ISTAO

OBSERVATORY ON SEA TRAFFIC IN THE ADRIATIC-IONIAN AREA

2006 REPORT

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Durrës – 25 May 2006

INTRODUCTION

As usual, the Observatory's annual report focused on two main areas:

- analysis of annual traffic and the competitive positioning of the 17 main ports facing the Adriatic-Ionian basin (AI): Trieste, Venice, Ravenna, Ancona, Bari, Brindisi and Taranto in Italy; Koper in Slovenia, Rijeka, Split, Zadar, Ploce and Dubrovnik for Croatia; Durrës for Albania, Bar for Serbia-Montenegro; Igoumenitsa and Patras for Greece.
- the main transport and infrastructure policies affecting the AI area.

TOTAL FREIGHT MOVEMENT

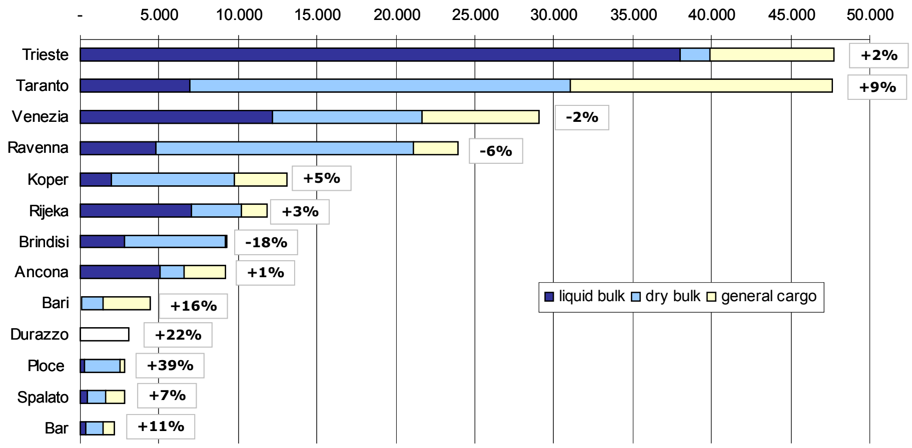
In 2005, a total of 207 million tonnes of freight were moved, an increase of 2.1% on the previous year. This is a more limited increase compared to the 7% recorded in 2004.

49% of the traffic was concentrated in the ports of the upper Adriatic, with Trieste, Venice, Koper and Rijeka. The south of the AI area, backed by the strong position of Taranto, collected 31% of traffic.

With approximately 48 million tonnes of freight, the port of Trieste remains the principal port in the area in terms of overall movement, now equalled by Taranto (47 million tonnes), the absolute market leader in terms of dry bulk and containers.

Trieste and Taranto both recorded a growth in the market of liquid and dry bulk, while they lose out in the sector of miscellaneous freight. On the other hand, the volumes at Ravenna and Venice have fallen in the bulk sector, and this explains almost all of the negative changes (-6% and -2% respectively), for 2005.

The port of Brindisi suffered a heavy loss (-18%), while Ancona grew by 1%, the result of the different combination between the growth in liquid goods and the reduction in solid and miscellaneous goods.



AI PORTS – OVERALL FREIGHT MOVEMENT AND CHANGES DURING 2005 % 2004/2005

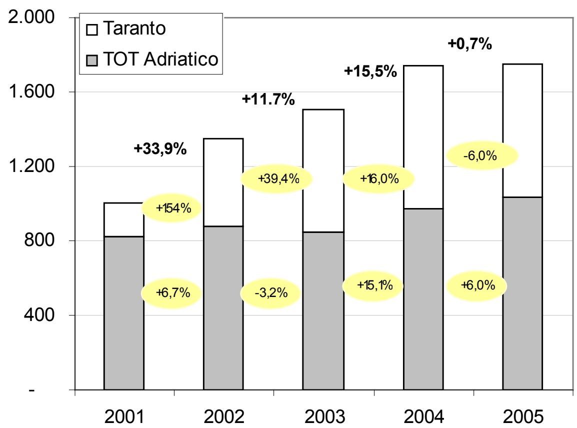
Fonte: elab. Istao su dati AP

CONTAINER MOVEMENT

In 2005, container traffic in the AI area reached 1.7 million Teus (up by 0.7% on the previous year).

Strictly speaking, the Adriatic area exceeded one million Teus with a growth of 6%, balancing out the first blip, after many years, for Taranto (-6%).

AI PORTS – CONTAINER MOVEMENT AND CHANGES DURING 2005 % 2004/2005



Looking at each port:

- there are evident problems for all Italian Adriatic ports, with losses, some more limited than others;
- there was growth for all non-Italian ports;
- there was a fast pace of growth for Koper and Rijeka. During the past five years, Koper has almost doubled the volume of Teus transported, during the past year also overtaking Ravenna, whose results appear to be static.

  The traffic at Rijeka has grown fivefold during the past 5 years. Over the past year it also overtook Ancona, which after the peak of 94 000 Teus in 2002, has regularly lost traffic.

- Finally, mention should be made of Durrës, which is growing at a very fast pace, although it is still moving very limited volumes.

AI Ports – Container Movement and Changes 2001-2005 (in TEUs). annual %

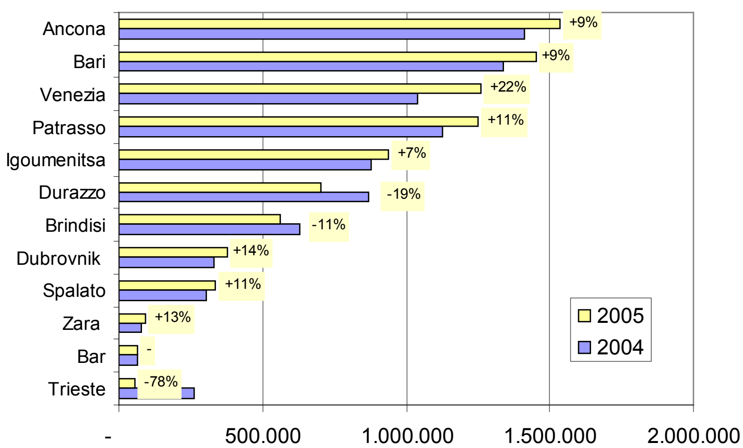
	2002	2003	2004	2005
Taranto	471.570	658.426	763.318	716.856
	153,5	39,6	15,9	-6,1
Venezia	*262.337*	*283.667*	*290.898*	*289.860*
	6,6	8,1	2,5	-0,4
Trieste	*185.301*	*120.438*	*174.729*	*198.319*
	-7,6	-35,0	45,1	13,5
Koper	*114.864*	*126.237*	*153.347*	*179.745*
	23,3	9,9	21,5	17,2
Ravenna	*160.613*	*160.360*	*169.467*	*168.588*
	1,4	-0,2	5,7	-0,5
Rijeka	***16.681***	***28.902***	***60.864***	***76.258***
	26,6	**73,3**	**110,6**	**25,3**
Ancona	*94.315*	*75.841*	*65.077*	*64.209*
	4,8	-19,6	-14,2	-1,3
Ploce	*10.348*	*14.028*	*14.520*	*17.065*
	88,2	35,6	3,5	17,5
Durazzo	*911*	*3.803*	*8.292*	*15.410*
	3,5	317,5	118,0	85,8
Bar	*9.777*	*8.633*	*11.434*	*12.592*
	76,9	-11,7	32,4	10,1
Bari	*11.997*	*24.341*	*20.192*	*10.008*
	659,8	102,9	-17,0	-50,4

Source: ISTAO findings from Port Authority data

PASSENGER TRAFFIC

International passenger traffic in 2005 corresponded to around 8.6 million units, with a growth of 3.4% compared to the previous year. Ancona, the absolute leader in this area, has a market share of 18%.

PAX – Total international movement 2004-2005



Source: ISTAO findings from Port Authority data

All the major ports in the area have grown, also driven by a rise in the cruise segment.

In the TIR/TRAILER segment, there was a recovery in 2005 (3.7%) after the drop in all market segments during 2004. The Greek market is continuing to lose out, which causes an overall erosion of Ancona's market share, the foremost and most established partner for links to Patras and Igoumenitsa.

TIR MOVEMENT TO AND FROM ITALIAN PORTS

Markets	2003	% change	2004	% change	2005	% change
Greece	468.891	2,0	429.139	-8,5	416.029	-3,1
Turkey	146.472	24,6	*137.910*	-5,8	*151.773*	10,1
Albania	49.433	10,2	48.664	-1,6	61.193	25,7
Croatia	10.365	-10,7	7.153	-31,0	17.517	144,9
Monten	6.224	-20,0	4.909	-21,1	4.442	-9,5
TOT	681.385	6,3	627.775	-7,9	650.954	3,7

Source: Istao findings from Port Authority data

Analysis of the passenger market shows the following trends.

- GREEK segment. In 2005 passenger movement from Italy towards Greece remained steady at around 2.3 million, stable compared to 2004, a year in which traffic had fallen. The loss of the direct line to Greece from Trieste, and the constant erosion of traffic to Brindisi, was well compensated by the growth at Ancona, Venice and Bari.

  There was a drop in the total movement of containers and trailers (-3%) and a high degree of redistribution of the market between Italian ports: Ancona, Trieste and Brindisi all fell, as mentioned, while Bari and Venice saw a sharp increase.

- CROATIAN segment. Italian movements from traffic towards Croatia (468,000) recorded a 2% increase. However, it should be mentioned that hydrofoil traffic, typically during the summer months, is not part of this survey. It is well known that this traffic is on the increase. Ancona fell slightly in terms of passenger traffic, especially towards Split, but there was strong growth in the TIR segment (16,800 in total). Internal movements at Croatian ports towards the islands continues to grow, reaching 6 million passengers (12%).

- ALBANIAN segment. There were 793,000 passengers from Italy towards the ports of Durres and Vlore, down by 3% on the previous year. The ports of Bari and Brindisi became stronger on this route while Trieste and Ancona fell. There was strong growth in the TIR/Trailer segment, from 4… ncona and Trieste led this growth.

- SERBIA-MONTENEGRO segment. … s towards Bar, where the link to the port of B…

- CRUISE segment – this is the se… (20% on average) at all Italian and Croatian … traffic.

TRANSPORT AND INFRASTRUCTURE POLICIES IN THE AI AREA: UPDATES

In line with the Observatory's obj… sport and infrastructure policies with a direct im… was given to:

  - implementation of Corridor V an…
  - progress of the programme "Mo…
  - the feasibility study for logistica… ;
  - results from the High Level Gr… axes and identification of the priority proj… .

Below is a brief summary of the monit…

Corridor V - Implementation

Corridor V is the axis linking Venice-T… -Uzgorod-Lvov(Kiev) with branches to Rijeka, Bratislava and Ploce. It covers approximately 3000 km for the railways and 2850 km of road. The Memorandum of Understanding of Corridor V was signed in Trieste on 16 December 1996, by the Ministries of Transport of Hungary, Italy, Slovakia, Slovenia and the Ukraine. In 2001, Croatia also joined.

In January 2004, the permanent Secretariat was established at Trieste, with the task of assisting countries involved in identifying and developing infrastructure projects along the Corridor and defining the financial backing required.

A strong impulse was given towards realisation of the Corridor in April 2004, from the European Parliament's decision to give final approval to the 30 priority interest projects that will redefine trans-European transport links: these include the railway link Lyon-Trieste-Divaca, Ljublijana-Budapest. For the border section, it is possible to receive European co-financing of up to 50%. At the start of 2006, financing for the feasibility study was approved, with funds from Interreg 3A to be completed by the end of March 2008.

In February 2006, at the Summit of Ministers of the Quadrilateral (Italy, Slovenia, Hungary and Croatia) an agreement was also signed between the Italian and Slovenian ministers, to set up an intergovernmental committee with the task of monitoring planning and drafting the International Treaty. The route of the new railway line is planned to run from Trieste to Divaca, then continuing with a sequence of tunnels, embankments and viaducts as far as Ljublijana. There are also plans for a link to Koper.

As far as the roads are concerned, the following table shows the planned projects or those being implemented on the Italian side.

CORRIDOR V: ITALY – PLANNED ROAD WORKS

Sections	*Estimated cost*	*Funding*	*Start of works*	*End*
Mestre link	750 mln €	16% State, 84% ANAS. Management licence granted to Venezia spa (55%) Autovie venete spa (35%), Autostrade per l'Italia spa (15%).	2005	2008
Pedemontana Veneta –A4 link (Montebello –VI) with the A 27 (Spresiano –TV)	1,950 mln €	490 funded by the State, the remainder by private investors	2006	2011
Motorway Venice-Trieste–Udine (third lane)				
Motorway link Sistiana-Port of Trieste (motorway link Gattinara-Padriciano linking the port to the A4 TO-TS)	121 mln €			2009
Italo-Slovenian border – 3km	74 mln €			2007

Source: Ministry of Infrastructure & Transport

For further information:

http://www.infrastrutturetrasporti.it/page/standard/site.php?p=cm&o=vd&id=1485

and *Pan European Status Report* in:

http://europa.eu.int/comm/ten/transport/documentation/index_en.htm

Corridor VIII - Implementation

This extends along the line Durres-Tirana-Skopje-Sofia-Burgas and Varna, with the sea link to the Italian ports of Bari and Brindisi.

Links are planned with Greece, Albania and Bulgaria. Finally, Corridor VIII intercepts the section between Sofia and Plovdiv, Corridor IV that terminates in Istanbul.

Corridor VIII is a strategic axis between the Adriatic Sea and the Black Sea, linking the southern Adriatic-Ionian regions of Italy via the ports of Bari and Brindisi with Albania (Durres, Tirana), Fyrom-Macedonia (Skopje) and Bulgaria (Sofia) with terminals at the ports of Burgas and Varna on the Black Sea.

In terms of infrastructure, it is made up of a multi-modal transport system including ports, airports, interports, roads and railways extending over 1,270 km of railway and 960 km of roads.

The Corridor does not yet have its own financial budget. Recourse must therefore be made from various financial instruments: the European programme PHARE (destined for the PECO countries), the TACIS programme, for countries of the former Soviet Union; the ISPA Programme for applicant countries with funding of € 520 million for each year from 2000 to 2006. Some initiatives are now financed by the law 84/2001 - "Provisions for Italian involvement in stabilisation, reconstruction and development of countries in the Balkan area".

The following are some of the fundamental stages in development of the Corridor.

In 2002, the Memorandum of Understanding between Italy, Albania, FYR Macedonia, Bulgaria, Greece and Turkey gave rise to foundation of the Steering Committee and the permanent Secretariat at Bari. The Steering Committee meetings were held in Rome (2003), Bari (2004), and Tirana (2005).

During the 2005 meeting, the Plan of Action for 2005-2006 was approved. The planned initiatives include realisation of studies to be approved by the Steering Committee, on roads, railways, ports, intermodal transport and logistics. In 2006, the first study on the railways was presented **"Technical Assessment of feasibility of Corridor VIII railway border crossings within the CEI region"**, carried out by Rete Ferroviaria Italiana (RFI), financed by law no. 84/91 and co-financed by the CEI (Central European Initiative). This study identifies the railway route and the main needs of the Corridor, referring feasibility studies for specific analyses to a later study.

MAIN RAILWAY ROUTE – CORRIDOR VIII

Country	*Existing line km*	*New line Km*	*Total Km*

ALBANIA - Durres-Tirane-Rrogozhine (A)-LIn (B) – confine FIR MAC

167.5
2.5

170.0

FYR MACEDONIA - Struga-Kicevo-Tetovo-Skopje

262.0
22.5

284.5

BULGARIA - conf. FIR M.-BUL – Sofia-Plodviv-Stara Ragora-Burgas

558.0
2.5

560.5

TOTAL
987.5
27.5

1015.0

TOT %
97.3%
2.3%

100.00

MAIN RAILWAY BRANCH ROUTE – CORRIDOR VIII

Country
Existing line km
New line Km
Total Km

ALBANIA
Branch A: Rrogozhine – Fier –Vlore
Branch B: Lin - Kristallopigi

80
26

51

80
77

BULGARIA
Branch C: Sofia – Pleven – Levsky – Byala – Gorna Oryahovitsa
Branch D: Karnovat - Varga

261

129

57

318

129

GREECE
Branch B: Lin - Kristallopigi

11

11

TOTAL
496
119

615

TOT %
80.7%
19.3%

100.0%

Added to the need to modernise the main route is the requirement for new railway lines, especially for the links planned along the secondary branches.

On the Italian side, RFI has already planned certain initiatives affecting the Puglia complex of Bari and Brindisi:

- completion of the last single-track sections (75 km); a) on the Adriatic line from Pescara-Bari, b) between Bari Parco Sud and Brindisi, c) on some of the sections along the Bari-Lecce and Taranto-Bari lines;
- improvements to some of the alternative lines that can be used for the link between Gioia Tauro-North Italy (Gioia Tauro – Cosenza-Sibari-Taranto-Bari);
- improvement to the intermodal centre at Brindisi;
- redevelopment of the stations of Bari Centrale, Brindisi, Taranto , Foggia, Lecce and Barletta;
- other technological improvements to all lines.

For further information:

www.secretariat-corridor8.it

http://www.infrastrutturetrasporti.it/page/standard/site.php?p=cm&o=vd&id=1489

and *Pan European Status Report* in:

http://europa.eu.int/comm/ten/transport/documentation/index_en.htm

Motorways of the Sea - Implementation

In order to assess progress of the Motorways of the Sea programme, a Conference was held in January 2006, in Ljubljana, led by Jacques Barrot, vice-President of the European Commission with responsibility for transport.

Various European countries illustrated their approaches towards implementing the Motorways of the Sea programme, which were generally characterised by the decision to push the project forward via a public entity, or leave more room for the market. For Italy and Greece, there is a strong drive from institutions.

The 2006 Call for proposals, according to Barrot, should give the go-ahead for realisation of actual projects. The first list of projects to be funded is expected for 2007.

Progress of the Motorways of the Sea programme in Italy. In 2004, Mediterranean Motorway Network was set up (RAM), operating on the basis of an agreement with the Ministry of Infrastructure & Transport, and owned almost entirely by Sviluppo Italia.

According to its mission, RAM is to plan and coordinate works related to the Motorways of the Sea, favouring the development of new bilateral and multilateral agreements between Italy and the partner countries of the Mediterranean, and identifying EC funds to be allocated to national projects.

Specifically, RAM must:

- promote and encourage approval of the "Motorways of the Sea" programme, projects at national level and, as necessary, at EC level;

- "scout" for potential financial and/or business partners, in close collaboration with shipowners, haulage companies and terminal companies;
- act as the programme's initiator, and "system facilitator", managing private and public, national and international funds;
- promote the innovation and transfer of technologies, especially information technology.

RAM has set up the national master plan for the "Motorways of the Sea", divided into three main branches:

1. infrastructure: a survey has been made of the existing infrastructure at each port, its links to other transport modes, works planned or underway, and the main critical issues;
2. services: the existing lines have been monitored for each port, also to assess the possibility of new routes, and measures designed to improve efficiency;
3. regulations: a study of methods and systems to simplify procedures and an indication of new regulations to make the "motorways of the sea" more streamlined and efficient.

This approach is designed to identify port clusters, formed of uniform areas with consistent exchange of goods. Those working in these clusters (operators and ports) will have access to the planned funding.

2005-2006 – in order to implement the national master plan, RAM is entering into agreements, mainly with Regions and Port Authorities. The aim is to set up regional master plans to enable work to be calibrated more accurately, and to proceed to Planning Agreements to implement more specific measures.

From December 2005, RAM entered into Memoranda of Understanding with the Region of Puglia (December 2005), the Region of Liguria (December 2005), the Region of Veneto and the Port Authority of Venice (March 2006), Region of Abruzzo (March 2006).

Generally speaking, these agreements envisage the realisation of regional master plans (within 4 months of the protocol being signed), which must indicate:

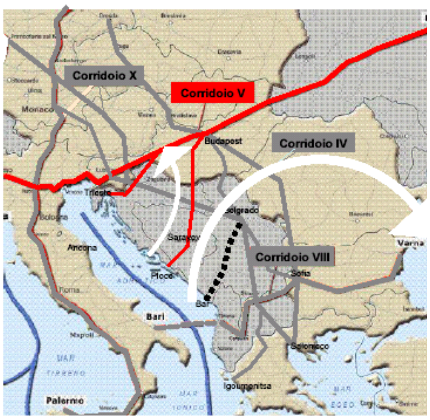
- the works required for infrastructure improvements at the terminals of the Motorways of the Sea and their links to the road and motorway networks;
- the required sea routes;
- the initiators,
- the funding schemes,
- any legislation required;
- the procedures to launch the Planning Agreements of the Services Conference with all those involved (Port Authorities, interports, railways, ANAS, motorways, municipalities and provinces).

For further information on "Motorways of the Sea":

http://europa.eu.int/comm/transport/intermodality/motorways_sea/index_en.htm

Feasibility study: Bar-Belgrade Corridor

The "Feasibility study for logistical access to the Bar-Belgrade Corridor" was promoted by the IDC – Italian Distribution Council, a national logistics agency with the task of facilitating national logistical projections along the Bar-Belgrade-Timisoara axis. The study was financed by the ICE, Institute for Foreign Trade.



The results highlight the role of the Corridor as a way to link the markets of Central Italy with the countries of Central-Eastern Europe, as far as the Black Sea, thanks to possible interconnections with other Corridors.

Within the project, the Port of Ancona has been identified as a privileged point of access on the corridor, compared to the other Italian Adriatic ports, and conditions for sustainability of a line have been indicated. The factors working in Ancona's favour are its geographical vicinity to the traffic basins and the port of Bar, and the presence of other international links.

The main limits of the Bar-Belgrade corridor, however, concern infrastructure, and are partly strategic.

There is a great need to modernise much of the road network. In addition, as far as the railway section is concerned a) there is a need to modernise the section to Romania via Subotica; b) the Belgrade hub is critical: the bridge over the Danube between Belgrade and Romania has been damaged; c) the railway link between Belgrade, Pancevo and Pancevo-Romania, must be improved. There are also many tunnels between Bar and Belgrade that require alternations to allow for the passage of high cube containers and lorries loaded on the railway cars.

Finally, from a strategic point of view, the corridor may enter into competition with Corridor VIII or the Ploce link of Corridor V.

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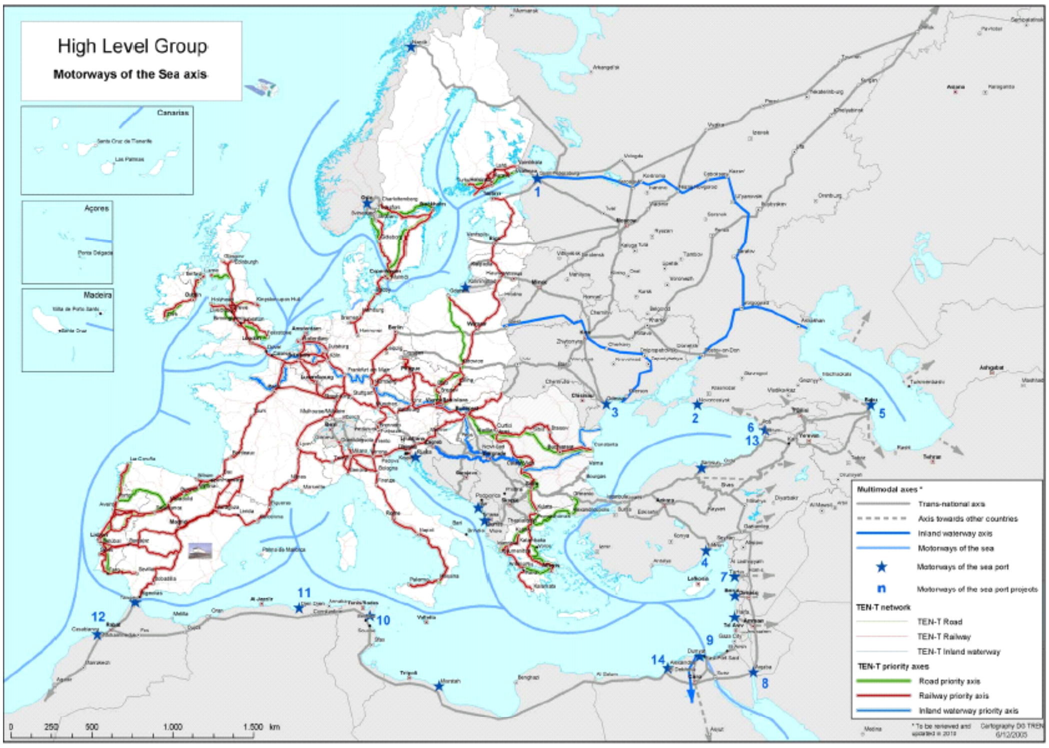
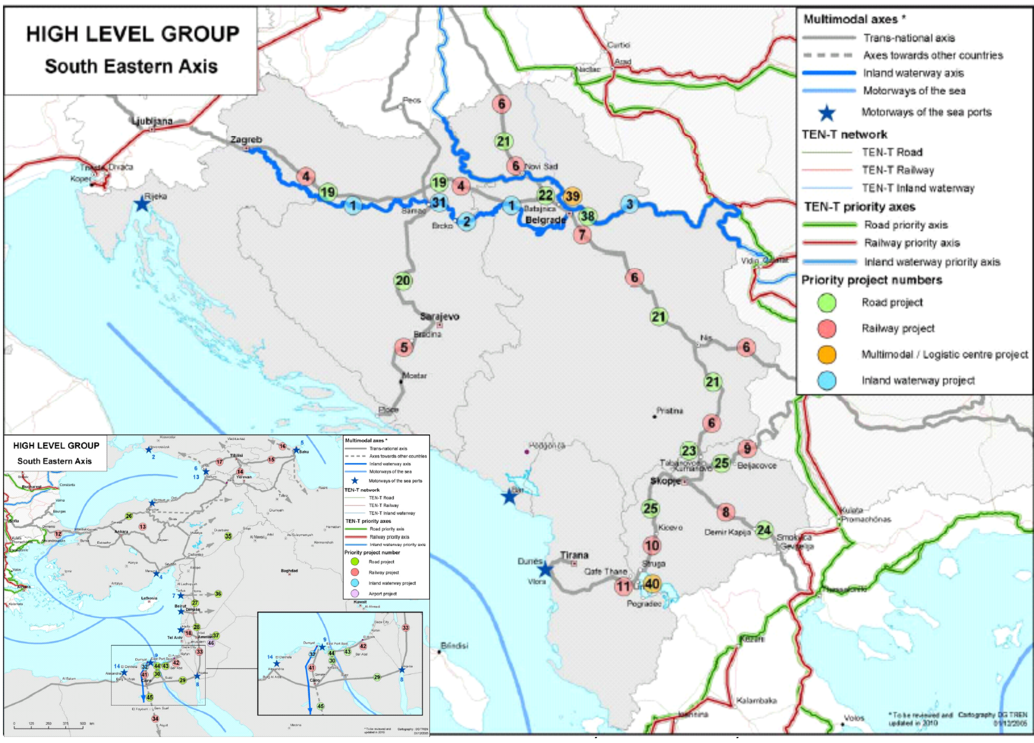


... reasonably certain results. The total estimated cost of realisation of the selected projects is € 45 billion, of which 35 before 2020.

The axes identified are the following:

1) extension of the motorways of the sea (project 21 – TEN-T priority axes and projects

2004) along the following directions:



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LONG TERM PROJECTS (AFTER 2020)
Countries
INLAND WATERWAY
RAIL

Regional
1b - Reconstruction of the Sava river to a higher navigability class (phase 2)

Bosnia & Herzegovina
31 – Reconstruction and modernisation of river port Samac

FYR of Macedonia

8b – Rehabilitation of the railway line Tabanovci-Gevgelija (phase 2)

OTHER MULTIMODAL PROJECTS
Countries
INLAND WATERWAY

Serbia & Montenegro
38 – Gezela bridge
39 – Intermodal logistic platmform in Belgrade

FYR of Macedonia
40 – Constrution of the multi-modal terminal located in Struga

SHORT-MEDIUM TERM PROJECTS

COUNTRIES

INLAND WATERWAY
RAIL
ROAD

Regional

1 - Reconstruction of the Sava river to the 1990 standards (phase 1)

Croatia

4- Upgrading of railway line Slovenia border- Zagreb-Sofia & Montenegro border

19 – Road upgrading Slovenia border-Zagreb-Lipovac-Serbia e Montenegro border

Bosnia & Herzegovina

2 – Reconstruction and modernisation of river port Brcko

5 – A single track railway tunnel "Ivan"

20 – Road Ugrading on Croatia border-Sarjevo-Mostar-Croatia border

Serbia & Montenegro

3 - Development of navigability on the Danube (river training works, locks and removal of vessels sunken)

6 – Reconstruction and modernisation of railway line Hungary border-Belgrade-Nis-Bulgaria/FYR of Macedonia border, including bridge over Danube in Novi Sad7- Reconstruction and modernisation o railway within Belgrade railway node

21 – Road upgrading from section Hungary border-Belgrade-Nis-FYR of Macedonia border22- Belgrade city road by-pass section Batajnica-Babanj potok

FYR of Macedonia

8a – Rehabilitation of the railway line Tabanovci-Gevgelija (phase 1)9 – Railway line Kumanovo-Beljacovce-Bulgaria border10 – railway line Kicevo-Stuga-Albania border

23 – Road Upgrading Kumanovo-Tabanovce24 – Road upgrading Demir Kapija-Udovo-Smokvica25 – Road upgrading Albania border-Skopje-Bulgaria border

Albania

11 – Railway line Lin-Qafe-Thane- FYR of Macedonia border

CONCLUSIONS

The joint studies of sea traffic and the transport and infrastructure policies in the AI basin provide certain indications on the current competitive capability and the future of each area:

- UPPER ADRIATIC – consolidation area: this is certainly the strongest area in the basin: the concentration of sea freight traffic, the historic importance of ports like Trieste and Venice, the strong growth of Koper and Rijeka are a clear sign of the competitive strength in this area. The inclusion of the railway project Venice-Koper-

Divaca among the priority TEN-T projects, launch of the improvement works to road and especially rail sections along the Corridor V line, can only strengthen the competitive advantages of its ports, which will presumably have access to those markets of Central Europe that now deal mainly with the ports in Northern Europe. Even on the Motorways of the Sea, the Northern Adriatic seems to be well placed: the initiatives of RAM and the Region of Veneto on the one hand, and the inclusion of Rijeka and Koper among the ports to have access to the programme on the other, are clear signs of the presence of institutions able to launch support initiatives for the development of infrastructure in their regions.

- LOWER ADRIATIC AND IONIAN – developing area: Sea freight traffic is naturally characterised by the almost total concentration of traffic at the Taranto hub, but also by the success of Durres and the competitive strength of the lines connecting Albanian and Greek ports to Bari and Brindisi. Corridor VIII may have a strategic role to play in strengthening the position of all these ports, taking into account its role as a link to the Black Sea, as far as the Caucasus. Certainly, Corridor VIII started later than Corridor V in terms of governance, and is weaker due to the lack of dedicated EC funds. However, there are certain signs that the programme is actually being implemented: the feasibility study for the railway network, the inclusion of certain priority projects for the area in the extended TEN-T projects, the agreements between RAM and the Region of Puglia are a sign of the clear will to strengthen this axis.
- MID-ADRIATIC – area risking decline**.** This is certainly the strongest area in terms of passenger transport: the strategic position of Ancona and the favourable shape of its port are an important asset in terms of links with Croatia and Greece. This does not rule out the need to improve port facilities and the links to the main arteries of the road network, in order to preserve this advantage.

  However, this is the weakest area in the AI basin in terms of freight traffic, as all the ports (including Ancona), are marginal, except Ravenna.

  The greatest restrictions in this area can also be identified as the absence of a strong strategy in terms of transport and infrastructure policies. Although the Bar-Belgrade corridor is an interesting idea to link the AI basin and Italian markets to the Black Sea, it is suffering from the lack of international approval. There is also a lack, even in the long-term, of initiatives for the Bar-Belgrade line, that are essential to enable the port of Bar (one of the ports of the Motorways of the Sea), to attract the market of Central Europe and the Black Sea.

  On the Italian front, the Marches, with the most important port in the basin in terms of short sea shipping, unlike other regions in this area, have not set up agreements to launch the Motorways of the Sea programme in a coordinated manner on a local scale. This is despite the fact that it is the only priority project to which the region could have access after disappearance of the Adriatic Corridor.

  Looking at the AI basin as a whole, with rapidly growing traffic flows and infrastructure, a strong strategic institutional plan is essential in order to boost the competitive capability of Ancona and its region.