A perspective on container and supply chain activities in the Black Sea and its impact to the economy

4th BLACK SEA Ports and Shipping 2015

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Key Facts And Figures at Black Sea

Major Container Ports in Black Sea

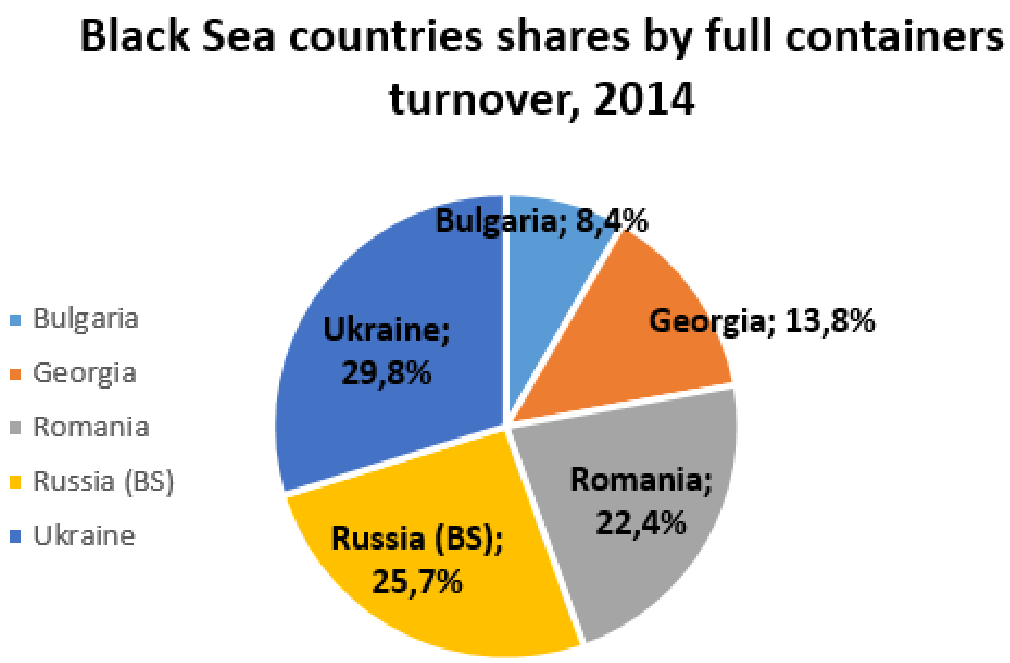
Black Sea container terminals of Ukraine, Romania, Russia, and Bulgaria handled 2 610 623 TEU for 2014, including empty containers, excluding transshipment.

Full containers turnover by countries, TEU

Country	2014, TEU full	2013, TEU full	Growth,%
Ukraine	552 284	634 359	-12,94%
Russia	475.679	460 570	3,28%
Romania	415.743	381 135	9,08%
Georgia	255.958	225 756	13,38%
Bulgaria	154.959	142 461	8,77%
Total	**1 854 623**	**1 844 281**	**0,56%**

Source: Informall

Key Facts And Figures at Black Sea



Major Container Ports in Black Sea

58,51% of Black Sea volumes is import

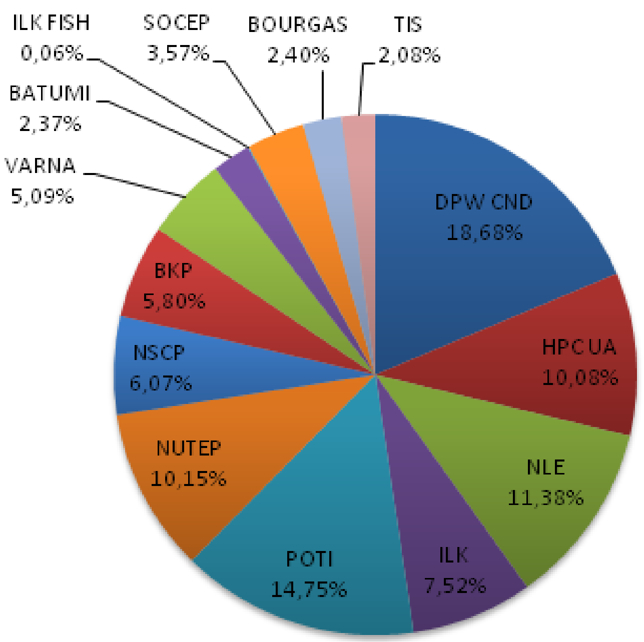
It is estimated that 71,04% of the containers were full and 28,96% were empties.

Georgia had a record increase of full export volumes as 32,16%

Source: Informall

Key Facts And Figures at Black Sea

Black Sea Countries Shares by FCL turnover 2014



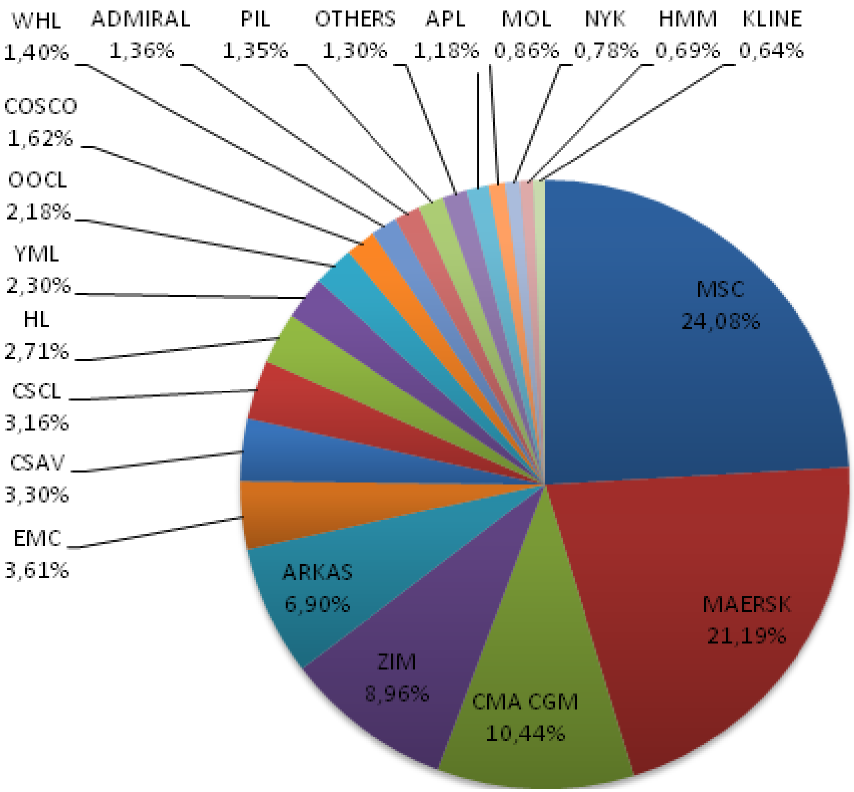
The top-five container terminals of the region for 2014:

DPW (Constanta, Romania),
APMT Poti (Georgia)
Novoroslesexport (Novorossyisk, Russia),
NUTEP (Deloports Ltd / RU)
HPC (Odessa)
All of them showed growth with the exception of CTI (Ilyichevsk, Ukraine).

Terminal	Rating 2014	Rating 2013	Rating 2012
DPW (CSCT Constanza / RO)	1	1	1
HPC (Odessa / UA)	5	2	2
POTI (APMT / GE)	2	3	3
NLE (Novoroslesexport / RU)	3	4	4
NUTEP (Deloports Ltd / RU)	4	5	6
CTI (Container Terminal Illichevsk / UA)	14	6	5
NSCP (Novorossiysk Commercial Sea Port Group / RU)	6	7	7
BKP (Brooklyn-Kiev Port / UA)	7	8	9
VARNA (BG)	8	9	8
BATUMI (GE)	11	10	10
TIS (Transinvestservice / UA)	12	11	12
BURGAS (BG)	10	12	11
SOCEP (Constanza / RO)	9	13	13
ILK FISH (Ilyichevsk sea fishing port / UA)	15	14	14

Source: Informall

Key Facts And Figures at Black Sea



Lines' shares in the Black Sea region by full containers turnover, 2014

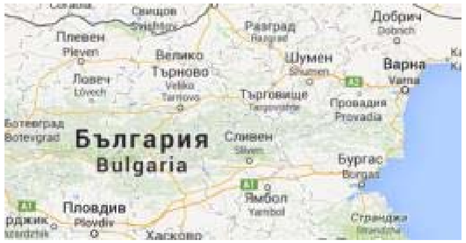
As for operators of Black Sea lines, the list of leaders did not change in 2014:
MSC, Maersk Line, CMA CGM, ZIM and ARKAS with only CMA CGM and ZIM having changed their positions.

MSC, Maersk Line, CMA CGM, ZIM and ARKAS control 71.58% of the market

Source: Informall

Quick Scan : Black Sea Countries' Ports

BULGARIA



Main seaports: **Burgas** & **Varna**

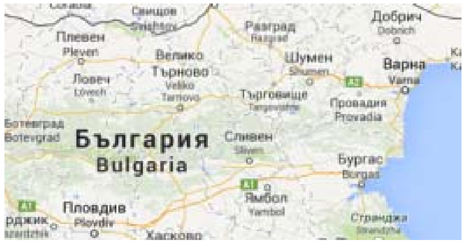
- 2 integrated port companies (*PoB EAD* & *PoV EAD*) acting as both Port Authority & Terminal Operator
- Small private terminal operators also in both ports and at smaller ports
- Port of Varna East is a public company with 100% state-owned capital. The right of ownership is executed by the Minister of Transport, IT and Communications.
- Port of Varna West has been recognized as Bulgaria's container gate. The port has 2 mobile harbour cranes with capacity 100T and last year took delivery of other 2 units with capacity 63T, all produced by the prominent crane builder Gottwald.
- Stacking area : 70.000 m2 and 5800 teu capacity

Bourgas

Varna

Quick Scan : Black Sea Countries' Ports

BULGARIA



Main seaports: **Burgas** & **Varna**

New Container Terminals Development Project at the Ports of Varna and Bourgas and JBIC (Japan Bank for International Cooperation)' s support of this project is highly necessary and relevant

OUTCOME TARGETS IN 2017		
	Port of Bourgas	Port of Varna
Container Handling Volume (teus)	454.000	375.000
Total tonnage of ships entering ports (GRT)	14.437.000	10.510.000
Berth occupancy rate (%)	35	39
Average demurrage period (hrs / ship)	1,0	1,0

Bourgas

Varna

Quick Scan : Black Sea Countries' Ports

ROMANIA

Main seaports: **Constanza**

- In Constantza Port there are four container terminals, which offer modern facilities and operating conditions for portcontainer vessels.
- The largest specialised container terminal at the Black Sea was inaugurated in Constantza Port at the end of 2003, being operated by Dubai Ports World. Due to its quay depths, of minimum 14.5 m, the terminal can operate Post-Panamax type container vessels.
- The 4 terminals are:
  SOCEP terminal – UMEX terminal - The APM Constantza Terminal and CSCT (Constanza South Container Terminal)

Constanza

Quick Scan : Black Sea Countries' Ports

ROMANIA

Main seaports: **Constanza – Danube River Advantage**

For goods transiting from the Far East to destinations in Central Europe the link Danube River – Constantza Port is made via Danube – Black Sea Canal offers a maritime transport alternative which is 4,165 km shorter (removing bottlenecks – alternative for i.e. Rotterdam Port, reducing time and costs, environmental friendly alternative)

The Canal is 64.4 km long and 90 m wide and has a water depth of 7 m and 17.5 m clearance under the bridges

The Danube - an efficient alternative to the European rail and road transport and Romanian sector of Danube – 1,075 km, Danube's most navigable section

Constanza

Quick Scan : Black Sea Countries' Ports

ROMANIA

Main seaports: **Constanza – Danube River Advantage**

According to Department For Infrastructure Projects And Foreign Investment of Romanian Government forecast shows

a traffic of 5.9 million TEU in 2035 in the most optimistic scenario and
2.9 million TEU in the most pessimistic one ????

Constanza

Quick Scan : Black Sea Countries' Ports

MOLDOVA

Main seaports: **Giurgiulesti International Free Port**

- Giurgiulesti International Free Ports' entire territory has a status of a free economic zone until 2030.
- ICS Danube Logistics SRL, a Moldovan limited liability company, is the general investor and operator of Giurgiulesti International Free Port. On January 11th 2012, Danube Logistics started the operation of its new Container and General Cargo Terminal (GCCT)
- Danube Logistics SRL recorded a significant increase in the transshipment of cargo via Giurgiulesti International Free Port in 2014. The transshipment of non-containerized cargo increased by 65% to 678,439 tons and the transshipment of containers increased by 69% to 7,786 containers.

Giurgiulesti IFP

Quick Scan : Black Sea Countries' Ports

UKRAINE

Main seaports: **Odessa and Ilichevsky**

- Odessa TIS Container Terminal – new container terminal in Ukraine, created for the largest vessels that can only enter into the Black Sea, and which can not accepted by any other port in Ukraine. This is the longest (470 m) and deepest (16 m) container berth in the country. The industrial park TIS (iPark) is the unique for Ukraine and the Black Sea project of creation industrial and logistics cluster in the common customs area with the largest container terminal.
- Container Terminal Ilichevsky realizes Program "4M" in frames of joint activity contract with Sea Merchant Port of Ilyichevsk. Under this agreement the investor committed to put more than USD 500M into development of the port container terminal increase its annual throughput capacity up to 3.5 – 4.0 million TEUs.

CTI / Ilichevsky

Odessa

Quick Scan : Black Sea Countries' Ports

UKRAINE

UKRAINE CONTAINER ACTIVITY IS FALLING !!!

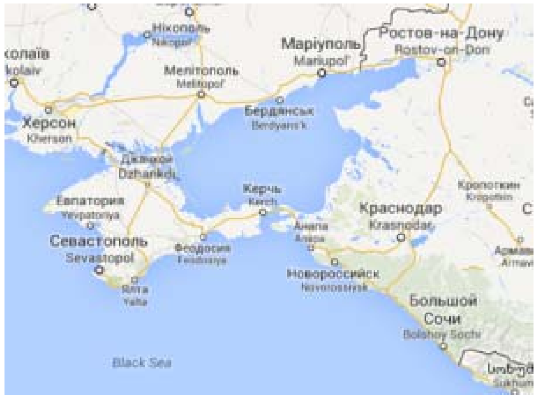
Terminal	Actual turnover, TEU			
	2012	2013	2014	**2015F**
HPC (Odessa)	328.906	369.225	263.146	**300.000**
BKP (Odessa)	132.996	135.479	151.384	**90.000**
CTI (Ilyichevsk)	230.581	227.348	196.232	**120.000**
TIS (Yuzhny)	30.660	46.304	54.380	**60.000**
ISFP (Ilyichevsk)	14.355	-	-	**50.000**
TOTAL	739.510	780.369	667.156	**620.000**

HPC-Ukraine" showed a steady growth of volume handled on a quarterly basis.

Moreover, this growth continued until the 4th quarter of 2013, when Ukraine faced a change of government and the subsequent military conflict in the East of Ukraine. Therefore, the political events of late 2013 have resulted to four straight quarters of the continuously dropping volume handled by "HPC-Ukraine".

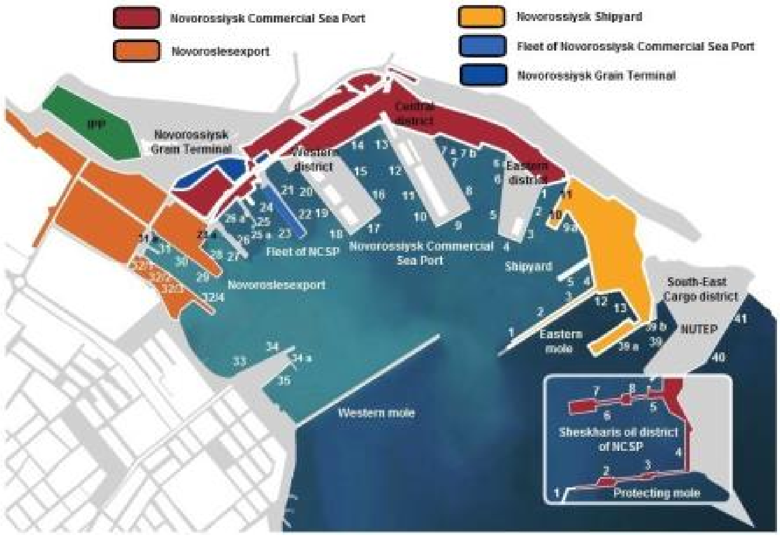
Quick Scan : Black Sea Countries' Ports

RUSSIA



Main seaports: **Novorossiysk – Sochi – Rostov**

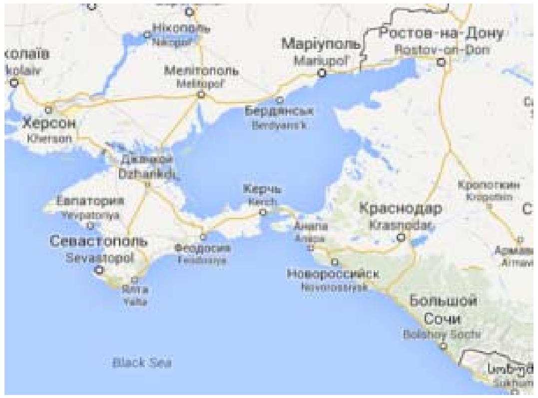
- Novorossiysk Commercial Sea Port (NCSP) is one of the largest transport nodal point of South Russia. NCSP Group is Europe's third largest port operator in terms of cargo turnover, and the undisputed leader in the Russian market. JSC "Novoroslesexport" has entered into the JSC "NCSP" which consolidated seven biggest stevedoring and servicing companies of Novorossiysk and Kaliningrad Region
- NUTEP, which is 100% owned by the Delo-Group
- Rosmorport" performs construction of sea terminals of Sochi Seaport, of the cargo area and coastal infrastructure



Novo Ports

Quick Scan : Black Sea Countries' Ports

RUSSIA



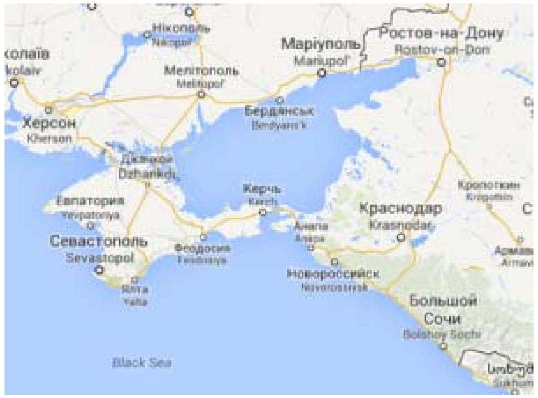
Main seaports: **Rostov - Taman Project**

- The Rostov Port is located to the south-east of the East European Plain, within the city of Rostov-on-Don. Along both banks of the Don River; it includes 4 independent freight areas: the First One (Central), the Second One (the haven of Aksai), the Third One (the haven of Rostov), and the Fourth One.
- Rosmorport, part of the Transport and Property Ministries, selected design the new Taman port complex and construction was scheduled to start in 2013 and be completed by 2018. Port Taman becomes of less importance and subsequently, transport minister announced that Taman and Novorossiysk ports would join together with those in Crimea to constitute a single port cluster, managed by an over-arching authority.

Taman Port Project Sample

Quick Scan : Black Sea Countries' Ports

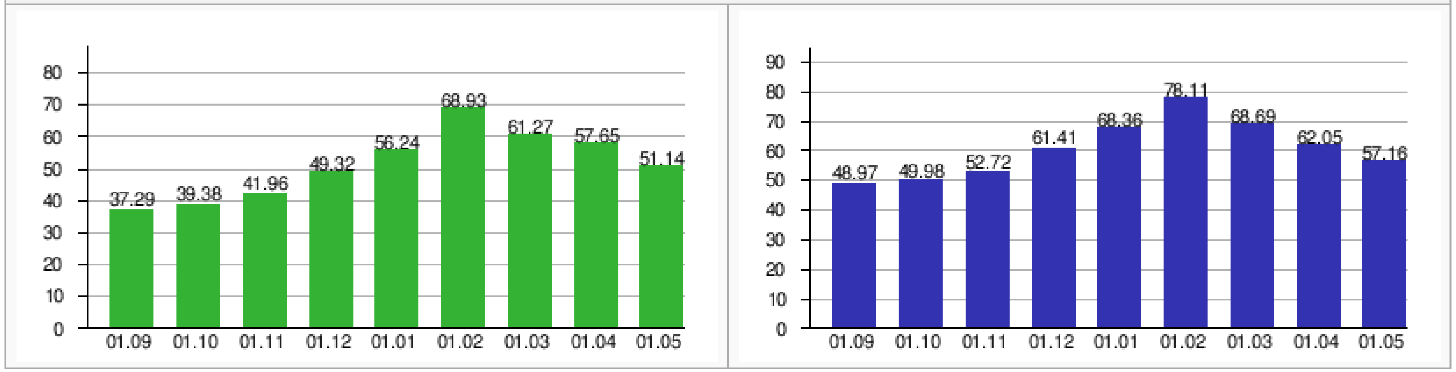
RUSSIA



Russian financial crisis (2014–present)

The lack of confidence in the Russian economy stemmed from at least two major sources.
a) The first is the fall in the price of oil in 2014. Crude oil, a major export of Russia, declined in price by nearly 50% between its yearly high in June 2014 and 16 December 2014.
b) The second is the result of international economic sanctions imposed on Russia following Russia's annexation of Crimea and the Russian military intervention in Ukraine.

Official exchange rates RUB/USD and RUB/EUR set by the Bank of Russia from 1 September 2014 to 1 May 2015[14]



Quick Scan : Black Sea Countries' Ports

GEORGIA

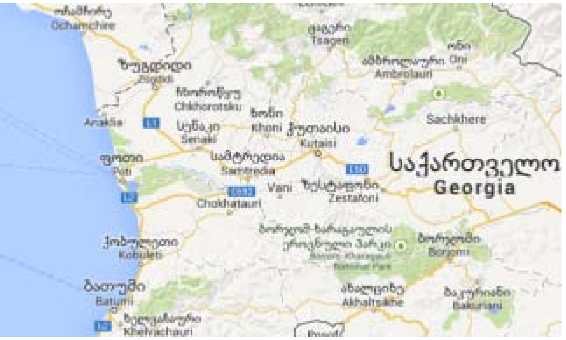
Main seaports: **Poti** & **Batumi**

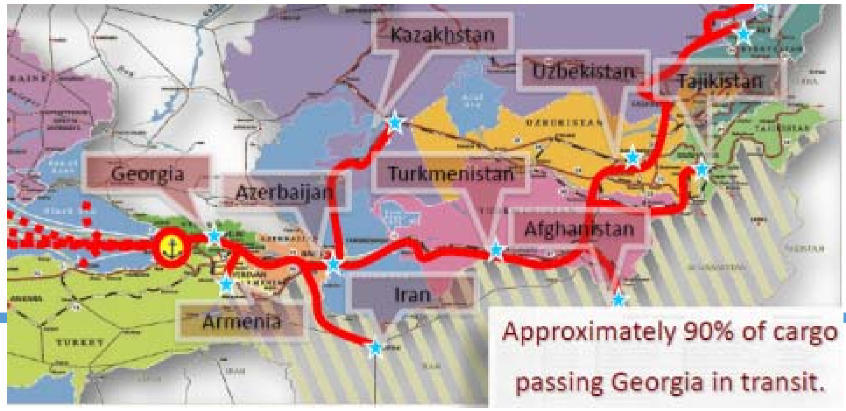
- ➢ Private sector involved through Master concessions:

* Poti: 99y management concession since 2008 with investment obligations ; initial agreement between RAKIA and Ministry of Economic Development. In 2011 RAKIA sold 80% of its position and a USD 65m investment obligation in Poti to APMT

* Batumi: 49y management concession since 2006 with investment obligations; initial agreement between Green Oak Holdings and Ministry of Economic Development.

- ➢ Location Advantage: Via est Vita" ("Road is Life") – the ancient Romans used to say. The historic Great Silk Road, the shortest route from Europe to Asia passed through the territory of the southern Caucasus countries.





Poti Port

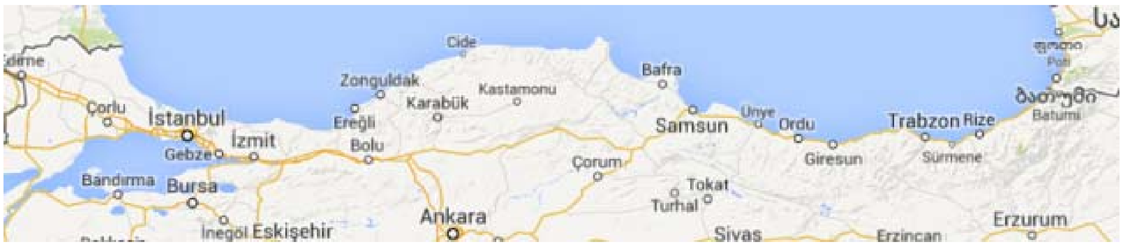
Batumi Port

Quick Scan : Black Sea Countries' Ports

TURKEY

Main Black Sea ports: **Trabzon - Samsun – Hopa- Filyos (project)**

- Trabzon Port (Alport) which is operated by Albayrak Group since 2003. The port has LIEBHERR LHM 550 Mobile crane with 144 tones of maximum lifting capacity. Crane which is able to operate for Post-Panamax Container vessels may carry 18 row containers. (annual handling figure is less than 25.000 TEU in 2013)
- Samsun Port was bought by Ceynak Group obtained 36 years of operational right in May 2008 by offering the highest bid (125.m.- US$) in the tender issued by Directorate of Privatization Administration. (annual handling figure is 48.000 TEU in 2014) Yeşilyurt Port is located in Samsun as well even it has not container activies.
- Hopa Port is located at the eastern border of Eastern Black Sea, and 15 kilometers from Sarp Border Crossing which constitutes the border between CIS and Republic of Georgia. Hopa Port, privatized in 1997, Park Denizcilik continues to contribute facility operations. (annual handling figure is less than 10.000 TEU in 2014)



Trabzon port

Quick Scan : Black Sea Countries’ Ports

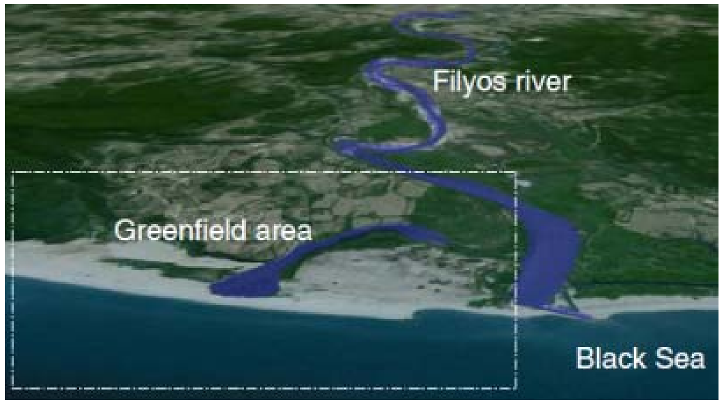
TURKEY

Main Black Sea ports: **Trabzon - Samsun – Hopa- Filyos (project)**

- Filyos Project :

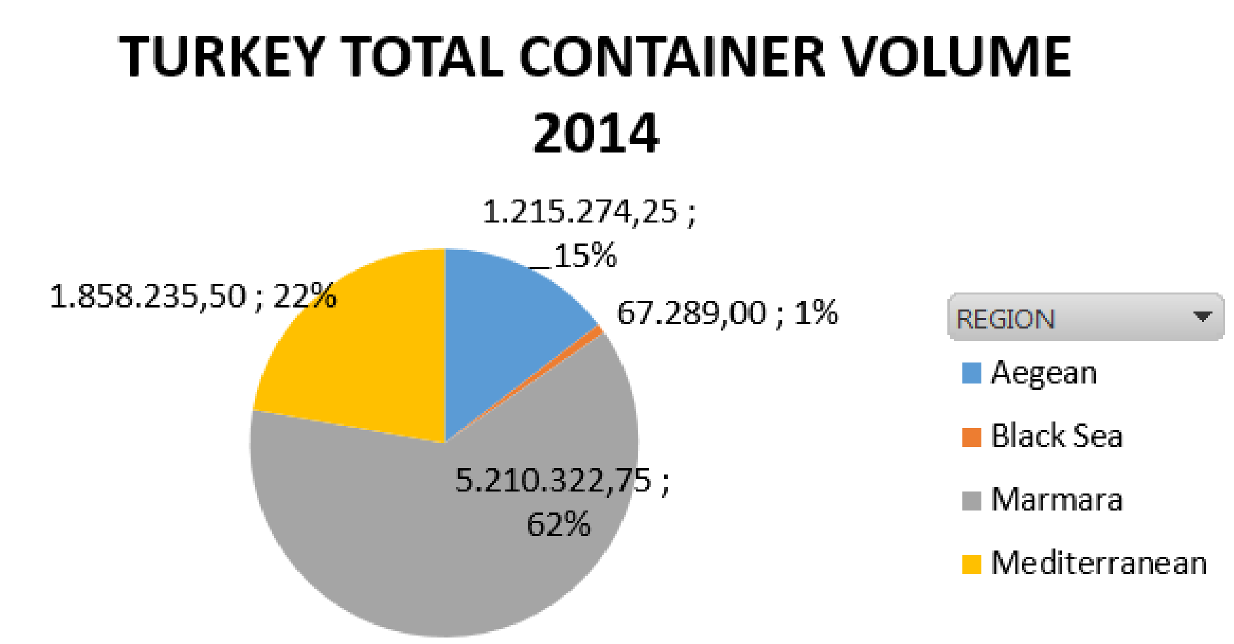
The Filyos Project will serve as a gateway to Black Sea, Eastern Europe and Asia for trade, investment and connectivity. The Project is important for the region, given the limited container facilities on the Black Sea Coast. The Filyos port will be constructed as a BOT (build– operate–transfer) project, and it expected to have a handling capacity of 25mn tonnes. Filyos Port that expected investment cost (EIC):650 Million €. 20% of contract price → Owners' equity + 80% of contract price → National and/or International Financing Institutions.

The capacity calculates as 2,5 m. TEU / year.



Quick Scan : Turkey's Container Traffic (2014)

TURKEY



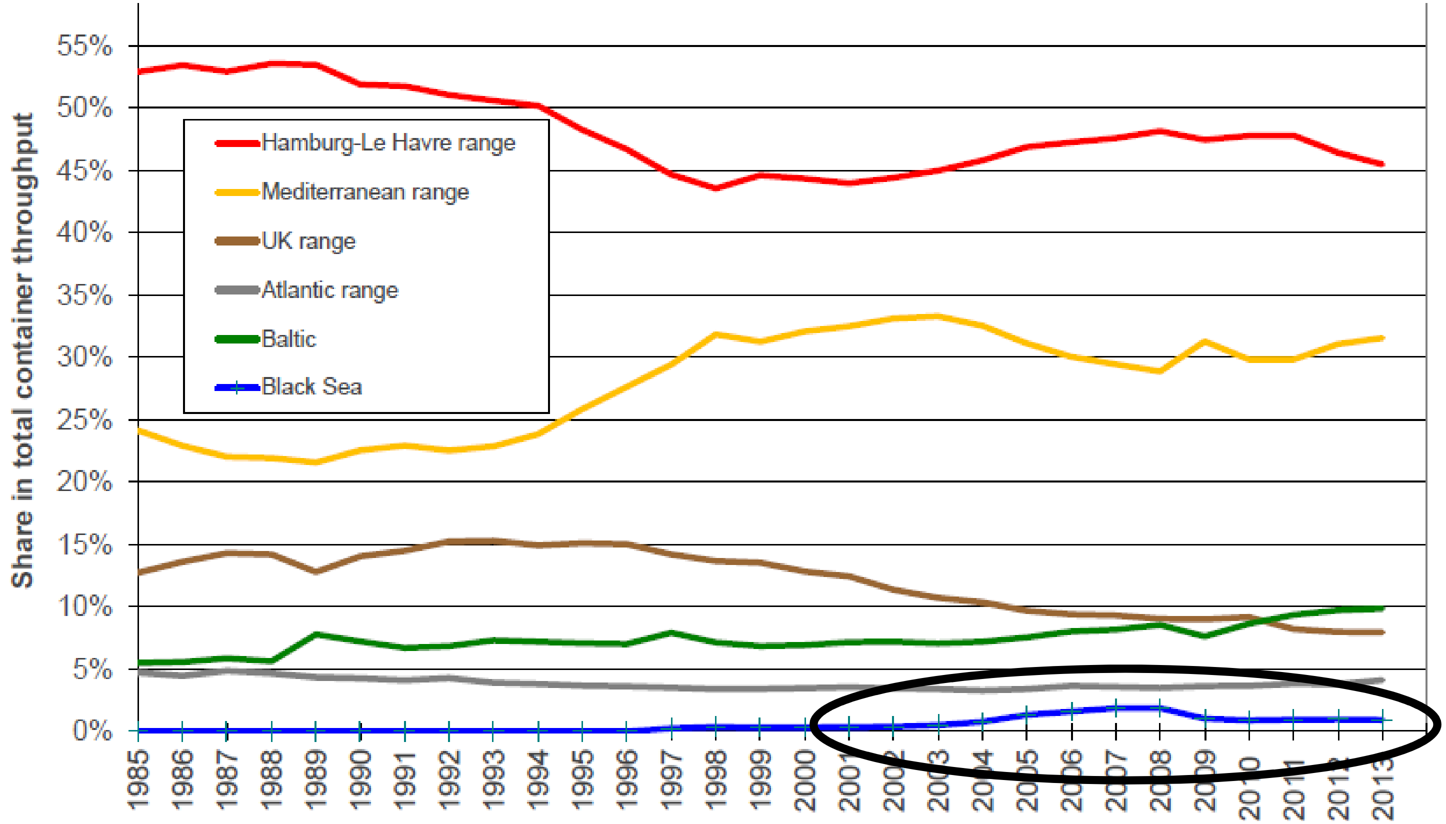
REGION	2014 VOLUME (TEU)
Aegean	1.215.274,25
Black Sea	67.289,00
Marmara	5.210.322,75
Mediterranean	1.858.235,50
TOTAL	**8.351.121,50**

PORTS	2014 TEU
RLI	3.444.925
RMA	24.700
İK	708.365
PAŞA	131.461
İT PORTS	899.104
ISLAND	528
DAĞ	784
L	***5.209.867***

Source: TURKEY Ministry of Transport, Maritime Affairs and Communications Directorate

Expected Developments About Black Sea Countries

Regional shares in total TEU of the European container port system



What we should expect?

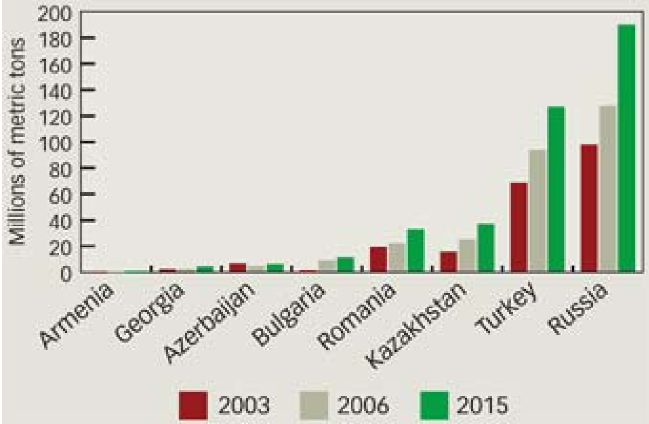
Source: Notteboom - ITMMA

Expected Developments About Black Sea Countries

Positive trends about container growth in all Black Sea ports are

- ✓ more modern Black Sea container port terminals in: Odessa, Ilichyevsk- Ukraine; Taman, Novorossiysk- Russia; Poti- Georgia; Samsun- Turkey and Constanta- Romania;
- ✓ more Black Sea group/alliances are established (joint-venture national +global companies)
- ✓ more global port terminal operators work in Black Sea ports: Hamburg HPA/HPC, CMA CGM, DP World, APM Terminals;
- ✓ more direct line/terminating services with good transit time. In 2013 China Ocean Shipping Company entered the Bulgarian container market. COSCO open new container call directly to ports of Varna and Burgas.
- ✓ DELO Group is planning to double capacity at NUTEP from 350,000 to 600 – 700,000 TEU in Novo.

[FIGURE 1] BLACK SEA TRADE ON A GROWTH PATH



Source: Notteboom - ITMMA

Expected Developments About Black Sea Countries

Positive trends about container growth in all Black Sea ports are

- Ukraine has a major expansion of the port of Ilyichevsk slated for completion in 2019. Similarly, Odessa plans to build a new container terminal with annual capacity of 600,000 to 700,000 TEUs.
- Meanwhile, Romania's Constanza port is increasing storage space and handling equipment at its container terminal.
- The Black Sea region has long hosted feeder services from hub ports in Turkey but direct vessel calls are becoming increasingly common. The Grand Alliance, which includes several shipping lines, operates a weekly container service from Asia that calls at Constanza and Odessa.
- Additionally, France's CMACGM upgraded its Asia-Black Sea service with direct calls at Constanza, Ilyichevsk, and Odessa.

Source: Notteboom - ITMMA

Bottlenecks & Potential Growing Zones

Black Sea Ports Unlikely to Receive Mega-Ships in Near Future

Only the ports of Ambarli, Turkey, and Constanta, Romania, currently have the operational capabilities to handle 10,000-TEU vessels, while the Port of Odessa in Ukraine will get the ability in the future, if the vessels can dock at two consecutive quays.
However, port productivity per TEU in Black Sea ports is 0.3 TEUs per minute, which is less than half of productivity in North European ports.

Therefore, vessels would spend a disproportionally large amount of time in port.

Improving of Feedering Services

- ✓ Using of mini feeders in very short sea or inland sea (200 – 250 teu capacities)
- ✓ Using of intermediate feeders in mid-range (450 – 700 teu capacities)
- ✓ Using of oceangoing feeders in all Black Sea coverage (700 – 1200 teu capacities)

Bottlenecks & Potential Growing Zones

The feeder network design problem

- Cabotage rules
- Competition between shipping lines
- Potential time losses

Independent Feeder Services

Positioning between neighbourhood terminals

- ✓ Independent feedering service same distance to each shipping lines
- ✓ Powered by terminal operators
- ✓ Convenience from Black Sea countries to Black Sea Flag ships to avoid foreign (non-Black Sea) companies enterence

Observations

- Black Sea is one pool
- Similar business style
- Emerging economies
- Participants of logistic chain solve problems and using of many ports in Black Sea Zone
- A chance to keep together = Black Sea Economic Cooperation Organization

Thank You

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