

# **Shortsea Shipping in Europe**

## **A continual learning curve**

**David Cheslin, Chairman, Coastlink Network Ltd**

Ladies & Gentlemen

As Chairman of Coastlink, an independent organisation dedicated to the promotion of shortsea container shipping in Europe, I have been asked by Alan Taylor to talk about the way the business has developed, the hurdles it has faced and those that we still face.

Coastlink is an association of companies committed to expanding the role shortsea shipping plays in transporting containers around Europe. Members include deepsea and shortsea shipping companies, intermodal operators, ports and stevedores, forwarding and logistics specialists and shippers.

Coastlink was established in London in 2004 under the Chairmanship of David Cheslin, Managing Director of Dunelm Public Relations Ltd. Gavin Roser of Pantrak Transportation is the Deputy Chairman. Policy is driven by a board of directors supported by a steering committee; these include executives from the ports of Zeebrugge, Poole, Nantes Saint-Nazaire, Dunkirk, PD Ports, Iggesund and Zim UK.

Coastlink's origins lie with a meeting in December 2003, initiated by Gavin and myself. This set out to explore the viability of a coastal container service along the UK East Coast that would cater for both deepsea feeder boxes and the carriage of UK domestic traffic. While it was felt that the viability of moving domestic cargo by containers was still some way off, the meeting did conclude that regular meetings to discuss shortsea matters would be worthwhile, especially given the looming spectre of port congestion during the 2004 peak season.

Coastlink organised a major conference in Newcastle-upon-Tyne in May 2004 and repeated the event in June 2005. This has settled down into a pattern of two major conferences each year. In 2009,

these were in Tallinn and Dunkerque; in 2010 they were to have been in Bilbao and Antwerp but sadly the Spanish event was postponed.

In addition, smaller meetings are held to discuss specific subjects of current interest.

Since its inception, Coastlink has broadened its scope from a purely UK association to include subjects of interest to those involved in shortsea shipping throughout Northern Europe. The resultant networking opportunities, most notably between ports and shortsea/feeder shipping companies, have already led to a number of new service initiatives while Coastlink is also working actively to identify and eliminate where possible those factors that restrict shortsea shipping's ability to compete with road transport. 2009 saw Coastlink's field of interest expand to cover the Mediterranean and North Africa.

As my day job is in PR - I am essentially an organiser - I would invite anyone here in the audience, active in shortsea shipping, to chip in with their own comments as they see fit.

Firstly some definitions. These are definitions we use in Coastlink and are not universal.

**Feeder:** a feeder vessel is one that is employed moving deepsea containers between hub ports such as Hamburg and Rotterdam, and outports like those in the Baltic Sea, northern Spain and even in the North of England and Scotland. The containers it carries are typically the ISO containers we see all over the world: 20ft or 40ft long, occasionally 45ft; they are 8ft wide and either 8ft 6in or 9ft 6 in high.

**Shortsea:** shortsea shipping services are those where the origin and destination points of the cargo are within Europe. Typically cargo is moved on a door/door basis and rail, road and barge may also form part of the transport chain – hence the term multimodal for this form of transport. Indeed, in many cases, the cargo will travel further by rail than by water on its journey from shipper to consignee.

As in North America, Europe has special sizes for domestic containers. Our equivalent of the North American 53ft container is the

45ft palletwide (pw), so called because it is slightly wider than 8ft so that it can accommodate two Europallets side by side. A 45ft pw is able to carry the same number of pallets (33) as a 13.6m road trailer and so can compete on more or less equal terms. A 45ft deepsea container can carry significantly fewer pallets and so it is a more expensive piece of kit when the 'per pallet kilometre' road transport costs are being calculated.

We also have a lot of 30ft containers, usually used for dry or liquid bulks where the cargo would weigh out in a 40ft and cube out in a 20ft. The 30ft is also good on rail in that, subject to payload constraints, you can put two on a 60ft wagon and three on a 90ft wagon.

**RoRo and ferries:** By and large, these are not of interest to Coastlink. Most services are simply 'bridges' for road transport operators to get them across stretches of water – eg the English Channel and Irish Sea – or to shorten what would otherwise be a lengthy and/or difficult road trip, eg from Finland to Sweden or Italy to Turkey.

There are exceptions, of course. Some RoRo operators do carry containers as well as wheeled vehicles and we do regard these in a similar way to LoLo container vessels.

### **Mixing feeder and shortsea**

Ideally, you would want to mix deepsea feeder and shortsea multimodal traffic on the same ship to get maximum economy of scale. However this has proven difficult to do in Northern Europe.

Physically, it was difficult at the beginning because the coastal container ships available for charter were designed around ISO container dimensions and could accommodate only a handful of 45ft palletwides on deck. More modern ships can accommodate far more – indeed some are designed around the 45ft pw for a maximum intake. But there's always a catch: these newer ships are more expensive to charter. (I should say here that almost all shortsea and feeder operators depend on charter ships to run their services, so

gaining flexibility when volumes are fluctuating and ship sizes are increasing.)

I gather that many North American feeder operations use non-cellular barges and so the physical act of mixing deepsea and domestic containers may not be such an issue over there.

Operationally, there are also barriers to mixing deepsea and domestic containers.

Feeder operators are working for the deepsea carriers and will often be told to wait for a mother vessel. This may entail slow steaming towards the hub port or hanging around at anchor or on a lay-by berth. Even when they get alongside, the deepsea carrier may demand that all available cranes are used on his big ship and the feeder has to wait for a crane to come free.

Inevitably, this means that feeder schedules can be quite erratic. This is not acceptable to customers of shortsea domestic services who are used to trucks arriving to load on time and deliver on time. They expect shortsea operators to deliver the same type of service.

Even the way that a terminal operator has to handle shortsea boxes is different. The ships run to tight schedules. You don't just sail on a Tuesday, you sail at 21.00 hrs on a Tuesday. Containers delivered at the last moment are shipped and on arrival at the destination port, many containers have left the gate and are heading for the consignee's premises within a couple of hours or so of being discharged – if not faster.

Shortsea LoLo vessels are also quite fast. When the intended charterer Geest North Sea Line asked the shipyard for 19 knots with this ship – the first LoLo containership designed around 45ft palletwides - the yard was really surprised but Geest knew what it wanted: it wanted to run a daily service with just two ships between Rotterdam and London (Tilbury). It needed fast cargo handling and fast crossing times to maintain the envisaged schedule. Samskip later acquired Geest and chartered further ships in this class while other owners liked the design too; the shipbuilder is very happy!

## **Politics and bureaucracy**

Coastlink helps its members find commercial solutions. We have little to do with the EU. This is quite deliberate, especially on my part. I have little time for politicians and bureaucrats who meddle in things they don't really understand.

Pretty well all shortsea operators are run by small management teams and they simply don't have the time and the resources to be filling in applications for grants, and then jumping through all the hoops that confront them. So, despite there being much publicity about Marco Polo, Motorways of the Sea, etc, few LoLo operators have received a single Euro. Those who have, and who have reached the form finishing line, are so often then told there is no money available this year or even next year – by which time the identified opportunity may have long gone.

Another issue is that often money is handed out to start-up operations with political muscle behind them. They will then compete with existing operators, most of whom will have struggled for years to create viable services that can win business away from the road haulage market. Where is the fairness in that?

As for the 'political' services that start up on genuine new routes, they almost always cease operations when the grants expire. They weren't viable before and they never become viable. Few operators have been successful in pioneering new routes, the Italian company Grimaldi perhaps being the most notable exception. It probably helps Grimaldi that it uses passenger ferries on some routes, beautiful ships that are almost like cruise liners. Yes these are more expensive ships to operate but they bring extra revenue too.

Many passengers will be families with cars. You can for example sail from Barcelona to Rome in about 20 hours and get a goodnight's sleep; driving, it is a road journey of over 800 miles along often congested highways. Which form of transport would you prefer, especially with kids on board?

For many years, we have also been very p\*\*\*\*\* off by the fact that a container being transported from one EU port to another needs to be

accompanied by far more paperwork than a trailer moving over the road. It's a put-off for the shipper, an unnecessary obstacle for the shipping company salesman.

Coastlink has assisted in highlighting this anomaly and we are glad to say that things are a lot better now, but we still don't think the playing field is level.

Restrictive practices add costs too. For example, in the UK a ship's captain can get a pilotage exemption if he is going in and out of a particular port on a regular basis. In some other EU countries, this is impossible. Indeed, when we held our first Antwerp conference, we found that feeder vessels needed pilots just to cross from one side of a 17m deep dock to the other.

Well, this is European coastal shipping in a nutshell as seen through the eyes of Coastlink. But I am interested in how you do things in North America, and particularly in the Great Lakes.

### Why the Jones Act?

The US insistence on restricting coastal shipping to US-built, US-flag ships is, dare I say it, ridiculous. (I say this as someone who is from the UK, a country which is building two hugely expensive aircraft carriers but can't afford the aeroplanes to go with them. We know all about things ridiculous!)

But it is ridiculous if you want to get cargo off the roads and onto ships. If you didn't have the Jones Act, you would have ocean carriers establishing hub ports. For example, you could move a container from Europe to New York on a North Atlantic service and transfer it to another mother ship that could relay the container to the South Atlantic, Gulf or Pacific Coast. Feeders are not always small ships. Relaying from mother ship to mother ship is especially common in the Far East. But dedicated feeder ships would still be the main tool in North America just as they are in Europe and Asia.

I note too that the Jones Act in effect requires US shortsea/feeder operators to be shipowners. Yes you can lease but that is a technicality. You are still entering into longterm financial

commitments. Any European shortsea/feeder operator would find such a situation impossible. Most are relatively small, lightly-funded companies who could not afford to buy a fleet of ships – even if they would be able to live with the inflexibility of a fixed fleet of ships.

I gather that in Canada, there is a more relaxed situation but ‘imported’ ships are still penalised and, I believe, carriers cannot on-hire and off-hire ships very easily? I think that if you had a free-for-all like we have in Europe, you’ have a lot more ships sailing around the Great Lakes and around the North American coastline.

Your shipbuilders may even be busier; instead of building ships, they could focus on repairing them and this would preserve the skills you want to retain, even if only for military/strategic purposes.

### A European influence

It’s interesting to me that your Great Lakes Feeder Lines has a European management background and that Europeans are heavily involved in the American Feeder Lines project. If GLFL doesn’t become a success, it won’t encourage others to follow. When I read that they are using old – read ‘not fuel efficient’ and ‘not green’ ships and have to pay a 25% import tax to run them in the Great Lakes, and are almost certainly more expensively crewed that they have ever been, I know they are running their business with one arm tied.

As for AFL, it’s a great concept but if they do get it up and running, the burden of debt they will be carrying will be enormous.

At the very least, you should be discharging deepsea ships in Montreal or Halifax and relaying into the Lakes with smaller ships, but still much bigger than the 221TEU/1988-built and 270TEU/1991-built ships GLFL is using.

There are lots of German-controlled container ships in the 500TEU – 900TEU sector that are ice-strengthened and which could be chartered. Sadly they wouldn’t be able to carry 53 footers but then there’s nothing out there that is cellular that can. Our 45ft palletwides are at least designed to be carried on ships, top-lifted and stacked.

As I understand it, American 53 footers are what we call in Europe swapbodies, not containers.

If the Great Lakes could develop a feeder network with links to deepsea hubs, then you could really start to move.

Port centric warehousing: I am sure some Great Lakes ports have spare land that could be used for distribution. This has proved to be an excellent way for small ports to create captive traffic.

Links to shorttrail lines to reach inland points? Increase the size of the hinterland served by your port. Again European ports have realised that they must at the very least act as catalysts to ensure that their container terminals have good access to commercial centres inland.

Well, I must now have well over-run my time allocation. Thank you for your attention. I hope I have given you food for thought.