
U.S. TRADE AND DEVELOPMENT AGENCY



EXECUTIVE SUMMARY

Feasibility Study for the Modernization and Expansion of the Gdynia Intermodal Facility

March 1, 2000

U.S. Firm: Louis Berger International
Main Contact Name: Dr. Anatoly Hochstein
Current Phone: 202-331-7775
Fax: 202-293-0787
Email: npwi@seas.gwu.edu

Project Sponsor: Port Gdynia Holding, S.A.
Main Contact Name: Janusz Jarosinski
Current Phone: 48-58-627-40-36
Fax: 48-58-620-31-91

TDA Activity Number: 1997-726A
NTIS Number: Volume 1- PB2001100819
Volume 2- PB2001100820

Sector: Transportation
Region: Europe
Country: Poland

Executive Summary

1. Background

This report evaluates a feasibility of modernization and expansion of the Baltic Container Terminal (BCT) at the Port of Gdynia. The study was completed in a very important period for the port and the terminal. In accordance with the Polish Port Law 1996, the terminal is scheduled for privatization. The report was, therefore, structured to facilitate the privatization process.

The completed assessment provides an evaluation of various aspects of the BCT activities that are typically addressed by ports and prospective concessionaires or operators during privatization. The BCT internal profile identifying its strengths and weaknesses, and the evaluation of terminal's external environment assessing competitive opportunities and threats were completed. Within this framework, factors such as the current competitive situation; possible changes in regional market and shipping patterns and their impact on BCT cargo possibilities; terminal operations, capacity and development options; BCT financial situation were evaluated. The report also contains demand and financial forecast, and a variety of recommendations on measures in the areas of marketing, finance, and operations that should be taken to insure terminal's competitiveness before and after privatization.

The findings presented in the report support the preparation and conduction of the privatization process. In the course of privatization, however, additional development options and solutions may be presented. The port will, therefore, require further technical assistance to insure the accuracy and feasibility of the proposed developed options, and structuring financial and institutional elements of the privatization process. The utilization of such assistance is a common practice in the port industry.

The report was completed in the situation when the BCT competitive environment is changing. For many years, the BCT has enjoyed a dominant position in the Polish maritime container shipments accounting for about 95 percent of all waterborne container trade, and the majority of the total country's container shipments. In the recent years, however, this situation has changed because of the increasing role of land transportation (rail and truck) in moving containers from/to North Continent ports to Polish destinations, and initiation of container shipments through competitive ports in Poland.

A number of factors that may impact the BCT cargo base in the future were identified including; possible changes in Poland's export-import cargo flows as a result of accession to the EC, construction of new competitive container terminals, changes in regional transportation cost structure, etc. A number of possible actions that may influence or mitigate the impact of the above factors on the BCT competitiveness were identified. They include measures that may be taken by the BCT, Port of Gdynia, and Poland's government. The following paragraphs provide a summary of major findings and recommendations developed in the report.

2. Historical Trends in Container Shipments

- **Trends in Poland's Trade.** After 1990, Poland's exports and imports were growing faster than the GDP. In the last five years, 1993-1998, Poland's GDP increased by 6 percent annually, exports 17 percent and imports 22 percent. Poland has a very substantial international trade deficit.

Container Trade Rates of Growth. Containers shipments to/from Poland are highly correlated with its GDP, and exports and imports growth. In the period 1993-1998, container shipments increased by 13 percent a year. Three factors contributed to the growth of Poland's containerized trade: a) an overall increase of exports and imports, b) an increased share of manufactured and consumer products in total trade, c) increased containerization of Poland's foreign trade.

- **Full and Empty Container Ratio.** The share of empty containers in Poland's maritime exports has increased significantly and amounted in 1998 to about 38 percent, compared to 24 percent in 1993. The share of empty containers in imports decreased to 13 percent in 1998, compared to 33 percent in 1993. These trends reflect Poland's growing container trade deficit with Asia and America, in particular in consumer products such as electronics and textiles.
- **1999 Slow Down.** The rates of growth of Poland's container trade decreased in 1999 as a result of the Russian and Asian crises, and the overall slow down of the Polish economy resulting from government policies to control inflation and budget deficit.

3. Projections for Maritime Container Shipments

- **Projections Development.** Despite the 1999 slow down in containerized trade, a continued growth is projected for Poland's containerized cargo in the period 2000-2015. The assumptions for projections are based on a) government economic strategies, b) historical trends and correlation between Poland's container

shipments and the GDP, and exports and imports, and c) typical relationships among container shipments growth and the GDP, and foreign trade for countries in transition to a free-market economy. The initial projections assume the *status quo* situation with no changes in: a) modal split of Poland's container trade, and costs of transportation; b) geographical distribution of Poland's exports and imports; c) ratio between empty and full containers. It was also assumed that no new container port facilities will be created in Poland.

- **Projected Growth Rates.** Several growth strategies were prepared by the Polish government for the next 10 years. They assume the following rates of growth: active strategy: 7 percent; passive strategy 5 percent; and *warning* strategy 3 percent. It is projected that the rates of growth for containerized trade will exceed the rates of growth for exports and imports. This difference is expected to decrease in the future when penetration of containers receives its limits.
- **Projected BCT Cargo Volumes (Initial Projections).** Two growth scenarios were considered for the initial cargo projections. The basic scenario reflects the government's active strategy, and the **slow-growth** scenario reflects the government's warning strategy. At the basic scenario, the BCT maritime container shipments will amount to 360 thousand TEU in 2005, 530 thousand TEU in 2010, and 730 thousand in 2015. Compared to 1998 it is a 80, 170, and 270 percent increase, respectively. At the low scenario, the shipments will amount to almost 300 thousand TEU in 2005, 375 thousand TEU in 2010, and 460 thousand TEU in 2015. In comparison with 1998, they will increase by 45, 85, and 125 percent, respectively. A possible impact of changes in transportation costs structure, modal split, and creation of additional maritime container terminals in Poland on cargo availability for the BCT in the 2000-2015 period are evaluated further.

4. Structure of Containerized Cargo Flows

- **Containerized Trade.** In 1998, Poland's total container export-import shipments amounted to 400 thousand TEU. The shipments of full containers were almost 320 thousand and empty 80 thousand. Maritime transportation accounted for 50 percent of Poland's containerized exports and imports. Europe accounted for 39 percent of the Polish containerized exports, Asia 26 percent, America 28 percent, Africa 5 percent, and Australia/Oceania 1 percent. Asia accounted for 51 percent of Poland's containerized imports, Europe 24 percent, America 20 percent, and Australia and Oceania 1 percent.

There is a significant imbalance between containerized export and import cargo flows, which results in a large number of empty containers temporarily stored or repositioned from Poland. The situation in this respect is not expected to change significantly in the next 15 years. The shipping lines create, therefore, empty containers depots in Poland. The majority of such depots are located in the vicinity of the BCT which constitutes its competitive advantage.

Maritime Competitive Containerized Cargo - Definition. Competitive containerized cargo includes the shipments that due to origin and destination points are or may be shipped by maritime transportation.

- **Competitive Cargo Volumes.** Maritime competitive cargo amounted in 1998 to 330 thousand TEU, in that, export shipments 160 thousand TEU and import shipments 170 thousand TEU. Rail moved 50 thousand TEU, and truck 70 thousand TEU of maritime competitive cargo.
- **Geographical Distribution of Competitive Cargo.** The Warsaw region attracts the largest volumes of Poland's competitive containerized trade: almost 80 thousand TEU in imports and 60 thousand TEU in exports. Five other regions; Westsouthern, Central, Northern, Silesian and Southern attract about 30 to 50 thousand TEU each in export and import shipments. Container shipments to Northwestern and Eastern regions are small and do not exceed 10 thousand TEU per region in exports and imports combined.
- **BCT Regional Market Share.** BCT has about 60 to 70 percent market share in the Warsaw, Central and Westsouthern regions. The terminal's share in shipments to/from the Silesian, Southern and Northwestern regions is much smaller.
- **BCT Market Competitiveness.** Poland's container transportation market is very

competitive. All major industrial and consumption centers are served by three modes of transportation (maritime, rail and truck). In that situation, there is a significant competition between the three modes of transportation, either through price or service, in all regions of Poland. The distribution of competitive container cargo, and its regional structure is consistent with major industrial, manufacturing, logistical, and population centers of the country. It leads to the conclusion that current origin-destination patterns are well-established, and indicates that the overall structure of container cargo flows should remain the same for a long time provided that there are no major changes in a spatial structure of Poland's economy.

5. Baltic Regional Trade and Transportation System

- **Baltic Container Trade.** The Baltic shipping market is very competitive and divided among major feeder companies. No major changes in the Baltic container shipping patterns are expected in the next 10 to 15 years. There are four distinguished markets in the Baltic container trade: Scandinavia, Eastern and Central Europe, Baltic republics, and Russia. Scandinavia accounts for the majority of the Baltic containerized trade. The shipments to Eastern and Central European countries, Baltic republics and Russia amounted in 1998 to about 1.5 million TEU.

Russian Cargo and Its Impact on Baltic Trade. The 1998 Russian crisis resulted in a drastic decrease of container shipments to that country, and negatively impacted cargo volumes moved via many Finnish, and South Baltic ports. In the following years, the Russian container trade is projected to grow significantly. The increase in this trade will result in the increased direct feeder services to Russian, Finnish, and Baltic ports which will reduce the possibilities for attracting Russian cargo to Polish ports.

Competitiveness of the Baltic Ports. Two factors have a significant impact on the competitiveness of the Baltic ports: a) land transportation competition. (*Because of its geographical location Poland is particularly impacted by the competition of trucks and block trains providing direct connection from North Continent ports*), b) competition from other European ports which limits the Baltic ports' ability to attract large volumes of the Central European cargoes.

Competitiveness of Poland's ports in the Baltic Region. The Polish ports are the most competitive for shipments to/from Poland. The possibilities for attracting transit and transshipment cargo to these ports are very limited.

6. Logistical Patterns for Container Shipments to/from Poland

- **Container Shipments to Poland.** Overseas containers are shipped to/from Poland by vessel to/from North Continent ports. From/to North Continent ports containers are shipped to/from Poland by vessel, truck, and rail. Containers moved to/from Poland by vessel are drayaged domestically to/from points of origin/destination by either truck or rail. Vessel shipments account for about 50 percent of Poland's containerized exports and imports. International truck shipments to Poland are provided from all North Continent ports, although the majority of these shipments are made from/to Hamburg and Bremerhaven. International block train services to Poland are available from Rotterdam, Hamburg and Bremerhaven.
- **Vessel Shipments to Poland.** Maritime container shipments to/from Polish ports are provided primarily by common feeders. Maersk is the only line that has a dedicated feeder vessel calling BCT. Currently, the BCT provides a daily service to Hamburg.
- **BCT Competitiveness in Poland.** For many years, the Baltic Container Terminal had a dominant position at the Polish maritime container market. In the recent years, ports in Gdansk and Szczecin initiated steps to increase their container handling capacities. If these plans materialize, the competitive situation in the Polish maritime container market will change.
- **BCT Block Train Connections.** The Baltic Container Terminal has excellent block train hinterland connections provided by Spedcont and Kolsped. This constitutes its significant competitive advantage.
- **BCT Door-to-Door Service.** The Port of Gdynia may offer direct door-to-door service for containers shipped via the North European ports using three companies in which it has shares: Spedcont, BCL, and BCT. The port may also consider providing a door-to-door service in cooperation with Polkombi.
- **Competitive International Block Train Connections.** In the recent years, the availability of direct block train services from/to North Continent ports to Poland has increased. They create a significant competition for the Polish ports. Major block train operators are: Polzug and ECS (European Container Shuttle). Additional block train services are considered by several shipping lines.

- **Time Factor.** The delivery time and timeliness are critical elements in logistical decisions of shippers moving containers to/from Poland. The significance of timeliness will be increasing in the future particularly fast. The delays in customs and border controls negatively impact delivery time and timeliness of the BCT shipments. In addition, new logistical systems will require the establishment of warehousing and logistical centers in the vicinity of the port to insure the timeliness of deliveries.

7. Transportation Costs Evaluation

- **Transportation Cost Competitiveness.** Taking under consideration significant rate reductions offered by all modes of transportation, the entire Polish market is very competitive as far as transportation costs are concerned. Therefore, all the participants of the market, including ports, must maintain very active price policies and be constantly responsive to market requirements. At the current transportation cost structure, the BCT can compete for container shipments to/from almost all Poland's regions with the exception of its Northwestern and (to some extent) Westsouthern regions.
- **Possible Changes in Transportation Costs Structure.** *Feeder* rates from/to Gdynia have decreased significantly in the recent years. No further reductions of these rates are expected. There is some uncertainty regarding future trends in rail rates. The restructuring and privatization of European railroads, in particular the PKP (Polish State Railroads), may significantly change rail costs and pricing practices. In a long-term, the rail rates may either increase or decrease depending on market situation and results of rail restructuring. In either case, the rates adjustment on the average should not exceed ten percent. It is expected that, the current supply demand imbalance in both international and domestic container *trucking* markets will be eliminated, and the countries may impose additional taxes and fees on trucking industry. Consequently, it is expected that truck rates will be increased to insure profitability of trucking companies.
- **Transportation Costs Vs. Possible Modal Cargo Diversion.** The changes in the transportation costs structure may result in the diversion of container shipments

between the modes. At the current Poland's market structure, an increase of rail and truck rates will result in small cargo gains for maritime transportation.

Maritime transportation costs increase may, however, result in diverting more than 30 thousand TEU (about 10 percent of the total maritime shipments) to rail or truck.

8. Other Factors Impacting BCT Market

- **Background.** In addition to transportation costs various other factors impact the competitive environment for container shipments in Poland. Some of these factors may be influenced by the port or BCT. The state government has a significant role in creating and impacting competitive conditions in the Polish market.
- **BCT Cooperation with Shipping Lines.** The majority of shipping lines serving Poland are in the process of establishing themselves in this market. They are increasingly interested in providing carrier's haulage, and expanding customer base in Poland. It is expected that in the future the role of shipping lines in this market as intermodal operators will increase.

The BCT has developed good relationships with shipping lines' offices in Poland. The terminal is recognized as an efficient and well-organized facility. In the changing competitive environment, there is a need for intensifying the BCT cooperation with shipping lines in particular in the areas of market research and customer base creation, as well as development of long-term logistical patterns. There is a need to establish closer cooperation with shipping lines' European offices.

The shipping lines do not expect major changes in maritime container shipping patterns to/from Poland. Their current interest in developing additional dedicated feeder services to Gdynia is limited.
- **Customs and Border Inspections.** Delays due to customs and other border container inspections at BCT constitute its major competitive disadvantage. The average dwell time is 9 days, however, some import containers spend at the terminal more than 20 days. Although serious delays concern only a portion of import containers, they must be eliminated to insure the timeliness of shipments via the port, and prevent cargo diversion to competitive land modes of transportation. The majority of import containers are physically inspected which increases the dwell time and costs of shipments.
- **Logistical Center;** The development of a logistical center and foreign trade zone may have a critical importance for the terminal to insure its competitive position. This is particularly important since the development of a logistical center is proposed for the Port of Gdansk.

Transit Cargo Possibilities. The BCT should focus its marketing efforts on Poland as a major market. There are some Russian and Central European cargo possibilities, however, they are relatively small. The possibilities for attracting Russian transit cargo to Polish ports will decrease due to a larger number of direct feeder services that are expected to be introduced when the Russian trade grows. The possibilities for attracting cargo from the Czech republic are limited to its northern region. There are some cargo possibilities from the Slovak republic. These cargoes may be attracted only if block trains from the Czech and Slovak republics to Polish ports are available. At the current, very limited cargo flows the establishment of block trains on these routes may be difficult. In addition, the Port of Gdynia will have a strong competitor in the Port of Szczecin which due to its geographical location is very attractive for shipments from/to Northern Czech regions. In the future, when appropriate containerized cargo flows are created, the Port of Gdynia may consider creating a rail bridge-Hungary-Slovakia-BCT-Scandinavia.

Competitive Port Facilities. The development of a new container terminal in the Gdansk Bay is considered. This facility may significantly erode cargo base for the BCT. If the Gdansk Northern Port Container Terminal is constructed as scheduled, it will create in the year 2002, a container cargo handling overcapacity in the Gdansk Bay of about 325,000 TEU. The overcapacity is a negative factor for the overall Poland's national transportation system. It may result in a price war and default of some operators. It appears that to avoid this situation, a major investment in Gdansk container facility should be postponed to a later date when traffic growth can justify such expenditures.

- **BCT Tariff.** The current BCT tariff is constructed differently from the tariffs of the majority of leading container terminals in the World. A review of this tariff and implementation of a typical tariff structure which includes two charges: a) vessel to berth, and b) quay to stacking area, may contribute to increasing the competitiveness of the terminal.

9. Fleet Forecast

- **BCT - A Regional Feeder Center.** It is projected that the BCT will continue to be served primarily by common feeders. It is expected, however, that with cargo volumes growth the size of feeder vessels will increase. The size of feeders calling the BCT is expected to increase from the current 300 TEU for common feeders and 1,100 TEU for dedicated feeders to about 500 and 1,500 TEU, respectively, in the year 2015.

If a significant increase in cargo volumes materializes, there are also possibilities for: a) attracting additional common feeder companies to the BCT, b) establishing more dedicated feeder services. It is also possible that some secondary deep-sea services to Gdynia will be added, however, they will account for a relative small portion of the total cargo. If deployed, the secondary deep-sea (direct) service vessels may have the capacity of 3,000 to 4,000 TEU.

10. BCT Capacity

- **Capacity Estimates.** The terminal capacity was assessed based on its operational features and projected changes in the fleet mix. At the BCT, container storage yard capacity is the limiting factor and the determinant of the overall terminal capacity. At the current terminal configuration and vessel mix, with 2,800 TEU slots available, the terminal capacity is calculated as 269,000 TEU. Based on the assessment of terminal operational practices it was established that its capacity may be increased to about 400,000 TEU. That can be achieved for example by changing from the 1 -over-3 RTGs to 1 -over-4 RTGs, or by other improvements in cargo handling at the yard which may be implemented by terminal operator. The BCT existing capacity is sufficient to handle current cargo flows. If the basic initial cargo forecast materializes, additional facility capacity expansion will be needed in the year 2007, and at the low forecast in the year 2012.

11. BCT Development Options

- **Development Options Definition.** Four development options were considered. The **Modified Main** development option involves finishing storage pads (block L&D), demolishing the central warehouse and adjacent cold storage, and converting that area into an additional storage yard; converting the first row currently used for RTs storage in container storage areas; providing CFS and break bulk storage functions outside the main terminal. The **West** development option involves demolishing Ro/Ro ramp, straightening berth face, and extending crane rail for about 170 meters; constructing a new, fixed Ro/Ro ramp at the westernmost end for car carriers. The **East** development option involves purchasing from the Navy of 380 meters of berthage with adjacent backup land of about 80,000 sq. m.; constructing a new berthage and storage yard adjacent to the main terminal. The **South** option includes purchasing from the Gdynia Shipyard about 200 meters of berthage, and 86,000 sq. m. of backup land, and adding it to the Bulgarskie berth; constructing a berthage of 400 meters and a storage yard along with a connection road to the main terminal.

Capacity Increase Vs. Development Options. Replacing the present fleet of RTGs and adding the areas of the current CFS, cold storage, and front row (**Modified Main option**) will increase the number of ground slots to 5,080 TEU, and the respective yard capacity to 732,000 TEU. At the basic and low forecasts, the implementation of the Modified Main option is sufficient to facilitate long-term BCT capacity needs. At the maximum development scenario that includes the implementation of all considered development options the container yard would increase to about 296,000 sq.m., and the number of slots to 8,680 TEU. The respective yard capacity would be 1,250,000 TEU. The total cost of the proposed options will be about \$98 million.

The evaluation revealed that there are possibilities and a large number of options to increase the capacity and productivity of the BCT. The evaluated development scenarios are the most apparent at the current terminal layout and scope of operations. In light of the planned privatization of the terminal, the capacity expansion issues should be treated as long-term objectives which will be addressed by the future terminal operator. The ability of prospective operators to achieve efficient terminal development options should be an important criterium for selecting a successful bidder in the privatization process.

12. Environmental Assessment

- The preliminary environmental assessment indicated that according to the Polish law, the implementation of the proposed development options will not have environmental impact as far as air pollution, sewage and waste output, rain water outflow, soil and underground water pollution, noise emission, and landscape changes are concerned. It also leads to a conclusion that other development options typical for container terminals that may be developed by the future operator at the BCT site and in the adjacent area will satisfy environmental requirements.

13. BCT Financial Evaluation

- **BCT Current Financial Situation.** The current BCT financial situation is good. In 1998, the terminal generated a net profit of about \$3.4 million. The terminal does not have long-term debts, it is very liquid, and has significant amounts in the bank account.

The BCT has high profitability ratios. In 1998, operating margin was almost 19 percent, after tax profit margin was almost 14 percent, return on assets and return on equity ratios are also high. The BCT asset utilization is very high, its turnover

of receivables is almost 11 times a year, inventory turnover is about 52 times a year; fixed assets and total assets turnover ratios are about 2.6 and 1.4 respectively.

Two trends in the BCT financial situation may raise some concerns and should be closely monitored: a) revenues from main activities grow slower than expenses, b) there are losses on container storage and "other operational activities. These trends, however, do not critically impact the overall BCT financial results.

- **BCT Accounting.** The BCT accounting system does not fully reflect financial results of its all business activities. This prevents appropriate tracking of costs and revenues, and makes financial evaluation of the terminal activities difficult.

14. Financial Forecast and Evaluation of Proposed Investment

- **Financial Forecast.** The removal of the Ro-Ro operations to another terminal scheduled for the year 2000, will impact the BCT financial situation. The terminal will, however, continue generating significant positive cash flows even if only the low cargo forecast materializes.
- **Financial Feasibility of Modified Main Plan.** The financial evaluation of the Modified Main development option indicated that it is feasible at both basic and low cargo projections. The evaluation was conducted on the assumption that a loan will be taken to finance this project. The evaluation indicated that the BCT has high capacity to meet the debt requirement, the port revenues are sufficient to meet financial obligations and achieve profitability without charges increase even at low cargo projections. Business and financial risks related to this investment are small. The liquidity risk is very low.
The forecasted net cash flows and net income indicate that the BCT may also consider self-generated financing of this investment.

15. Marketing Activities

- **Current Marketing Activities.** The BCT marketing activities are limited compared to similar terminals in the World. The BCT marketing staff and budget are small. The terminal does not have a strategic marketing plan similarly to other leading terminals in Europe. The division of responsibilities in marketing between the BCT and port are not clearly defined.
- There are significant needs for intensifying current BCT marketing activities. The

BCT should develop a short term marketing plan, implement proactive policies, and increase its market research capabilities.

16. Recommended Measures to Improve BCT Performance.

- **Background.** The results of the completed analysis indicate that, the BCT should develop and implement short and long term measures in a number of areas. *Short term* measures should involve immediate actions directed to maintaining or increasing the competitiveness of the facility, and its attractiveness to prospective investors. In light of the planned privatization, it is recommended that the terminal concentrates the majority of its efforts on short-term measures.

The *long-term* competitive measures will be addressed primarily by the new terminal operator. In the process of privatization, the port should negotiate the terms of lease that would preserve its long term interests, terminal viability and competitiveness. The lease may for example involve cargo volumes guarantees, investment and facility development clauses, etc. The following paragraphs provide a number of recommendations on immediate actions that could be taken either by the port, BCT or Poland's government.

Customs and other border inspections at the BCT. The terminal has limited authority over customs procedures and the activities of the local customs office at the BCT. The port and terminal officials, however, should cooperatively present the difficulties in customs procedures at Polish ports to the State Customs office and other government agencies. They should initiate active measures to support the equalization of customs procedures at Poland's land and sea borders, and insure that the appropriate government agencies consider the impact of Poland's accession to the EC on these procedures. Since these issues critically impact the overall costs and efficiency of the national transportation system, the BCT should also address them with the Ministry of Transportation and Maritime Economy.

The EICT should initiate steps toward coordination of efforts in developing connections between the BCT and the Customs computerized system. This issue is very timely since in the year 2000, the state customs office is planning to start the development and implementation of a new computer system. Several Poland's inland intermodal terminals have decided to provide additional funding to increase the efficiency, and secure customs and border control services according to the logistical needs of the customers. This funding involves overtime pay, inspectors' commuting costs, etc. The feasibility of similar solutions at the BCT should be evaluated. The

analysis indicated that it may significantly improve the availability

of sanitary, veterinary, and other controls, which in turn may lead to attracting

additional cargo shipments. The possibility of cost sharing for these expenses with freight forwarders and shipping lines should be assessed.

- **Accounting System:** In light of the planned privatization of the terminal the complex overhaul of the BCT accounting system is not justified at this time. The new operator is expected to introduce its own system. In a short time, however, the BCT should consider the implementation of changes in its current procedures to provide for best possible accounting of revenues and costs by profit centers.
- **Financial Assessment of Current Activities:** Although the overall BCT financial situation is good some of its current activities result in losses, for example container storage and "other services". The BCT should identify the possible measures to improve the profitability of these activities. A thorough assessment of these activities is difficult because of lack of full accounting by profit centers (as indicated in the previous paragraph).
- **Pricing and Tariffs:** The BCT should consider adjusting its tariff structure to the common practices of other terminals in the World.*
- **Door-to-door Service:** The Port of Gdynia and BCT should explore an opportunity for providing a door-to-door logistical service to shipping lines and shippers. The coordination of activities and pricing of BCL, BCT, and Spedcont could create a logistical corridor between the North Continent ports and destinations in Poland, and create a viable alternative to direct land transportation options.
- **BCT Logistical Center and Foreign Trade Zone:** The BCT and the Port of Gdynia should consider the possibility of establishing of a logistical center in the vicinity of the BCT that would respond to shipping lines' and shippers' requirements, and constitute a significant competitive advantage of the facility.
- **Marketing Activities.** A number of measures to increase the capacities of the BCT marketing department should be immediately implemented. Particularly important is the development of a marketing plan, and increasing the BCT market research capacities. The possibilities for increasing the BCT marketing staff and budget should be considered. A clear definition of roles that the Port and BCT will play in marketing the terminal is necessary.
- **Development of Block-Train Services.** The BCT should promote its block-train services. At this time, it is uncertain when and how the restructuring of the Polish State Railroads (PKP) will be accomplished. It is therefore, premature to address the detailed institutional arrangements between block train operators and the new

PKP. It is, however, obvious that Spedcont should obtain a license to operate block trains. In long term, however, the relations between the terminal and block train operators will depend on the policies of the new operator of the BCT. The port may consider including special provisions in the terminal lease agreement that would insure the continued growth of rail container shipments to/from the BCT.

National Transportation Policy. The Port of Gdynia and BCT should closely cooperate with the Polish government, in particular the Ministry of Transportation and Maritime Economy (MTME) in several areas. The Ministry may have significant impact on transportation price and non-price factors impacting the market. In the situation where the container cargo base is limited, the government policies regarding one mode of transportation impact other modes. For example, decisions on providing significant price reductions by the PKP (Polish State Railroads) for container shipments by block trains from/to North Continent ports may negatively impact cargo flows via the Polish ports. Similarly, a lack of sufficient user fees and costing systems that appropriately reflect external costs of road transportation artificially reduces the costs of this mode, and contributes to diverting container trade from maritime to road transportation. The state laws and government policies regarding customs and other border controls also impact the competitiveness of the Polish ports. The Ministry should review its transportation policies to eliminate factors that distort competition between the modes, identify the measures that will insure the best possible utilization of its transportation infrastructure, and contribute to the reduction of the overall Poland's transportation expenditures.

Privatization Plan. The Port of Gdynia and BCT should develop strategies for privatization. Some of these strategies transpire from this report. For example, the completed market evaluation indicated that there is intense competition for container shipments among shipping lines and terminal operators in the Baltic region. That may lead to a conclusion that to preserve its market position the terminal should not be leased or sold to a shipping line or a terminal operator who manages other terminals that are in direct competition with the BCT. The assistance of an experienced outside consultant in formulating privatization strategies could be very useful. It could provide the Port with an unbiased opinion about opportunities and threats related to privatization. Based on the developed privatization strategies, the Port of Gdynia and BCT should prepare a plan and schedule for privatizing the terminal. The plan should define and prioritize port's goals and objectives in the privatization process including both terminal performance and financial arrangements. The results of market, operations, financial, and environmental assessment presented in this report provide background for the development of various privatization options.