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Open issues concerning the future of the European Shortsea Fleet.

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**Shortsea Shipping Days 2019
June 13th 2019, Athens**

Ladies and Gentlemen, Good Morning and Welcome to our Shortsea Days.

More than twenty years have passed since **SSS became the object of new ideas** and research proposals under different names in Europe.

There were good reasons for this initiative about which you are no doubt aware: **Road congestion, pollution of all sort, need to reduce state spending on motorways, tunnels and bridges etc.** The sea requires no infrastructure spending.

At the beginning it was thought that the benefits would come automatically and that **cargoes would readily shift** from land to sea. Time has shown however that the initial optimism was not sufficient to reap the benefits envisaged, so SSS slowly fell behind road transport.

We are going to touch upon a few less discussed factors that lie behind the observed slow growth in the volume of cargo carried on SSS vessels.

...within the five minutes allocated to my presentation!



First: Lack of a Single Market in the EU Shortsea

- Following the rejection of the proposal of Commissioner Borg for the creation of a **Common Maritime Space** in the EU's coastline, operators are back to square one with the inadequacies of the obsolete Regulation 3577/92.
- Each member state still retains its **own territorial waters** and **the wide geographical areas between** these national spaces are international, **not EU waters**.
- As a result **most intra EU voyages** between member state ports are – and are treated as - **international voyages**. The customs require extra time and cost for cargo clearance.
- **International voyages are also open to all flag ships** which leads to a very elastic supply curve which makes sure freight rates remain at low levels.

Second: Many cargoes remain non - shiftable from road to sea.

- **Despite research and efforts from DG Move** to encourage shifting to short sea, it is now evident that for a variety of reasons **numerous categories of cargo** cannot be shifted *under the present regulatory arrangements*.
- In short notice consignments over short distances the truck remains king. Even in long haul transport the truck is usually faster - although more expensive – easier to book and more user friendly.
- **Unlike ships, trucks sail without stopping through customs** in the EU and – unlike ships - use no ports to deliver door to door.
- It is possible however that **further tonnage could be shifted** under different arrangements.

Third: Shortsea shipping in reality is not as cheap as deep sea transport.

- Economies of scale are dominant here.
- It has been demonstrated by **Moore Stephens** that the typical cost of a **short sea dry cargo** ship is **0.52 USD per dwt ton per day** all inclusive, **5.8 times higher than that of a panamax.**
- On tankers, the cost difference is even higher standing at 7.7 times that of a panamax tanker.
- They have also warned us about the **rising operational cost** of ships with **high age** which can be from 30% up to 100% stemming from higher fuel consumption, increased manning requirements, insurance costs, repair costs and time lost in down time.
- **A combination of smaller size and higher age impacts negatively service cost, profitability and ultimately new investment in ships.**

Fourth: An ageing shortsea fleet becomes obsolete.

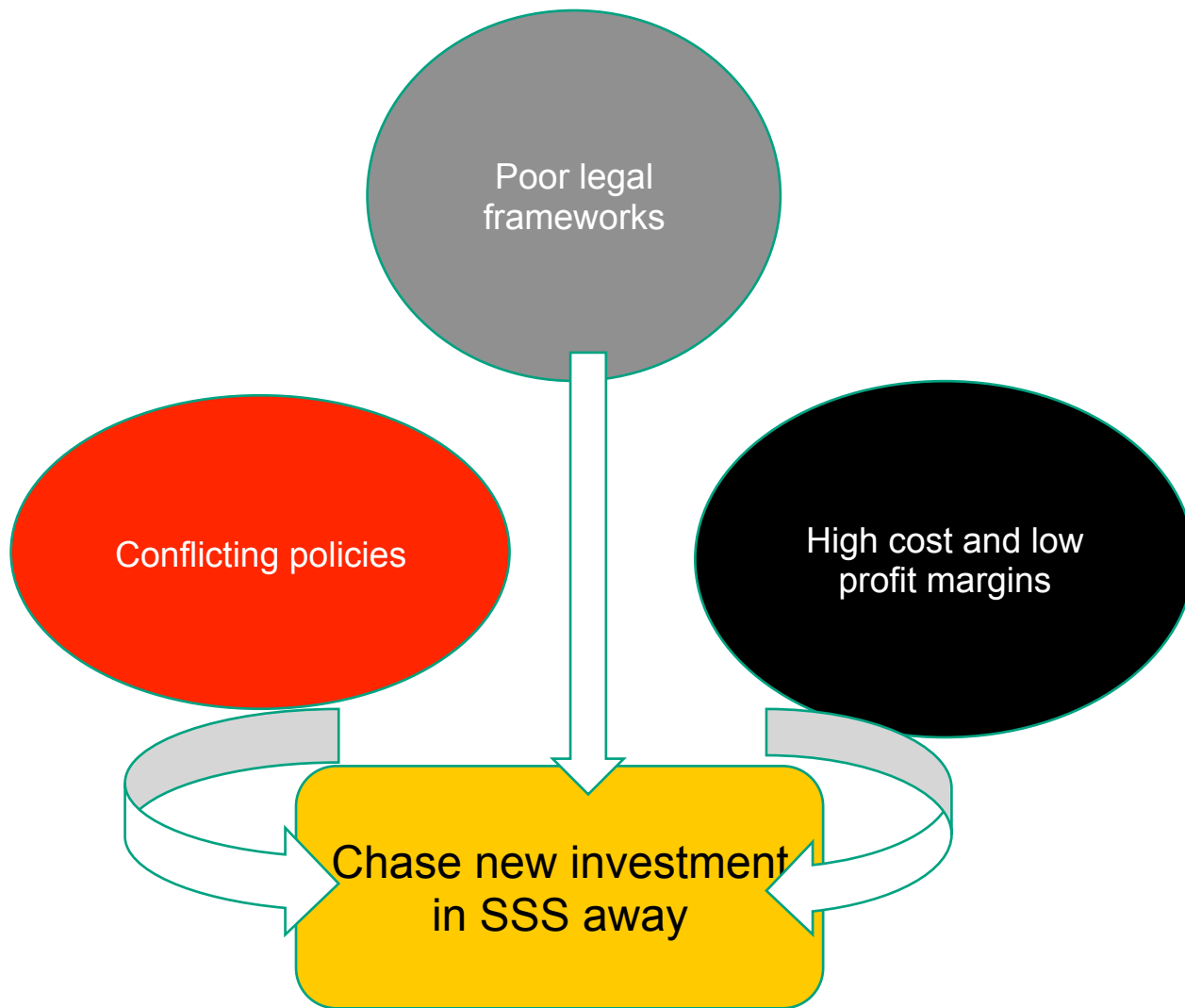
- By **physical obsolescence** reference is made to the consequences of old age in ships. Worn steel parts, machinery breakdowns, increased risk of accidents with, or without, marine pollution and loss of human life.
- **Wijnolst & Waals** have shown, there is a lot of old tonnage trading in the coasts of Europe (38% of it had been 25 years old or higher a decade ago). These are now around 45% due to slow investment.
- By **technological obsolescence** one also makes reference to high pollution engines mainly in SO_x and NO_x, single bottom tankers, elevated fuel consumption, need for larger crew and so on.
- The **replacement of the old shortsea ships** of Europe is a 200 billion euro project extending to a 25-30 years period. It is also a first class opportunity to **revive the EU shipbuilding** sector while improving SSS efficiency and contributing to a cleaner atmosphere.

Fifth: Shortsea ships spend more time in ports as they visit them much more often.

- Moore Stephens Chartered Accountants SA have also shown that a **panamax** bulk carrier spends on average in ports roughly **16% of its trading time** in a year, around sixty days having called at **20 ports**.
- A **short sea** bulk carrier, despite shorter time in each voyage by approximately one day in each port call, will spend in **52 port calls just under 30% of its trading time** in a year, namely 104 days.
- The cost of **port agency** expenses in the short sea constitutes a much higher proportion to the freight – or cost per ton for that matter – than in deep sea transport. The same logic applies *mutatis mutandis* to the other ship types including those employed in liner shipping.
- **Time spent in ports not only is costly, but it robs short sea ships of trading time.** In the short sea, time in ports is **73% longer** than in dry bulk deep sea shipping, so port efficiency is crucial for operators.

Let me briefly recap on the main problems we are up against and what could be done.

- a) No Single Market = Port delays, market open to all flags. **We should revisit the Borg proposal about the Common Maritime Space.**
- b) Most cargoes have already shifted = Difficult progress. **Incentives to shippers to choose the sea are needed.**
- c) SSS more expensive than deep sea = Closer to trucking cost. **Make the use of truck more expensive.**
- d) High age of fleet = Increased cost and obsolescence. **Examine ways to support new construction on environmental grounds. Revive EU shipbuilding.**
- e) Longer time spent in ports = Less trading time, less income. **Set minimum standards to promote port efficiency.**



Thank you
for your attention

