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THE PROJECT IS FUNDED BY THE EUROPEAN UNION

INCREASING ADDED VALUE OF RIVER PORTS: THE IMPORTANCE OF ESTABLISHING LOGISTICS ZONES TO GENERATE NEW CARGO FLOWS


MINISTRY
OF INFRASTRUCTURE
OF UKRAINE


ASSISTANCE FOR DNIPRO TRANSPORT DEVELOPMENT

Contents of the presentation

- Assistance for Dnipro Transport Development Project
- Characteristics of modern IWT
- Development of ports and terminals
- Logistics zones as an instrument in IWT market development
- Development plan for logistics zones



Assistance for Dnipro Transport Development project (funded by EU)

Project objective: *Facilitate and promote the reform of inland waterway transport in line with the obligations of the EU-Ukraine Association Agreement*



Article 368 of the Association Agreement:

- Contributing to the development of sustainable transport systems
- Promoting efficient, safe and secure transport operations
- Supporting intermodal transport systems, and
- Improving the main transport links between Ukraine and the EU



Project purpose



THE PURPOSE OF THE PROJECT IS THREEFOLD

1



Improve the legal and regulative framework required for reforming the IWW-subsector in relation to the Association Agreement.

2



Contribute to increase the capacity of the Ministry of Infrastructure and related public institutions with the aim to improve the safety, efficiency and effectiveness of IWT-systems in Ukraine.

3



Develop a comprehensive IWT development plan for the Dnipro River by assessing the existing situation and identifying challenges hindering IWT competitiveness (infrastructure, institutional, regulatory, environmental, safety and commercial).

Project results



- Ukrainian IWT legal framework compliant with Acquis (AA & conventions):
 - adopted Law on IWT
 - implemented EU directives on IWT (technical standards, professional qualifications & mutual recognition, RIS, dangerous goods, chartering & pricing)
- Capacity building plan and training plans for public IWT entities
- IWT promotion plan
- Set up of a pilot information system for market observation
- Approved Ukraine IWW Transport Development Strategy 2020-2030
- IWT Platform (structural dialogue public and private sector)
- Visibility of EU assistance to Ukraine



The image of IWT



Conventional IWT has a poor image:

- Only for slow moving low value cargoes
- With old vessels with high pollution levels
- Ports in the city centres, with trucks moving in and out via the city roads
- Societal benefits are unknown
- IWT is seen as a heritage from the old days



Modern IWT is different

- An alternative for ALL cargo types
- Low energy use, low emission, efficient
- Instead of a 'stand-alone' system, IWT becomes part of multimodal supply chains, generating new economic activities along the river, creating jobs



An integrated modern IWT system

Future supply chains:

- Long haul shipping is done via inland waterways and rail with clean vehicles doing the last mile
- New logistics solutions share information, transport and warehousing to cut costs and emissions
- Bundling of flows where possible, combining terminals with logistics and economic zones



Ukraine river ports and terminals

- Are all privately owned and operated
- Have specific (limited) functionalities and scope
- Are located in city centres (trucks move in and out via the city networks)
- Or at green sites (mainly shippers/cargo owners):
- Shippers have integrated vertically (production, trade, storage, quality control, sorting/packing/labelling, transport including inland shipping) (agriculture sector)

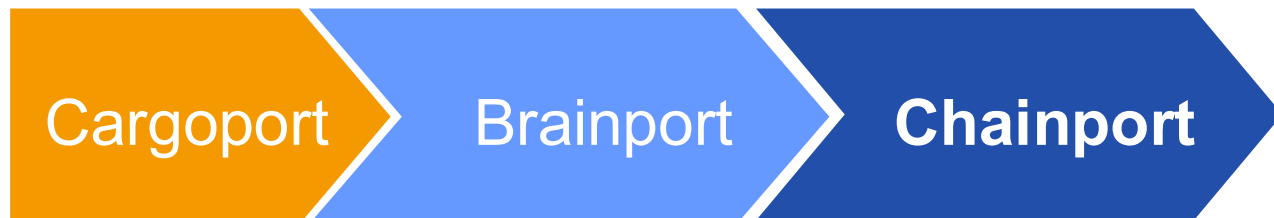
Ukraine river ports and terminals

- Are more or less isolated facilities
- Have little interaction with the city/regional economy
- The city ports need upgrading or redevelopment
- Are mostly not multi-modal: multi-modal connections (water-rail) are often present in inland ports, but not used because of separated modal organization/systems
- Value added logistics in ports are limited
- Inland ports/terminals focus at bulk commodities, no container transport

Changing role of the port

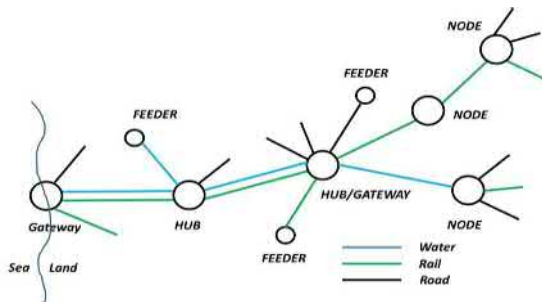
In modern multimodal logistics the ports face a new role:

- Multimodal hub on the Transport Corridors:
- Platform for the regional economy
- Interface between long distance transport and local logistics:
 - Sustainable city logistics
 - Cargo bundling, innovation and smart solutions

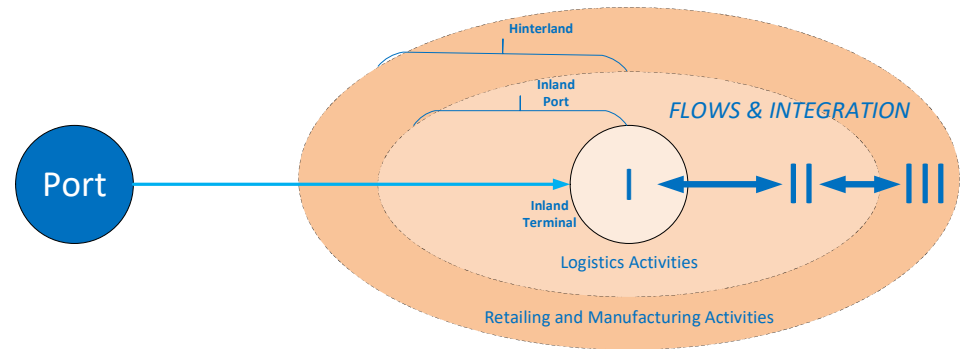


Changing role of the port

Optimized multimodal network



River ports as economic centres



Ports along EU waterways (especially Rhine)

- Ports are mainly public (open access)
- Terminals and operations are private
- Shippers subcontract to logistics service providers
- Inland terminals are managed by terminal operating companies, shipping companies, affiliates of sea ports, logistics service providers (including former trucking companies), express parcel companies, railway operators, shippers (dedicated)
- Ports and terminals are integrated in logistics zones
- Ports have moved away from city centres, and have direct highway access
- Municipalities and provinces are stakeholders in planning and development



River ports can add value for city, region and society

- Develop value adding functions to the port
- Concentrate logistics activities in a concentrated zone
- With highway access, bypassing city roads
- Possibility to redevelop city areas
- The logistics zone is the instrument that the city/region can use

What is a Logistics Zone?

- It is open and public
- An Interface between local traffic and long-distance traffic
- Freight consolidation and regional distribution takes place in the logistics zone
- Logistics Zones offer supplementary services and create synergies for investors
- They act as cargo generators for IWT



What is a Logistics Zone?

A Logistics Zone usually consists of:

- Public infrastructure (roads, waterway, quays, railway, energy supply)
- Public/private superstructure (terminal, handling facilities, common user warehouses)
- Private superstructure (warehouses, private estates, service facilities, light industries)

What is a Logistics Zone?

In addition to the basic functions (terminals+warehousing) it may include:

1. Distribution / consolidation centers
2. Open storage areas
3. Transshipment facilities
4. Vehicle maintenance / repair garages
5. Cross-docking / merging in transit
6. Hazardous materials services
7. Freight consolidation / deconsolidation
8. Security environments
9. Distribution / final delivery
10. Cold storage areas
11. 24-hour accessibility
12. Light industries
13. Free trade zones

Which functionalities do Logistic Zones offer?

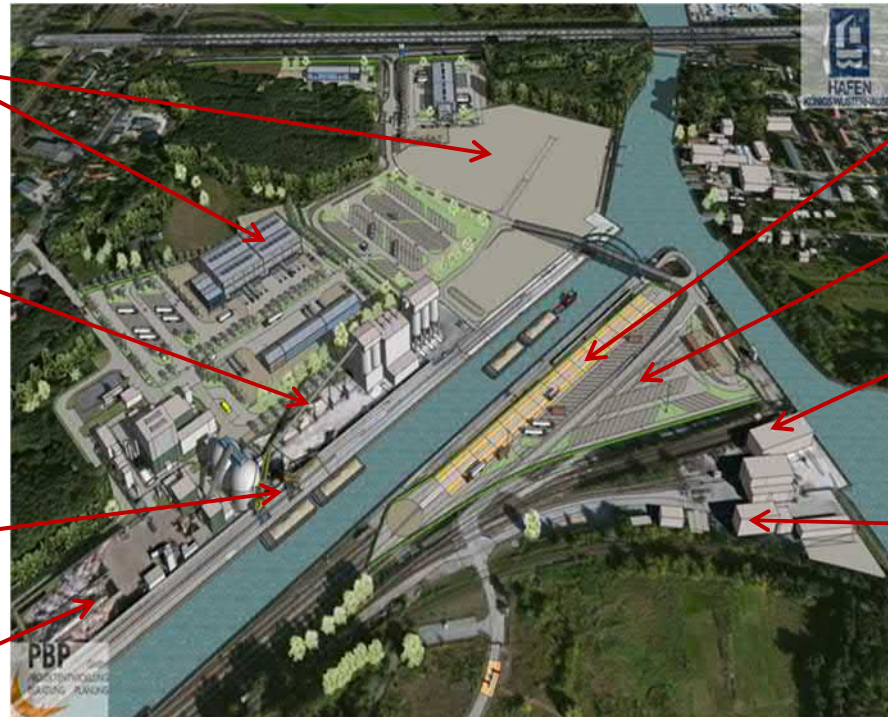


2nd row
Logistics Zone
(Warehouses,
DC)

1st row
Port related
industry
& warehouses
(with handling
guarantee)

Multimodal
handling
ship/rail/road

1st row
port operational
storage



Multimodal
container
terminal

Operational truck
parking area

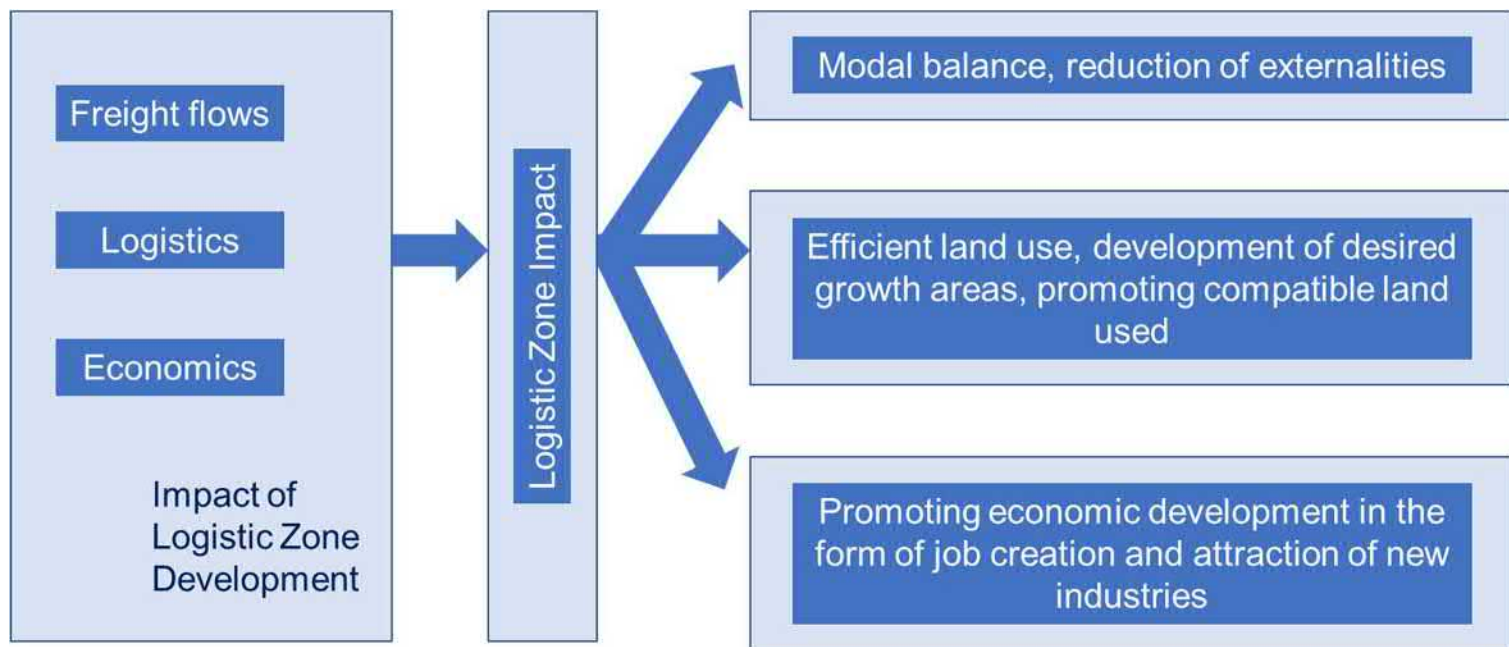
Container Depot
R&M
CFS
Warehouses

Office
Police
Service Facilities



Logistics Zone Berlin Schönefelder Kreuz

Impact of a Logistics Zone



Who are the stakeholders?

In general:

1. Private investors; directly involved in handling / transport / logistics and real estate development
2. Public authorities (at all levels of government)
3. Community groups or associations, lobbying groups and/or media



Who are the stakeholders?

More specific five categories can be distinguished:

- (Public) Companies: (Land owning, land development, terminal operator, railway infrastructure etc.) This can be a company representing one (mainly the provider of the facilities) or an array of financiers (public or private). The owner is responsible for all managerial issues from conception to construction, through the subsequent operation
- Potential Users: (Investors) represent the various transport companies, forwarders, logistics
- Other Transport Actors: (can be competitors or potential partners) Represents the ports, railways, and other relevant transport companies (public or private) that might be influenced by the new service

Who are the stakeholders?

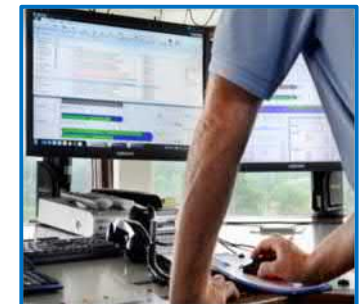
More specific five categories can be distinguished:

- **Local Authorities:** Represent the complex interests of the surrounding municipalities/regions. These interests are fiscal, financial (if the state provides part of the capital), political, technical, and environmental
- **Special Interest Groups:** A broad category with diverse and possibly conflicting interests. Relative to logistics zones, this category is likely to include a) professional chambers of industry, commerce, and engineering; b) social organizations; and c) interest groups, such as those for environmental protection

What are the benefits for the stakeholders?

For the Public Sector and Society:

- Congestion in city is reduced
- Modal Shift from road to water (and rail)
- Reduction of emissions
- Less costs for infrastructure because of concentration
- Creation of jobs and prosperity
- Taxes for municipality
- Economic growth and competitiveness of the region



What are the benefits for the stakeholders?

For the Private Sector

- Land available at reasonable prices, ready for construction
- Benefits through moving from expensive inner city locations to the city border
- Intermodal interface between long distance transport and short distance transport (consolidation of cargo, short reaction and delivery times)
- 24 / 7 round the clock operation possible, without disturbing neighbors
- Synergies and cost savings through co-operation within the zone
- Wide service spectrum available (truck service, customs clearance, etc.)
- Lower logistics costs through multimodal transport
- Improve market position and help to expand markets

Impact of a Logistics Zone

A typical 40HA logistic zone in an inland port:

- generates between 300-500,000 tonnes of cargo for the waterways (30-50,000 TEU)
- creates 3,600 direct jobs
- and 7,200 additional indirect jobs
- generates income for the government via land-lease, revenue tax and income tax



Based on: reference data from existing logistics zones

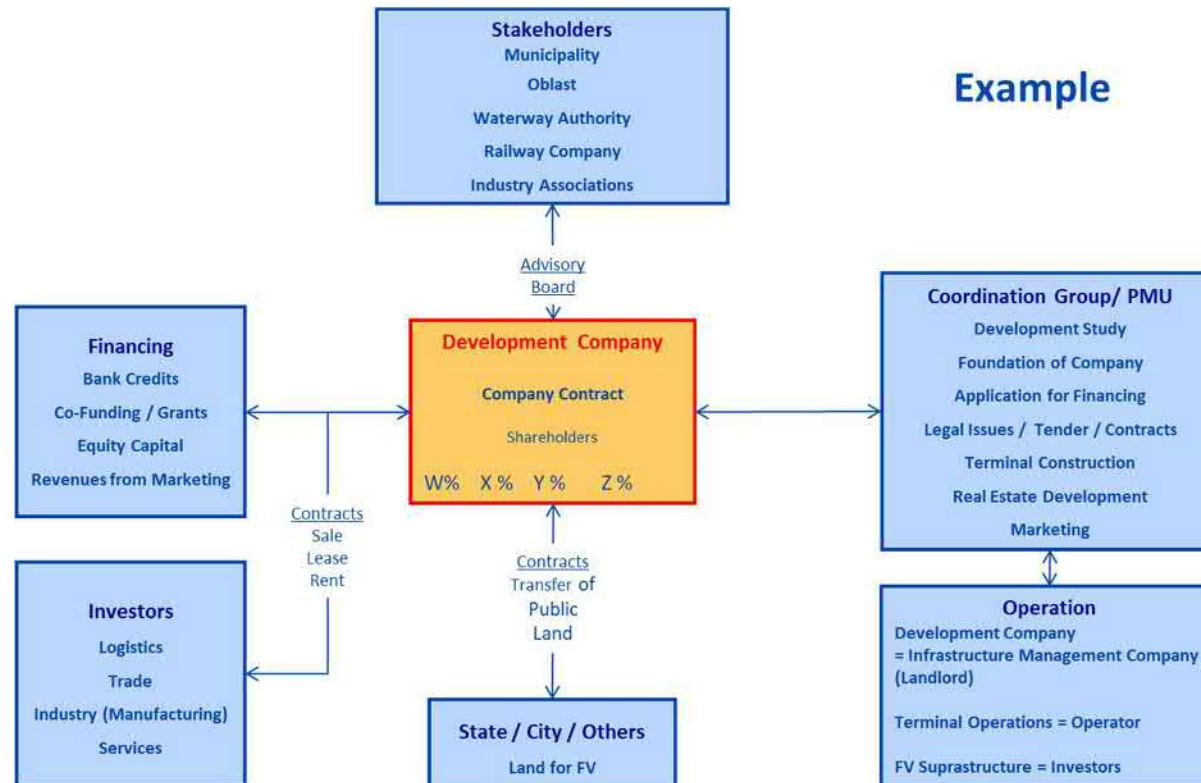
What is the right Management Model?

- There is no single blueprint
- But the municipality/region or public companies shall play a decisive role
- Development through the state enables a long term sustainable development, ensures public infrastructure, avoids land speculation and allow reasonable prices for tenants. Usually the state is owner of infrastructure and sells land plots where private investors build warehouses etc.

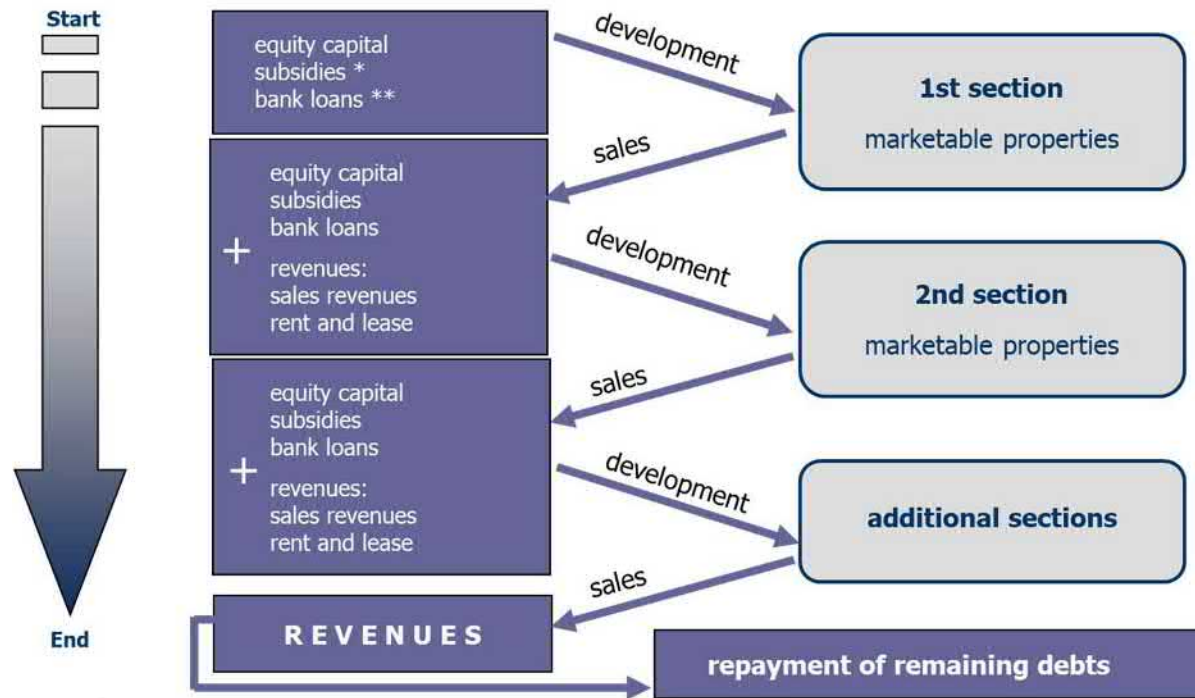
Four models are common practice

No	Management Model Option
1	<u>Segmented Approach</u> <ul style="list-style-type: none"> • Municipality/Region/State acts as developer for the Logistics Zone / Freight Village, itself or by trustee • Port, Railway, Waterway Authority develops the terminal inside the Zone
2	<u>One Stop Shop</u> <ul style="list-style-type: none"> • A public enterprise develops and owns the terminal, port, railway, freight village etc. • Operation may be outsourced
3	<u>Joint Development Company</u> <ul style="list-style-type: none"> • Several shareholders form a joint development company (e.g. railways, municipality, waterways) • Landlord function + operating companies
4	<u>No formal management organisation</u> <ul style="list-style-type: none"> • Municipality/Region develops the basic infrastructure and zones land for transport and logistics development • Private enterprises buy/lease land and create suprastructures

What is the right Management Model?



How to finance?



* possibly EU funding for infrastructure

** local authority loan with fixed line of credit (low interest rate!)

Conclusions

- Win-Win-situation for municipality/region and private investors
- Logistic Zones are a success story in EU
- They help to shift cargo from road to other modes in long distance transport
- In metropolitan areas they act as interface and reduce congestion
- The right location is a key factor for success
- Government support and participation together with private investors is necessary
- Master Planning and long term options for extension are needed



Planned to start development of at least one zone during course of the project

EU-funded project “Assistance for Dnipro Transport Development”



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