Session 1: Inland Waterway Market Development in a Pan-European Context: EU and Rhine Markets

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Preliminary remark

The paper looks at the four themes highlighted in the programme, namely:

(a) Market development, themes, problems
(b) Logistics, inter-modality
(c) Cooperation
(d) Action expected from governments

Given the short time available, no attempt will be made to analyse all developments on the EU market for inland waterway transport, and instead the emphasis will be on a number of aspects that would appear to be important. No reference will be made to detailed statistics, insofar as their quality is often poor in any case and international comparisons are not always possible.

(a) Market development: themes, problems

But first a few figures:

- Over the past 15 years, total growth in the volume of inland waterways traffic in Europe has been slight. In the "top" three countries taken together (Germany, the Netherlands, and France) growth in volume terms was only 16%, whereas total transport demand over the same period rose by 41%. Accordingly, the share of inland waterway traffic in these three countries fell from 17.6% to 14.4%.

- It is to be noted here that in the case of the leading country in volume terms (Germany), this growth in inland waterway traffic is still inflated as a result of German reunification. It would be more accurate to say that the level of traffic on the German market is stable.

- This is a similar trend to that of rail freight whose market shares continue to dwindle. Put simply, the situation may be summed up as follows: Growth in the demand for freight traffic is as robust as ever, but nearly all of the extra traffic has been absorbed by the roads. Neither the inland waterways nor the railways are losing much of their traditional traffic, but their share of the extra traffic is small.

- Container traffic represents an exception. The volume of container traffic carried via the inland waterways is growing rapidly (up 17% in 2004 in Germany alone). Individual ports are announcing growth of more than 40%! The situation in the Netherlands and Belgium is likely to be similar.

Signs that attitudes are changing:

- But, there are signs that attitudes are changing – in the political sphere, and also in the shipping and logistics industries.

- In the political sphere, there has long been talk of the need to transfer at least some of the growth in traffic away from the roads and onto the railways and inland waterways.

- Accordingly, public investment in the railways increased significantly, to the detriment of the roads, and whereas for a long time the same could not be said of the inland waterways, at least not in Germany, in recent years they too have been the focus of more attention.

Belgium first started making it easier for its inland waterways to compete back in the mid 1990s.
In Germany, the federal government commissioned the 2002 Planco study on future prospects for the inland waterways, thus triggering an intense debate on necessary measures in this particular branch of the transport industry.

The EU Commission followed suit with its PINE study.

In the Netherlands, the inland waterways have for a long time enjoyed a high level of support under Dutch transport policy.

Last year, also with the help of Planco, Northrhine-Westphalia, by far the most important Land in terms of German inland waterways transport, developed a concept for dealing with inland waterway traffic. Now, the Land is pushing for the concept to be implemented.

Although this change in attitude has yet to produce any specific large-scale measures, the debate it has triggered has set a process in motion that will make political action easier and maybe even compulsory.

- **Industry**: Changing attitudes are also starting to emerge in the shipping and logistics industries. The fixation with HGV traffic is beginning to fade, and specific projects for transferring traffic onto the inland waterways are becoming increasingly common. The introduction of the lorry toll on German motorways has reinforced this trend. Although in transport statistics the impact is barely noticeable, in future it will be increasingly apparent.

**Forecasts – Future trends**

- All available forecasts (eg. Prognos (2002), NEA (2003), Ecorys (2002)) predict that inland waterways traffic in western Europe stands to grow, albeit to differing degrees. Admittedly, such growth will continue to lag behind the increase in road freight traffic, but the growth gap between the two sectors will become narrower. The same is expected to apply in the case of rail traffic. However, wishful thinking would seem to have had a hand in these forecasts. They are dependent at any rate, sometimes explicitly, sometimes implicitly, on a policy that actively favours the railways and inland waters. This pre-supposes certain changes in transport policy.

- In this context, different market segments will of course continue to develop in different ways:
  - strong growth in seaport-hinterland traffic, both international and national -
    - a) particularly in container traffic
    - b) but also in traditional market niches as a result of the globalisation of trade (eg. coal, scrap, cars, recycling materials, wood products)
  - slight growth in (domestic) inland traffic, other than seaport-hinterland traffic.
  - continuing dominance of traffic on the Rhine, for several reasons: exemption from duties on the Rhine, suitability of the Rhine for big, low-cost ships, concentrations of large manufacturing and consumer industries and cities along its banks.
  - growing dynamism of river-sea traffic, particularly between the Rhine and Great Britain, Scandinavia or the Iberian Peninsula.
  - Other areas with inland waterways, apart from the Rhine-Schelde delta, are experiencing a decline in traffic volume compared with Rhine traffic. On a smaller scale, however, their growth prospects are very promising (once again particularly in seaport-hinterland traffic).
  - What is lacking still is the spread of intermodality involving the inland waterways from seaport-hinterland traffic to national and European inland transport, which represents by far the greater volume of traffic. For as long as dynamic growth in the inland waterways sector is limited mainly to seaport-hinterland traffic, the necessary and possible contribution of the inland waterways to relieving congestion on the roads will not materialise. For intermodality to spread to national and European inland transport, containers must be easier to stack and better suited to pallets, and the cross-border networking of national waterway systems must be improved.
(b) Logistics and intermodality

- With the continuing globalisation of trade, transport market structures are changing. Intermodality is becoming the norm, at least the combination lorry – sea – lorry, and often even the more complicated chain of lorry – rail or inland waterways – sea – rail or inland waterways - lorry.
- This applies not only to container traffic but also to the more traditional bulk freight (eg goods made of metal or wood).
- The length of the transport process is still important, but so, increasingly, is the reliability of agreed delivery deadlines. The transport chain involving the inland waterways is also becoming faster as timetables become denser (daily departures) to cope with the growing volume of traffic and intermodal connections become more routine and hence quicker. Increasingly, the inland waterways outshine roads in terms of their ability to respect tight deadlines, and, given the opportunity they provide for floating storage, they support manufacturing industry’s policy of promoting just-in-time delivery and minimal storage.
- Deliveries between industries are a booming business, as semi-finished products are transported to and from industrial firms on their way to locations all over the world.
- Consequently, the integration of the transport process into the overall logistics system and industrial production processes is becoming increasingly important.
- Individual transport undertakings, whether it be shipping companies, inland ports, transhipment firms or haulage contractors, are unable to cope with the systemised integration of intermodal transport into overall logistic, industrial processes. The services of logistics companies used to operating internationally are required.
- These logistics firms have to be convinced that, overall, the more complicated transport chain involving the inland waterways is more advantageous than the more organisationally straightforward door-to-door transport by road.
- To that end, they need proof of the specific advantages of the intermodal transport chain (cost, reliability, possibility of saving on storage). Simply highlighting the benefits for the environment will not help, and this is where the weak spot lies – very few inland waterway players have developed a constructive marketing approach.
- Recently, growing emphasis has been placed on one important player who has a lot to gain from more inland waterways traffic: seaports. Seaports are finding it very hard to cope with the explosion in container transhipment and can be helped if more use is made of the inland waterways to ship the containers to decentralised distribution centres. The hub-and-spoke concept is back in the limelight again after many years of discussion without much progress.

(c) Cooperation between interest groupings

Cooperation is becoming more and more important. While not taking the place of competition, it is becoming increasingly necessary for being able to compete. Three particular areas of cooperation are important: cooperation between politics and trade and industry, and I shall come back to that later; cooperation between inland ports and seaports; and cooperation between the different players along logistics chains (modes of transport, freight forwarders, shipping agents, logistics integrators).
Cooperation between inland ports and seaports

- Inland ports and the inland waterways are unable to market their services efficiently by themselves. They need the help of logistics integrators – principally freight forwarders – to build up transport chains and attract the interest of shipping agents, but many small inland ports are unaccustomed to actively developing the services they provide. It is easier for them if they join forces and cooperate with seaports. In recent years there have been some interesting new cases of cooperation:

  (a) In the context of the EU-funded INTERREG programme inland ports in Northrhine-Westphalia are working together with seaports in Belgium, the Netherlands and Great Britain to raise market awareness of the services provided by the ports and inland waterways and submit joint tenders with freight forwarders (InterPorts project).

  (b) Projects implemented with the help of EU funding under the Marco Polo programme have helped to transfer certain traffic away from the roads by involving inland ports and inland waterways in the transport chain;

  (c) Inland ports in the southern Netherlands have been cooperating for years so that by working together with other logistics providers inland waterways transport can play a bigger part in empty container logistics or the transport of waste, for example, and so that bigger consignments suitable for transport via the inland waterways can be assembled by grouping together smaller orders more suited to the roads.

Cooperation along the transport chain

- In all cases, what is important is not for inland ports to replace essential system integrators, generally freight forwarders, but for them to draw their attention to the opportunities provided by inland waterways transport. Internationalisation and multimodality call for more coordination and cooperation along the transport chain.

- This is illustrated by two further requirements: the growing need for a streamlined, low-cost organisation of logistics chains and for the integration of tangible transport operations with intangible information flows.

(d) Action required by the governments

As already mentioned, there are signs that inland waterways transport may be undergoing a political revival. As yet, however, new policy decisions are still insufficient. The 2003 Planco study made a series of proposals.

One statement stands out above the rest: Only a whole rack of measures combining all the relevant players can signal a positive turning point for the inland waterways. There are many such players:

- economic policy and transport policy, which must establish new framework conditions,
- the transport and logistics industries, inland ports and seaports
- supranational organisations, such as the CCNR (Central Commission for Navigation on the Rhine) and the EU Commission.

Government policies can have a moderating role in this context, but must also make their own contribution towards shaping a new approach to transport.

Germany has already set up a “forum for the inland waterways and logistics”, where the political sphere, trade and industry, and associations come together to develop and support implementation measures. The forum is important for two reasons: (1) It is a permanent, rather than temporary, structure and (2) It should provide an opportunity to single out action expected from governments, ie:
(1) Equal treatment of transport modes

This applies mainly to infrastructure policy, which should not focus exclusively on promoting rail. This is not to be interpreted as being against rail transport but rather in favour of the inland waterways, which need to be further developed and therefore require more investment than is currently the case. It is unrealistic to claim that ships should be adapted to the inland waterways, rather than the inland waterways to ships, which are getting bigger. To apply such a principle is to stand in the way of the aforementioned forecasts. Fortunately, it would seem that the difference that has existed for years between the inland waterways and other transport infrastructure in terms of their poor state of repair is not as acute as it was, even though this dangerous trend has yet to be reversed.

(2) Better international networking of highly developed waterways (Danube, Rhein-Rhone, Schelde -Seine, Havel - Oder etc.), obviously on the basis of sound cost-benefit analyses.

(3) More attention paid to waterways transport (inland waterways and inland ports) in the training of logistics experts and freight forwarders, with the cooperation and active support of the transport and logistics industries.

(4) New approach to regional policy

The regional distribution of logistics and industrial firms is a good indication of the opportunities available to the inland waterways. Previous decades have seen a progressive shift away from inland ports in favour of locations with good road connections. This trend must be reversed, but this will be impossible without political support, including finance, insofar as sites close to ports have high infrastructure costs that have to be borne by the owners, who tend to be municipal. Admittedly, these extra costs are later offset by social benefits, but those reaping the benefits are not the municipalities that have to shoulder the cost burden. Consequently, the social remit to develop the inland waterways must be extended, and in many Länder the balance shifted, to include the promotion of industrial sites in the vicinity of ports. A good example of this is LogPort, a industrial wasteland converted by the port of Duisburg into a modern trimodal logistics centre.

(5) Aid policies: bulk traffic must not be neglected!

Owing to the high growth in container traffic, large sums were allocated in subsidies, in Germany at least, to develop container terminals in inland ports. One consequence of this has been that inland ports prefer to invest in container terminals and tend to neglect bulk goods. This is a dangerous trend.

(6) Use of best practice

The international exchange of positive experiences could, and should, be improved with the help of documentation based on best practice. A good example is the newsletter published by the ShortSeaShipping Promotion Center.

(7) Competition policy

Other policy areas, which might seem irrelevant at first sight, must also be reviewed. A German example in this respect is competition policy, one of the aims of which is to protect private firms from unfair competition from companies operating under public ownership. To that end, public inland ports are severely restricted in terms of the cooperation agreements they can sign. However, services that rely on cooperation with other logistics players are a sine qua non of successful marketing. Consequently, competition policy makes it harder for inland ports to pursue a market-oriented approach. This goes against the interests of both transport policy and economic policy.