ISTAO

OBSERVATORY ON MARITIME TRAFFIC IN THE ADRIATIC AND IONIAN SEA

REPORT ON TRAFFIC TO 2006

by Ida Simonella

Portonovo – 29 May 2007

INTRODUCTION

As usual, the Observatory's annual report is focussed on the analysis of the annual traffic of the 17 main ports that face the Adriatic-Ionian basin (A-I)[1] and on the basic policies of the infrastructures and transport systems that cover the same areas.

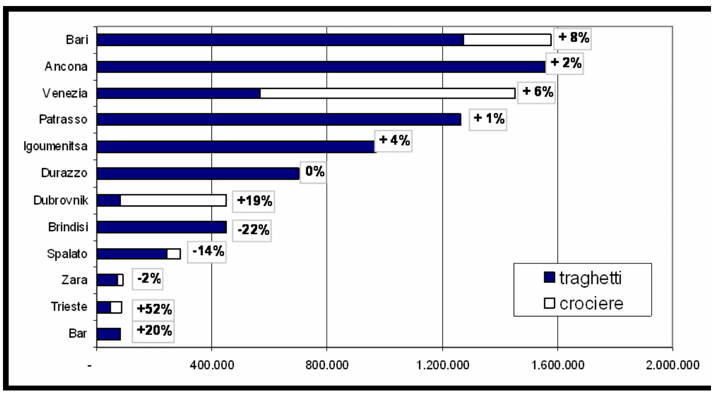
This year, in addition, we proffer a few first impressions concerning the development of container traffic in the Adriatic in light of changes and forecasts in growth of maritime traffic in the Mediterranean.

1. MARITIME TRAFFIC

1.1 Passenger Traffic

For the first time in several years, Bari is the leading port in the Adriatic-Ionian basin in terms of total passengers travelling on international routes (ferries and cruise-ships). The port totalled a turnover of 1.575.000 passengers in 2006, about a thousand more than Ancona. Ancona, however, is still the absolute leader in terms of transporting passengers on ferries.

PAX- TOTAL INTERNATIONAL TRAFFIC 2006



Source: ISTAO data based on information supplied by AP

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

Bari's prime position is the result of systematically greater development than Ancona in recent years. Not only has Bari become an important port in the cruise sector, it has also expanded considerably in the ferry sector, thereby also eating away at Brindisi's share of the market.

However, all the main ports are expanding in line with the development of the cruise ship sector.

The ports of the Western Adriatic (the only ones for which there is complete and comparable information) witnessed total traffic of 756.000 heavy goods vehicles and trailers, 95% of which on international routes connecting Italy with the Balkans and South-Eastern Europe (Greece and Turkey), and only 5% on the national coastal routes from Ravenna-Catania.

MOVEMENT OF HGVS TO AND FROM ITALIAN PORTS

	2001	2002	2003	2004	2005	2006
Trieste	27%	26%	29%	32%	27%	27%
Ancona	28%	28%	27%	27%	27%	26%
Bari	15%	16%	16%	17%	21%	25%
Brindisi	11%	10%	15%	13%	11%	8%
Ravenna	5%	5%	5%	5%	5%	5%
Venezia	14%	14%	8%	6%	10%	9%
TOT (%)	100%	100%	100%	100%	100%	100%
Tot. ADR	**706.808**	**740.878**	**746.476**	**719.266**	**736.620**	**756.019**

Source: ISTAO data based on information supplied by AP

56% of the traffic relates to HGV's and trailers on ferries to and from Greece, 27% relates to traffic to and from Turkey, and 8% Albania. The number of HGV's to and from Croatia and Montenegro is minimal.

The ports on the Western Adriatic have over time developed and consolidated special ties with principal markets: Ancona with Greece (39% of the market), Trieste with Turkey (100% of the market), Bari and Brindisi with Albania (84% of the market).

Analysis of each sector of the passenger market shows the following trends:

- GREECE. In 2006, passenger traffic to and from Greece amounted to 2.4 million people, an increase compared with 2005. It has, however, been a stable market for several years (in 2004, the year of the Olympics there was a sudden decline), in which Ancona has progressively strengthened her share of the market (46%). The only port to have significantly lost passengers is Brindisi, whilst Bari has shown a distinct development in the sector.
- CROATIA. Traffic with Croatia (446.000) has shown a reduction of 3%. It should be noted, however, that these figures do not include the greater part of the lines that start up during the summer with fast ships common along the coast. Clearly, they represent fierce competition compared with normal shipping lines. Ancona is showing a decline in traffic (-7%), whilst still maintaining a prime place (almost 81% of traffic along normal lines).
- ALBANIA. Passengers travelling from Italy to the ports of Durazzo and Valona totalled 778.000, a figure which is comparable with the previous year. All the Italian ports, excluding Bari, have reduced their share of both the HGV and passenger sectors of the market.
- MONTENEGRO. Passenger traffic to and from Bar (amounting to 80,000 people) has increased by 30%, with marked expansion at Ancona and Bari.
- CRUISES. The boom in cruises continues. Venice reached a figure of 886 thousand passengers in 2006, an increase of 9%. Dubrovnik has witnessed an increase of 23% in the number of cruise passengers.

CRUISE TRAFFIC IN THE MAIN A-I PORTS DURING 2006

Porto	2005	Var %	2006	Var %
Venezia	815.153	20%	885.664	9%
Dubrovnik	297.466	14%	367.321	23%
Bari	277.979	6%	303.388	9%
Trieste			50.000	ns
Spalato	47.315	39%	46.999	-1%
Zara	13.180	88%	19.739	50%
Ancona	39.638	701%	18.916	-52%

Source: ISTAO data based on information supplied by AP

1. MARITIME TRAFFIC 2006

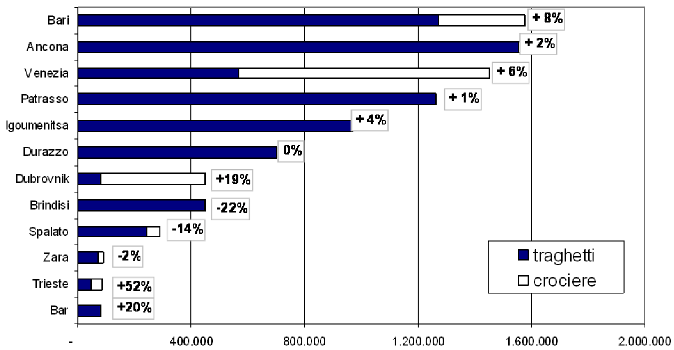
<u>1.2. Total freight traffic</u>

In 2006, a total of 218 million tons of freight was shipped, an increase of 4.7% compared with the previous year. This is a more sustained increase than the +2.1% recorded in 2005.

Taranto, with over 49 million tons of freight, has for the first time become the main port of the A-I basin. The firm position of the Puglia based port can be attributed to the excellent place it has reached as a transhipment port in containerised traffic, and also to its consolidation of the market in solid bulk freight (especially iron and steel), in which it has prime place in Italy.

All ports in the area have witnessed a considerable increase in the total volume of traffic. The only exception is Rijeka, where a considerable reduction in the traffic of bulk liquid freight in 2006 has been recorded.

A-I PORTS – TOTAL FREIGHT TRAFFIC DURING 2006 AND % VAR. 2005/2006

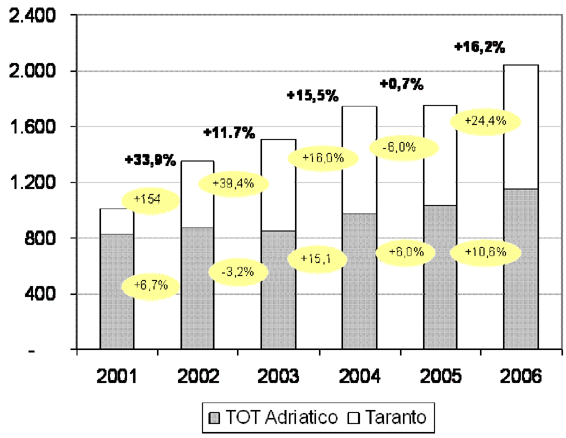


Source: ISTAO data based on information supplied by AP

1.3. Container traffic

For the first time, in 2006, container traffic in the A-I area exceeded 2 million teus, (+16%). The increase was influenced by the port of Taranto (+24.4%), which considerably recouped losses recorded the previous year, but expansion in the Adriatic ports was also strong (+10%), as they benefited from the economic growth of the companies that face these coast-lines. The only port showing a decrease in traffic is Ravenna (-4%). Today, the Adriatic moves a total of 1.1 million teus (the same as a medium-large port such as La Spezia).

A-I PORTS – CONTAINERISED FREIGHT TRAFFIC IN 2006 AND % VAR. 2005/2006

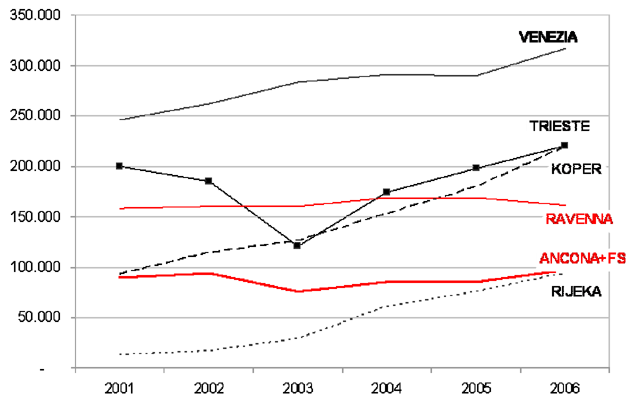


Source: ISTAO data based on information supplied by AP

It is necessary to make a few additional observations on containerised traffic and how competitivity of the ports changed during 2001-2006.

First, it must be stressed that the concentration of traffic has progressively moved towards the Northern Adriatic. In 2006, the ports of Venice, Trieste, Koper, and Rijeka bore 73% of container traffic in the Adriatic. This share has strengthened in the last five years: in 2001, in fact, these four ports handled 68% of total traffic. Ravenna and Ancona (where container traffic is loaded onto trains within the new dockyards at the port), substantially handle the same traffic as five years ago. In a dynamic market in general expansion, as is the case with container freight, this means the ports will become progressively more marginal.

TREND 2001-2006 CONTAINER TRAFFIC AT THE PRINCIPAL ADRIATIC PORTS



Source: ISTAO data based on information supplied by AP

Furthermore, the dynamism of the Eastern Adriatic ports is evident. The table shows the rates of growth of the main ports in the basin during 2002-2006. Apart from the already mentioned phenomenon of Taranto, which only in recent years has become one of the major transhipment ports of the Mediterranean, the ports that have shown the greatest expansion are Koper and Rijeka. Koper, in particular, has now caught up with a traditionally healthy port such as Trieste.

CONTAINERISED FREIGHT TRAFFIC IN .000 TEUS
IN THE MAIN A-I PORTS AND VAR. 2002-2006

	2002	*2003*	*2004*	*2005*	*2006*	***tasso var 2002/06***
TARANTO	472	658	763	717	892	**89%**
VENEZIA	262	284	291	290	317	**21%**
TRIESTE	185	120	175	198	220	**19%**
KOPER	115	126	153	180	219	**91%**
RAVENNA	161	160	169	169	162	**1%**
RIJEKA	17	29	61	76	94	**466%**
ANCONA*	94	76	65	64	97	**3%**

Source: *ISTAO data based on information supplied by AP*

Clearly, there are various and complex reasons for this success. One of these is, without doubt, the ability of managers to handle the demand for transport and logistics which is gradually moving towards Central-Eastern Europe, where the businesses of traditionally more developed countries (France, Germany, Italy) have centred much of their production and where, independently, new enterprises are coming into existence, also as a result of the felicitous effects on national economies of gradual integration into the Eu. The ports of the Upper Adriatic (and those of the Baltic on the northern front), traditionally marginal in relation to the principal routes of transport and logistics systems, could, nonetheless, play a new and more active role.

2. POLICIES OF THE INFRASTRUCTURES AND TRANSPORT SYSTEMS IN THE A-I AREA: UPDATE

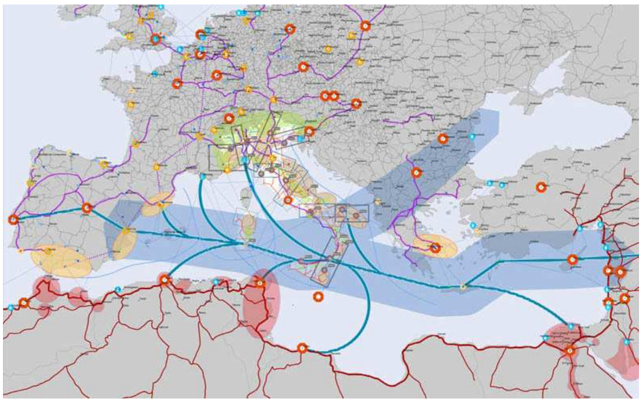
As regards what has been stated in the previous edition of this report, new European policies on the infrastructures and transport systems that affect the area have extended to enhancing access to financial resources for realising the project for "Motorways of the sea".

Before going into these developments in detail, the principal projects linked to the infrastructure and transport systems that affect the A-I area need to be recalled and borne in mind:

- On the Northern Adriatic front, the most important initiatives concern Corridor V and the high priority project for the train link Lyon-Trieste-Divaca-Ljubljana-Budapest. On the Italian front, many projects are already under way, (including the modernisation of the stretch of the A4 motorway between Turin and Trieste, a high priority project of the Italian Government). It should be completed by 2020.

- In the Southern Adriatic, various studies have been undertaken on the realisation of the Corridor VIII railway line which would link Bari and Brindisi with the Black Sea, passing through Albania, FYR Macedonia and Bulgaria. The Meridian Corridor, a project which is heavily sponsored by Italian interests, will join up with this route, which would extend Corridor VIII westwards towards Spain, and to the South East of the Mediterranean to the Near East.

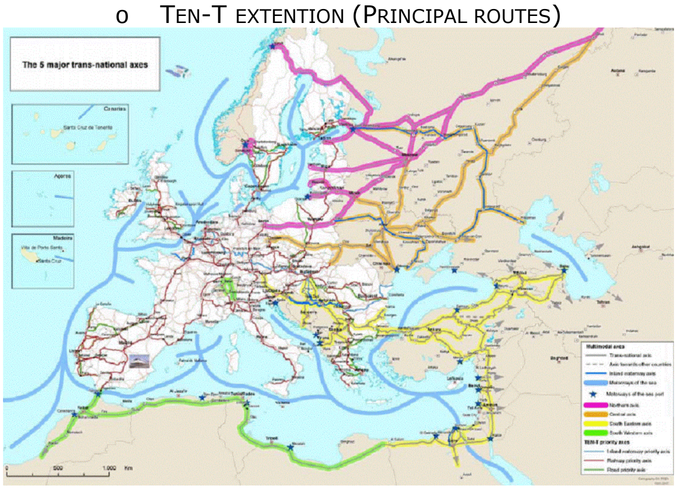
THE MERIDIAN CORRIDOR



Although this initiative is an opportunity to relaunch the Mediterranean and Southern Italy as logistical platforms in the heart of Europe, it also has the drawback of not having found dedicated financial funding in Europe.

- On the eastern front of the Adriatic, there are still plans to extend the transeuropean transport network to countries on the boundaries of the Eu. A general outline of extensions to the main routes is shown in the map below, which also illustrates the gradual move eastwards of Eu policies in terms of infrastructure and transport systems.

  - TEN-T EXTENTION (PRINCIPAL ROUTES)



There are 46 priority projects for the countries that face the A-I basin (Balkanic countries and Albania), of which 30 will be ready by 2010, and would fall within the range of Corridor VIII, Corridor X, and route C of Corridor V.

The "Motorway of the Sea" project could have a strong boost thanks to Marco Polo II, which unlike the first edition, has found specific capital in terms of projects and financial resources dedicated to its development.

The ultimate goals of the Marco Polo II programme are to reduce road congestion, improve the effects on the environment of transport systems, and to extend intermodal transport thus contributing to creating an efficient and sustainable transport system.

To do this it will exploit: 1) initiatives on transport method, in other words, supporting new services in off-the-road freight transport markets; 2) catalysing initiatives, i.e. funds for off the road freight transport solutions; 3) initiatives centred on simple understanding: supporting initiatives that improve co-operation, and sharing know-how in a transport and logistics industry that is becoming increasingly more complex.

l

The project known as Marco Polo II, which explicitly supports the development of the Motorways of the Sea projects, will begin this year. The TEN-T and Marco Polo projects for Motorways of the Sea do not overlap as they function on different levels, and in any event are complementary. The project for Transeuropean Transport Networks has as its principal aim the development of strategic infrastructures and the creation of a network of transport, and in order to do this it is essentially "managed" by the public sector. The Marco Polo programme mainly supports the introduction of transport services (and only in part the supporting infrastructures), and new routes dedicated to Motorways of the Sea. Above all, it is aimed at the private sector, i.e. at those who intend to set up new services.

3. Conclusion: Prospects for development of the Adriatic

It can be said that the assessments made every year on the prospects of development in relation to each of the sub-districts of the basin have been confirmed:

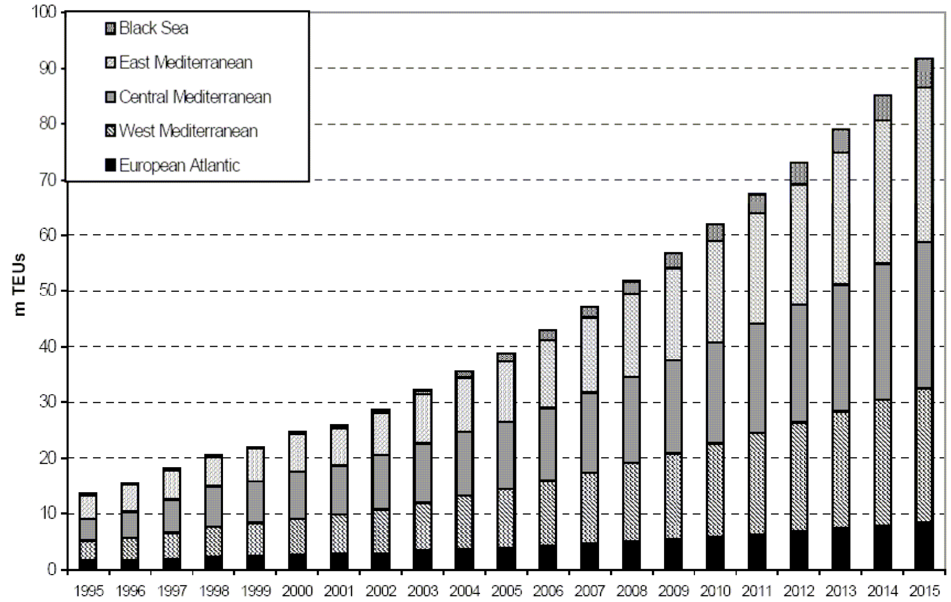
- The Northern Adriatic appears to be consolidating due both to dedicated infrastructure initiatives and to the natural strength of its ports in handling mostly container traffic.
- The Southern Adriatic is reinforced by the presence of a port like Taranto, and by the dynamism of Bari, but also by institutions that plan development in the area via the Corridor VIII and Meridian Corridor programmes. The main drawback lies in the lack of dedicated financial resources.
- The Mid-Adriatic lacks even the interest of national and international institutions, which appears to be a greater drawback than lack of financial resources, if one considers that Ancona and the Mid-Adriatic play a crucial role in the integration of Northern and Southern Europe. The routes that connect Ancona to the Balkans and Greece are natural "Motorways of the sea", acknowledged by the market as highly competitive.

In general terms, it needs to be stressed that the Adriatic could open up to new opportunities for development, especially in the container freight sector.

The expansion of international commercial traffic, the development and centrality of China and India in world maritime traffic, and the doubling in size of the Suez Canal which will enable vast motherships to enter the Mediterranean, give an insight into the extent of future expansion of maritime transport even in the Mediterranean,

In particular, it is forecast that more sustained expansion will occur in the Eastern Mediterranean (chiefly Turkey) and in the Black Sea where in the next 6 or 7 years it is forecast that container traffic will increase by 24-25% a year, double the rate of the Central or Western Mediterranean.

FIGURE 2
S. EUROPE/MED: TOTAL CONTAINERPORT DEMAND TO 2015 - Base Case



The traditionally strong position of the Adriatic in the links between the Eastern Mediterranean and the Black Sea promises new scope for growth. However, it will be necessary to work on adapting infrastructures - ports and links such as roads and railways. The contest to become a logistical platform in Central Europe will be played out on this front.