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DSTI/DOT/MTC(2003)8



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

29-Nov-2002

English - Or. English

**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
MARITIME TRANSPORT COMMITTEE**

**DSTI/DOT/MTC(2003)8
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OECD WORKSHOP ON MARITIME TRANSPORT

DEVELOPMENT OF KLAIPEDA PORT AS A LOGISTICS AND MULTIMODAL CENTRE

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JT00135998

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DEVELOPMENT OF KLAIPEDA AS A LOGISTICS AND MULTIMODAL TRANSPORT CENTRE

Introduction

1. Logistics is an optimization process of the location, movement and storage of resources from the point of origin, through various economic activities, to the final consumer. It not only embraces the whole process from the point of origin of resources to the final consumer including material management and distribution, but it has a spatial dimension focusing on the optimization of places at which economic activities take place. It answers the question about where to obtain the supply of resources or to undertake the transformation, processing, storage and distribution of resources, semi-finished product, finished product or services.

2. Logistics is the area that ports are exploring as well. The third generation port is said to be a logistics platform, where various modes of transport become interchangeable, therefore it is a multimodal hub. A port must view itself as a crucial link in the logistics processes of its users, with quality initiatives bringing together the various companies and bodies within the port community which work to provide an overall service.

Multimodal Transportation via Klaipeda Port

3. Klaipeda Seaport is the major transport hub of corridor IXB linking sea and land routes between the East and the West. 17.2 million tons of cargo were handled in Klaipeda Seaport in 2001, this was 11.1% less than in 2000. However, turnover rebounded in 2002 growing by 10%. Notwithstanding the fluctuations of total cargo turnover, the tendencies of multimodal transportation in Klaipeda Seaport are steady upwards.

4. For the third year in succession transportation of containers through Klaipeda Seaport has increased. 39,955 twenty feet equivalents (TEU) were handled in 2000 and the yearly increase amounted to 39%. 51,135 TEU were handled in 2001, 28% more than in 2000. In 2002, year on year increase amounted to some 35% with turnover reaching some 70,000 TEU. The main reasons for such increase were a better economical situation in Lithuania and other countries, and the worldwide expansion of container transportation. In Klaipeda Seaport, containers are handled by Klaipedos Terminalas and KLASCO container terminal, which has been operating since 1999.

5. The development of shipping lines significantly influences the increase of container flow. At present, Klaipeda Seaport is linked by feeder lines to the major container hubs of Western Europe: Rotterdam, Bremerhaven, Antwerp, Hamburg and Felixstowe. "Kursiu Line" and "Baltic Container Lines" have been operating for several years. "Teamlines", one of the biggest operators of feeder lines, started its operations in Klaipeda Seaport in 2000. In 2001, the line was opened by MSC (Mediterranean Shipping Company). Besides, Maersk Sealand, OOCL, and P&O Nedlloyd, other global container carriers have their representation offices in Klaipeda.

6. Klaipeda Seaport is the second largest ro-ro port on the eastern coast of the Baltic Sea. 106,281 road transport vehicles were handled in 2000, and the yearly increase amounted to 19%. 124,766 road transport vehicles were handled in 2001 (the yearly increase amounted to 17%). The number of handled trailers increased most of all (33%). Economical development in the region and limitations of road transport transit through the territory of Poland accounted for such increase. Transportation of railway wagons by ferries slowed down considerably due to high railway tariffs applied by Russia.
7. In Klaipeda Seaport, ro-ro cargo is handled by Klaipedos Terminalas, KLASCO International Ferry Terminal, and Baltic Ferry Terminal. Ferry and ro-ro vessel lines link Klaipeda with the ports of Kiel and Mukran (Germany), Ahus and Karlshamn (Sweden), Copenhagen, Fredericia, Abenraa and Arhus (Denmark). LISCO Baltic Service (LBS), DFDS Tor Line and Scandlines operate these lines.
8. Logistics companies are setting up their infrastructure in or nearby the port. For example, German company Goellner Spedition has built its Baltic distribution hub in Klaipeda. The Head office of "Goellner Spedition" was established in Nienburg, Germany and has been active for more than 120 years. Today the Company has representative offices in Hamburg, Riga, Klaipeda, Vilnius, Minsk and Kiev. Decisions of logistics companies regarding their "home port" are essential for ports.
9. Customers are increasingly demanding that ports act as logistics partners, and that implies a need for fixed relationships based on transparency, mutual trust and the continued improvement of services. These customers view the port from a global perspective, without differentiating between its individual components. In Klaipeda port, two trends are observed which both can lead to better customer service:
- (a) First, shipping lines expansion into port services, explained in the example of DFDS Tor Line,
 - (b) Second, port operator's involvement in hinterland transportation, namely Klaipeda Stevedoring Company KLASCO

DFDS Tor Line

10. DFDS Tor Line A/S is primarily a ro-ro operator on the North Sea and Baltic Sea with the parent company DFDS A/S founded in 1866 and is listed on the Copenhagen Stock Exchange. DFDS Tor Line A/S in Copenhagen has subsidiaries in Sweden, Norway, the United Kingdom, the Netherlands, Belgium, Germany and Lithuania. 1,300 persons are employed at sea and ashore and ro-ro, lo-lo and ro-pax vessels are operated in 19 market areas. About 70% of the volumes are transported on trailers; other cargo carriers are used for "bulk customers" in the industrial logistic transport system. In all, 7 million tons of cargo, or approximately 6,5 million lane metres will be transported this year. The turnover is DKK 3 billion.
11. According to customers, high reliability and frequent sailings are two of the most important factors when choosing a carrier. DFDS Tor Line has focused on these demands when building bridges for trade in Europe.
12. The logical mode of transport between Denmark and Russia / CIS / the Baltic States is sea transportation. DFDS Tor Line offers two weekly sailings in each direction connecting the Danish ports of Copenhagen and Fredericia with Klaipeda in Lithuania. This service called BalticBridge is, in combination with BritanniaBridge, the perfect corridor for transit cargo between the UK and Eastern Europe.
13. Klaipeda port has been chosen as the traffic junction between Western and Eastern Europe due to the fact that the port of Klaipeda is an ice-free port in the eastern part of the Baltic Sea. Other reasons are the favourable geographical location, the positive government policy towards European standard conditions and the high infrastructure standard in Lithuania.

14. An important part of the traffic flow via Klaipeda/Lithuania is related to import/export traffic to Russia/CIS. Klaipeda is one of the largest transit ports for Russian cargo, both by road and rail. The Lithuanian haulage industry offers capacity and expertise related to the increasing trade with Russia/CIS.

15. Trailers and 20/40' containers including reefer units, general cargo, project cargoes, heavy lifts, vans and agricultural machines are accepted for shipment onboard the ro-ro vessels. The terminals in all ports are fully equipped with all facilities and operated at the highest level of security and efficiency. The Klaipeda terminal is open all year round and has a 24-hour service. It is situated in a secured area, using the services of both customs and border police authorities.

16. In 2001, DFDS Tor Line, wishing to consolidate its position in ro-ro transportation market of the Baltic Sea, bought the controlling stake of LISCO Baltic Service, which previously was owned by the State. It is obvious that DFDS Tor Line is not going to be merely the owner of the ferries, but instead intends to become the operator of the whole line offering stevedoring, agency and forwarding services.

LISCO Baltic Service

17. AB LISCO Baltic Service was registered in June 2001, after the privatisation and reorganisation of Lithuanian Shipping Company (LISCO), founded in 1969. LISCO Baltic Service is now a subsidiary of DFDS Tor Line A/S and owns, manages and operates 6 ro-ro / ro-pax ferries and 6 multipurpose dry-cargo vessels. DFDS Tor Line is now offering frequent connections to Sweden, Denmark and Germany from its Klaipeda hub.

18. On the service between Karlshamn and Klaipeda, ro-ro and ro-pax vessels are used offering five departures per week in each direction. This service is a combined freight and passenger service built to suit the demands for efficient goods traffic. All kinds of ro-ro cargo are accepted as well as driver accompanied vehicles.

19. This service between Sweden and Klaipeda, is also perfect in combination with DFDS Tor Line's services to/from the United Kingdom (AngloBridge) and the Continent (EuroBridge). AngloBridge offers daily sailings between Immingham - Gothenburg and three sailings per week Harwich - Gothenburg. The EuroBridge service between Gothenburg and Ghent in Belgium offers six sailings per week in each direction.

20. Sassnitz (Mukran) – Klaipeda service offers frequent departures with a railway ferry departing every other day connecting the railway net in Western Europe with the railway network in Russia. At the Combi Terminal in Sassnitz railway cargoes for Russia are transhipped onto Russian wagons. A wide variety of cargoes are accepted including railway wagons, mafis, trailers, machinery and driver-accompanied vehicles.

21. Four ro-pax ferries are used on this service between Kiel and Klaipeda. The service was started in 1993 and currently offers eight departures per week in each direction. All kinds of ro-ro cargoes are accepted as well as driver-accompanied vehicles. This service also offers accommodation for passengers with or without accompanying vehicles.

22. LISCO Baltic Service implements a vertical integration policy in order to control the whole logistics chain. After privatisation in 2001, the main acquisitions have included stakes in agencies Krantas Shipping and Krantas Forwarding, Baltic Ferry Terminal, LISCO Crew (all in Klaipeda), and Lita Shipping in Kiel. Expanding shipping company's activities along the transportation chain into port business follows numerous examples all over the world during recent years.

KLASCO – the operator of the shuttle train Klaipeda – Odessa

23. The competition of Baltic ports forces to look for new opportunities in the organization of multimodal transport via Klaipeda port. One of such opportunities is to develop relations with Scandinavian countries and those situated on the coast of the Black Sea. For that purpose it is necessary to improve the international transport corridor IXB linking the Baltics and the Black Sea.

24. In 2002, the railway companies from Lithuania, Belarus and Ukraine, together with forwarders and stevedoring companies, started the project of the shuttle train named Viking. This train carries various types of cargo in 20' and 40' universal, special and reefer containers and wagons. It is also equipped to transport trailers and other vehicles.

25. The route of the train is Odessa - Berezhest - Slovechno - Gudagoy - Kena - Klaipeda. It is possible to load and unload cargo in intermediary stations. The train runs once a week. If more cargo turns up, the departures are more frequent. It takes 68 hours to cover the distance from Odessa (Usatovo station) to Klaipeda (Draugyste station) and from (Draugyste station) to Odessa (Usatovo station) it takes 72 hours.

26. Operators of the train are Lietuvos Gelezinkeliai (Lithuanian Railways), the Belarusian National Transport Forwarding Company Belintertrans, and the Ukrainian State Transport Service Centre Liski.

27. The operator in Klaipeda Seaport is the biggest stevedoring company KLASCO. Transit containers are handled at the container terminal, and trailers at the International Ferry Terminal. This move of port operator to hinterland connections follows the trends in other ports. For example, Hamburger Hafen und Lagerhausgesellschaft (HHLA) is involved in container block train services Polzug, Metrans and HHCE to eastern and southeastern Europe. In addition, HHLA has planned to establish a rail shuttle service between Hamburg and Lubeck, which targets the Baltics market.

Klaipeda Logistics Center

28. The image of Lithuania as a transit country will be further strengthened by the Klaipeda logistics center to be built in the vicinity of Klaipeda Seaport. The concept of Klaipeda Logistics Center project was developed in compliance with EU integrated transport network development principles. With respect to preliminary calculations of transport flows in Lithuania, experts plan to implement the Klaipeda Logistics Center project in 5 years. Under the PHARE 2000 programme, Dornier Consulting is carrying out the feasibility study.

29. There is a private initiative related to this project already. Kent Bentzen, board chairman of the Lithuanian-Danish company Klaipeda Logistics Center (KLC) plans to start KLC's construction in a 92-hectare territory leased out in the Klaipeda Free Economic Zone. Bentzen says the prepared project aims to develop an infrastructure that would create an opportunity for international freight carriers to use various services related to this branch in a centralized way in the branch IXB of the international transport corridor IX. Mr. Bentzen is the vice president of Europlatforms, the Association of the European Transport and Logistics Centers uniting 76 transport and logistics centers in 9 European countries.

30. According to the plans, the Center's establishment will take 5 years and the total investment is estimated at EUR 130-300 million. It is projected that the Center will have around 180 enterprises directly or indirectly related to transport and logistics activities and around 1,500 jobs will be established. The total KLC territory should span 300 hectares.

31. In the words of Povilas Vasiliauskas, board chairman of Klaipeda Free Economic Zone Management Company, KLC is an important customer of this zone. KLC's territory has already been

designed. The detailed plan will just have to be customized to the needs of a new client, which can be accomplished in a matter of several weeks. KLC's project has already aroused the interest of Carlsberg, Danzas, Statoil, Volvo, Rimi, and other world-famous companies.

32. The logistics center will be a magnet for freight and create a background for the development of new services. This should encourage international shipping and freight forwarding giants to use the services of Klaipeda Seaport. With the financial support from the EU funds, the KLC project will have a tremendous positive influence on the development of other infrastructure objects, in particular those of railway and sea transport. The development of the logistics centre, which will be the first such centre in the Baltic States, will not only increase the attractiveness and competitiveness of the port but will also attract other directly and indirectly related activities.

Klaipeda Port Information System

33. The port of Klaipeda's competitive position is mainly determined by three key elements: the port's capacity/throughput (speed of services), the quality of services and the price of services. In order to improve these parameters, investments in the port infrastructure were made: the port wharves were deepened and reconstructed, the private port companies are purchasing modern equipment, and more favourable rates of transit by rail were negotiated. However, when increasing the speed and quality of the business processes through the port, smooth exchange of information between public and private bodies is still lacking. Within this context, the implementation of modern information technologies is planned by Klaipeda State Seaport Authority in order to facilitate trade to and from the Port.

The use of information systems will allow the Port of Klaipeda to:

- (a) Develop information standards;
- (b) Economise work resources;
- (c) Avoid duplication of processes within different lines of service;
- (d) Decrease the probability of errors and information losses;
- (e) Reduce the impact of the human factor in the business process flows;
- (f) Strengthen the reliability and security of the port;
- (g) Store useful statistical information that may be used for making strategic decisions regarding port management and marketing activities.

34. The implementation of a 'state-of-the-art' Port Information System would be most beneficial to the major clients of the port: shipping companies and freight forwarders as the costs of their activities will decrease due to shorter demurrages at the port. This would undoubtedly lead to an increasing ability of the Port of Klaipeda to compete with other ports of the region.

Conclusion

35. Using the example of Klaipeda port, some trends in development of ports as logistics and multimodal transport centres have been discussed. Ports must constantly rethink and broaden their roles as facilitators in transport chains in order to cater for changing market and customer demands. Initiative, co-

operation and consultation with all the elements of the transport chain constitute the new key words underlying a proactive port management strategy. The ports are in an excellent position to develop core competencies in areas such as value-added logistics, the planning and implementation of intermodal services and the development of information systems. In addition, ports have to develop strategic relationships with each other as a means of exploiting synergies and complementarities. Port networking constitutes probably the most important new role for port authorities in this millennium.