

## Strong demand for ro-ro ports in the Central Baltic region

# Resilient to challenges

Photos: Port of Turku

**Today's business environment is changing rapidly, and the new circumstances create challenges for the transport industry and maritime traffic. Ports have to adapt to continuous changes in economic structures, logistics demands, and people's travel and leisure patterns. In order to ensure the competitiveness of sea connections, the ports need to fully enhance multilateral cross-border understanding and cooperation.**

The Ports of Stockholm, Tallinn, Helsinki, Turku and Naantali – the five so-called PENTA ports – play key roles in making the Central Baltic region accessible for cargo and passenger traffic. Effective and competitive port procedures and sea transportation solutions among the five cities are of major importance for trade between the regions of the port and also on a wider international scale. Specifically, the ports serve as the main gateways for international trade among Estonia, Finland and Sweden as well as a transit route. Sea routes among the five cities are also significant for the mobility of individuals. Frequent ferry connections facilitate tourism and business connections, enabling cross-border working and family visits. For the interconnectivity, growth and sustainability of the port regions and countries, these ports are critically important.

## Drivers of demand

A country's most important trading partners are usually its neighbouring states. The importance of the trade between neighbouring countries is emphasised by the great amount of liner-traffic among the PENTA ports. Also, Tallinn, Helsinki and Stockholm, as the capitals of each country, serve the metropolitan areas

and the biggest population and company concentrations. The Ports of Turku and Naantali serve freight traffic which is directed to Scandinavia and Central Europe. PENTA ports thus represent the main arteries in the handling of both unitized cargo and passenger traffic.

The different PENTA ports and the companies operating the sea routes among the ports have developed diverse profiles. Each port also has special characteristics which either further increase or decrease demand. The Port of Helsinki is the main gateway for shipping unitized traffic in Finland. While price competition for cargo traffic on the route between Helsinki and Tallinn is fierce, no such competition exists on the route between Helsinki and Stockholm because the longer distance makes it hard for the shipping company to cut operating costs. The lower price level in Estonia and the short crossing time are the main drivers explaining the high amount of passenger traffic between the country and Finland. The Port of Turku is seen as a good port to deliver to due to its proximity to customers and good road connections. The main factor creating demand is the short distance to Stockholm, thus a shipping company can maintain a sufficient frequency and high utilisation rate on the route. The Port of Naantali has a line to the Port of Kapellskär, and

cargo traffic is essential for Naantali and Finnlines, the company operating the route. In contrast, Tallink Silja and Viking Line consider cargo traffic an addition to their passenger traffic.

Figure 1. PENTA ports



In general, the geographical location of a port is the main factor when it comes to the demand for port services. A short distance between a port and an end customer often means low costs for the transportation companies that use the port's services. However, the eventual evaluation of a port's performance becomes complicated since a port normally provides space and infrastructure for operations. Other functions are operated by shipowners, terminal operators and other similar companies. Even though the performance of each of the individual companies located in the port area has a direct effect on the efficiency of other companies and their operating times, nobody is in charge of the transport chain they form together. Since multiple independent companies act in a port without common coordination, improving port performance is a difficult task for a port authority.

## Future expectations

Predicting future operating environments as well as anticipated traffic flows is significant for ports in many ways. Having relevant information on likely events is essential if the right investment decisions are to be made in order to develop business. A clear outlook also enables ports to react and be proactive towards undesirable events. In addition to the ports, the correct investment decisions are important for shipowners and other parties in the supply chain.

Cargo traffic in the Baltic Sea will increase greatly over the next 10 years. Future development of cargo traffic is strongly dependent on the growth of GDP in each country, and the largest driving force behind growing trade in the BSR is the increasing trade between Russia and Germany. The strong economies of Sweden and Finland will increase cargo traffic between the PENTA countries. By 2020 the

volume of trucks and trailers transported between PENTA ports will rise by approximately 20% to 30% and the number of transported units will grow faster than the volume of goods. As for passenger traffic, the routes between Finland and Sweden have been stable for a while but the new ferry will increase people's interest in the Turku-Stockholm route. Passenger traffic between Helsinki and Tallinn is set to continue to rise but the cost structure and the price level in Estonia are key issues when future passenger traffic between the PENTA ports is analysed. The future of transit traffic in the PENTA ports is difficult to estimate but the prediction is that future cargo flows will be shipped increasingly directly from Europe to their final destinations. This presumably means that the transit share in PENTA ports will not rise anymore. However, conventional foreign trade will maintain the utilisation rate of ferries at a high level and possible capacity limitations will be solved with a higher frequency of crossings.

The sulphur directive is a subject which easily generates discussion and also divides opinions. In general, industrial enterprises, ports and shipowners perceive it as a major threat towards the competitiveness and foreign trade of nations in the Baltic Sea. They also believe that the sulphur directive will

reduce sea traffic and increase truck transportation. The investigation of cost-efficient transport alternatives is a constant mission and currently it would seem that in 2015 road transportation from Finland to Germany will be cheaper than sea transportation.

The growing Russian economy, as well as the developments in Russian Baltic Sea ports, will play an important role in the future of freight traffic. In general, the experts have similar opinions concerning future developments in the BSR but Russia's affect on traffic in the PENTA ports divides opinion. The shipowners and ports are of the opinion that the growing Russian economy and the rising significance of St. Petersburg and Ust Luga will increase traffic via PENTA ports, whereas logistics companies stress that the current development will inevitably lead to a decrease in transported goods via Sweden, Finland and Estonia. In the short run, freight traffic may increase, since the Russian supply chain is not ready to fully operate

on its own. In the long run, cargo traffic via PENTA ports will diminish.

### Outlook

The Baltic Sea is a special area and its position and significance should be emphasised by the European Union. Even in the near future, new challenges for each member of the sea transportation supply chain are expected and closer co-operation between different parties will thus become one of the main ways of keeping operations profitable. Demand for the ports will not diminish in the near future. Even though shifts in consumer demand and production networks can alter cargo routes, the countries will always need ports. Each of the PENTA ports has a somewhat unique profile, though collectively their strength mainly lies in ro-ro and passenger traffic. ■

**Anssi Lappalainen, M.Sc. (Econ.),** Project Manager  
University of Turku, Centre for Maritime Studies

This study was made as part of the research project PENTATHLON, which is coordinated by the University of Turku, Centre for Maritime Studies. The partners carrying out the project are TFK Transport Research Institute from Stockholm and the Estonian Maritime Academy from Tallinn. The project is financed by the Central Baltic INTERREG IV A Programme 2007-2013 of the EU Regional Development Fund, the Ports of Stockholm, Helsinki, Turku, Naantali and the Estonian government. Additional information can be found at <http://www.pentaproject.info/en>.



## Efficient transport solutions

TransAtlantic Industrial Shipping provides smart logistics solutions and reliable sea transports. We base our operations on our customers' transport needs, and solve them in a cost efficient and environmentally sound way. By our bulk, container and ro-ro vessels we transport our customer's goods at sea. To increase our customers' competitiveness and cut their costs we combine this with a logistics infrastructure in Europe, our own terminals at strategic sites as well as networks for supplementary overland transport. We have some 40 vessels at our disposal and to keep pace with the changing needs of our clients we adapt and adjust our fleet.

Welcome to read more about our company and services at: [www.rabt.se](http://www.rabt.se)

