

# Impact of the economic crisis on the IWT market



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Translating facts into vision



9 December, 2009

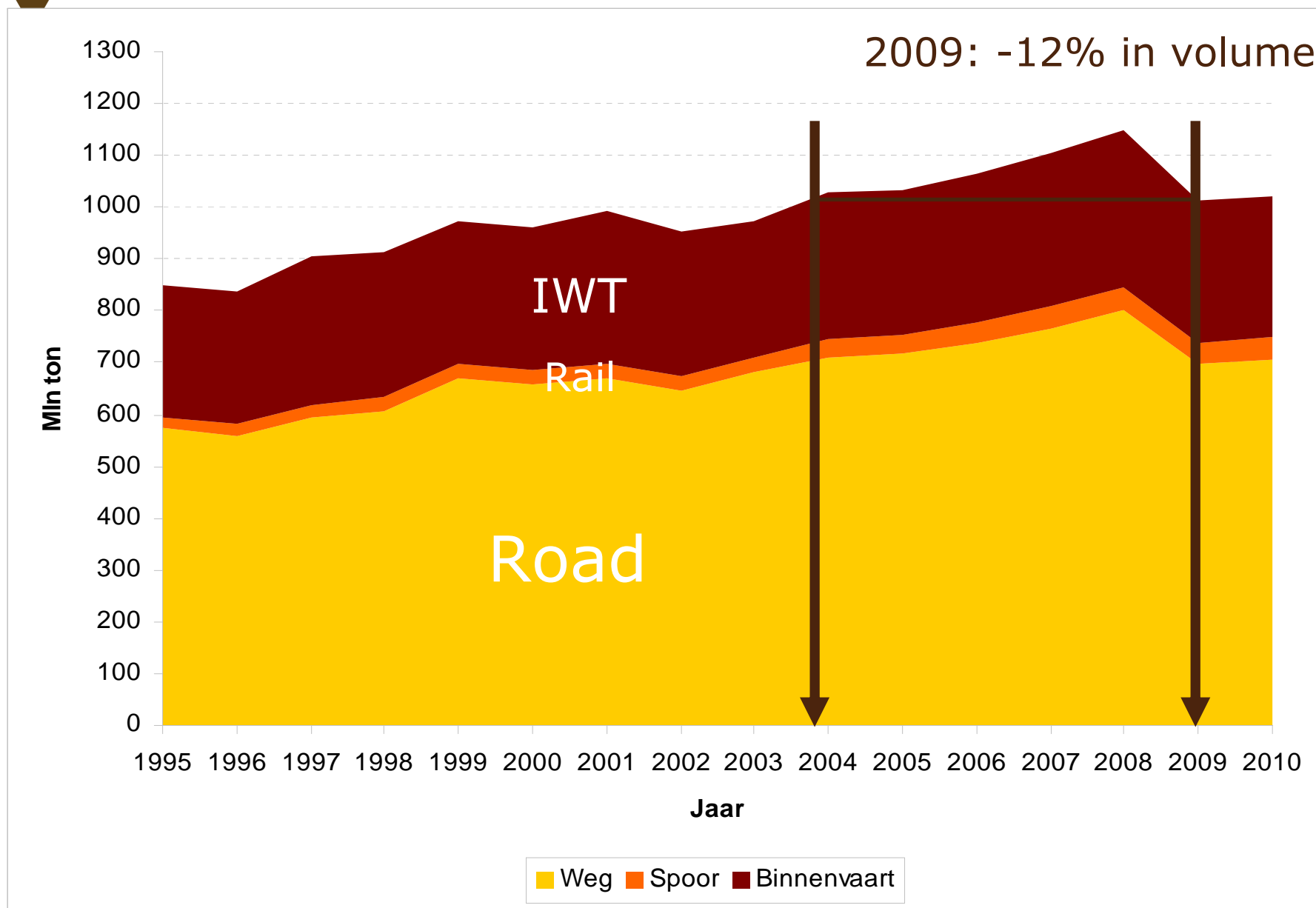
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- Introduction
- Freight volumes and the other modes of transport
- Figures on the development of IWT
- Long term outlook
- Conclusions
- Recommendations

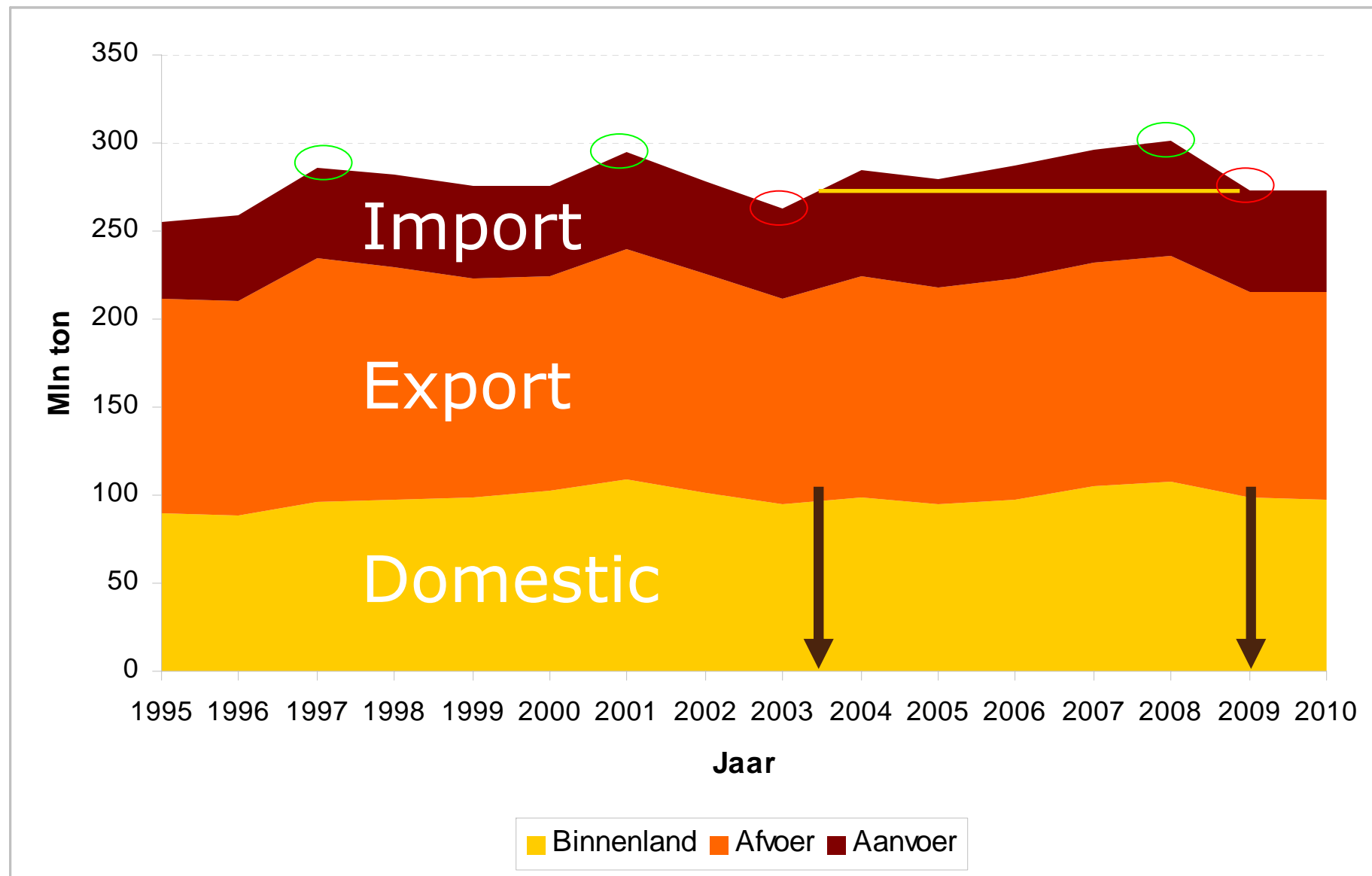
## NEA studies concerning impact crisis on IWT :

- Sept '09: first estimation on expectations 2009 - 2016 (Crisisberaad)
- Sept- Nov'09: More detailed outlook on the sector 2009-2016 (Rabobank)
- Oct '09: Analyses on capacity utilisation 2008 and estimation for 2009 for Western European Fleet (CCNR)
- Nov '09: elasticity of freight tariffs under current market conditions and comparison with costs (Crisisberaad)

# Freight transport in NL



# IWT volumes in NL



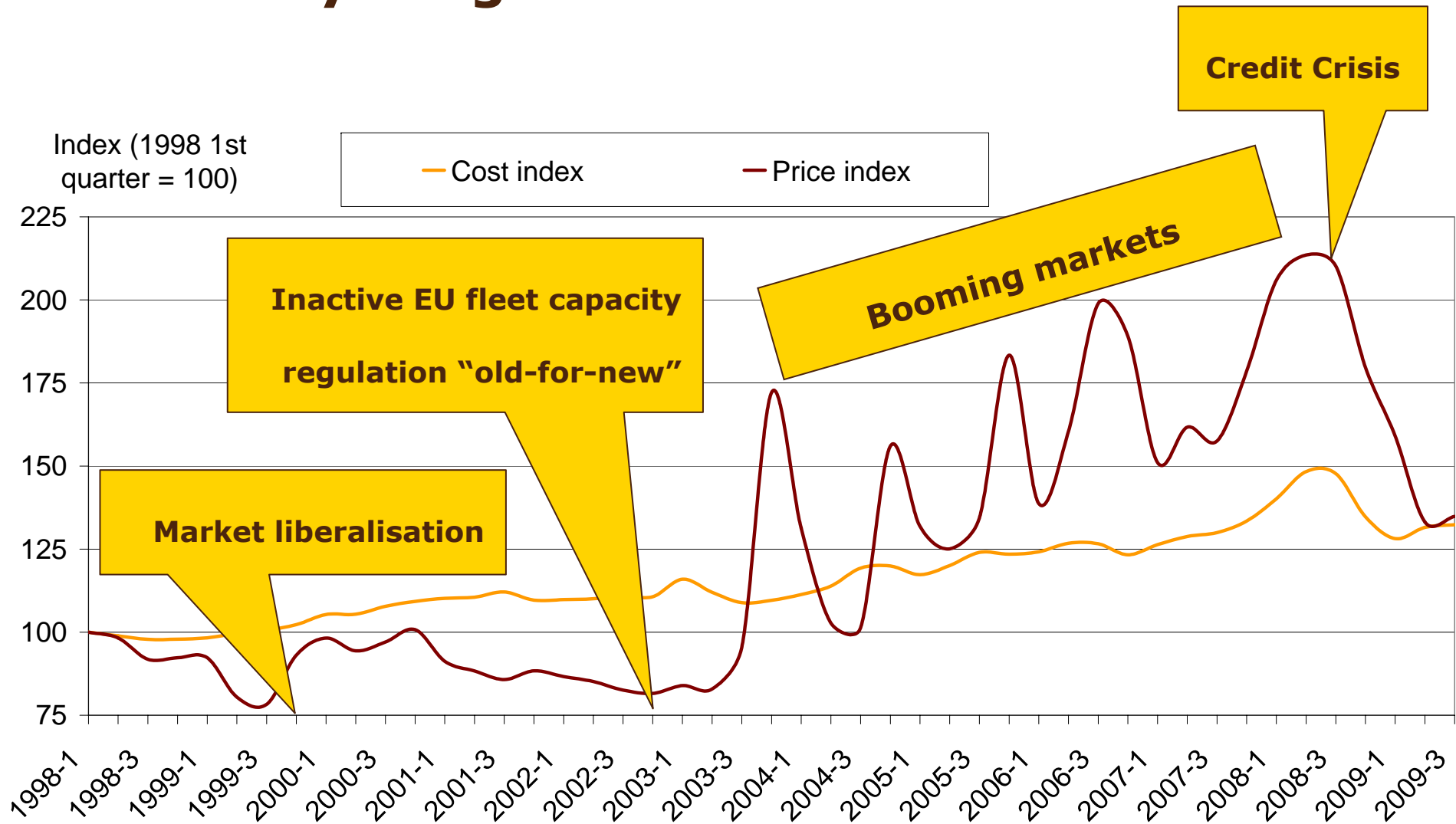
## Volume development 2009, 2010 (NL)

- Road: -12.6% in 2009, +1.2% in 2010
- Rail: -12.8% in 2009, +2.2% in 2010
- IWT: -9.4% in 2009, +0.3% in 2010

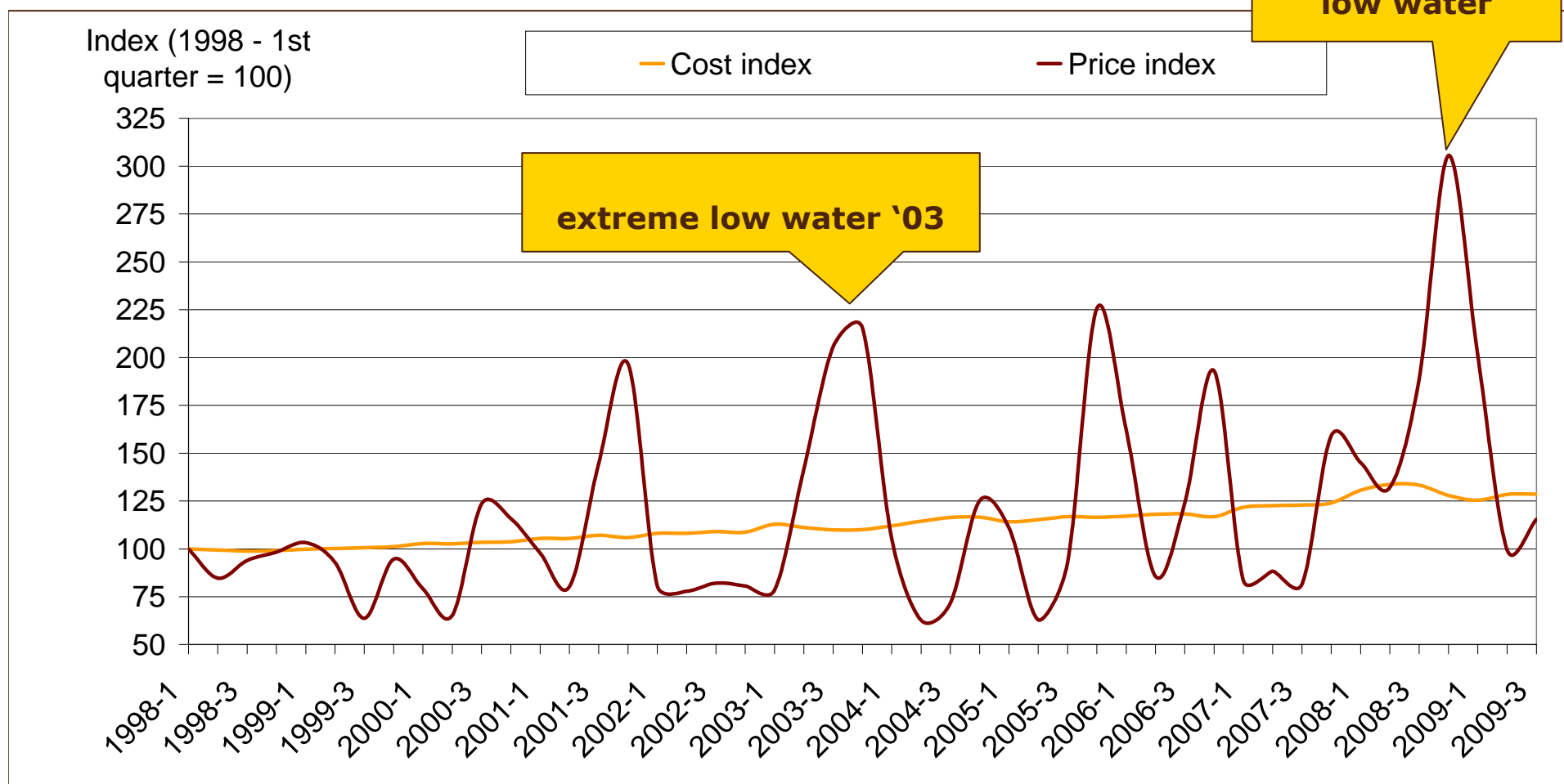
## Crisis mitigation:

- More easy to adapt the supply of capacity in rail and road
- Specific circumstances for IWT:
  - Scale of organisation of supply: small companies
  - Substantial increase of capacity in past years
  - Capital intensive

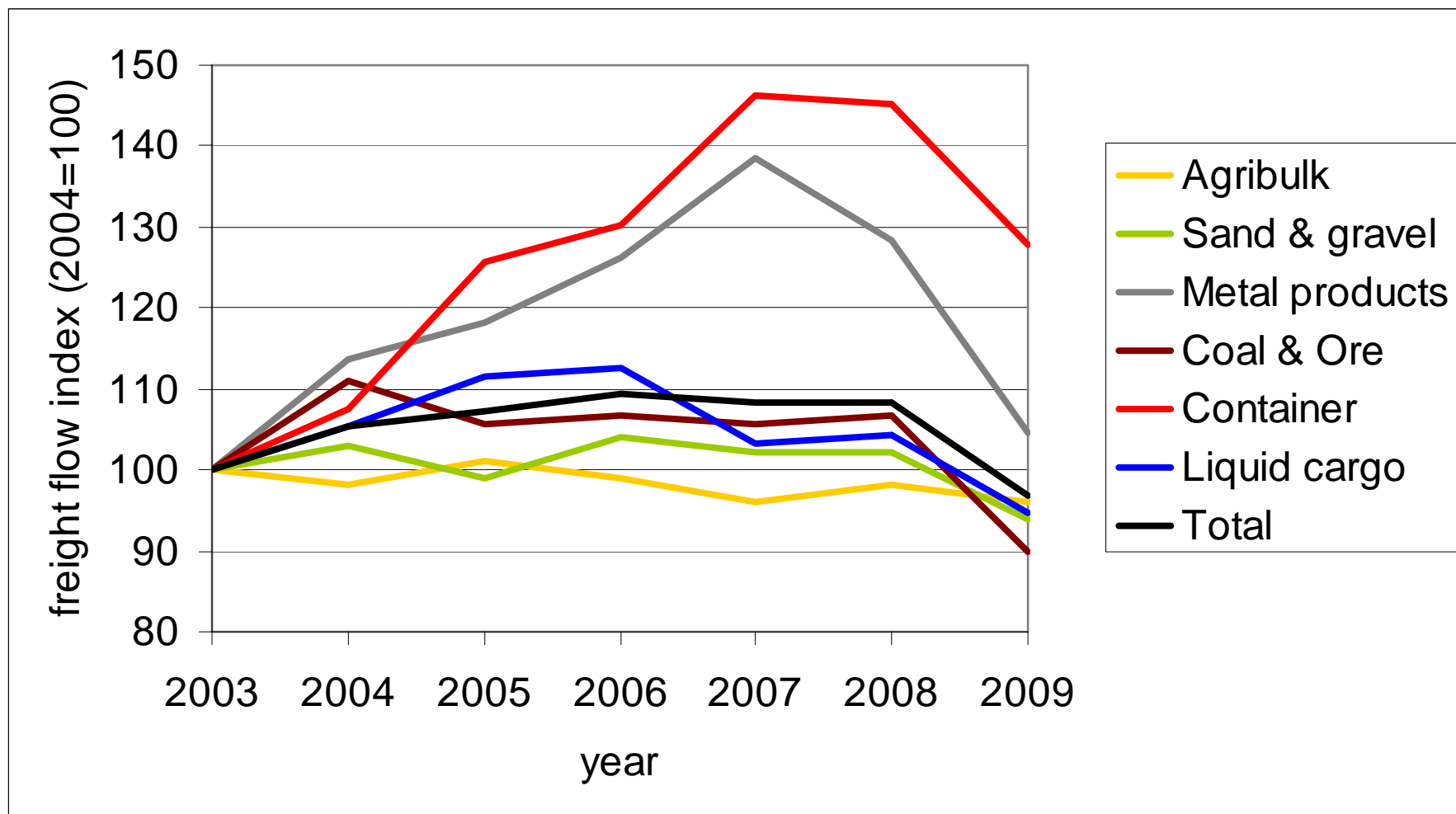
## Rhine Dry Cargo market:



## Rhine Liquid Cargo market:



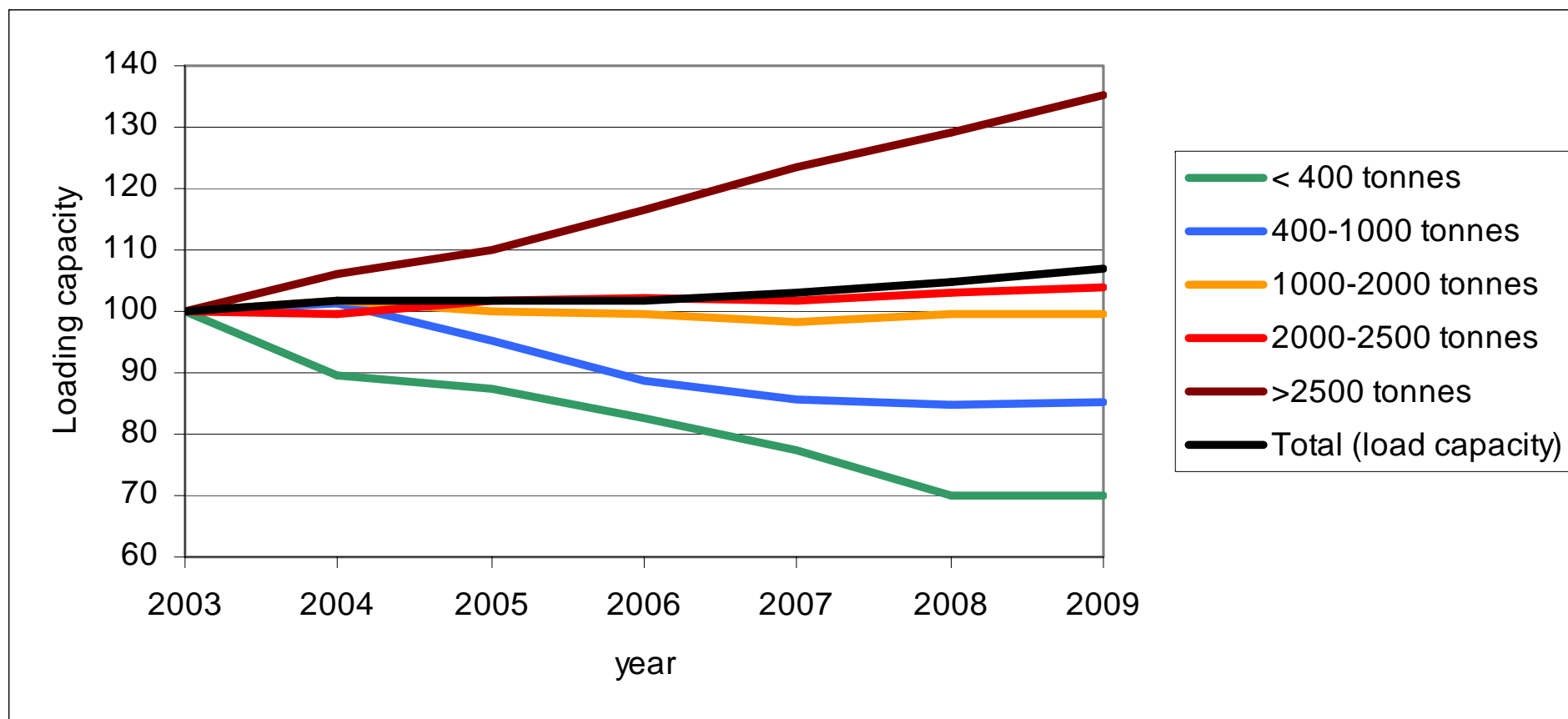
## Development of demand, the freight volumes: (CCNR area)



## Supply: Dry cargo vessels (NL, B, D, F)

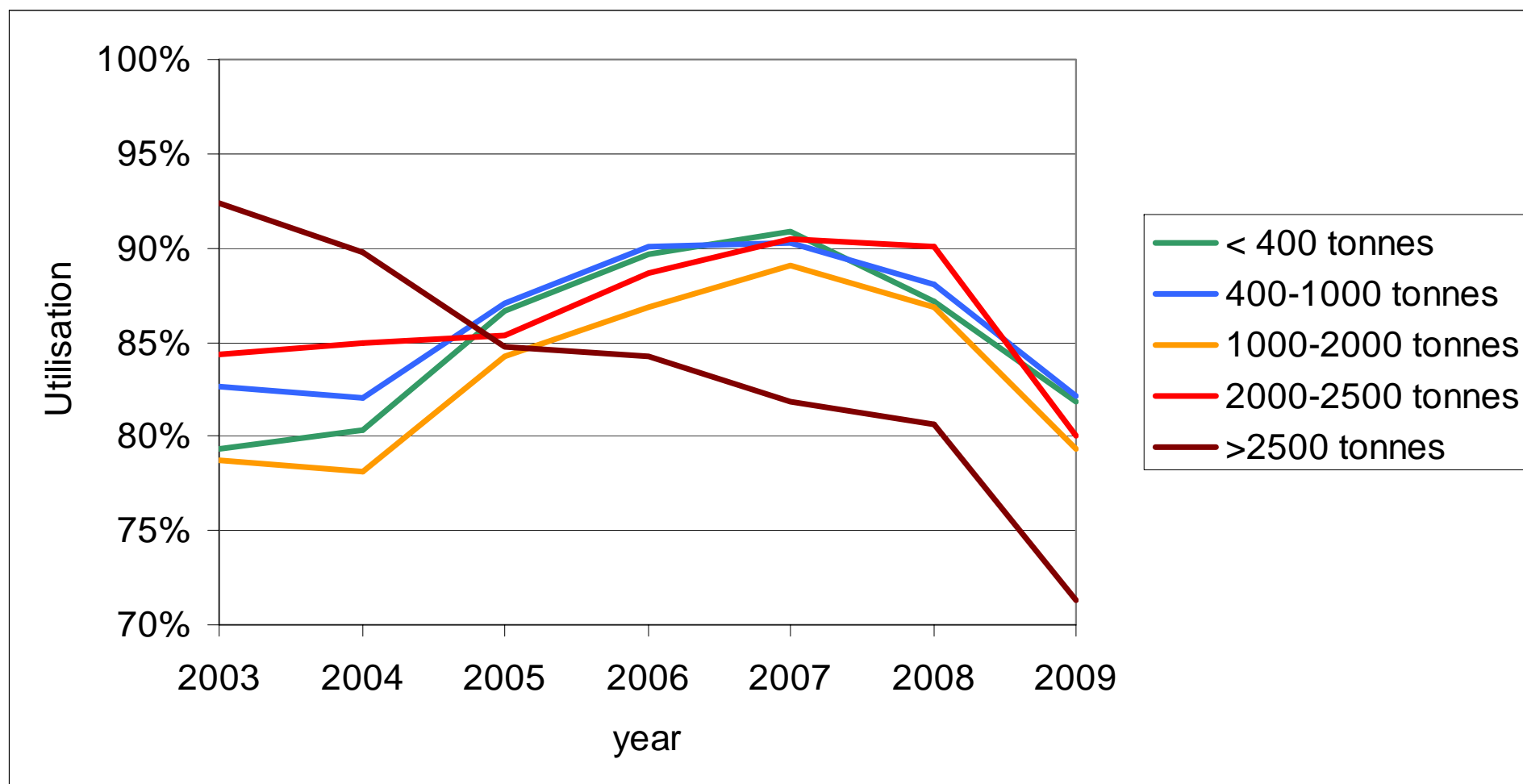
- 1975 - 2007: Reduction of 75% of the number of vessels
- 1975 - 2007: Reduction of 50% of total tonnage of fleet
- 1975 - 2007: Increase of average vessel: 583 tons to 1116 tons
- 2016: further increase expected to 1400 tons per vessel

## Supply: Dry cargo vessels (tonnage): (CCNR area)



## Utilisation rates: dry cargo fleet

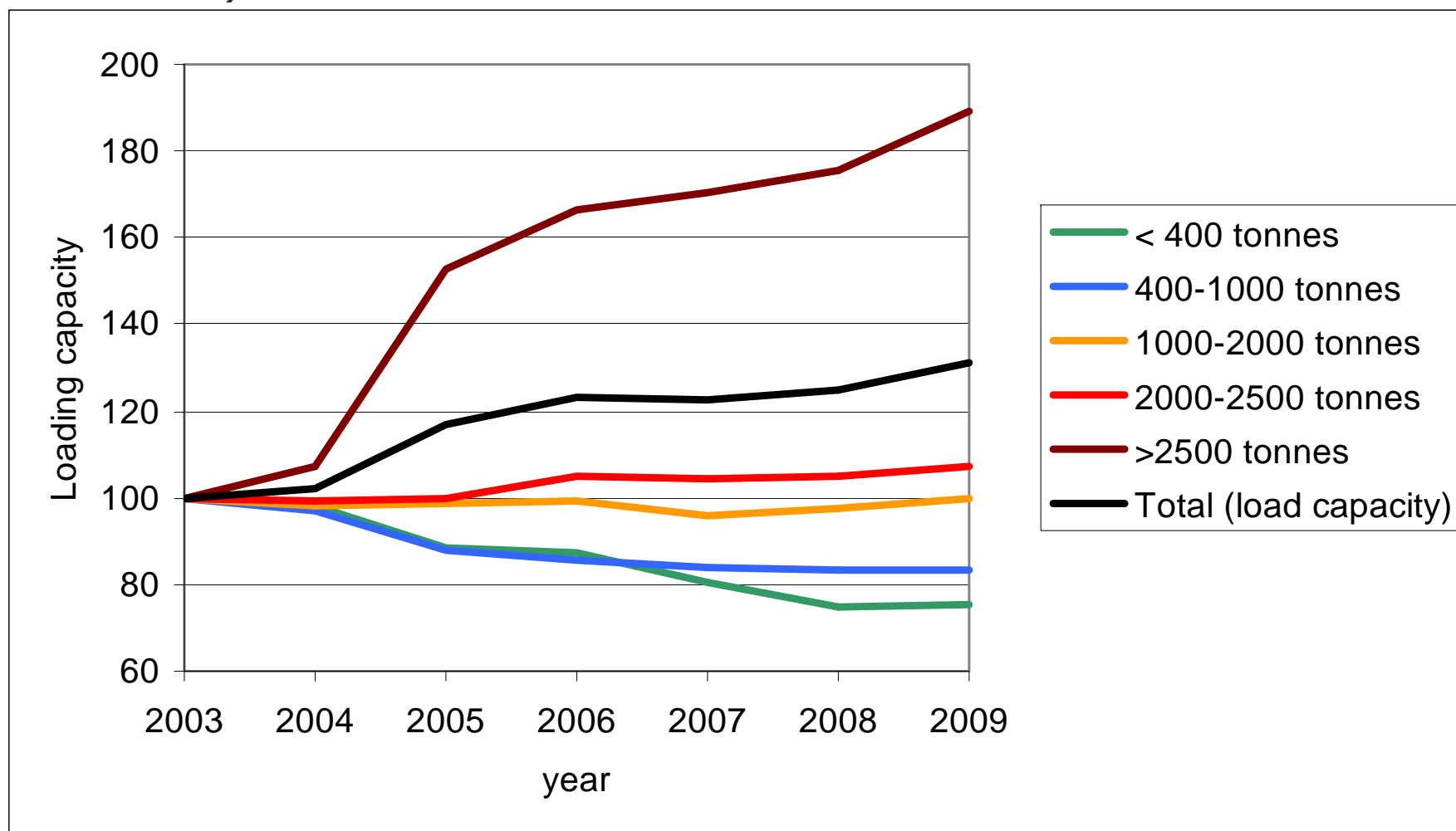
(CCNR area, annual average)



## Supply: tanker vessels (NL, B, D, F)

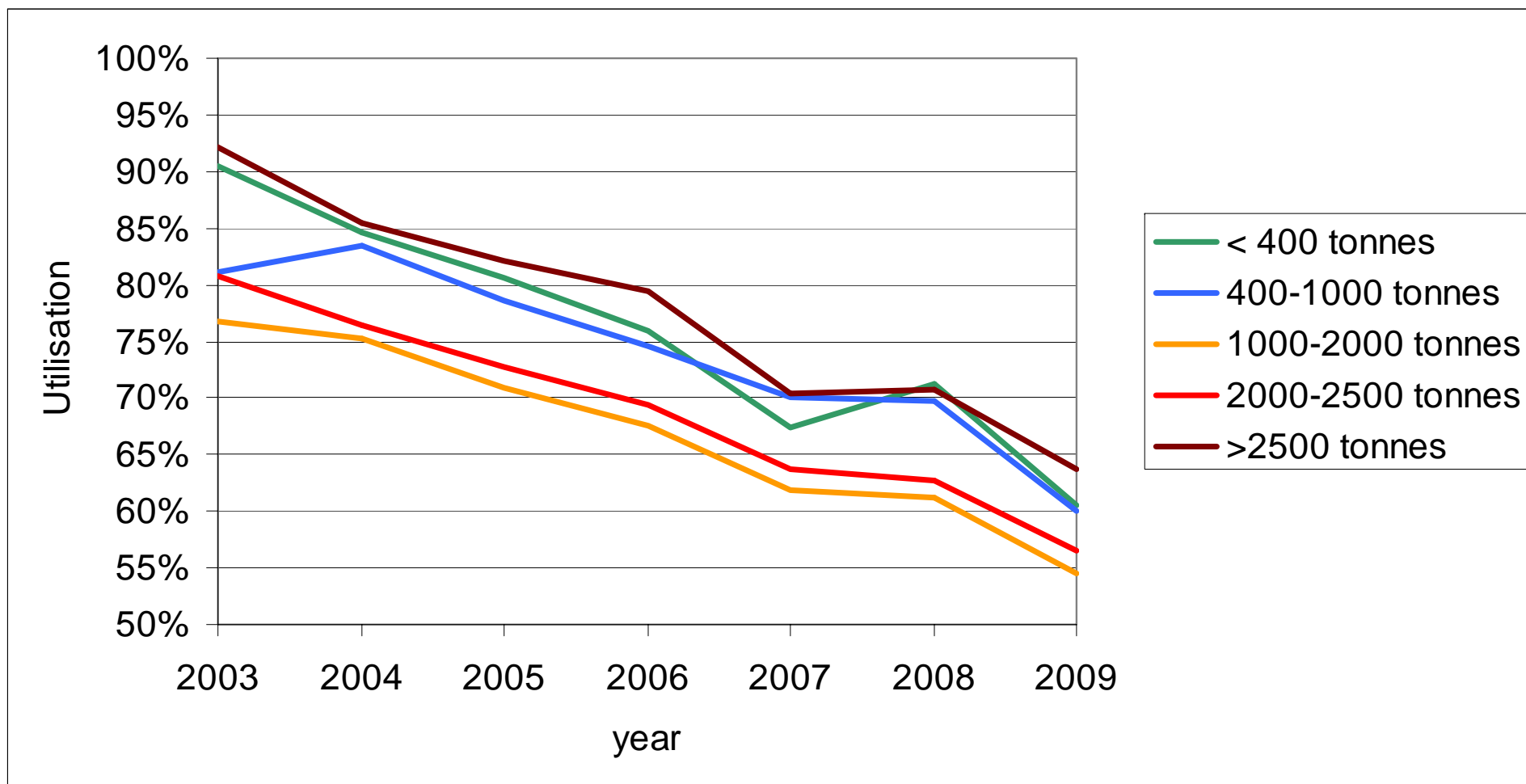
- 1975 - 2007: Reduction of 47% of the number of tanker vessels
- 1975 - 2007: Reduction of 10% of total tonnage of fleet
- 1975 - 2007: Increase of average vessel: 899 tons to 1539 tons
- 2016: further increase expected to 1850 tons per vessel

## Supply: tanker vessels (tonnage): (CCNR area)



## Utilisation rates: tanker fleet

(CCNR area, annual average)



## To summarise...

- ◆ Dramatic fall of freight prices since all time high in 2008
- ◆ 2009 volume on level 2003/2004, differs per commodity
- ◆ Increase of capacity of fleet (tons) 2009:
  - ◆ + 4% in dry cargo compared to 2004
  - ◆ + 28% in tankers compared to 2004
- ◆ Please note: real capacity growth is even bigger
- ◆ Substantial decline of average annual capacity utilisation

## ...but still uncertainties

- ◆ **Development of the fleet capacity:**
  - ◆ Exact figures on inflow of new vessels to active fleet
  - ◆ How many bankruptcies in next years?
  - ◆ What will happen with vessels of bankrupt companies?
  - ◆ Pace of single hull tankers leaving the market
  
- ◆ **Economic scenario's:**
  - ◆ Short-term: expert agreement, differences on timing of recovery (2010 or 2011)
  - ◆ More uncertainty in the medium- and longer term:
    - Will there be structural changes in economy?
    - Phasing out of government support programmes and recovering from these public expenditures

## ◆ **Key advantages of IWT:**

- ◆ Reliability and capacity of waterway network
- ◆ Sustainability: low CO2 and energy consumption
- ◆ Economies of scale, low costs
- ◆ Modern fleet available

⇒ Excellent fit with trends and issues that dominate the agenda in the next decades.

## ◆ **Large investments** in ports and infrastructure, e.g.:

- ◆ Seine-Schelde connection (> 2015)
- ◆ Port of Rotterdam: Maasvlakte 2 (> 2013)

⇒ New markets, new growth

⇒ Fleet capacity is needed on long term

- There are different impacts of the crisis on IWT:
  - between commodities
  - between vessel sizes
  - between operating areas
  
- The crisis results in financial problems, especially due to the high level of inflow of new vessels over the past years. Bankruptcies can be expected.
  
- Still uncertainty on key assumptions, e.g. research needed on rate and impact of bankruptcies on short term
  
- Prospects for the long-term are promising

# Recommendations

- Additional fleet expansion should be mitigated
- Examination needed on investment decisions and their relations with financing structures with respect to vessels.
- Differentiated/ targeted policies to be considered for:
  - Tanker transport (phasing out regimes)
  - Large dry cargo vessels
  - Replacement of small (old) vessels
- Required in the supply of IWT transport services:
  - more professionalism
  - more co-operation
  - increase of scale of organisation

# Thank you for your attention!

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