

Baltic Sea Ports: Tasks, development potentials and current issues

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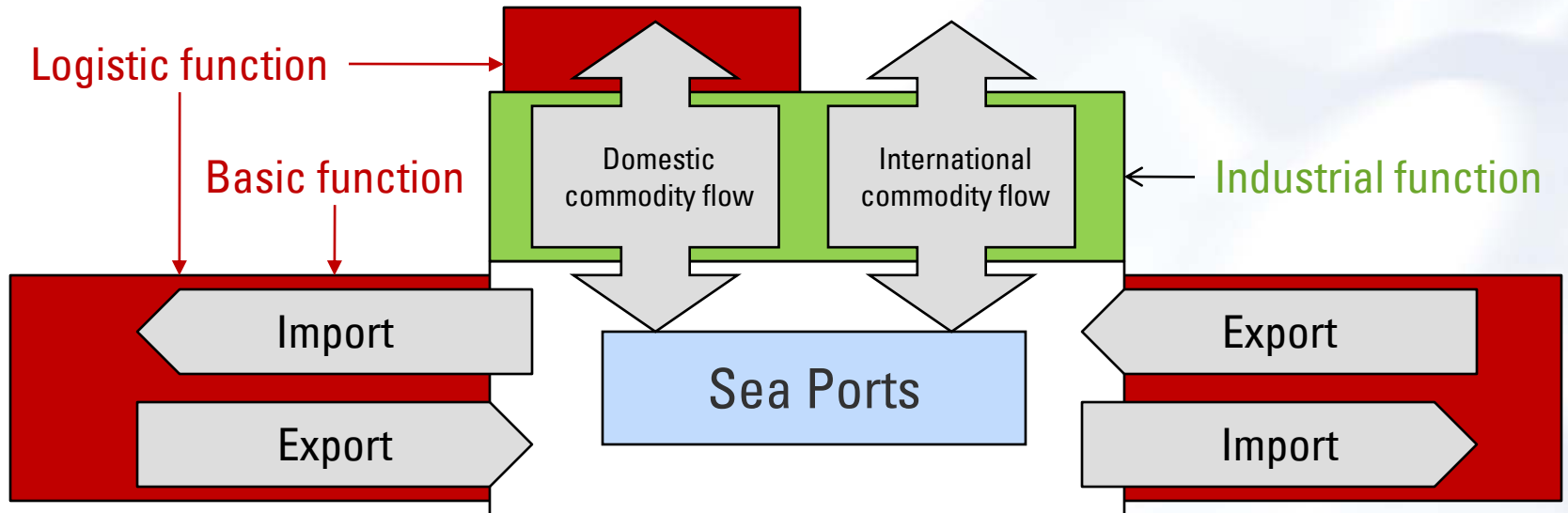
1. **Baltic Sea ports - „What are we talking about?“**
2. Key success factors of sea ports - “How to ensure the success of ports?”
3. Sea port development - „Which steps are to be taken to maintain the competitiveness?“
4. Current economic development - „What is the status quo of our economy?“
5. Current issues for the port industry - „How to deal with current problems?“

Categories of sea ports around the Baltic Sea

Category	Landlord Port	Tool Port	Service Port
Specifications	<ul style="list-style-type: none"> Independent companies responsible for infrastructure (port authority), suprastructure and port services 	<ul style="list-style-type: none"> Companies for port services independent from the owner of infrastructure and suprastructure 	<ul style="list-style-type: none"> One company responsible for infrastructure, suprastructure and all kinds of port services
Shareholder / Owner	<ul style="list-style-type: none"> public (infrastructure) private (suprastructure and port services) 	<ul style="list-style-type: none"> Public/private (infrastructure and suprastructure) private (port services) 	<ul style="list-style-type: none"> public private
Countries	<ul style="list-style-type: none"> Germany (e.g. Rostock) Poland (e.g. Gdansk) 	<ul style="list-style-type: none"> Poland (e.g. Gdynia) 	<ul style="list-style-type: none"> Scandinavia Smaller sea ports

← *trend to privatization (formal privatization of infrastructure)*

Functions of sea ports



International	National	Regional
Basic function		
	Logistics function	
		Industrial function



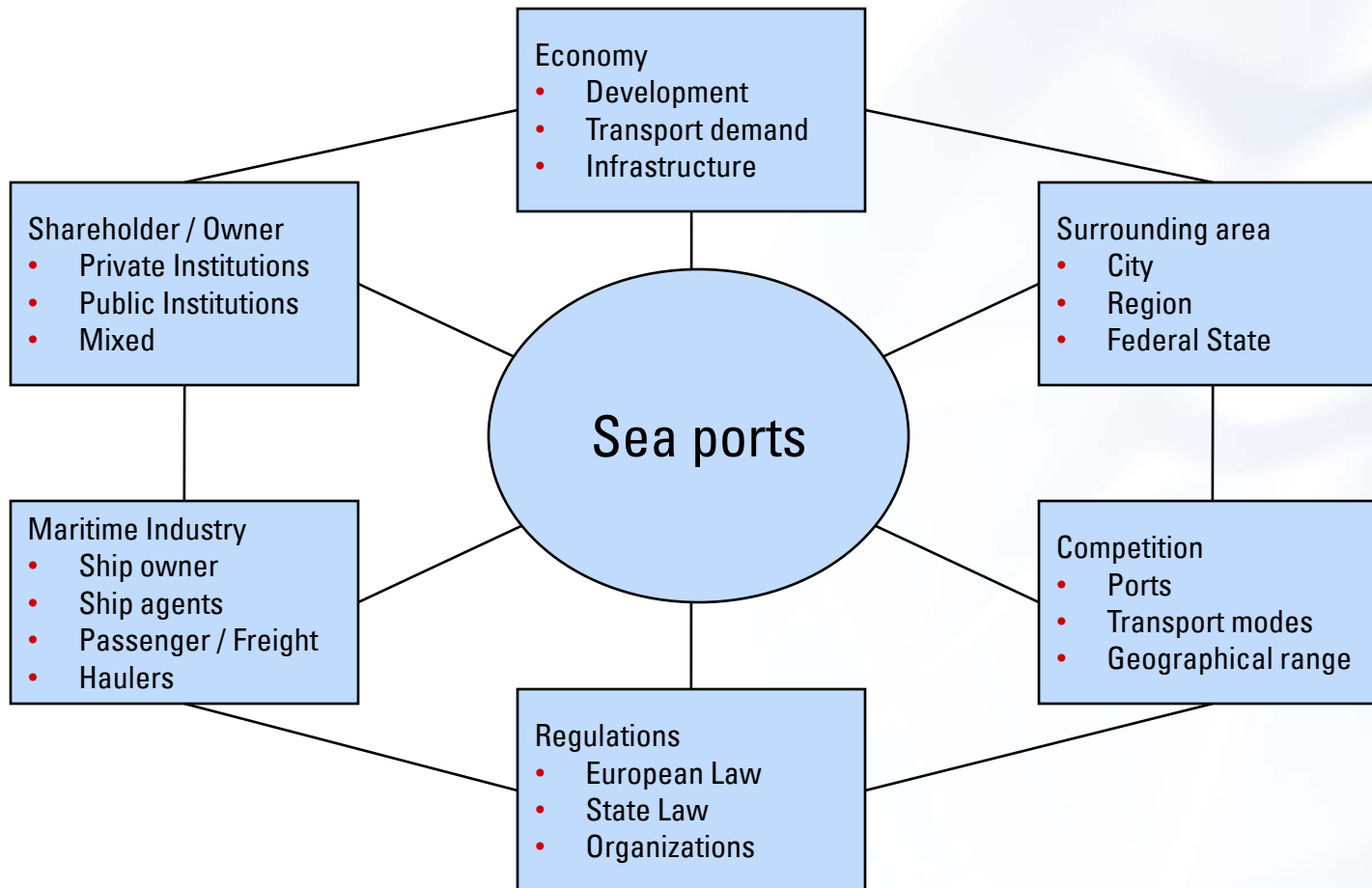
Sea ports as part of intermodal transport chains

Ports are intermodal hubs / knots with ...

- ... the highest demand for consolidation and distribution
- ... distinctive peaks and valleys
- ... the most possible variety of goods and transport equipment
- ... an optional spectrum of basic and complementary function
- ... a numerous palette of market players



Sea ports as multidimensional systems

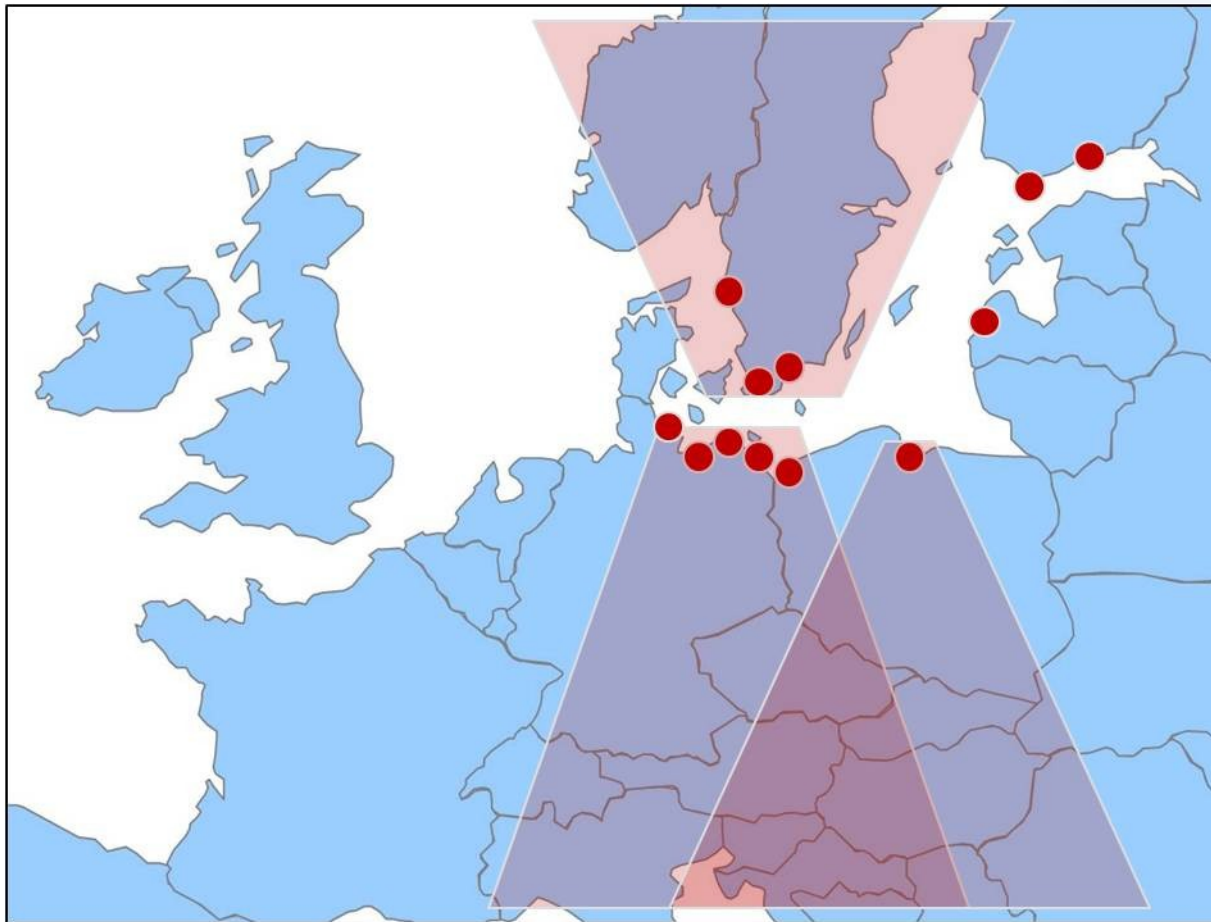


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Key success factors for sea ports

Location and connections	Infrastructure and suprastructure
<ul style="list-style-type: none"> • Important economic centre in the direct hinterland • regularly served shipping links • High frequencies on shipping links (“like a bridge”) • Good and direct accessibility by sea (short sea channel) 	<ul style="list-style-type: none"> • High capacity links between the port and its hinterland • Connection to the traffic network as direct as possible • Intermodal terminal / facilities • Port infrastructure and suprastructure according to customers need • Co-modality between different traffic modes
Port services	Complementary function
<ul style="list-style-type: none"> • Broad variety of shipping and rail service (intermodal; conventional) companies • Many, from infrastructure company independent, port service provider • Providing different services to handle all kinds of cargo (universal port) 	<ul style="list-style-type: none"> • Areas for the settlement of production facilities • Additional logistical facilities • Cruise port facilities and providing of touristic services

Key success factors for sea ports

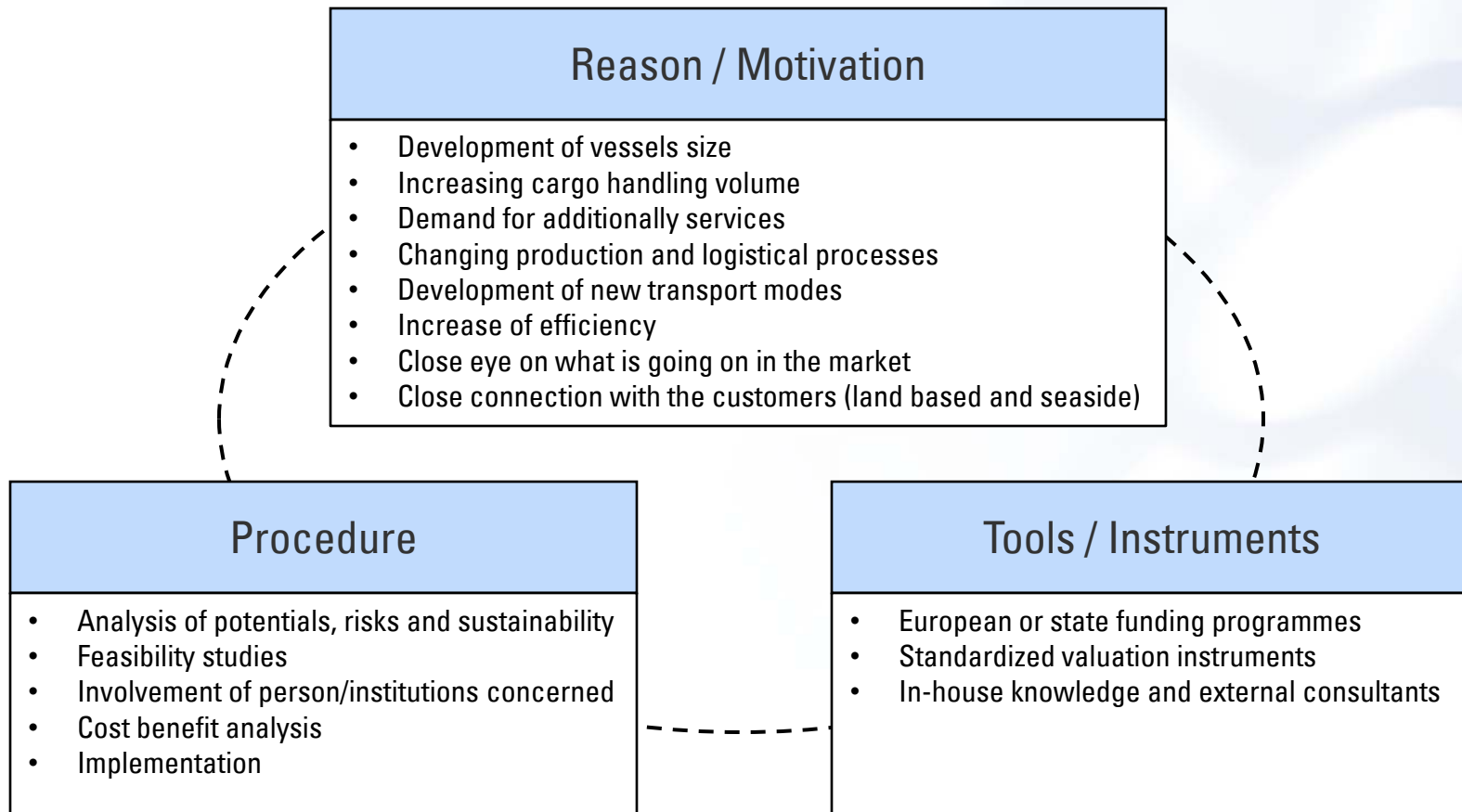


The location of a sea port in a geographical range and its hinterland connections are the most important factors of success



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Port development as iterative process



External port development

Development process	Result
Buying real estate around the port area and farther surrounding areas	Fulfilling future needs for port areas and to keep a distance between ports and cities (areas for living, leisure and work)
Lobbying at federal and European level regarding hinterland connections and seaways	Assure the accessibility of the port from its hinterland on road and rail
Monitoring of new regulations on local, federal and European level	Minimize the negative impact on ports and maritime industry

Internal port development

Development process	Result
Select ion of a development/port strategy (focus on infrastructure; focus on cargo handling activities; focus on additional logistic activities)	Organization model for the port
Adaption of port infrastructure and port areas	Configuration of port areas according to customers need
Promotion of competition between all port service companies (adequate market potential)	High quality at competitive prices and avoidance of monopolies if possible in order to strengthen the market position
Reasonable - entity specific - lease contract for real estate and buildings	Efficient allocation of port area to ensure the flexibility regarding renewing of contracts

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Some theses about ports and economy

- as a rule-of-thumb: the relation between foreign trade and transport volume is about 1 : 2,5
- the current downturn in cargo handling volume (mainly the downturn in the Baltic States) fits that ratio
- the last years showed a structural change of goods (produced / transported) from high volumes with low value to small volumes with high value
- RoRo- and ferry services have been affected by economic changes in a higher degree than bulk cargo

Factors affecting the international trade in the future

		Past 20 years	Today	Next decade
Macroeconomic	World GDP	Booming	Recession	Growth will resume, but at a slower pace
	Free trade	Opening up, with help from the World Trade Organization	Signs of re-emerging protectionism	Uncertain, depending on economic conditions
	Comparative advantage	High (low labor costs in China)	Rising costs of labor and real estate erodes advantage	Continued narrowing
	Credit conditions	Easily attainable	Severe credit crunch affects trade and investment	Rebuilding confidence and restoring balance sheets
	Exchange rates	Stable with a few exceptions (Asian currencies were low)	Unstable and uncertain due to conflicting monetary policies	Slowly stabilizing, with stronger Asian currencies emerging
	Information technology	Revolutionary change	Still plenty of benefits that have not yet been realized	Continued emergence of improved technology
	Outsourcing	Booming due to what was seen as "unlimited potential"	Realization of limitations (is it profitable growth?)	Further potential in select segments
	Market-oriented political environment	Opening up of Far East and Eastern Europe	Stable so far	Hard to predict if troubled economic times persist
Microeconomic	Transportation costs	Low	Lowest in years due to excess capacity and low oil prices	Long-term trend is up (oil, CO ₂ , absorption of excess capacity)
	Deregulation	Deregulation and privatization in full swing worldwide	Suspensions remain about de-regulation and capital markets	Unlikely to return to post-WWII regulation and state ownership
	Industry consolidation	Largely horizontal among competitors	Excess supply (including consolidation by attrition)	Gradually resuming but less daring
	Infrastructure	Substantial investments but often failing to meet demand	Drop in volumes easing pressure on infrastructure	Big "Keynesian" push to improve infrastructure in many countries

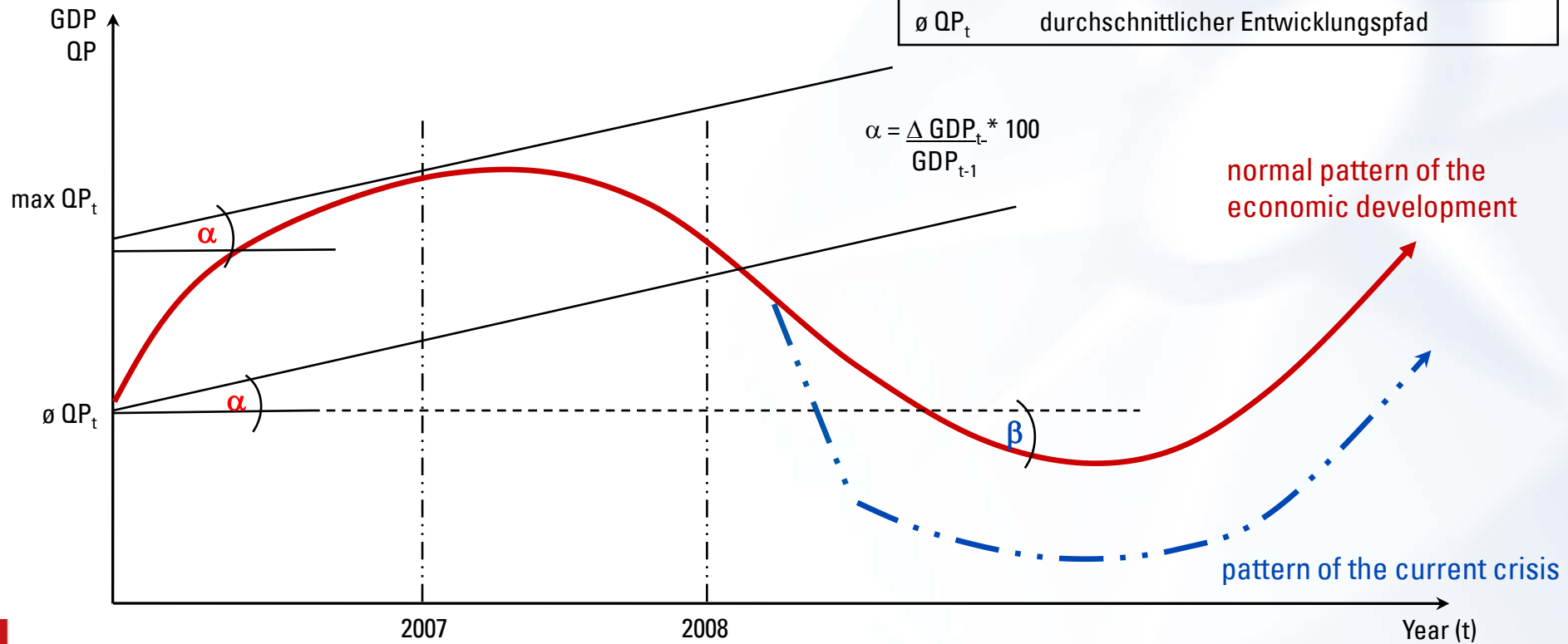
Source: A.T. Kearney analysis

Positive
 Uncertain
 Negative

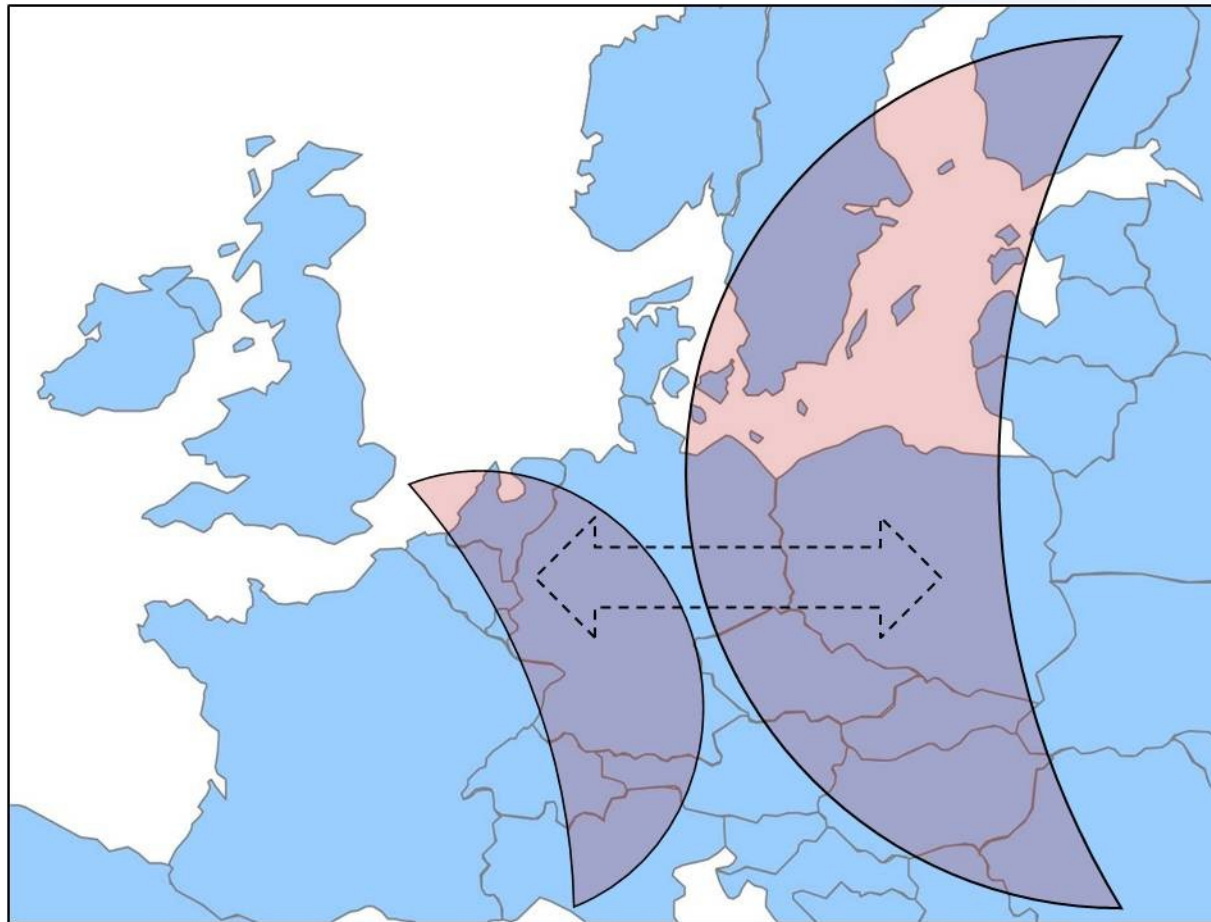


Economic slowdown or market downturn

α	%-Wachstum des Produktionspotentials
β	tatsächliche Entwicklung = Konjunktur
QP	Produktionspotential
$\max QP_t$	Entwicklungspfad des Produktionspotentials
$\emptyset QP_t$	durchschnittlicher Entwicklungspfad



Relocation of transport flows in the future

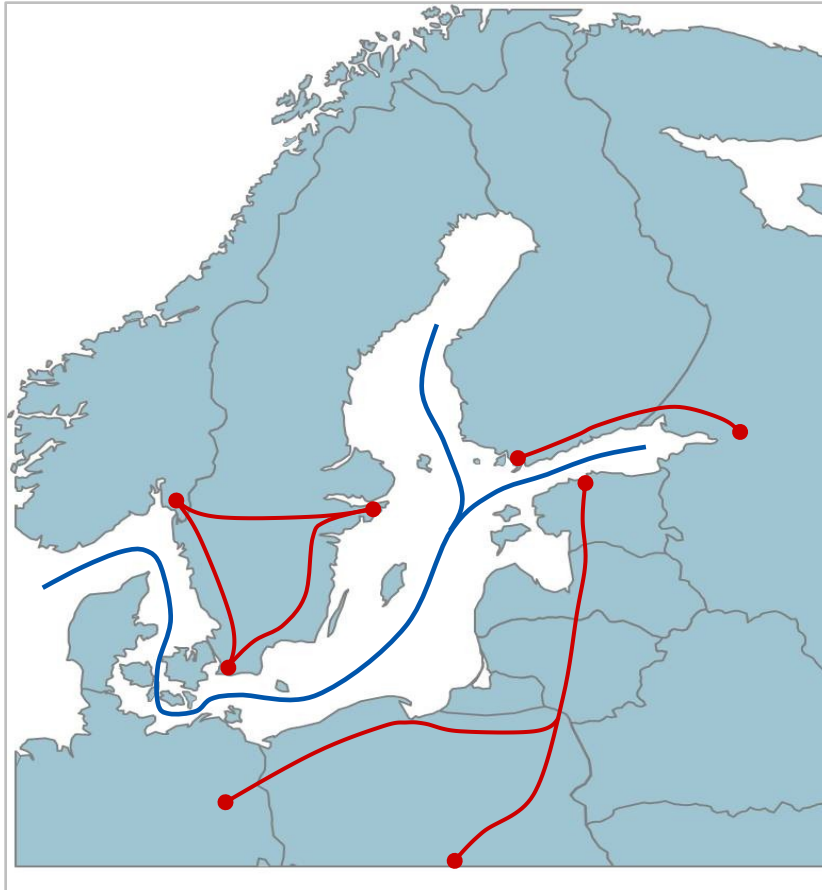


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Theses: Accommodations needed to be fit for the future

- extension / upgrading of existing seaways and hinterland connections
- construction of new and high capacity hinterland links to and from ports
- a level playing field between land based transports and maritime transport (not only air pollution, but also land consumption, noise and use of scarce resources)
- reasonable environmental legislation and regulation to avoid a devaluation on port infrastructures due to decreasing utilization of ports
- acquisition of land around the ports and a reasonable designation of categories for land usage (rezoning / change of use of surrounding areas) to fulfill the requirements on a logistic and industrial location

Level playing field for all transport modes



- Highly competitive land based transport system parallel to shipping routes
- Latent risk of traffic shift from sea to road with serious consequences for port authorities in the Baltic Sea Region



New IMO regulation about ship emissions (influence on ports)

- Emissions of noise, from cargo handling activities and traffic flows

- Pollutions from ships (SO_2 , NO_x , CO_2 , particle matter, other emissions)



- Other pollutions from industrial production
- Resources for buildings and maintaining land based infrastructure

Scope of the IMO regulation

Land

Sea





Thank you for your attention!



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