KPMG

East Baltic Seaports competitiveness

TransBaltica

Riga, May 30, 2019

Content

Are ports as competitive as countries?

World Economic Forum's The global Competitiveness index ranking*

	2015-2016	2016-2017	2017-2018
Sweden	9	6	7
Finland	8	10	10
Estonia	30	30	29
Russia	45	43	38
Poland	41	36	39
Lithuania	36	35	41
Latvia	44	49	54

*12 pillar assessment – institutions, infrastructure, macroeconomic environment, health and primary education, labor market efficiency, higher education and training, financial market development, goods market efficiency, technological readiness, market size, business sophistication, innovation

Efficiency of seaport services**

Finland – 6.19
Estonia – 5.57
Sweden – 5.47
Latvia – 4.83
Russia – 4.6
Lithuania – 4.58
Poland – 4.44

World Economic Forum, *Global Competitiveness Report*

**Frequency, punctuality, speed and price of seaport services

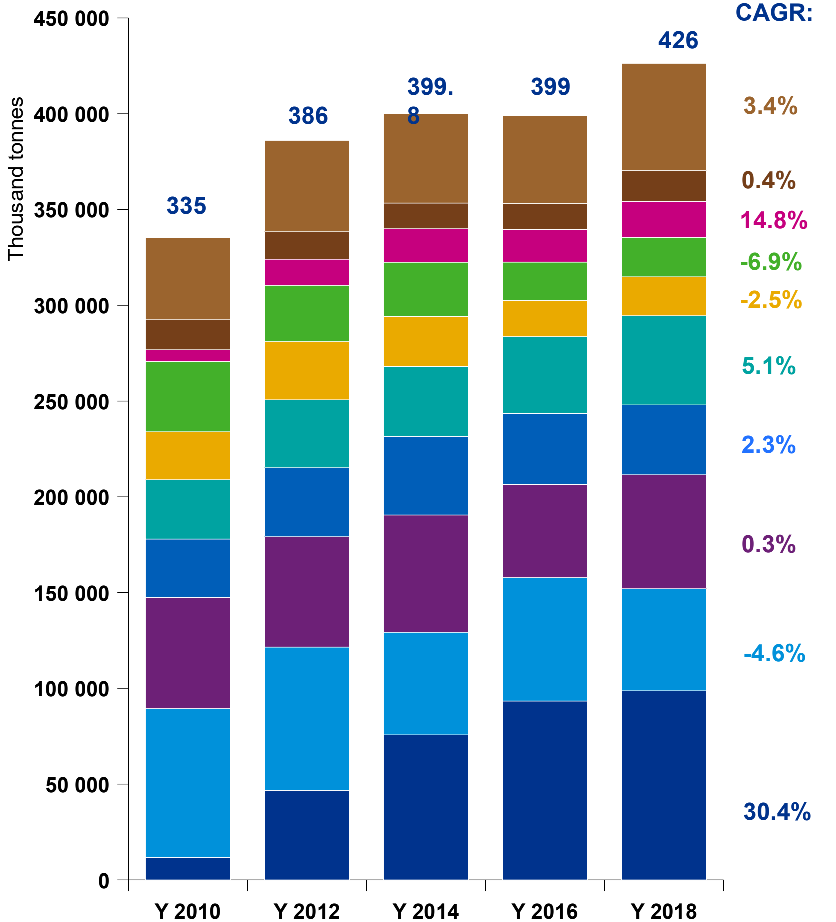
UNCTAD Liner Shipping connectivity index 2017-2018***

	Rank 2017	Rank 2018	Change in the Rank 2018
Poland	26	23	3
Sweden	23	26	-3
Russia	44	43	1
Lithuania	80	71	9
Finland	82	83	-1
Latvia	129	117	12
Estonia	120	125	-5

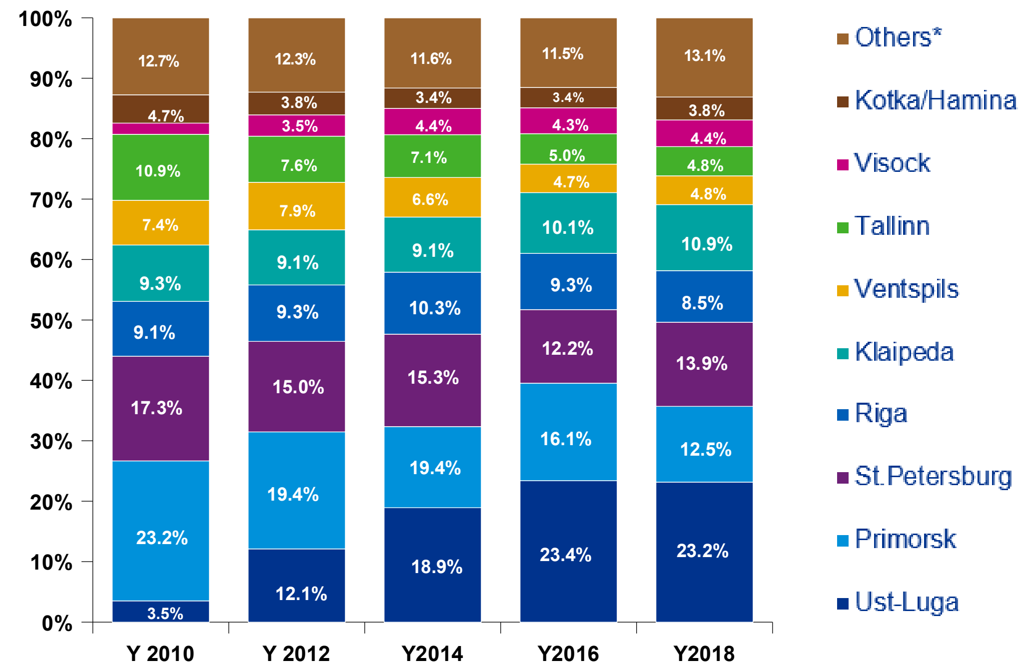
***Index captures how well countries are connected to global shipping networks. It is based on five components of the maritime transport sector: **number of ships, their container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports.**

Market share has shifted in the Baltics

Change in growth of East Baltic Sea ports, 2010-2018



East Baltic Seaport's market share (%), 2010-2018



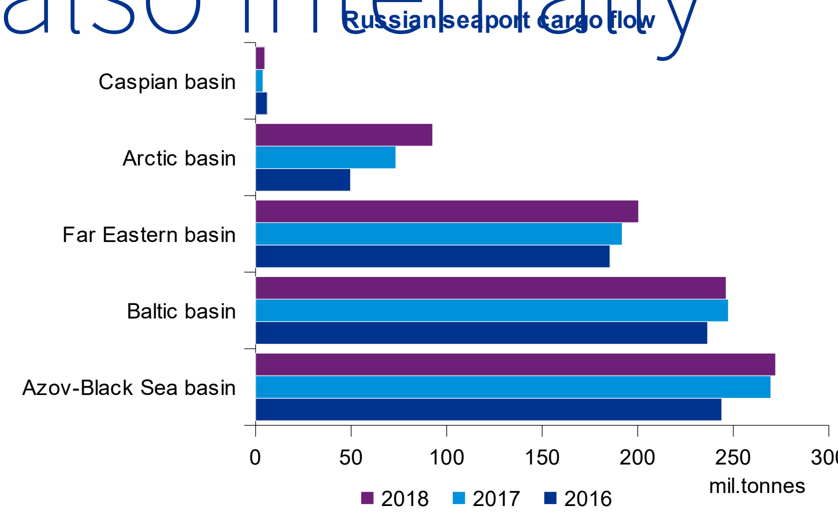
*Others: Kaliningrad, Helsinki, Butinge, Liepaja, Sillamea, Viborg

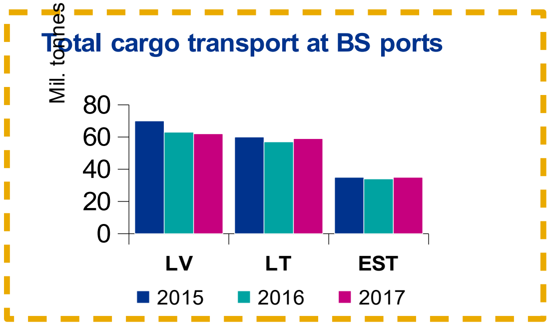
Source: Freeport of Riga

Market shares shift also internally

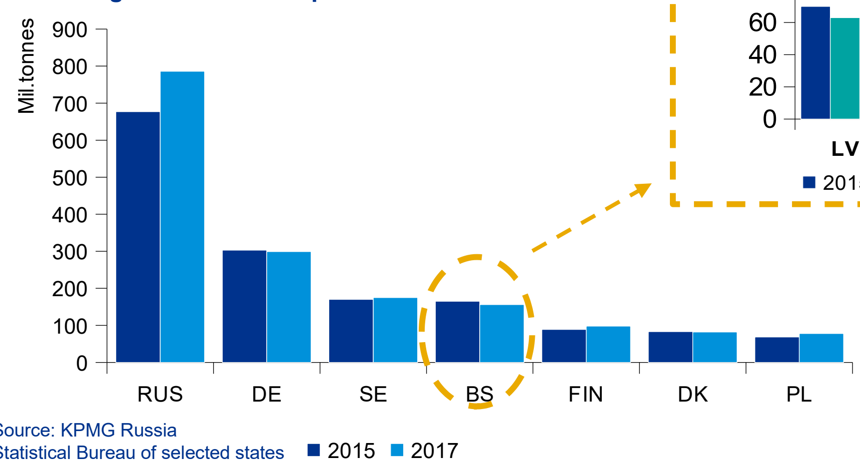
Port	Total territory (ha)	Max. Vessel draft (m)	Total length of berths (km)	Number of berths
Ust-Luga	11,819	14.8	7.3	15
Primorsk	247	15.8	3.0	12
St.Petersburg	745	11.0	21.8	149
Riga	6,348	15.0	18.0	114
Klaipeda	557	15.5	24.7	17
Ventspils	2,451	17.5	10.9	57
Tallinn	787	29.0	15.0	77
Kotka/Hamina	1,100	15.3	9.0	76

Source: Port and their authorities websites





Total freight volume at seaports



Source: KPMG Russia
Statistical Bureau of selected states

Russia seaport cargo flow 2017 – 2018:

Far Eastern Basin +4.5%

Caspian Basin +23.1%

Azov – Black Sea +0.9%

Baltic Basin* -0.5%

Arctic Basin +26.3%

*Baltic basic Russian ports: St.Petersburg, Primorsk, Ust-Luga, Visock, Vyborg, Kaliningrad

Eastern Baltics relyant on liquid and dry bulk

World seaborne trade in 2017

Containerized trade

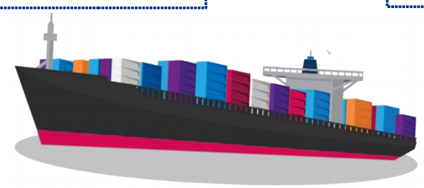
17,1% of total trade

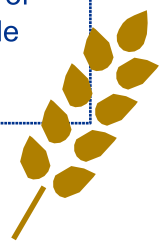
+6,4%

Dry bulk commodities

29,9% of total trade

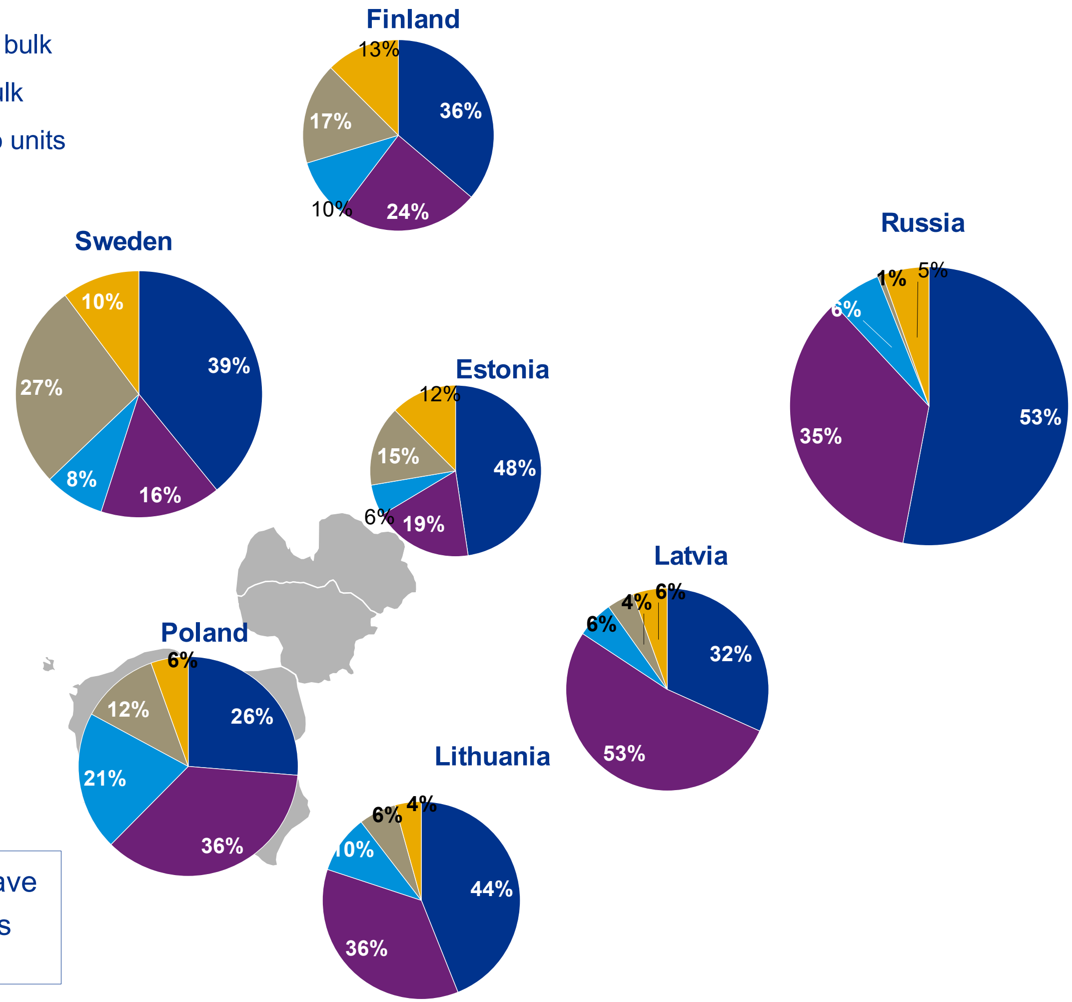
+5,1%





Container time charter* rates have increased by 58% over 2 years (2016-2018)

Share (%) of total cargo handled in ports per type

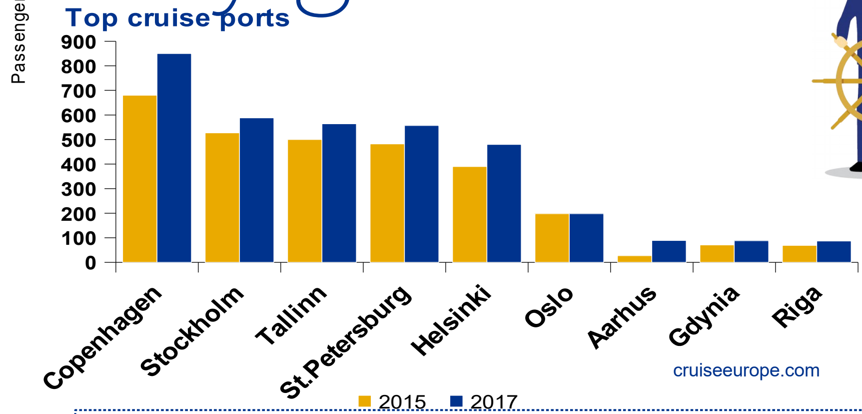


Source: UNCTAD Review of maritime transport 2018;
Navigating the future, shipping insights, KPMG

*hiring of a ship from a shipowner for a period of time

Eurostat 2016; Russia Federal state Statistics Service

Passenger and cruise market in a steady growth



TALLINK

Finnlines a Grimaldi Group company

Stena Line

VIKING LINE

DFDS SEAWAYS A BETTER WAY OF TRAVELLING

2000 – 2017 the number of guests increased by an average annual rate of **9,7%** per year

Baltic ports are typical **ports of calls**, where ships visit chosen ports during cruise voyages. There are, e.g. St. Petersburg, Klaipeda, Riga, Gdańsk. The others, like Copenhagen, Rostock and partly Helsinki and Stockholm, apart from being ports of call, are also **turnaround ports**, where passengers embark and disembark. Most cruise trips in the Baltic Sea last **7 days and include 5-6 ports of call.**

2017

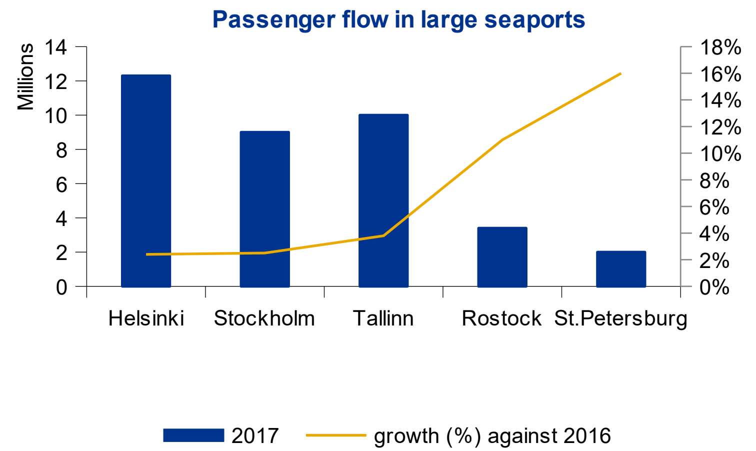
+16.6% - total number of guests (compared to 2016) in BSR

+15.4% - calls in BSR

+3.9% - total number of turnarounds in BSR

In 2018 almost 77% of all passengers using Port of Helsinki travelled between Helsinki and Tallinn

Source: Gdynia Maritime University, Cruise port benchmark study
Freeport of Riga



Source: Annual report of selected ports

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Future as bright and uncertain

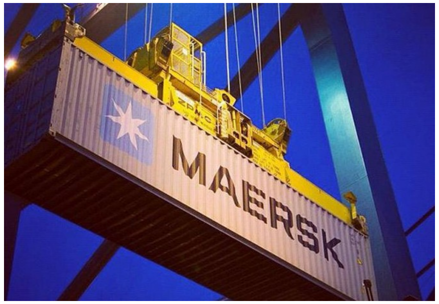
Maritime industry is one of the few left using complex paper-based systems.

Technology

Automated ships

Digitalization

Cybersecurity



Governance & Geopolitics

Tallinn Sadam port IPO

Legal framework

Environment

Baltic sea as one of the most endangered marine ecosystems

Eco-ports

MARPOL – prevention of pollution of the marine environment

Climate change

Multimodal connections

Competitiveness will be driven by agility and ability to create value added

Challenges

- Re-routing of trade
- Ultra large container ships which can be serviced in particular ports (mammoth ships)
- Slow pace of digitalization and transformation which can lead to increased number of «hub firms»
- 3D printing

Competitiveness factors

- Cooperation and alliance formation
- Cost and quality of the transport chain
- Multimodal connections and connectivity
- Technological transformation
- Market/product diversification
- Creation of logistical centres and industrial parks
- Value-added logistics

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