The European Union's Tacis TRACECA programme
for Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

TACIS 117107

Improvement of Maritime Links between

TRACECA and TENs Corridors

Bulgaria Georgia Romania Turkey Ukraine

Report on the Market Analysis workshop, Varna, 6 March 2008

May 2008

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A project executed by
Royal Haskoning,
NEA
BCEOM

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1 Report cover page

Project Title:	Improvement of Maritime Links between TRACECA and TENs Corridors	
Project Number:	TACIS 117107	
Country:	Ukraine, Romania, Bulgaria, Turkey, Georgia	
Document Name	Maritime Links TRACECA-TEN Progress Report 1	
	Client	Contractor
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Date of report:	May 2007	
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2 Project synopsis

Project Title:	Improvement of Maritime Links between TRACECA and TENs Corridors
Project Number:	TACIS 117107
Countries:	Bulgaria, Georgia, Romania, Turkey & Ukraine

Project activities:

Phase 0 (April – June 2007):
Inception

Phase 1A (June 2007 – April 2008):
Preparation of the Market Study

Phase 1B (June 2007 – April 2008):
Preparation of the Action Plan
Development of Port PPP Framework

Phase 2 (May 2008 – April 2009):
Preparation of the Feasibility Study for Samsun Port Ro-ro Ferry Links
Implementation of maritime safety and security improvements
Development of a Port Community Pilot Scheme
Assessment of the PPP potential of port investment needs/projects in the region and selection of Bankable Projects.

Project starting date:	16 April 2007
Project duration:	24 months
Project implemented by:	Royal Haskoning (The Netherlands) and consortium partners: NEA Transport Research and Training (The Netherlands) BCEOM (France)

3 INTRODUCTION

In the first year of the project much emphasis was put on the market analysis of the maritime situation in the Black Sea. A forecast of transport flows for the year 2020 was made, which, together with a technical assessment of the current facilities and current efficiency of port operations gives an indication of where improvements are necessary and which investments should be given priority. Also the port dues were analysed and compared with international best practices.
On March 6 a workshop was organised in Varna to discuss the results of the market analysis with stakeholders. This document gives an overview of the workshop.

4 Participants

Ukraine	
Ms. O. Zhulavska	Sea Commercial Port of Illichevsk, Leading Specialist, Marketing and Logistics Department
Ms. I. Skliaruk	SE "Odessa Sea Commercial Port", Senior Manager of Development and External Affairs Department, SE "Odessa Sea Commercial Port"
Ms. T. Dyachenko	Head of Division for investment policy, Department for transport systems development and coordination, Ministry of Transport and Communications of Ukraine (TRACECA National Secretary Ukraine office)
Romania	
Mr. I. Iordache	TRACECA National Secretary of Romania
Ms. L. Niculae	Port of Constantza Administration, marketing department
Bulgaria	
Mr. A. Zaburtov	Deputy Director General, Bulgaria Port Infrastructure Company
Mr. T. Ivanov	Manager marketing and quality management systems, Port of Burgas
Mr. Anton Pashov	Expert in Executive Agency “Maritime Administration"
Mr. D. Papazov	Executive Director, Port of Varna
Mr. A. Stankov	Director Operations, Port of Varna
Mr. K. Donev	Head of Portconsult Department, Port of Varna
Mr. G. Petkov	Director, Intermodal Short Sea and Inland Waterway Promotion Association
Mr. Emil Davidkov	General manager Conyainer devision, Navigation Maritime Bulgare, Bulcon
Mr. Ivan Tashev	Director Liner Shipping, Navigation Maritime Bulgare
Turkey	
Mr. H. Erdogan	State Railways, Head of Ports, Chief of Operational section
Mr. F. Tezel	Under secretariat of Maritime Affairs, Chief expert
Mr. S. Görür	Deputy Director General, Port of Derince
Mr. Y. Arslandaĝ	Deputy Director General, Port of Samsun
Georgia	
Mr. P. Tsagareishvili	Deputy Head of Transport Department, Ministry of Economic Development of Georgia (TRACECA National Secretary Georgia office)
Mr. R. Bejanidze	Head of Administration Department, Batumi Sea Port
Mr. E. Machavariani	Director of Commerce and Investment, Poti Sea Port

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Project team:	Klaas Westerkamp, Market research
	Sean Newton, Forecast modelling
	Barry Zondag, Port assignment
	Amanda Rasch., Market analysis
	Wim Welvaarts, Port operations
	Wouter van Nus, Port tariffs
	Victor Timmermans, Port marketing
	Kristiana Charakova, Local coördinator Bulgaria
	Katia Bassova, local coördinator Ukraine
	Edwin Lock, Project manager

5 Agenda

Venue: Grand Hotel Varna
Varna, Bulgaria

Wednesday, 5 March 2008

	Arrival participants / transfer from airport to hotel
19.30	Welcome drink and diner

Thursday, 6 March 2008

09.00 – 09.10	Opening workshop Mr Angel Zaburtov, Deputy General Director Bulgarian Ports Infrastructure Co. Mr Edwin Lock, Royal Haskoning, Team leader
09.10 – 09.15	Introduction Market Analysis Mr Klaas Westerkamp, NEA Transport research and training
09.15 – 09.45	Forecast transport flows in the Black Sea, 2020 Mr Sean Newton, NEA Transport research and training
09.45 – 10.15	Port assignment of transport flows in the Black Sea, 2020 Mr Barry Zondag, Significance / NEA
10.15 – 10.45	Discussion
10.45 – 11.00	Coffee/tea break
11.00 – 11.30	Analysis of present port operations, facilities and performance rate Mr Wim Welvaarts, Royal Haskoning
11.30 – 12.00	Tariff structure of the different ports and maritime links Mr Wouter van Nus, Royal Haskoning
12.00 – 12.30	Discussion
12.30 – 14.00	Lunch
14.00 – 15.00	Port marketing: Marketing theories, methods and practices Mr Victor Timmermans, ex-Port of Rotterdam Commercial manager, Royal Haskoning/mtbs
15.00 – 15.30	Coffee/tea break

15.30 – 16.00	Assessment of constraints and prospects for Black Sea ports Mr Klaas Westerkamp, NEA Transport research and training
16.00 – 17.30	Overall discussion
17.30	Closure of Workshop Mr Edwin Lock, Royal Haskoning, Team leader
19.00	Dinner
21.00	Live jazz concert at G Bar of Grand Hotel Varna

Friday, 7 March 2008

Transfer to airport

The working language of the workshop is English.

6 Presentations

Forecast Transport Flows

Black Sea Region, 2020

Sean Newton, NEA Transport Research and Training, Zoetermeer, NL

6th March 2008, Varna, Bulgaria

1

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Objectives

- To examine trade patterns within the hinterlands of the selected Black Sea Ports.
- To segment these flows by region and by product.
- To establish a set of trade forecasts to 2020 for the Black Sea region as a whole.

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Presentation Outline

- Recent Trends – market environment
- Forecasting Method – top down approach
- Forecast Results

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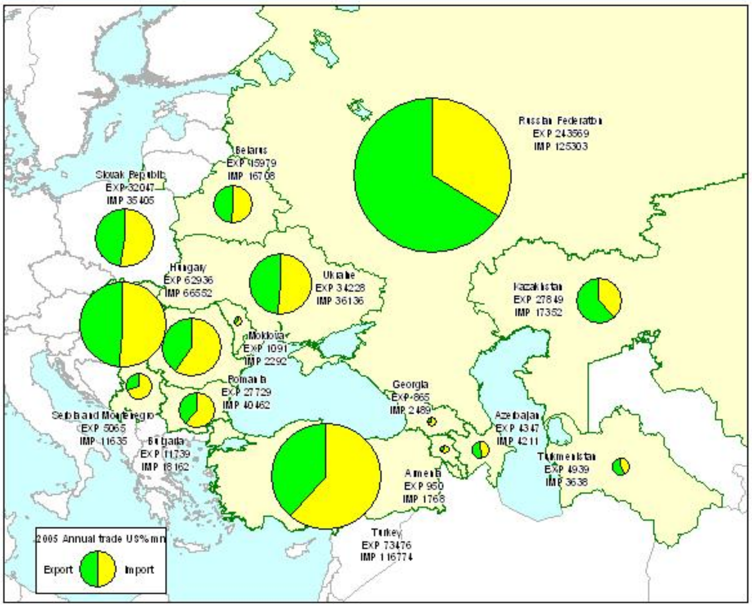
Recent Trends



- Trade by Value (US$)
- Selected 15 core countries
- All flows
- Growth of 320-340% over last 10 years.

Total Trade Growth

	1995	2000	2005	2005/1995
Export Value (US$Bn)	120	220	476	14.77%
Export Tonnes (Mn)	416	805	1150	10.70%
Import Value (US$Bn)	117	187	442	14.22%
Import Tonnes (Mn)	257	448	546	7.83%

- 2005/1995: compound annual growth rates.
- Trade affecting Black Sea 15 core countries.
- Black Sea 15 Import Value similar to Italian trade today.

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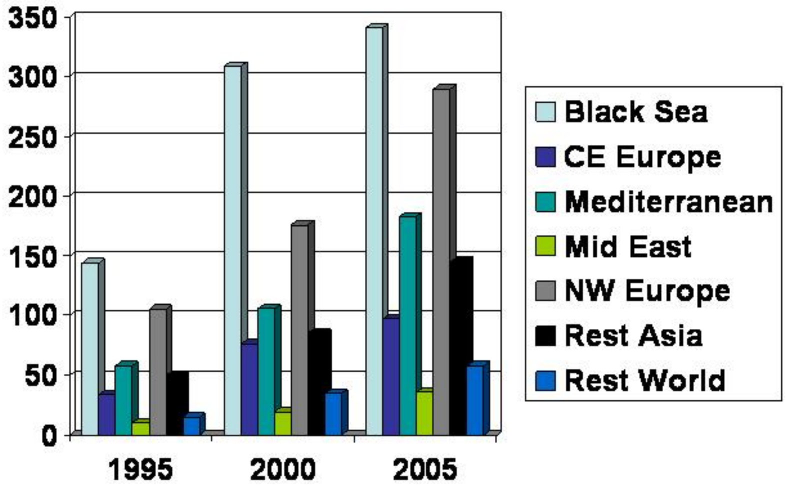
By Trade Region

Trade between 15 Black Sea countries and Rest of the World: Export Tonnes



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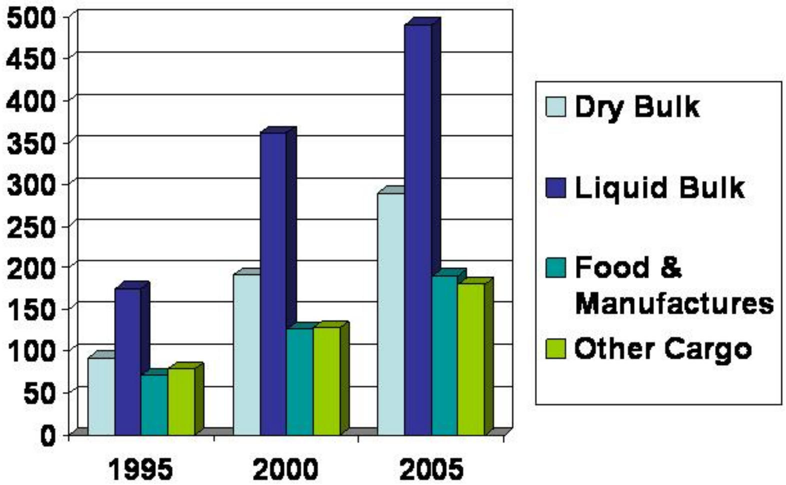
By Product Group

Trade between 15 Black Sea countries and Rest of the World: Export Tonnes



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Container Service Deployment

	2002			2007		
	Calls	TEU	TEU/Call	Calls	TEU	TEU/Call
Bulgaria	556	313,069	563	562	437,421	778
Romania	498	368,039	739	1,631	2,722,866	1669
Ukraine	946	615,412	651	1,025	2,580,572	2518
Russia	284	140,702	495	650	476,623	733
Georgia	232	81,382	351	405	291,152	719
Turkey*	3,412	2,756,340	808	5,201	7,625,462	1,466
TOTAL	5,928	4,274,944	721	9,474	14,134,096	1,492

- Turkey: Black Sea and Marmara Ports Only
- Deployed TEU Capacity = Ship Calls * Vessel Size (TEU)

- *(Source: MDS Transmodal Containership Databank, 2008)*

Effect of Deployment Changes

- Previously:
  - •T/S in Med.
- Now:
  - •T/S in Black Sea
- More port traffic for given level of demand.
- Plus empty returns.

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Recent Trends - Summary

- High growth:
  - 7-11% per annum by weight (tonnage)
  - 14-15% per annum by dollar value.
- Broad based
  - By trading partner
  - By product group
- "Virtuous Circle" reinforced by port development and arrival of deep sea container vessels and transhipment traffic.

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Forecasting Method

- Top down approach.
- Focusing upon market environment.
- Can trade growth continue at historical levels?

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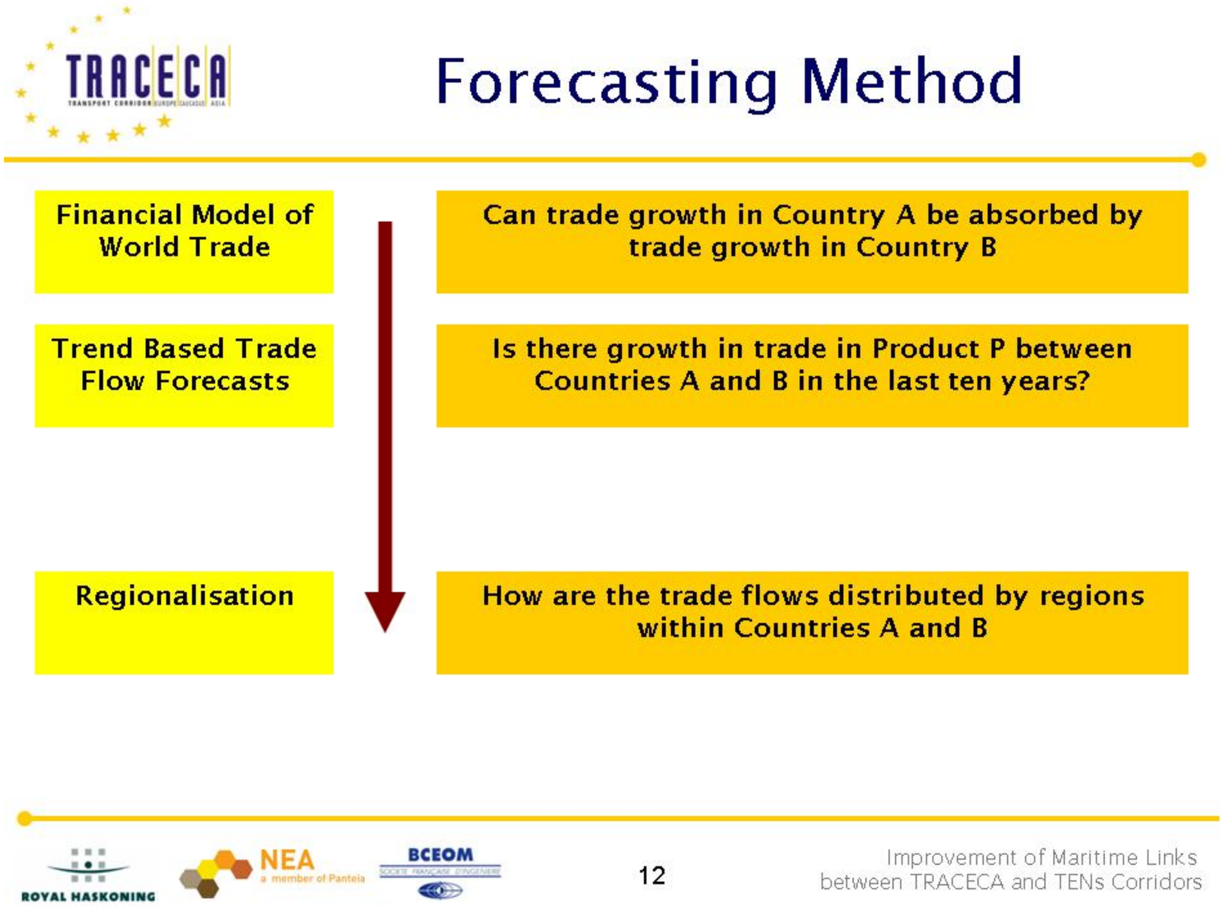
Forecasting Method
Financial Model of World Trade
Can trade growth in Country A be absorbed by trade growth in Country B
Trend Based Trade Flow Forecasts
Is there growth in trade in Product P between Countries A and B in the last ten years?
Regionalisation
How are the trade flows distributed by regions within Countries A and B
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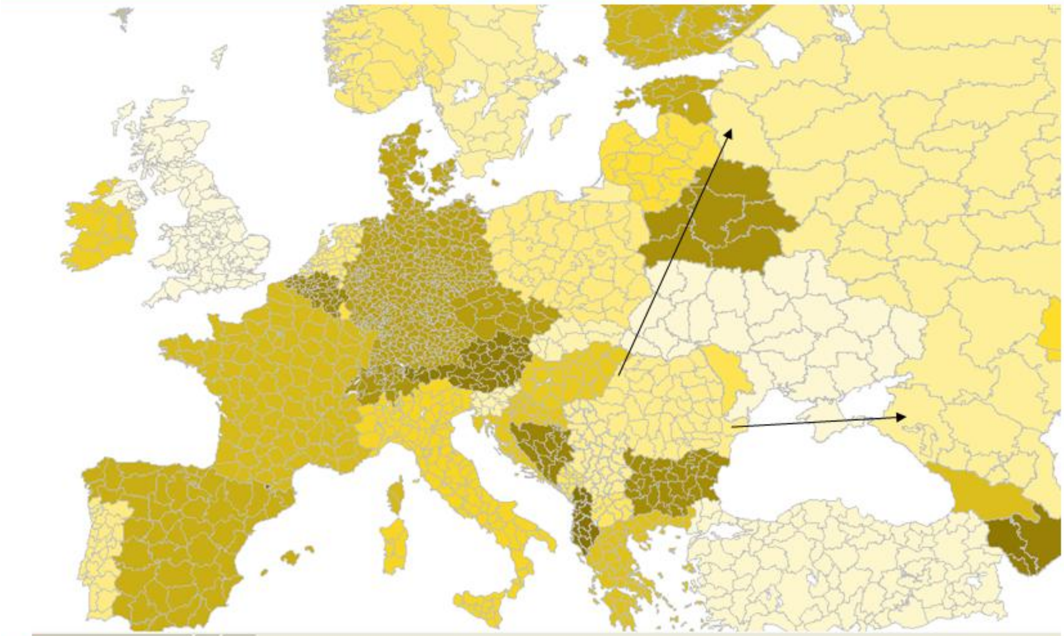
Need for Regionalisation



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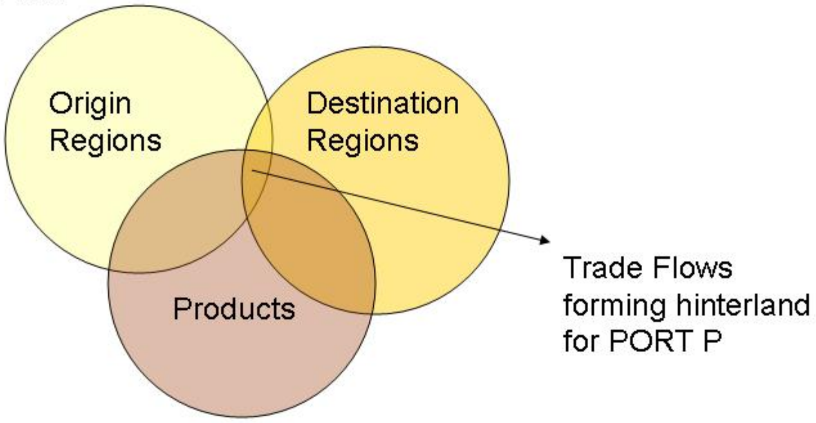
Forecasting Method

- From this:
  - Region A, Region B, Product C, Tonnes 2005, Tonnes 2020

- You can do this:



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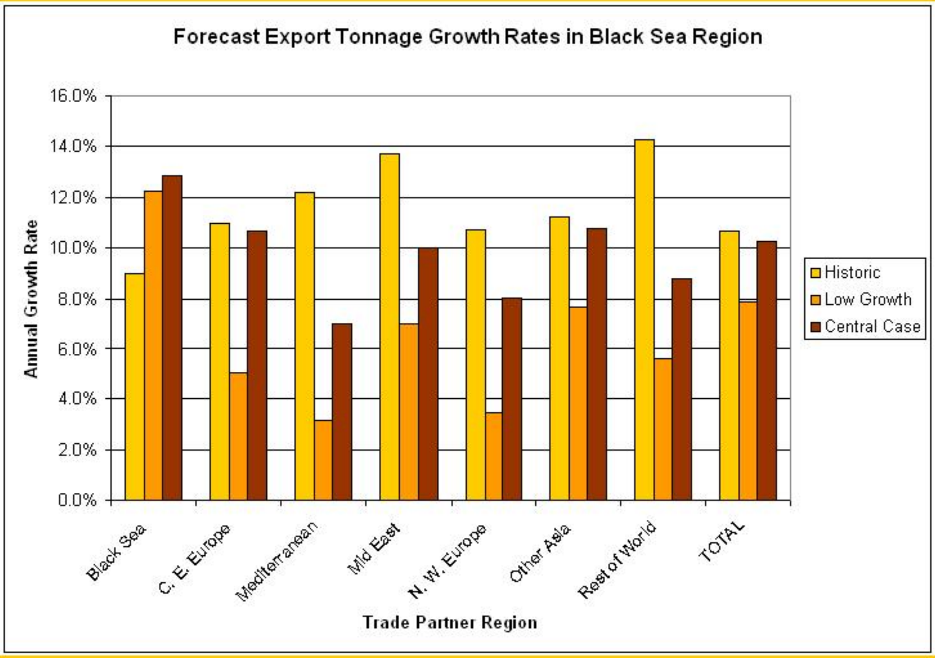
Forecast Results

- Two trade scenarios:
  - Central Case – using standard model settings.
  - Low Growth – using tighter financial constraints.

Export Tonnes: 15 Core Countries



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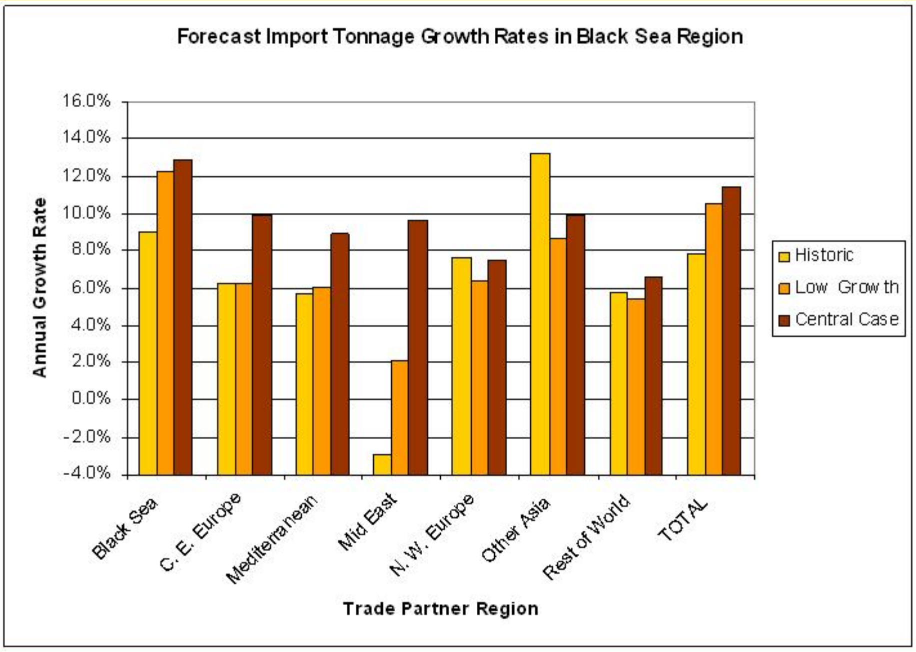
Import Tonnes: 15 Core Countries



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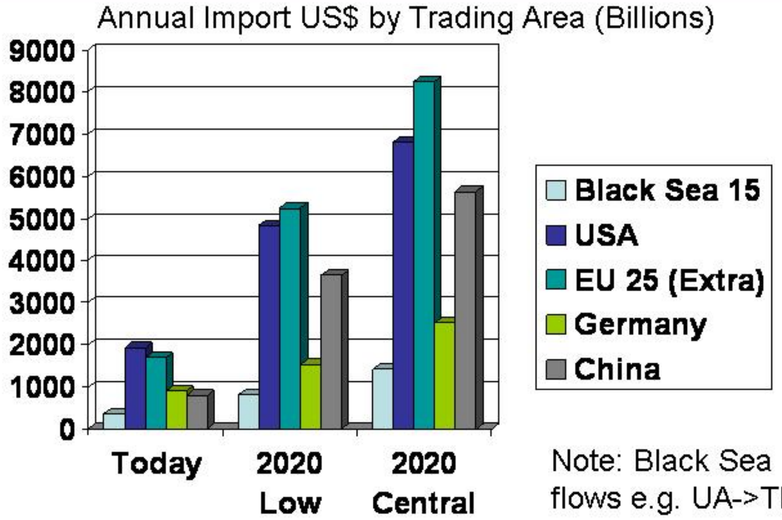
Trade Growth: International Comparisons



Note: Black Sea 15 excludes "intra" flows e.g. UA->TR

Non- Black Sea forecasts are based on historical growth rates alone.

Conclusions

- The model gives the following expectation:
  - Low scenario: 7% compound annual growth, (2.8x growth factor to 2020)
  - Central scenario: 11% compound annual growth, (4.8x growth factor to 2020)

- Now necessary to translate these growth rates into forecasts for the 11 ports in the study.
  - Which corridors?
  - How much maritime traffic?
  - How much bulk/unitised cargo?
  - What are the capacity constraints?

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Freight forecasting for the Black Sea ports

Dr. ir. Barry Zondag

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Overview presentation

- Port freight forecasting Approach
- Market outlook for TRACECA ports
- Observations

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Scenario Approach

- Forecast does not produce a single figure by port but a bandwidth is presented, depending on:
  - Economic/trade developments in the Black sea region
  - Developments in transport sector – level of containerization

Result bandwidth for forecasts (scenario A and B) by port on number of tonnes by handling type

Trade developments

Assignment of trade forecast scenarios to the ports:

- Use of trade forecasts data base by region and type of goods
- Market share of Port in hinterland defined by handling type
- assignment checked on base year 2005 port statistics
- Adjust for changes/extension of port hinterland in 2020

Port flow volumes in 2020, scenario A is based on lower growth trade scenario and scenario B on central forecast

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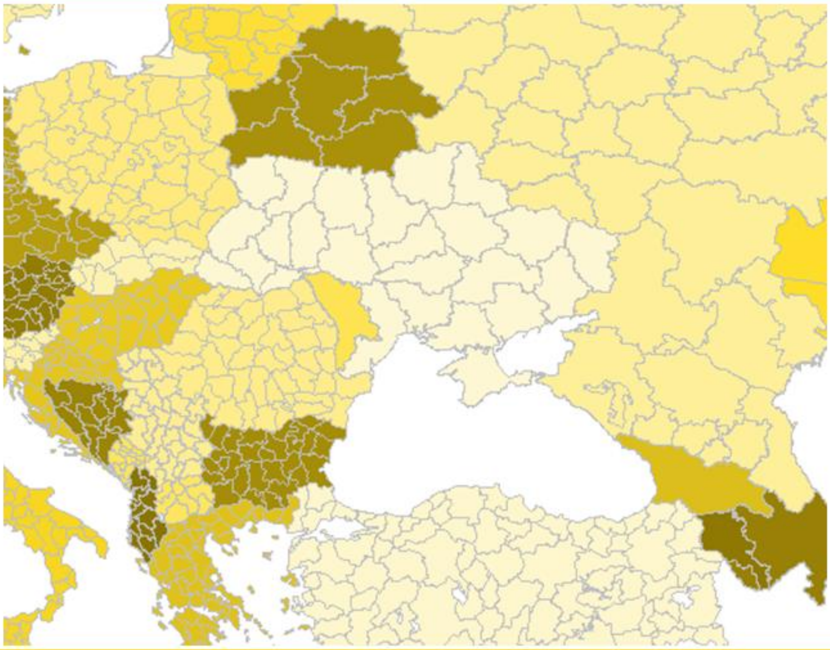
Hinterland



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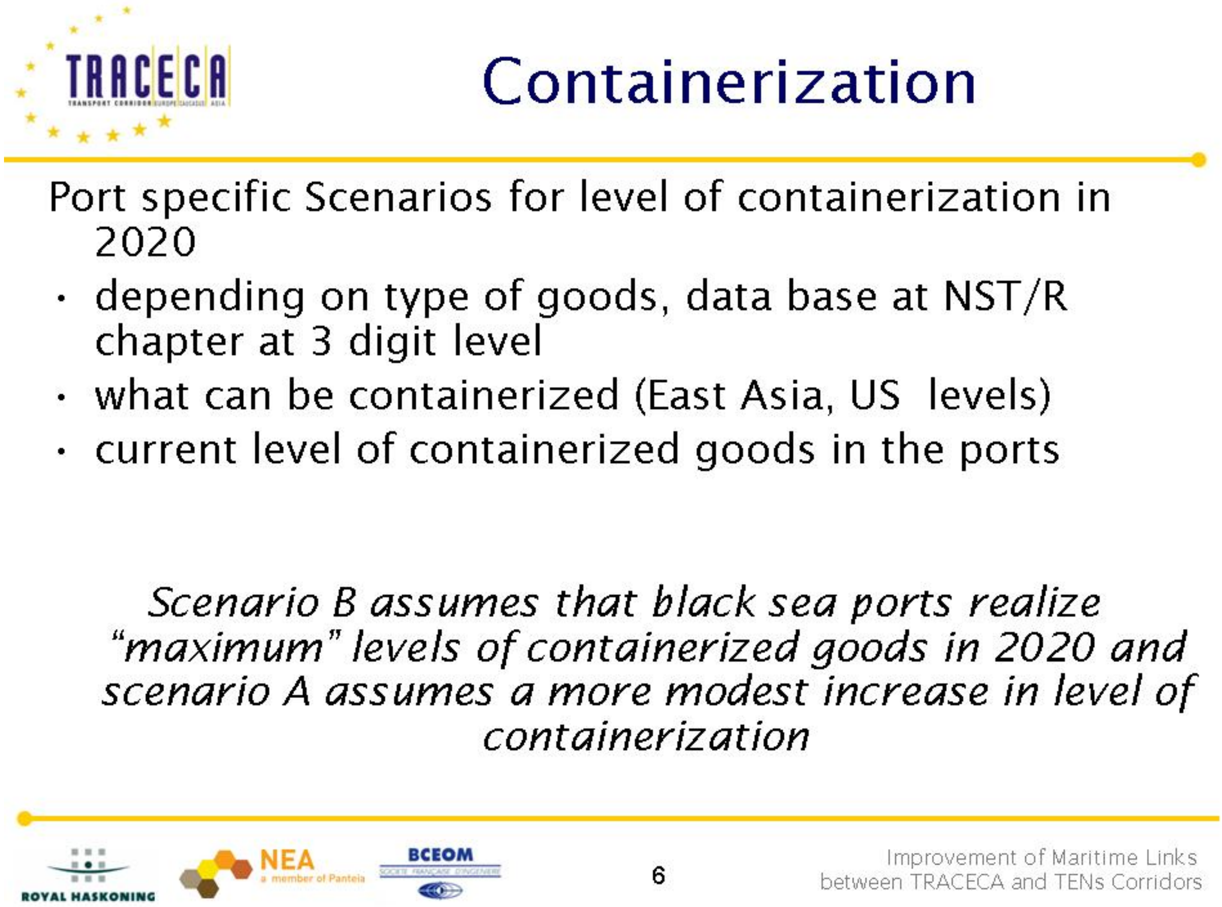
Containerization
Port specific Scenarios for level of containerization in 2020
• depending on type of goods, data base at NST/R chapter at 3 digit level
• what can be containerized (East Asia, US levels)
• current level of containerized goods in the ports
Scenario B assumes that black sea ports realize "maximum" levels of containerized goods in 2020 and scenario A assumes a more modest increase in level of containerization
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Containers (TEU)

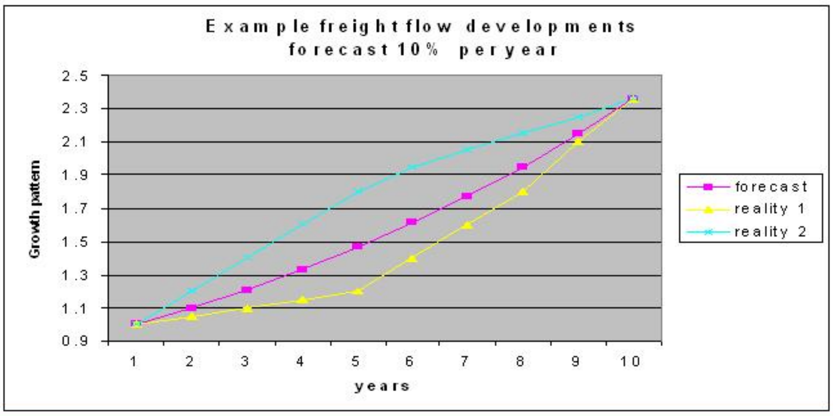
- Transfer forecast on containerized tonnes into TEU, depending on existing average weight and developments
- Transshipment flows – modest growth assumption for the region due to:
  - Increase in number of direct calls
  - Transshipment options outside Black Sea region
  - Potential lack of free capacity in Black Sea port

Bandwidth for forecasts by port on number of TEU

Status of forecast (1)

Forecasts have been produced for the 11 Traceca ports:

- In tons by handling type (GC, UN, SB, LB)
- Period 2005 to 2020 – annual growth percentage reflects average growth (reality is more fluctuating)



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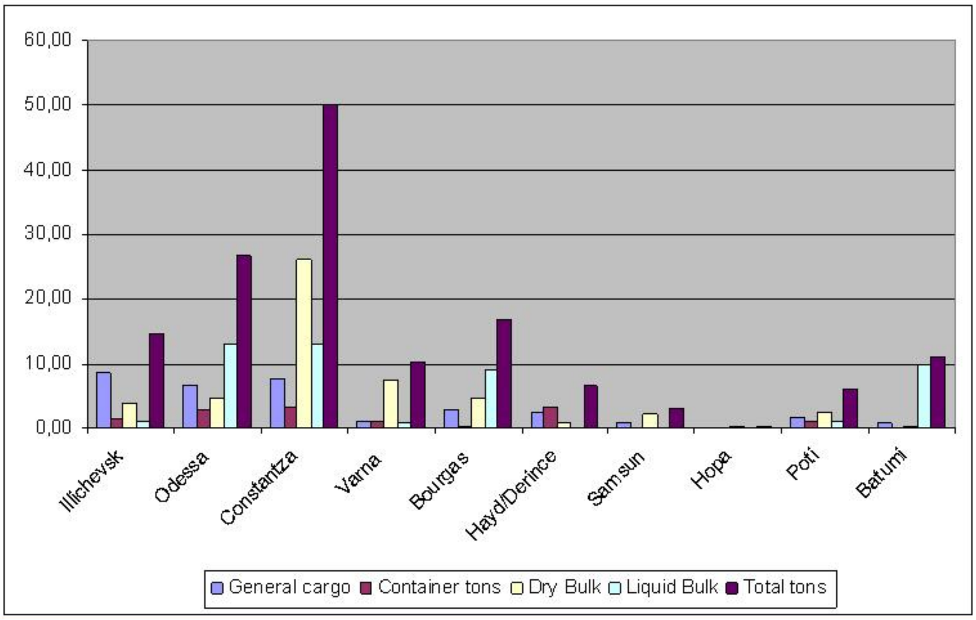
Status of forecast (2)

- Forecast should be treated as market potential – assuming supply side needs are timely realized
- For some ports hinterland areas are overlapping to such extend that in the market potential analysis these ports are treated as one – final volumes will depend on port performance
- Market share of non-TRACECA Black Sea ports is assumed to be fixed
- Forecasts are still draft and need to be discussed with local experts (meeting of today!) - to take advantage of local knowledge and peculiarities

Port volumes 2005



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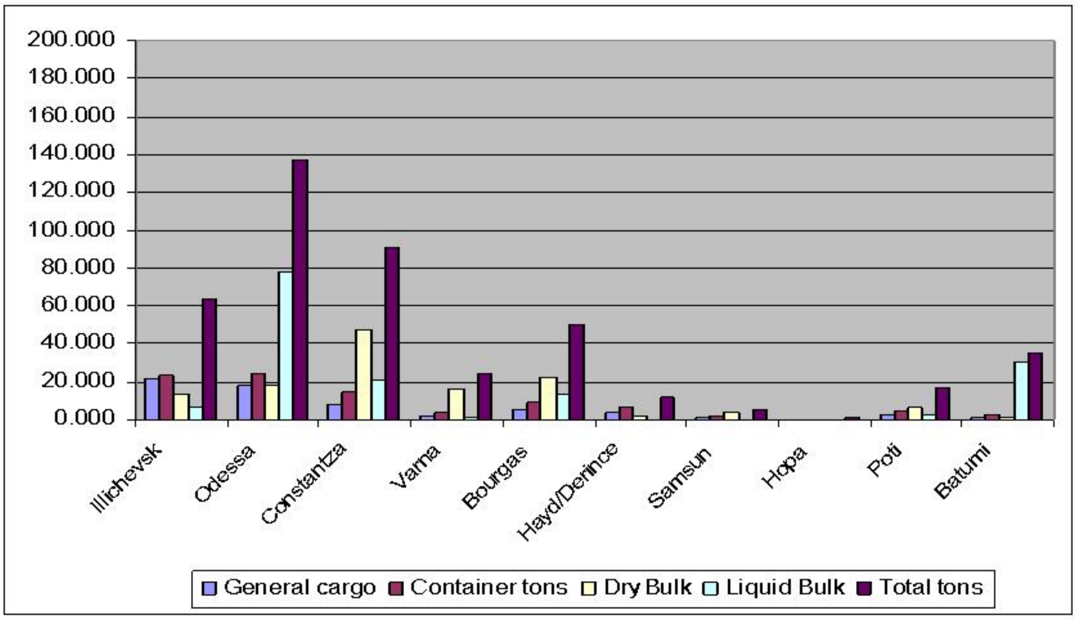
Port volumes 2020 - scenario A



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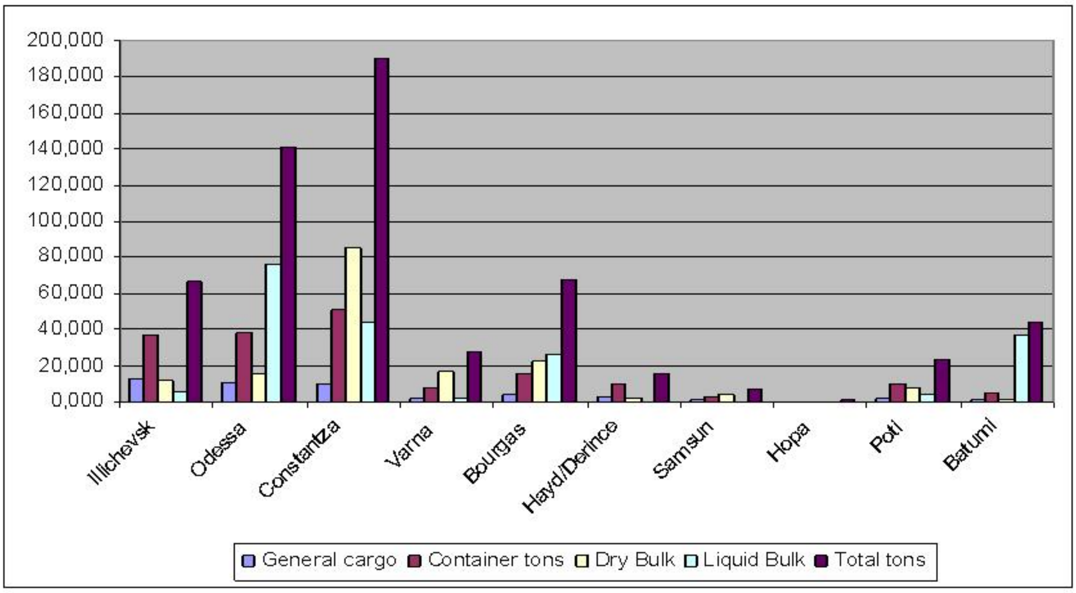
Port volumes 2020 - scenario B



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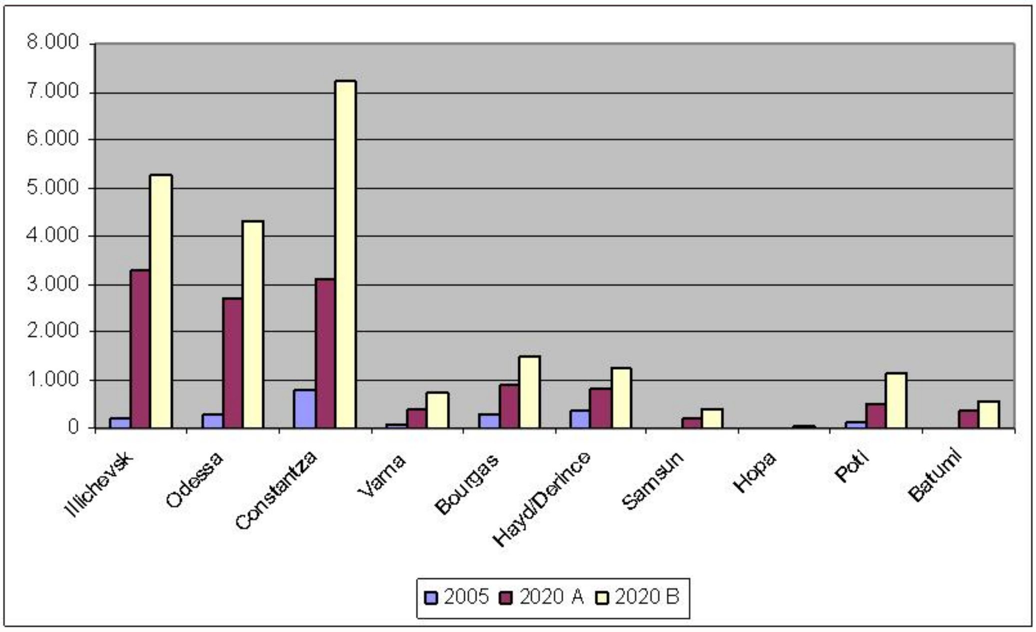
Containers 2005 and 2020A-B



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General observations (1)

The black sea region has a high growth potential for sea transport due to:

- substantial economic and trade growth in the black sea countries;
- Ongoing integration of this region in world economy and its trade routes (e.g. shipping services)
- Currently relatively low trade volumes and underinvestment in port infrastructure
- Potentially large hinterland for Black sea ports (Kazakhstan, Russia, Danube countries), however geo-political considerations might play decisive role

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General observations (2)

Very high growth rates for containerized transport due to:

- High overall trade growth;
- Even higher growth in commodity types than can be containerized;
- Low current levels of containerization – strong catching up effects

Remarks Turkish ports

- The ports included form only a small part of the maritime sector in Turkey – therefore results will be very sensitive to developments in other ports
- Port of Haydarpassa and Derince operate in mature competitive market, overall growth in the market (throughput as well as transshipment) gives good potential for container transport at Derince
- Samsun and Hopa do have a more regional function following regional trade developments

Remarks Bulgarian ports

- High growth in containerized transport forecast due to economic growth and strong catching up effect (Current containerization levels are low in both ports)
- Potential market for Bulgarian ports outside Bulgaria is limited in scope
- Bulgarian ports face strong competition of Greek ports, Turkish ports and Constantza – lack of investment in Bulgarian ports can result in higher market share for these other ports
- Bourgas its market share can increase due to favorable nautical conditions

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Remarks Constantza

- The growth forecast for Constantza shows a large bandwidth reflecting high variation in Romanian trade scenarios
- Potential market exists to increase as transshipment port – however free capacity should be available to realize this
- There is substantial potential to enlarge the international hinterland of Constantza and increase it market share in central Europe

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Remarks Ukrainian ports

- Overall high trade growth in Ukraine results in high growth potential for Illichevsk and Odessa
- Extreme growth for container transport reflects catching up effect
- Risk for Odessa and Illichevsk is that capacity can not or will not be realized timely and alternative options arise
- Overinvestment risk in container facilities is low as free capacity can be used for transshipment – direct call ports
- Large international hinterland potential (Belarus, Western Russia) but political and competitive in nature

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Georgian Ports

- High growth potential exist for Georgian ports reflecting trade developments in Georgia, Armenia and Azerbaijan (7-9.5% a year)
- Containerized transport growth potential is even higher due to catching up effect
- Enormous hinterland potential if the ports can enlarge their market share in Caspian sea countries – however this market is competitive (Russia, China, Ukraine, Iran) and political

END

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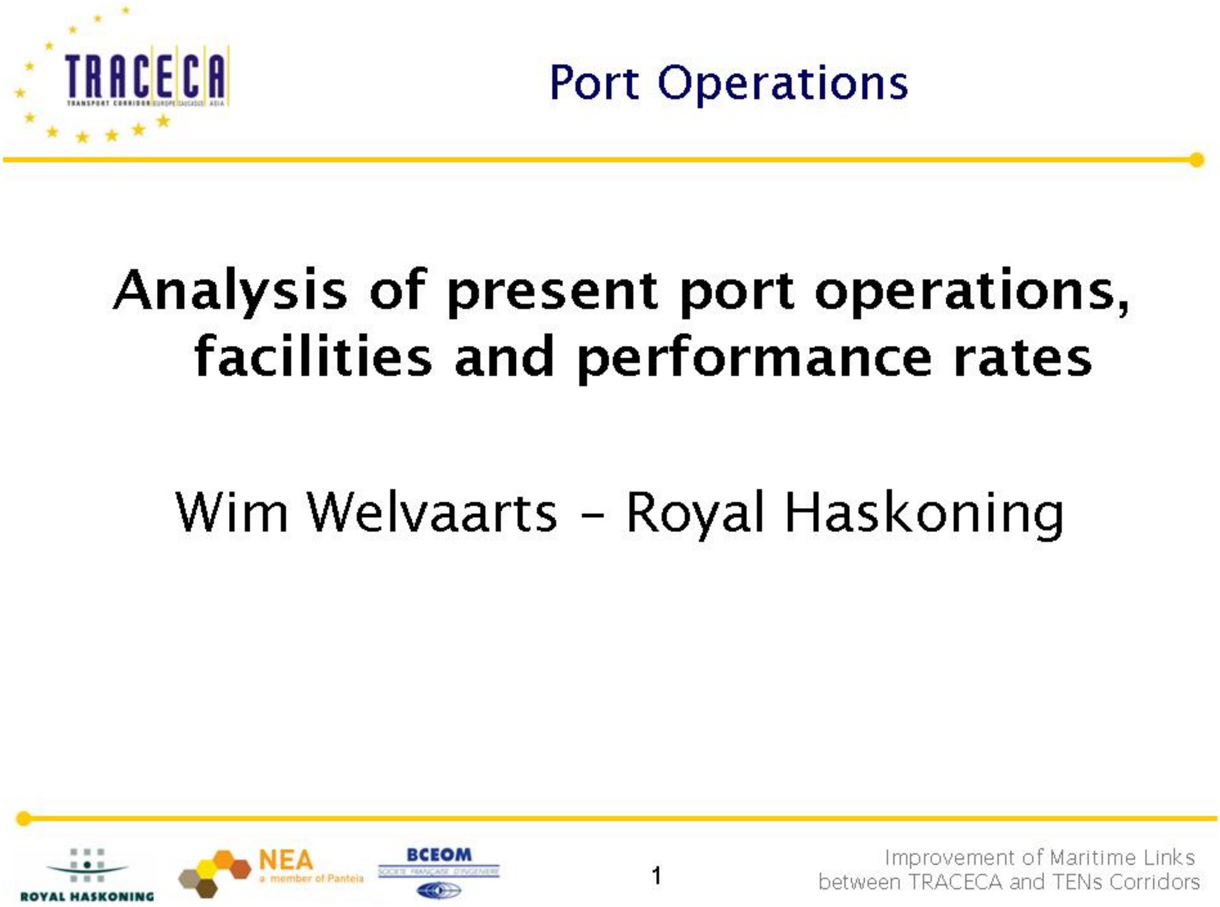

Port Operations – Contents

- Objective
- Methodology
- Benchmarks
- Containers
- General Cargo
- Dry Bulk
- Liquid Bulk

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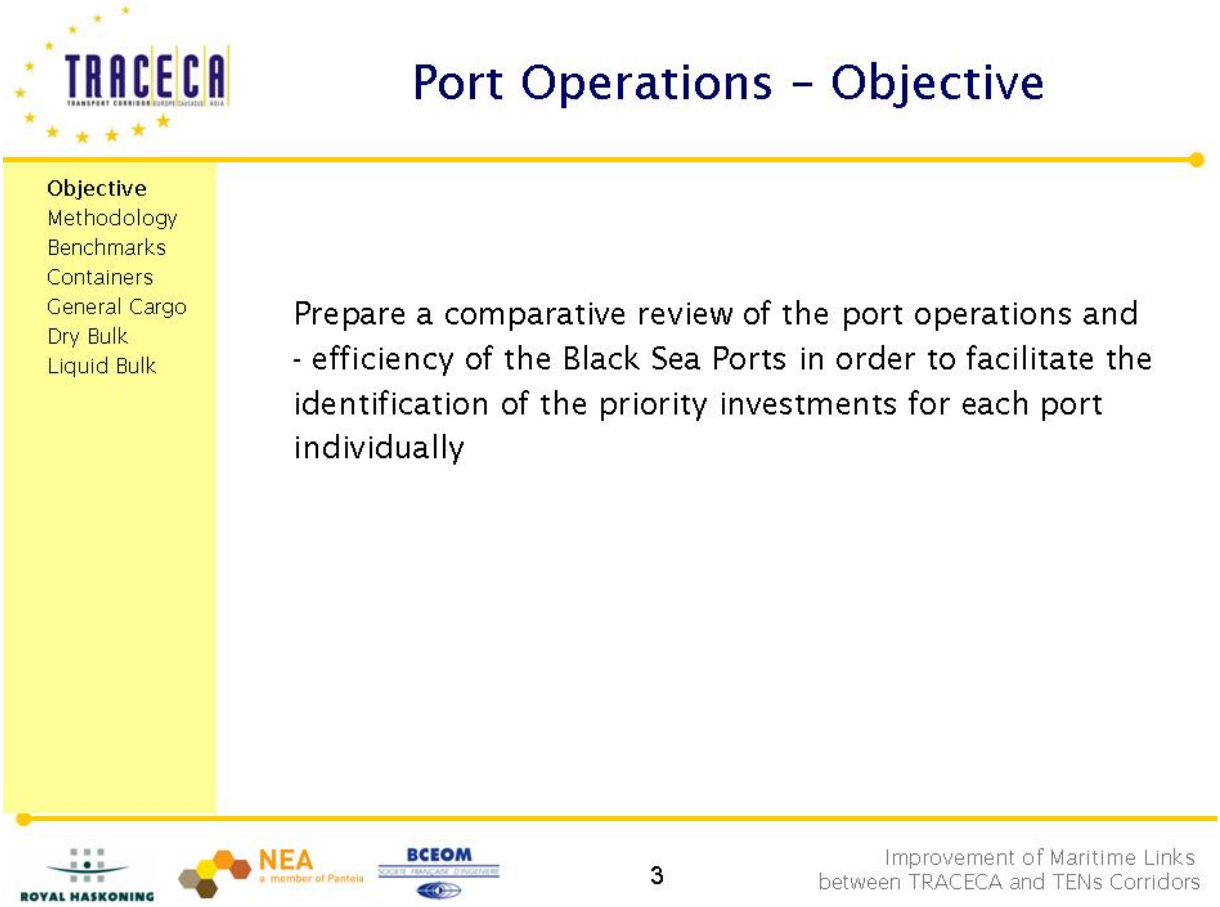
Port Operations – Objective
Objective
Methodology
Benchmarks
Containers
General Cargo
Dry Bulk
Liquid Bulk
Prepare a comparative review of the port operations and - efficiency of the Black Sea Ports in order to facilitate the identification of the priority investments for each port individually
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Port Operations – Methodology

Objective
Methodology
Benchmarks
Containers
General Cargo
Dry Bulk
Liquid Bulk

- Meetings with stakeholders
  - Port Authority
  - Operators
  - Harbour Master
  - Shipping agents, etc.
- Site Visit
- Review available information
  - Breakdown of throughput data
  - Berth lengths per terminal
  - Number of equipment and their condition
- Analysis
  - Deriving benchmarks
  - Asses performance rates per commodity
  - Priority investments

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Port Operations – Benchmarks (1 of 2)

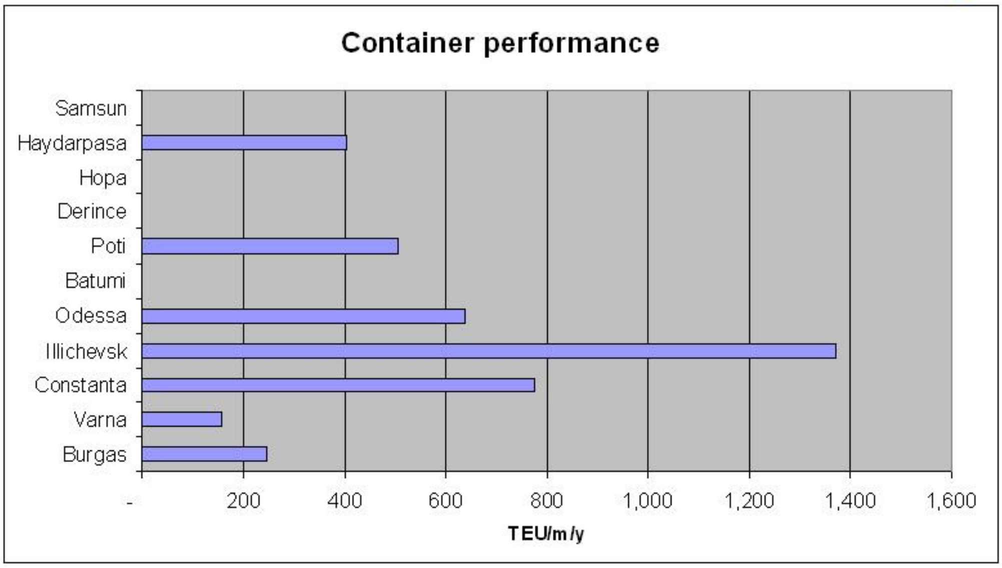
- All terminals
  - Berth occupancy 50%
  - Service time 80% of berth time
  - Operating time: 20hrs per day, 360 days per year
- Containers
  - Vessel 5,000 TEU, 3 gantry cranes
  - Vessel 1,500 TEU, 2 gantry cranes
  - Benchmark approx. 900 TEU/m/y
- General Cargo
  - Vessel Handy Size (20,000 DWT), 2 cranes
  - Vessel Handy Max (45,000 DWT), 2 cranes
  - Benchmark approx. 5,000 t/m/y

Port Operations – Benchmarks (2 of 2)

- Dry Bulk
  - Vessel Handy Size (20,000 DWT), 1 crane
  - Vessel Handy Max (45,000 DWT), 2 cranes
  - Vessel Panamax (75,000 DWT), 2 cranes
  - Benchmark approx. 7,000 t/m/y
- Liquid Bulk
  - Tanker (10,000 DWT)
  - Tanker Handy Size (40,000 DWT)
  - Benchmark approx. 12,000 t/m/y

Port Operations - Containers

- Objective
- Methodology
- Benchmarks
- **Containers**
- General Cargo
- Dry Bulk
- Liquid Bulk



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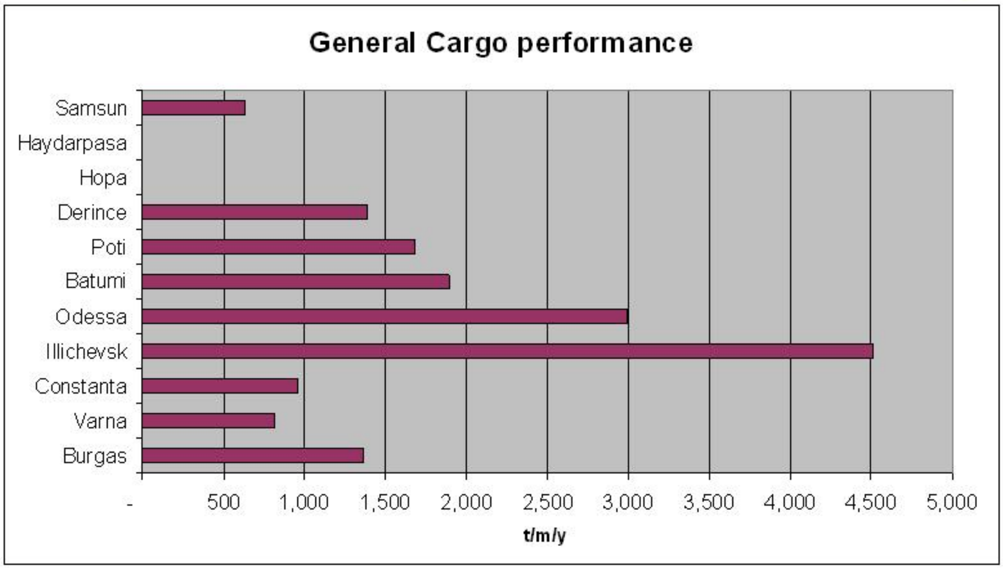
Port Operations – General Cargo

- Objective
- Methodology
- Benchmarks
- Containers
- **General Cargo**
- Dry Bulk
- Liquid Bulk



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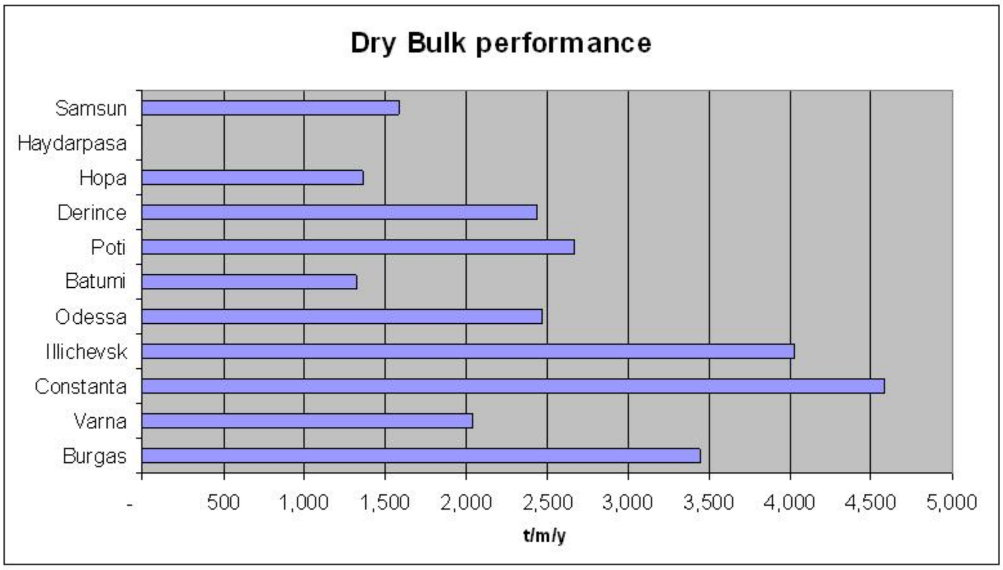
Improvement of Maritime Links
between TRACECA and TENs Corridors

Port Operations – Dry Bulk

- Objective
- Methodology
- Benchmarks
- Containers
- General Cargo
- **Dry Bulk**
- Liquid Bulk



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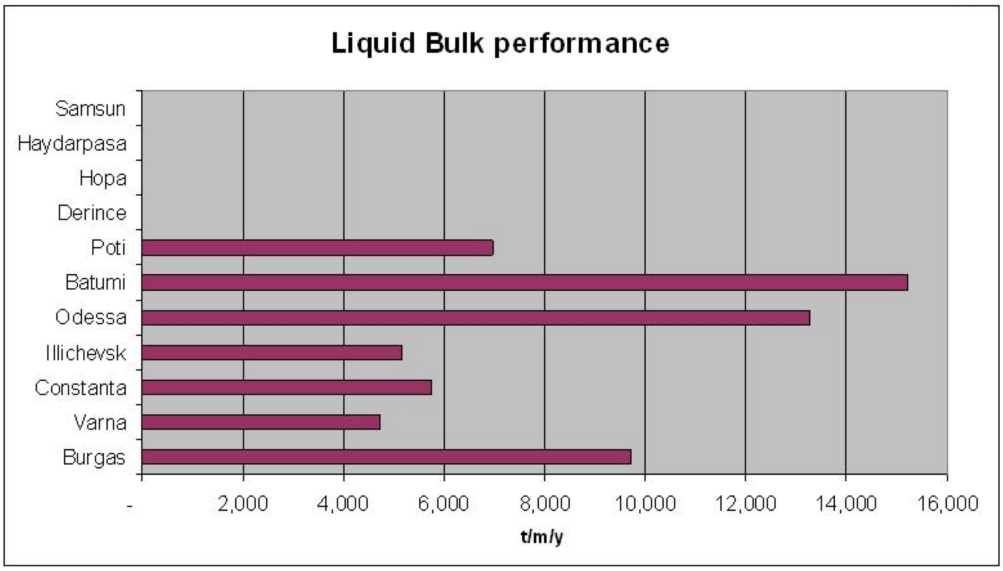
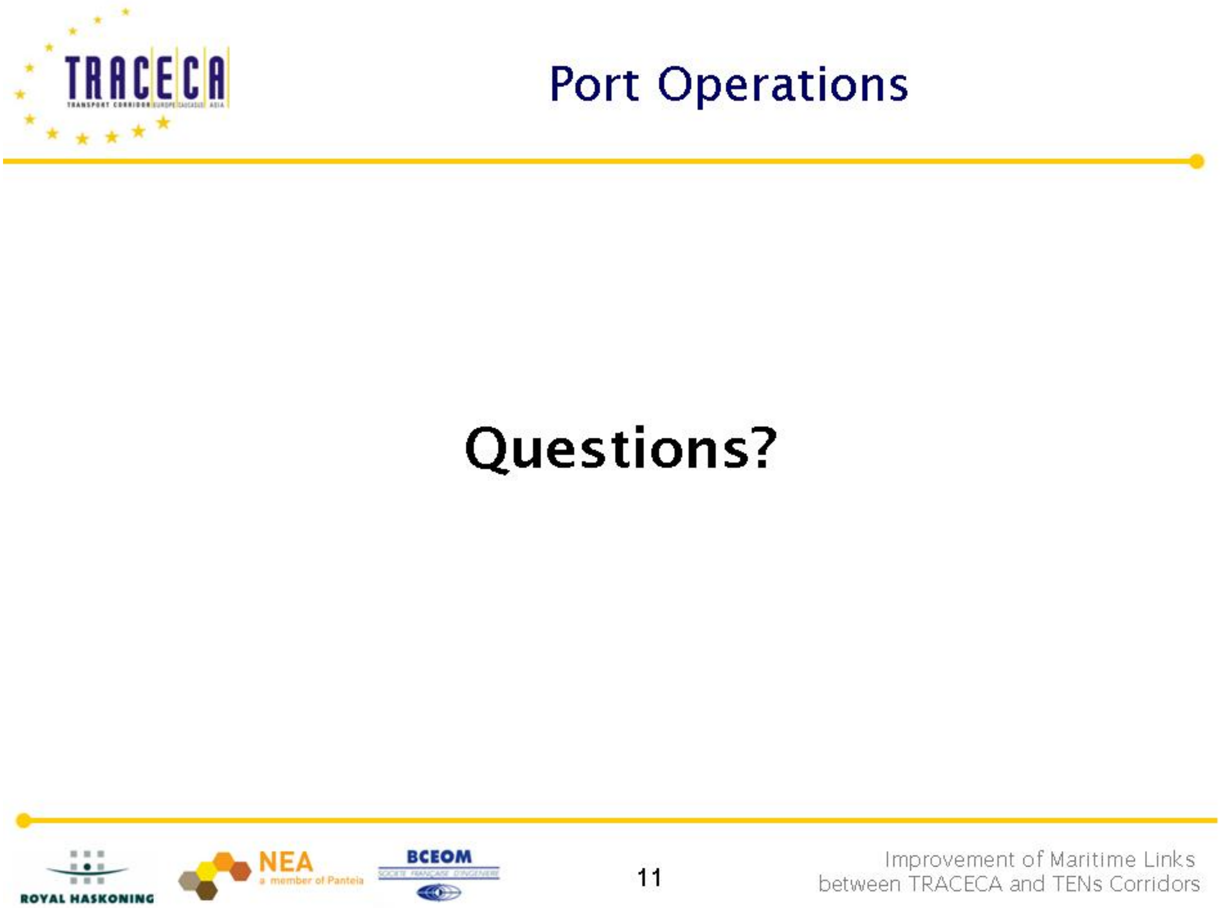
Improvement of Maritime Links
between TRACECA and TENs Corridors

Port Operations – Liquid Bulk

- Objective
- Methodology
- Benchmarks
- Containers
- General Cargo
- Dry Bulk
- **Liquid Bulk**




Port Operations
Questions?
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Port Due Review

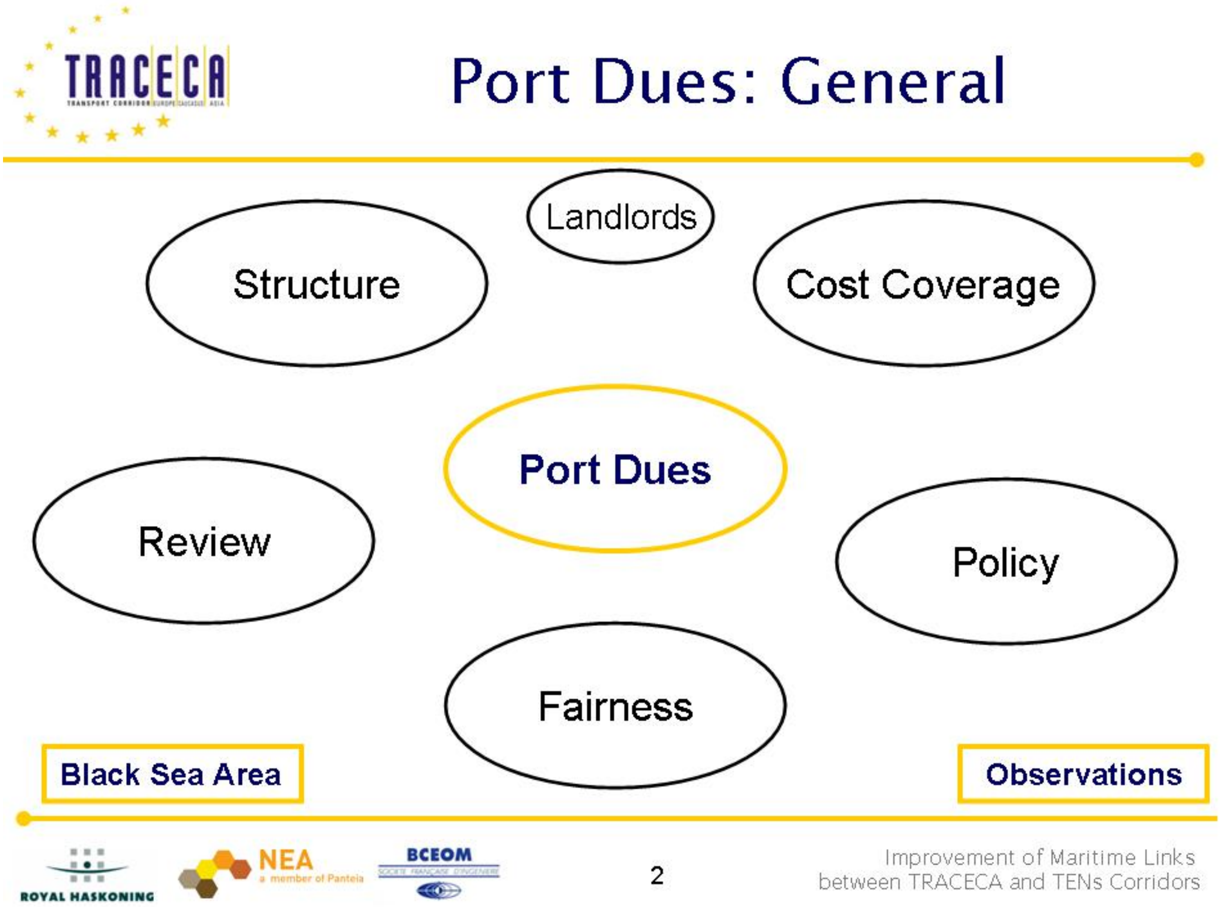
Review of the Port Dues levied in the Black Sea TRACECA countries

General Analysis	Black Sea Area

Wouter van Nus MSc - Haskoning / mtbs

1

Improvement of Maritime Links
between TRACECA and TENs Corridors


Port Dues: General
Landlords
Structure
Cost Coverage
Port Dues
Review
Policy
Fairness
Black Sea Area
Observations
2
Improvement of Maritime Links
between TRACECA and TENs Corridors

Port Dues: Structure

- **Complexity** caused by
  - large number of activities
  - large number of parties involves (PA / TO / MoT / …)

- **Landlord Services/Dues**:
  - Channel
  - Berthage
  - Lighthouse / VTMS
  - *Administrative*
  - *Anchorage*

- **Additional Services/Dues**:
  - (Un)Mooring
  - Tug Service
  - Pilotage
  - Waste Collection
  - Supervision
  - …

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3

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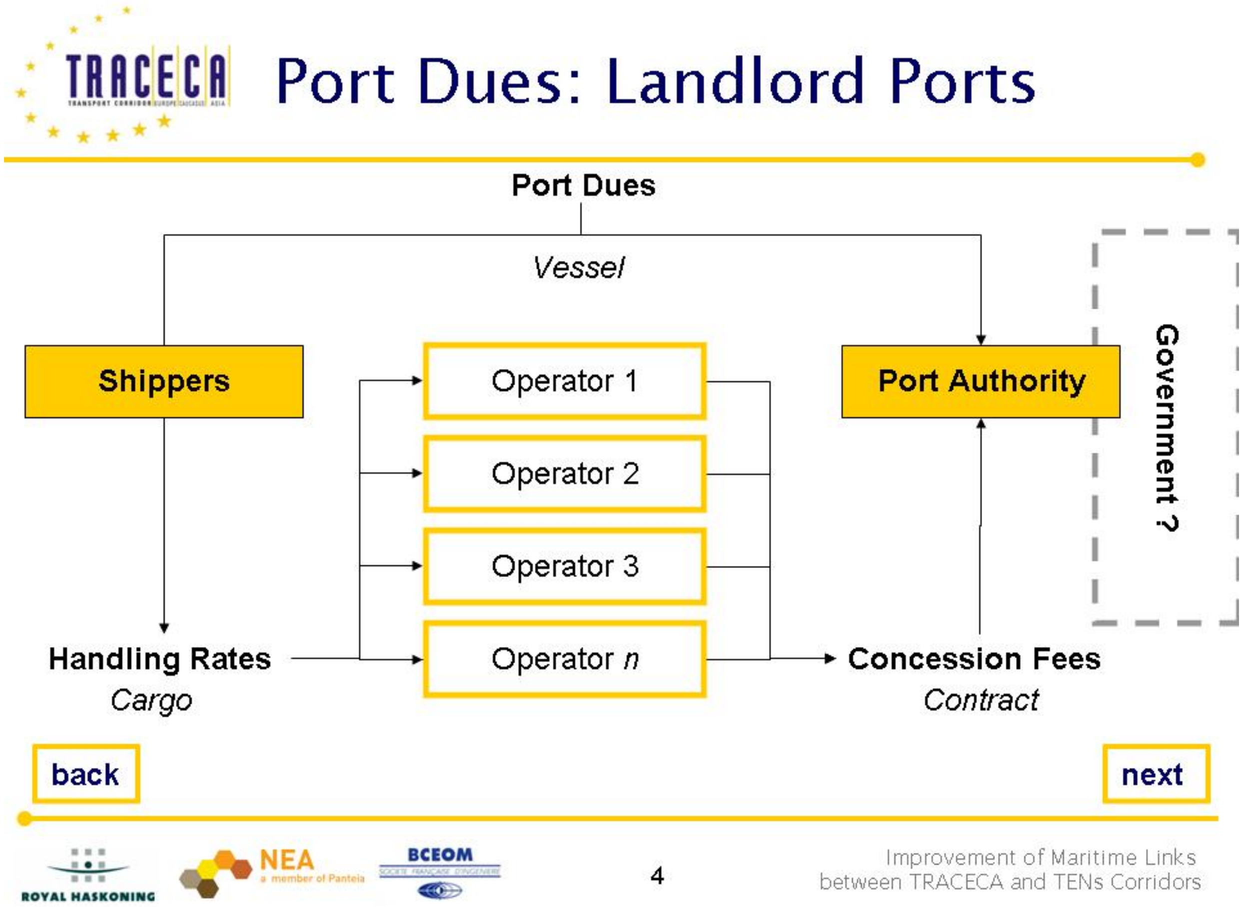
TRACECA
Port Dues: Landlord Ports
Port Dues
Vessel
Shippers
Operator 1
Operator 2
Operator 3
Operator n
Port Authority
Government ?
Handling Rates
Cargo
Concession Fees
Contract
back
next
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Port Dues: Cost Coverage

- **Purpose**: Recover the operational expenditures and part of the investments in generic port infrastructure for which the PA is responsible
- More terminal-specific costs, the remainder of the investments, and additional Return for the PA is generated through concessionary payments such as fixed landlease fees and flexible royalty fees
- Straight forward in a pure 'single port – single PA' landlord system
- More difficult in more centrally organized systems (single budget) and in a non-port focused public or private PA setting
- **Requires** a clear setting regarding ownership, state and purpose of the port assets; a vision on future expansions; and a mechanism for timely inflation correction.

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Port Dues: Policy

- **Focus**: In a landlord setting, Port Dues should not be viewed as the main source of revenue for the authority; concession fees serve this purpose. The Port Dues are in place to
  - cover investment/maintenance of port assets for non-specific users
  - make and back certain port policy
- **Efficient Operations**: Time-based dues encourage a focus on an efficient utilization of Port Assets by port users.
- **Discounts**: Are a way to stimulate or promote certain activities or ports
- **Flexibility**: Port Dues are implemented in a local environment, so when dues are set centrally, flexibility for local circumstances is required

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Port Dues: Fairness

- **Charging Units**: clear, uniform, published (Tonnage Certificate)
- **Discounts**: Should be non-discriminatory amongst
  - users (companies)
  - flags (vessels/countries)
- **Availability**: The Port dues should be
  - publicly available
  - in English
  - complete
  - up-to-date

back next

Port Dues: Review

Review of the Port Dues levied
in the 5 Black Sea TRACECA countries

Focus on:

- Structure
- Fairness
- Transparency
- Availability
- Level

(hypothetical 1,000 TEU vessel)

back

Black Sea Area

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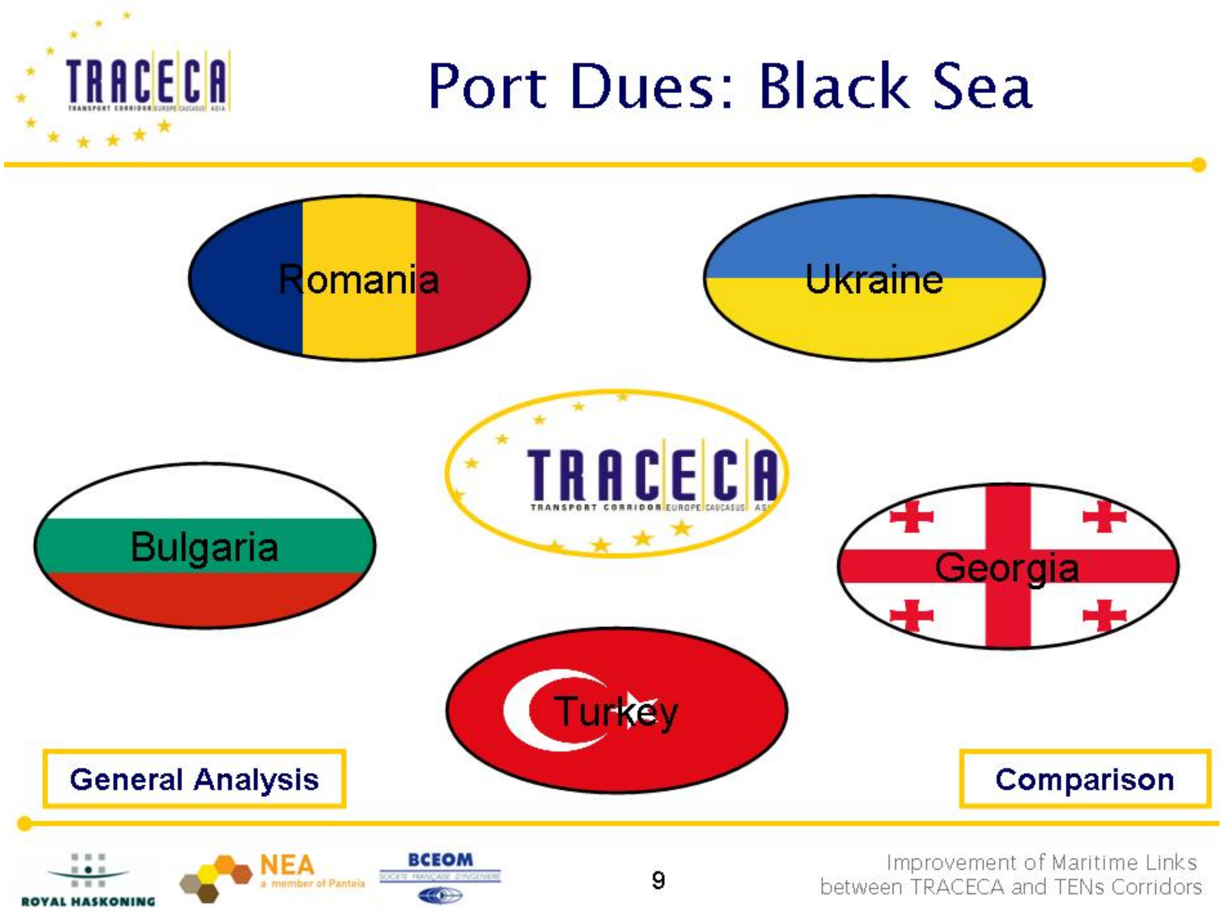
Port Dues: Black Sea
Romania
Ukraine
TRACECA
Bulgaria
Georgia
Turkey
General Analysis
Comparison
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Port Dues: Bulgaria

- **LandLord Port Concept**:semi- implemented with a 'national landlord'
- **Observations**:
  - items generally conform international standards
  - clear structure
  - fair
  - dues not available through the ports
- **Level**: average (BS), low (western-Europe)

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Port Dues: Georgia

- **LandLord Port Concept**: implemented with private PAs
- **Observations**:
  - clear structure
  - private PA system does not provide optimal incentive system for national policy; private budget; and potential discrimination
  - dues not publicly available through internet in English
  - structure is currently changing
- **Level**: low (BS)*, low (western-Europe)

back next

Port Dues: Romania

- **LandLord Port Concept**: implemented with a local PA
- **Observations**:
  - clear structure
  - fair
  - large number of services provided through PA
  - items generally conform international standards
  - limited focus on efficient use of the berths *(per diem)*
- **Level**: high/average (BS), low (western-Europe)

back next

Port Dues: Turkey

- **LandLord Port Concept**: not implemented
- **Observations**:
  - complex structure
  - large number of entities involved in levying all the dues
  - no budget independency (lacking cost-coverage)
  - no incentive system for efficient use of port assets in place
  - majority of the dues not publicly available through internet in English
- **Level**: difficult to determine; low (BS), low (western-Europe)

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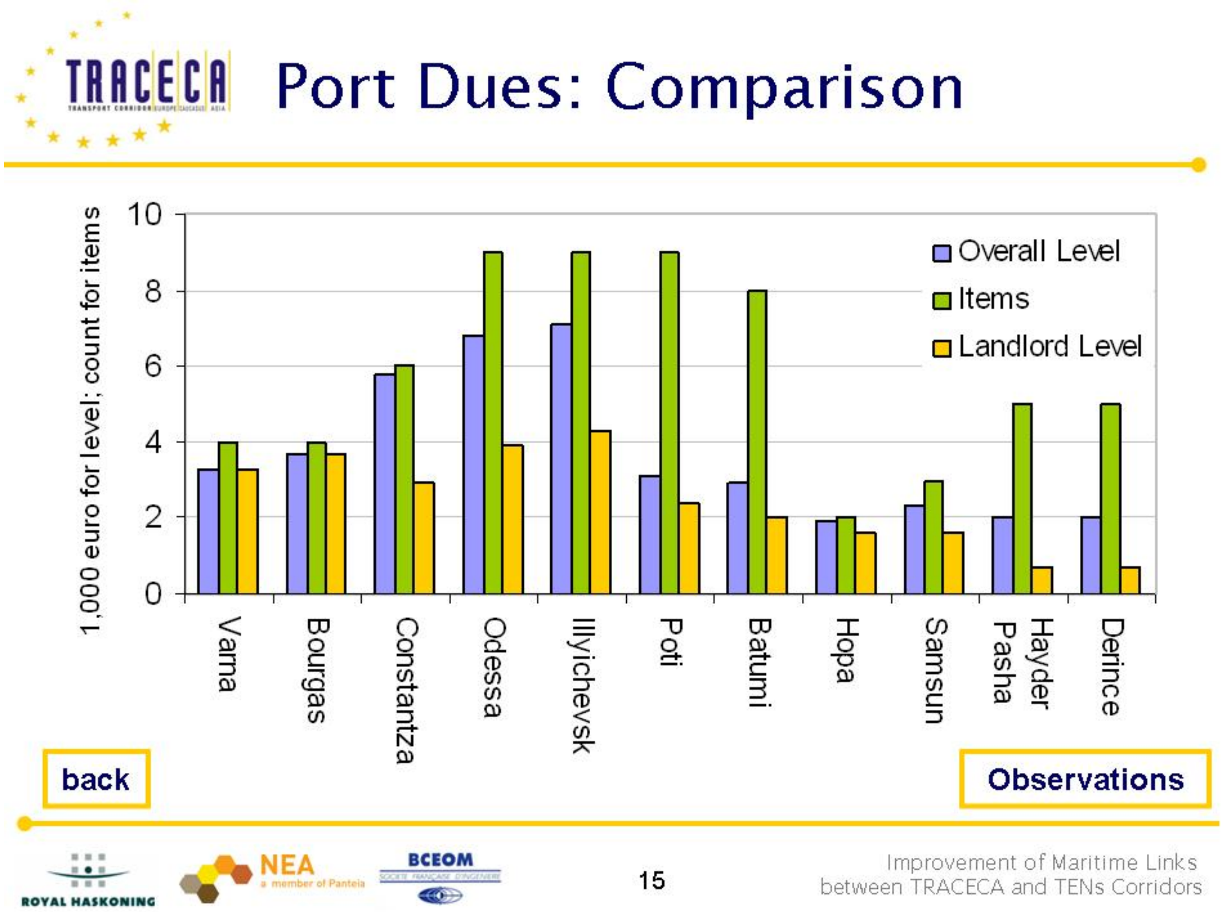
Port Dues: Ukraine

- **LandLord Port Concept**: not implemented
- **Observations**:
  - clear structure
  - fair
  - large number of services provided by the authority
  - no budget independency (lacking cost-coverage)
  - no incentive system for efficient use of port assets
  - dues not available through the ports
- **Level**: high (BS), average (western-Europe)

back

Comparison


TRACECA
Port Dues: Comparison
1,000 euro for level; count for items
10
8
6
4
2
0
Overall Level
Items
Landlord Level
Varna
Bourgas
Constantza
Odessa
Illyichevsk
Poti
Batumi
Hopa
Samsun
Hayder Pasha
Derince
back
Observations
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Port Dues: General Observations

- the level of port dues levied in the five countries varies significantly
- the structure of the port dues levied also varies significantly
- ports within the same country have a similar structure and level
- the number of services provided varies significantly and is sometimes hard to identify from the various cost items

- Ukrainian Ports levy the highest overall dues, but offer the highest number of services.
- Georgian Ports have relatively low port dues compared to the number of services provided.
- Turkish ports show a great diversity when comparing their total due level and the number of services provided.

- Romania scores best with regard to availability and transparency
- Georgia and Turkey should try to focus on availability and transparency

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Workshop Port Marketing:

'Ports are more than Piers'

March 6 2008

Victor Timmermans
MTBS

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Content

1. What is (port) marketing?
2. Public Private partnerships ⟹ Port owner ship models
3. A typical Port Marketing process
4. Some useful theories/methods
5. An example: Port Marketing in the port of Rotterdam
6. Port Marketing in your port

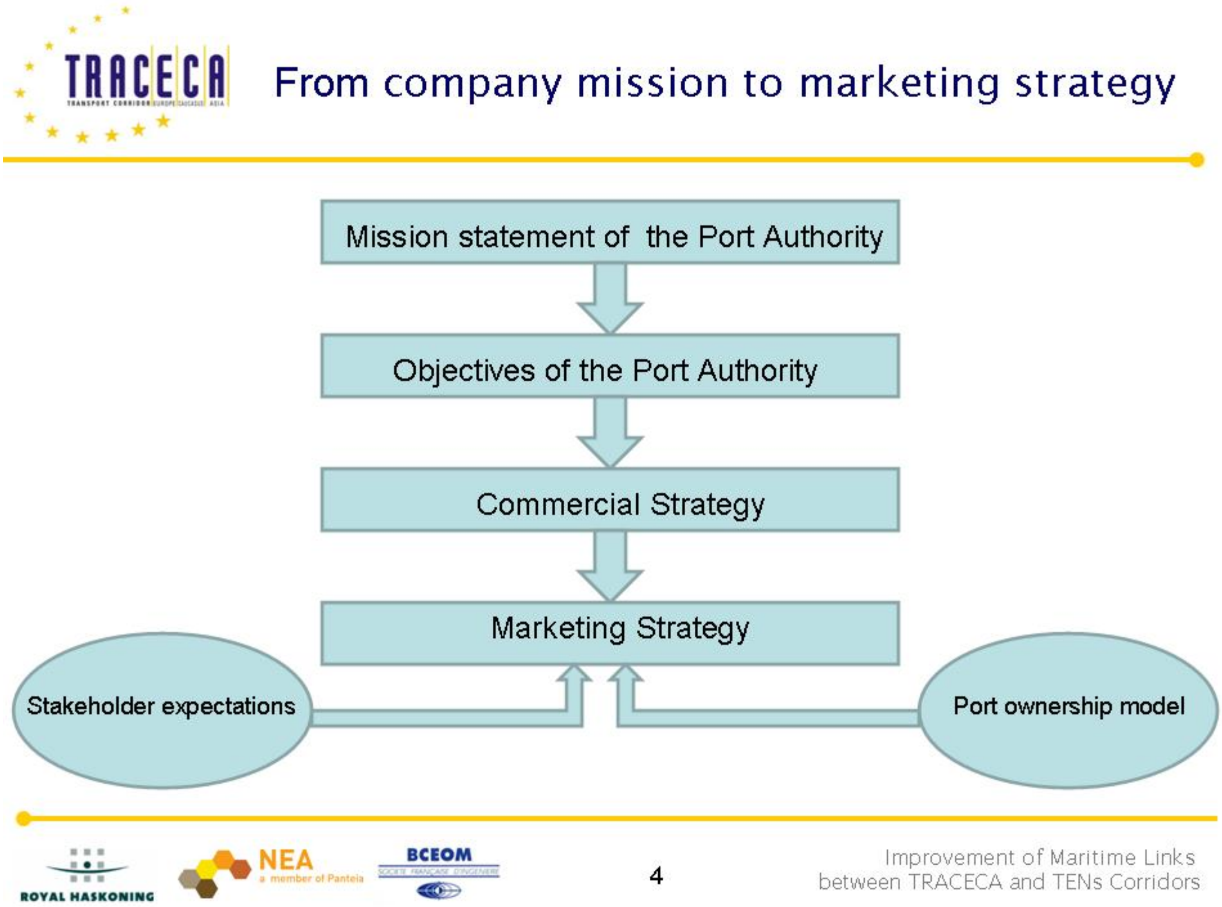
What is (Port) Marketing(1)

" Marketing represents the process of examining a market, identifying a particular need and responding to that need on a acceptable basis to the client, the shipper"

Crucial elements:

- customer focused
- markets (segmentation)
- product development
- positioning of product
- competitors evaluation (competitive edge; unique selling point)
- marketing mix or the 7 P's

It is a business philosophy; it spans the entire organisation


From company mission to marketing strategy
Mission statement of the Port Authority
Objectives of the Port Authority
Commercial Strategy
Marketing Strategy
Stakeholder expectations
Port ownership model
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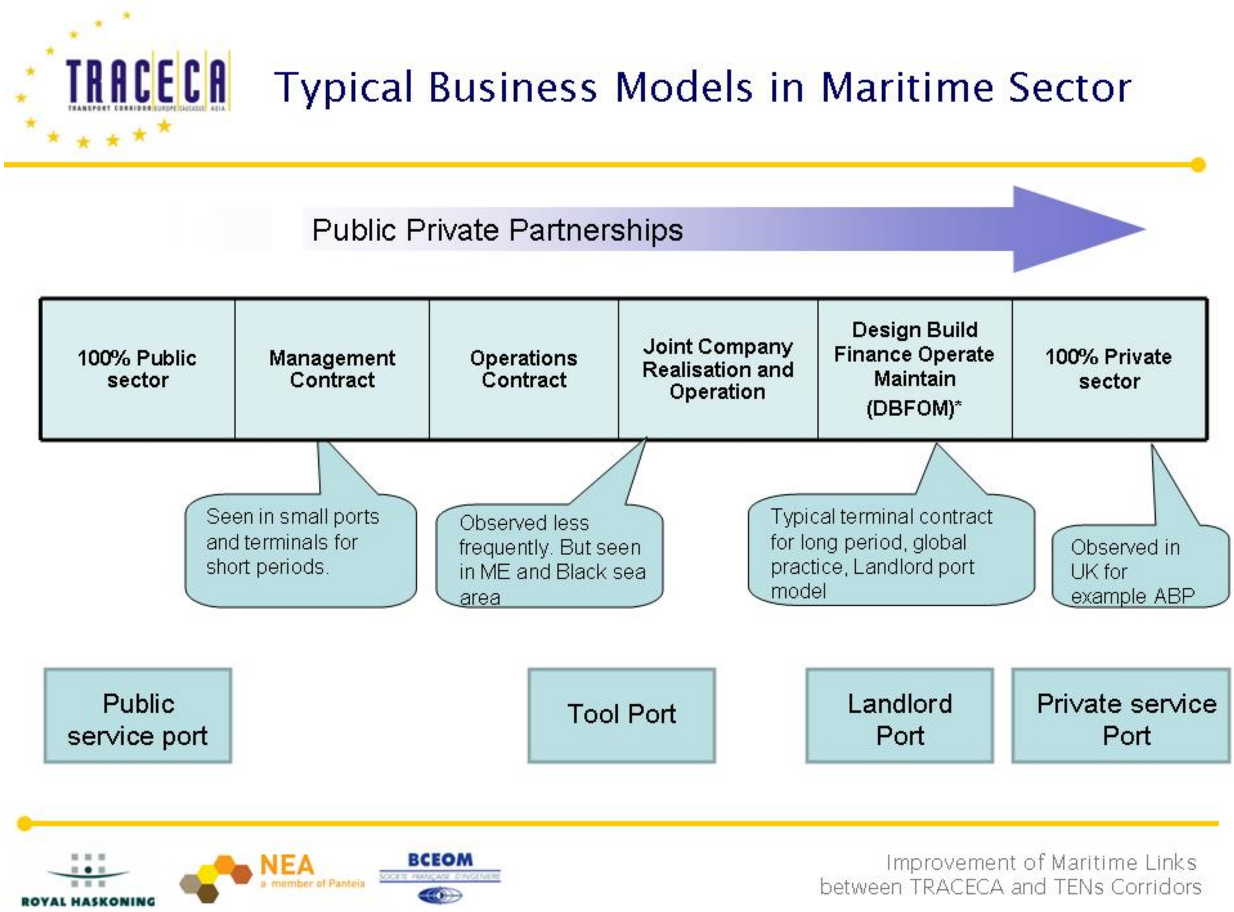
TRACECA
Typical Business Models in Maritime Sector
Public Private Partnerships
100% Public sector
Management Contract
Operations Contract
Joint Company Realisation and Operation
Design Build Finance Operate Maintain (DBFOM)*
100% Private sector
Seen in small ports and terminals for short periods.
Observed less frequently. But seen in ME and Black sea area
Typical terminal contract for long period, global practice, Landlord port model
Observed in UK for example ABP
Public service port
Tool Port
Landlord Port
Private service Port
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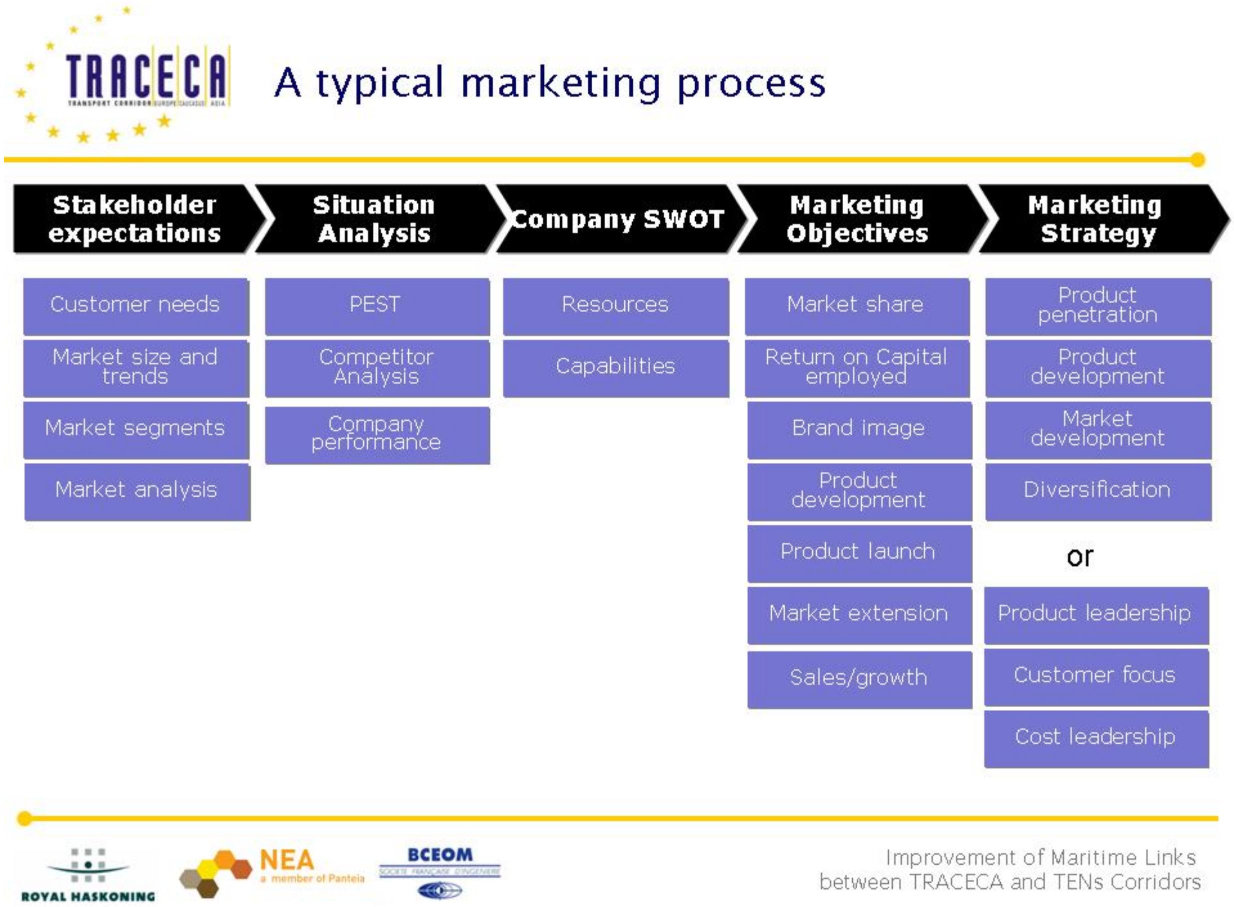
A typical marketing process
Stakeholder expectations
Situation Analysis
Company SWOT
Marketing Objectives
Marketing Strategy
Customer needs
Market size and trends
Market segments
Market analysis
PEST
Competitor Analysis
Company performance
Resources
Capabilities
Market share
Return on Capital employed
Brand image
Product development
Product launch
Market extension
Sales/growth
Product penetration
Product development
Market development
Diversification
or
Product leadership
Customer focus
Cost leadership
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Important issues

1. Who is in charge of marketing the port?

   - Port Authority? Terminal Operators? Transport companies? Promotion Council?

2. How do you manage (with a lot of different players) to have a consistent port marketing strategy?

3. Are the companies in the port committed to the location?

   - Home based companies? International companies?

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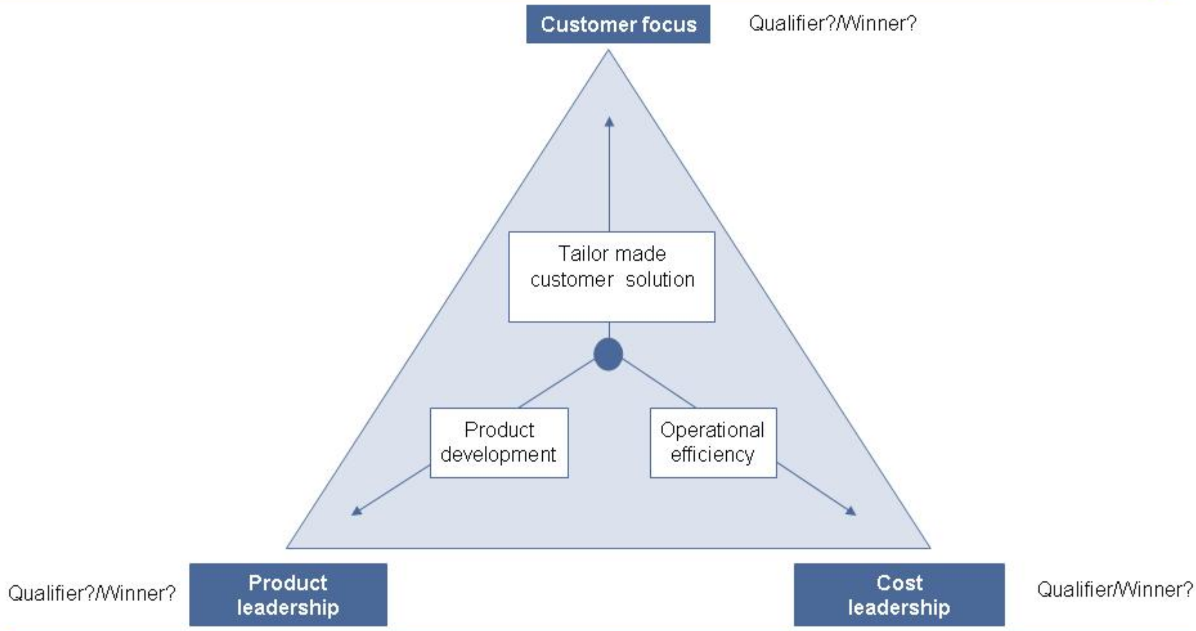
Port marketing methods (1)



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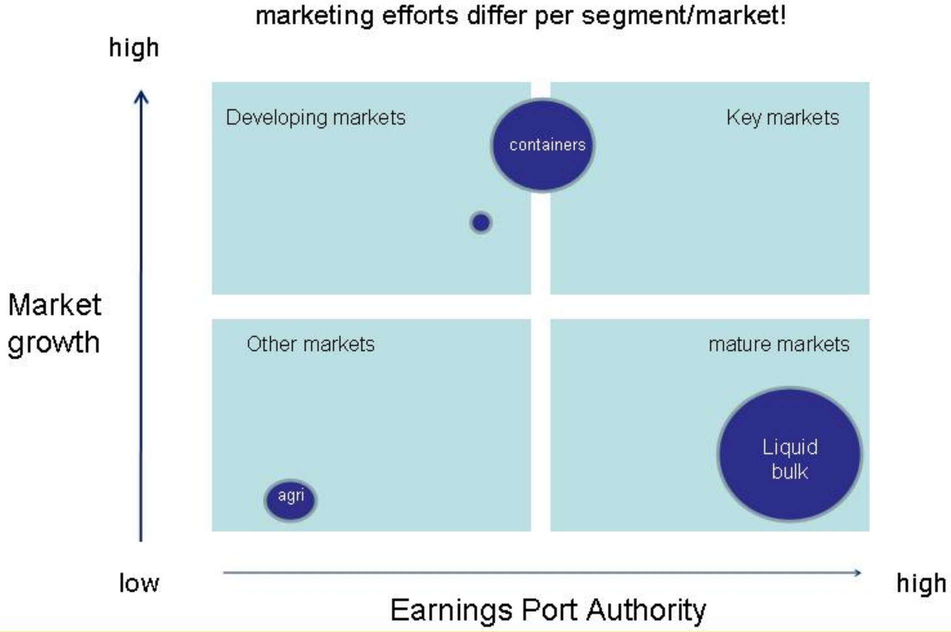
Port marketing methods (2)



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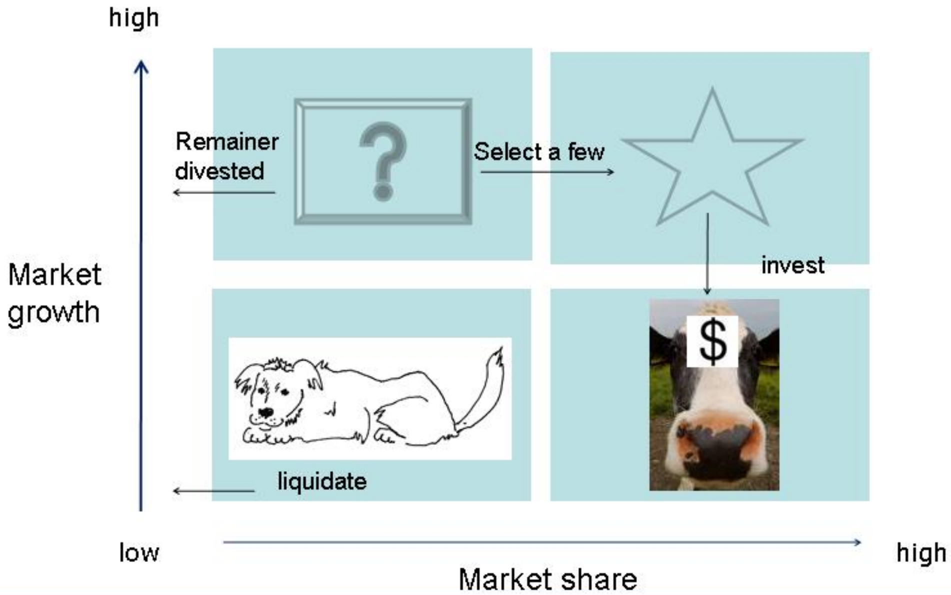
Port marketing methods (2b)



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Port marketing methods (3)

The 7 marketing P's:

1. Product development → an acceptable benefit-driven value-added service
2. Price → perceived value
3. Place → point of sale (local market environment)
4. Promotion → creating awareness of product/service
5. People → pro[illegible]ional human resources
6. Process (logistics) → su[illegible] and delivery chain from exporter to importer
7. Physical aspects → deg[illegible] of technology, overall efficiency

All these items are important elements in your marketing strategy. Use them!

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Practice: Marketing the port of Rotterdam

Rotterdam's setting:

- port management model: landlord port
- stakeholders: many environmentalists, close to residential areas; public shares in hands of municipality and national government
- throughput: 406 m tons (biggest port in Europe, no.2 Antwerp 180 mt); 10.8 mln TEUs handled (no 2. Hamburg, 9.8 mln TEU's)
- business: not only a port, also huge chemical complex

→ As a consequence almost out of land

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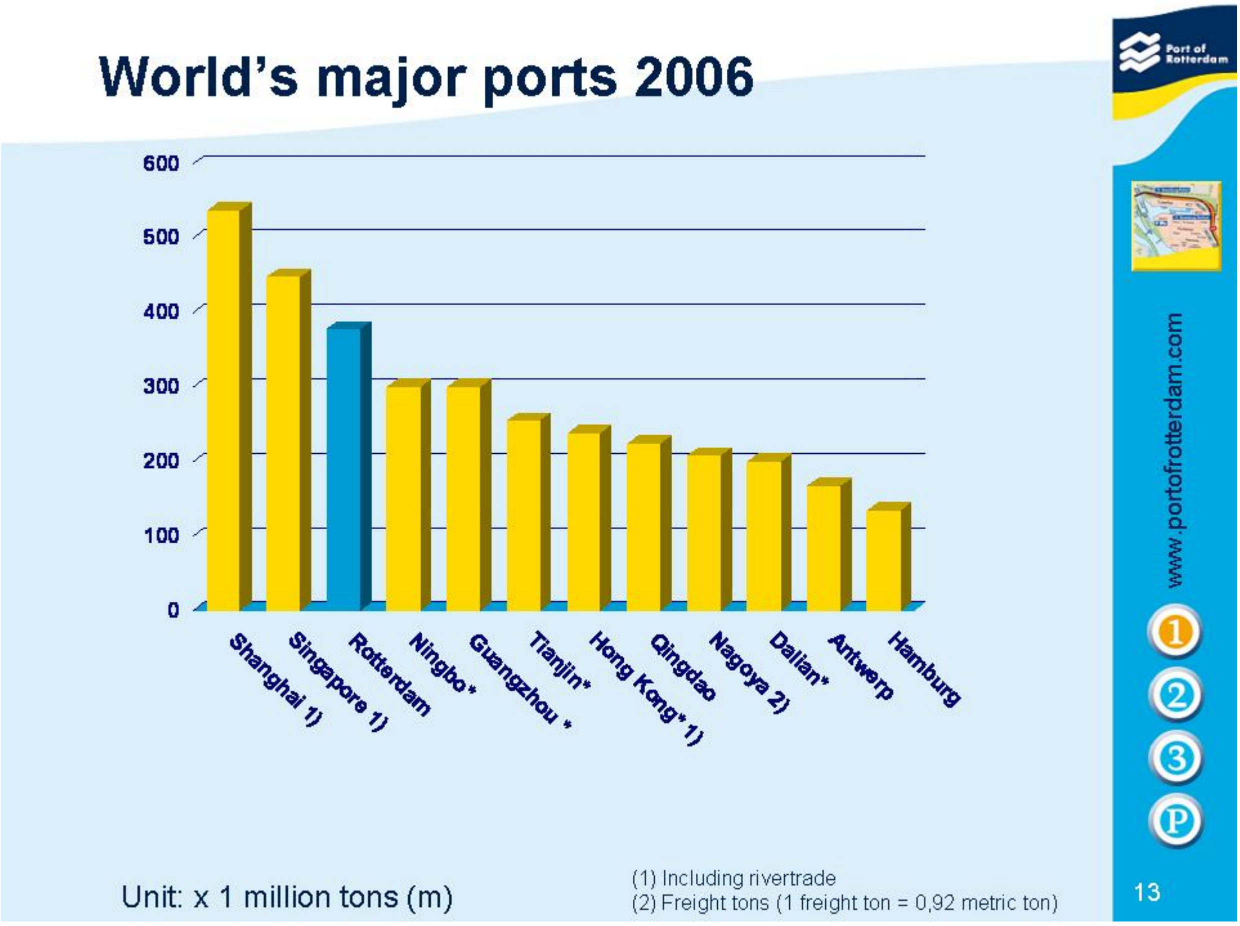
World's major ports 2006
600
500
400
300
200
100
0
Shanghai 1)
Singapore 1)
Rotterdam
Ningbo*
Guangzhou *
Tianjin*
Hong Kong* 1)
Qingdao
Nagoya 2)
Dalian*
Antwerp
Hamburg
Unit: x 1 million tons (m)
(1) Including rivertrade
(2) Freight tons (1 freight ton = 0,92 metric ton)
Port of Rotterdam
www.portofrotterdam.com
1
2
3
P
13

Marketing the port of Rotterdam (2)

Mission statement:

" The Port of Rotterdam is developing the definitive world-class European port together with its partners"

General objectives:

" to promote effective, safe and efficient handling of shipping and to arrange for nautical and maritime order and safety, as well as acting as the competent port authority in the Rotterdam port area"

" To develop, construct, manage and commercially operate the port and industrial complex in Rotterdam"

Main tasks till 2009:

- to strengthen the port's competitive position, to improve customer satisfaction;
- to utilize existing space more efficiently and to provide additional space in good time (Maasvlakte 2);
- (at least) to retain current level of speed, safety, cleanliness and security in the handling of shipping.

- To create best possible conditions for development of the port and living environment (accessibility, labor, …)
- To ensure a profitable enterprise

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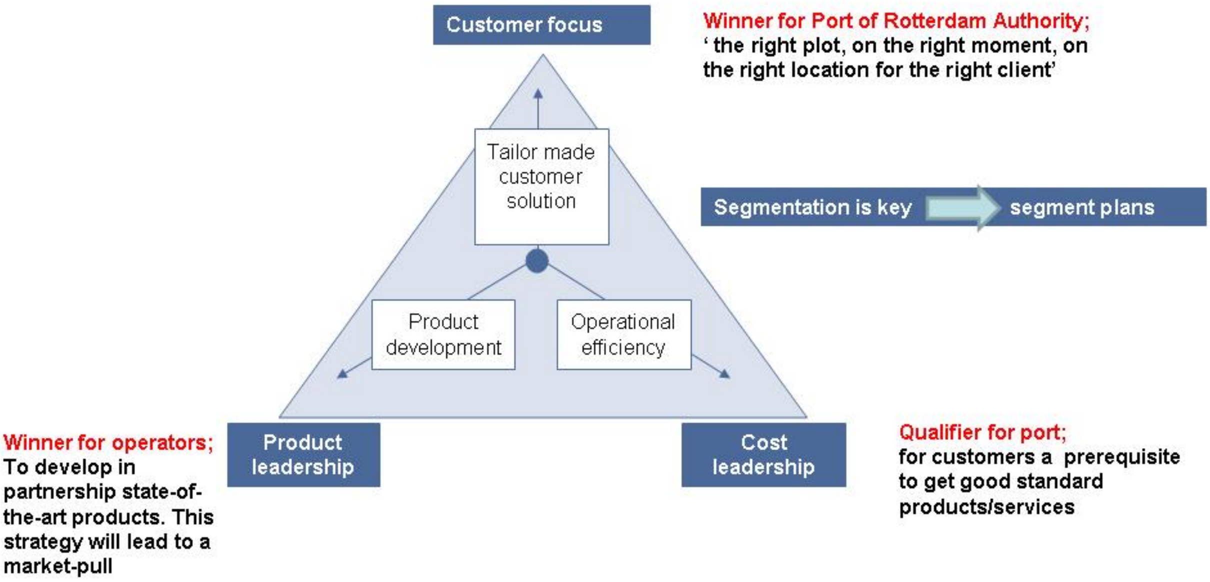
Marketing the port of Rotterdam (3)



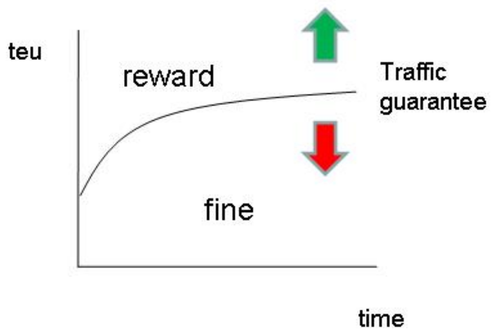
The 7 marketing P's in Rotterdam

1. Product development

The 7 marketing P's in Rotterdam

2. Price:

- Best ratio price/quality
- Rather expensive but 'extreme' quality
    - Safety
    - Turn around time
    - Hinterland transportation
    - Total supply chain costs
- Incentives for better performance



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The 7 marketing P's in Rotterdam

3.Place:

It is all about location!

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The 7 marketing P's in Rotterdam

4.Promotion:

- Trade shows
- Advertising
- Press department
- Brochures
- Representation vessel
- Rotterdam Representatives
- Events a.o:
- Sponsoring (a.o Feyenoord)
- Website
- Et cetera

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The 7 marketing P's in Rotterdam

5.People:

- Cooperation with universities
- Emphasis on R&D
- Exchange programs:
  business - schools - universit
- Internships
- Stimulation projects
  (long term unemployed peop

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The 7 marketing P's in Rotterdam

6. Process:

Rotterdam wants to have excellent facilities in every part of the supply chain

- Seaside transportation
- (In)port terminal activities
  - Transhipment
  - Distribution (warehousing)
  - Customs
  - Additional services
- Hinterland transportation (rail, barge, truck, short sea/feedering and pipeline system)

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The 7 marketing P's in Rotterdam

7.Physical aspects:

at the end this is what counts……

Asia chooses Rotterdam once again

Press release Cargonews Asia: 26 April 2007 The port of Rotterdam has been voted best port in Europe for the 21st time in succession by the readers of the magazine Cargonews Asia. Moreover, ECT was chosen as Europe's best container terminal. The corresponding Asian Freight & Supply Chain Awards are considered to be highly prestigious in Asia. This is particularly due to the fact that they are awarded by the users of logistic services

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Port Marketing in your Port

1. On which aspect does your marketing approach focus on?
   - Cost leadership?
   - Product leadership?
   - Customer focus?

2. How does your various segments perform in terms of market growth and market share?
   - Do you have different strategies for different segments?
   - Which segments are your cash cows, question marks, dogs and stars? And what do you do with them?

3. How do your 7 P's look like?

4. Who is responsible for your Port marketing?

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Thank you for your attention!

Victor Timmermans
Maritime & Transport Business Solutions (MTBS)

Tel: + 31 6 53 80 51 00
Email: Victor.timmermans@mtbs.nl

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Assessment of constraints and prospects for Black Sea Ports

6 March 2008, Varna

Mr Klaas Westerkamp
NEA Transport research and training

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Content

Current capacities - Future capacities

Priority investments

Conditions: Efficiency, Customs & Hinterland Connections

Miscellaneous: Rail Ferry, Bosporus, RoRo

2

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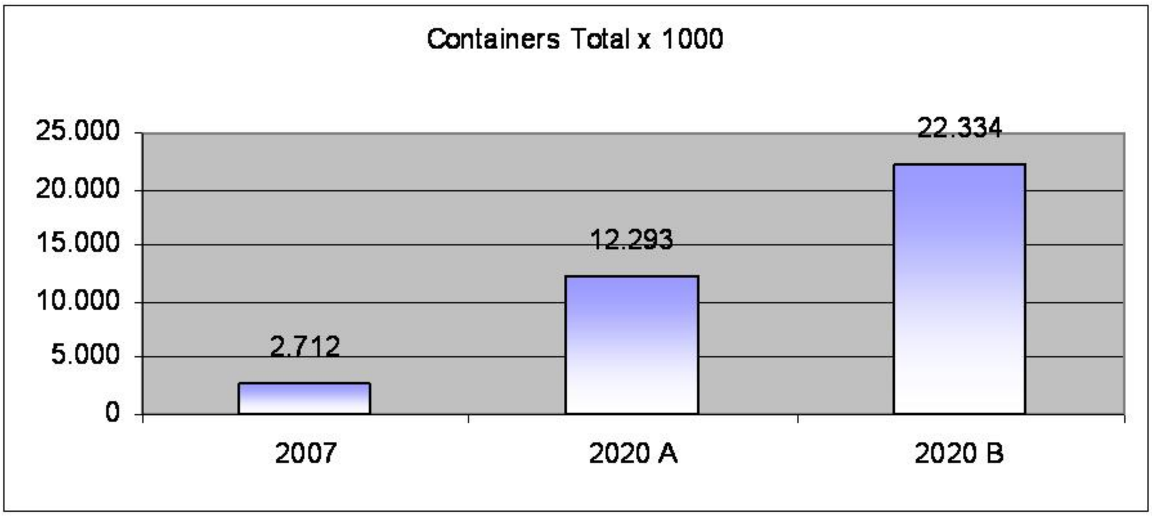
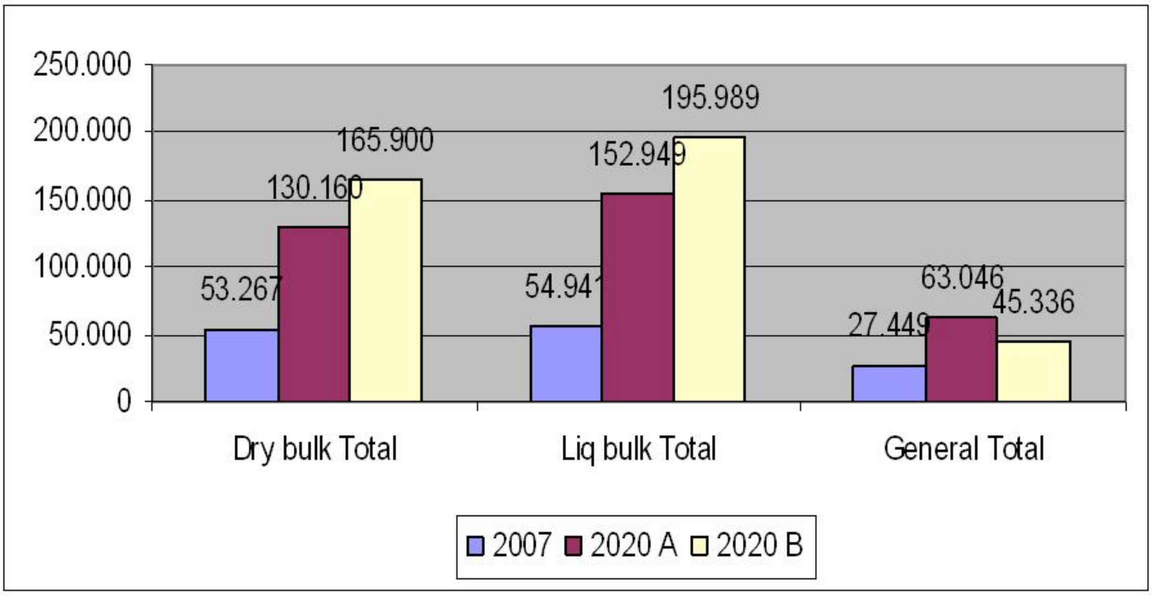
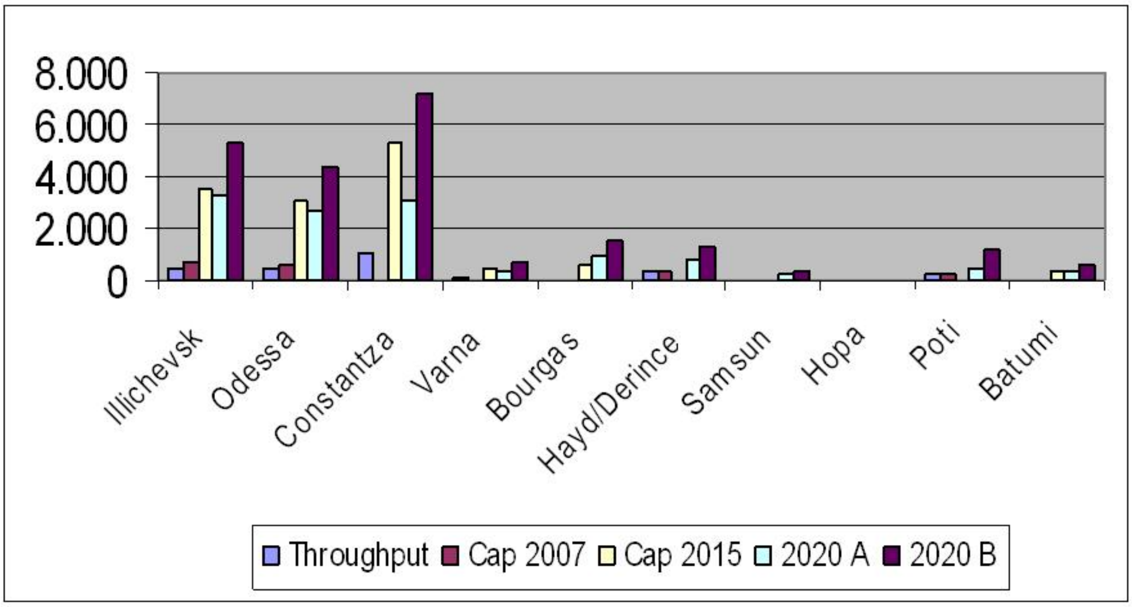
Traceca Ports Total - Containers



Traceca Ports Total - Bulk/General



Containers x 1000 TEU



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Containers x 1000 TEU

	Throughput	Cap 2007	Cap 2015	2020 A	2020 B
Illichevsk	461	850	3,500	3,300	5,250
Odessa	523	530	3,100	2,700	4,300
Constantza	1,037		5,350	3,100	7,200
Varna	100		470	406	740
Bourgas	26		580	891	1,500
Hayd/Derince	380	380		841	1,241
Samsun	0	0		177	378
Hopa	0	0		11	24
Poti	185	185		518	1,141
Batumi	0	0	300	349	560

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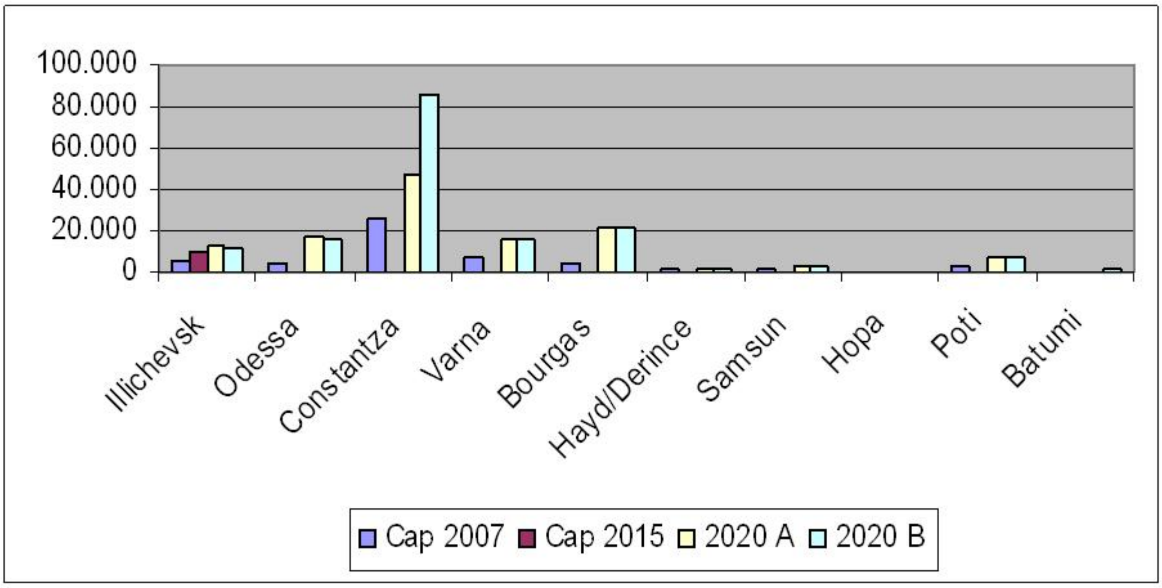
Dry bulk x 1000 tonnes



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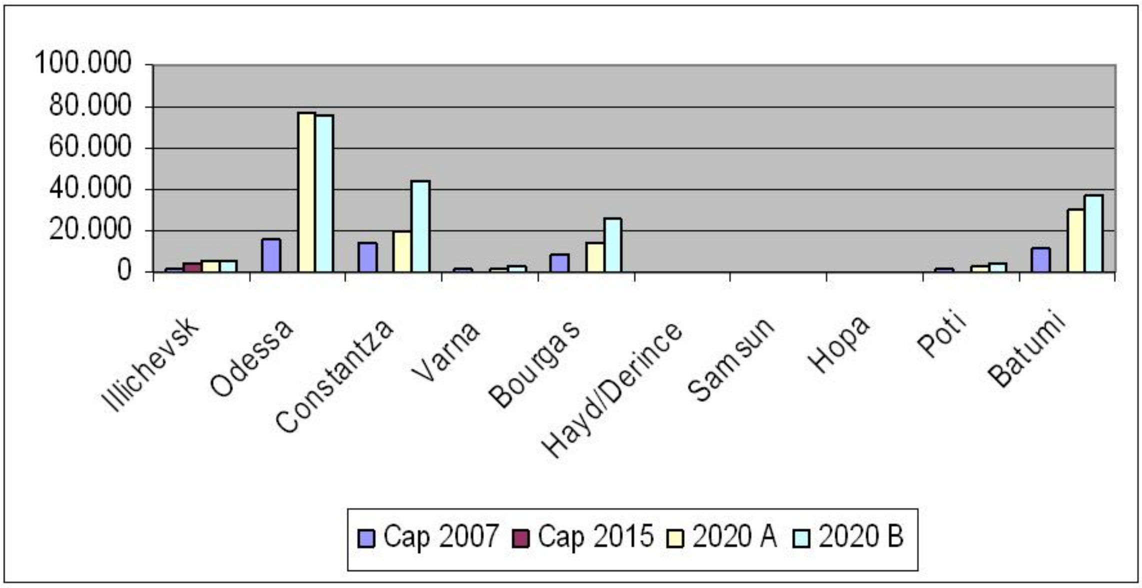
Dry bulk x 1000 tonnes

	Cap 2007	Cap 2015	2020 A	2020 B
Illichevsk	6.040	10.430	13.500	12.000
Odessa	4.000		17.700	15.800
Constantza	26.114		47.800	85.300
Varna	6.700		16.400	16.400
Bourgas	4.583		22.100	22.100
Hayd/Derince	1.073		1.600	1.800
Samsun	1.149		3.300	3.500
Hopa	292		360	400
Poti	3.016		6.700	7.700
Batumi	300		700	900

Liquid bulk x 1000 tonnes



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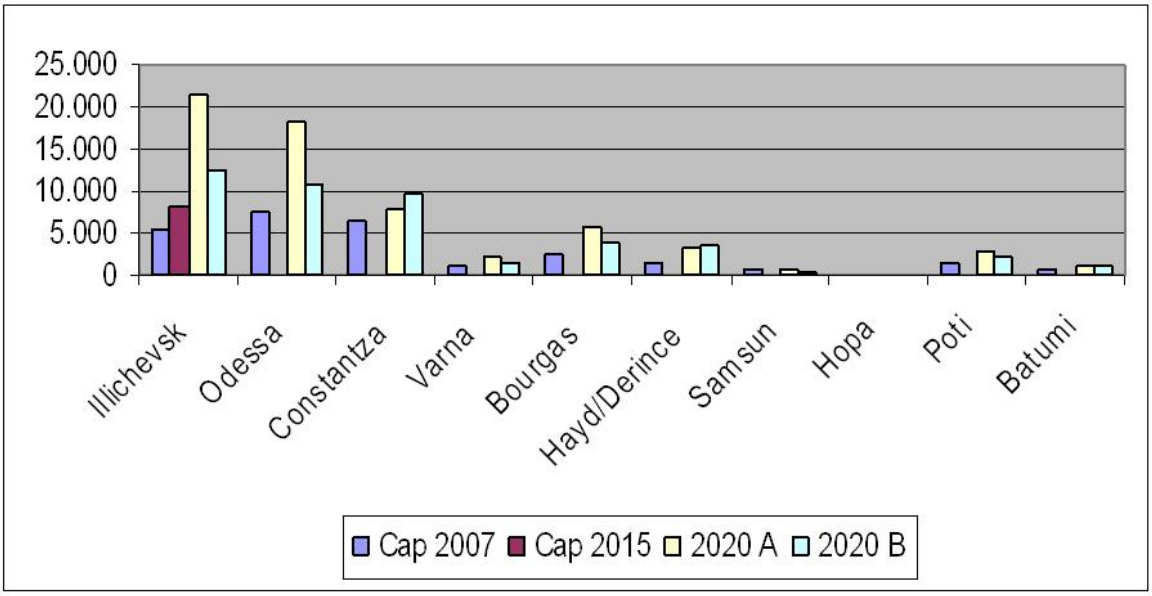
Liquid bulk x 1000 tonnes

	Cap 2007	Cap 2015	2020 A	2020 B
Illichevsk	1.497	4.800	5.900	5.700
Odessa	15.469		77.700	76.000
Constantza	14.680		20.700	44.100
Varna	942		1.200	2.300
Bourgas	9.053		13.800	26.300
Hayd/Derince	93		80	100
Samsun	18		50	70
Hopa	24		19	19
Poti	1.165		3.100	3.800
Batumi	12.000		30.400	37.600

General cargo x 1000 tonnes



General cargo x 1000 tonnes

	Cap 2007	Cap 2015	2020 A	2020 B
Illichevsk	5.250	8.230	21.300	12.600
Odessa	7.473		18.100	10.700
Constantza	6.528		7.800	9.600
Varna	1.030		2.200	1.500
Bourgas	2.573		5.700	3.900
Hayd/Derince	1.448		3.300	3.400
Samsun	879		820	520
Hopa	12		26	16
Poti	1.456		2.700	2.200
Batumi	800		1.100	900

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Conditions

- Efficiency
- ICT
- Customs
- Hinterland Connections

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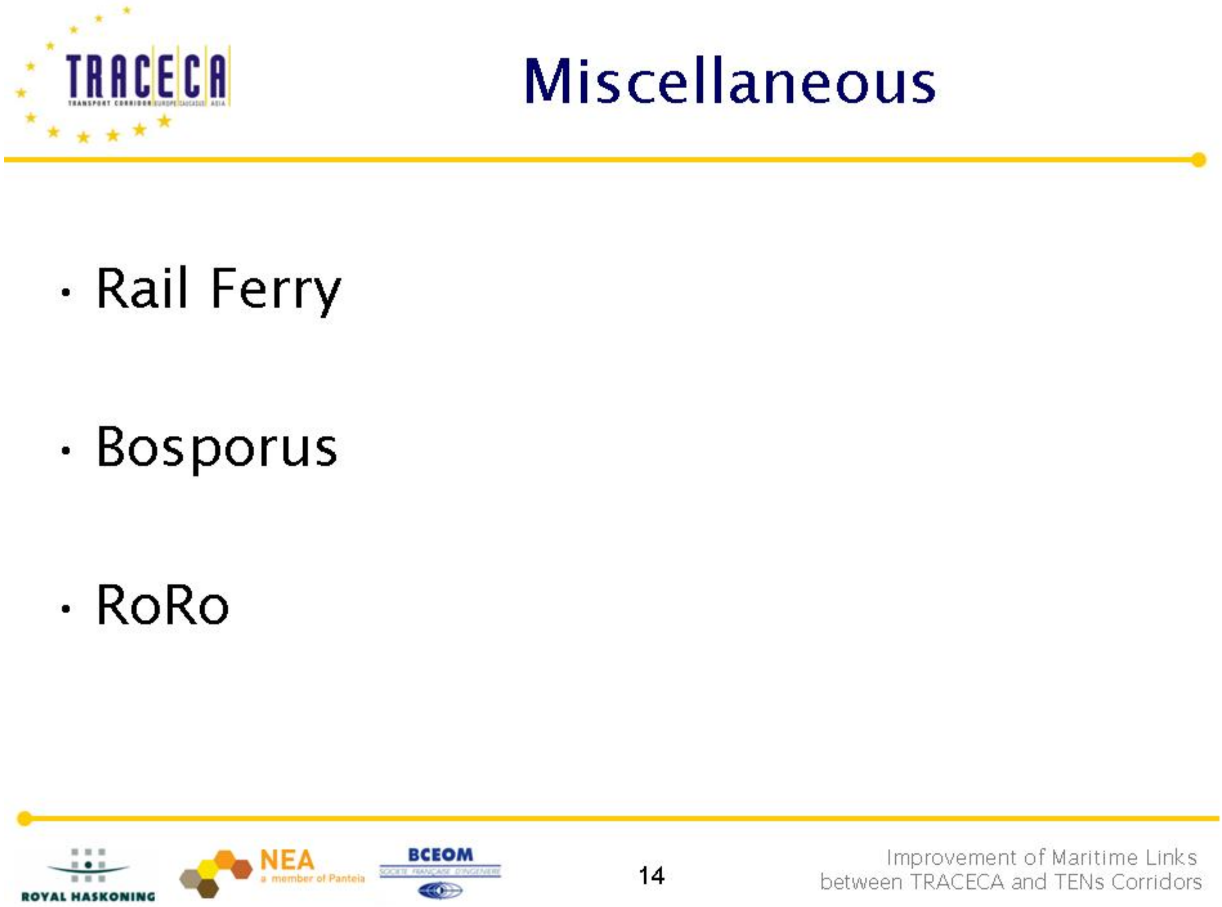

Thanks for your contribution

7 Discussions

Below is an overview of questions asked and discussion topics during the workshop, per subject category.

Forecast transport flows & Port assignment

- General discussion theme was that the forecasting within this project is done on the basis of the development of the local markets and the current hinterland of the different ports. Additional local issues such as the political and economic situation, investment plans and competition will also influence the development of the port.
- There was a discussion concerning the development of the Russian ports. Russia lies outside the TRACECA corridor but they are building a lot of facilities. Is it possible they will take over all the trade in the Black Sea area?
    - The forecast were made with very modest assumptions concerning the possibilities of for instance UA ports to serve as a hub for Russia. Even without this function the growth is already very strong.
    - The Ukraine ports believe that the capacity of Odessa and Illichevsk will increase more than the capacity of the Russian ones. The Russian ports focus more on imports. Next to this it was mentioned that the forecasts made for the Ukraine ports were good.
    - Bulgaria believes that the Russian ports have no potential to operate as a transhipment hubs. Their focus is on the Russian market.
    - The EU asked our team to make a forecast for the TRACECA region. The forecast delivered by us must be read as a presentation of the market potential for this region. The real growth factor is influenced by external factors and port specific investments. The Georgian delegation reacted on this statement that the forecasts are realistic for their ports.
- The container market in Bulgaria will grow. Bulgaria is preparing for the growth of the container market with the building of two container terminals. One in Burgas and one in Varna. The building will start in April 2008.
- The market for steel products for the BG ports might change.
- Is there a serious threat from the Greek ports for the ports in Bulgaria?
    - Bulgaria is not afraid of the Greek ports because Greece is more interested in developing their dry ports By investing in their rail network Bulgaria is planning to develop their hinterland connections with Central Europe. More cargo coming to the Black Sea area will be better for the whole region.
- Constanta reacted to this discussion that they try to double their container capacity in 2008. They see no big difference as a result of Ukrainian port development.
- The description of the monetary trade model is not included in the appendix of the report. This could be of interest for politicians.
- Trade deficit is linked to the amount of growth. When you know the constraints you can compare our forecasted growth rate with macro economic figures. It must also be remarked that there usually is a higher growth in value then in tonnes. A good example to understand this difference are oil products and their prices in US dollars.
- Monetary figures are only used as a cross-check with WTO and World bank statistics.

Port operations & Tariff structure

- The low performance rate of Black Sea ports is mainly caused by the inefficient use of port capacity due to a lack of modern handling equipment and a lack of proper hinterland connections.
- Container throughput Poti has changed., mixed berth, makes comparison difficult.
- The rail ferry is analysed separately in our survey while not all analysed ports handle those.

- Favourable flags are not mentioned in presented port dues.
- Government is involved in port dues in Georgia. They set ceiling
- Basis in Georgia is not GT, but cubic metres.
- Poti figures should be corrected, a calculation mistake.
- The government of Turkey is involved by the privatisation of the ports. The ministry determined a ceiling price for the future port dues.

Port marketing

- All participants were asked to compare their own marketing approach to the approach of the port of Rotterdam.
- Poti and Constantza report regular meeting with clients. Poti focuses on reducing bureaucracy (customs, formalities). Constantza has representative offices in three countries. Burgas researches development plans of clients. Odessa assesses competitive strength in comparison with other ports., and analyses flows.
- Romania: the marketing strategy strongly depends on the mentality and culture in a country. There is no such thing as a *blue print* for port marketing.
- Turkey: one can not compare the port marketing in Turkey with the marketing activities of the port of Rotterdam. There is no such thing as a concrete marketing plan.
- Georgia: the port authority musty show their leadership on this subject for the port of Poti.
- Ukraine: The Baltic ports have their own marketing department. For Ukraine the port of Constanta is their main competitor. The increase of their container handling capacity is a ‘problem’ for the Ukrainian ports.
- Bulgaria: there is a marketing strategy for both ports. Via the landlord system there is also a strategy per port. The chemical industry is the target market for the port of Varna. Burgas handles more general cargo and oil products while there is a oil refinery situated close to the port.

Assessment of constraints and prospects

- Why are RORO services not growing at the same rate as container services in the Black Sea area?
    - The amount of cargo suitable for RORO services is too low to make it attractive in Bulgaria.
    - The ports in Georgia handle mostly cargo from Europe and not from Romania <But Romania is in Europe>. Trucks are more expensive to use. The RORO concept is not market driven but government influenced.
    - In the North Sea region (as a comparison) the RORO transport is competitive due to the shorter sea distances, high service frequencies and demand from sectors such as chilled products, being transported as soon as possible to their final destination.
    - In the port of Samsun RORO is a success.
- The port of Odessa is becoming less interested in further investments in the liquid bulk sector. Their tourist sector is increasing and on the freight side they mainly target containers and dry bulk in this port.
- As a reaction on the presented figure for liquid bulk for the port of Batumi the representatives of this port mention that they are able to handle the forecasted amount of cargo. When no investments are made in the ports the market for liquid bulk will be taken over by other ports in the Black Sea.
- The forecast for liquid bulk in the port of Burgas is incorrect. In a few years there will be a pipeline leading to more liquid bulk handling in Burgas.

8 Results of the evaluation by participants

RESULTS EVALUATION BY PARTICIPANTS

All participants were asked to fill in an evaluation form to gain insight in the relevance of the subject and the presentation. Sixteen participants returned the evaluation form. Below are the scores.
The table shows the participants were very satisfied with the seminar, eight found the seminar very interesting while 7 found it interesting and one participant was neutral.
The column "Remarks" gives the remarks made by the participants.

Topic	Not at all inte-resting	Not inte-resting	Neutral	Inte-resting	Very inte-resting	Remarks
Forecast transport flows in the Black Sea, 2020, Mr Sean Newton	0	0	0	9	7	
Port assignment of transport flows in the Black Sea, 2020, Mr Barry Zondag	0	0	1	8	7	
Present port operations, facilities and performance rate, Mr Wim Welvaarts	0	0	2	7	7	We don't use such indexes for analysing
Tariff structure of the different ports and maritime links, Mr Wouter van Nus	0	0	3	5	8	More precise calculations
Port marketing: marketing theories, methods and practices, Mr Victor Timmermans	0	0	1	8	7	
Assessment of constraints and prospects for Black Sea ports, Mr Klaas Westerkamp	0	0	0	7	9	Correct forecast liquid bulk
Total workshop contents	0	0	1	7	8	Correct statistics current turnover

The participants were also asked about the opinion on the organisation, the hotel and catering.

	Very poor	**Poor**	**Neutral**	**Good**	**Very good**	**Remarks**
Overall organisation of workshop			1	6	9	Excellent, thank you
Hotel			2	10	3	Didn't sleep but like it
Catering			3	6	6	

Additional remarks:

- Send draft report one month before
- A more detailed agenda
- Thanks for this interesting event
- Thanks for everything, hope we'll meet again
- A port visit would be interesting

Overall, it seems the workshop was received very well by the participants.

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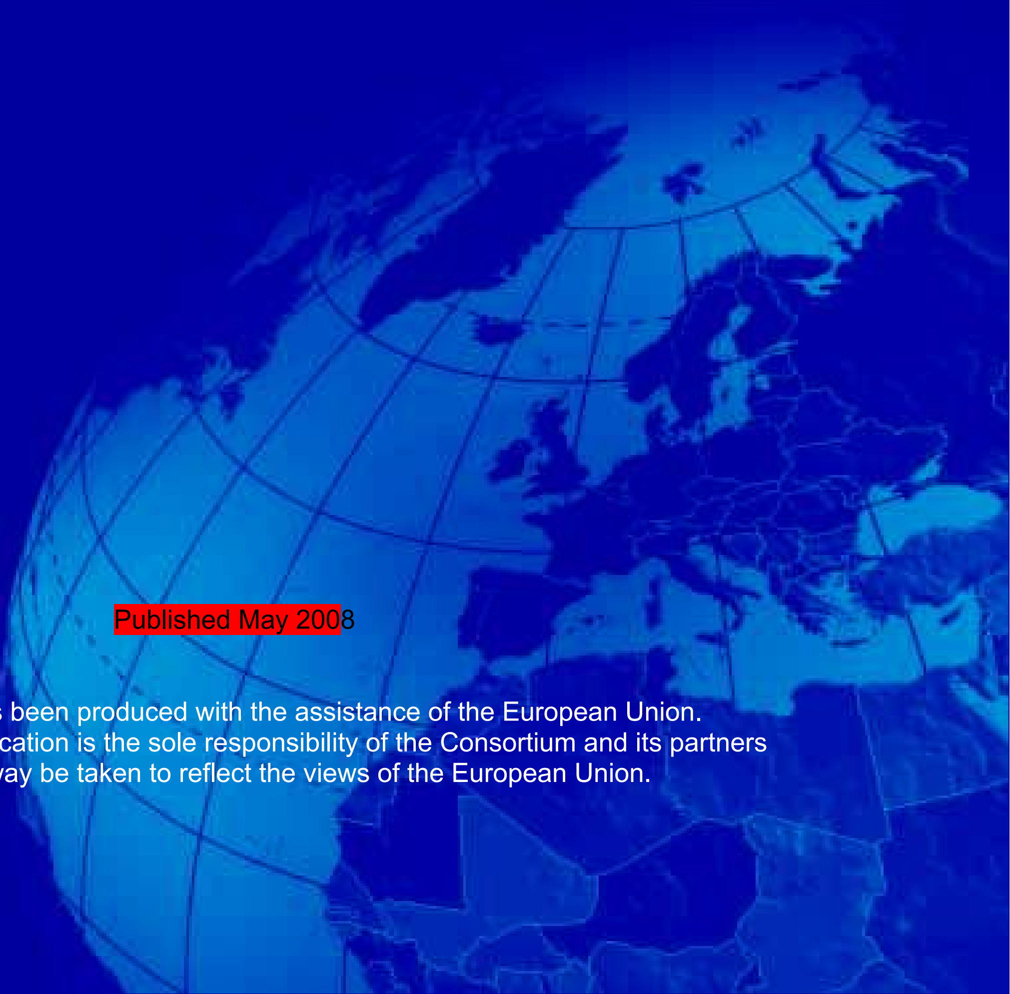

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