



ECSEA Newsletter

European Community Shipowners' Associations

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PIRACY

ECSA BOARD reiterates the necessity for registering on the interactive EU-NAVFOR/MSCHOA Website and to apply the Best Management Practices

At the ECSA Board meeting of 24.03.10 the alarming developments on piracy particularly in the Coast off Somalia/Gulf of Aden was reviewed. Good weather conditions in that area resulted in a new wave of attacks. The efforts of EU-NAVFOR to contain attacks are appreciated.

Though the vast majority of EU shipowners operating in the area have registered on the EU-NAVFOR/MSCHOA website - www.MSCHOA.EU - and apply the Best Management Practices (BMP), the ECSA Board makes a new appeal to all CEO's of shipping companies operating in the area to do likewise.

The appeal of the Board is fully in line with the Commission Recommendation of 11 March 2010 (2010/159/EU).

It is also felt that the International Community should take more drastic measures to eradicate piracy. This is fully in line with the commitment of UN Member States under the UNCLOS Convention (United Nations Convention on the Law of the Sea).

Council Decision 2010/96/CFSP of 15 February 2010 on a European Union military mission to contribute to the training of Somali security forces

In February, the foreign ministers of the EU's 27 Member States agreed to set up a new EU military mission, called "EUTM Somalia", to contribute to the training of Somali security forces and to strengthening the Somali Transitional Federal Government (TFG). This new EU military mission shall terminate in 2011 after two consecutive six-month training periods. The EU Headquarters of the mission shall be located in Uganda. It will include a liaison office in Nairobi and a support cell in Brussels.

Commission's seminar on "Piracy and armed robbery at sea: How best to protect seafarers?"

On 3 March 2010, the Commission held a seminar on "Piracy and armed robbery at sea: How best to protect seafarers?" bringing together leading personalities from the shipping industry, including seafarers' representatives, politicians, international organisations and seafarers' associations. ECSA actively participated in the seminar. The meeting made it possible to raise the importance of careful preparation of crews, of greater exchange of information and of cooperation in the waters at risk as well as the need to provide social support for seafarers and their families during and after any period of captivity. Relevant meeting documents and presentations are available on the following web-page:

http://ec.europa.eu/transport/maritime/events/2010_03_03_piracy_en.htm

New Force Commander of EUNAVFOR Somalia appointed

Rear Admiral Jan Thörnqvist, from Sweden, has been appointed as EU Force Commander of EUNAVFOR Somalia. He will take up his duties on 14 April. Rear Admiral Jan Thörnqvist will succeed Italian Rear Admiral Giovanni Gumiero. A new force commander is appointed every four months.

Montenegro will participate in EUNAVFOR Somalia

On 24 March, the EU and Montenegro signed an agreement on Montenegro's participation in the EU's operation against piracy off the coast of Somalia.

EUROPEAN MARITIME TRANSPORT SPACE WITHOUT BARRIERS **Directive on Reporting Formalities for Ships**



The European Parliament Transport Committee, on Tuesday 23 March, approved (by 36 votes to one, with one abstention) the report by Dirk Sterckx (ALDE, Belgium) on the Directive on reporting formalities for ships arriving in or leaving European ports.

Key points agreed upon:

- Adoption of English as the common language to be used in maritime reporting.
- The use of electronic means of data transmission for all reporting formalities by latest 15 February 2013.
- The need for a relevant and proportional framework for the granting of Pilotage Exemption Certificates.
- The Committee also called on the Commission to bring forward a report, by 31 December 2010, on extending the scope of the directive to inland waterways transport.

The report is scheduled to be approved in the EP Plenary session on 18 May 2010.

ECSCA very much welcomes the report particularly the proposal to have English, which is the bridge language, also as common language in the communication with administrations. ECSCA also welcomes the adoption of the proposal to apply the new procedures electronically by 2013 and insists on ensuring that this proposal will be adopted by the EP Plenary. It is essential to have 2013 as the ultimate deadline to coincide with the entry into force of the Modernised Customs Code.

MARITIME TRANSPORT STRATEGY 2009-2018

The Transport Committee of the European Parliament approved the own-initiative report on the EU maritime transport strategy 2009-2018 by MEP Peter van Dalen (Christian Union, ECR-group) on 23 March.



In his report, Mr van Dalen stresses the vital importance of the European maritime transport sector to the Community's economy and to Europe's transport system. Mr Van Dalen's report focuses on a number of key aspects of the Commission's maritime transport strategy, such as the global dimension of maritime transport and its global competitive position, state aid guidelines, making the profession more attractive for young people, quality of maritime services, and protection of environment.

The report is expected to be debated and voted in the EP Plenary on 19-20 April 2010 (Deadline for the amendments: 14 April 2010).

ECSCA appreciates that the report very much supports the Commission Communication as a basis for the maritime strategy for the next decennium.

BALTIC SEA STRATEGY

The TRAN Committee adopted the draft opinion by German MEP Mr Werner Kuhn (EPP, DE) on the European Union Strategy for the Baltic Sea Region. The opinion is due to be forwarded to the Committee responsible for the report (REGI-Committee on Regional Development)

The opinion approved by the Transport Committee highlights the importance of integrating the Baltic Sea region more closely into the TEN-T priority axes and improving connections between harbours and inland regions. Focus is also on the need to promote clean shipping and maritime safety, including with a view to enhancing the region's tourism industry. More generally, the opinion points out the interaction between improved transport links and growth of tourism.

The report is expected to be approved in REGI Committee on 27 April 2010, whereas the adoption in the plenary is scheduled to take place on 17 May 2010.

EU 2020 STRATEGY

On 3 March, the European Commission issued a proposal for an EU 2020 Strategy, as the follow up to the 2000 Lisbon Strategy, which aimed at making the EU "the world's most dynamic knowledge-based economy by 2010".

The "EU 2020 Strategy" concentrates on actions and targets to get out of the current crisis and to prepare the EU economy for the next decade. It also proposes tighter monitoring of national programs, which was one of the greatest weaknesses of the Lisbon Strategy.

Key actions for implementation at EU and national levels, are:

- *Smart growth*: fostering knowledge, innovation, education and digital society;
- *Sustainable growth*: making EU production more resource efficient while boosting the EU's competitiveness; and
- *Inclusive growth*: raising participation in the labour market, the acquisition of skills and the fight against poverty.

The five targets to be met by 2020 are:

- 75 % of the EU population, aged 20-64, should be employed.
- 3% of the EU's GDP should be invested in R&D.
- The "20/20/20" climate/energy targets should be met.
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a degree or diploma. .
- 20 million less people should be at risk of poverty.

The European Council is invited to approve the proposed EU 2020 Strategy in June 2010.

With regard to shipping, it is important to note that the new strategy makes reference to the EU's strong maritime tradition, to the need to enhance a framework for the use of market-based instruments (e.g. emissions trading, state aid framework), to proposals to modernise and decarbonise the transport sector, to the need to pursue the reduction of CO₂ emissions for the maritime sector, "to the need to accelerate the implementation of strategic projects with high European added value to address critical bottlenecks, in particular cross border sections and inter modal nodes (cities, ports, logistic platforms)" (*Europe 2020, Flagship initiative "Resource efficient Europe" p.14*);" It is also stressed that state aid policy can

actively and positively contribute to the EU 2020 objectives. A level playing field vis-à-vis the EU's external competitors should be a key goal.

MARCO POLO II PROGRAMME

Launch of 4th call

On 15 March, the European Commission published the 4th call for proposals under the Marco Polo II Programme. It is the first one under the revised Marco Polo II Programme. Commercial undertakings from the EU, Norway, Iceland, Liechtenstein and Croatia can submit proposals until 18 May 2010.

The call has a budget of € 64 million and it is open to applications for five types of actions, notably:

- Modal shift actions
- Catalyst actions
- Motorways of the Sea actions
- Traffic avoidance actions
- Common learning actions.

The full text of this call can be found on

http://ec.europa.eu/transport/marcopolo/calls/2010docs_en.htm

SECURITY

Commission impact studies of the US 100% scanning proposal published

In February, the European Commission published three separate studies on the impact of the proposed US legislation requiring 100% scanning at foreign ports of US-bound maritime containers. Each study deal with one particular topic, i.e. the impact on EU customs, on transport and on trade. The first study was made on behalf of DG TAXUD, the second one on behalf of DG MOVE and the third one on behalf of DG TRADE.

The three studies confirmed that the US 100% scanning legislation would create a disproportionate economic burden without proven benefits for security. Instead, the EU advocates an alternative approach based on multilayered risk management

CLIMATE CHANGE

Presentation of Commission Communication “International climate policy post-Copenhagen”



On 9 March, Climate Commissioner Hedegaard presented the Commission Communication entitled “*International climate policy post-Copenhagen: Acting now to reinvigorate global action on climate change*”.

This communication proposes a strategy built around the following actions:

- A roadmap is laid down for the future aiming at pursuing a robust and effective international agreement and a legally-binding agreement under the UNFCCC. In order to restore confidence in the process, the Commission said it will focus on building support with different partners and exploring specific measures to be agreed in Cancun.

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- Consistently with the EU 2020 Strategy, the European Commission will prepare an analysis of what practical policies would be required to implement a 30% reduction and another analysis of milestones on the long term pathway up to 2030 and 2050 (80-95% emission reduction as part of the developed countries' contribution to reducing global emissions by at least 50% compared to 1990 levels in 2050).

The Commission Communication also refers to international maritime transport, inter alia to the fact that the reduction of emissions from international maritime transport should be addressed through the IMO.

“The 2010 Conference is scheduled for December in Cancun, to be followed by one in South Africa at the end of 2011. In the run-up to Cancun, a variety of preparatory meetings will be organised, including by Mexico and Germany. They [preparatory meetings] should also address issues neglected in the Accord, such as the evolution of the international carbon market, reducing emissions from international aviation and maritime transport through the ICAO and IMO [...]” (Commission Communication “International climate policy post-Copenhagen, p.14).

WORLD TRADE

A joint report of early march by the WTO, OECD and UNCTAD on G20 trade and investment measures, said that high unemployment rates and uncertainties on global growth point to the need for G20 governments to remain vigilant in opposing protectionism. The three agencies urged the G20 leaders to undertake a clear and stronger commitment to open markets and make concrete their many calls to bring the Doha Round to a rapid conclusion.

In 2009, following the financial crisis, growth of real world GDP was at a negative -2.2 per cent, the global unemployment rate reached its highest level ever, with the ILO estimating the number of jobless worldwide at over 200 million. World trade contracted in volume terms by around 12 per cent in 2009. The main explanation for this freefall in trade has been the simultaneous reduction in aggregate demand across all major world economies. The drying up of trade finance during this period has also been a contributing factor. To a much lesser degree, trade has been adversely affected by some instances of increased tariffs and domestic subsidies, new non-tariff measures and more anti-dumping actions. In fact, the multilateral trading system has proven its sturdiness as a bulwark against runaway protectionism.

According to the IMF the global recovery is off to a stronger start than anticipated earlier but is proceeding at different speeds in the various regions. In 2010, world output is expected to rise by 4 percent. In most advanced economies, the recovery is expected to remain sluggish by past standards, whereas in many emerging and developing economies, activity is expected to be relatively vigorous, largely driven by buoyant internal demand. Policies need to foster a rebalancing of global demand, remaining supportive where recoveries are not yet well sustained.

WTO DDA NEGOTIATIONS: A DECISIVE MOMENT FOR CONCLUDING IN 2010

Thus far the progress in negotiations at the WTO in Geneva has been disappointing on all fronts. During the week of 22 March senior officials will undertake a so-called stocktaking. On Friday, 26 March, the formal Trade Negotiations Committee will re-convene to provide participants with the opportunity to wrap up this stocktaking, collectively get a sense of the unavoidable gaps remaining, the size of these gaps and the dynamic with which to address them. It is hoped by many that on the basis of the exchange of views on Friday a strong signal can be sent to the outside world and focus the political energy that is needed to move the Round into the concluding phase. “Let’s stay optimistic and offer support as and where possible”.

FREE TRADE AGREEMENT NEGOTIATIONS AND CHANGED PROCEDURES UNDER THE LISBON TREATY

In parallel to the multilateral trade agreement as the WTO, there is an abundance of regional and bilateral trade agreements – in Asia alone there are already over 160 trade deals. Whether these bilaterals can and will function as building blocks for a much more solid and beneficial multilateral WTO agreement remains to be seen. Clear, however, is that no-one can afford staying out of such bilaterals at the peril of experiencing discriminatory treatment of its businesses in market access and establishment. The European Union has undertaken a range of more or less progressing FTA initiatives with the likes of Central America, MERCOSUR, ANDEAN states, as well as Korea, India, Canada, Singapore and very recently the new Trade Commissioner Karel De Gucht set the first steps towards negotiations with Vietnam. Somewhat of a change in the negotiations is that with the enactment of the Lisbon Treaty, there is a much enhanced EU exclusive competence – Commission negotiating alone – with the Council approving completed agreements and now also the European Parliament having a say in the adoption of such trade agreements. The EP will also be consulted on the objectives and in the course of the negotiations. Maritime agreements and maritime articles in wider trade agreements remain for ratification by national parliaments of Member States.

INNOVATION - RESEARCH & DEVELOPMENT

Innovation remains high on the agenda, also in the Commission proposed EU 2020 Strategy. Whether the proposed 3% of GDP target on R&D should be an aim in itself may be for discussion, but all will agree that R&D is essential for continuous innovation. On the maritime front, the different sectors cooperate in setting priority targets for R&D in the context of the Technology Platform WATERBORNE. These recommendations can be taken over by individual companies, research organisations, Member States innovation platforms and/or the European Commission R&D Framework Programmes. A renewed we-site with a dynamic content describes the workings, targets and also offers links for searching project calls and results; see www.waterborne-tp.org

The ECSA coordinated FLAGSHIP project has entered it's forth and last year with very satisfactory results so far. Public deliverables / outcomes can be found under www.flagship.be

PASSENGER RIGHTS

In early March the Transport Council formally adopted a 'common position' reflecting the political agreement of last autumn, paving the way for the European Parliament's 2nd Reading procedure to officially begin. It expected that discussions between the EP and Council will be concluded by the end of the Spanish Presidency in June, with the EP Transport Committee having an exchange of views on their stance in the coming month. In contact over the past weeks and months with the Rapporteur and shadows from the other political groups, ECSA/ECC have stressed support for the objective of the Directive while noting that a few improvements could be made to ensure that the final outcome is workable for ferry and cruise operators; in particular, and briefly, the following;

- It should be clear that freight only services should be outside the scope of the Regulation.
- The obligation to provide free assistance to disabled persons or PRM should be shared between the carriers and terminal operators.
- The provisions on assistance in case of cancellations and delays should not be applied in circumstances over which the carrier effectively has no control, such as extreme weather conditions.

- Persons with reduced mobility should notify carriers of their specific needs at the time of booking.

TRAINING AND RECRUITMENT- ECSA WORKSHOP, BRUSSELS, 28th SEPTEMBER

The EU funded ECSA project on training and recruitment which started at the beginning of the year will result in a Workshop to be held in Brussels on 28th September to highlight best practices and to learn from unsuccessful practices in the fields of:

- attracting young Europeans to a maritime career and improving the awareness and image of the maritime profession
- increasing/enhancing training programmes
- developing a more stimulating career path and mobility in the cluster.

In preparation for the workshop, a study on Good Practice is being made by a consultant for ECSA, building on a 2005 Report produced under the UK Presidency.

This initiative is timely in the context, made clear at a high level ECOSOC Seminar on 11th March, of DG MOVE focussing on social affairs issues in the coming year or so, culminating in a Communication on social matters in the autumn of 2011. In this regard, a Task Force under the Chairmanship of former DG TREN Director General, Sir Robert Coleman, has been set to look at employment conditions of EU seafarers and the competitive position of the European fleet. Comprising individuals from throughout the maritime sector, it has been stressed that the Task Force has no preconditions as to its outcome and that it initially will bring together all the available information on the subject. Expected to start its work in the weeks after Easter, the Task Force is expected to take a year to complete its work, with its conclusions being anticipated to be influential on the 2011 Social Communication.

Through its Training and Recruitment project and other input, ECSA intends to make a positive contribution to the work of the Task Force.

MARPOL ANNEX VI – 0,1 % SULPHUR IN THE ECAs AS FROM 2015

Serious consequences for short sea shipping with a confirmed risk for a modal shift from sea to land transport and an increase in external costs

ECSA supports the Finland industry proposal

As mentioned in previous Newsletters the European shipping industry welcomed a global agreement on sulphur content of marine fuels as agreed in the IMO in 2008. However, the reduction to 0,1 % sulphur content in the Emission Control Areas - ECAs (Baltic Sea, North Sea and English Channel) has caused serious concerns for the shipping industry fearing a modal shift from transport by sea to transport over land.

In addition to the different studies made by Governments, ECSA has asked the Universities of Antwerp/Leuven (ITMMA-Institute of Transport and Maritime Management Antwerp and Transport & Mobility Leuven) to make an independent impact study on the application of the 0,1 % sulphur content in the ECAs as from 2015. The executive summary of the study is mentioned hereunder. A full copy can be downloaded on our website: www.ecsa.be

Different options to avoid the negative effects of the application of the 0.1% in the ECAs have been looked at. At the ECSA Board meeting of 24 March it was agreed to support the proposal brought forward by the Finnish Industry to change the 0.1 % in the existing ECAs on the following basis:

2013 – Feasibility study (including both price and availability perspective)

2015 – 0.5 %

2018 - Impact assessment of ECA to be included in the global review.

Executive summary of the ITMMA/Transport & Mobility study

In the analysis of the impact of the IMO decision to apply 0,1 % sulphur content in the ECAs as from 2015 the Institute of Transport and Maritime Management of the University of Antwerp and Transport & Mobility of Leuven focussed on three research questions:



1. What is the expected impact of the new requirements of IMO on costs and prices of short sea traffic in the ECAs?
2. What is the expected impact of the new requirements of IMO on the modal split in the ECAs?
3. What is the expected impact of the new requirements of IMO on external costs?

Key conclusions

The use of MGO (Marine Gas Oil - 0.1%) is expected to have a negative effect on freight rates and will lead to a modal back shift (from sea to road) on a large set of origin-destination relations. On some trade routes the various short sea options might lose its appeal to customers. This will lead to traffic losses for the short sea option in favour of trucking. Obviously, the use of MGO will have a positive impact on external costs generated by short sea vessels alone. Depending on the actual modal back shift the overall outcome for the environmental performance could well be negative.

The shipping industry is investigating different options to lower sulphur emissions from shipping in the ECA's from today's levels and at the same time avoid the clear negative impact of the 0.1% sulphur content in marine fuels in the ECAs as from 2015 for further discussions with Member States and the Commission services.

Summary of findings

A drastic increase in costs and freight rates

Regarding the first research question, it became clear that the new Annex VI agreement will drastically increase costs for the short sea shipping operators in the ECAs. Based on historical price differences, the use of MGO (Marine Gas Oil 0.1%) could well imply a cost increase per ton of bunker fuel of, on average, 80 to 100% (long-term) compared to IFO 380 (Intermediate Fuel Oil) and 70 to 90% compared to low sulphur (LS) 380 grades (1.5%). This conclusion is in line with other studies.

The impact on shipping lines' cost base when shifting from HFO (Heavy Fuel Oil-1.5%) to MGO (0,1%) would be considerable as well: a 25% increase in ship costs for the base scenario and even 30% on average for the high scenario with, for a number of routes, peaks of 40%. These figures only relate to vessels with an average commercial speed of 18.5 knots. The average ship cost increase for fast short sea/ropax ships (25 to 30 knots on average) is estimated at 29% for the low scenario and even 40% (ranging from 31% to 47%) for the high scenario.

With a shift from HFO (1.5%) to MGO (0.1%) freight rate increases for traditional short sea services are estimated to reach 8 % to 13% for the low scenario and around 20% for the high scenario. For fast short sea services the figures are much higher: on average 25% for the low scenario and 40% for the high scenario.

Volume losses and modal shift

A survey was conducted on the potential volume losses and modal shift impacts linked to the implementation of strict low sulphur fuel requirements under different scenarios regarding fuel price evolutions.

For the low scenario (USD 500 per ton of MGO), freight rate increases are expected in the order of 15 % to 25% with an overall average of nearly 18%. The corresponding volume losses are expected to reach 15%. For the high scenario (USD 1000 per ton of MGO), the expected impacts are considerable: a freight rate increase of up to 60% and anticipated volume losses of more than 50%. The medium-distance routes would be worst hit.

A detailed comparative cost analysis made it possible to assess modal competition between several short sea/truck routing options and the „truck only “option on thirty origin-destination routes linked to the ECAs.

All these short sea solutions face potential competition from a "truck only" option (for Dover-Calais in combination with the Channel Tunnel). The use of MGO is expected to increase the transport prices particularly on the origin-destination relations with a medium or long short sea section. Such a price development might eventually trigger a shift from medium and long short sea routes to shorter short sea routes or a „truck only" alternative without any short sea section.

The situation is rather precarious on most of routes considered. The cross channel short sea business for manned truck/trailer combinations is likely to be hit hard by the use of MGO. The use of MGO could well imply the end of the transport of manned truck/trailer combinations per vessel across the southern part of the English Channel.

The transport connections between Western Europe and the Baltic States are expected to be heavily affected as well. Long-distance short sea services are likely to lose a lot of their appeal to customers. At present, the short sea connections between the Benelux/Western Germany and Scandinavia (Sweden and Norway in particular) face rather limited competition from road haulage. The main competitors are the much shorter short sea links between Travemünde and Trelleborg respectively the transit combinations via Denmark (which involves much longer trucking distances).

However, the use of MGO is expected to narrow down the cost advantage of the long-distance short sea option to such an extent that some customers might start opting for trucking goods instead of using short sea services. More certain is that the use of MGO will trigger a shift from long-distance to short-distance short sea links.

The observed shifts in price differences incurred when introducing MGO (0.1%) as a base fuel in the ECAs would undoubtedly lead to changes in the modal split at the expense of short sea services. Even relatively small traffic losses (e.g. 10% to 20% less cargo) for existing short sea services can trigger a vicious cycle of capacity reduction and lower frequencies ultimately leading to a poorer position for short sea services and thus an unattractive market environment for investors.

Vicious cycles characterized by the downsizing of short sea activities and the closures of lines can lead to an overall implosion of a short sea sub-market, leaving room for the „truck

only “option or short sea services on short or ultra short distances to fill the gap in the market.

Increase of external costs

The third section of the report focuses on the third research question: “What is the expected impact of the new requirements of IMO on external costs?”

External costs in this study comprise the costs of congestion, accidents, environmental costs (air pollution, global warming and noise) and infrastructure.

If the effect of a possible backshift is taken into account, even a modal shift of about 10-20% could completely mitigate the initial positive effect on external costs of lowering the shipping sulphur emissions. The analysis also showed that if we assume that a decrease in sulphur content to 0.5% would not lead to a modal shift, the total marginal external costs are lower for almost all routes than if sulphur content would equal 0.1% and a modal shift of about 20% would occur.

March 2010