Competitiveness of Ro-Ro and container sectors in Europe and the Baltic

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1. This paper will consider

- European trade from a global perspective
- Intra European trade with a focus on the Baltic
- Intra European deployment
- Future trade growth patterns
- Potential effects of SECA
- EU policy, Motorways of the Sea
- What this means for the Baltic

2. Overall world trade in 2013

- Estimated global trade for international tonnes grew 3.5%
  - approaching the long run growth rate of the last 15 years (5.1% per annum)

- Global containerised trade (TEU) grew by 4.9%
  - less than the (15 year) long term growth rate of 5.8%
  - but an improvement on almost no growth in 2012

- Intra European & Med. trades grew 4.0%
  - faster than deep-sea imports at 2.9%
  - a key indicator for the ro-ro sector

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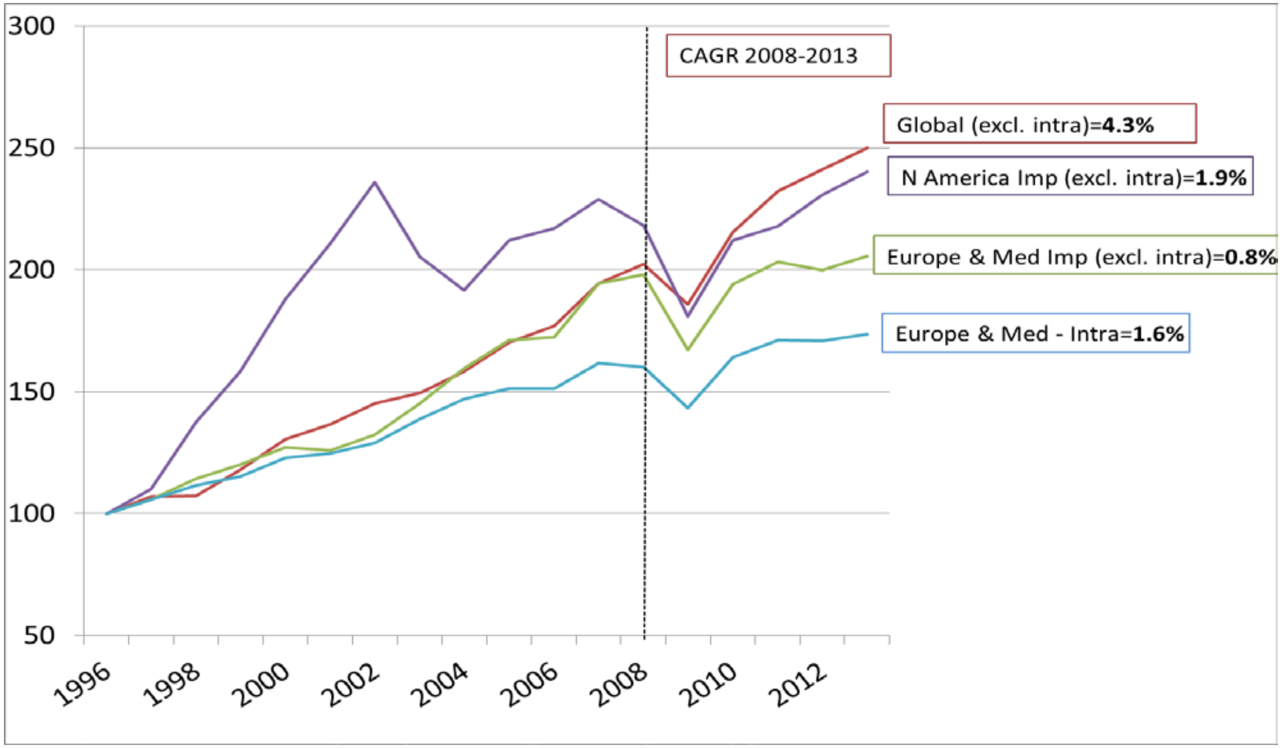
3. Global trade, unitised tonnes



Source: MDST World Cargo Database (WCD, v. 14.01.2014)

- Far East penetration of European markets slowing
- A positive development for intra-European Ro-ro trades

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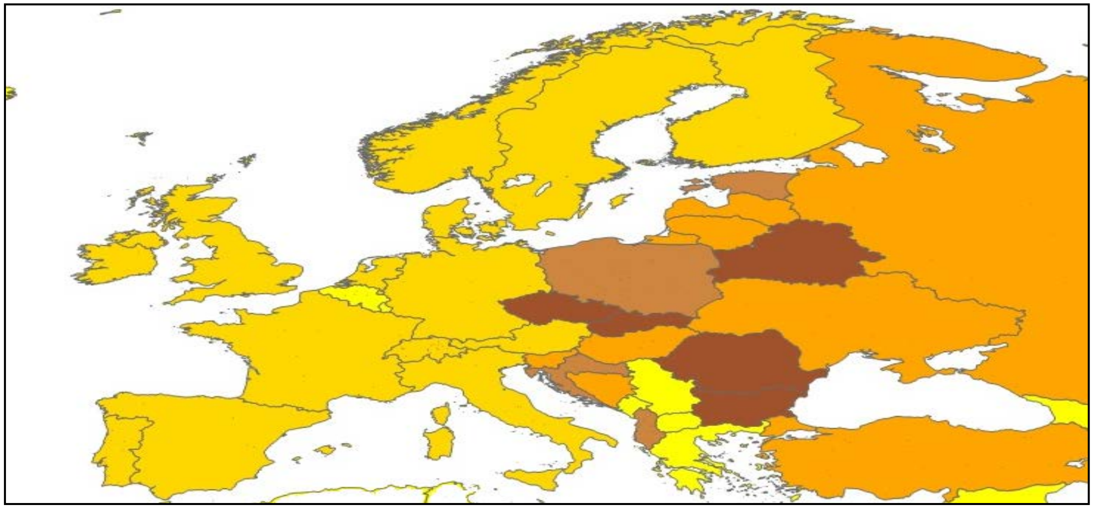
4. Market growth shifting eastwards

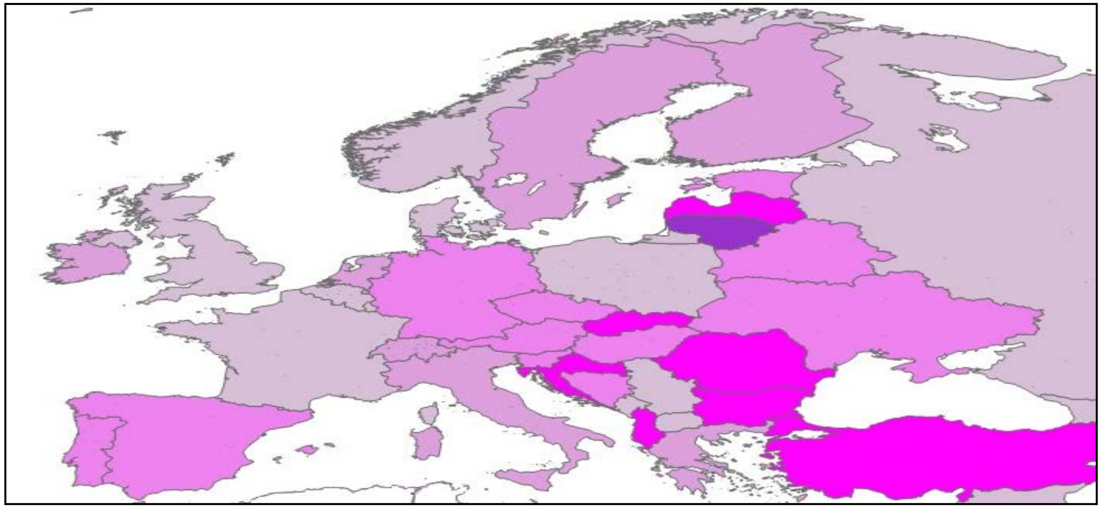


Source: MDST World Cargo Database (WCD, v. 14.01.2014)

Imports

Intra-European trade % growth 1997-2013 by destination country

<40	
40...90	
90...210	
210...250	
250...290	
>290	



Source: MDST World Cargo Database (WCD, v. 14.01.2014)

Exports

Intra-European trade % growth 1997-2013 by origin country

<40	
40...80	
80...201	
201...441	
441...630	
>630	

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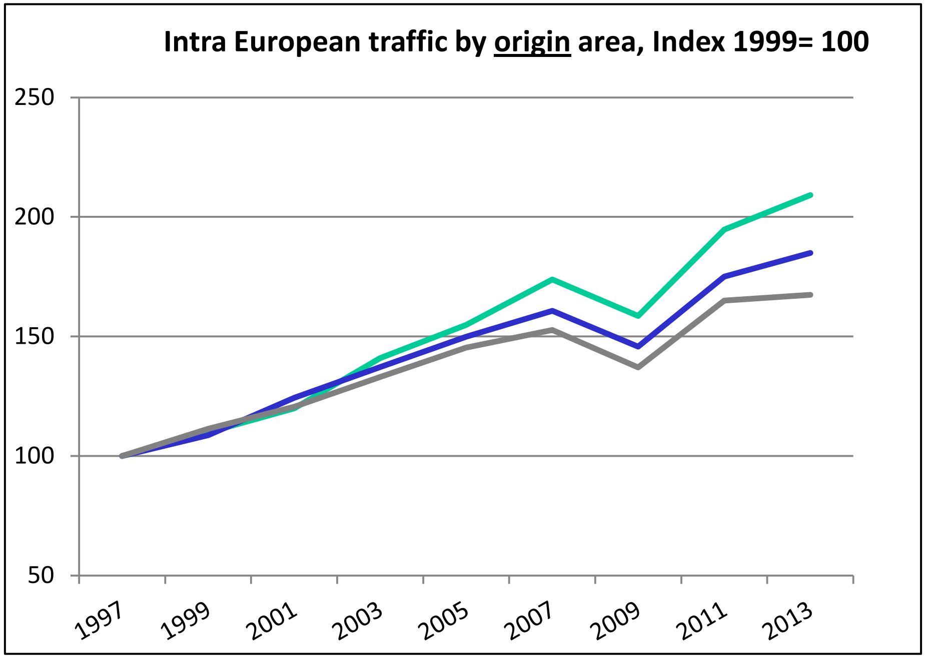
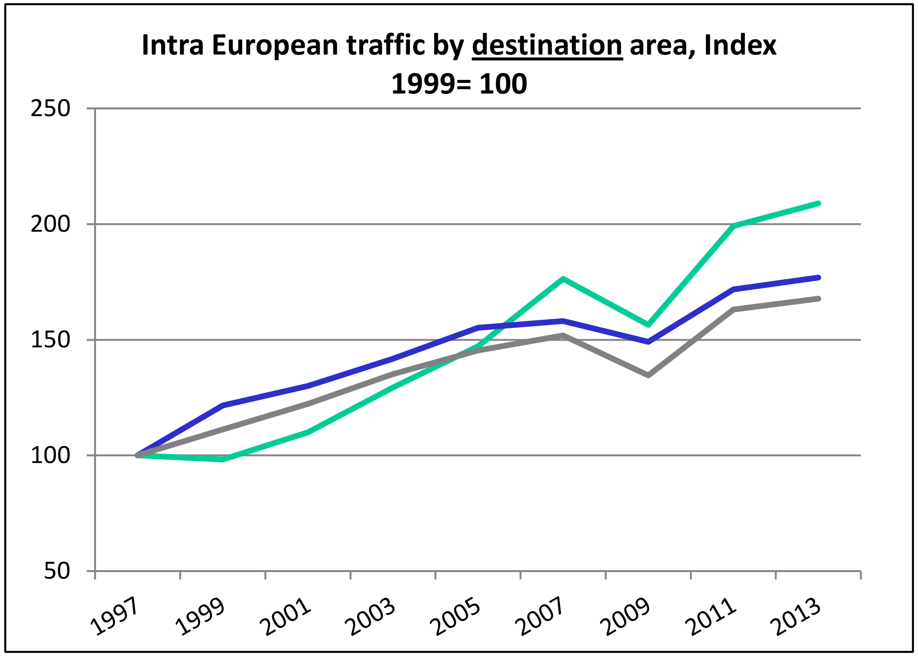
5. Intra-European trade: unitised tonnes





Region	CAGR 2007-2013
Baltic	2.7%
Med	2.0%
NW Europe	1.3%

Region	CAGR 2007-2013
Baltic	2.5%
Med	1.6%
NW Europe	1.4%

- Intra-European recovery focused in Baltic/ Eastern Med
- Important for Ro-ro to identify strong role in these markets

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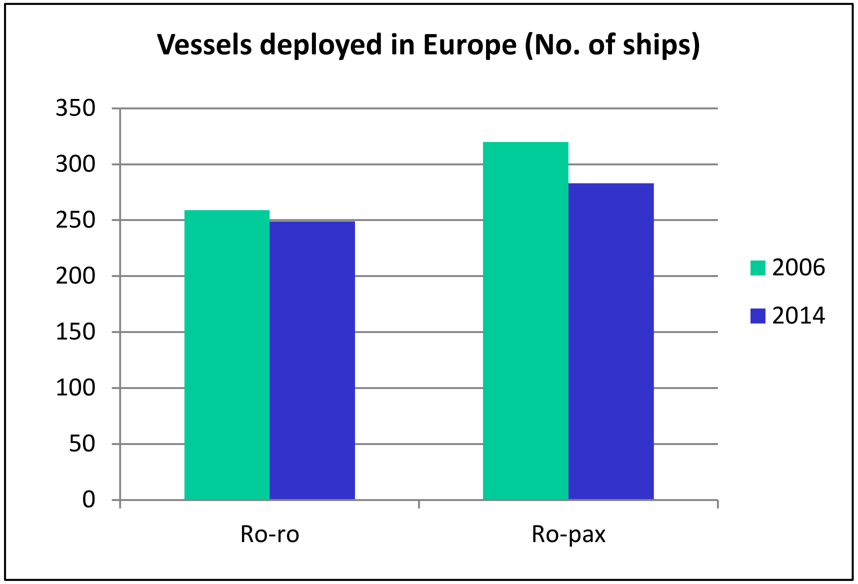
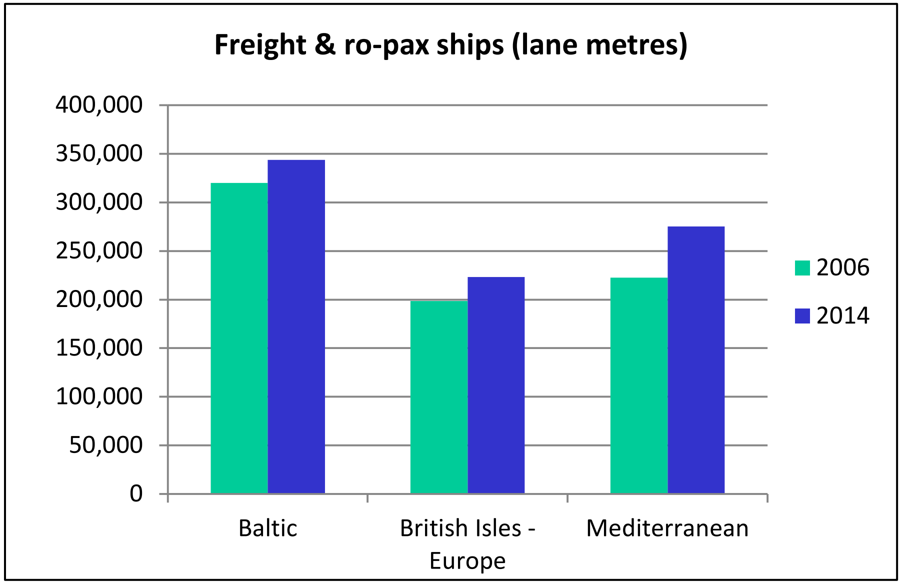
6. Fleet development in Europe





- No. of vessels deployed in Europe & Med estimated to have fallen by 8.1% between 2006 and 2014
- While lane metres has increased:
  - +7.3% Baltic
  - +12.5% British Isles – Europe
  - + 23.6% Mediterranean

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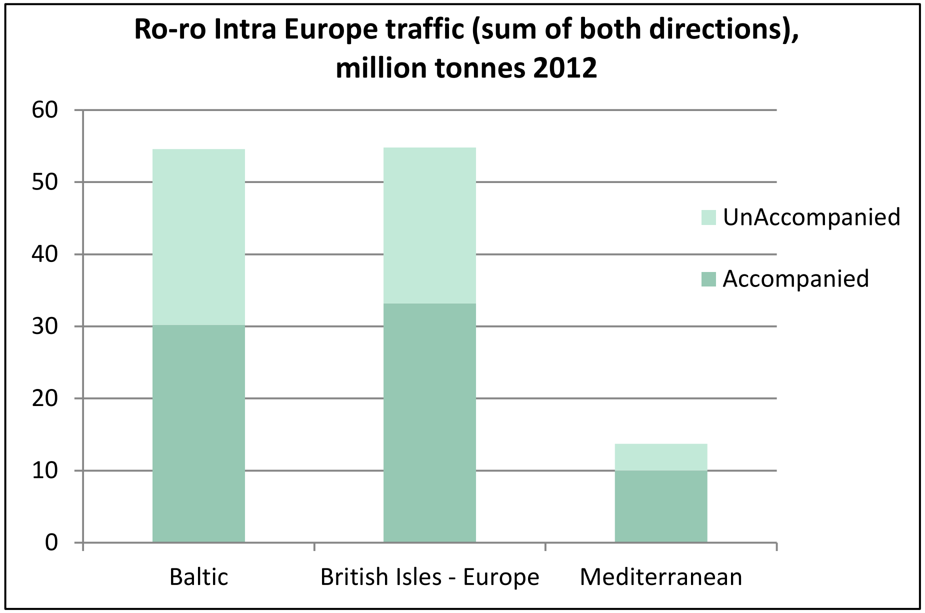
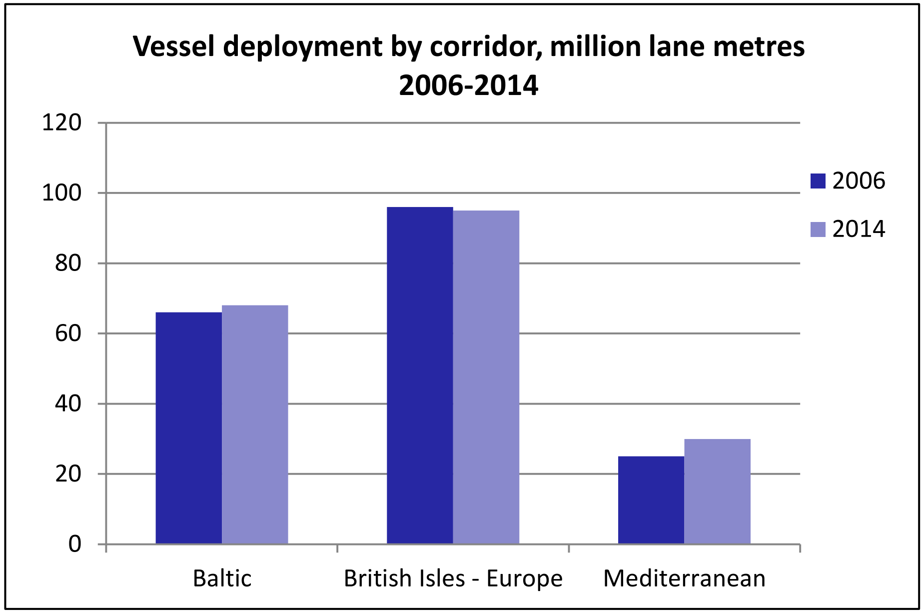
7. Ro-ro deployment by type and area





- Accompanied traffic dominant in Mediterranean
- Greater lane metre deployment British Isles- Europe due to high frequency, e.g. Dover- Calais

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8. Development of containerships

Size of containerships calling in Baltic/Scandinavian ports 2006-2014

	Average vessel size (TEU)		
Destination	2006	2014	% change
Deep Sea	3,399	6,953	+ 105
Rest of Europe	627	1,050	+70
Intra-Baltic*	479	751	+57

* Includes calls to Hamburg

- All areas show increase in average vessel size
- Triggered by economies of scale, demand and fuel price

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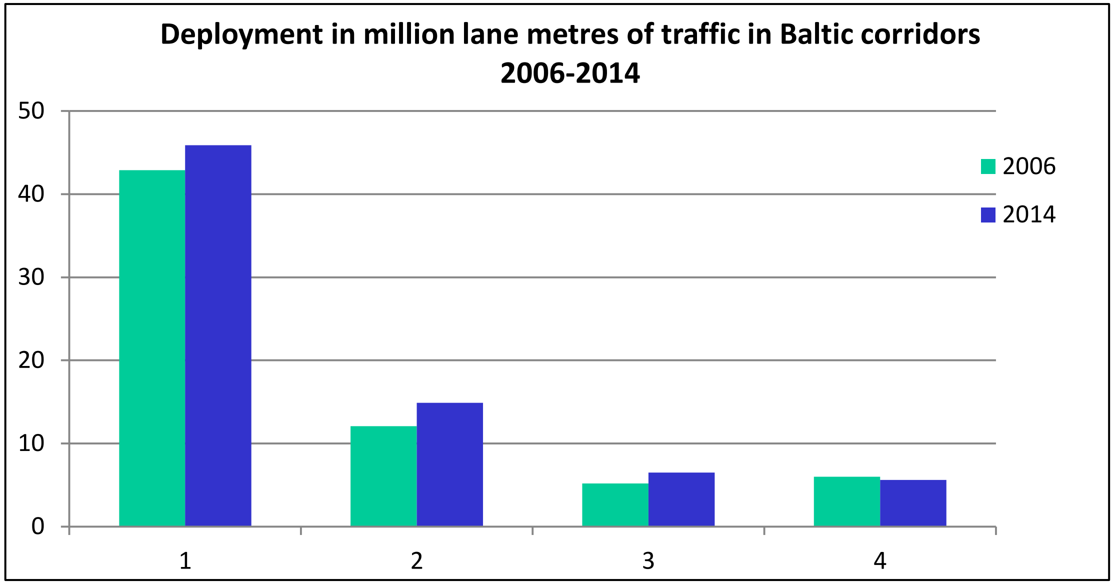
9. Ro-ro deployment in the Baltic



Corridor	Countries	Growth 2006-2014
1	Denmark/Germany/Poland - Scandinavia	7%
2	Finland/Baltic/Russia - Norway/Sweden	23%
3	Benelux - Den/Ger/Pol/Baltic/Scand/Russia	25%
4	Den/Ger/Pol/Baltic/Scand - British Isles	-7%

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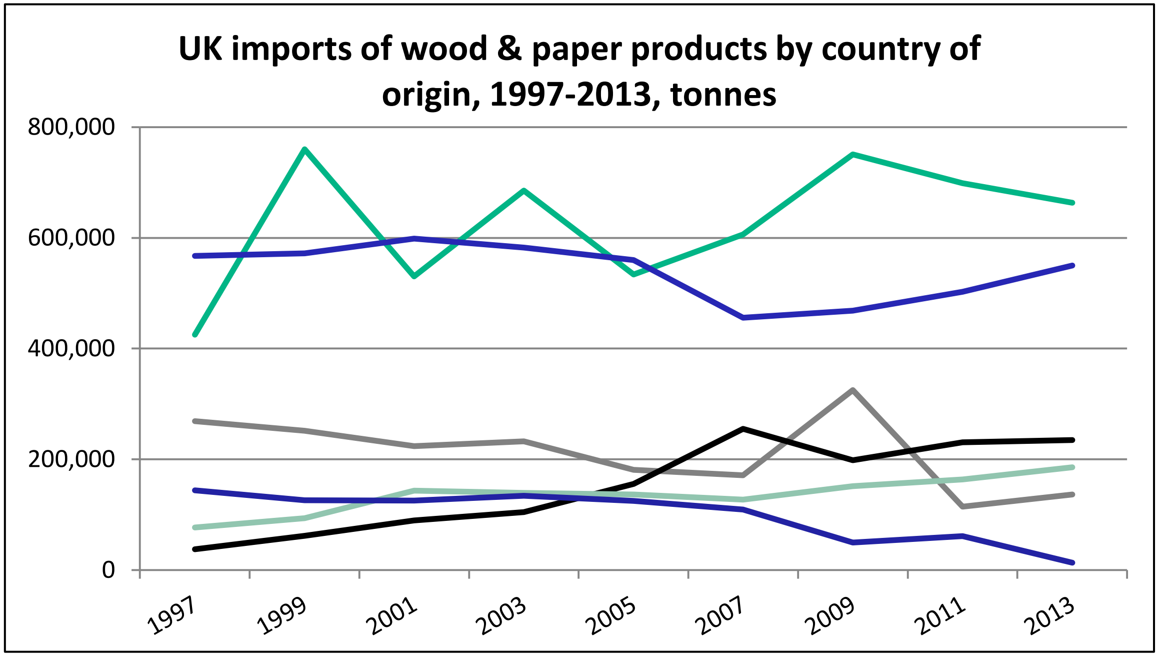
10. Paper and wood products to the UK



Country	Growth 1997-2013
Germany	+56%
Sweden	-3%
Finland	-49%
China	521%
Poland	+142%
Norway	-91%

- Decline of imports from traditional markets in Scandinavia
- Growth of imports from newer markets of Poland and China
- Reflects sharp decline in lane metres deployed between UK and Baltic/Scandinavia

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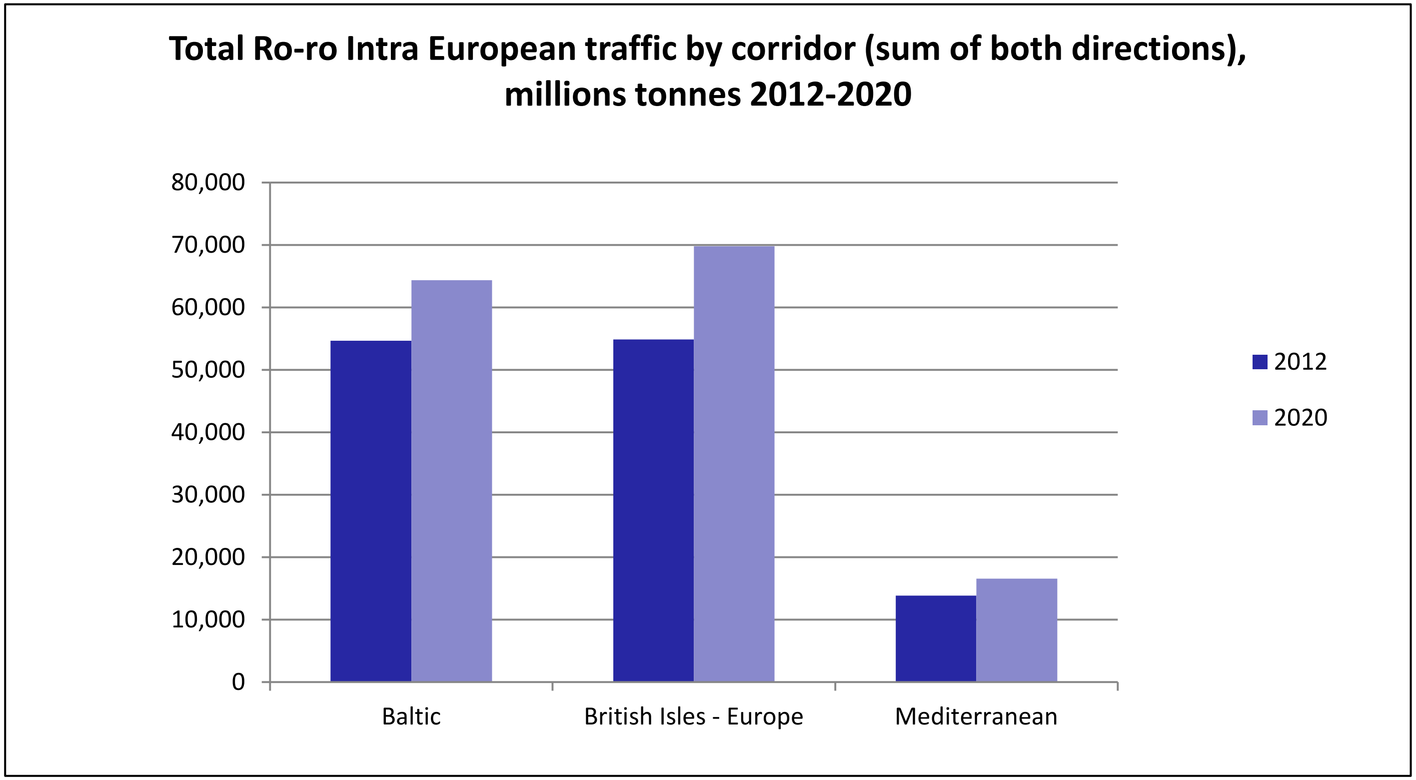
11. Intra-European Ro-ro traffic to 2020



- Overall annual growth of 2-3% p.a. if share retained
- SECA threatens to reduce that growth
- Switch to longer routes offers potential if fuel costs solved

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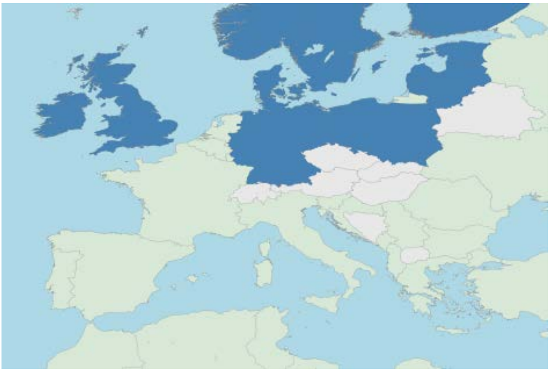
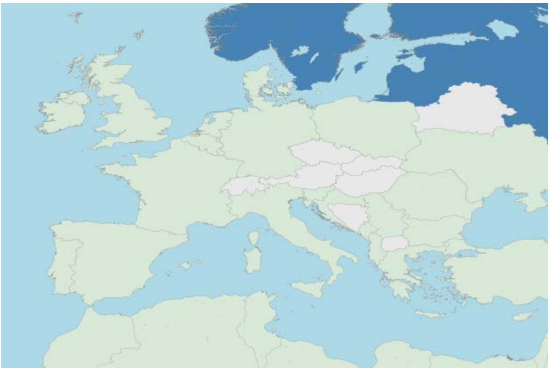
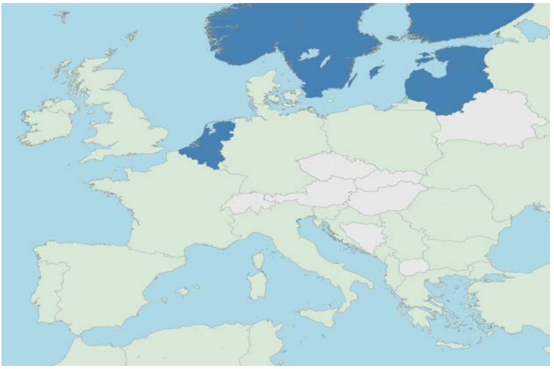
12. Growth by sub corridor



Baltic/ Scandinavia to/from British Isles
Proportion accompanied: 10%
Lane Metres per million tonnes: 10,077
Forecast growth p.a. to 2020: 1.8%



Finland/Baltic S/Russia to/from Norway/Sweden
Proportion accompanied: 80%
Lane Metres per million tonnes : 10,932
Forecast growth p.a. to 2020: 2.1%



Benelux to Baltic/Scandinavia
Proportion accompanied: 22%
Lane Metres per million tonnes: 7,725
Forecast growth p.a. to 2020: 2.9%

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13. SECA Challenge

- Range of studies 2009-12 confirmed ‘0.1%’ emissions rule transfers cargo from sea to road/rail
  - reducing market for ships’ capacity >10%
- Extension of SECA to Mediterranean and Irish Sea likely
- Rail freight liberalization a further threat to longer haul services
- Ro-ro industry lacked coherent strategy in addressing SECA:
  - initial denial that any viable technology available
  - a hope that EU would back-down
  - then the conclusions by some that **scrubbers could work** proving policy makers ‘right’ to dis-believe a reluctant industry
  - others have found chosen **methanol cost effective**
  - now realization **LNG can even be retro-fitted**!
- But cost effective further investment implies larger ships and further industrial concentration in a stagnant market
- Increased concentration implies continuing ‘competition’ issues
- North Sea services have suffered, Harwich - Esbjerg

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14. Moving forward: MoS

- Future of MoS is to be funded through;
- Connecting Europe Facility (2014-2020)
- TEN-T fund
- Future direction recognised as MoS connecting ports to other transport modes for improved hinterland connections
- Funding port infrastructure to benefit relationship between ports and operators to make longer routes competitive
- Integration of funding highlighted below in pre-identified sections

Core corridor/ Seaports	Mode	Objectives
North Sea-Baltic Sea Helsinki – Tallinn	Port, MoS	Port interconnections, development of multimodal platforms and their interconnections, icebreaking capacity, MoS

Source: Regulation (CE) 1316/2013

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15. MoS example

- St Nazaire – Gijon started in 2010 with aim of reducing road congestion and taking 100,000 trucks off the roads per year
- Received subsidies of €15m off both French and Spanish governments, as well as €4m of Marco Polo II funding which ended in July
- Vessel used capable of carrying 150 trailers and 500 passengers, 3 times a week
- Service closing

• Lessons:

- Service not competitive vs. road haulage
- Unaccompanied traffic much more suitable for longer routes
- A reliance on subsidies not healthy moving forward
- Service would struggle further if in a SECA zone

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16. In summary

- Ro-ro trade in the Baltic threatened by SECA
- Operators appear hesitantly ready for post 2015
- UK-Scandinavian Ro-ro market weak
- Ro-ro and trade in general overall for Baltic/Scandinavia looks steady

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Thank you!

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