

Question to the experts:

Going ahead:

- **Position of port of Vukovar in relation to Sava ports, port of Osijek, and other ports – is it adequate and realistic developing the port of Vukovar to the main port of the region?**
- **Perspectives of Danube corridor transport**

Central question

- **General future potential and realistic demand for shipments at the port of Vukovar – probabilities for scenarios**
- **Structure of future demand – share of containers - probabilities for scenarios**
- **Realistic costs for investments, future operational costs, and revenues**
- **Feedback to provisional results of feasibility study**
- **Further future important factors for the port of Vukovar**
- **Recommendments**

Proposal for Scenarios of demand

Transshipments at the port in t – average for
2010-2015

Not-Project: till 1 mill t

Pessimistic: 1,5 mill t

Medium: 3,4 mill t

Optimistic: 6 mill t

Probabilities for transshipments altogether
at the port of Vukovar
in mill t - average for 2010-2015

-1,5	%
1,5 -3	%
3 – 4,5	%
5 -	%

Probabilities for container transshipments at
the port of Vukovar
in t - average for 2010-2015

- 200 000	%
200 000 - 500 000	%
500 000 – 1000 000	%
1000 000 - 2000 000	%
2000 000 -	%

The basic results of direct discussion with managers of (potential) customers were:

Preliminary notice: figures not the truth but altogether an orientation

- **There is big potential for transport via port of Vukovar especially because of the reactivating of Bosnian basic industry, and because of the good location of the port**
- **This potential is limited because the scale of these activities generally will hardly reach the level of before the war, and the reconstruction period at the Balkan with strong demand for basic goods will come to an end some day.**
- **There are many plans to expand company activities, but only few are definitely**

Strategic conclusions

- “First movers” will have good chances to get market shares for a longer time by making interesting offers when big companies make decisions for installing new capacities
- It seems to be a good strategy to earn revenues for transporting mass goods for the next years so gaining again competence as an logistic hub and continuously to substitute quantity by quality.
- The reputation of the management of the port seems to be a good asset: reliability, competence, customer-orientation
- To get market shares a strategic price policy could be very usefully

Main product groups and main (potential) customers at the port of Vukovar

Agricultural products:

Because of **natural endowment of the region** (best yields within Croatia) and **favourable geographical location**: classical and basic for the port till now and in the future, but very unstable, varying (as in the last years) and almost unpredictable because of

- Unclear perspective structure of agriculture and agrobusiness in the region
- Unclear focus of agriculture and agrobusiness in the region
- Open questions in relation to EU-accession of Croatia for agricultural markets
- Open questions for European and global agricultural markets, see WTO-negotiations

Because of the changing peculiarities of some product markets and their regulations it is even hard to say in which direction there will be trade in the next years.

Most important till now was sugar for Bosnia from Germany, but the future is not at all clear.

After some years of change **new patterns of trade probably** will establish

Wood (products)

Logically there would be a high potential, but there was no business in the last years and there are no intentions without one reported project. By marketing there could be created a significant quantity for the port.

Fertilizer

Although situated not very nearby one of the important customers of the port till now and in foreseeable time is the company **Petrokemija** from Kutina. It is now more engaged at the port of Osijek. It is one of the most export-intensive companies of Croatia and performs well on western European markets. There plans to invest directly in facilities at the port of Vukovar. The company managers say that the very big quantity of around **500 000 tons** will be realized at the probability of 90 % this year.

Oil products

2 concessions are made to DDSG-Cargo and Euromil, with the **capacity of 180 000 t and 200 000 t** for the Croatian market DDSG-Cargo only handles diesel. It is calculated that the growth rates are constant so producing an exponentially growing demand curve

Business park

In Croatia there are developed some dozens and hundreds of business parks. Actually no investments for an intended business park at the very big site of Borovo are foreseeable. But the idea of this business park makes sense for some material-intensive industries; the USP's of this intended business park are the geographical location and the (future) transport facilities of the port. By marketing it is probable to attract gradually considerable investments. For example in this year two new factories for bioethanol were decided to build at Danube sites in Austria, one directly in the port business park of Enns-shafen.

Mittal Steel Zenica

Some special information about Mittal Steel - the world biggest steel company. There was a personal meeting with Chief Operating Officer Paul Victor: Now in Zenica – Bosnia - there are produced some 220 000 t steel out of scrap metal mostly coming via Ploce. For the end of 2006 or at 2007 it is planned to start integrated steel production for 1,2 mill t steel. There will be the need of 650 000 t coke. Coking plant will start then in Zenica. Around 3 months before there will be made the decisions about procurement. The coal will be completely imported e. g. from Australia, New Zealand or South Africa. Ukraine coal seems to be not in the mind of Mr. Victor.

The produced steel will be transported to other Mittal-companies in Europe, mainly by trucks, for example to the Mittal factory in Macedonia.

Half of the iron ore input will come from Ljubija - the other half will be imported. The transport routes will be decided by the sum of transport costs (together with product quality). But he said literally: “Vukovar does not fascinate me” – because he realizes a long distance. “But I do not rule it out”. It should also be noticed that the Mittal group has own maritime transport ships. For Mr. Victor Ploce seems to be the hinge of transport but he said he is not quite sure if Ploce will have sufficient adequate facilities. Then there would be quite another situation.

Altogether there will be handled cargo from and to Zenica (coal, iron ore, steel) about 3,5 mill t. Then there will be some 3500 employees (now some 3000).

The word Mr Victor used mostly was “long term contract”. Anyway important “long term contracts” for Zenica will be made probably 2006 and marketing and the offer of a good logistic packages seems not at all to be in vain.

Mittal RZR Ljubija (Priedor) iron ore mine

Belonging to Mittal Steel; was probably the main interest to come to Bosnia, because Mittal Steel tries to integrate vertically and to be owner of the mineral resources.

The production of iron ore will probably be extended in the next future from some 1,2 mill t to some 1,6 mill t. Half of the output of will go to Zenica when the integrated production of steel will start there.

The COO said that the port of Vukovar is very important for his company especially for selling to the north. Now in the first half of 2005 this iron ore export increases to 39 % of all shipments at the port of Vukovar. It seems to stay a major quantity for the port for a longer time. Because of the Mittal strategy of long term contract this could be a basic capacity utilization.

Lukavac

Global Ispat Koksna Industria d.o.o., Lukavac (GIKIL) in Bosnia is belonging for 51 % (rest to BiH) to the complex company group of Pramod Mittal, but has no cooperation with Mittal Steel. The company is also owning a steel production in Bulgaria. Now there are roughly 1300 employees working at the factory (before war: 3500). Coke is the main product but there are also other production line like fertilizer, benzol, coal tar and others.

The coal for the Coking plant comes from Ukraine, Czech republic, Poland (70%) and from oversea areas with better quality(Australia, Canada, 30 %). The coal from Ukraine partly is imported via Ploce. About 1 mill t coal was imported last year.

An important customer is the steel factory at Smederevo in Serbia situated at the Danube (owned by US Steel). **For the time being every day one train with 800 t coke leaves for this destination. GIKIL would be very interested to use the water way fo this,** also because better using ships upstream and downstream. But there would be also the need of construction of new port facilities at Smederevo. There are plans to double capacity if demand is allowing it.

The company would be very interested in a **warehouse** at the port Vukovar and also in a more qualitative handling by installations of conveyor belts, because coke is sometimes to much ground. Basicly an investment at the port would be conceivable

Before the war the company handled goods also via the ports of Novi Sad, Brcko, Osijek. But Vukovar was the best location for the company.

For the port operating company in Vukovar it is hard to calculate the actions, performance, and plans of this company.

Kakanj

The cement company at Kakanj produces 550 000 tons of cement and is the biggest producer of cement in Bosnia (380 employees). The capacity would be more than 600 000 tons. Roughly 5 % of the output is exported. Some 50 000 tons of coal are needed. Some 20 000 t are routed via Vukovar.

Some years ago there was a shift from fuel to coal.

The company has been and is important and satisfied customer – although the distance to Vukovar is longer than from Zenica to Vukovar.

The company has some plans for importing some additional material like waste via Vukovar.

