WORKGROUP ON TRANSPORTS
FINAL DOCUMENT

Budva, 12th May 2011

Foreword

Also this year, several representatives of the various countries member to the Forum of the Chambers of Commerce of the Adriatic and Ionian Area participated in the works of the Workgroup on Transports.
3 were the main topics dealt with:
1) Sea transports in the Adriatic and Ionian in 2010;
2) "Short Sea Shipping" development prospects in the Mediterranean;
3) European measures for the development of the "Marco Polo" European programme.

Strategic guidelines

The analysis carried out by ISTAO for the sea traffic observatory focused on the trend of CRUISES traffic in 2010, which registered a significant increase up to 12%. And the trend shows a continuous growth in the Adriatic and Mediterranean area.
The main reasons for this lie with companies and sea professionals, who have managed to offer more and bigger cruise ships, as well as more services for customers. With 1,617.000, Venice was the leading port in 2010, thereby registering a significant increase of 14%.

Ferry-boat traffic registered a generalized decrease, except for the ferry-boats to Croatia.
Traffic between Greece and Italian ports suffered a 1.7% reduction, with this being the second year of decrease in a row after the -2.9% fall registered in 2009. This change is probably due to the financial crisis that the country has gone through and is still going through at the moment.
As a consequence, a decrease was registered also in Italy. In this respect it is worth pointing out that in 2 years time HGV-trailer traffic went down by 100,000 HGV, i.e. well 25% compared to annual forecasts.

Also passenger traffic decreased. 2002 was the year that marked the peak of tourist flows, with 2.7 million passengers, while the current corresponding figure is between 2 and 2.2 millions.
The same trend was observed in Albania and Montenegro, while in Croatia religious tourism is on the rise.

As regards the container segment and goods traffic, 2010 was characterized by a growth in traffic registered in all main ports worldwide (almost entirely in Asia) and mainly due to demand from China.
The Adriatic Sea registered a significant average increase of 11%. Koper stands out, with its marked growth (39%), while Italian ports registered the lowest increases (3%).
Worth mentioning is Koper's outstanding example: it is a very dynamic port, although the country is not among the biggest world economies and despite the fact that Koper is a port of average size when it comes to infrastructures.
The port managed to take advantage of the many opportunities offered over time and was able to considerably develop traffic lines to neighbouring and surrounding countries up to Germany.

Based on Koper example, participants agreed on the fact that the Mediterranean economy can grow and develop if there is cooperation between the various countries and new markets are sought, thereby targeting countries with a strong economy, like the ones in North and Central Europe.

With reference to Short Sea Shipping in the Mediterranean and Adriatic, the workgroup stressed that this traffic can be performed only with RO-RO and RO-PAX ferry-boats.
In 2010, the political situation in North Africa was quite stable and allowed the development of sea traffic in the area. Conversely, 2011 began in a different way and the future political and economic evolution of these countries will be fundamental to fully grasp the effects on sea transports this year.
These Eastern Mediterranean countries are characterized by the 3 following factors, which played a major role:
- economic growth;
- cooperation with the rest of the world through international agreements;
- population growth.
Adriatic ports ha a competitive edge in medium- and short-distance trips and in this respect it is important to focus on the elements where these are stronger and develop them more.

As regards the Marco Polo II programme, the Workgroup stressed that once again the European Union can play a fundamental role in supporting the development of traffic through this programme. The call for proposal for 2011 was announced for the second half of the year.
The Marco Polo programme was published in 2008 and aims at reducing road traffic and the pollution this causes through a stronger promotion of green transport modes in European heavy traffic.
Many recent projects in the Southern part of the Mediterranean were activated thanks to the Marco Polo II programme. This is the case of the links between Koper and Barcelona, or Bari-Bar-Romania, or Igoumenitsa-Catania-Genoa, etc.

The Marco Polo programme might be of help also for the fisheries sector and transports.

Conclusions (concerted actions)

The following proposals emerged from the Workgroup:

- continue carefully monitoring sea traffic trend in the Adriatic-Ionian basin and the potential to develop new services in the field of short sea shipping in new markets;

- promote the awareness-raising of the area (professionals in the field, infrastructure managers, public institutions) on the opportunities of traffic development in contexts outside the basin and on the attention to pay on railway-sea intermodal transport as a tool to develop trade in line with environmental sustainability;

- pay attention to the 2011 Call of the Marco Polo programme, which is about to be published, which can potentially see the participation of all member States whose chambers are member to the AIC Forum, being these countries EU Member States or included in the call as EU neighbouring countries. Joint initiatives between two or more countries member to the AIC Forum can be initiated within this programme, with these initiatives aimed at starting new short sea shipping or railway services.

Annex:
Observatory on Sea Traffic in the Adriatic-Ionian basin
Report on traffic as of 2010
(source - ISTAO, Ancona)

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.

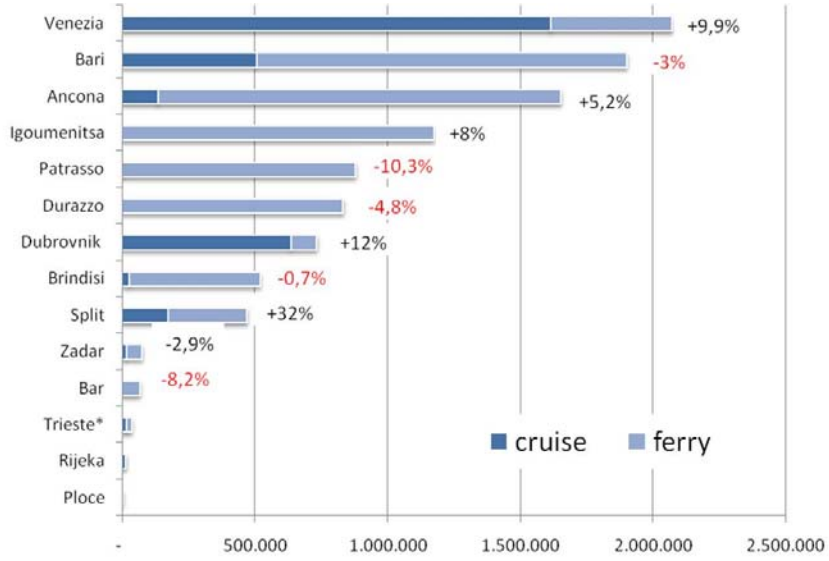
This year, the study, in line with the Forum's general guidelines, was dedicated to the development of short sea shipping traffic. The objective was to highlight the development opportunities that ports of the Adriatic-Ionian basin have in relation to the growth of some Mediterranean economies. The countries 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

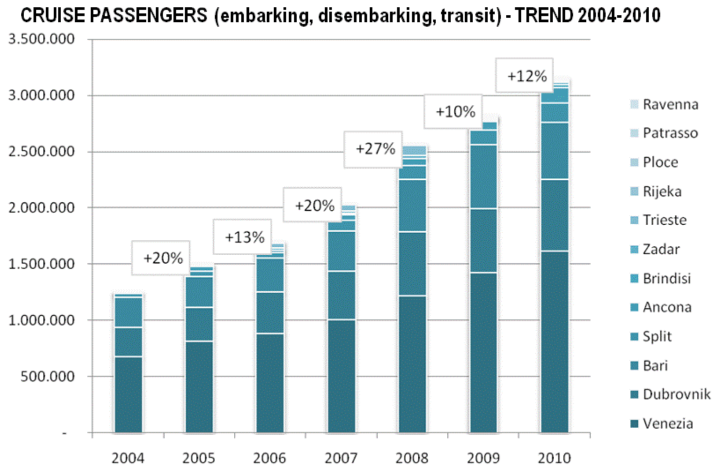
Ferry and cruise traffic. In 2010, the passenger traffic vis a vis international connections has outlined a growth of the cruise traffic in the entire basin and almost all ports. On the other hand, the ferry traffic has significantly declined everywhere, except in Croatia.

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%.



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.

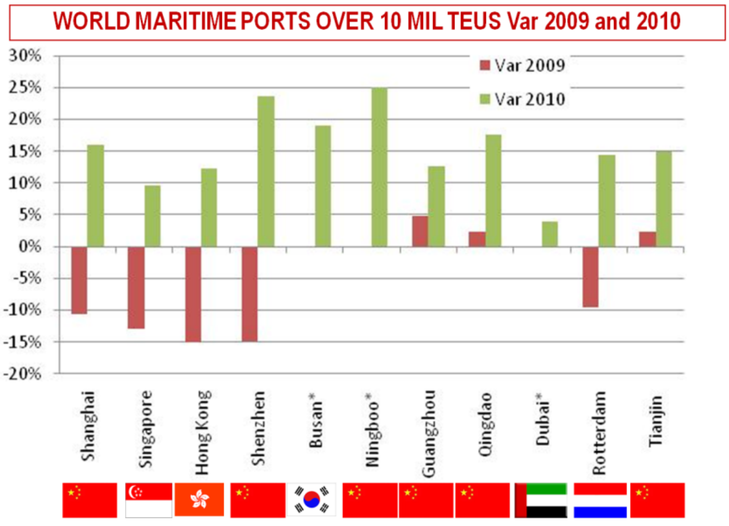
  Even so, the passenger market, aimed at satisfying the touristic request, has considerably dropped over the years. The peak was recorded in 2002 with 2.7 million movements. Over the last four years, the rate has been about 2.2 – 2.3 million passengers per year.

- 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.

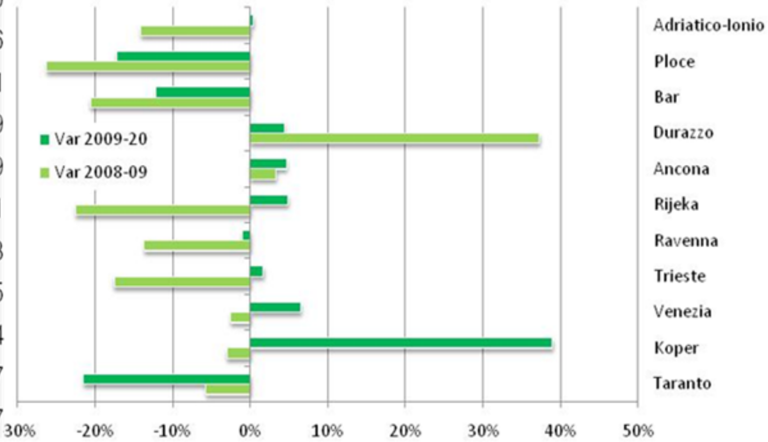
In the Adriatic-Ionian basin, the overall growth was lower and very different, depending on the countries in which the ports are based. The average growth was 0.4%. However, if we consider only the Adriatic sea and leave Taranto out with -22%, all ports recorded a growth of +11%.

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

Variation 2010-2009 and 2009-2008

	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



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.