

PLANNING AN OPEN FREIGHT CENTRE IN THE PORT OF THESSALONIKI

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The idea of developing a freight centre which would operate in the vicinity of and in co-operation with the port of Thessaloniki has been maturing since 1996, since the University of Thessaloniki had examined the prefeasibility of such a venture within the framework of the Marketing Plan of the port which it was then carrying out.

Recently, after the Port Authority of Thessaloniki having become an S.A. and entered the stock market, formed a team to study the feasibility, formulate the mastepan and determine the business and development scheme of a Freight Centre to be developed within the port area. The author was one of the Technical Consultants of the study.

The above mentioned study has been completed a few months ago and the project is currently at the stage of the establishment of the Development Scheme. The Freight Centre will be located on reclaimed land at the basis of the port's 6th pier (in the vicinity of the container terminal) in an area of 300.000 m² (50.000 m² of built facilities at full development phase). Its development cost is estimated to be about 35 mio €. ~~The study~~ established as a primary strategic orientation for the Centre the provision of Third Party Logistics (3PL) services, without of course excluding the provision of warehousing and other logistics services to loads currently handled by the port or the handling of derivative flows (e.g. distribution to the Balkans, etc.). It must be noted however that these derivative flows are greatly affected by exogenous, highly unpredictable, factors and therefore, were not taken into consideration in the calculation of the Centre throughput. On this basis, the expected 3PL throughput of the Centre is estimated at about 320.000 pallets p.a. plus a warehousing throughput of about 170.000 pallets from container stuffing/stripping.

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The study of the Freight Centre did not involve any urban planning considerations since the location was already decided by the entity providing the land for the Centre development, i.e. the port. The Thessaloniki Port Authority S.A. needed the Freight Centre because, according to its business plan, it aims at better exploitation of its areas as well as at the upgrading of its services and their integration within the port customers' supply chains. Apart from that however, a couple of very serious reasons justify the suitability of the Centre's location:

- It lays in very close proximity to the city centre and still, at the outer edge of it, with a new road link ensuring direct and quick access to the national road network. This arrangement is very suitable from the urban distribution point of view.
- It is the only point in the wider area where three transport modes meet (vessel, truck, railway) directly, in the current situation, thus ensuring the Centre's operation as an intermodal interchange.

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It must be noted that Thessaloniki, like most big cities in Greece, faces a serious congestion problem with profound obstructing effects at urban distribution. Moreover, a large number of smaller transport operators (Greece is known for the excessive fragmentation of its transport industry) are still located within urban areas with all the operational and environmental implications this may have. For years, it has been the aim of central and local governments to rationalise the fragmented sector and boost its competitiveness from one hand, and free the centre of urban activity from intruding land uses on the other.

In this framework, a major challenge of the study team was to identify for the Freight Centre a business model that would:

- fulfil the port's corporate objectives and at the same time,
- contribute to the creation of a sustainable environment for transport and logistics operations in the area.

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This business model would have the following strategic positioning:

- Emphasis on the provision of 3PL services (to fulfil both the port's goal to enter a new prospering and compatible to its current "product" market and the city's need for a modern transport interchange and for rationalised distribution).
- Open character, i.e. provision of facilities for the settlement of tenants, to leverage the relocation of smaller operators from other areas of the city.
- Special attention to incentives and conditions for the attainment of synergies between the tenants, e.g. a common city logistics scheme

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The initial ownership of the Freight Centre should thus ensure, apart from the necessary land and capital:

- know-how and adequate loads for the Centre's operation as an intermodal interchange and a node for the provision of 3PL services
- influence and control to establish the centre as a predominant and widely accepted such node in the region, and
- the authority to create and sustain the preconditions for the development of synergies

Therefore, the Freight Centre Company (FCC) should be formed by at least three main partners: the Thessaloniki Port Authority S.A., the Greek Railways Organisation (OSE) and a major 3PL service provider or Freight Forwarder. In addition, the involvement of the regional government and representatives of the local business community (e.g. the Chamber of Industry and Commerce, the Federation of Industries of Northern Greece, the Freight Forwarders Association) should be pursued mainly for purposes of influence and authority.

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Taking into consideration all the above, as well as the relatively limited dimensions of the Centre and the special characteristics of the market it addresses, the study team concluded that the most appropriate business model to be adopted should be a relatively condensed and concentrated one in which:

- the FCC will resume a central role, being responsible for the strategic planning and marketing, as well as for the provision of all "infrastructure" services such as cleaning, security, basic information technology, etc.
- the FCC will also be responsible for the pursue of synergies by selecting the appropriate tenants "mix", taking the initiative of their respective organisation and providing the appropriate incentives.

The FCC will consist of 4 profit centres each one of them may comprise more than one business units. Two of them (Logistics Services and Supporting Services) will provide their services both to the external users and to tenants, whereas the other two ("Infrastructure" services and Real Estate Management) will serve only the Freight Centre tenants. Some of the supporting services may be provided by dedicated sub-contractors and therefore are illustrated as a separate entity in the slide. The Railway Terminal is also illustrated as a separate entity since its development and operation will be undertaken solely by OSE (this being the Organisation's contribution to the scheme).

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Special attention will be given to the selection of the Freight Centre tenants in order to ensure the Centre's "open" character on one hand, and on the other, a significant degree of synergies which will lead to the best possible exploitation of the Centre on behalf of the FCC, transport and logistics sector of the region as well as the society.

Since the FCC will provide a significant range of 3PL services, it is possible that some logistics service providers could see it as a competitor and therefore would never relocate there. The same applies due to the participation of a major 3PL provider/freight forwarder in the corporate scheme. Therefore, the demand for relocation in the Freight Centre is expected to come from companies which are differentiated from the FCC either at an activities- or at a magnitude level.

During the tenants' selection the following should be particularly attended:

- businesses which are not related to the transport and logistics sector or at least are not transport/logistics intensive should be excluded
- among the tenants the maximisation of the "operators" should be pursued, as opposed to tenants simply maintaining certain logistics facilities within the Centre, in order to maximise the Centre's perceived value added
- in case there is significant demand from manufacturing/trading companies it must be ensured that those to be selected as tenants are:
 - either major customers of the port, or
 - enterprises of a considerable activities magnitude (e.g. distribution within the whole Northern Greece or in the Balkans) so that the chances are maximised of their hiring other Centre tenants or their contribution to the establishment of the Centre's image, or
 - businesses with significant distribution activities within the urban network, i.e. businesses which could form the core for the development of schemes to rationalise urban distribution.