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SLOVENIA’S PORT OF KOPER: DEVELOPMENT STRATEGIES FOR A MODERN PORT

Rebecca Swaszek

Introduction

Despite Slovenia’s small size, the country takes a generous bite of the Adriatic shipping market through its sole commercial port, Koper. The physical land of Slovenia stretches from mountains to farms to coastline, and the coastal border represents only 29 of the 1,194 total miles of border (Encyclopedia of the Nations). This toehold on the Adriatic Sea enables Slovenia to trade internationally and compete with the other neighboring ports in Italy to the north and west, and with Croatia to the south. Geographically, Slovenia’s location in Europe is a crossroads between the north and south and the east and west. This combination of geographical placement and sea access provides the potential for further investment and growth in the Slovenian shipping industry.

The potential growth of Koper and the subsequent economic gain face challenges both internal and external. Koper encounters the internal issue of cost as the shipping industry competes with other modes of transportation like truck or rail. The forces of the local populace and neighboring nations repugn Koper’s development objectives. If Koper focuses on the strategies of promoting both international recognition and a green image, the port may overcome these challenges and realize its economic potential.

This article begins with an overview of Slovenia’s coastline, including the port city of Koper, then moves to discuss the economic potential and development challenges the commercial port faces. After this broad overview of the state of the Port of Koper, the article proposes two development strategies for Koper: increase international recognition and further a green initiative. The article concludes with a comparison with another possible development strategy, investment in free-port facilities, and explains why the previous

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1Tax-exempt storage areas where goods are considered in transit.
strategies are the best methods of increasing profitability of the port.

**History of Koper and the Coastline**

The Port of Koper, originally an island in the Adriatic Sea that was settled more than 2,000 years ago, is today a major regional player in trans-European trade. Koper, like the rest of Slovenia, passed through the hands of various rulers over the centuries but retained its trade industry throughout (Perpar, p. 6). This industry began in earnest with the Romans and fell when Koper no longer belonged to the Venetian Republic, in 1797. From its settlement until 1912, the local people harvested salt from the shallow water between the island and the coastline. After the price of salt fell in 1912 to such low levels as to discontinue profitability, salt flat owners filled in their marshes to create new land, which has since been developed (Perpar, p. 13).

Between 1945 and 1954, a portion of the Adriatic coastline, including the port cities of Trieste and Koper, remained in a quasi-independent state as the World War II winners sought to divide up the land. These port cities had both native Italians and Slovenes, so there were no clear-cut ethnic boundaries. In 1954 Italy received the portion of the land that included Trieste, the largest commercial city in the quasi-state. Yugoslavia received a portion of coastline with three ports: Izola, Piran, and Koper. The Yugoslavian planners began to make the best of the port cities they were given as the Slovenian area needed a sea access point. Koper, the largest port of the three and having a trade history, was the obvious choice for development (Lipovec, p. 27).

The municipality of Koper, the center city
and surrounding lands, is divided into three economic belts. The center zone, the original historic island city of Koper, is highly developed. The second part, the peri-urban belt, is a semi-developed area that surrounds the center city and composes the bulk of the hinterland. The final belt is composed of rural farmland (Perpar, p. 7). Of the three belts, the peri-urban belt is the focus of economic growth due to the pressure to develop industries and new infrastructure (Perpar, p. 6). This belt is an ideal location for industrial zoning because of its proximity to the port facilities.

In 1996, after Slovenian independence, the Port of Koper transformed into the privatized Luka Koper company, which currently manages the port and its logistic services (Luka Koper). Fifty-one percent of the total shares of Luka Koper belong to the government (limited to two percent of the vote), and the remaining 49 percent of shares are further split between former and current workers as well as their families (Perpar, p. 20). Three governing bodies comprise Luka Koper: the assembly of shareholders, the supervisory board, and the management board. The supervisory board has nine members, six of whom are elected by the shareholders assembly and the remaining three by the Luka Koper employees (Luka Koper).

Figure 1 shows the layout of Koper, including the old island city to the south and port facilities to the north.

**Economic Potential of the Port of Koper**

Transport via shipping faces the logistical issues of moving high volumes of goods long distances. The flow of goods does not start or end at the ship, or even at the port. The goods must first reach the hinterlands via some mode of land transport, then from the hinterlands must reach the port. Once at the port, the goods are loaded onto the ship, and the process begins in reverse at the destination port. To make shipping an economically viable mode of transport, the ease with which goods flow from start to finish needs to increase. Efficiency requires that the connections between nations, ports, shipping channels, and hinterlands strengthen in ways to lower the overall cost (Commission of the European Communities). The Port of Koper possesses both highway and rail connections for hinterland transportation (“Running Regular…”). Still the port faces competition from transport via highway, which can be cheaper due to a wider range of possible destinations and an efficient road infrastructure. Luka Koper, like many ports, faces the logistical challenges of shipping and competition with other modes of transport.

The Slovenian government, along with the Luka Koper company, must encourage investors and shipping customers to keep afloat in a sea of competitors. To do so, it needs to improve the way goods are transported to and from the port facilities to lower costs and encourage business. Because Koper is neither the only port in the Adriatic nor the largest, Koper needs to distinguish itself from the competition. Koper and Slovenia are located at the crossroads of Europe, Asia, and Africa with access to the Mediterranean. Luka Koper, therefore, needs to take advantage of its ideal location with regard to global shipping trends. Further development of the port facilities at Luka Koper will also encourage more investment in industrial park development of the peri-urban belt near the port and increase the customer base. The economic potential of Koper can be realized if the Luka Koper company and the Slovenian government take measures to improve the port’s physical connections to the hinterlands locally at the city level as well as the trading connections abroad.

Figure 2 displays the container throughput of Luka Koper, measured in TEU\(^4\) for the years 2000 to 2012. Note an overall positive trend except in years 2009 and 2012. The global recession of 2008 damaged economies around the world, Slovenia notwithstanding, and is responsible for this downturn in containers.

Figure 3, which shows the net income of Luka Koper, indicates a downturn after 2008 and slow growth toward previous levels of income. The net incomes before 2005, not shown in Figure 3 because they were not calculated in

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\(^2\)The hinterland is the land directly behind the port.

\(^3\)For more on privatization in Slovenia, see this volume’s article by Nicholas Ivers.

\(^4\)The unit TEU stands for twenty-foot equivalent unit, the length of the original shipping container.
Figure 2
Luka Koper’s Container Throughput, 2000–2012

Source: Complied by the author from data from Luka Koper.

Figure 3
Luka Koper’s Net Income, 2005–2012

Source: Compiled by the author from data from Luka Koper.
euros (Slovenia joined the Eurozone in 2007), have a positive upwards trend from 2000 onwards.

Figures 2 and 3 show that the container traffic continues generally upwards and the net income slowly returns after the recession, which continued beyond 2009. Koper managed to grow in trade whilst global economies shrunk, including its own and that of their largest trading partners, such as neighbors Italy and Croatia.

Such trade partners could come from short sea shipping, the transport of goods via ship between close ports and an alternative to overland trucking. The European Commission prioritizes short sea shipping because it alleviates road congestion and the need for ever-larger land transportation networks. Short sea shipping is a less environmentally damaging method because the open seas require no development and sea traffic does not require as much energy as highway traffic (Beškovnik, p. 25). The limiting factors on short sea shipping are the same as those that face ports with ships traveling long distances: connections to the hinterland and high costs compared with trucking or rail.

Another strategy for increasing revenue is instead to reduce the flow of goods through the port and invest in the development of freeport facilities. Freeports are storage options in a port such that the goods are considered in transit and therefore tax exempt, much like offshore accounts. These storage areas attract wealthy clients willing to rent warehouse space with maximum security to house confidential goods. Unfortunately, freeports also attract unwanted legal attention as their patrons may be suspected of tax evasion, money laundering, or the holding of illegal or stolen goods. Security poses another issue if the contents of the warehouses fall prey to thieves or natural disasters. Despite these potential problems, cities, such as Luxembourg, Zurich, and Beijing, plan to build or expand their freeports. If Koper were to invest in freeport facilities, rent from these warehouses could augment the revenue from the physical shipping of goods. This rent could provide a buffer for any future global economic downturns as people may turn instead to physical investments, like artwork or gold, when stocks fall (“Freeports: Uber-warehouses…”).

Development Challenges

The further development of Koper faces challenges at both the local and international levels. Improvement of port facilities not only has the potential to improve the economy of Slovenia but also could degrade the existing city and ecology of the land. On the international stage, Slovenia and Croatia cannot agree on maritime laws that could, in a worst-case scenario, halt all trade through the Port of Koper.

An increase in Koper’s port industry and, therefore, jobs could cause urban sprawl as new residential areas arise around the old center city. This urban sprawl may diminish the culture and history of the old city as well as take up fertile agricultural land. The population growth that would follow development would strain communal systems, such as water, transport, and sanitation. On the ecological side, losses of habitats, fragile ecosystems, and water pollution are concerns (Koper Regional…). All these issues are common to any development, but because Slovenia’s coastal access is limited, they may be seen as a second set of objectives related to economic progress.

The municipality of Koper has come up with three strategies to address some of these development concerns common to all construction, including that in or around Koper. The first strategy, called “Land use efficiency and protection of the best agricultural land,” aims for development and industry planners to avoid constructing on highly fertile land. The second strategy calls for parks and other green recreational spaces to be included in development plans to protect the habitats of native flora and fauna. The third strategy deals with implementing the Rural Development Plan that will invest money in bucolic areas, keeping them profitable and sustainable in a time when the urban centers are growing (Perpar, p. 8). These strategies can help combat some avoidable issues of development, but there is still tension between developing industry and the local area.

One example of such strife over a hinterland area is the Škocjanski Zatok Nature Reserve. In 1993, DOPPS BirdLife Slovenia5 campaigned to save a tract of land intended for an industrial park (Perpar, p. 21). The contested
land, just east of Koper’s center city and the Port of Koper, was a brackish marsh left over from the partially filled salt pans. The local government planned to completely fill this peri-urban marsh as it had in the 1960s to create land around the city center for development. DOPPS successfully saved the land through community awareness efforts, and now that marsh is known as the Škocjanski Zatok Nature Reserve. What would have been a private industrial park is now a park available to the public and famous for its variety of waterfowl (“Nature Parks”).

Another challenge coastal development faces is the still contested international water dispute with Croatia. This disagreement over sea borders does not directly affect coastal development but may dissuade investors from advancing industries on Slovenian soil as well as ward off potential customers of Luka Koper. Sea borders are defined as 12 nautical miles from the coastline or the equidistant line between two nations. Slovenia’s sea territory is cornered by Croatia’s 12 nautical miles to the south and an equidistant line with Italy to the west. Therefore, Slovenia has no direct access to international waters, which lie outside the 12 nautical miles from any coastline (Mackelworth et al., p. 648).

This sea border dispute, which started after Slovenian independence (as Yugoslavian states, no border existed or needed to exist with Croatia), causes strife between the two countries. Croatia and Slovenia depend on each other as trading partners and direct neighbors. In the highly unlikely event that relations between the two countries break to the point of hostility, Koper’s trade routes would be jeopardized. Since Slovenian independence, the two nations have attempted to agree and ratify new sea borders in 2001 and 2006, but a resolution continues to evade them (Kladnik and Pipan, p. 67). Slovenia blocked Croatia from joining the European Union (EU) and NATO for a time but then relented. In 2010, the two countries decided on an EU arbitrator to resolve the international waters debate (Lansford, p. 1291). Once the two nations agree on maritime borders, Slovenia will be in a better place to attract investment to its coastal industries. Whichever way the arbitrators swing, a settlement will clear the way for wary investors and customers who would not otherwise venture into a country with contested borders.

**Development Strategies**

To bolster the success of Koper, the port needs a two-pronged strategy to address both its international and green images. As Koper is the only commercial port in a small country, it must proactively draw and keep shipping customers through international recognition and multi-party coalitions. Slovenia already possesses an ideal transcontinental location and must use this resource to best promote the shipping industry. Slovenia should take a green initiative in its shipping industry to further advance its public image on the local and international stages. Environmentally friendly development and procedures will show Koper as a technologically advanced as well as sustainable port.

**International Recognition**

Slovenia promotes Koper via membership in the Northern Adriatic Ports Association (NAPA), whose purpose is to further international shipping through Adriatic ports. In 2009, Koper joined the Italian ports of Trieste, Venice, and Ravenna to create NAPA with the common goal of increasing market share of shipping for the region. The members have since changed: the Croatian port of Rijeka joined in 2010 and Ravenna disassociated in 2012 (Luka Koper). This coalition among somewhat competing ports benefits all; one benefit is recognition by the European Commission as Europe’s entrance from the Eastern world. Slovenia’s participation in this association is key to international attention and EU funding.

The Information Technology Systems (ITS) Multiport Adriatic Gateway, a Motorways of the Sea program, is a €1.5 million NAPA initiative co-financed by the EU to promote the sharing of information to lower shipping

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5 A nongovernmental organization with a mission to conserve, enhance, and research birds and their habitats.

6 A program headed by the European Commission to relieve the road infrastructure and promote sustainable sea shipping throughout Europe.
transportation costs. This program aims to increase the rate of data exchange about cargoes between ships and harbors to shorten the turnaround time. Started in 2010, this program ended in June 2013 with the end result a prototype information– and communication technology–sharing web portal (NAPA…). According to research undertaken by each participating port, the future traffic and market statistics (Table 1) are possible by 2030. The term “Total Market” in the table refers to the sum of NAPA, Northern Range ports (European ports not on the Mediterranean), and Tyrrhenian ports.

United together, the ports of NAPA lure international trading partners through a series of conferences with Asian countries, their prime target. NAPA cites that its strength arises from being “the shortest, fastest and cheapest link between Middle and Far East and Central and East European markets” (NAPA…). Container ships from Korea with a final destination of a NAPA port instead of Rotterdam, the Netherlands, save almost 4000 km from their total travel distance and 320 kg of CO₂. Since inception in 2009, NAPA has participated in summits with Shanghai, China; Chennai, India; Mumbai, India; and Ho Chi Minh City, Vietnam (NAPA…). As the rotating six-month chair of NAPA and Koper president, Gregor Veselco led NAPA in conferences in Shanghai and Mumbai in 2012 (Luka Koper). As a lone port, Luka Koper may not be able to garner as much attention as the combined NAPA ports do at such meetings.

The close ties between Koper and the other NAPA ports can facilitate short sea shipping among them. Italy and Croatia represented two of Slovenia’s top five import/export nations from 2000 to 2010. During this decade, the percentage of Slovenian exports and imports with Italy fluctuated between 11 to 14 percent and 17 to 19 percent, respectively. Also during this decade, the corresponding percentages with Croatia ranged from 5.9 to 8.8 percent to 3.7 to 5.0 percent, respectively (Simoes). Slovenia’s industries should utilize Luka Koper’s NAPA connections with these nations to expedite the transportation process via short sea shipping.

Membership in NAPA also offers the stability and prominence to attract investors and customers who may be wary of Koper for its international waters dispute with Croatia. Although Koper still faces this as yet unresolved challenge, Slovenia as a whole works with its neighboring countries, including Croatia, in a productive manner through NAPA. This international collaboration shows Koper as a leading port able to negotiate today’s trade. To continue and attract new investment and customers, Koper must remain an active member of NAPA.

International recognition (among NAPA and the wider community) can also be achieved if Koper strategically specializes in a particular aspect of shipping. One potential specialty for Koper is the container market rather than, for example, chemicals or cars. Containers are widely used in shipping because they are easily stored by stacking and transported by cranes. In 2010, Koper handled 25 percent of the total container traffic that came into north Adriatic ports; three years later, Koper handled

Table 1

<table>
<thead>
<tr>
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<th>2010 (Million TEU)</th>
<th>2030 (Million TEU)</th>
<th>2010–2030 Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAPA Ports Traffic Volume</td>
<td>1.3</td>
<td>6.0</td>
<td>361</td>
</tr>
<tr>
<td>Total Market Traffic Volume</td>
<td>31.0</td>
<td>53.5</td>
<td>73</td>
</tr>
<tr>
<td>Market Share NAPA Ports</td>
<td>4.3%</td>
<td>11.3%</td>
<td>163</td>
</tr>
</tbody>
</table>

Source: ITS Adriatic Multiport Gateway.

The Tyrrhenian Sea is the body of water to the west of the Italian peninsula.
33 percent of the traffic. Total container traffic through the north Adriatic increases every year, and the trend is expected to continue. Koper has already captured a growing percentage of this developing traffic and plans to extend its reach by increasing the container capacity of the port. The current container capacity is 720,000 TEU. Additional construction to extend the quayside of Pier I\(^8\) will increase this capacity by 230,000 TEU to a total of 950,000 TEU by 2018. This Pier I expansion project, endorsed by the Luka Koper Supervisory Board in July 2013, extends the pier by 100 meters and includes a new berth, a dredging silt disposal site, handling and storage areas, and additional rail infrastructure to support a rail-mounted gantry crane (Luka Koper). Continued investment in Koper's container capacity and equipment will confirm Koper as the container port of the Adriatic for international customers.

**Green Initiative**

The future development of Koper, as outlined in its five-year spatial plan, has the potential to increase the port's profitability and, if green practices are utilized, to improve the image of Luka Koper. Luka Koper, like many companies, monitors its environmental image for the public eye. Koper's good environmental standing can aid its public relations in the present and its ability to be sustainable in the future. All future development should be fine-tuned to be as green as possible given current and future costs of factors, such as goodwill from the public.

Luka Koper’s community outreach program, Living with the Port, aims to connect local Koper residents and the commercial port. These two bodies, the citizens of Koper and Luka Koper, could be at odds with each other within the constrained and limited space of the city of Koper. It is imperative that Luka Koper work with and not against the surrounding community, and Living with the Port’s website endorses that “[Luka Koper] operates in symbiosis with its community.” Living with the Port promotes Luka Koper to the locals via programs, such as “Port Day,” and easily obtainable information on its website as to the environmental impacts of the port and its sustainability plans (Living with the Port).

As a public relations site, Living with the Port highlights community projects that Luka Koper supports to display its symbiotic relationship with the city of Koper. For example, in 2010 Luka Koper financed a project to enable the blind and visually impaired to visit the Škocjanski Zatok Nature Reserve with Living with the Port funds (Luka Koper). This project included physical pavement markers on the trails and a raised touch map model with Braille labeling (Jurincic et al., p. 156). Luka Koper’s port facilities lie only a few hundred meters west of the fragile ecosystem of the marsh at the Škocjanski Zatok Nature Reserve. This close proximity between port and park increases the necessity for Luka Koper to have a positive relationship with the Škocjanski Zatok Nature Reserve because environmental damages to the reserve could be blamed on the port. Luka Koper must not only prevent harmful effects to the surrounding area but also preemptively support the local environment.

In November 2013, Living with the Port won Slovenia’s Chamber of Commerce and Industry’s 2013 award for best website for “Company Profile and Corporate Communication” due to the ease with which the site provides locals with information about the port. The site offers statistics on dust particle emissions and noise in and around the port as well as what Luka Koper does to reduce its carbon footprint in terms of waste and energy (Living with the Port).

Although Living with the Port provides information about Luka Koper’s impact on the local environment of Koper, the information is relevant to and can also be accessed by the global partners and customers of Luka Koper. Living with the Port advertises Luka Koper’s Eco-Management and Audit Scheme 2009 certification, which requires a company to have a “proactive approach to environmental challenges” and “look for ways to continually improve their environmental performance” (“Eco-Management…”). Luka Koper is one of only two port companies in all of Europe to receive such certification (Living with the Port).

In 2010 the Slovenian government approved the National Spatial Plan, a proposal

\(^8\)The largest pier nearest the city center.
set forth by the Ministry of Transport and Luka Koper that outlines the port’s future development projects. The finished plan (Figure 4) will increase the total port zone from 280 to 404 hectares (Luka Koper). Luka Koper plans to change the shape of the coastline by the creation of another pier, Pier III, via dredging and land reclamation (Living with the Port). As the physical area of the port zone dwarfs the city, Luka Koper must not be a drain on local resources.

The city of Koper has both natural assets, for instance its coastal view, and manufactured systems, like transportation and sanitation, upon which Luka Koper could be seen to be encroaching. To avoid an eyesore, the further construction of warehouses and parking garages in the National Spatial Plan contain view-protecting terraces. These terraces will be landscaped and farmed so that they fit into the backdrop of the coastline. The plans also incorporate a new entrance directly from the motorway to the port. Trucks carrying heavy goods will avoid the city completely using this four-lane highway. As of 2013, Luka Koper treats part of the wastewater generated at the port at its own facilities whilst the city of Koper treats the rest. The National Spatial Plan entails that Luka Koper build a sanitation system to encompass 100 percent of its own waste and in this way no longer burden the municipality’s system (Living with the Port). Furthermore, Luka Koper plans to decrease water usage by 1 percent each year, concentrating on the container terminal, the largest user (Luka Koper). If Luka Koper follows its own plans, it will achieve a symbiotic relationship with the city of Koper.
Conclusion

The strategies of increased international recognition and the branding of Luka Koper as an environmentally modern port will result in a higher yearly throughput of goods and revenue. The international sub-strategies—Luka Koper as a NAPA port, a resolution to the Croatia-Slovenia water border debate, and the enlargement of the container capacity—will all bring economic prominence to Koper. As Luka Koper gains market share in the Adriatic and among all the ports of Europe, the throughput rate of containers and other goods will rise. The green initiative sub-strategies, Living with the Port’s informational site, and the environmentally conscious National Spatial Plan will improve the relations of Luka Koper with both the local city of Koper and customers abroad.

Luka Koper’s green efforts will enable the port to be sustainable for future growth, which in time will mature into a higher throughput.

Luka Koper could increase its revenue by raising the throughput of goods or by investing in freeports. Both methods of profitability are possible, but Koper’s location sets the higher throughput strategy above the freeport scheme. The locale of Luka Koper (and Slovenia as a whole), in the crux of Europe, Asia, and Africa, is its shipping comparative advantage. Freeport warehouses, on the other hand, could exist anywhere with the right facilities. Luka Koper, as Slovenia’s sole commercial port, should focus on increased profits by way of a high throughput of goods. With the right strategies, the Port of Koper will weather future economic storms and help lead Slovenia to economic success.
REFERENCES


