

European Community Shipowners' Associations



ECSA SEMINAR 06/03/07 – A Framework For a Global Industry LENNART SIMONSSON

Ministers,

Secretaries of State,

Members of the EU Institutions,

Dear Guests

Dear Colleagues,

It is for ECSA a great pleasure to have all of you here today in the heart of the European quarter in Brussels. The timing of this ECSA seminar is well chosen taking into account the many key issues on the agenda of the European Institutions such as

- The review of the White Paper on a European Transport policy
- The further promotion of short sea shipping
- A European port policy
- Enhanced attention for the environment
- The third maritime safety package
- And of course the Green Paper on a future maritime policy

Your presence confirms the importance of these policy issues but underlines at the same time the importance of European shipping.

The key role of shipping for European and global trade is clearly recognised in the Green Paper on a future maritime policy. This audience is no doubt aware that 90 % of European external Trade and over 40 % of its internal trade is transported by sea. European shipowners control more than 41 % of the global merchant fleet and are active in all kinds of maritime services.

The performance of shipping services has constantly improved over the years due to heavy investments in new technology and constant fine tuning of efficiency. Between 1980 and 1999 the value of world trade grew at 12 % per year, whilst total freight

costs during this period only increased by 7%. This demonstrates the falling unit costs of marine transport.

This outstanding performance becomes even clearer if we look at the transport cost element in the shelf price of consumer goods which varies from product to product but is ultimately marginal. A few examples: transport costs amount for only 2 % of a television shelf price and only 1,2 % of a kilo of coffee. For gas oil the pump transport costs represent less than one cent per litre.

It is therefore evident that maritime transport and ports are recognised in different policy papers including the Green paper as key elements in the logistic chains which link the single market to the world economy. Their efficiency and growth is crucial for the competitiveness of the EU in a globalising world particularly in the context of the Lisbon Policy aiming at making Europe the most competitive trading entity in the world.

ECSA strongly feels that these basic facts cannot be ignored in a future maritime policy for Europe and more concrete in looking for the right balance between the economic, social and environmental dimensions of sustainable development. The Lisbon Policy should be a main theme in the further discussions on a Future Maritime Policy.

By its very nature shipping has always been a global industry. Globalisation of trade has enhanced this global role and character of shipping services. This de facto global nature of shipping services has to be taken into account on all fronts including the competitive position of European shipping.

The fact that European shipping controls more than 41 % of the global merchant fleet confirms that European shipping services can compete with the best in the world. The framework under which European shipowners operate must take into account this global competitive environment.

The Guidelines on state aid to maritime transport as revised in December 2004 are a reflection of the global competitive environment in which shipping operates. They

helped to reverse the severe decline that shipping experienced during the 1980ties.

The guidelines remain essential:

- For ensuring the availability of high quality, economically efficient and safe maritime transport to serve the EU and World trade
- For ensuring the viability of this important economic sector in the EU and its contribution to the balance of payment and keeping the maritime cluster vibrant in the EU.
- For providing job opportunities for the maritime professionals in the maritime cluster and to acquire experience and expertise which are required by the European society in many areas ashore..
- For maintaining a European based shipping as a strategic asset.

Before 1997, EU shipping policy was mainly based on a wrong premise, i.e., “avoiding unbalanced competition of different EU flags in the internal market”. The success of the 1997 Guidelines lies in changing that target to “making it possible for EU companies to survive and to progress in the extremely competitive international market”. It is essential to maintain this approach for the future. The results speak for themselves.

Measures on company taxation and alleviating employment costs allowed under the State Aid Guidelines should be applied by all Member States in a flexible way attracting the necessary investments.

Recently made suggestions for a European Register are not new. In the early nineties prior to the establishment of state aid guidelines to shipping, a suggestion was made to create “EUROS” as a parallel European Register. Politically this may sound nice. However, in practice one would be facing the same problems with the competence of Member States on taxation and social security regimes. ECSA would strongly recommend avoiding such difficulties and to maintain long term the present system of guidelines, leaving it to Member States to take measures in a flexible way taking into account their specific circumstances.

INFRASTRUCTURE INVESTMENT

Much of the policy discussion concerns “software” issues such as tuning the regulatory framework or cost and competitiveness issues. A maritime framework should also address the issue of “hardware”, i.e., the infrastructure requirements for the various industries. Under current forecast scenarios, world trade will continue to grow at high rates resulting in an even higher growth of shipping services. To accommodate such growth, significant investments in infrastructure will be required.

The essential role that shipping and ports already play in serving the needs of the present European economy and global trade can be further enhanced by a number of ways such as:

- Congestion in ports and other bottlenecks that hinder efficient services should be addressed urgently.
- Investments in ports and in hinterland connections should be made a priority to provide efficient and seamless logistic chains throughout Europe; container terminals will be running out of capacity from around 2010, when demand will exceed capacity.
- Efficiency and the competitive position of port services should constantly improve.
- The remarkable growth of short sea shipping during the last decade should be further enhanced in an integrated European transport system.

All this should be part of the future European port policy on which 6 workshops are organised by the Commission services.

Ports are essential nodal points in international transport chains. They must handle the bulk of international trade, which will continue to grow at fast rates. Ports, which serve an environment-friendly and low-cost mode of transport, are thus of highest significance for Europe, in terms of foreign trade and in terms of employment they generate.

The European Community should ensure that the principles of the Treaty are applied to the port sector. Along with legislators at other levels, the EU should act to

implement commercially oriented frameworks offering genuine competition between and within port areas to create highest possible efficiency.

In addition, EU Member States, regional and local governments should act to ensure that the necessary planning, investment tools and funding sources are in place to allow owners and operators to make timely and informed decisions for the future freight transportation infrastructure. What expansion areas are available for ports? What inland waterways will be dredged? Which highways and railways will be built? What funds will be made available? To ensure that EU ports can remain competitive, public authorities in Member States should develop and implement the necessary planning and investment tools for the expansion of port and freight transportation infrastructure. In addition, they should ensure adequate funding for required infrastructure developments. Urgent action is required to cope with the surge of trade that is anticipated in the coming years.

To finalise I would like to set the scene for the other speakers by repeating the five themes that ECSA would like to see in a future European maritime policy notably:

- Ensuring the potential for growth in Europe through adequate transport capacity.
- Ensuring a stable and competitive environment for EU shipping.
- Keeping regulation global.
- Supporting a positive development of shipping in the EU.
- Taking an environmental approach with a global perspective.

I wish all of you a fruitful seminar.