

European Commission's perspective on Motorways of the Sea

Reviewing the White Paper



Even though the Baltic Sea lies within the scope of EU's highest priority, six attempts to form the Motorways of the Sea here have been declined. Today, just before the revision of the White Paper and ahead of the biggest MoS budget in history, TransBaltic puts the MoS issue on the agenda, giving you some hints how the EC sees the MoS today and in future.

So far, there are only three Motorways of the Sea operating on the Baltic, all linking Sweden with the continent. The two existing inner-Baltic MoS, Karlskrona-Gdynia and Trelleborg-Sassnitz, are located on the North-South axis, with the first one being operated by Stena Line and the latter by Scandlines. The only West-East route between Karlshamn and Klaipėda is operated by DFDS Lisco.

Until now, intermodality has been the key principle of the MoS concept, with involvement of two ports from two countries, a maritime operator and hinterland transport companies adding to the project's value. The EU even likes to see broader consortia of partners, with terminal operators, logistics companies and ship brokers expected to take part in the project. A strong focus is usually given to investments in infrastructure, in order to overcome or prevent bottlenecks.

Picture of today

As Marc Vanderhaegen, the principal administrator of the EC's Motorways of the Seas Programme puts it, the main goal of the MoS is to reduce road congestion and improve accessibility of the regions, involving correct zoom on the TEN-T priority network. The perfect candidate to receive funding should be a viable business in itself, focused predominantly on freight traffic and delivering regular, frequent and high-quality services that allow a concentration of freight flows into door-to-door logistics chains. There is a need for commitment that the services will be maintained after the project period.

Generally speaking, the EC is open to support all project users in their infrastructure investments and purchase of the necessary equipment. From the ports/terminals perspective, these can be high water protection devices (like dikes, breakwaters or locks); lights, buoys and beacons; ramps and jetties;

as well as operational facilities for loading units, for drivers, offshore electricity, waste handling, and terminal handling equipment. However, the EC is eager to go further and co-fund both land and sea access to the port, including links to the TEN-T or national land transport networks in the hinterland, as well as waterways/canals which shorten the sea routes. The applicants should not forget about the hinterland part of the project. A simple port to port link is certainly not enough to receive final approval.

An important factor for the evaluators is the efficiency of MoS services based on modal shift calculations until 2025 along with the reduction of the external costs to society. Applicants have to go through the tedious process of calculating costs 15 years ahead and it needs to be done well in a coherent manner. Luckily, the calculation can be done using the existing Marco Polo calculator. Meanwhile, integration of IT systems or application of a single window concept becomes increasingly

important. It is welcome when the project aims at implementing electronic logistics management systems, improves safety and security, and/or simplifies administration and customs procedures. Shipping can also receive co-funding for vessels and vessel equipment.

The total TEN-T budget dedicated to Motorways of the Sea has significantly been rising each year, from EUR 20 mln for 2008, up to 85 mln for 2010, and as much as 100 mln for 2011. However, this is not going to last forever, and the amounts designated for years 2012-13 are just EUR 50 mln and 25 mln. The TEN-T MoS co-financing in 2010 allows 20% funding for infrastructure works and facilities (implementation projects), 30% for crossborder sections, 50% for pilot actions and studies, and finally 30% for the start-up aid. Combining rates within the same project is possible, but you cannot cumulate the received support with other EU co-financing instruments for the same actions.

Revisions and changes

Paweł Stelmaszczyk, head of logistics, modality, inland waterways, MoS & Marco Polo unit at the European Commission Directorate General for Energy and Transport, comments that the Motorways of the Sea remain at the top of the EC agenda, being an integral part of the future integrated European transport system, and thus also lies at the heart of the White Paper. This means that as the WP is now being reviewed and its new version is most likely to be adopted by the end of the year, the Commission is also going through major issues relevant to MoS. This also includes the future of the Marco Polo programme, which – as Stelmaszczyk admits – has not been an astounding success. It is only last year that MP attracted enough fundable projects, so that all funds were allocated, and, for the first time ever, there was a reserve list. This year, however, the EC is expecting the same situation. The Commission is now analyzing the success factors and wonders if it is due to successful marketing, increasing awareness, or rather changes that were introduced last year (lowered thresholds and doubled funding) which made the application process easier, that caused raised interest on the market. For sure there might still be too little knowledge about the application process and the general mood of too strict bureaucracy. The Commission also holds the position that there is a need to refocus the funding priorities for MoS, and puts forward several important questions that currently assist revision of the TEN-T, Marco Polo and MoS policies. The question is whether the modal shift should remain the key objective and if the MoS should

follow/link the core TEN-T network. Then, if we should continue the bottom-up approach and if the top-down path is only really a definition, or maybe we should look at top-down plus bottom-up at the same time.

There is another challenge of how to overcome funding fragmentation, and the question of whether we should stick to one application for each MoS project, or one single fund for all the actions – infrastructure, equipment, studies, services, pilot actions, etc. The EC, in its future White Paper, is likely to propose establishment and management of the so-called European Transport Infrastructure Plan and now investigates how it will relate to the cohesion funds and regional development policies. The so-called “new EU Member States” (like Poland, Lithuania, Latvia and Estonia) which are beneficiaries of cohesion and regional development funding, are afraid that this future transport fund will take away money from the cohesion and regional development policies.

Another thing is if we really need a special regime for state aid (there have been more and more complaints about this), and if we can benefit more from EIB involvement. Therefore, the EC is now going through more innovative financing mechanisms talking to commercial banks in different countries, in order to find a way to provide direct funding or co-funding through the EIB for MoS.

Hopefully, these concerns will make MoS more market-driven, and application criteria clearer. “It’s very unique that all three

MoS Policy Review

– next steps:

- TEN-T, Marco Polo, MoS policy evaluation and impact assessment: ongoing
- Saragossa Conference (8-9 June 2010)
- MoS Conference (September 2010)
- Marco Polo Stakeholder Conference (tba)
- New Transport Policy White Paper (end of 2010)
- Commission proposal on TEN-T Guidelines (Spring 2011)
- Commission document on Motorways of the Sea (tba)
- Commission proposal on Marco Polo (mid-2011)

policies are being revised at the same time. It gives us a chance to synchronise these policies and funding instruments,” comments Stelmaszczyk, meanwhile encouraging business representatives to come up with innovative ideas. Also, to make things easier and to save potential applicants from falling into the hands of some consultants that “specialise” in getting EU funds, the EC has brought together two agencies and created the MoS One Stop Help Desk, available at www.mos-helpdesk.eu.

Piotr Trusiewicz



How the Karlshamn-Klaipėda Motorway of the Sea was formed

Better to be well prepared



Photo: Port of Klaipėda

Following a case study of the Karlshamn-Klaipėda connection, TransBaltic investigates what is crucial to establish a successful MoS master plan.

In spring 2008, the Ports of Karlshamn and Klaipėda jointly submitted an application for MoS, set to enhance capacity of unitised goods in the corridor. The project got the European Commission's approval in 2009 and will last until the end of 2013, with its major goal to raise the intermodal share of cargo transported in this corridor to 56% in 2015, and ultimately 71% in 2025 (last year the result amounted to just 18%). Currently, the line is served by two vessels and offers six departures weekly. Even though DFDS is not among the project's implementing bodies, the company has also contributed to capacity growth implementing the new *M/v Lisco Optima* vessel to the route last year.

The total cost of the project is EUR 26 mln, out of which 20% is financed by the European Union. It involves numerous port infrastructure and rail investments – mostly on the Swedish side. Apparently however, the significant disparity in funds allocation (EUR 24 mln going to Sweden and only two million to Lithuania) has not been a problematic issue for the Commission.

Karlshamn taking the lead

For many years forest products, petroleum and bulk cargo was the basis for the Port of Karlshamn's operations. The port opened its first ro-pax connection (the one by DFDS Lisco) in 2001 and its utilization steadily grew by 15-20% each year until it reached the level of 50,000 freight units in 2008 (plus private cars and passengers). Today, the volumes are down because of market conditions, but Karlshamn is proud to feature regular links to Lithuania, Germany and Russia, anyway.

Karlshamn applied to the MoS project on the basis of its development plan from 1997 with spatial expansion and reconstruction works not only planned within the port itself, but also in the surrounding area as well as located further on in the hinterland. Apart from the new entrance to the ro-ro terminal and new handling equipment (a new crane with higher container capacity, upgrading existing ramps, purchasing a new reachstacker, etc.), the application included increasing the efficiency and capacity for trains together with the renovation and

electrification of the port rail track. This should allow block trains to connect the port directly with the Nordic Triangle by Blekinge coastal railway incorporated and standardised with the national rail system. As Anders Wiberg, Manager of Strategic Development in the Port of Karlshamn reveals, integration with hinterland investments was important because there had been practically no transit traffic in south-eastern Sweden before; therefore, the expected freight increase could have a significant effect on roads. But – as the Port of Karlshamn is located outside of the city, the traffic increase should not influence the living standard in the area. It is again one of the crucial things in the project. Today, the rail shunting yard is still located within the municipality, so the port authorities intend to build a completely new facility together with a combined terminal and logistics centre in place of the old stone quarry located close to the port area. All this should double Karlshamn's container handling capacity to 40,000 units per year and allow the terminal to manage heavy cargo and high shaft weight. Its location will also improve the goods flow inside the port

area and the goods access to the quay. The new combi-terminal will have a surface area of 30,000 m² and will be built in connection to the shunting yard. The intermodal facility will be accessible by road and rail and also connected to the ferry terminal. Meanwhile the project includes a new railway connection, the “missing link” between Karlshamn and Olofström – Sydostlänken. By 2020, Sydostlänken should transport 75,000 units, according to a feasibility study made on behalf of Blekinge Region.

Authorities in the Port of Klaipėda applied for building a new hydraulic ramp and buying a dredging pump, but the latter appeared as not eligible in the EC's final decision. Meanwhile, there are no funded activities for the line operator involved.

Success factors

According to the EC's external experts' evaluation, the Klaipėda-Karlshamn MoS project is well integrated in the overall TEN-T network and is aimed at improving competitiveness of sea transportation contra roads, meanwhile trying to build an intermodal connection with rail. All these lead to an increase in traffic volumes, which is expected to bring strong social and environmental benefits to the regional economy, releasing economic values significantly larger than the investments costs. The new link improves cohesion and accessibility between the two regions and further equalize the east-west gap of BSR. What is more, realization of the project has not been perceived as very complex. “Before applying to the MoS project we were previously involved

in numerous other regional initiatives, like the Baltic Gateway or East West Transport Corridor,” explains Wiberg. “We made various feasibility studies, but most of all we have learned to know each other well with our partners on the Eastern side of the Baltic, because it really helps to have good friends in such activities,” he says.

Drawbacks and doubts

Arturas Drungilas, Marketing and Administration Director at Klaipėda State Seaport Authority finds the reason for such a minor Lithuanian role in the project in other, more favourable financing possibilities available to the new EU Member States (south-eastern part of the Baltic). For example, the Port of Klaipėda is now starting to build a new ro/pax terminal with two general cargo warehouses (4,000 m² and 7,000 m²) which should be ready by 2012, and even though it would nicely suit the MoS concept, its construction is financed from EU cohesion funds.

Another problem stems from the long application process to the final decision that distracts companies from seeking funds in the first place. Indeed, it took Karlshamn-Klaipėda almost one year to receive the funding decision from the Commission. Also, the shortsea network on the Baltic is so dense that it is hardly possible to add any new connection without distracting the competition. BTJ's ro-ro/ferry market review from October last year (see BTJ 5/2009) showed 124 vessels sailing in the Baltic Sea by 17 operators. Just from Klaipėda alone, there are 6 ro-ro lines that altogether call at 25 ports

in 18 countries. “You can find a similar network from all major Baltic ro-ro ports and it is hard to find a shipping line partner fitting the project,” he continues. His general feeling about the MoS procedures is that they apply too many constraints on the project partners and give insufficient support, not only concerning the relatively small percentage of investment payback. “We would most likely not have this MoS if it was not thanks to the Swedish efforts,” he admits, being rather reluctant about his company potentially signing another MoS project under the currently applying conditions.

Karlshamn's Strategic Development Manager also has his doubts in the administration procedures that require a lot of resources, and are not at all, or at least poorly funded in the project. For example, “once you receive a positive decision, you need to prepare a Strategic Action Plan and describe everything once again, in even more detail,” he stresses. Then every year the beneficiaries are asked to report what was completed (or not) according to the time schedule, what costs they have incurred, what communications activities have been undertaken, etc.

“You must know exactly what you want to do, and you should be well prepared, as there are many assessment questions in the application process, and the project simply needs to be mature,” both Wiberg and Drungilas agree. Also, all activities need to be in line with the EU's environmental strategy so environmental impact assessments are a particularly important thing to do before you apply. ■

Piotr Trusiewicz



Photo: DFDS LISCO