WORKGROUP ON TRANSPORTS

FINAL DOCUMENT

MAKARSKA APRIL 24TH 2008

Introduction

The Workgroup on Transports, coordinated by Panorea Nicolopoulou (representing the Achaia Chamber of Commerce), has been marked by the presentation of the Observatory survey on maritime traffic in the Adriatic and Ionian Sea, which was carried out by Istao. Furthermore representatives of some of the main Port Authorities of the Adriatic-Ionian area (Ancona, Split, Rijeka, Ploče, Durres, Igoumenitsa and Preveza) have been invited to talk about the growth prospects of the whole area and of each single port of call.

Strategic guidelines

The meeting has been an opportunity to share information on the development plans drawn up by the Port authorities and on the investments, already made or just planned, in terms of port infrastructures and links with the major roads. The objective was to check:

- The perception of each Port Authority with regard to the potential offered by the markets and the worked out strategies;
- The actions resulting from these strategies in particular in terms of infrastructures;
- The financial resources that have been raised and those still necessary to complete the initiatives.

The reports of each single Port Authority highlighted very interesting approaches and visions related to the strategic planning of the Port Authorities and managing organizations:

- First of all a great awareness of the fact that we are witnessing an epoch-making transformation. In particular the ports of the Eastern Adriatic Sea, after wartime and political instability, are planning to set up facilities and initiatives capable of meeting the growing demand of sea transportation, their final goal being to become veritable logistic platforms for Eastern and Central Europe;

- Furthermore it was acknowledged that the infrastructural architecture has taken on an important role and is outlined by the Ten-T networks and the Paneuropean Corridors together with far-reaching national initiatives (such as the highways in Croatia). The V corridor, with its expansion, could become extremely important for the Croatian ports, Rijeka and Ploče in particular, thus linking these ports to the hub of the big production sites. Similarly the VIII Corridor towards Durres plays a major role as well as the Egnatia road towards Igoumenitsa linking the port to some areas in Turkey and Bulgaria which have a great potential in terms of transport demand.
- The prospect of setting up infrastructural major roads becomes a good opportunity to redraw the areas of influence of each port which obviously become bigger and implicitly justify far-reaching infrastructural development plans even for ports that have been cut out on the great traffic routes so far (for instance Ploče, Durres etc.)

However the debate has been an important opportunity to point out the need to work for setting up a network among the Port authorities of the Adriatic-Ionian area in order to assess together the strategic lines that shall be followed, yet respecting the independence of each organization or managing institution.

The will and commitment strongly stressed by those participating in the Workgroup (in particular by the institutions) result from the awareness that such substantial investments in the port area are fundamental to ensure a suitable level of competitiveness. Nevertheless these alone are not sufficient to achieve a sustainable level of economic-financial management and must therefore be combined with an integrated sea transport policy which should be really "Adriatic": everybody should be able to find sufficient spaces (specialized markets, areas and activity segments) so as to ensure the sustainability of a public investment of such a great importance.

The course of action outlined by the participating Port authorities shows, as already mentioned, that the parties agree on the need to develop the infrastructures linking the port to the major internal communication routes. They shall remain central in a much greater area that often corresponds to the whole Eastern Adriatic area.

This shared vision clashes with the natural effects of competition among ports, in a market where the strength of global shipping companies or logistic operators ends up sparking off competition forms that can also have a damaging effect on the economic sustainability of a port of call and its managers.

The data on the traffic highlight the need to intervene functionally avoiding a waste of resources.

THE OBSERVATORY DATA. The data supplied by the Observatory on maritime traffic in the Adriatic and Ionian sea, related to 2007, show some clear trends which shall guide the choices of the Port authorities.

The **passenger traffic** on international routes in the area has reached **9 million units ,** slightly growing compared to the previous 12 months. Bari port of call has strengthened its leadership reaching 1,780,000 passengers, leaving behind Ancona (1,500,000 passengers, second port of the area) and Venice.

On a basically stable market such as the ferries one, where no particular fluctuations of the passengers rate are expected in the next years, it is evident that ports can grow only by eroding market shares of the other ports of call, thus emphasizing the competition effect.

Conversely, the **cruise traffic** shows a **great vitality** (+ 19% only in the last year) and in the course of 2007 the passengers flow in the main ports of the area has reached 2 million units plus all the traffic on the Croatian and Greek islands, that quite often is not systematically surveyed.

In this context of opportunities, new destinations and new relevant landings for shipping companies appear beside the classic ones (Venice, Dubrovnik and Bari) among which Split that has reached 100,000 units and Ancona and Trieste that have registered about 50,000 units in 2007.

217 million tons of goods have been handled in the Adriatic-Ionian area in the course of 2007, same as in 2006. Eastern ports of call continue to grow, in particular Koper, Rijeka and Ploče whereas Italian ports show some signs of difficulties although Taranto and Trieste firmly hold their leadership both exceeding 45 million tons; Ancona, with 9.1 million tons of goods, ranks in an intermediate and stable position.

The container segment keeps growing and reached 2.2 million teus in 2007, an increase of 7% compared to 2006. These figures result from the combination between a 25% average increase of the Adriatic ports and a 15% drop of the container traffic in the Taranto hub, the latter being hit by the choices made by the shipping companies in terms of direct links with the market.

Nevertheless it should be noted that the Eastern ports are very lively and have increased by 40% compared to 2006. In 2001 Eastern Adriatic ports accounted for only 14% of the Adriatic traffic against 38% in 2007.

Conclusions (agreed actions)

The current period is certainly favorable for the whole Adriatic and Ionian area in terms of market expansion and project liveliness of the involved Port authorities. Therefore it is essential to stress the need to find coordination procedures and synergies, so as to avoid mistakes that have already been made in other transport sectors (for instance airports and freight villages), where an excess of offer and competition have made the cost of the infrastructures unbearable.

The Forums' Workgroup on Transport as well, as the proposal put forward by Councillor Pistelli of the Marche Region, aim at creating a permanent workgroup on port facilities in the framework of the Euroadriatic area initiative, whose secretariat will be in Ancona. In this respect they can both contribute to the debate on this subject, thus supporting the strategic decisions of the Port authorities and institutions of the territories involved.

Attachment: Observatory on Maritime Traffic in the Adriatic and Ionian Sea - Report on Traffic to 2007 (Source – ISTAO Ancona)

OBSERVATORY OF ADRIATIC-IONIAN AREA MARITIME TRAFFIC
REPORT ON TRAFFIC IN 2007

Edited by Ida Simonella
Split April 24th 2008

INTRODUCTION

As usual, the annual report of this Observatory monitors the traffic among 17 main ports of the Adriatic-Ionian Basin (A-I)[1] to which this year the port of Preveza was added, on request of Greece.

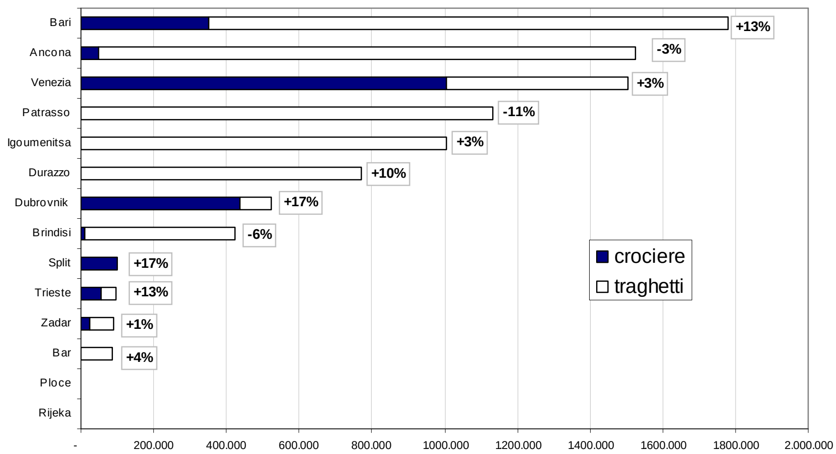
In 2007 some trends already emerging during the recent past and regarding both goods and passenger traffic were consolidated.

1. MARITIME TRAFFIC

1.1 Passenger traffic

The port of Bari in 2007 reinforced its leadership in international passenger traffic gained the year before. With 1.780.000 ferryboat and cruiser passengers and the increase of 13% only in the last year, it clearly outdistanced the port of Ancona which, moreover, registers a reduction of 3% due mainly to the decrease of ferryboats traffic. Even Venice has already reached Ancona's level, thanks to the explosion of cruisers traffic.

PAX- TOTAL INTERNATIONAL MOVEMENTS 2007



Data Source: Istao – OTM su dati AP

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

Good are the performances of all other ports which increased their traffic, with the exception of Patras that lost during 2007 -11% of its passengers.

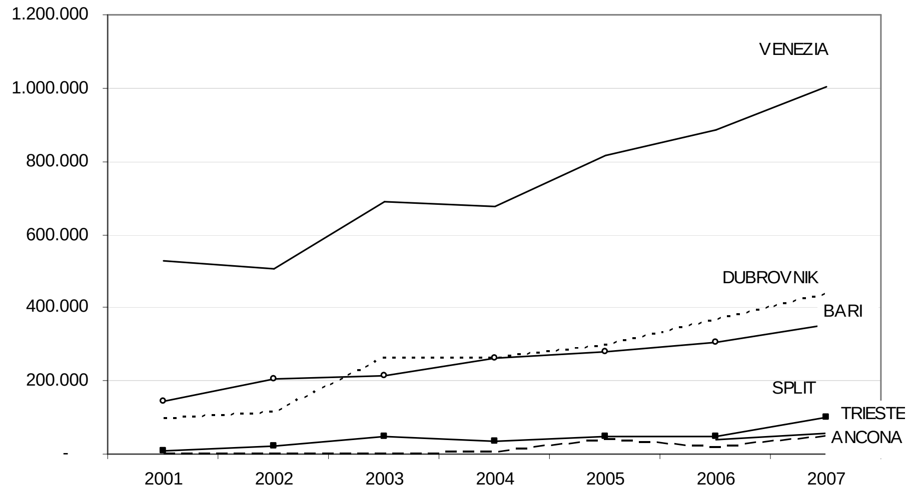
It is necessary to precise anyway that the overall increasing of the passengers in Adriatic-Ionian Basin is quite completely due to the cruisers segment.

For about four years, in effect, the total ferryboats traffic has been stationary. This is the case particularly with Greece which represents much more than others a most relevant market as far as the numbers are considered. The single ports therefore can increase only if they erode other ports' market share. This is really happening with Bari which during the last years took over from Brindisi an important part of the traffic with Greece and is now gaining shares even from Ancona.

Cruisers traffic has a different trend. In this case, the market is growing up very quickly and it represents an opportunity for the development of different ports.

During 2007, more than 2 million of cruiser passengers, with an increase of 19% compared to the previous year, passed through the main ports of this area. It is also necessary to precise that the movements are much more than those registered if we think about the short stops in purely touristic ports (one of them in Corfu but also in other Greek and Croatian islands as well as in Kotor in Montenegro), which do not always make regular surveys.

PORTS A-I AND CRUISERS TRAFFIC TRENDS (BOARDING + LANDING + TRANSITS)

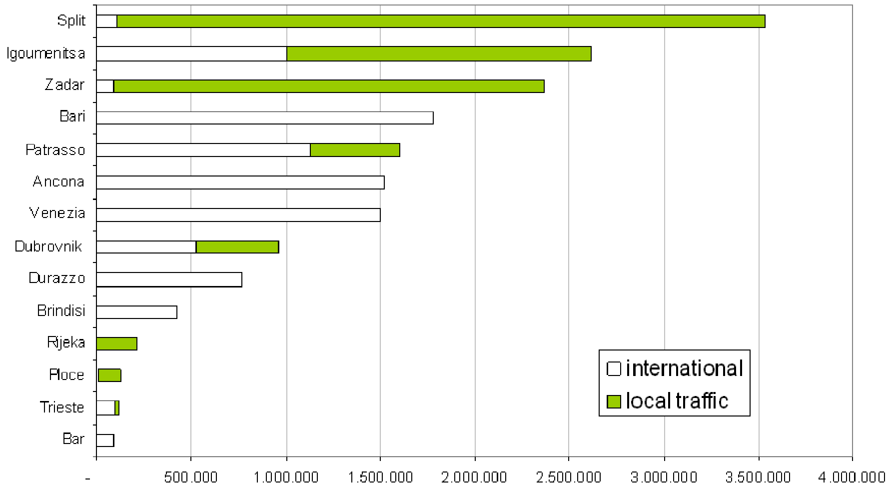


Data Source: Istao – OTM su dati AP

The port leader is Venice with more than one million of passengers followed by Dubrovnik (435.000 of cruise passengers) and Bari (352.000). Split is the fourth port from the point of view of overall movements and it is reaching 100.000 units. The ports of Trieste and Ancona follow with the approximate number of 50.000 cruise passengers.

The success of Bari is linked a lot to the strategy of MSC Company that has chosen it for its *home port* for all cruisers on eastern Mediterranean, guaranteeing a flow of company's clients who board in Bari even if coming from the whole Europe.

TOTAL MOVEMENTS (INTERNATIONAL + DOMESTIC) IN THE PORTS A-I - 2007

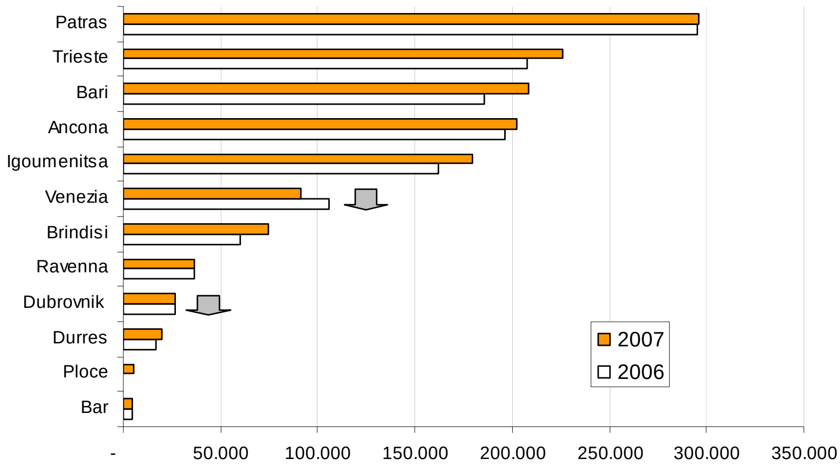


Data Source: Istao – OTM su dati AP

We supply in the end the classification of the ports basing on the total passenger movements both in international and domestic courses. In this case by far the most important port is Split with more than 3,5 million of movements, followed by Igoumenitsa and Zadar. The effect of tourist flows towards islands especially Croatian and Greek ones is obvious here.

In the segment Tir and Trailers, closely linked to the ro-ro and ro-ro pax traffic, the most important port is surely Patras with about 296.000 movements in 2007.

MOVEMENTS TIR IN THE PORTS OF A-I AREA



Data Source: Istao – OTM su dati AP

In general this sub-segment of ferryboats traffic had a significant rise during 2007. Judging from the movements in Italian ports which allow to gather in a homogeneous way the information about the lines with Albania, Croatia, Greece and Turkey, it is possible to notice an evident rise in 2007 due to the good results especially for Greece (+17.000 tir) and Turkey (+20.000 tir).

TIR AND TRAILERS MOVEMENTS IN THE PORTS OF THE WEST ADRIATIC

	2001	2002	2003	2004	2005	2006	2007
Trieste	24%	23%	26%	27%	23%	26%	27%
Bari	16%	17%	17%	19%	22%	23%	25%
Ancona	29%	29%	28%	29%	28%	25%	24%
Venice	15%	15%	8%	6%	11%	13%	11%
Brindisi	11%	11%	16%	14%	12%	8%	9%
Ravenna	6%	6%	5%	6%	5%	5%	4%
	100%	100%	100%	100%	100%	100%	100%
	675.067	**705.650**	**719.710**	**668.927**	**699.131**	**791.913**	**838.804**

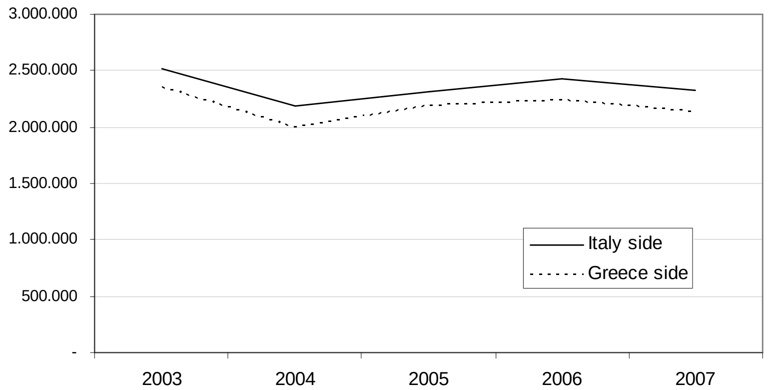
Data Source: Istao – OTM su dati AP

59% of movements regards tir and trailer on the ferryboats to and from Greece, 27% regards Turkey and 8% Albania. The number of these means of transport to and from Croatia and Montenegro is marginal.

The analysis of the single markets' ferryboats segment shows the following trends.

- <u>Segment GREECE.</u> In 2007 the movements of passengers from Italian ports to and from Greece are about 2,3 million, with a decrease of 4% compared to 2006. The same calculation referred to the movements of Igoumenitsa and Patras, shows an identical decrease. The total numbers are systematically minor (and it is, in the end, in accordance with the beginning/end of the year or with the choice of single tickets). What is important, however, is a clear awareness about a market that has already been stationary for some years and in which Ancona maintains a high market share (45%) even though under the pressure of the port Bari.

PASSENGER TRAFFIC WITH GREECE: EAST ADRIATIC* AND GREEK PORTS**



* Trieste+Venice+Ancona+Bari+Brindisi

** Patras+ Igoumenitsa.

Data Source: Istao – OTM su dati AP

- Segment CROATIA. The decline of line traffic with Croatia continues and it reaches -4%. We repeat that this survey does not include a great part of lines active in the summer by means of quick boats, already widespread along the entire coast, which naturally represent aggressive competitors to the line traffic. Ancona registers a decline (-7%) but, anyway, maintains the leadership in movements (63% of line traffic market share).
- Segment ALBANIA. There are 887.000 passenger movements from Italy to the ports of Durres and Valona with the increase of 12% compared to the previous year; all Italian ports register growth both in passenger and tir/trailer segment except Trieste that is characterised by a strong decline.
- Segment MONTENEGRO. Passenger movements to and from Bar increased by 2,4% (they reached 89.000); this rise is due to the port of Bari (+4,7%) meanwhile in Ancona the traffic is reduced by 7,8%.

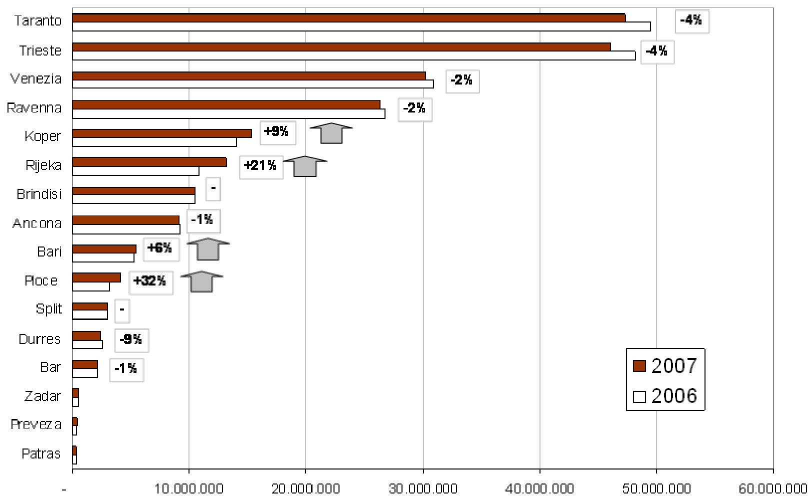
1.2. Total goods movement

In 2007 a total of 217 million tons of goods were moved and this number is essentially stable compared to the previous year.

Taranto maintains the absolute leadership, even if in decline of 4% of total traffic due to the reduction of solid and other kinds of goods.

A situation of stability or slight decline seems to be evident among main ports of this area with the exception of Koper and Rijeka whose competitive strength is becoming relevant not only for container traffic but also for liquid and solid goods.

PORTS AI – TOTAL GOODS MOVEMENT 2006 AND VAR. % 2005/2006

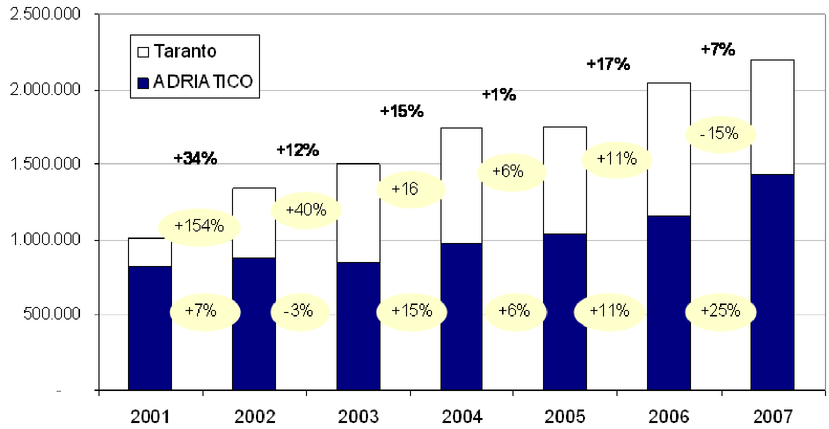


Data Source: Istao – OTM su dati AP

1.3. Container movements

In 2007 the container traffic of the area AI reached 2,4 million Teus with an increase of 7% compared to 2006. The news that is registered in the last year survey is a strong decline of the port of Taranto (-15%); it is the first decrease of this port from the Region Puglia since it became a part of the competitive system of hub ports. At the same time the Adriatic ports benefited the highest rate of growth in the recent years (+25%), under the influence, as usual in the recent past, of Koper and Rijeka.

PORTS AI – GOODS IN CONTAINER MOVEMENTS 2007 AND VAR. %



Data Source: Istao – OTM su dati AP

Now, it is important to understand if the two phenomena are linked and it means if the traffic decrease of a port like Taranto is due to the growth of direct connections with markets or if this phenomenon is limited to the question of the competition among Mediterranean hub ports.

Once again it is necessary to underline the extraordinary development of the Slovenian port that is now preparing to become the first Adriatic port as far as the container traffic is considered, threatening the primacy of Venice.

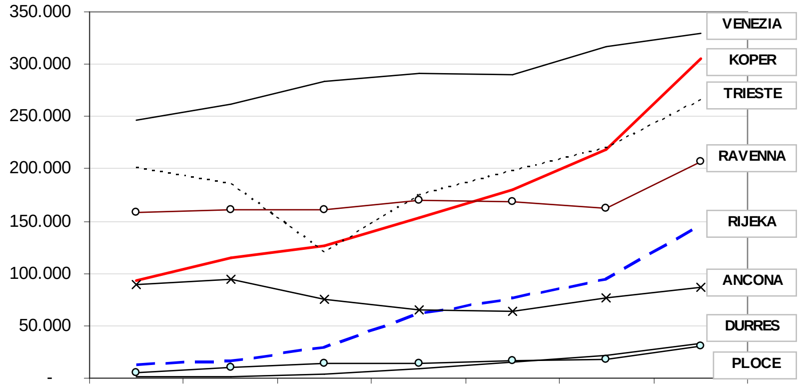
TREND 2001-2006 CONTAINER MOVEMENT IN THE MAIN ADRIATIC PORTS

Ports	*2006*	*2007*	*Var %*
Venice	316.641	329.512	4%
Koper	218.970	305.648	40%
Trieste	220.310	265.863	21%
Ravenna	162.052	206.580	27%
Rijeka	94.390	145.040	54%
Ancona	76.496	87.193	14%
Durres	21.879	33.127	51%
Ploce	18.150	30.202	66%
Bar	17.854	27.095	52%
Split	1.685	5.115	204%
Others	4.239	1.052	-75%
Adriatic	**1.152.666**	**1.436.427**	**25%**
Taranto	892.303	755.934	-15%
Adriatic + Taranto	**2.044.969**	**2.192.361**	**7%**

Data Source: Istao – OTM su dati AP

It was, moreover, a positive year for all main Adriatic ports: Trieste showed 21% increase and Ravenna, which for some years appeared to be stationary, increased by 27%. Particularly striking is the dynamics of East Adriatic ports where the growth rate exceeds 50%.

CONTAINER MOVEMENTS IN .000 TEUS
IN MAIN PORTS A-I – 2001-2007



Data Source: Istao – OTM su dati AP

FINAL REMARKS

As a short summary we list major evidences occurred during 2007. Passenger traffic is characterised by:

- tendential stationariness of passenger traffic in ferryboats segment where in the last years the single ports can grow only eroding other ports' market shares;
- strong development of cruisers market where some new important spaces and different Basin ports come into play.
- fast growth of the port of Bari which became very successful with its strategy of focusing on passenger traffic.

In goods traffic, the situation of stationariness regarding the total goods movements is a result of summing up some very dynamic situations and others more stagnant.

Certainly the container market in 2007 was particularly positive for all the ports belonging to the Basin with exceptional performance for entire East Adriatic, particularly for Koper. Only Taranto shows a traffic decline of 15% and this happens for the first time in the recent past of this port from Puglia.

These tendencies make us think about the role of *transhipment*, competition among hub ports, possible direct connections among ports (point to point) to develop and opportunities that these new settings offer to the Adriatic ports.