

ANNUAL MARKET OBSERVATION REPORT ON INLAND NAVIGATION IN EUROPE: 2019 EDITION

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Continuing its long and fruitful collaboration with the European Commission, the Central Commission for the Navigation of the Rhine (CCNR) is delighted to present its 2019 European Inland Navigation Market Observation annual report.

The publication of the annual Market Observation report on inland navigation in Europe is an example of successful European level collaboration, embracing all European inland navigation actors and stakeholders, including the river commissions and representatives of the sector. The forewords by Mr Goris, President of the European Inland Waterway Transport Platform (IWT Platform), and Mr Georges, Secretary General of the CCNR, illustrate the resolutely European dimension of the publication.

The new Market Observation report highlights the key results for the year 2018, providing abundant statistics and elaborating on important market evolutions in relation to various aspects of inland navigation, including freight and passenger traffic on inland waterways, inland waterway traffic in ports, fleet evolution, transport companies and river cruises, including small river cruise vessels. The age structure of persons active in inland navigation in some European countries is also reviewed in the report. In particular, this 2019 edition of the report includes a chapter dedicated to day trip vessels on European rivers, canals and lakes.

You will find below the executive summary of this report. The full report can be downloaded in PDF format in French, German, Dutch or English or viewed directly online at: www.inland-navigation-market.org.

ABOUT THE MARKET OBSERVATION AND MARKET INSIGHT

The market observation and market insight are respectively annual and quarterly publications by the CCNR dealing with the European inland navigation market. Free of charge, these analyses of the economic situation aim to assist strategic decision making in this sector in Europe, by both the profession and firms as well as in terms of transport policy and within administrative authorities. The gathering and analysis of this data by the CCNR has been co-financed by the European Commission since 2005. This fruitful collaboration has enabled the CCNR to extend this activity, which historically it has been carrying on for almost two centuries, beyond the Rhine region to cover all Europe's navigable waterways.

EXECUTIVE SUMMARY

European inland navigation in 2018 was certainly impacted by the protracted low water period experienced in the second half of the year, which must be seen as an important factor influencing several economic parameters. From a regional perspective, the influence of the extreme drought on transport activity was particularly pronounced on the Rhine, on its tributaries, on the Upper and Middle Danube, and on the Upper and Middle Elbe.

Transport activities on many canals in the Netherlands, Belgium, France and in northern Germany were significantly less affected. Shipping on the Lower Danube in Romania and Bulgaria also held up well owing to its river-sea nature in the vicinity of the Danube estuary.

Container traffic, which continues to be concentrated almost exclusively on the Rhine countries, maintained, and in some instances even increased, transport volumes in 2018, as large swathes of its operational area are located on canals or waterways enjoying considerable resilience in the face of low water levels (in Belgium, France, the Netherlands and northern Germany). It expanded in France in the Bassin Nord-Pas-de-Calais, whereas it maintained its previous level unchanged in the Seine and Rhône-Saône basins.

The Rhine, on the other hand, posted a 10% decline in container traffic (in terms of TEU) following growth in the five previous years. Shipping on the Middle and Upper Rhine (these two stretches of the Rhine account for 49% of container transport output on the Rhine) was severely curtailed in the late autumn of 2018. In October and November 2018, when container vessels were no longer able to sail upstream towards Strasbourg or Basel, container traffic even had to cease for a period of several weeks.

The interruption in the logistics chains, not only for container transport, but also for chemicals, petroleum products, iron ores and other industrial raw materials, caused economic losses on a considerable scale. Statistical calculations indicate a loss of almost 5 billion euros for German industrial output in the second half of 2018 as a result of the decline in Rhine traffic.

A further consequence was the sharp hike in transport prices, especially on the Rhine. In October and November 2018, freight rates for liquid cargoes were more than four times higher than hitherto (for ARA-Rhine trade).

For transport movements in the FARAG region (Flushing, Amsterdam, Rotterdam, Antwerp, Ghent) a statistical analysis based on freight rates for liquid cargoes reveals that prices in the second half of the



ABOUT THE CCNR

The Central Commission for the Navigation of the Rhine (CCNR) is an international organisation that exercises an essential regulatory role in the navigation of the Rhine. It is active in the technical, legal, economic and environmental fields. In all its areas of action, its work is guided by the efficiency of transport on the Rhine, safety, social considerations, and respect for the environment. Many of the CCNR's activities now reach beyond the Rhine and are directly concerned with European navigable waterways more generally. The CCNR works closely with the European Commission as well as with the other river commissions and international organisations.



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year have risen in this region as well. Even if water level conditions in this part of Western Europe have been significantly less affected, the increase in freight rates can be explained in terms of market responses: Belgian and Dutch operators, especially those with small vessels, switched their area of operation to the Rhine in the autumn of 2018 to take advantage of the high freight rate level. Consequently, this withdrawal of capacity within the FARAG region caused a general upward pressure on freight rates there as well.

Examination of historical data on low water levels in the past (1820-2018) reveals that years with a high frequency of low-water days were also a very common occurrence at the beginning of the 20th century, in the 1940s and in the 1970s. These historical data demonstrate that marked fluctuations in navigational conditions occurred even without climate change and are highly likely to recur in future. They also point to the necessity of a partial rethink of current logistical concepts (for instance, concerning vessel size and design).

It should be mentioned in this regard that the Rhine countries' freighter fleet is characterised by an increasing average cargo capacity and a decline in the number of small vessels, a development which continued in 2018, especially for the French fleet. New construction rates in 2018 were on the low side, but vessels entering the market were of all size classes and included a number of smaller vessels with a tonnage less than 1,000 metric tons.

The inland navigation company sector for Western Europe presents a very fragmented picture: 87.5% of all inland waterway freight transport companies in Europe are located in Rhine countries, the Netherlands alone accounting for 58% of all European freight transport companies. Admittedly, 41% of all Dutch dry freight companies and 51% of all Dutch liquid freight companies are one-man operations. The size structure of French freight transport companies is very similar to that in the Netherlands.

Employment changes in the freight transport sector in recent years in most European countries have been characterised by a downward trend, based on available data for the period from 2012 to 2016. Exceptions to this rule were Germany, Switzerland, Poland, Italy and Latvia, where the workforce was larger in 2016 than in 2012. The biggest absolute decline was posted by the Netherlands, where there were 522 fewer employees in 2016 than in 2012 (in France: -279, in Germany: +281).

In the passenger transport sector on the other hand, both the number of companies and the number of employees increased between 2012 and 2016. The biggest increase in the workforce in Europe was posted by Germany (+1,745), France (+551), Italy (+470) and the Netherlands (+306).

Eurostat data on inland waterway company profitability reveals that freight transport companies in Belgium and the Netherlands are significantly more profitable than companies in France, Germany,

Slovakia and Hungary. In this context, profitability is measured in terms of gross operating surplus relative to turnover.

In the passenger transport sector, this profitability indicator has increased in Germany in recent years, which is consistent with the positive increase in employment in this sector in Germany. France again exhibits relatively low profitability in this segment. According to Eurostat data, its position within the profitability spectrum can be explained by very high French inland navigation personnel costs.

In contrast to the difficulties in the freight transport sector in 2018, river cruise passenger numbers increased to new record levels. With a year-on-year growth rate of 14.6%, river cruise vessels in Europe carried 1.64 million tourists. Almost 38% of these tourists nowadays are from the US and Canada. A tremendous growth rate of 41% (but from a much lower base) was observed for tourists from Asia, Russia and Scandinavia. The number of British and Irish travellers also experienced incredibly strong growth of 31%.

As the river cruise operating areas are distributed throughout Europe, the sector was very resilient to low water. Although the Rhine saw a modest 7% decline in cruise vessel traffic, there was an increase in cruise vessels operating on the Danube (+6%) and on the Moselle (+12%). Expansion of the fleet slowed somewhat in 2018, but the order books indicate that new build numbers in 2019 are regaining momentum.

Another chapter analyses day-trip vessels (passenger vessels without cabins, which are engaged in excursions of a day). In parallel with the distribution of turnover in European passenger traffic, the greatest number of day-trip vessels is to be observed in Germany, France, the Netherlands, Switzerland and Italy. This analysis includes both day-trip vessels on rivers and canals, as well as on lakes. The available capacity in terms of vessels and passenger accommodation has remained relatively stable over time, but a growth trend is to be observed for major cities (e.g. Amsterdam, Berlin, Hamburg, Paris). Passenger numbers as well are following a slight upward trend, but the data also shows this segment is not fully immune to economic conditions. For example, the 2011/2012 economic crisis severely depressed demand in important countries (Italy, France).

The chapter in the report on the economic outlook deals with the sand, gravel, stone, and building materials goods segment. This segment represents 37% of all inland navigation goods transport movements in France, 25% in Belgium, 20% in the Netherlands, 14% in Germany and 21% in Romania. Building activity in Europe has been expanding since 2014, which is attributable to positive signals in terms of demography, public infrastructure investment and economic recovery in the wake of the 2009 real estate crisis. The carriage of related goods on inland waterways (above all gravel, sand, building materials) followed this expansion to a certain degree,



which is evident from a correlation between monthly and quarterly building activity on the one hand and transport movements of the aforementioned materials by waterway on the other hand. The outlook for the next three years however points to a slower rate of expansion in the construction sector. Transport demand should mirror this cooling-off process while continuing however to grow, the construction sector being an important one with positive growth prospects for the future, which is evident from long-term forecasts. The inland navigation sector should do its utmost to participate in this growth.



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