Position Paper Short Sea Shipping / ERSTU

Introduction

Considered historically, European coastal shipping has moved closely interlocked with European industry. It is the backbone of the European economy for general cargo and mass transports over short, medium and long distances.

With the introduction of the customs-free Single Market in 1993, trade and transport barriers for roads and rail transport fell away; not, however, for sea transport. The result was disproportionate growth in road freight transport.

European tunnel and bridge building projects, frequently supported with public funds, and new ROPAX and ferry services, are additionally supporting growth in road freight transport.

The increasing demand for road freight transport is encouraging the demand for trucks, which have been built cheaply in large modern series for the European market in accordance with the applicable environmental standards.

In shipping, good demand and lucrative tax-deduction models in the 60s and 70s ensured a boost to shipbuilding. However, these vessels were built according to old standards in uneconomic small series.

With the beginning of container transports in Europe in the 60s (sea/land), the foundations were laid for new flows of goods. With the introduction of 45' pallet-wide containers, it was possible to coordinate the loading capacities of trucks and ships and take an important step towards combined transport for the industrial and consumer goods sectors.

Despite rising demand for transport in Europe, shipping has continued to lose loads to the roads. In our opinion, what has been decisive for this development are the poor conditions for European shipping, uneconomic shipbuilding and uneconomic operating structures in the fleets.

A - Poor conditions for sea transport in Europe

Simplified customs procedures

Unfortunately, shipping has not been able to participate in the customs and trade freedoms of the EU to date. Laborious documentation means on the one hand, more work on board and on land and on the other, additional costs in the ports due to agency fees for documents and customs clearance.

Approaches towards simplification have been attempted by the EU (National Single Window (NSW)), but are a long time coming. The EU is waiting for more national commitment; the member states are taking their time.

Conclusion: Political pressure has to be applied to the EU to implement this procedure as quickly as possible. For this purpose, shipping needs advocates for European trade, in particular those who can carry out the appropriate lobbying. **The EU had approved an action plan to set up a European shipping area without borders as early as 2009, and Ms Carla Preis, the then Directorate of Transport/Move formulated: "Shipping has to be as simple and borderless as truck transport throughout Europe."**

Shipping agency

Clearance is a decisive cost factor among overall port costs. Traditionally, the load decided who assumed the shipping agency in the port. National agency tariffs gave agencies the right to charge high fees. If agency orders could be given by shipping lines in free competition, discounts of between 50 and 80 % would be possible. In addition, many classic shipping agency tasks are no longer needed due to increasing digitisation. The EU has to implement the correct approach of the National Single Window, which will then finally have to lead to savings in agency fees. Ships can register themselves directly anywhere, centrally and digitally.

Conclusion: We require that **only shipping lines** decide on and pay the agencies in ports and that digitisation within the scope of the NSW is implemented. The EU also has to be active here and assert itself over national trade associations/claims. Lobbying is required.

Compulsory pilotage

Ships have to be able to arrive at and depart from ports safely. There have been significant technical developments in electronic navigation in the last 20 years. Nevertheless, we travel with great expense with sea, river and estuary pilots, like in the olden days.

Conclusion: We require a relaxation of compulsory pilotage, a reduction in fees and that the ports provide adequate electronic navigation systems, comparable to the landing systems at airports provided by air traffic controllers. Taking physical pilots on board is inconceivable here and in truck transport the first routes without any driver are being tested, but shipping is still moving with old and expensive navigation systems.

Port fees

Building and maintaining ports and quay facilities costs money. The ships pay part of these costs with port fees. However, by coming into port and loading, every ship sets a value creation chain into motion (handling, storage, processing, onward transport). Therefore, the port should have a great interest in attracting ships and loads with good conditions and services. Due to European geography, the good road infrastructure and the low road use fees the truck is the greatest competitor for ships and ports.

All costs go into costing a sea transport. From customs-clearance up to the port costs and other “fees”, for which some port operators dream up imaginative names.

Lower initial port costs would contribute to more loads being generated over sea routes and instead of only one port of loading or discharge, several ports could be served with part loads. This would result in more loads and more employment in the ports and could shorten transport from the supplier or to consignees, thus relieving the roads and making a sustainable contribution to environmental protection.

Conclusion: All the initial port costs are an important cost factor in transport costing and are therefore decisive for sustainably moving transport “from road to sea”. A noticeable reduction of all costs would provide value added to the bottom line of port operators,

service providers and ships and last but not least, benefit the environment.

In particular, “Tonnage Dues”, which are calculated on distances or travel areas, should at least be restructured. Short transports or destinations parallel to the coast should be relieved. The truck is our greatest competitor here again.

Overall, through a relief on costs we can offer rates competitive to the truck and thus bring more loads onto the “Motorways of the Seas”.

In this respect, the issue of ports also requires reform because infrastructure created by public funds is only provided to shipping on 5 weekdays. Short sea terminals should be available at least 6/24. The practice of “FRIDAY 5 PM / MONDAY 8 AM” clauses is a relic of the past, comes from the period around 1900 and should be abolished. The unions have to be brought on board here. One of the largest cost factors is the downtimes during which we lie in port at the weekend. With quicker processing, we would have shorter journeys and thus lower costs. In this manner, we would also be able to better stand up to the truck.

Uneconomic shipbuilding and its consequences

In the last 30-40 years, shipbuilding and chartering fleets were dominated by the philosophy of earning on the ship and not with the ship. The German “KG” type of partnership system and tax deduction models were for many years the largest financial incentive to invest in shipping and led to the build-up of over-capacities. With the beginning of the economic crisis in 2008, the weaknesses of the KGs were revealed and of shipping lines that were not robust enough for a financial crisis. The reasons for this included ships bought at high prices with high capital costs that had been built according to old technical standards without cost-effective and environmentally-friendly drives. Usually ships that could not pay interest and repayments first of all and the KGs and shipping lines were lost.

Shipbuilding declined as a result, because shipping did not allow any lucrative yields to be expected for investors and banks. No significant turnaround in freight shipping can be recognised up to today. The economic crisis has long since been overcome in many sectors of the economy, which is why there can no longer be any talk of an economic crisis in the maritime economy, but of structural change, as other sectors such as steel and coal have already experienced.

Shipping now has to take the initiative and develop new business models with good yields, thus creating incentives for banks and investors to invest in ships again and to renew shrinking fleets in Europe.

The structural change mentioned above means moving away from the spot transactions of the past 25 years, where the ship was almost exclusively an investment project, back to classic shipping:

New builds against loads/employment, the ship as part of the industrial chain, tailor-made ships and designs for the loading side.

One possibility would be building standard series ships similar to vehicle and aircraft construction (Airbus – Seabus). Low unit prices and low capital costs would also lead to better yields in the sea freight business. A large fleet with standard sea ships offers more competitiveness, for example, in the operational area, by avoiding ballast voyages or

cost advantages through economics of scale when procuring fuels and lubricants. Under the viewpoint of environmental standards, new benchmarks have also been set, because these modern fleets travel exclusively with new drives and fuels, moving away from heavy oil, in order to realise relevant savings in the area of CO_2 and NO_X.

In addition, EU shipbuilding expertise in Europe can be retained within the scope of privileged partnerships (see Hanse) in order to avoid becoming too dependent on China. *

Ships that as per the EU Athens Declaration of 2015 “are floating roads or bridges in the EU infrastructure” (Motorways of the Sea), thus enjoy EU aid and are the engine for creating jobs in the EU along the maritime value creation chain, in particular in the shipyard industry. Creating an EU fleet would also secure the provision of all Europeans with consumer goods and the provision of EU industry with commodities and plant, making the EU less dependent on other shipping nations.

*(Note on the noticeable expansions of Chinese interest in Europe – port terminals/shipping lines/key industries)

Conclusion

In order to make short sea shipping fit for the future we need

- Better conditions
- Cost-effective, environmentally-friendly ships and
- More industrial structures in shipping.

There are already corresponding projects from the EU. What is missing is assertiveness and above all proper and intensive lobbying with the aim of implementing the issues detailed.

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