

COMPETITIVENESS OF THE EUROPEAN SHIPPING INDUSTRY

EUROPEAN SHIPPING WEEK

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Dr Konstantinos Adamantopoulos, Partner

T: +32 (0) 2643 3401

konstantinos.adamantopoulos@hfw.com

EU Shipping Industry and the European Economy

- The shipping industry in the EU makes a significant contribution to its economy.



€145 Billion annual contribution to the EU's GDP



€41 Billion annual tax revenues



2.3 million employees

Opportunities and challenges



Increased global trade: greater capacity utilisation and lower unit costs.

More liquidity in the credit markets: Funding for investments easier and cheaper to obtain.

Lower fuel costs resulting in lower operating costs.



Over-supply of vessels.

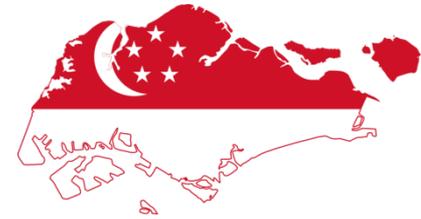
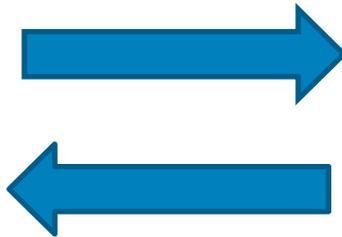
Market volatility.

Logistical challenges as average vessel size increases.

Cost of compliance with new regulations, especially environmental ones.

- **Global trade facilitation**
 - Supporting Europe's location as a physical shipping hub by concluding free trade agreements.
 - Overcoming increased scepticism about the role of free trade.
- **State aid**
 - Giving the European shipping industry the ability to compete with international centers of shipping.
 - Ensuring Europe continues to provide highly skilled jobs in the shipping sector and wider maritime cluster.
- **Competition**
 - Ensuring that liner alliances are able to operate with legal certainty.
 - Safeguarding efficiency and innovation in the European industry.
- **The environment**
 - Ensuring that Europe's fleet meets its environmental responsibilities.
 - However, in this area especially, it is in the sector's best interest when EU and IMO regulations are coherent.

Trade facilitation (I)



The EU is in the process of negotiating or ratifying a number of important free trade agreements.

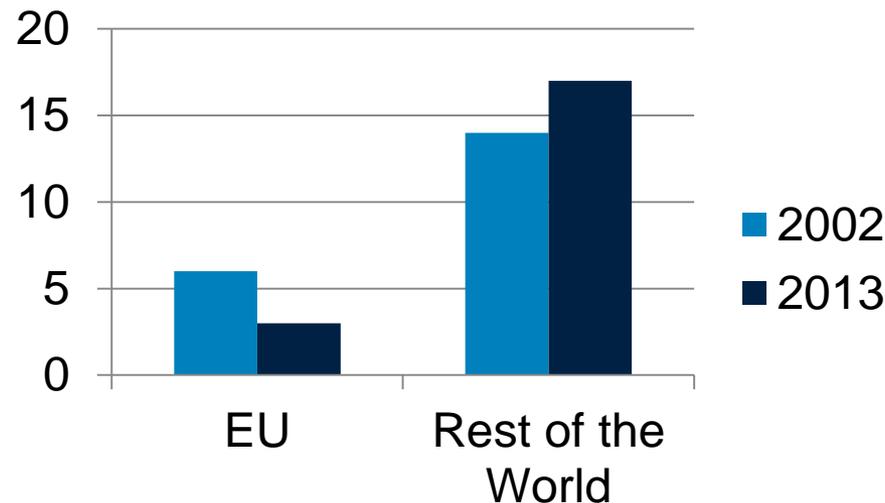
Of particular significance to the shipping industry are:

- TTIP (Transatlantic Trade and Investment Partnership) with the USA.
- CETA (Comprehensive Economic and Trade Agreement) with Canada.
- EU – Singapore Free trade agreement.

The entry into force of these agreement is being delayed due to concerns about Investor State Dispute Settlement provisions and the status of products with protected geographical origin status.

- Promoting free trade is vital to ensuring Europe stays competitive as a physical shipping hub at a time when Europe is losing ground .

Number of ports in the world's 20 largest container terminals¹



Only **TWO** out of the **SIX** largest European ports improved throughput between 2012 and 2013. **ALL** of the **TEN** largest Asian ports improved theirs²

TTIP alone could generate an additional €119 billion for the European economy³

It should therefore be in the regulators' interest to continue to reduce barriers to trade and support free trade.

¹ UNCTAD, *Review of Maritime Transport 2014*, November 2014

² World Shipping Council's list of top 50 container ports available at <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>

³ DG Trade's TTIP Questions and Answers available at http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/questions-and-answers/index_en.htm

- Reflagging has increased under the 2004 Community guidelines on State aid to maritime transport. However the three major flags of convenience have still seen greater growth.
- The world share of dwt registered in the EU has dropped from 23.4% to 18.6% of the global fleet. The three major flags of convenience have seen an increase from 35% to 41.6%.¹
- However, the guidelines also allow for non-EU flagged ships controlled from the EU to be eligible for tonnage tax in certain circumstances. This has helped maintain the EU-controlled share of the global fleet at around 40% since 2004.
- **Estimated that without State aid rules the EU shipping sector's economic contribution could have shrunk by 54% and 1.2 million employees dependent on the sector could have been made redundant between 2004 and 2012.**
- State aid rules have also contributed to a growth in the number of cadets studying in maritime academies. 11% increase in the EU and Norway between 2004 and 2012.²
- The EU must maintain its commitment to the tonnage tax allowed by State aid rules. They encourage the establishment of maritime companies in Europe, and ultimately benefit the wider maritime cluster.

¹ UK Department of Transport, Table FLE0502: World fleet registered trading vessels of 100 gross tons and over: deadweight on selected registers: 1999-2014, available at <https://www.gov.uk/government/statistical-data-sets/fle05-world-fleet-registered-vessels>

² Oxford Economics, *The Economic Value of the EU Shipping Industry*, April 2014



Competition policy protects efficiency and innovation

The extension of the Block Exemption Regulation for liner shipping consortia allows the industry to gain legal certainty at a time of consolidation of the container industry into alliances.

The EU's ports policy should help improve competition in the ports service sector.

But rules on competition and freedom to provide services should be extended to cargo handling operations to benefit the European industry. Currently none of the world's top twenty most efficient ports in terms of container moves per hour are in Europe¹.

And the European Commission should work with regulators in other major maritime jurisdictions to ensure global consistency in the application of competition rules.

¹ Source: JOC Group, *Berth Productivity: The Trends, Outlook and Market Forces Impacting Ship Turnaround Times*, July 2014

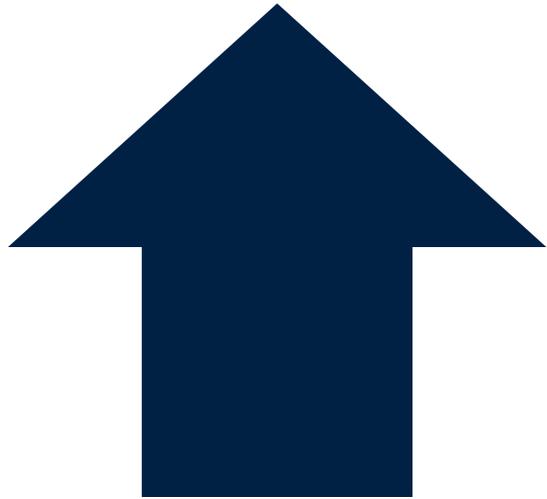


The European industry is committed to reducing its environmental impact.

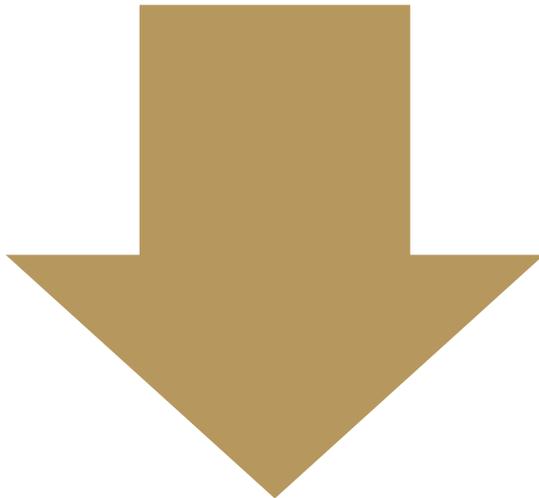
However, this is an area where competing rules in different jurisdictions are unhelpful.

It should be up to the IMO to create global standards and regulations, and for national authorities to implement them.

The IMO and EU regulatory processes should be better aligned so as to reduce the need for unilateral actions which may affect the competitiveness of the sector.



Regulations targeted at improving the economic performance of shipping companies, such as rules that help reduce tax burdens or increase efficiency in port services can benefit the industry's competitiveness.



Regulations aimed at improving the environmental or social obligations of shipping companies are to be welcomed. However it is preferable for these regulations to be made at a global level so that there is consistency and one particular region isn't disadvantaged by them.

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