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ITALIAN AND FRENCH EXPERIENCE IN MEDITERRANEAN AND SOUTH EUROPEAN TRANSPORT SYSTEM: WHICH RELEVANCE FOR UKRAINE?

In passenger and freight transport, and also in infrastructure planning and financing, Italy and France have a leading experience in Europe, especially when it deals with connecting the large Mediterranean coast with the whole country. Due to the economic gap between the Mediterranean coasts and the most developed regions in Europe, in GDP. per capita (namely the north of Italy and the north of France, Paris and Lille as well as the Lyon area), large transport infrastructure and land use strategies have been developed in order to increase the attractiveness and accessibility of the south Italian and south French regions. Public policies towards the south of Italy and the south of France aim also at connecting these coastal regions to the «hinterland» and northern European regions (Germany, UK) both for tourism and economic development thanks to efficient transport infrastructures: high speed train networks, airport facilities, harbor facilities for both passengers, cruise and freight transport, large highway infrastructures. But south Italian and south French regions are also open to the outside world through ports and links with foreign countries and markets: ports and services

associated (cruise) are the key factors of the future to the Mediterranean coast and will be thoroughly analyzed. Objectives of public policies in south Italian and south French regions aim today at achieving competitive economic advantages in these regions – free taxation zone – but also at developing tourism... In this field, France and Italy adhere to cooperative policy – Alpine tunnels, the recently decided high speed train link (Trans-European Network) between Lyon and Torino – but also competitive strategies, for example, with passenger shipping lines within Corsica (public operator in France in competition with private and dynamic operators in Italy), for cruise stopovers.

Experience of Italy and France in transport system for coastal and south Mediterranean regions is interesting for Ukraine, and Odessa in particular. The aim of our paper is to describe, for both passenger and freight transport, south Italian and the south French experience in terms of transport policy and services, transport infrastructures and facilities. We will try to give advice for both local public authorities in Odessa and national land use strategies for Ukraine.

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1. Regional development and transport in the global economy

What are the consequences of globalisation for development policies of local economies? Within this context, which issues rank first in the agenda of countries, international organisations and policy makers aiming at a strong, well balanced and sustainable growth?

In the era of globalisation there is little or no space left for traditional fiscal policies, as well as for policies based on national redistribution of income or on international assistance. There are no margins either for additional willingness of rich countries/regions to finance the poor ones, and, more important, this would be ineffective in a system ruled by competition. On the contrary, the strategy for local development within a global economy should aim at:

1. enhancing transport and logistic accessibility, necessary (although not sufficient) requisite in order to attract the location of firms;
2. enhancing «commercial» accessibility (in the sense mentioned above);
3. facilitating the flow of capital and innovation;
4. exploiting specific location factors of the region in order to make it competitive for one or more phases of production cycles.

Under the first point, which is considered in this article, we rank a number of relevant long-term actions, concerning transport infrastructures, logistics and services, which implementation deeply influences the effectiveness of strategies mentioned under other points. These actions concern:

- the supply of (port, rail, road, waterways, inland terminal) infrastructures, and a hub-and-spoke and multimodal re-organisation of transport networks (namely maritime) capable to bear flows that have origin or destination in the area, as well as flows in transit (which are a relevant share of Mediterranean traffic);
- the location of passenger and freight transport and logistic services, to be optimised with regard to (i) the geographical position in respect to the transport chain, (ii) the cost of inputs (which influences the efficiency), (iii) sustainability of traffic growth for the local economies (since the major employment impact of the transport chain is nowadays generated much more by the

location of logistic facilities than by the mere transit or modal interchange).

These strategies are linked to some of the main characteristics of production in the era of globalisation:

- different phases of manufacturing processes are located in different areas in order to minimise costs (each phase is located where factors required are cheaper);
- developed countries relocate entire manufacturing units in developing countries in order to lower labour costs or to avoid protectionist import restrictions;
- industrialisation starts in a number of countries, former exporters of raw materials (value added at the origin);
- developing regions intensify trade among one another, and not only toward developed countries;
- as transport costs fall both for goods and for people, market areas become widespread not only for manufacturing but for a growing number of services, both to consumers and to firms.

The consequences in terms of distribution and transport demand are that transport demand for raw materials decreases both in volume and in average distance, while transport demand for final and intermediate products rises, both in volume and in distance. Thus, transport flows (namely maritime) change dramatically in quantities, typology, and geographical origins/destinations.

We will try to investigate these issues with a comparison between some regional economies of the Mediterranean area belonging to different economic systems: the European Union (Marseilles and Provence; Genoa and Liguria), and the former USSR countries (Odessa and Southern Ukraine). The comparison will be focused on the analysis of transport systems for their well known influence on regional growth and will be carried by considering three different and recent «cases» of business success for EU-based transport industries: the High-speed Railway Marseilles-Paris; the dramatic growth of container traffic in the Italian ports, namely in Genoa; the boost of cruise market in the whole Mediterranean area with a remarkable share for Italian ports.

2. Some trends in the Mediterranean and Black Sea are: economic divergences

The Mediterranean and Black Sea area have relevant and specific characteristics which appear to be relevant for transport and logistics issues. The positive characteristics are:

- the co-presence in the area of countries in different stages of industrialisation and economic development – a potential opportunity if this allows to enhance synergies;
- centrality with respect to a relevant share of international seaborne flows;
- centrality for international tourism (the industry presently with the highest growth rate of the whole world economy, and for which transport infrastructures and services are essential due to the world-wide extension of the market).

Yet, there are also negative characteristics affecting the area, namely:

- depression of former socialist countries and of Maghreb, their crisis being crucially influenced by the lack of regulations, infrastructures, facilities, as well as by bureaucracy and corruption;
- growing demographic unbalances between countries of northern and southern edge;
- migration flows due to both demographic and economic unbalances, and related social/political conflicts;
- breeding grounds for international political conflicts and wars (former Yugoslavia, Algeria, Middle East, Libya, Kurdistan).

If we look at the Mediterranean countries (further referred as MCs), as broadly divided into *European Union countries* (EUC: Portugal, Spain, France, Italy and Greece), *former socialist countries* (FSC: Slovenia, Croatia, Yugoslavia, Albania, Bulgaria, Rumania, Ukraine), *Middle East countries* (MEC: Turkey, Cyprus, Syria, Lebanon, Israel, Jordan, Egypt, Malta), and *Maghreb Countries* (MAC: Libya, Tunisia, Algeria, Morocco), and try to focus on relevant demographic and economic trends for EUCs and FSCs, we can highlight the following:

1. From 1989 to 1998, the overall population of MC increased by 9.6% (from 469

to 514 million); yet this balance is the result of two very different trends: the dramatic growth (due, above all, to the increase in average length of human life) for the MACs and the MECs, increased in the period from 190.0 to 233.9 million inhabitants (+23.1%); and a substantially stable population for the EUCs and the FSCs, which overall variations for the same decade range from -8.2% of Bulgaria to +4.3% of France and Greece, while the total population remains constant (+0.5% in the years 1989–1998: from 279.5 million in 1989 to a maximum of 281.1 in 1994 and then to 280.9 million in 1998). Actually, within the latter area EUCs globally grow moderately from 172.8 to 176.3 million (+2.0%) while FSCs drop from 106.3 to 104.2 million (-2.0%). It is worthwhile to note that these data already incorporate relevant migration flows towards richest countries from the poorest ones.

2. If we consider GDP trends for the period 1968–1999 (Table 1 «*GDP annual variations*»), very different trends emerge; namely:

- EUCs show for the entire period a moderate (given also the previous level of development of most of them) yet persistent economic growth, with just a few exceptions, consistent with the growth of other advanced economies. For each country it shows an acceleration if/when it joins the European integration process. Compared to European trends, France and Italy are pretty aligned.
- FSCs (available data are scarce, and usually start only from the '90s) show the crash around 1990 and in the early '90s, due to the politic upheaval. After that, some countries recover (usually, those with a stable government and less linked to the USSR system, or geographically closer to EU, like Slovenia, and to a smaller extent Croatia). But the trend is swinging and negative for major countries of the area (like Ukraine, Rumania, Bulgaria, deeply linked to the USSR economic system; and Yugoslavia, due to war, political instability, international isolation).

Table 1. GDP annual variations

	1968	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
World	4.5	3.4	1.3	2.6	1.6	0.4	2.6	4.8	4.0	3.4	3.9	4.5	3.3	2.9	2.3	3.2	2.9	4.3	3.5	3.9			
Albania															-28.0	-7.2	9.6	9.4	8.9	9.1	-7.0	8.0	8.0
Algeria	8.2	7.3	10.3	16.4	1.8	-5.3									-1.2	1.6	-2.2	-1.1	3.9	3.8	1.1	5.1	3.4
Bulgaria															-11.7	-7.3	-1.5	1.7	2.2	-10.9	-7.0	3.5	2.5
Croatia																	-8.0	5.9	6.8	6.0	6.5	2.3	-2.0
Cyprus	5.3	3.0	-19.0	5.9	3.1	6.3	5.3	8.8	4.7	3.6	7.1	8.3	8.1	7.4	0.7	9.4	0.7	5.8	5.5	1.9	2.5	5.0	4.5
Egypt							6.4	6.0	12.1	9.1	6.4	5.4	5.0	5.7	1.1	4.4	2.9	3.2	4.3	5.1	5.0	5.3	6.0
France	4.3	5.7	-0.3	1.6	1.2	2.5	0.7	1.3	1.9	2.5	2.3	4.5	4.3	2.5	0.8	1.2	-1.3	2.8	2.1	1.6	2.3	3.2	
Greece	6.6	7.9	6.1	1.7	0.1	0.4	0.4	2.7	3.1	1.6	-0.5	4.5	3.5	-0.6	3.5	0.4	-0.9	1.5	2.1	2.4	3.2	3.7	
Israel		33.3	16.7	3.2	4.5	1.3	2.5	2.1	4.0	4.1	6.1	3.1	1.3	5.8	6.2	6.6	3.2	6.8	7.1	4.5	1.9	2.0	
Italy	6.5	5.3	-2.1	3.5	0.5	0.5	1.2	2.6	2.8	2.8	3.1	3.9	2.9	2.2	1.1	0.6	-1.2	2.2	2.9	0.7	1.5	1.3	
Jordan		-10.2	12.6	17.6	9.8	5.6	2.5	1.4	4.1	7.0	2.9	-1.9	-13.4	1.0	1.8	16.1	5.6	8.1	6.9	5.2	1.3	2.2	2.0
Lebanon															38.2	4.5	7.0	8.0	6.5	4.0	4.0	3.0	0.0
Libya	33.5	3.9	4.0	0.6											12.0	-4.2	0.1	-0.9	-1.1	1.2	1.3	-3.0	2.0
Malta	10.1	12.6	19.6	7.0	3.3	2.3	-0.6	0.9	2.6	3.9	4.1	8.4	8.2	6.3	6.3	4.7	4.5	3.4	7.3	3.2	3.7	3.1	3.5
Morocco	12.4	5.0	4.1	3.4	-2.8	9.6	-0.6	4.3	6.3	8.4	-2.6	10.4	2.5	3.9	6.9	-4.0	-1.0	10.4	-6.6	12.1	-2.0	6.3	0.2
Portugal	8.8	9.3	-4.3	4.8	1.3	2.1	-0.2	-1.8	3.0	4.1	5.1	4.0	4.9	4.1	2.1	4.2	7.8	1.9	2.0	3.0	3.8	3.9	
Romania					0.1	4.0	6.1	5.9	-0.1	2.3	0.8	-0.5	-5.8	-7.3	-12.9	-8.7	1.5	3.9	7.1	3.9	-6.9	-5.4	-3.9
Slovenia																	2.8	5.3	4.1	3.5	4.6	3.9	3.8
Spain	6.8	4.1	0.5	1.3	-0.2	1.6	2.2	1.5	2.6	3.2	5.6	5.1	4.8	3.7	2.3	0.7	-1.2	2.1	2.8	2.2	3.6	4.0	
Syria	4.4	-5.9	21.1	12.0	9.5	2.1	1.4	-4.1	6.1	-4.9	1.9	13.3	-9.0	7.6	7.1	10.6	5.0	7.7	5.8	1.8	1.2	5.4	0.1
Tunisia		7.5	8.1	9.4	6.5	-0.5	4.7	5.7	5.7	-1.4	6.7	0.1	2.6	7.1	3.9	7.8	2.2	3.3	2.4	7.0	5.4	5.0	6.5
Turkey												2.3	0.3	9.2	1.1	5.0	7.7	-4.7	8.1	6.9	7.6	3.1	-4.3
Ukraine															-10.6	-17.0	-14.2	-22.9	-12.2	-10.0	-3.0	-1.7	-0.4
Yugoslavia															-17.0	-34.0							
Macedonia																	-7.5	-1.8	-1.1	1.2	1.4	2.9	2.5

Source: International Monetary Fund, 2000

3. An in-depth analysis of GDP in the period 1988–1998, compared with world real GDP growth at constant prices (+41.5% in the period 1988–1998), shows that:

- GDP grows for EUCs, usually less than world average (what is quite normal for most advanced economies): +26.9% for France, +25.5% for Greece, +19.5% for Italy, +50.7% for Portugal, +34.2% for Spain. All annual variations are growing except for 1993 crisis (when only Portugal is in growth) and for a slight drop in Greece in 1990;
- among FSCs the most dynamic economies are the smallest ones and/or those most influenced by proximity to EU (such as Slovenia, Croatia), whose growth rates from 1993 are sometimes higher than the world average. Over the period for which data are available (1993–98), Slovenia's GDP grows by 26.8% and Croatia's by 19.7% (world GDP, in the same period, grows by 22.4%). Yet, they are likely to influence little the overall datum for the whole set of FSC (this datum is unfortunately not available in international statistics), since the real GDP of major countries (Ukraine, Rumania, Bulgaria, and probably Yugoslavia, which account for more than 85% of population of the area) drops for the whole period,

respectively by 63% for Ukraine (data available from 1991), by 29.1% for Rumania (1988–1998), by 28.6% for Bulgaria (data from 1991).

4. If we consider *per capita* GDP growth in the decade 1988–1998 (by comparing GDP to population growth), we see that:

- for EUCs, GDP always grows faster than population, apart from 1993 crisis (which spares Portugal);
- for FSCs drops in per capita GDP are prevailing, namely for major countries, while positive variations prevail for Slovenia and, in recent years, Croatia.

5. The consequences of these trends for international trade of MCs (Tables 2 and 3, Figures 1 and 2 report exports and imports in value, at constant prices, for the period 1968–1997) can be summarised as follows:

- the value of *export* for MCs, at constant prices, increased by 20 times in the period 1968–1997, and has doubled in the last decade (after it increased by 5 times in the first decade and by 2.5 in the second one). This result is almost entirely due to the export of EUCs (in 1997 their share is 85% of the total).

Table 2. Exports in value (US billion \$), at constant prices, for the period 1968–1997

	1968	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
Albania								0,076	0,125	0,138	0,202	0,207	
Algeria	0,83	1,009	4,7	13,871	12,841	12,93	12,57	11,13	10,23	8,88	10,24	12,62	
Bulgaria	1,615	2,004			13,339	4,793	3,225	3,922	3,728	3,994	5,354	4,833	4,898
Croatia							3,292	4,598	3,904	4,26	4,633	4,512	4,341
Cyprus	0,087	0,107	0,15	0,532	0,476	0,957	0,964	0,987	0,867	0,967	1,229	1,395	1,101
Egypt	0,622	0,762	1,402	3,046	1,838	2,585	3,659	3,051	2,244	3,463	3,435	3,535	
France	12,723	17,879	53,086	116,03	101,674	216,588	217,1	235,871	209,349	235,905	286,738	288,468	289,842
Greece	0,468	0,643	2,294	5,153	4,539	8,105	8,666	9,509	8,435	9,384	10,961	9,648	8,626
Israel	0,639	0,779	1,941	5,538	6,26	11,576	11,921	10,019	14,826	16,884	19,046	20,61	22,503
Italy	10,186	13,205	34,988	78,104	76,717	170,304	169,465	178,155	169,153	191,421	233,998	252,001	238,24
Jordan	0,04	0,034	0,153	0,574	0,789	1,064	1,13	1,215	1,232	1,424	1,769	1,817	1,845
Lebanon	0,147	0,19	1,233	0,955	0,53	0,494	0,539	0,56	0,452	0,544	0,825	1,017	
Libya	1,866	2,357	6,834	21,91	10,929	13,225	11,235						
Malta	0,034	0,039	0,164	0,483	0,4	1,133	1,234	1,54	1,355	1,518	1,861	1,736	1,642
Morocco	0,45	0,488	1,543	2,493	2,165	4,265	4,313	3,984	3,991	4,013	4,642	6,881	7,03
Portugal	0,734	0,946	1,939	4,64	5,685	16,417	16,28	18,35	15,249	17,899	22,261	23,824	
Romania	1,469	1,851	5,341	11,209	12,167	5,775	4,266	4,363	4,892	6,151	7,91	8,085	8,431
Slovenia								6,681	6,083	6,828	8,316	8,312	8,372
Spain	1,589	2,388	7,69	20,72	24,247	55,642	60,177	64,334	59,555	73,299	91,716	101,994	104,363
Syrian Ar. Rep.	0,168	0,203	0,93	2,108	1,637	4,212	3,43	3,093	3,146	3,047	3,563	3,999	3,916
Tunisia	0,158	0,182	0,856	2,198	1,738	3,526	3,699	4,019	3,802	4,657	5,475	5,517	5,559
Turkey	0,496	0,588	1,401	2,91	7,598	12,959	13,594	14,715	15,345	18,106	21,637	23,224	26,245
Ukraine								8,045	7,817	10,305	13,317	14,441	
Yugoslavia	1,264	1,679	4,072	8,978	10,7	14,308	13,953						
Macedonia (Yugosl)									1,055	1,086	1,204		

Source: IMF, 2000.

Table 3. Imports in value (US billion \$) at constant prices for the period 1968–1997

	1968	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
Albania								0,175	0,557	0,6	0,714	0,842	
Algeria	0,815	1,257	5,498	10,559	9,841	9,715	7,538	8,573	7,77	9,37	10,25	8,84	
Bulgaria	1,782	1,831	5,949		13,657		2,537	4,11	4,385	3,869	5,242	4,648	4,504
Croatia						5,187	3,795	4,501	4,666	5,231	7,582	7,788	9,313
Cyprus	0,17	0,235	0,308	1,202	1,247	2,568	2,621	3,313	2,59	3,018	3,694	3,983	3,698
Egypt	0,68	0,786	3,751	4,86	5,495	9,216	7,862	8,245	8,184	10,185	11,739	13,019	
France	14,009	19,119	54,222	134,866	108,251	234,436	231,784	239,638	201,838	230,188	275,275	277,673	269,216
Greece	1,393	1,958	5,357	10,548	10,134	19,777	21,58	23,22	22,011	21,466			
Israel	1,307	2,079	5,997	9,784	9,875	16,794	18,658	15,535	22,624	25,237	29,579	32,62	30,781
Italy	10,285	14,974	38,526	100,741	87,692	181,968	182,679	188,451	148,273	169,172	206,04	208,114	208,272
Jordan	0,159	0,184	0,732	2,402	2,733	2,6	2,508	3,255	3,539	3,382	3,698	4,428	4,102
Lebanon	0,596	0,683	2,048	3,65	2,203	2,525	3,743	4,202	4,821	5,933	7,278	7,582	
Libya	0,645	0,555	3,542	6,777	4,101	5,336	5,361						
Malta	0,123	0,161	0,375	0,938	0,759	1,964	2,13	2,331	2,174	2,448	2,89	2,801	2,556
Morocco	0,552	0,686	2,567	4,164	3,849	6,8	6,873	7,348	6,76	7,188	8,563	9,704	9,525
Portugal	1,043	1,556	3,839	9,309	7,652	25,263	26,113	29,581	24,337	26,938	32,339	34,104	
Romania	1,738	2,117	5,769	13,843	11,267	9,843	5,793	6,26	6,522	7,109	10,278	11,435	11,28
Slovenia								6,142	6,499	7,304	9,492	9,423	9,357
Spain	3,505	4,747	16,265	34,078	29,963	87,715	93,306	99,758	78,626	92,509	115,019	121,782	122,717
Syrian Ar. Rep.	0,313	0,36	1,685	4,124	3,967	2,4	2,768	3,49	4,14	5,467	4,709	5,38	
Tunisia	0,218	0,306	1,424	3,54	2,757	5,542	5,189	6,431	6,214	6,581	7,903	7,745	7,914
Turkey	0,764	0,948	4,739	7,91	11,343	22,302	21,047	22,871	29,428	23,27	35,709	43,627	48,585
Ukraine								7,099	9,533	10,748	16,052	18,639	
Yugoslavia	1,797	2,874	7,697	15,076	12,207	18,871	14,737						
Macedonia (Yugosl)									1,199	1,484	1,719		

Source: IMF, 2000.

Figure 1. EU, former socialist countries exports (US billion \$) 1968–97

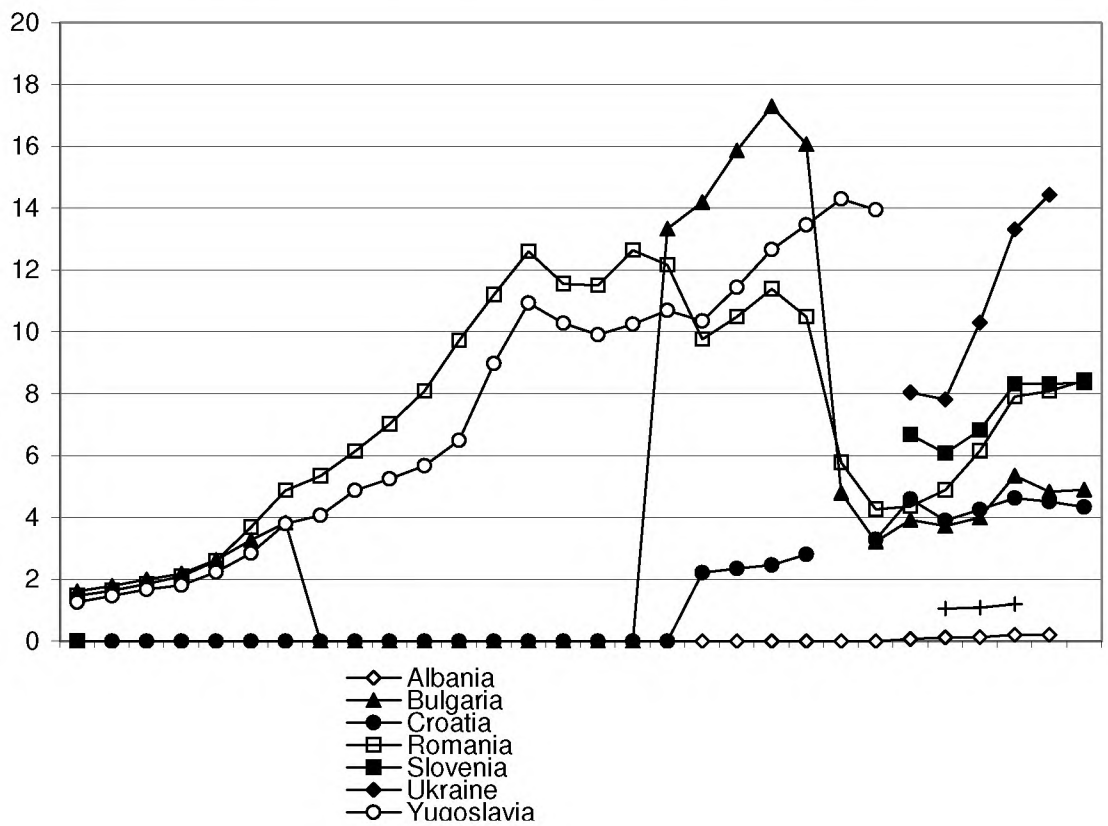
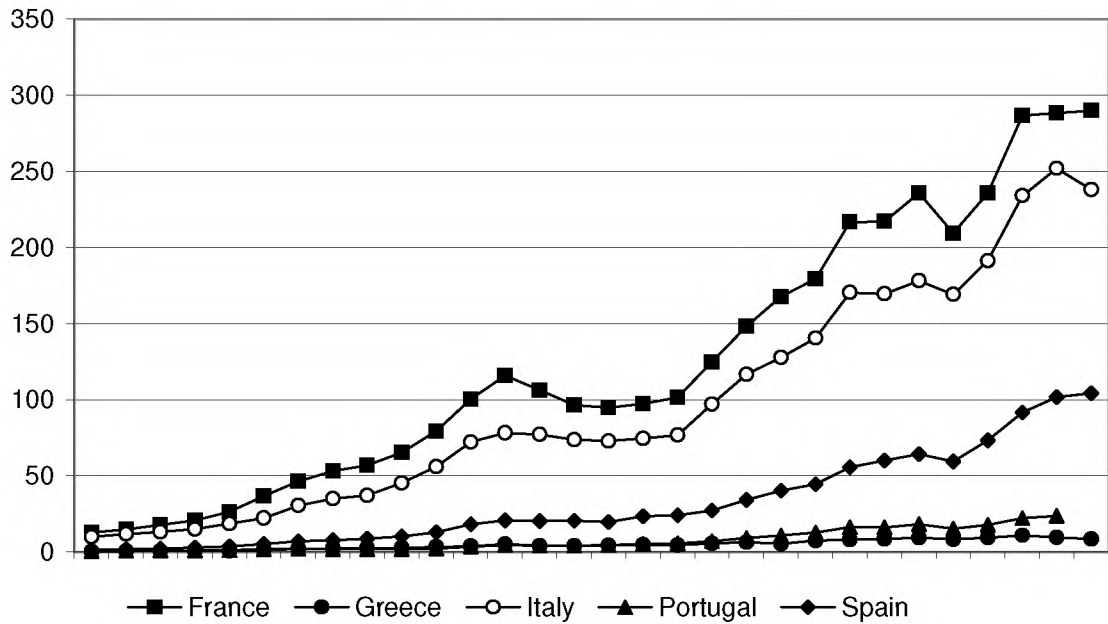
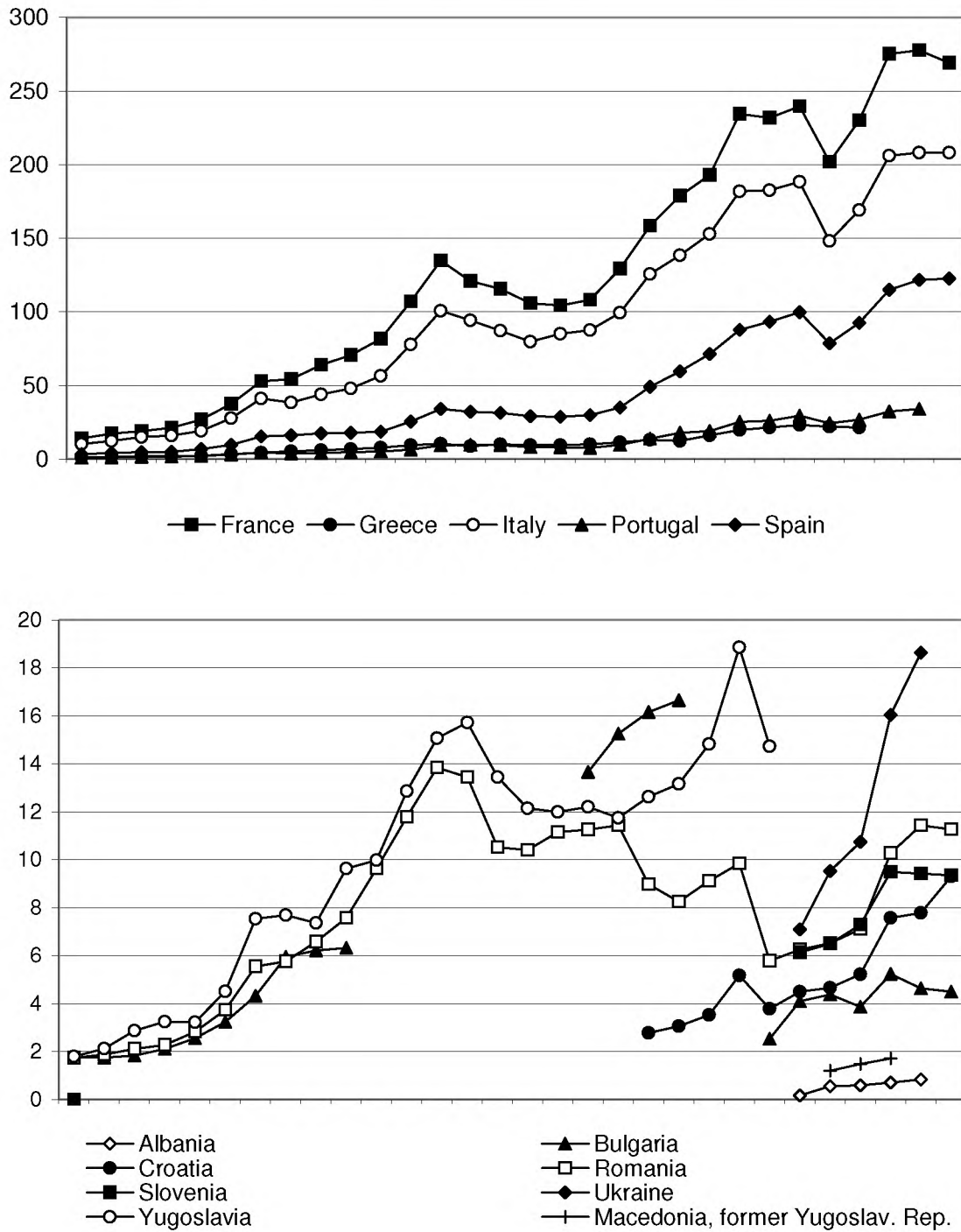


Figure 2. EU, Maghreb, Middle East imports, former socialist countries imports (US billion \$) 1968-97



Among them, France and Italy grow steadily except for short crises in the early '80s and '90s. In 1997 exports of the two countries reach 500 billions of US\$, about 2/3 of total exports of MCs (it must be kept that France is only in part a MC). The share does not change substantially for France (36% in 1968 and in 1997) and for Italy (from 29% to 32%), while Spain grows from 4% in 1968 to 13% in 1997 (3rd exporter country in the Mediterranean basin). The three countries, in all, total 80% of MC's export. The share of EUCs rose in the period from 72.3 to 84.7%. For FSCs, the value of exports is quite small. They grow until the end of the '80s, then collapse in the early '90s and afterwards recover, namely for Ukraine, Slovenia, Rumania, but still on small absolute figures (respectively 15, 8 e 8 billions US \$). The share of FSCs on total MC's exports fell from 12.2% in 1968 to 5.0% in 1997.

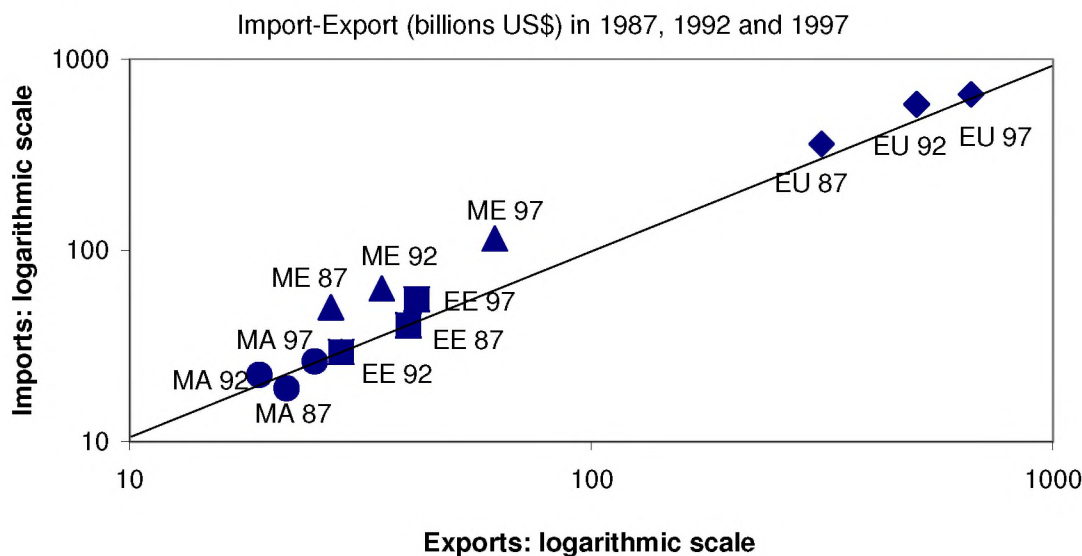
- the value of *import* for MCs, at constant prices, increased by 19 times over the period 1968–1997, and has about doubled in the last decade (after having increased by little less than 5 times in the first decade and twice in the second one). It is largely determined by imports of EUCs (representing in 1997, 77% of the total amount). Imports grew slightly less than exports in the same period.

Among EUCs (whose imports grew much less than exports), France and Italy grow steadily with two circumscribed crises from 1980 to 1983–4 and in 1993. Imports of these two countries reach nearly 480 billion US\$, that is nearly 2/3 of total MCs' imports (keeping in mind,

as said before, that France is not only a MC). The share on total imports of MCs do not change for France (33% both in 1968 and in 1997) and for Italy (25%), while Spain grows from 8.4% in 1968 to 14.6%. Import of these three countries account for over 70% of total MCs' imports. Total share of EUCs rose in the period from 72.2% to 76.9%. Imports of FSC, quite modest in absolute figure, grow until 1981–1982, then fall for the whole decade, eventually culminating in the collapse of the economic and political system based on USSR. From 1993, imports start growing again, namely in Ukraine, Slovenia, Rumania, Croatia. Yet they remain on low levels (respectively 19, 10, 12, 8 billion US\$). Their share on total MC fell from 12.7% in 1968 to 6.3% in 1997. Moreover exports exceeded imports, thus the gap between export and import increased.

- if we compare export and import trends for each group of countries (including MACs and MECs), over the decade 1987–1997 (Figure 3), we notice that international opening increased more for advanced economies than for the other ones¹: higher absolute growth is observed for EUCs, followed by MECs, while the growth of the two other groups is much slower, and even stops with a drop in export value (and for FSCs also of import value) in the first half of the decade. Besides, for the first two groups export grows proportionally more than imports, while the two remaining groups show the opposite trend.

Figure 3. Export and import trends over the decade 1987–1997.



- the growth of international trade for MCs is significantly lower than the world growth (+6.6% per year over the period 1990–1997), and countries with a foreign trade (exports and imports) growth rate higher than the world rate belong all to EUCs (Spain) or to MECs (Israel, Jordan, Lebanon, Cyprus, Turkey).

All these elements – combined with similar analysis concerning the two other groups of MCs (that is MACs and MECs, which we surveyed but did not report in the paper) **outline a scenery where two strong and/or rapidly growing areas emerge (EU and Middle East), against two areas – Maghreb, and former socialist countries in Balkans and Black Sea regions – where, with occasional exceptions involving small countries, the economy is still dropping. Forecasts by International Monetary Fund² until 2005 seem to confirm these trends.**

Thus, we are now able to outline the scenery of an economic region – the Mediterranean and Black Sea basin – characterised by strong contrasts and lack of balance.

First, it emerges a geographic juxtaposition between areas marked by very different demographic trends. The «Northern Rim» of the Mediterranean Sea (EUCs and FSCs) is in a substantially stable situation, while the «Southern Rim» (Maghreb and Middle East, including Turkey) show a very fast growth.

Second, the Mediterranean area is also the theatre for a geographic juxtaposition between areas with very different economic trends. EUCs are among the most advanced economies in the world, early industrialised and presently launched, even if in delay with respect to the USA, on their way to post-industrial development and «new» economy. MECs are only partly and more recently industrialised, with rather different situations between advanced economies (such as Israel) and areas of relative economic backwardness (Syria), yet in the middle of a rapid economic and commercial growth. Maghreb, despite the former prospect, 30–40 years ago, of a quick and steady industrialisation and economic growth, has been and still is being hampered, namely the two bigger countries (Libya and Algeria), by political, social, and religious troubles, and by consequent international isolation. Morocco and Tunisia tend to abandon this scene and link more tightly to international (namely European) economic growth, but still are jeopardised by the general backwardness of the whole area and by difficult

economic and commercial relationships. Eventually, former socialist economies in the Balkan and Black Sea area feel the effects of the crash of political, economic and social system hinged on the USSR, and have major troubles in the transition toward market economy. Troubles affect namely major countries, which were linked more to the former Soviet Union (Rumania, Bulgaria) or were even part of it (Ukraine, Georgia), as well as present Yugoslavia, because of political conflicts (foreseeable also for the future, due to the likely conflict between Serbia and Montenegro), of wars and straight international isolation. The Balkans in all felt the effects of conflicts consequent to the disintegration of former Yugoslavia, and are slowly recovering, starting from Slovenia and Croatia.

The contemporary presence of this twofold disequilibrium – demographic and economic – between groups of countries geographically adjacent, and held together by the historical cultural and economical unifying strength of the Mediterranean Sea, gives place to different situations between:

- an advanced area, marked by economic growth but demographically stable (EU countries);
- an area with a strong economic and demographic growth (Middle East);
- an area in dramatic demographic growth, but economically weak (the Maghreb);
- an area demographically and economically close to the crash (former socialist countries).

This double lack of balance has relevant consequences upon economic and social dynamics of the whole area.

One relevant consequence is obviously the volume of migrations, more and more relevant in the Mediterranean theatre, above all from Maghreb and former socialist countries, and above all towards EU countries. This phenomenon is caused by the co-presence of both (demographic and economic) gaps, and not only by the first. And it is enhanced, but not simply caused, by conflicts taking place in single regions (e.g. Kurdistan).

Besides, there is a correlation between rise in GDP and rise in export, as well as between demographic growth (and/or GDP drop) and rise in import; with evident consequences on transport system and its performance.

But above all, the double gap highlighted by statistics draws a scenario that could be seen as a «three-speed» economic region, whose

¹ In graph, we necessarily employed logarithm scale which largely reduces the visual effect.

² See IMF, *Economic Outlook*, 2000.

consequence might well protract or even enhance gaps in wealth and in standards of living, instead of reducing them in the long run. As a matter of fact:

1. the most advanced economies (EUCs and at least some MECs) can be in such conditions (as far as infrastructures, know-how, investments, etc., are concerned) to be able to hook – even with some delay – the high levels of growth connected to new economy and globalisation;

2. against possible scarcity or high cost, in these countries, of some key inputs (labour, namely specialised, space, cost of fulfilling environment and social regulations, infrastructure congestion, etc.), several MECs, and probably some small and «anomalous» countries in other areas (such as Slovenia, Tunisia) can represent an ideal «complementary region» for the availability and cost of the above mentioned inputs, and thus they can attract foreign investments and the spatial «filter down» of economic development;

3. unlike these countries, little or no attraction on investments is exerted by such countries as most FSC, or Libya and Algeria, for which the availability and low cost of some inputs (non specialised labour, space, permissiveness of environment regulations) is largely balanced by lack of infrastructure (namely in transport infrastructures), political instability (domestic and international), scarcity of specialised manpower and skills, inadequacy

of research and education systems/centres, impact of organised crime, bureaucracy or corruption, and of social or religious conflicts.

Thus, while countries of the second group represent the ideal location in the filtering down of international investments and economic development, as the growth in the countries of the first group cause rises in prices of inputs, countries of the third group can just become «supply areas» for importing some of these inputs (like non-specialised manpower) or, at the most, possible locations for mature, highly standardised economic activities, with low profits and value added, often environment consuming, and totally managed from abroad.

The scenario of a «three-speed» Mediterranean economy would probably imply that the growth induced by most advanced economies, instead of spreading over the whole area, would raise only some countries, thus increasing the economic and social gap between the first two groups and the third one.

It is then clear that problems of transport systems, and namely of ports and other infrastructures, in the Mediterranean Area, are not just a sectional topic. Within a context including infrastructure policies for attraction of investments and location of production activities, this is not only monitoring of the adequacy of infrastructure capacity with respect to forecasts in transport demand, but mainly a key issue with respect to development goals of less advanced Mediterranean countries.

3. The ports of Italy: which experiences for Ukraine

Italy's 4,500 km of coastline boasts literally hundreds of ports³. Within the Mediterranean Sea, Italian ports surely represent the most interesting and dynamic harbor system, most of all in the container sector, considering:

- the high number of ports, all obviously in a central location within the Mediterranean Sea;
- the 1994 reform of Italian regulations concerning ports, which transferred the running of port terminals to private companies (previously under complete public control until 1994) thus reintroducing market laws in port service production;
- the strong growth in throughput, largely due to the reform itself, which brought Italian ports to more than 500 million tons and 6,000,000 teus in 1999 (with an increase of 60–65% on 1995);
- growing leadership within the Mediterranean

Sea, since the total container throughput of Italian ports represents almost 40% of total Mediterranean throughput in 1996, with a rapidly growing trend; and since in 1997, for the first time, Italian ports achieved the supremacy among Mediterranean ports for both transshipment (Gioia Tauro) and for final destination (Genoa);

- the reduced gap between, at least, the bigger Italian ports and, at least, the smallest Northern Range ports (Genoa overcame Le Havre in 1997);
- the growing interest of major international companies – both in port terminals management (Eurogate, PSA, ECT, P&O Ports) and in container traffic (P&O Nedlloyd, Evergreen) – for the direct control of major (Genoa-Voltri, Gioia Tauro, Trieste) or new (Taranto) Italian container terminals.

Cargo's breakdown for Italian ports in import and export (1990–1997), shows how total traffic

³ Namely 145 ports at 31/12/1998, for a total of 280,079 m. along the 1,077 existing quays.

grew for more than 13% in eight years. In particular, general cargo (where containerised traffic is included) registered an increase of 62% in import (with an average rate of growth of 6,2% per year), and 26% in export (with an average rate of growth of 2,9% per year). Therefore, the share of the general cargo is increasing, from 13% to 20% for imports, from 32% to 43% for exports.

Comparing the situation for Ukrainian ports, an important positive trend in terms of total traffic can be emphasized (Table 5) from 1996 onwards. The main difference is on the comparatively low share of general cargo and the almost absent containerized traffic (with a decreasing percentage steadily less than 3%).

Table 4. Italian Import and export handled in ports (,000 tonnes) –
Source: Conto Nazionale dei Trasporti

<i>Import</i>								
Cargoes	1990	1991	1992	1993	1994	1995	1996	1997
Liquid bulk	177,424	186,586	175,321	171,989	172,841	168,360	182,251	181,401
Dry-bulk	78,889	87,596	78,222	72,988	71,897	79,209	79,331	76,625
General cargo	39,313	39,562	38,391	36,883	42,702	46,868	54,600	63,719
Total	295,626	313,744	291,934	281,860	287,440	294,437	316,182	321,745
<i>Export</i>								
Cargoes	1990	1991	1992	1993	1994	1995	1996	1997
Liquid bulk	51,525	52,503	49,769	48,247	48,952	44,159	49,184	50,270
Dry-bulk	22,499	27,229	26,556	24,487	23,339	24,124	27,373	28,247
General cargo	35,188	36,900	34,248	38,473	39,393	40,267	50,779	58,983
Total	109,212	116,632	110,573	111,207	111,684	108,550	127,336	137,500
Traffic Total ('000 ton)	404,838	430,376	402,507	393,067	399,124	402,987	443,518	459,245

Table 5. Ukrainian port throughput per macro-categories (,000 tonnes) –
Source: Handbook of Ukrainian Ports (2001)

Cargoes (tons*1000)	1994	1995	1996	1997	1998	1999
Liquid bulk	13682	13359	13464,9	15795,8	17513,8	25821,4
Dry-bulk	18368,4	20004,5	18555,1	21144,4	25236,6	27797,9
General cargo	20992,4	19157,5	18985	20536,1	23067,1	27230,9
(of which) Containers	1073,7	1242,7	1348,3	1356,8	1272,7	1261,8
Total	53042,8	52521	51005	57476,3	65817,5	80850,2

As a proof of the «containerization» process of general cargo for Italy, it is interesting to notice that the share of containerized traffic on total figures is steadily increasing (Figure 4). In 1997 containers represented around 14% of the global throughput (and around 50% of the general cargo). Despite the lack of recent official statistics from the Minister of Transport, their weight is growing.

Main Italian ports in terms of total traffic for 1998 are represented in Table 6.

Among all ports considered, only Gioia Tauro is merely specialised in the container sector, while all the other ones also include passengers and bulk terminals.

Nevertheless, despite the focus on main ports, some significant events concerning other ports have to be considered as well, namely for the future: like, for example, the opening of the new hub container terminals of Cagliari (with the majority share of P&O Ports) and the just opening container terminal in Taranto (by Evergreen).

Apart from Gioia Tauro (whose hinterland potential is estimated at only 40,000 teus per year), all other ports have a mainly regional basin of users, which for major ports (such as Genoa and Trieste) extends to the areas with a high density of production even over national borders.

Figure 4. Overall throughput and container share for Italian ports (1995–1999) –
Source: Conto Nazionale dei Trasporti, specialized reviews

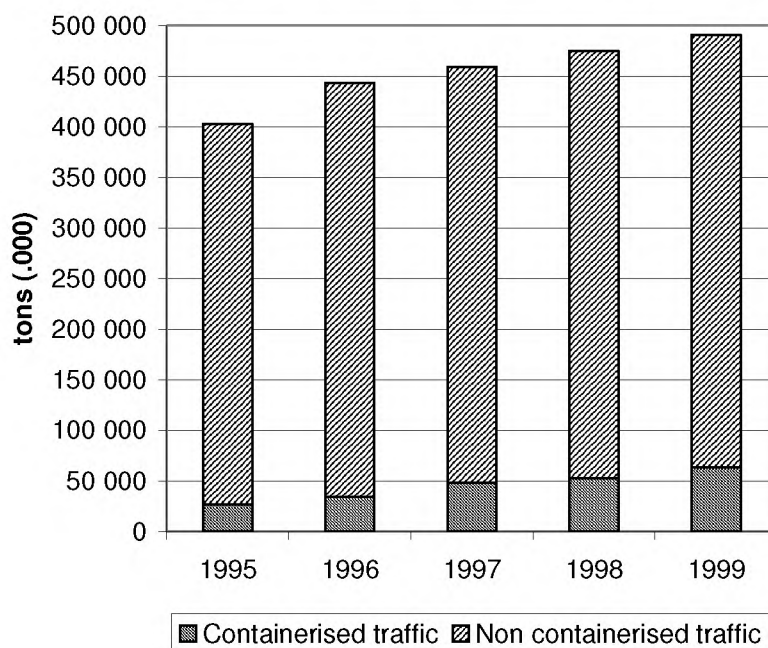


Table 6. Throughput in the main Italian harbours (year 1998, in tonnes) –
Source: National Transport Account

PORTS	LIQUID BULK ¹ X 1000	DRY BULK x1000	GENERAL CARGO x1000	TOTAL Tonnes x1000	VAR 1997 – '98 (%)	TEU's N.	PASS. N.
Trieste	36.942	4.474	5.801	47.217	+ 1.2	174.080	179.079
Genoa	18.012	9.108	18.640	45.761	+ 4.8	1.265.593	2.210.769
Taranto	6.425	30.408	–	36.834	+ 0.3	1.297	–
Venice	13.672	7.455	5.349	26.476	+ 11.9	206.369	759.204
Leghorn	10.010	784	11.445	22.240	+ 5.5	535.490	1.481.061
Ravenna	8.840	7.273	5.821	21.934	+ 11.7	172.524	3.523
Gioia Tauro	–	–	16.200	16.200	+ 30.6	2.125.000	–
Naples	6.334	3.910	13.962	13.926	+ 2.5	319.686	6.934.835
La Spezia	3.465	2.068	8.351	13.884	+ 7.9	731.882	40.000
Savona	7.609	3.266	1.868	12.273	+ 8.8	14.495	459.908
Civitavecchia	5.200	1.487	3.992	10.679	– 6.0	8.831	2.030.529
Ancona	5.067	2.088	2.680	9.834	+ 49.4	75.066	991.416

¹ Including mineral oil

The main causes of the outlined growth can be briefly summarized in three relevant aspects, often in mutual relation:

1) The growing demand for consumption goods (generally containerized) within the globalization of the world economy;

2) The recovered role of the Mediterranean within main maritime routes and the

development of port container specialization and transshipment techniques;

3) The effects of the Port Reform Act (law # 84/1994).

1. The first aspect can be partly considered a factor depending on the level of wealth of the single areas. The European Mediterranean range, in fact, has a natural hinterland in the richest EU countries, in terms of GDP, with a

high level of consumption per capita, which supports growing demand.

Considering the Italian framework of import and export of goods⁴, with 412 millions of tons in 1998 and a bigger proportion for final goods in Export (see Table 7), sea transport covers in overall 68% in terms of weight.

Modal split in Table 8, computed for tons and value, highlights that seaborne traffic is no more just for low unit value goods (while this is still valid, so far, for Ukraine, where bulk cargo and ferrous metals are the main commodities

handled at ports), even if the major part of Italian international trade of final goods (and most of all export) is within the EU, and this affects the leading role of the road modality in terms of value.

With reference to the container sector, Table 9 shows that this market is clearly fed by the demand generated in most developed regions of the world, mainly located on the East-West route (while North-South routes are less important). The trend is therefore clearly increasing (while is not relevant and decreasing for eastern Europe).

Table 7. Italian Import and Export per macro-categories of goods – Source: Federtrasporto, 2000

Type of Goods	1990	1995	1996	1997	1998
<i>Export</i>					
Final Goods	59.1%	59%	60%	59.4%	59.4%
Intermediate goods, natural resources etc.	40.9%	41%	40%	40.6%	40.6%
<i>Import</i>					
Final Goods	43.7%	44.6%	46.1%	46.7%	49%
Intermediate goods, natural resources etc.	56.3%	55.4%	53.9%	53.3%	51%

Table 8. Modal split in terms of tons and value – Source: Federtrasporto, 2000

	Sea	Road	Rail	Pipelines	Air
<i>Tons</i>					
EXPORT	55.1%	32.2%	11.3%	1%	0.4%
IMPORT	72.2%	9.5%	9.3%	8.9%	0.1%
<i>Value</i>					
EXPORT	35%	43%	13%	0.3%	8.7%
IMPORT	45%	31%	15%	2%	7%

Table 9. Container traffic for macro-geographical areas (Source: Drewry Shipping Consultants, 2000)

Geographical Areas	1980		1990		1995		1998	
	Mil. TEU	%	Mil. TEU	%	Mil. TEU	%	Mil. TEU	%
North America	9.5	24.6	16.7	19.0	22.2	15.4	26.3	14.2
West Europe	11.7	30.3	22.4	25.6	31.6	21.9	43.5	23.5
– N. Europe	8.6	22.2	15.9	18.2	21.4	14.9	27.1	14.6
– S. Europe	3.1	8.0	6.5	7.4	10.2	7.0	16.4	8.9
Far East	7.7	19.8	23.0	26.2	41.3	28.6	49.7	26.9
South East Asia	1.9	4.8	9.6	11.0	20.8	14.4	27.2	14.7
Middle East	1.9	5.0	3.5	4.1	6.7	4.6	8.6	4.7
Latin America	2.4	6.1	5.0	5.7	9.6	6.6	13.8	7.5
Oceania	1.6	4.2	2.3	2.7	3.4	2.4	4.1	2.2
South Asia	0.2	0.6	1.8	2.0	3.2	2.2	4.6	2.5
Africa	1.5	3.8	2.7	3.0	4.7	3.3	6.0	3.3
East Europe	0.4	1.0	0.6	0.7	0.7	0.5	0.9	0.5
Total	38.8	100	87.6	10	144.1	100	184.9	100

⁴ Based on 1998 data, main products are agricultural and industrial machinery and equipment (18%), textile and clothes (11%), electric equipment (10%) for export, chemical products (14%), vehicles and engines (11%), electric equipment (11%) for import.

2. Furthermore, data confirm the key role of Southern European Range in the market dynamic, since the Far East-Europe leg is gaining ground (table 10) as «pendulum» routes through Suez (the other leg being USEC – United States-European Countries) versus previous Round the World routes through the Panama channel and the Pacific.

The natural «centre of gravity» of the pendulum between Far East and the East Coast of the United States is therefore the Mediterranean Sea. This can be seen as a potential advantage for the Black Sea Ukrainian ports as long as internal demand and/or export

competitiveness can support container throughput for ports not so peripheral from main maritime routes.

A key role in the overall Mediterranean development in terms of containerized traffic is played by transshipment traffic. Considering the Mediterranean market as the sum of southern European traffic, the northern African one and part of the Middle East throughput, it can be seen how transshipment traffic (pure transshipment plus feeder traffic) has literally boomed (Table 11).

Table 10. Container traffic trends along main maritime pendulum routes – Source: Drewry, 2000

	1984	1991	1995	2005	%Var
Europe – Far East	19%	30%	34%	35%	84%
Europe – North America	40%	32%	24%	20%	-50%
Far East – North America	41%	38%	42%	45%	10%

Table 11. Container traffic development by type – Source: Drewry, 2000

Year	Oceanic traffic	Regional traffic	Feeder traffic	Transshipment	Total
1980	2,501	467	186	414	3,569
1985	3,425	656	353	784	5,218
1990	4,233	850	659	1,552	7,294
1991	4,426	908	801	1,885	8,021
1992	4,520	946	925	2,178	8,570
1993	5,128	1,075	1,055	2,482	9,740
1994	5,440	1,164	1,256	2,955	10,815
1995	6,416	1,356	1,387	3,467	12,625
1996	7,119	1,520	1,627	4,069	14,336
1997	8,056	1,733	1,915	5,107	16,811
1998	8,629	1,895	2,278	6,509	19,311
Av. % growth rate	7.1%	9.1%	14.9%	16.5%	9.8%

The increasing role for transshipment traffic benefit not only hub terminals (such as Gioia Tauro, Malta and Algeciras), but all the potential terminal I feeders, including main destination ports like Genoa. Almost similar considerations can be made for Ukrainian ports, which could benefit from transshipment of East Mediterranean ports, connected through feeder lines.

Table 12 shows the leading role for Italian port system within the Mediterranean context (East and West).

In the above table, a generalised increase of the containers handled can be seen for almost

all the Mediterranean ports, while some Italian ports (i.e. Genoa) doubled the number of containers handled; and Gioia Tauro which started its activity in 1995 became the leading Mediterranean port for transshipment.

It has to be stressed the strategic or, at least, favourably sited location of Italian ports with regard to the range of routes Europe-Far East, East-North America, Europe-Africa (southern operators, for instance, put a great emphasis on the factor «proximity to the ideal route» for perfectly interfacing the routes crossing the Mediterranean Sea).

Table 12. Containers handled in the main Mediterranean ports (TEUs) – Various Sources

	PORT	1996 x1000	1997 x1000	1998 x1000	1999 x1000	Av. growth per year	2000 x1000
West Med	Algeciras	1,307	1,537	1,826	1,833	8.8%	2,009
	Barcelona	767	950	1,095	1,250	13.0%	Nd
	Valencia	710	790	1,006	1,138	12.9%	1,277
	Marseilles	548	620	660	695	6.1%	725
	<i>Total</i>	3.332	3.897	4.587	4.931	10.3%	
East Med	Piraeus	575	684	900	984	14.4%	Nd
	Malta	595	662	1,071	1,044	15.1%	1,033
	Haifa	548	669	834	725	7.2%	Nd
	Hashod	393	400	364	441	2.9%	Nd
	Alexandria	332	389	496	538	12.8%	Nd
	Damietta	809	604	310	434	-14.4%	Nd
	Port Said	362	460	483	507	8.8%	Nd
	Limassol	399	237	213	238	-12.1%	Nd
<i>Total</i>	4,013	4,105	4,671	4,911	5.2%		
Italy	Gioia Tauro	572	1,449	2,125	2,203	40.1%	2,653
	Genoa	826	1,180	1,266	1,234	10.6%	1,500
	La Spezia	871	616	732	843	-0.8%	910
	Leghorn	417	501	535	458	2.4%	501
	Naples	246	299	320	334	7.9%	397
	Salerno	190	185	240	267	8.9%	276
	Ravenna	191	188	173	173	-2.4%	181
	Venezia	169	212	206	193	3.4%	209
	Trieste	174	202	174	189	2.1%	206
<i>Total</i>	3,656	4,832	5,771	5,894	12.7%	6,833	
Italian ports market share		33%	38%	38%	38%	-	-

Depending on their main markets, shipping companies can choose a single port for the transshipment and cargo services. Therefore, the transshipment technique is not only applied in the «100% transshipment» ports. Thus, a very dense network of routes, enhanced by the agreement among the companies, has been created. This is the reason why seaports characterised by a small demand have been also connected, via transshipment, to the big international routes.

The development of the transshipment has not reduced direct services⁵.

3. The institutional structure of Italian Ports was radically modified by the port reform act carried out in 1994 through Law of 28th January No. 84.

Quite often described as the law that reintroduces market laws in port service production, its basic principles introduced in 1994 can be summarized as follows:

- the main ports (22 at the moment) are administered by Port Authorities, public

bodies which enjoy a high degree of autonomy. These bodies basically take the form of Landlord Port Authorities, and are responsible for planning the development of the port and for supervising the proper running of the port operations. The presence of a Port Authority is very important, as it enables co-ordinated and systematic action to be implemented for the promotion of the port and for the planning and development of infrastructure, through the port Masterplan.

- Traffic handling is strictly limited to private enterprises. Their positions differ according to whether they are simply «authorized» to operate within the port area (sharing land and facilities with other authorized firms), or whether they hold the concession of a specific port area (with an exclusive right on the land and facilities within the leasing period) in order to carry out loading/unloading operations. In the latter case, the outlined firms take the form of «Terminal Operators», which are responsible for organizing and implementing

⁵ The term direct service means the handling load by the same ship from the port of origin to the port of destination. The term service via transshipment means the service in which the load leaves the port of origin by a ship called «feeder» and is then transferred by a «mother-ship» to the port of destination.

- a complete and integrated operating cycle.
- The port areas are publicly owned and therefore inalienable. According to the new law, the procedure for granting a port area must be public through open tender. They may be licensed to port operators on payment of a rent and on certain conditions established by the Port Authority. Both the outlined forms are therefore regulated by contracts: concessions set a yearly land rent usually for 20–25 years and different mutual commitment between the lessor and the lessee, while authorization ones are shorter and of a less amount). The lack of a general framework for the concession of port areas to private operators cause each port to implement *ad hoc* land use policies.
 - Port authorities are strictly forbidden to carry out cargo handling activities, whether directly or through shareholdings in companies which perform such activities. Port Authorities are nevertheless allowed to hold shares in enterprises whose corporate purpose may be connected with the general mission of the Port Authorities, such as the development of intermodal links, logistics and transport networks.
 - The organization of port labour remains a controversial question. The old port companies – which held exclusive rights to all port operations – no longer enjoy a monopoly, and terminal undertakings are free to use their own personnel. It is, however, still being debated, whether such undertakings should be allowed to call upon companies other than the former port companies to provide labour at times of peak of demand.

A part from some weaknesses of the law (mainly concerning labour issues, the problem of financial autonomy of Port Authorities and the need for investment financing), the reform positively affects Italian ports' recovery in the last few years.

The main outcome of the reform has been transferring the running of port terminals (previously under complete public control) to private companies. As far as the «deregulation» process is concerned, i.e. the separation of tasks between public (planning and control) and private (production of port services), the most important innovation after the introduction of the law has been carried in Genoa, La Spezia, Salerno, Gioia Tauro, Ravenna; while it is still not complete in Leghorn, Naples, Venice and Trieste.

Due to the lack of expertise of local terminal operators and logistic providers, and to the minor role of the national maritime industry, the race for granting the control of major Italian terminals

is involving the biggest international player in the maritime and terminal industry, especially for container terminals (Marchese, Musso, Ferrari, 1998). Not only Port Authority of Singapore, Eurogate (De), Ect (NL, now withdrawn from Trieste), P&O Ports (Au), but also liner companies such as Evergreen and Maersk (actually looking for a dedicated terminal in Genoa) are successfully experiencing horizontal and vertical integration in the logistic sector in Italy (Figure 5).

Horizontal concentration is likely to go on, not only because of the lack of experience of Italian terminal operators (not only in container traffic) causing high economic risks, but also for the huge investments needed to modernize infrastructures, equipment and organization, which imply the consequent entry of new partners in the company, and the opportunity to exploit the development of transshipment through the control over both hub and feeder ports. In parallel, the interest of port operators for vertical concentrations is due to the opportunity to increase their total market share and to increase their profits through economies of scale and density, through the takeover of (part of) the logistic chain.

Although the present situation might be seen as a sort of «colonization» of Italian harbours with a passive role of the local industry, there must be underlined the positive effects of foreign investors on the national economy. Capital markets are not investing in Italian terminals just to exploit position rents leading at the end to a marginal role for national ports' industry. On the contrary, those investments make up for the lack of internal market and contribute to the development of ports traffic and induced effects on port related industries. Attracting big players' interest to major Ukrainian ports on the basis of market rules could be as well the medium term strategy to develop container traffic and modernize key terminals, instead of investing public money in each previously important port without priorities, even in partnerships with local import/export companies currently running Ukrainian terminals.

Within such scenario some major trends emerging in the container terminal facilities market set the ground for further traffic development. Moreover, technological and management innovations in transport, and namely in inland transport, have induced increasing overlaps between potential market areas of ports obviously sharpening competition between ports, which has effects on (i) reduction and levelling of terminal tariffs, (ii) increase in service quality (in terms of throughput rates and reliability), (iii) increase in supplied capacity.

Figure 5. Foreign major shares in Italian container terminals (source: direct survey).



4. Marseille (France) and Odessa (Ukraine): similarities in geographical space and local dynamics

Particularities of maritime regions – the «sea factor» – have a large impact on the specific development of coastal regions, for Italy, France and Ukraine. A large amount of the production, the added value, transport, infrastructures and also social life is inevitably linked with the sea. Ukraine belongs to these countries and can take advantage of its location on both the Black Sea area and the Azov Sea area. For tourism, Crimea, especially on its south side (the «Côte d'Azur» of Ukraine), is potentially attractive and has a leading advantage for both the Ukrainian population and the eastern European people. More dedicated to business and economic activities but also a center for tourism and culture, Odessa has both advantages and is, with remarkable and amazing matter, similar to Marseille, the largest harbor of French Mediterranean coast.

Ukraine has many points in common with France, mainly in the structure of the geographical space of these two States. Starting from these common backgrounds, the aim of the paper is to analyze the relevancy of a transfer of

experience and knowledge from France, especially from the city-harbor of Marseille (the French most important harbor on the Mediterranean Sea), to Odessa (Ukraine) and its hinterland. We will mainly investigate the issue of transport networks and high speed networks.

In a very global perspective, geographical space presents interesting similarities between the French and the Ukrainian side. On the one hand, the area is about equivalent for the two countries – 603 700 km² in Ukraine, 550 000 km² approximately in France; on the other hand, the number of inhabitants is appreciably the same (58 million in France, 50 million in Ukraine), even if the demographic dynamics is opposite – loss of inhabitants in Ukraine and strong growth of the birthrate currently in France. But, in a deeper analysis, interesting elements appear to be very close: the South of Ukraine like the South of France is bordered by a coast opening, respectively on the Black Sea and on the Mediterranean Sea. On these coasts, large cities organize a vast economic area on the littoral and in the hinterland: Marseille for France and

Odessa for Ukraine. These two cities, which are partner-cities (twinned), have both more than one million inhabitants, which strengthens the relevancy of our analysis, and will be a key point of the developments.

Even if historically Odessa is quite young – it celebrated its 200 years in 1994 and was born from the motivation and inspiration of the French Armand-Emmanuel du Plessis, Duke of Richelieu – compared to the 26 century old Marseille, which was a Greek counter (Massilia).⁶ These areas have close characteristics and a particular dynamism which distinguish them from the rest of the country, in Ukraine as in France: strong local feelings of independence and autonomy, embodied, in Marseille, in the typical accent of the South which is used as «a ticket of entry» and «a sign of recognition», and as well as in a deep passion for the local football team, remaining of a specific culture based on a mixture of various nationalities and immigrants, a strong opening towards the outside, harbor activities in freight and passenger transport⁷, spirit of initiative and innovations. Moreover, these areas are rather

off-centered from the capital (Kiev or Paris) or from the traditionally economically dynamic areas – the Nord-Pas-de-Calais Area, the Ile de France and Paris, Lyon, the West and South-West for France; Kyiv, Kharkiv, Dnipropetrovsk, Lviv and Donbass for Ukraine: Odessa and Marseille are respectively 600 km and 800 km away from their respective capitals, which involves particular ways of mobility : first a strong attractivity, for both Odessa and Marseille, for leisure reasons and during holidays which implies a strong seasonal demand for mobility on highways in the South of France – highly congested at that time – and for railway transport managed by the SNCF (high booking rates, special trains implementation, congestion), second a high residential migration of retired people, finally a professional mobility related to the presence of infrastructures for congresses and seminars, as it can be seen in Marseille and Odessa.

It can now be interesting to briefly investigate the strategy of Marseille in terms of transport to see whether its experience can be proposed for Odessa and Ukraine.

The key role of transport in Marseille: accessibility, transport networks, interconnection and high speed train

Economic theory has highlighted the key-role of infrastructures in regional and local development (Biehl, 1986). Starting from the assumption that polarization effect occurs with economic growth (Perroux), it appears that the latter has mainly an impact on off-centre cities – taken as examples Odessa and Marseille prove it – rather than on capitals or industrial centers. Without public policies, such off-centres would experience a desindustrialization process and a decline of transport infrastructures and more largely of the whole public infrastructures – education, health, infrastructures for reception (congress), – are essential: firstly, in the short term with their «income effect» – time saving, increased mobility, benefit from productivity increase, better allocation of resources and competencies; and in a medium term with «a capacity impact» induced mobility, new needs, economics of agglomeration, positive externalities. More recently, regional studies highlighted the particular role of infrastructures

related to human capital (endogenous theory of growth from Solow), such as training centers, research development activities which are very dynamic in Marseille today.

In a more empirical way, the first lesson that can be drawn from the experience of Marseille is **the real importance of the transport sector and of the good supply in transport infrastructures: the Marseille economy is opened towards Europe, towards the Mediterranean area and towards other French regions.** Marseille has an international harbor for ferry, cruise and maritime transport, an international airport (Marseille Marignane) – France's second airport in size with special connections with the Mediterranean area. The impact of transport activities on the Marseille's economy was very often confirmed when strikes occurred in the harbor, on ferry towards Corsica for example, or at the national railway company – the local economy suffered particularly from them. Moreover, during the periods of strong

⁶ Many counters and towns of Greek origin can be found today in the Crimea. Many links thus existed between the area of Marseille and the Coast of the Black Sea during the Hellenic expansion.

⁷ In the absence of elements on Marseille at this time, here some elements concerning maritime transport in France: 50 % in volume of world trade of France uses the maritime way; 90% for the international trade of France with the non-European countries. For the UE, 90% of its exchanges with the rest of the world is carried out thanks to maritime transport. The transport sector accounts for 5% of the European GDP and 9% of the uses of IUE.

economic growth – like these past few years, when France recorded 3% growth in 2000 – the impact on the local economy was rather high. The impacts of economic growth on transport are well known: between 1980 and 1996, during a period of economic stagnation, the annual growth rate of freight transport (+2,4%) and passenger transport (+3,1%) in western Europe was higher than that of GDP (+2,1%); these results should be amplified for cities like Marseilles or Odessa. It is thus essential for these agglomerations, harbor of the littoral to take benefit from a favorable macro-economic context but also to guarantee a good accessibility to the rest of the country through quality oriented and sufficient infrastructures. Moreover, the transport sector generates jobs, a key element for the development of littoral agglomerations and politically far from being negligible.

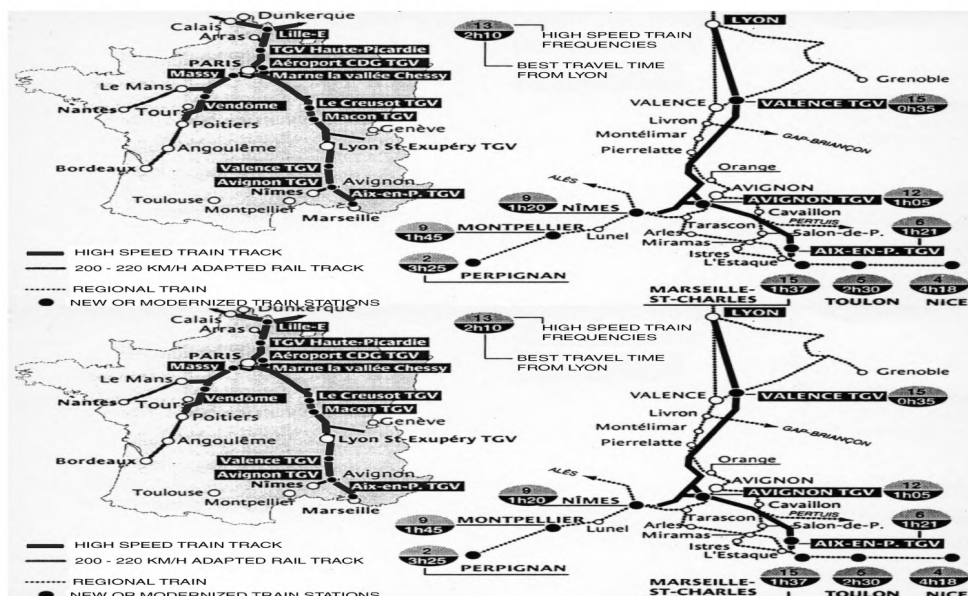
Marseilles experiences a good **accessibility** in France, it is being connected by a direct motorway to Paris (two lanes) and to Lyon (three lanes; one is now «dedicated» to trucks). The motorway is approximately 800km long) and called «the sun motorway». It ensures a large part of the seasonal traffic linked to school holidays, and more specifically a great part of the European goods traffic from Northern Europe (Belgium, Germany, UK) to Italy and Spain.

As shown, motorway accessibility is essential and public authorities considered it as the key element for the development of Marseille and the hinterland: to the east, Marseilles is connected to Nice and Italy (Genoa) and to the west, to South-Western Europe and Spain

(Barcelona). But direct motorway links like the one to Paris, are not enough: in a broader outlook, it appears that network interconnections are also essential for these «city-crossroads-platform» of the Marseille and Odessa type. Marseilles is located in the center of a crossroad between Italy – Spain and Northern Europe. Nevertheless, it is difficult to assess the impact of this location on the local economic activity: motorways are indeed a key factor contributing to the interconnection of the Marseille economy within the rest of Europe. This point is observed on a national level with the role of road in the modal-split of transport in France, and particularly on the North-South axis: 88 % of passenger traffic and 75% of freight traffic occurred by the road. Will the putting into service of the new high-speed train (the Mediterranean TGV) between Marseille, Lyon and Paris be able to inverse the trend? Will the launch of this new high speed line imply a transfer of passenger traffic from highly congested motorway to railway transport, which can be positive in a environmental perspective.

The strategic feature of accessibility for an agglomeration like Marseille is expressed today by the opening of a new **High Speed Line (TGV)**, which gives to Marseille and its hinterland a new position in the transport policy of France and Europe. Indeed, since June 11th 2001, Paris has been 5 hours 30 away from Marseille (800 km) thanks to the launch of the last track of the high speed train between Lyon and Marseilles. Lyon is 1 hour 37 away from Marseille (350km; see the following map).

Figure 6. High Speed Train network and accessibility of Marseille (Source : Le Monde, 2001)



It is the accessibility of the French Mediterranean coast which is deeply reconsidered with this new infrastructure. The aim of this policy is to develop the high speed train network (as part of the Transeuropean High Speed Train Network (TEN), in order to implement a modal transfer from motorway to railway (for passengers only) but also to increase the accessibility of Marseille and its region. It is clear that the TGV in Marseille changes «the sense of the country» (Crozet, 2001) by allowing, between Paris and Marseille, daily round trip tickets for professional travelers, within the capital. Thus, at short distances, the TGV can be able to collect 90% of the demand for passenger transport and to reduce the share of air and individual transport. Specialists indeed consider that the area of relevancy of the high speed railway lies between 2 and 3 hours, that is to say in a radius of accessibility between 500 and 800 km, which is approximately the case for Marseille. But what remains fundamental is the logic of interconnection of high speed trains with airports, regional trains and motorways,... as part of a transport system which has to be optimized. This can efficiently be found in Paris with an interconnection between Roissy-Charles de Gaulle Airport and the line of TGV Marseille – Lyon – Lille – Brussels – London as part of the Trans-European Network. Thanks to the arrival of this new infrastructure, Marseille is now connected to the Transeuropean Network of High Speed Train. A huge impact is expected on Marseille and its hinterland economy, especially due to the demand for passenger transport. Will one day Odessa be also connected to this Transeuropean Network? It is still too early to assess the impact of putting into service of this new infrastructure and the scope of the network externalities that it involves. For the moment, the first figures of attendance are high with a rate of 80%, even if the service experiences some disappointments due to technical failures and tuning, but the profitability of this project should be achieved.

The impact of this new transport infrastructure on Marseille and its region should be significant on the price of real estate⁸, on the localization of firms, on the mobility of professional and executives (congresses) and tourists (cruise, tourism), and on the market of second homes and summer quarters. A high increase in prices – and today even already largely anticipated – is then expected in the South Mediterranean Region, mainly due to the

launch of the new High Speed Train. Will Odessa be able one day to take advantage of such dynamics if, one day, such infrastructure was to be built in Ukraine?⁹ As it was expressed in the first part, the situation of Odessa is very comparable with that of Marseille. Is it only a question of time?

A good network interconnection – road and rail – with the most dynamic regions and the capital is not enough to support the development of coastal areas, as shows the example of Marseille and its area:

1) it is also essential to guarantee strong incentives for firms to setup factories, plants and subsidiaries. Based on this strategy, **free taxation zone** is implemented successfully in Marseille. In four years, 235 hectares have attracted 882 new companies, which have brought 5300 new jobs. At the end of 2000, the free taxation zone included 1 556 firms, which meant 7 500 jobs. The free taxation zone has a real impact on unemployment because 20% of new jobs must be offered to local people. Decided in 1996 and implemented in 1997 for 44 disadvantage areas, free taxation zones in France account for 49 000 jobs, 23 000 more than in 1997. $\frac{3}{4}$ of the firms are new companies. The fiscal «cost» of this policy is 2,4 billion FF for 2001.

2) it is also essential to achieve a **strong hierarchization of networks**, road and especially railway by developing a bottom up architecture with several levels around the high speed network, the regional network and urban transport. This transport policy is based on a regional railway regional network which is considered as a «feeder» by allowing a precise and local railway service around Marseille. Following Germany in its successful experience of reforming regional railway transport, France has implemented a regionalization of railway regional passengers transport which promises to give a new chance to the regional railway transport in local areas by transferring competence from financing and organization of the transport supply from the SNCF to local and regional authorities (Region Provence Alpes Côte d'Azur for Marseille), which are thus «organizing authorities».

3) The essential issue for Odessa and Marseille is to increase their **accessibility** and thus their **attractiveness**, while trying to **connect effectively the hinterland with the city-harbor**: competencies for regional and local transport

⁸ first assessment of the prices of real estate highlighted a rise in the prices for old residences of 20 % these two last years (Source : Le Monde).

⁹ If we keep in mind the tradition of statistics of the Former Soviet Union to compare economic development with reference Year 1913, then the average speed of the today train between Kiev and Odessa is at the same level than the average speed between Paris and Marseille in 1913.

should then be given to local authorities but, at the same time, the role of the central level of government for managing interconnections and national high speed train network should be taken into account: connections must be optimized. The decentralized management of these regional networks brings users, for transport operation as for the network, closer to the service supply. The local authorities' control will be strengthened by the perception that local users will have the efficiency of the service and possible disfunctions. The «modal mobility» of residents, that is to say their ability to leave one transport mode for another, will act as a mechanism of revealing users' preferences, in the same way as the vote does. Working as the «vote by feet» (Tiebout, 1956), this «modal mobility» – or «modal voting» – will allow first to assess the efficiency of local strategies and policies but will also act as an incentive towards a better efficiency of local public choices. The financing will be covered by users and local authorities; schemes of regional equalization payments can also be implemented to reduce local fiscal disparities. Technological choices selected for these regional networks should take into account regional differences and should integrate local constraints of financing and regional development.

The perception of a homogeneous transport network is changing into a hierarchically overlapped and segmented network relying on strong interconnections, looking downwards to urban networks and then upwards to regional networks, high speed network and Trans-European Network. These interconnections depend upon a central authority, or a regulator, because they guarantee the spatial continuity of different networks. These interconnections can then internalize external network effects. These external effects can either be positive, if the regional network attracts users, or negative if it loses users to the detriment of other networks. An internalization of these externalities is then likely to be achieved by a central authority (Oates, 1972; Gilbert, 1996). Nevertheless, inter-modal competition limits the scope of construction of such a network.

In this framework, the launch of the new high speed train in Marseilles will involve changes in the supply of regional railway transport: 70 new Regional Express Trains will be put into service (TER), modernization of regional tracks. Nevertheless, the priority currently given to the TGV upon regional railway transport led to dissatisfaction of users of regional transport, whose trains are now often late. The Regional Transport Authority criticizes the failure to respect specifications (delay due to track allocation and congestion, cancellation of regional trains due to lack of controllers and

drivers, changes due to entering of the TGV in the train station of Marseille, and lack of efficiency of the French SNCF. Large progress must still be made in France to connect TGV stations with the regional railway network. Nevertheless, the strategic framework remains the same: improving the accessibility of Marseille within the large European cities and especially Paris and Lyon, developing intermodal interconnections (with the harbor for cruises, during stopovers of steamers, with airports).

Nevertheless, the implementation of a great infrastructure of TGV type in Marseille will also have negative effects which must be taken into account. This increased accessibility of coastal regions with the most dynamic areas will enhance competition between these cities, as between the French towns Marseille and Lyon which are now very close. New synergies and an increased specialization can then appear from this new framework. Marseille obviously will be strengthened on the segment of leisure and holidays, of weekend and bank holidays travel, which follow the current policy of the French government of reducing the working time. Moreover, on the flourishing segment of professional and organized travel, Marseille will have a leading position: cruise, stopovers of cruises, congresses, seminars, travel related on tour-operators. On this strategic positioning, Marseille is very similar to Odessa. The market of the car rental should also experience high increase in activity with multimodal service – train-car-hotel which is likely to combine train ticket with a car rental and lodging.

In terms of regional planning, the launch of such type of infrastructure has an unequal impact on the region, on the hinterland and on the secondary cities around, which remains difficult to assess. Two movements can be observed: On the one side, Marseille can benefit from this infrastructure by attracting many activities and new industrial localizations in its area. This point is essential and deals with the main strategy of the local authorities of Marseille and its region – in the severe competition between the main European regions to attract investments and firms, which means employment and fiscal revenues. The cities of the south of France like Marseilles, and maybe Odessa, enjoy a particular comparative advantage: the weather which, according to serious studies, is far from being negligible in the rationality of the decision makers provided that public infrastructures are comparable! Thus, large international companies, mainly in sectors with high added value, are established in the Marseille area (AOL for example). Areas of the south of France (Nice/Sophia/Antipolis) have a very strong attractiveness for research development activities, partly because «climatic

conditions are very favorable for thinking «...It is clear that the coming of the TGV in Marseille will strengthen this trend of delocalization of human capital towards the south of France. Could Odessa in the long term benefit from such evolution? But, on the other side, such infrastructure can have an impact like an «in and out pumping» towards large cities with the example of the satellite towns around Paris area whose good interconnection with the capital have transformed them into «sleeping towns» and not into innovating and dynamic cities. In that case, infrastructures are against local and regional development: in general, these two forces are opposite – *backwards and spread effects* from Myrdal. Cultural differences between Marseille and Paris, associated with a climatic framework and geographical advantages, will make it possible to limit the movements of centralization towards more decentralization for coastal and peripheral cities.

To conclude, it appears essential for coastal and off-center cities, in a prospective way, to propose a meshing of rail networks and road

(highway) in good condition – good quality of service – which will allow better accessibility and attractiveness of littoral areas. The TGV is the great success of railroad in France: it represents 60% of the passenger traffic and experiences many technical developments: the SNCF is currently testing a high speed and pendulous technology which could in the future be interesting for Ukraine, for example by connecting Kiev and Odessa without requiring a new and expensive infrastructure.

Lastly, optimized rail networks can play a role for setting up of freight corridors, which will be able to connect Odessa and the rest of Europe directly with the European Union through Poland and Hungary. Discussions are on the agenda to connect London to Sopron, the border between Austria and Hungary. Technology does not miss these evolutions in terms of freight transport: the SNCF is analyzing the opportunity of starting freight-nights-TGV for the postal parcel express transport service. We may think, that, in the long run, Odessa will be able to be integrated in these evolutions.

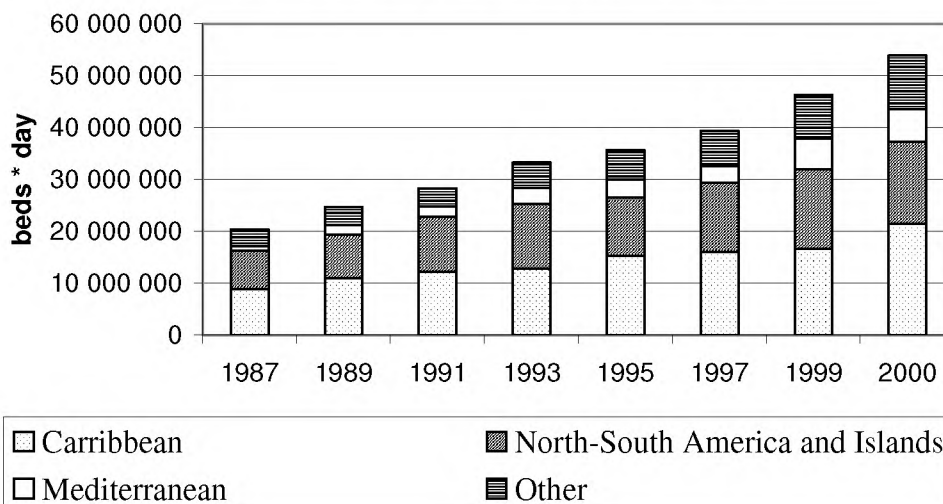
5. The Industry of cruise

Some empirical evidence

Cruise industry is becoming worldwide and rapidly increasing. Strong consumer demand together with a dramatic supply increase (both in terms of ships and port facilities) lead the sector

from 1996 to 1998 to a growth from 6.85 million passenger to 8.51, pointing out that the cruise vacation is one of fastest-growing sectors of the international travel and leisure industry.

Figure 8. Main cruise destinations 1987–2000 (source Marconsult, 2001)



A deeper analysis on the number of *beds*day* offered by cruise operators shows that three main destination areas (Caribbean, Mediterranean and American) cover around 85% of the whole market.

The Mediterranean region ranks at the first place as average growth for cruise traffic. The role for Mediterranean has therefore become a leading one, by increasing year by year its market share, reaching, through an average growth rate per year around 13%, the 15% of the

whole market as it can be seen in Figure 9 (with reference to the number of passengers).

These data have to be considered in the light of an evident seasonal effect, for which the 90% of the traffic is concentrated in eight months (from April to November) (Figure 10). However, the present situation can be seen as a result of extensive policies for extending the cruise season, and it should be mentioned that in the eighties this region was active during summer only, and ships were relocated to other areas – mainly in the Carribean – for more than six months.

Figure 9. Mediterranean % share in the worldwide cruise market (1986–2000) – Source: CLIA (Cruise Line International Association)

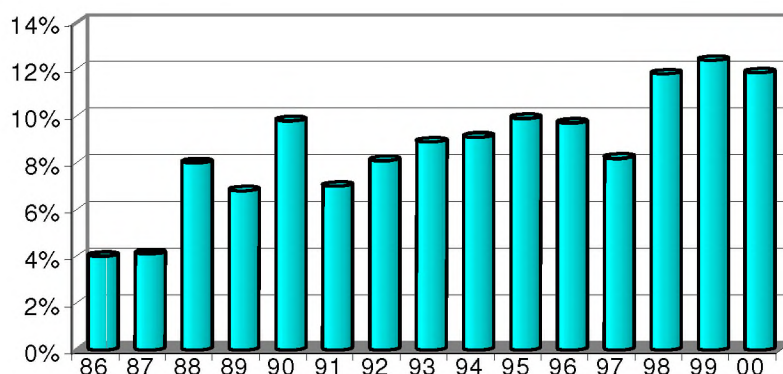
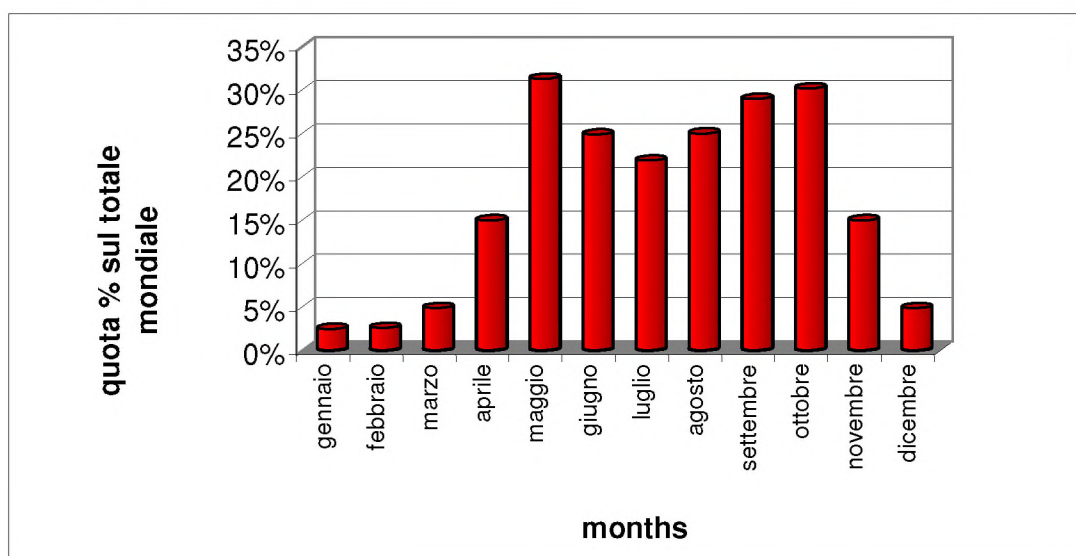


Figure 10. Mediterranean % share in the worldwide cruise market (monthly data for 1999) – Source: CLIA



Within the Mediterranean scenario there are plenty of different situations. Small, medium and large cruise ports can be found from Spain to the Black Sea and to the North of Africa.

A general overview is given in Table 13, where each port's traffic data are the sum of home and transit figures (where present).

Table 13. «Home» + «Transit» cruise traffic for Mediterranean Med Cruise ports (No. of passengers 1992–1999). Source: MedCruise

	1992	1994	1996	1997	1998	1999
ALEXANDRIA	34.000	51.000	53.000	55.000	43.000	43.000
ALICANTE	11.000	10.000	18.000	11.784	13.965	18.649
ANCONA	-	-	5.730	-	-	3.213
ASHOD	-	68.921	81.392	93.007	107.157	88.809
BALEARES (1)	152.851	185.678	369.444	574.699	499.755	722.821
BARCELONA	132.807	173.838	277.324	359.283	466.268	546.023
BARI	8.559	15.745	23.181	99.304	120.527	243
CAGLIARI	-	-	8.857	9.413	12.787	23.695
CANNES	47.427	31.936	51.067	54.873	56.466	60.798
CARTAGENA	1.467	2.839	1.722	2.401	3.934	20.375
CEUTA	400	550	621	646	4.076	4.832
CIVITAVECCHIA	55.258	95.887	156.241	239.122	255.953	296.213
CONSTANZA	3.101	10.950	4.989	5.238	1.647	4.725
CYPRUS PORTS (3)	761.040	750.769	596.753	614.181	608.376	693.645
DUBROVNIK	-	-	-	-	94.500	14.750
EMPEDOCLE	950	1.150	1.161	573	1.846	487
GENOVA	183.588	293.982	399.227	353.566	364.647	569.124
GIBRALTAR	67.537	68.957	96.684	70.081	90.180	122.202
HAIFA	301.849	362.147	246.014	255.100	233.728	254.852
LIVORNO	-	-	114.244	178.771	195.743	251.394
MALAGA	78.077	89.586	98.679	97.648	105.965	167.327
MALTA	52.330	62.820	72.332	130.041	147.484	192.785
MARSEILLE	8.548	21.656	62.472	65.955	152.708	148.511
MESSINA (*)	22.985	25.128	35.484	72.269	72.269	72.269
MONACO	-	21.629	26.490	21.550	51.609	60.331
NAPOLI	-	-	194.875	236.766	334.685	502.645
NICE-VILLEFRANCHE	84.547	91.768	122.632	181.545	218.198	193.780
PALAMOS	2.015	645	231	-	-	791
PALERMO	32.184	50.865	98.532	90.183	83.171	135.427
PIOMBINO	-	-	-	-	-	-
PIREUS	365.880	402.363	422.567	419.946	432.456	432.456
PULA (*)	-	13.591	40.735	40.735	25.870	282
SAID(*)	727.000	645.000	545.000	542.000	433.000	433.000
SALERNO	-	1.842	1.135	13.010	8.312	14.538
SAVONA	-	-	13.682	98.127	102.755	89.332
Sète	-	-	9.343	3.639	6.000	1.642
AHRAM EL SHEIKH (*)	35.000	14.000	37.000	20.000	32.000	32.000
SOUTH CORSICA (2)	21.971	38.079	6.818	87.498	102.896	127.837
SUEZ (*)	-	-	12.000	6.000	12.000	12.000
TARRAGONA	384	685	3.339	654	577	582
TOULON SAINT-TROPEZ	41.362	45.651	32.115	42.330	39.026	58.771
TRIESTE	14.276	12.144	10.248	13.714	12.706	8.029
TUNIS	30.759	66.927	66.500	130.304	100.811	156.247
VALENCIA	4.824	7.251	1.891	2.433	655	1.548
VENEZIA	165.767	214.426	262.762	299.450	335.483	97.398
VOLOS	8.962	20.922	39.264	65.921	13.805	25.761
YALTA (*)	72.640	45.000	36.709	24.773	29.600	29.600

(*) In case of data unavailable, figures refer to the previous year

(1) Ports of Palma, Alcudia, Mahon, Ibiza, Cala Sabina.

(2) Ports of Ajaccio, Bonifacio, Porto Vecchio, Propriano.

(3) Ports of Limassol and Larnaca.

A preliminary consideration highlights that in the period 1992–1999 the Mediterranean cruise traffic almost doubled (from 3.5 to 6.7 millions), with an average yearly growth of 9.7%. The achievement of these records mostly depends on the increasing role of transit ports where the

brilliant trend of transit traffic grows at an average yearly rate by 17%.

Figure 11 clearly shows the growing importance of transit traffic, which since 1997 has become bigger than home traffic.

The positive trend for Italian ports is quite evident (Table 14).

Figure 11. Mediterranean cruise traffic (No. of passengers) in MedCruise ports (1992–1999).
Source: MedCruise

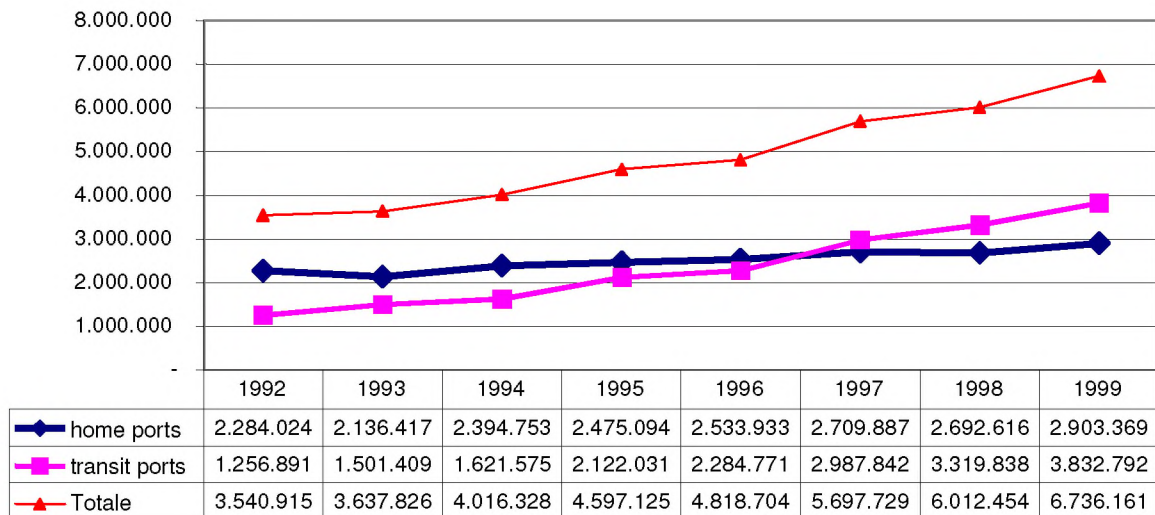


Table 14. Cruise traffic for main Italian ports (No. of passengers 1992–1999).
Source: MedCruise

Port	Av. growth rate per year	Period
Genoa	21%	1992–1999
Naples	27%	1996–1999
Venice ¹⁰	15%	1996–1998
Civitavecchia	32%	1992–1999
Leghorn	22%	1996–1999
Palermo	27%	1992–1999
Savona	60%	1996–1999

Behind the data: what's going on in the demand for cruising. The potential for the Black Sea market

The cruise industry is always based on the simple premise of taking customers to interesting destination in a controlled, exciting, entertaining and relaxing environment. However, in order to understand the strong growth of consumer demand for cruises it is important to look into some demand and supply current features.

First of all, it becomes important to stress

that nowadays the cruise product can be seen as a substitute product in competition with other tour packages, and not as an exclusive high-income option for rich, middle aged and elderly people, as it was in the past. High consumer demand (including young people – married or single – and middle income families with children) coupled with strong national economies in western key markets, is expected to continue

¹⁰ Venice data for 1999 are strongly biased as they reflect the influence of the Balcan war.

propelling the industry up in both short and long runs.

Cruise prices are decreasing due to the standardization of the product itself and to the economies of scale achieved by more intensive operating of bigger vessels caused by increase in demand.

The increasing trend for cruise traffic, globalization and «massification» process for the cruise product¹¹ is characterised by different factors and plays relevant roles:

- the shortening of the average time spent in cruise (nowadays around 6.6 days, according to study by CLIA) also due to the recent introduction of short and mini-cruise options;
- the reduction of ship's fixed costs as part of total costs;
- the deregulation process in the airline industry, which gives rise to lower tariffs and boosts «fly&cruise» formulas; therefore, widening the feasible route and destinations from every country;
- the increasing number of «repeaters», people who experience cruising more than once in their life (usually changing route, often with the same company).

On the supply side, the fundamental trend responsible for the industry's dramatic rise over the past two decades is strongly affected by the lines consolidation process (expanding market share through the acquisition of smaller lines and the purchase of vessel capacity) and the long-standing profitability (causing the industry commitment to the construction of new vessels).

In the light of the outlined industry features, what actual challenges and opportunities within such a scenario can we mention? And how can they affect port development and local economic impact?

The number and variety of destinations available

The primary factor creating a greater demand for destinations is the growth in the number of ships and passengers. Thus it is purely a need to fill more ships with repeat passengers which are becoming a growing fraction of the cruise market. At the same time the market share of the main five cruise ports of the Mediterranean is decreasing, from 66% in 1992 to 45% in 1999.

Focusing on the Mediterranean region, MedCruise, the association that represents 66 Mediterranean ports and those located near or

beyond its geographical boundaries, has been doing an extensive promotion of this concept (including the Red Sea, the Black Sea and ports beyond Gibraltar), trying to extend to regions adjacent to the Mediterranean. In that direction, the MedCruise yearbook and website give the same coverage on each of its member ports, regardless of the size, history or status of the port itself.

This highlights the potential for the Black Sea ports as long as «new» destinations are discovered and developed, even considering some emerging patterns:

- at the beginning, newer destinations need to be packaged with some of the more well-known «market» destinations, which help attract the consumer (e.g. Istanbul, Turkey and the Black Sea);
- actions aimed to develop port infrastructure have to be carefully planned in order to properly meet the needs of passengers and be strongly coordinated with tourist strategies to create desirability for the area.

The quality of the destination

Quality is a subjective term, which needs to be brought into focus as it relates to cruise industry (cruise lines usually measure it by passengers' reactions, received through direct survey at the end of the cruise and evaluated monitoring of traffic data per destination). The attractions of region and nature represent the original potential for a destination, but they don't play the only role for the success of the port. They are, in fact, as important as technical and organizational aspects of facilities and leisure activities. The «infrastructure» that generates quality is quite complicated and necessarily controlled by more than one entity. Interdependence among tour operators, port authorities, government agencies (e.g. customs), restaurants, shops, citizens is essential in measurement of quality, since a bad link in this chain can lead to deprived perception of the destination itself.

Therefore, as an example, it is important for emerging markets such as Ukrainian and Russian Black Sea ports to work on harmonization of the national customs, immigration rules, and port tariffs, interacting with regional and local authorities.

In this respect, the Fleming Guide, an authoritative estimation of the overall quality of cruise ports, evaluates destinations' appeal for a transit passenger under different parameters such as safety, port-city connections, local community awareness of interface cruise flows,

¹¹ Of course "niche" markets for *de luxe* cruises exist and refer to affluent clients (and they are quite profitable for incumbents), but they are representing less and less market share.

excursions and beaches interest, shopping, cultural and leisure opportunities, and so on.

The five-stars classification ranks many Mediterranean and Black Sea ports as it can be

seen in Table 15 where Yalta and Odessa rank together with other important Mediterranean ports.

**Table 15. Mediterranean port classification according to the Fielding Guide (1997).
Source: Fielding's Worldwide Cruises 1997, in Marconsult, 2001**

5 stars	Portofino, Venice, Monte Carlo, Istanbul
4 stars	Nice, St. Tropez, Villefranche, Elba Island, Portovenere, Sardinia ports, Lisboa, Myconos, Rodi, Bodrum, Dikili, Kusadasi
3 stars	Corse ports, Capri, Civitavecchia, Leghorn, Sorrento, Taormina, La Valletta, Casablanca, Barcelona, Cadiz, Ibiza, Malaga, Maiorca, Limassol, Alexandria, Corfu, Creta, Delos, Athens, Santorini, Alanya, Antalya, Yalta
2 stars	Gibraltar, Genoa, Varna, Suez, Haifa, Odessa
1 star	Naples, Palermo, Tunisi, Ashdod, Costanza

Variety of cruise types

One of the best *appeals* for the Mediterranean destinations is that the Caribbean mono-culture cruise does not apply to Southern European, Northern African and Black Sea contexts, where passengers interface with different countries, cultures, ages, habits. Promotion of specific «theme» cruise will help convince newcomers to enter the market and repeaters to find alternative solutions within the same area. Apart from the basic sun and beach cruise, themes such as art, history, archaeology, music, cuisine, folklore, shopping, culture, religion – several of them mixed within the same itinerary – will constitute powerful promotion tools, also for the Black Sea.

For example, in the last «Seatrade» edition in Genoa, an idea to create a natural historical theme park in Crimea has been addressed (Pryadko, 2000) that could in a unique way present to travelers the main historic events of the Crimea peninsula and acquaint them with the ethnic history and people of Crimea.

Extension of the cruise season

The outlined diversification of cruise supply and the exploitation of new destinations will develop a more uniform demand during the year. As an example it is well known that the most famous historical cities can be better visited avoiding the crowds of the summer season. Some cruise lines have demonstrated that reduced rates for winter cruises can be a success in the Mediterranean, provided that a careful choice of themes/destination is made. Exploiting the concept of winter cruises in the extended Mediterranean area may reduce repositioning ships in the Caribbean during the

winter, which normally takes away ships for the Mediterranean usually for four/six months.

Overcrowding at destinations

Overcrowding is the result of success. Effects at the beginning can be positive in terms of «club effects», where the utility for customers depends on the success of the destination, but can turn definitively into negative in the sense of congestion, which can lead to an unpleasant perception of the destination and a worsening reputation.

These issues present the problem of defining and implementing the «carrying capacity» of ports and cities close to full capacity with related debates on the positive and negative impacts of the cruise industry on the local community.

As relatively «new» destination the Black Sea ports are not yet experiencing peaks.

Terminal planning and investments

The planning of cruise infrastructure and terminals has evolved thus taking into consideration:

- the marine needs of the (larger) vessels, which need bigger harbors and piers;
- the transportation needs of passengers concerning the management of connections, parking, customs and luggage procedures, shopping centers;
- the passengers' needs to reduce dependence on the motor vehicle to reach the «center» of the destination;

Capital investments in order to develop cruise ports are, therefore, crucial to meet the needs of the induced growth. No port tariff in a competitive environment is sufficient to justify

capital development, so that, in time of reducing public expenditure for budget problems, new formulas have been found:

- reduction of capital costs by well planned facilities, keeping budget as a matter of paramount importance, rationalizing the use of space, introducing information technology;
- increasing revenues through partnerships with private sector by means of traffic and income generating projects, by taking advantage of the privileged position on the waterfront;
- entering into long-term agreements with the cruise lines to support a definable and bankable income stream;
- enhancing direct investments by cruise lines in ports to realize their logistic needs, develop their own facilities and securing their long-term commitment in the port.

Conclusion

What recommendations could be offered to increase the potential efficiency of maritime regions, especially for Ukraine? Three actors have direct interests in the sea factor: the state, employers and consumers, and the population of the maritime regions. The state – local as well as national public authorities – sets rules and has direct interests – fiscal revenues, employment, social stability – in developing maritime region. Employers and consumers have also their personal interest in the development of local and regional activity. And the local population will try to maximise its revenues raised from maritime regions and sea activity. Though this group of actors and strategies seems to be simple, they are often contradictory. The creation of «free taxation zone» following the involvement of maritime regions such as Odessa and Marioupol is not taken into account and understood on the national level. And we saw the success of such free taxation zones raises on ecological and economic issues, implemented recently in Marseille. In any case, Crimea, despite good attractiveness for summer holidays, is visited not enough by non-CIS tourists.

Different stand in of the relationship between the three actors is linked with their activity. Optimization of the actors' game will define the path to development of the maritime regions.

The game can be modeled as follows:

$R = F(C)$, where R is the result based on the condition C and :

Within the Black Sea region, the government of Ukraine has enacted special investor-friendly legislation and encouraged initiatives last year to support travel industry in Crimea. It provides tax and customs duty benefits for investors who import pertinent equipment for the cruise facilities. As a first result, some important hotels in Yalta have been privatised and sold to private investors; at the same time the reconstruction project for the cruise terminal could involve western consulting companies from Germany and USA. Moreover, the involvement of Odessa in the TRASECA (Transport Corridor Europe-Caucasus-Central Asia) international project funded also by BCE affects positively the reconstruction of the cruise terminal.

$C_i = F_i(E_i, EC_i, P_i)$ expresses the relations between the three actors

$$C = \sum C_i = \sum F_i(E_i, EC_i, P_i), \text{ where}$$

E is the state; EC are employers and consumers and P the population of maritime regions.

The optimisation of the relationships between all actors will be described by :

$$R^{opt} = \max \sum F_i(k^E E_i, k^{EC} EC_i, k^P P_i),$$

and $k^E + k^{EC} + k^P = 1$, where k^E , k^{EC} , k^P will represent the factors of the relative shares in the sum of the global choice for the maritime region. These relative factors depend in reality on the initial action of the state. But this factor k^E could be split into two parts: local interest and national interest. Politics on the national level of government could deeply influence the share of these factors both in positive and negative way. Planned economy gives huge priority to factor k^E . Market economy strengthens the relative share of k^{EC} . Social and ecological considerations strengthen the increase in k^P . In a perfect world, interests of the actors line up. In reality, however, many contradictions take place between actors, especially between central, local or regional level of government. Many contradictions also occur on the tools likely to be implemented to achieve goals which could also be different. The optimal configuration of the relationships between the three actors could, therefore, influence the development of maritime regions. It is then crucial for Ukraine to find the

right path of development, to determine and implement the righteous choice likely to be

accepted by all actors.

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