port in itself, but also for the territory and the tourism heritage to which it grants access.

This thus explains why, in recent years, the different dynamics of the ferry market as compared with that of the cruisers, has led to a change in the classification of basin ports: Bari, strong in both segments, is the first port of the area, followed by Venice, which in 2008 also exceeded Ancona, greatly specialised in the ferry segment.

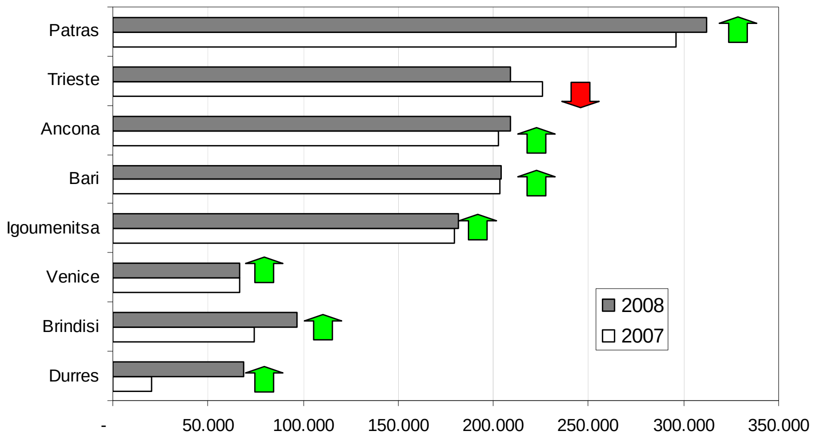
INTERNATIONAL PASSENGER MOVEMENTS – TREND 2001 - 2008



Source: Processing by the Sea Traffic Observatory of Port Authority data

HGV-trailer movement. The first port in the A-I basin for total movement of trucks and trailers, is Patras, which in 2008 reported a 6% increase. All the other major ports report good growth, with the exception of Trieste, which posted -7% in 2008, due to the reduction in movements with Turkey.

HGVS AND TRAILERS IN THE PORTS OF THE ADRIATIC-IONIAN AREA



Source: Processing by the Sea Traffic Observatory of Port Authority data

In 2009, the number of trucks and trailers in the Adriatic-Ionian basin changed to international routes, settling at around 786,000 and showing a 2% growth on the previous year. The estimated data corresponds to the means disembarked and embarked onto ro-ro and/or ro-ro pax ships in the Italian Adriatic ports for connections with Greece, Croatia, Montenegro, Albania and Turkey.

We should add the domestic movements to this, which mainly involve the Croatian ports, in addition to the Italian port of Ravenna.

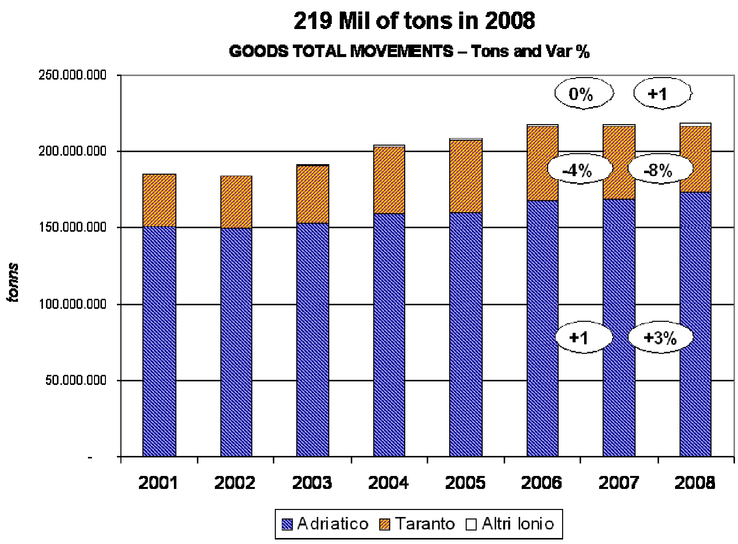
The market shares of the Italian ports on HGV traffic in 2007 and 2008 are given in the table.

HGVS AND TRAILERS – MARKET SHARES ON A-I TRAFFIC OF ITALIAN PORTS

	2007	2008
Trieste	29%	27%
Ancona	26%	27%
Bari	26%	26%
Brindisi	10%	12%
Venice	9%	9%
	100%	100%

Source: Processing by the Sea Traffic Observatory of Port Authority data

Goods traffic. In 2008, the ports of the A-I basin moved approximately 219 million tonnes of goods, with a growth of 1% on the previous period. The ports of the Adriatic in the strictest sense are those driving development with +3% in 2008, whilst Taranto continues to fall, having registered -4% in 2007 and an additional -8% in 2008.-{}-

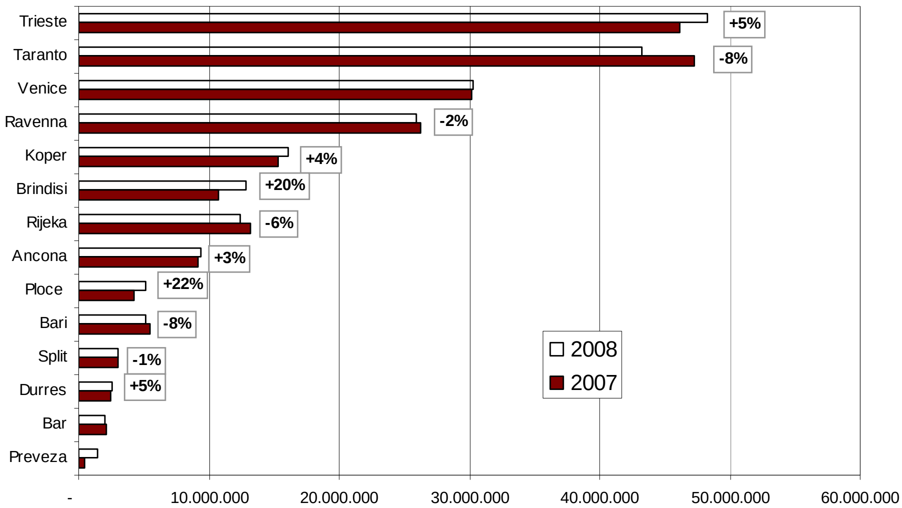


Source: Processing by the Sea Traffic Observatory of Port Authority data

It therefore follows that Trieste is once again the first port in terms of total goods movement (+5%).

Taranto remains the first Italian port (and amongst the top 10 in Europe) for movement of solid goods, a segment in which it retains the same values as the previous year.

A-I PORTS – TOTAL GOODS MOVEMENT (TONNES)

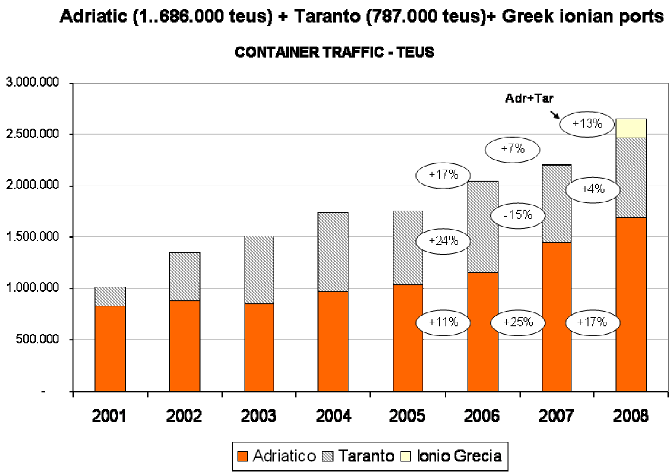


Source: Processing by the Sea Traffic Observatory of Port Authority data

The fall is instead due to the reduction in movement of liquid bulk goods (approximately 2 million less) and miscellaneous goods. In the same way, Trieste gains strongly on the traffic of liquid bulk goods, keeps hold of miscellaneous goods transport, and reduces on solid bulk goods. Of the major ports, we should highlight Ravenna's decrease (having lost approximately 1 million tonnes of solid bulk goods), Rijeka (due to the fall in oil), the excellent growth reported for Brindisi and that of Koper (thanks, above all, to the growth of liquid bulk goods).

If total movement of goods has a swings and roundabouts type trend in the different ports, the same cannot be said of the container traffic scene. In 2008, the Adriatic-Ionian basin reported an increase of 13% of traffic, reaching almost 2.5 million TEUs moved. These figures can be added to by the data from the port of Astakos in Ionic Greece, properly operative since 2008 and already able to move 180,000 TEUs.

If Taranto shows an improvement (+4%) on the previous year's trend, the performance of the Adriatic ports generally are excellent, showing +17%.



Source: Processing by the Sea Traffic Observatory of Port Authority data

The greater development rhythms are down to Trieste, Venice, Koper and Rijeka, which accentuates the traffic polarisation effect north of the Adriatic.

Ravenna and Ancona's development, at the centre of the Adriatic, is less marked. Finally, we should also mention the port of Bar in Montenegro, which, in 2008, reported +61%, even if overall volumes moved are still small.

CONTAINER TRAFFIC - in .teus

	2007	*2008*	*Var %*
Taranto	755.934	786.655	**+4%**
Venezia	329.512	379.072	**+15%**
Koper	305.648	353.880	**+16%**
Trieste	265.863	335.943	**+26%**
Ravenna	206.580	214.324	**+4%**
Astakos	6.000	180.000	**nd**
Rijeka	145.040	168.761	**+16%**
Ancona	87.193	92.068	**+6%**
Bar	27.095	43.708	**+61%**
Ploce	29.385	35.163	**+20%**

Sources: Processing by the Sea Traffic Observatory of Port Authority data

3. PORTS AND ECONOMIC CRISIS

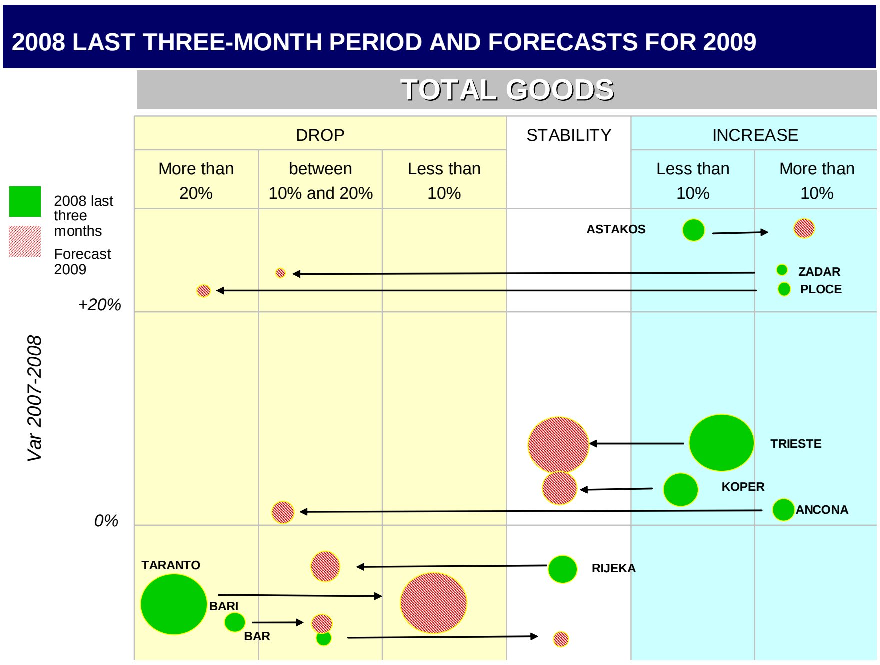
During March and April 2009, the Observatory carried out an investigation into the Port Authorities of the A-I basin, with the aim of verifying the perception and first impacts of the economic crisis suffered by the world economy as from the last quarter of 2008.

Specifically, a questionnaire was given out with three specific aims:

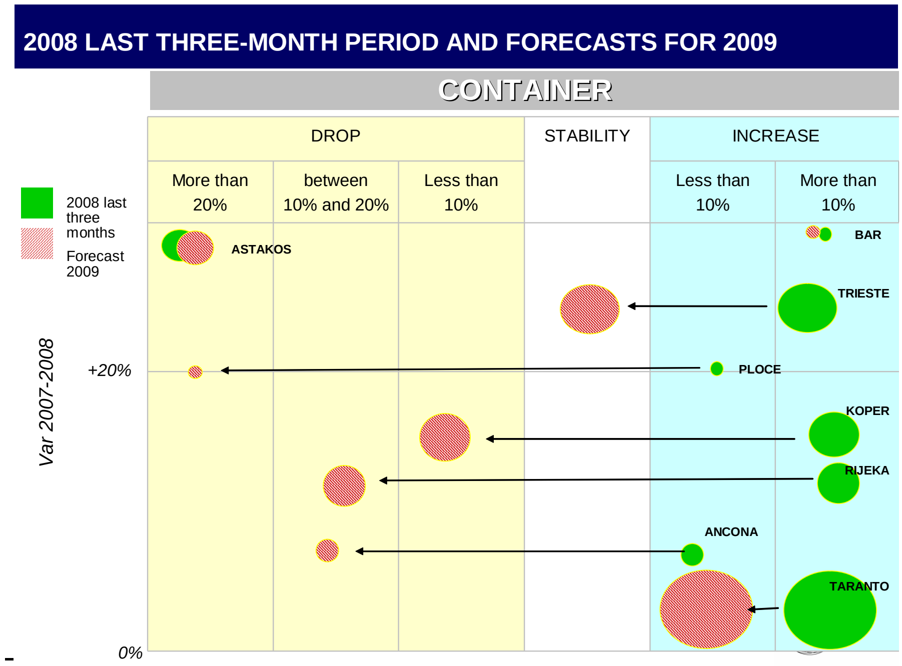
- To check sea traffic trends for the last quarter 2008 as compared with the last quarter of the previous year;
- To gather the initial forecasts by the operators on sea traffic trends for 2009;
- To see if there was a change underway in the competitive scenario dictated by the evolution of the world shipping industry.

A good many of the Port Authorities answered our questionnaire, and the indications that emerge can be summarised in a few points:

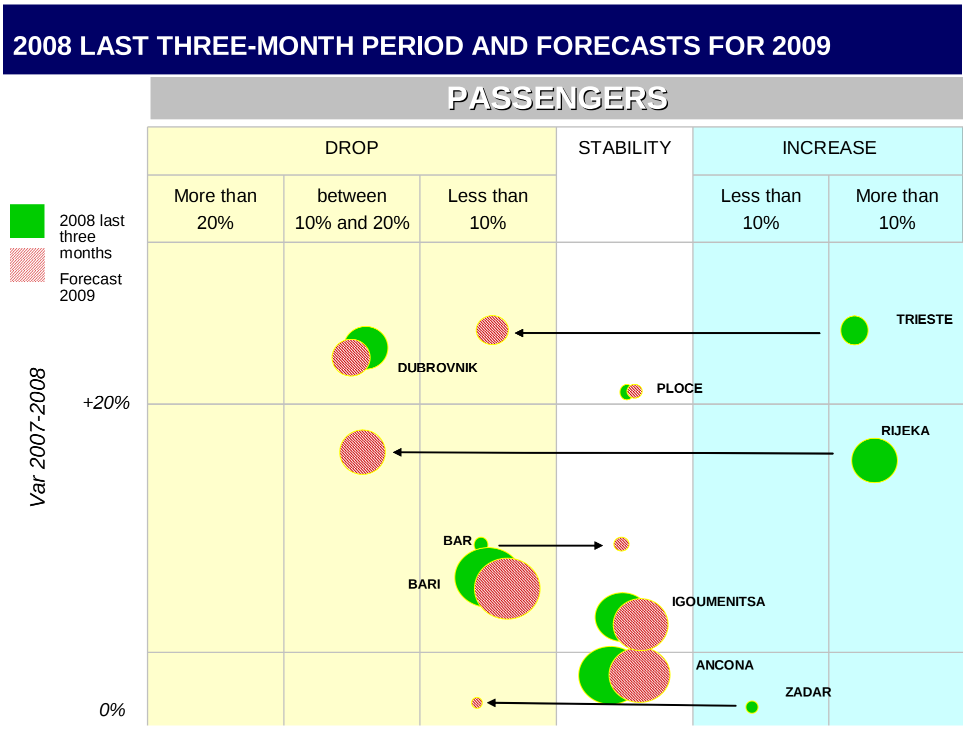
- In terms of goods traffic, and solid and liquid bulk goods in particular, the last quarter of 2008 had already recorded a stopping point for some important ports, and Taranto in particular, with a reduction of traffic in excess of 20%. All ports (with the exception of Astakos) that maintained good growth levels at the end of 2008, forecast, however, a worsening of results for 2009, some very significantly, such as Rijeka, Zadar, Ploce and Ancona. Taranto, one of the most important ports, on the other hand, forecasts limiting losses.

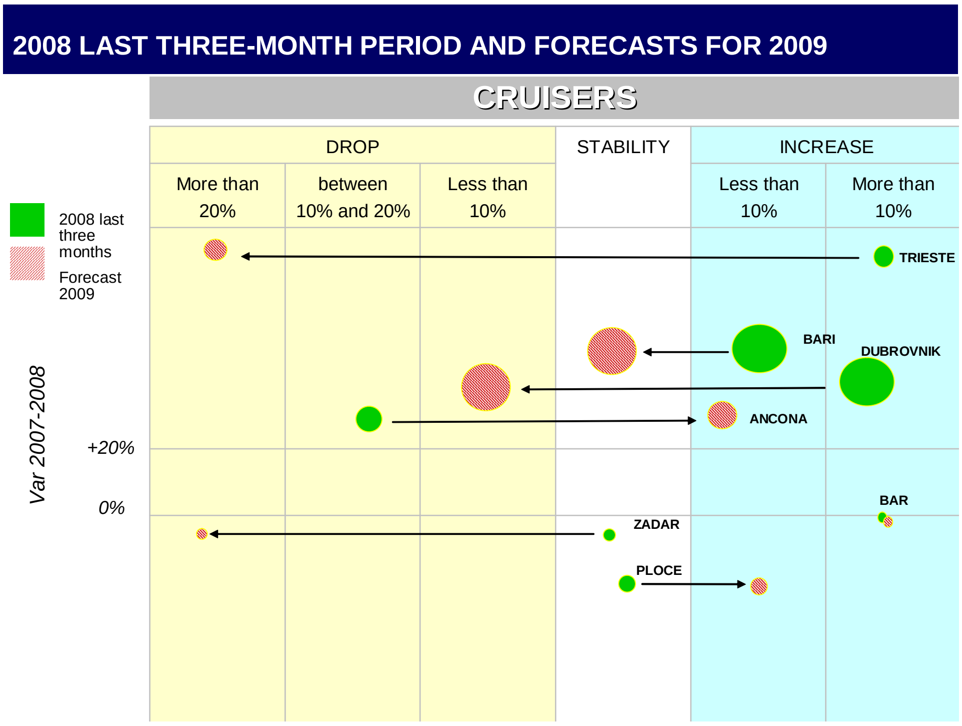


- In the container segment, almost all ports maintained good growth trends at the end of 2008, even in excess of 10%. In this case too, a significant worsening of performance is forecast. Only Taranto believes that there will be an increase in traffic, albeit a limited one.



- In terms of passengers, there is an overall perception of a stationary situation, or slight decrease of traffic on major ports (Ancona, Igoumentitsa, Bari), or on a port like Zadar, with very strong domestic movements. For the cruise market, more limited losses are forecast, with some ports even forecasting growth in 2009 in any case. Bari and Dubrovnik, the most important in this segment, after Venice, forecast an only limited reduction of traffic.





As concerns the change of the competitive scenario of the world shipping system, business players state the certain trends are underway:

- A generalised reduction in hires that reaches 50% (although along some routes, February sees a reduction of 90%);
- That the world crisis will lead to a general reduction in traffic, with a strong impact on the Mediterranean as a whole, significantly striking the Adriatic too;
- That the companies will tend to reduce not so much the total lines, but rather the capillarity of port stops.
- That, finally, the first business responses to this crisis have been a general reduction in costs and a review of the investment plan by port business operators.

4. TEN – T - TRANS-EUROPEAN TRANSPORT NETWORK. IMPLEMENTATION OF PRIORITY PROJECTS AS OF 2008

The Trans-European Transport Network (TEN-T) represents one of the European Union's major tools of intervention in Member States' infrastructural programmes.

As is common knowledge, since 2004 the priority projects, on which the European Union's action focuses, have been redefined. These are 30 projects, four of which directly involve the areas facing onto the Adriatic-Ionian basin, namely:

- PP 6, the railway axis 'Lyon-Trieste-Divača/Koper – Ljubljana – Budapest – Ukraine border';
- PP 7, the motorway axis Igoumenitsa/Patras –Athina –Sofia –Budapest;
- PP 29, the railway axis with the intermodal corridor Adriatic/Ionian.
- **PP 21, the so-called 'Sea Motorways' where the Adriatic and the Ionian are included in the initiatives relating to the eastern Mediterranean.**

In May 2008, a document was presented, the work of DG Energy and Transport, that allowed to check the progress made with projects in terms of financial resources recovered and works completed, those underway and those yet to be started.

The following summarises the remarks made with regards to the projects affecting the A-I area.

PROJECT 6 – Railway axis 'Lyon-Trieste-Divača/Koper-Divača-Ljubljana-Budapest-Ukraine border'. This is a railway axis destined to deal with the growing demand of goods and people transport. It is a complex work that, through the Alps, will connect Lyon to Turin and Italy to Slovenia. It is also the most expensive project of the 30 covered in the Van Miert programme.

One of the project priorities is the Turin-Lyon section, and specifically the development of the base tunnel and access roads. Little has been done until today, particularly on the Italian front, where the matters concerning project implementation have been flanked by social problems linked to the possible environmental impact of the work.

TEN-T – PROJECT N. 6: Implementation

Estimated completation data ***2025***

PP. N 7	Total
Lenght of the PP in Km	**1.688**
Works ongoing	*9,4%*
Works completed	*11,3%*
Works to be started	*79%*

PP. N 7	In Mil €
TOTAL COSTs IN Mil €	**60.742**
Total inv. Before 2007	7.827
Investment 2007-2013	10.428
Remaining investment	***42.487 (70%)***

Start-up of works on tunnel is forecast for 2011, with completion by end 2023. Part of the resources has already been used by France, whilst a clear financial commitment by Italy has yet to be made. The European Commission has allocated approximately 672 million Euros for the period 2007-2013 for works start-up.

The cross-border section between Trieste and Divača is also a key point of the project. Encouraging progress was made in 2007, culminating in December with the first inter-governmental conference between Italy and Slovenia, even if the marking of the line between Trieste, Divaca and Hungary has not been definitively outlined.

PP7 – motorway axis ***Igoumenitsa/Patra –Athina –Sofia –Budapest.*** According to the European Union, this project is an important part of the improvement of south-east Europe’s infrastructural network efficiency.

Initially, the plan was to construct two new motorway axes along Greece. The first, running from west to east along the path of the *Egnatia Road*, connects the port of Igoumenitsa (the motorway toll booth is virtually within the port area) to Kipi, on the Turkish border. The overall length is 680 km.

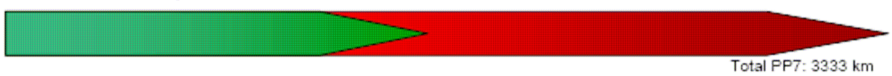
The second motorway axis consists of modernising the *Pathe Road* (Patras-Athens-Thessaloniki and Evzoni) running from south to north Greece and connecting Patras to Promahon on the Bulgarian border.

TEN-T – PROJECT N. 7: Implementation

Estimated completation data ***2020***

PP. N 7	Total
Lenght of the PP in Km	**3.333**
Works ongoing	*18,3%*
Works completed	*47,8%*
Works to be started	*33,9%*

PP. N 7	In Mil €
TOTAL COSTs IN Mil €	**14.928**
Total inv. Before 2007	10.051
Investment 2007-2013	4.728
Remaining investment	***150 (0%)***



In 2004, year in which the priority projects were redefined by the Van Miert group, in addition to these two axes, further connections between Greece and neighbouring countries were forecast, including central Europe, and Bulgaria, Romania and Hungary specifically.

On the *Egnatia Road*, approximately 80% of works have already been completed, and 70% of the *Pathe Road* has also been completed. Works are forecast to end in the coming years. With regards to the other roads, the States involved have committed much of the resources, and many works will be carried out in the period 2007-2013. In actual fact, this project is that with the best progress of all those implemented in the basin.

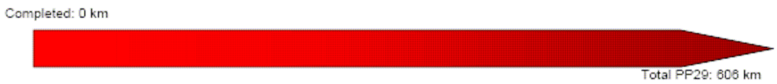
PP29, the railway axis with the Adriatic/Ionian intermodal corridor.

TEN-T – PROJECT N. 29: Implementation

Estimated completation data ***2019***

PP. N 7	Total
Lenght of the PP in Km	**606**
Works ongoing	*0%*
Works completed	*0%*
Works to be started	*100%*

PP. N 7	In Mil €
TOTAL COSTs IN Mil €	**4.308**
Total inv. Before 2007	81
Investment 2007-2013	1.074
Remaining investment	***3.153 (73%)***



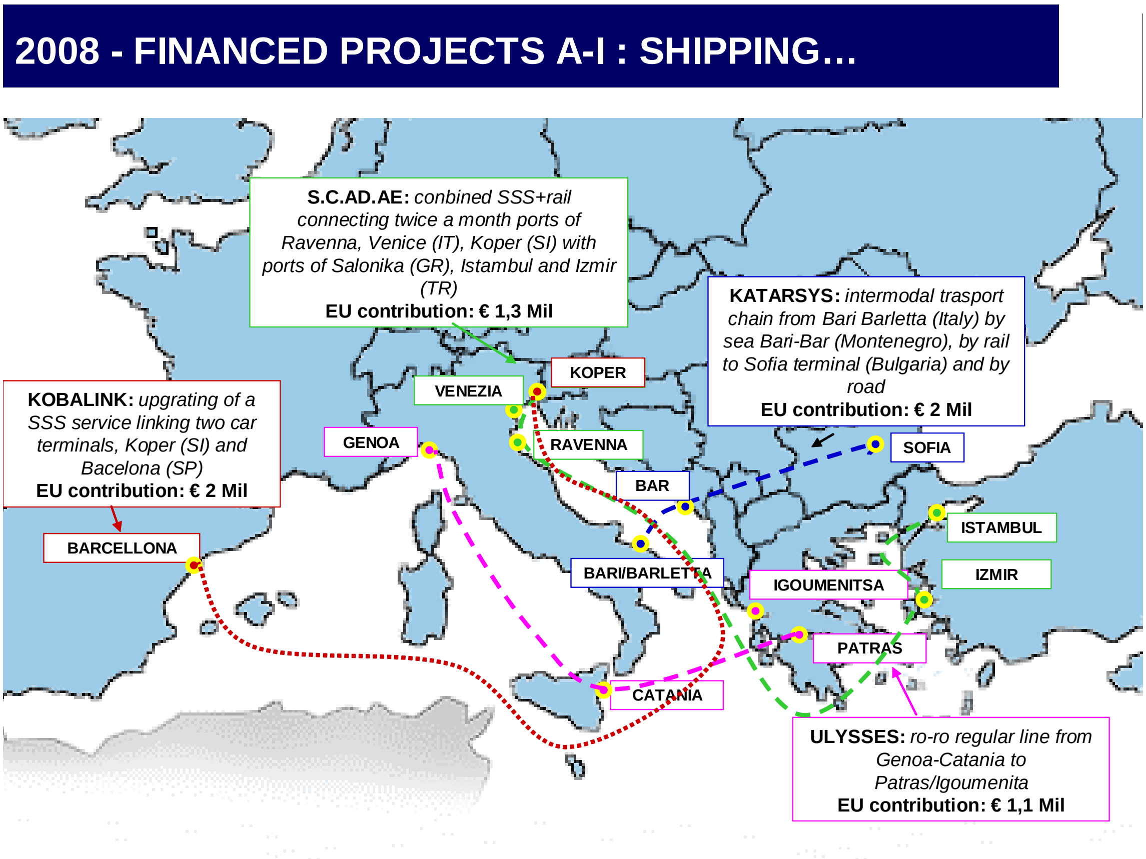
Due to Greece’s geographical position, this railway line should represent an important junction between Europe, Africa and Asia. Not only given the direct connections with the main ports of the Ionian, but the line should also represent a stimulus to development of intermodal traffic in the basin. To the north, connections with the railway networks of the former Yugoslavia, the Former Yugoslav Republic of Macedonia, Bulgaria and Turkey should make the south-east European railway system generally much more efficient.

As of today, works are not yet underway. However, approximately one third of the resources have already been committed for the period 2007-2013.

PP21 – ‘Sea Motorways – East Mediterranean’. Under the scope of the various initiatives supporting the Sea Motorways implemented by Europe, but also by the individual Member States, we believe it appropriate to point out what has been developed (and is currently being developed) with the Marco Polo II programme. This programme finances projects (specifically new services and new lines) that allow for moving the transport of goods away from the road and to the sea, railways or internal water lines. Support varies from 35% to 50% of the eligible costs.

We should point out that as from 2009, Croatia has become one of the countries that can make use of the resources available.

In 2008, of the projects financed, a total of 7 concerned initiatives affecting the Adriatic-Ionian basin. We would recall that in actual fact it is private business players who are financed, but very often partnerships are built with institutional parties such as the Port Authorities, for example.

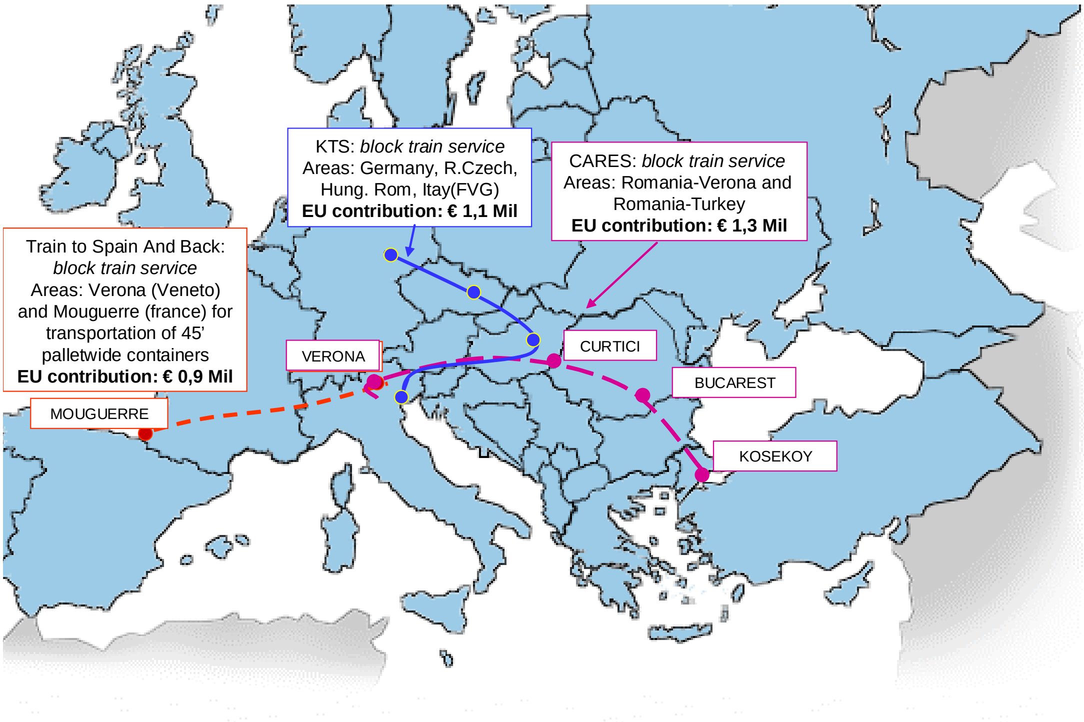


If we scroll down the list of projects financed in 2008, we find various Port Authorities, together with operators, involved directly or indirectly in the development of these services. We would mention:

- Bari, which together with the Port Authorities of Bar in Montenegro and other operators, has obtained approximately 2 million Euros to finance a new intermodal service (SSS, road, railway) between Italy, Bulgaria and Romania;
- A train-sea service that involves the ports of Koper, Ravenna and Venice, Izmir and Istanbul, financed for 1.3 million Euros;

- A new short sea shipping service Igoumenitsa/Patras-Catania-Genoa, destined to meet the demand for goods transport between Greece and north-west Europe, financed for 1.1 million Euros;
- The upgrading of an SSS service that links two car terminals of Barcelona and Koper;
- Services relative to trains block from Friuli Venezia Giulia to Germany, from Veneto, through the Verona dry port, to France.

2008 - FINANCED PROJECTS A-I: …AND RAIL



Unfortunately, we must note that all Adriatic regions with Port Authority bases have successfully promoted a Marco Polo II project, and obtained financing, with the exception of Marche.