DEVELOPMENT PERSPECTIVES OF THE LOGISTIC INDUSTRY IN CROATIA UPON ACCESSION TO THE EUROPEAN UNION

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Abstract: *Accession to the European Union significantly decreases incomes based on customs brokerage, but yields new development perspectives for Croatian logistic industry, primary in the field of physical distribution and transit traffic. By integration into the single European market, the logistics infrastructure in Croatia is gaining importance, and the market positions previously acquired by global logistics operators will be strengthened up, which will result in further attracting of cargo flows. Hence, the need for further development of the Corridor Vb occurs, as well as setting up a modern logistics distribution center in continental Croatia, who could also act as a background terminal of the Port of Rijeka.*

Keywords: *development, logistic industry, Corridior Vb, background terminal.*

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1. INTRODUCTION

Croatia has become the twenty-eighth member of the European Union, which introduced changes for Croatian logistics industry and opened new opportunities for the development of logistics activities. Changes in the part of the customs operations relating to NCTS (New Computerised Transit System), Intrastat, HRAIS with different tariff procedures made logistic operators to reorganize and define new business strategies. Users of logistics services expect faster, safer and less expensive transport due to elimination of customs procedures at border crossings and in trade within the EU zone.

Business expansion on the single European market, with respective increase in the volume of trade flows, provides new opportunities for planning, development and implementation of the intermodal transport of goods, which is a standard in developed economies; efficient, economical and environmentally oriented. In addition to international transport, logistics operators should develop respective value-added services for transit goods coming from third countries to the European market and going from the EU to third countries. Also, there are opportunities to organize cross-docking centers due to the relocation of international company in Slovenia on Croatian territory according to the regional redeployment of business operations.

A common theory about the arrival of "foreign players" to the market of Croatian logistics services have no right signification, since global logistics operators have been present in Croatia for many years and have acquired positions in the market. Above mentioned development of adequate cross-docking centres assumes transport optimizing at shipping and delivery, in order to meet the constant demands for reducing transport costs.

With respect to the fact that over the last five to seven years a significant amount of logistics infrastructure capacity has been built in Hungary, the need for further development of Vb Rijeka corridors becomes more evident, as well as development of other related activities of the logistics industry.

2. IMPACT OF INTEGRATION INTO THE SINGLE EUROPEAN MARKET TO THE CROATIAN LOGISTIC INDUSTRY

It is too early for a serious analysis of the effects to the Croatian logistic industry, as Croatia has joined the EU less than two months ago. Therefore, as no relevant statistical data has been available jet, some preliminary assessments could be based on available data in the period from July to the first part of August and on similar experience from Slovenia, which corresponds with the prospective situation in Croatia.

Main aspects of European integration affecting the logistic industry in Slovenia could be summarized as follows:

- Customs borders with neighbouring EU countries have been eliminated, while Slovenian border against Croatia has become a part of the customs border of the EU;
- Port of Kopar has become EU port, i.e. an entry point to the European market;
- Slovenia has become a convenient transshipment station for European distribution networks in supplying markets of former Yugoslavian countries.

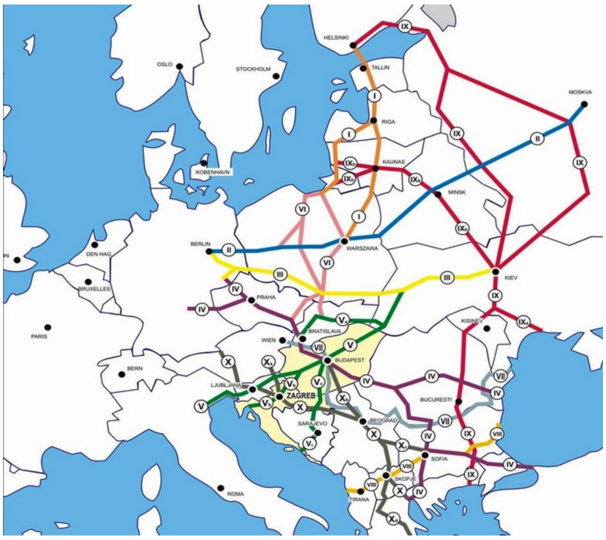

Figure 1. Pan – European Transport Corridors [7]

These aspects, that affected the logistic industry in Slovenia, could easily be translated into the situation in Croatia, with some exceptions such as:

- Croatian market is almost twice the market in Slovenia;
- Geographical position of Croatia has major importance not only for transit corridors towards the Central European Countries, but also to Baltic (Route 65) and to the rest of former Yugoslavian countries, as shown on the Figure 1;
- The shape of the Croatian national territory is much more complex to be covered in terms of distribution.

As there was no relevant statistical data available, authors have made an informal short term inquiry among relevant logistic operators (freight forwarders) and at the two major cargo (customs) terminals in Croatia. The information gathered refers to the traffic in July and in the first two weeks of August. For this purpose, it has been considered representative enough. Primary impacts to the Croatian logistic industry could be summarized as follows:

2.1 Customs operations

Number of customs operations in July hasn't been significantly decreased due to the transport & customs procedures started before 1st of July which therefore needed to be closed according to the old regulations. It caused traffic jam at the borders and at the customs terminals, as most of the freight forwarders had already cut down the staff or had closed some or all of their offices. Also the customs software needed some time to adopt. The situation has normalized by the end of July. Significant decrease of the number of customs declarations has been registered at the end of July and continued in August. It is expected at least 60% less customs declaration than in August 2012.

2.2 Warehouse & local delivery/collection operations

For similar reasons as with the administrative customs operations, customs warehouses have remained busy in the first part of July, but with negative tendency in August. Operations in non bonded warehouses and local delivery/collection operations have remained at the same level. Exception is increase of logistic operations related to e-commerce (online shopping) and courier service.

2.3 International transport

There hasn't been any significant impact to the volumes of international cargo transport within the aforementioned period. However, freight rates in road transport, which is the dominant mode of transport in Croatia (Cf. Figure 2.) have been decreased. There has been some increase in the number of shipments in courier and parcel express service.

2.4 Intrastat reporting

Intrastat reporting was expected to partly compensate the loss of incomes generated out of customs brokerage, but such expectations appeared to be groundless. Many companies haven't been included in the Intrastat system due to relatively high threshold value (1,7 million kn total value of trade with EU countries per year), while the service fees for Intrastat reporting were much lower than fees for customs brokerage.

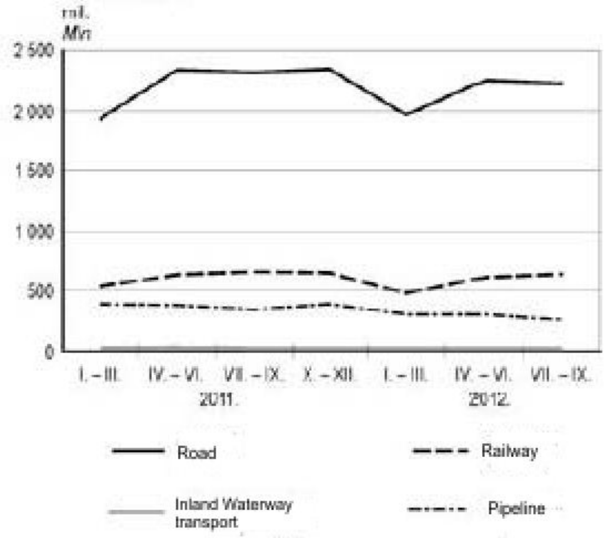

Figure 2. Tkm performed in inland transport [1]

3. DEVELOPMENT PERSPECTIVES FOR CROATIAN LOGISTIC INDUSTRY

The most visible negative impact of accession to the EU refers to decrease of incomes based on customs brokerage. It is expected more than 2.000 employees at freight forwarding companies to lose their jobs for that reason. Next thing is decrease of the road freight rates which has been welcomed by the clients, but puts additional burden to the carriers and logistic operators.

However, accession to the EU yields new development perspectives for Croatian logistic industry, as explained hereinafter.

3.1 Distribution

Croatia has become a part of the single EU market and a prospective transhipment station for European distribution networks in supplying markets of former Yugoslavian countries, so it is expected a significant part of logistic operations in international distribution to be shifted from Slovenia to the terminals in Croatia.

3.2 E-commerce, courier/parcel express service

Growth of online shopping generates demand for adequate logistic services, provided by operators specialized in courier/parcel express service. Most of the European e-commerce companies (internet based retailers) offer delivery only within the EU market, so upon accession, logistic operators in Croatia can gain a new traffic.

Volume of courier express shipments is also expected to increase due to simplified customs procedures with export/import shipments and no customs formalities with European shipments, which also enables logistic operators to cut down the costs.

3.3 Transit traffic & customs operations

By integration into the single EU market, the Port of Rijeka becomes an EU port and the logistics infrastructure in Croatia is gaining importance. Also the market positions previously acquired by global logistics operators will be strengthened up, which will result in further attracting of transit cargo flows. Hence, the need for further development of the Corridor Vb occurs, as well as setting up a modern logistics distribution center in continental Croatia, who could also act as a background terminal of the Port of Rijeka, as further explained in the following paragraph.

Since Croatia holds the part of EU border on its territory, customs operations in transit (NCTS) over Croatia are to be done at Croatian part of EU border. Also the import/export customs clearance for EU countries can be done in Croatia.

4. DEVELOPMENT OF LOGISTICS ACTIVITIES RELATED TO VB CORRIDOR

Department of Transport Logistics at the Faculty of Transport and Traffic Sciences, University of Zagreb, conducted research focused on the analysis of the construction of modern logistics and distribution center (LDC) in continental Croatian (so-called the Zagreb ring) that would replace the already inadequate container terminal at Zagreb Vrapče and represent background terminal of the port of Rijeka. Trade flows over such LDC are related to the Pan-European Corridor V, and its branch Vb (Botovo-Rijeka). Prospectively, the commodity flows within the gravity zone of that LDC would be bound also for the Route 65. Development of Routes 65 aims to establish a green transport corridor from the Swedish region of Skane across Polish, Czech, Slovakia, and Hungary to the Croatian port of Rijeka, as the shortest route to connect the Baltic and Adriatic, and thus contribute to better traffic connections and economic development and standard of living within the corridor region.

The port of Rijeka handled 72.559 TEUs in the first six months of this year, which is about 12% more than the same period last year. Total turnover of the port of Rijeka (Luka Rijeka d.d. and Adriatic Gate Container Terminal – AGCT) was 4.511 million tons of cargo in the 2012. Traffic of goods in Luka Rijeka d.d. in the segment of general cargo, bulk and timber amounted to 3.235 million tonnes and it was at the same level as in 2011. General cargo traffic increased by 2%, timber traffic by 39%, while the volume of bulk cargo decreased 6%. Traffic of AGCT was 128,680 TEUs in the 2012., decreased by 3% compared to the year 2011. [6]

Planned total turnover of dry cargo in the 2013. is 5,032 million tons. Luka Rijeka d.d. in 2013 has planned to realize turnover of general bulk cargo and timber of 3,450 million tons, and that is increase of 6.7%, and AGCT container traffic of 157,000 TEUs, an increase of 24%. According the plan, an increase in the total turnover of dry cargo in the 2013 year should amount 11.5%. Optimistic fact is that traffic in June was a record month at the terminal with 17,748 TEUs, which should be only a prelude to further growth by the end of the year. These results were provided by series of investments in the terminal, primarily in the construction of new 328 meters of port terminal and the arrival of new equipment worth a total of about 23 million. Because of Croatian accession to the European Union and implementation of new conditions, constant coordination of the Adriatic Gate Container Terminal (AGCT) with partners (shipping companies, customs, agents and logistics operators) is needed and procedural changes corresponding with the new customs regulations implemented upon entering the EU. [6] Previous research of the Faculty of Transport and Traffic Sciences have shown that traffic at the container terminal Vrapče in Zagreb is approximately 10% of the container traffic in the port of Rijeka. Therefore, it will proportionally grow with the increase of container traffic in the port of Rijeka, which indicates the need for a new LDC, as the background terminal of the port of Rijeka.

Forecasts and analysis indicate that container traffic via the port of Rijeka is expected to increase significantly in the period of the next ten years. According to the actual circumstances (change of the container terminal owner) these forecasts can be considered relevant. Prospective new LDC could be a point of processing and preparation of containers directed towards the port of Rijeka. This assesment is based on the fact that approx. 90% of traffic at the container terminal Vrapče originates from the port of Rijeka. This strategic objective also complies with the concept introduced by the new container terminal operator in Brajdica. [5]

Intermodal transport sector (excluding container traffic) on Croatian territory has been neglected, while the road transport has been dominant, primary for goods originating from European countries and distribution centers in those countries. [5] Due to expected increase in the volume of transit goods and in the number of containers transhipped at the port of Rijeka, there is a need for additional parking areas for trucks, which would be one of the facilities within the prospective new LDC. That LDC would provide additional development opportunities for logistics operators in urban logistics, underdeveloped logistics activities in Croatia. It would enable development of new logistics solutions for improving distribution of goods to end-users and to generate revenues for logistic operators.

5. CONCLUSION

Business expansion on the single European market, with respective increase in the volume of trade flows, provides new opportunities for planning, development and implementation of the logistic activities. Growth of online shopping generates demand for adequate logistic services, provided by operators specialized in courier/parcel express service. Most of the European e-commerce companies (internet based retailers) offer delivery only within the EU market, so upon accession, logistic operators in Croatia can gain a new traffic.

By integration into the single EU market, the Port of Rijeka becomes an EU port and the logistics infrastructure in Croatia is gaining importance. Forecasts and analysis indicate that container traffic via the port of Rijeka is expected to increase significantly in the period of the next ten years. Hence, the need for further development of the Corridor Vb occurs, as well as setting up a modern logistics distribution center in continental Croatia, who could also act as a background terminal of the Port of Rijeka.

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