

Fleet & Port Modernisation

- from the perspective of the private sector -

**Dedicated Western European funding programmes &
requirements for the Danube region**

Manfred Seitz M. Sc., General Secretary

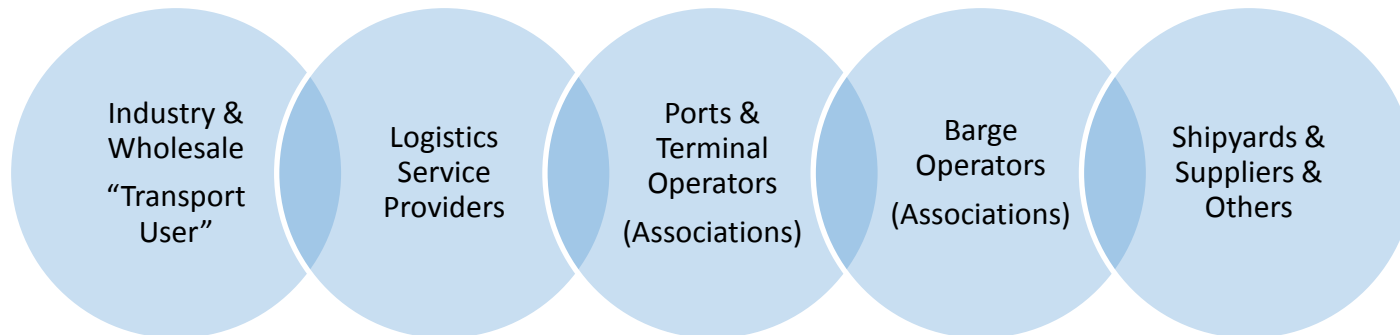
Belgrade, 7th November 2012 (3rd meeting of the Working groups)

Agenda

- Pro Danube International
- Danube Ports as Centres for sustainable Regional Development
- Existing Funding Schemes in Western Europe
- Some remarks on Danube Fleet Modernization
- Conclusions

What is Pro Danube International?

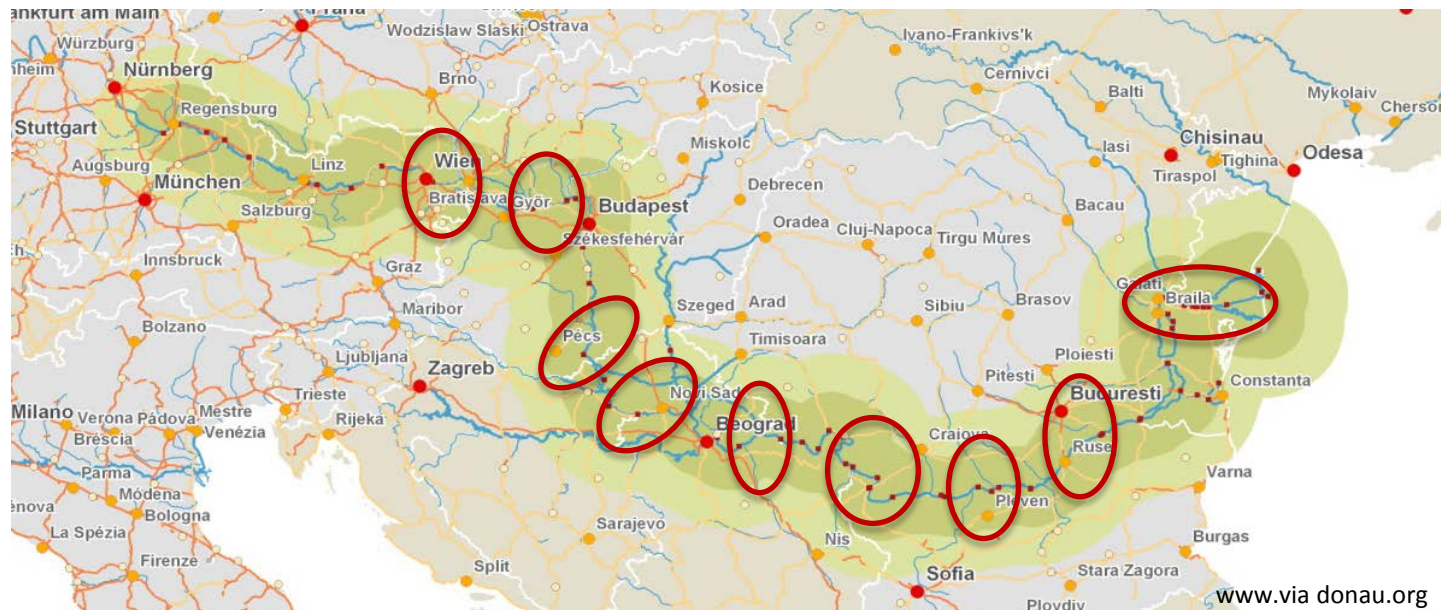
Platform of private companies with strategic economic interest in better framework conditions and higher public investment in the Danube transport & logistics system



- Established autumn 2011 by companies & associations
- Non profit association based in Vienna
- Network of currently more than 120 companies
- More than a lobbying organization as it initiates and executes projects which improve framework conditions resulting into a higher use of the Danube

Danube Ports – focus points of transport & regional policies

- Danube ports are key elements for a sustainable and efficient transport system and important centres of economic activities



- High potential for regional growth & cross-border initiatives

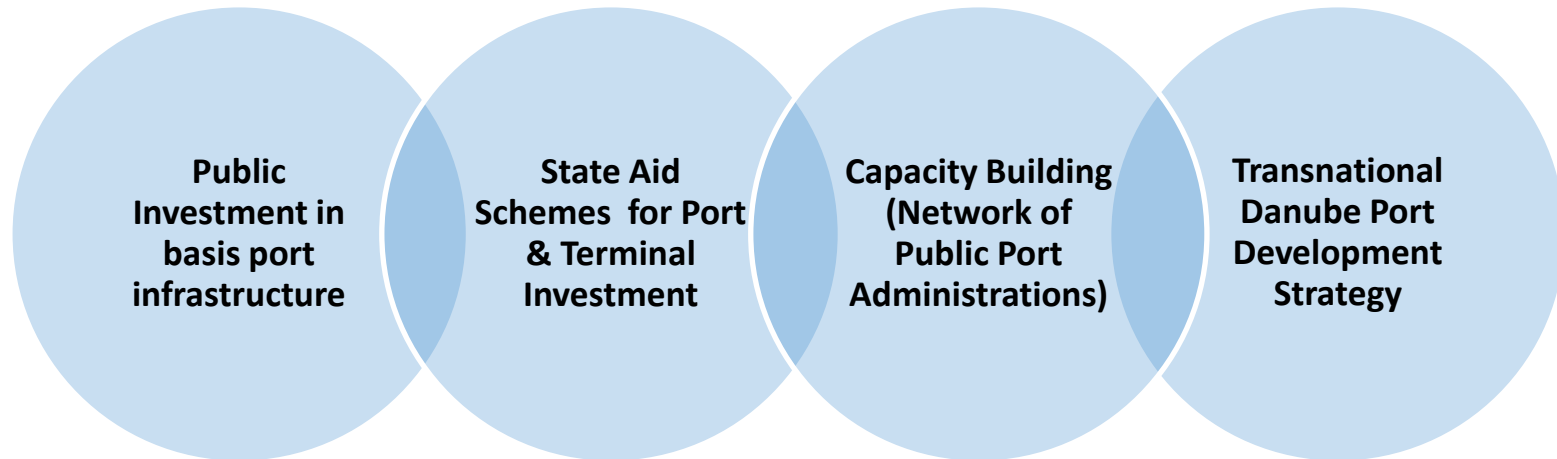
The challenge

**Approx. 70 ports along 2.414 km of navigable river: average distance c.175 km
(in comparison on Rhine i.e. c.35 km)**

With exception of ports in Germany and Austria:

- Majority of Danube ports lack modern infrastructure, storage facilities & efficient equipment
- High diversity of ownership/administrative and operation models
- Inefficiencies in public port administration
- Shortcomings in access infrastructure (roads and rail)
- Severe economic handicaps caused by insufficient waterway maintenance
- Deficiencies in public investment – no public funding schemes like in Western Europe
- Low absorption of EU funds (OP Transport & Regional Development)
- Structural deficits result in little cargo volumes and reduce service quality
- Ports are often seen as obstacle for property development rather than as opportunity for economic development
- Lack of continuity/qualifications of senior public port management
- In Western Europe ports are highly efficient nodal hubs for logistics & buzzing economic areas
- Potential of Danube ports as knots for state-of-the-art, cost-effective logistics and centres for regional development fostering are significantly untapped

The answer: an integrated approach



“A dedicated transnational development strategy for Danube Ports together with long-term Action Plans as part of the future EU regional & economic development policy”

PDI suggests to develop & prepare the strategy with the help of a flagship project: PROCEED = Danube Ports as centres for sustainable regional development (see: www.prodanube.eu)

Key elements of such a strategy (1)

- Increased public investment in port & terminal infrastructure including road & rail access
as part of the future operational program for transport & regional development
- Improved/new instruments for public-private co-operation (co-ordinated project planning and project execution/strong & professional project management structures)
- Ports shall become preferred centres for (re-)industrialization (national and foreign direct investments)
- Active public port management & industry site development
- (Cross-border) regional development plans and actions
- Creation of added value of port services for local community (reinforcing links & preventing conflict of interests)
- Improvement of current port legislation & public port administration

Key elements of such a strategy (2)

- Good practice in port development & operation - transfer of successful strategies & instruments from Western Europe to Danube region among land use and port governance
- Definition & implementation of state aid schemes for port & terminal investment similar to programs in Western Europe
- Back-financing of state aid schemes via structural funds in period 2014-2020 in EU member states with Operational Programs; special attention to ports in EU support programs for Serbia, Moldova and Ukraine

Increased leverage of public spending by aligned private investment will stimulate economic growth and create jobs in the Danube region

→ PDI will propose a „model „funding scheme in order to support and to speed up the elaboration of state aid schemes for port & terminal development

Examples: port & terminal funding schemes



France: Aid scheme for waterside transshipment facilities

- Infrastructure & Supra-structure
- Max. 25% of investment costs
- Investment must establish or increase inland waterway transport; the grant depends on annual tonnage and distance defined in a contract
- Annual budget varies (~1-2 Mio. EUR)



Germany: Combined transport terminals

- Infrastructure & Supra-structure, Planning Costs (max. 80%)
- Funding depends on tonnage and years of operation
- Time frame: 2012-2015; Budget 2012: 86 Mio. EUR (incl. Rail Terminals)



Flanders: Public-private partnership (PPP) for the construction of loading and unloading facilities



- Supported Actions:
 - Fairway development
 - Mooring and quays; Earthworks
 - Road development
 - Transshipment infrastructure (e.g. storage, roofing)
 - Costs linked to environmental stipulations; Studies and planning
 - NO Supra-structure (e.g. cranes)
- Max. 50% of total costs of the facility, max. 80% of infrastructure costs
- The amount of public investment is bound to a tonnage guarantee over the first ten years.
- Time frame: 2011-2016
- Total budget: EUR 60,000,000



Examples: combined IWT programs & fleets



Walloon aid scheme for inland waterway transport

- Supported Actions:
 - Modernisation and Adaption of the fleet; e.g. low-emission engines, RIS equipment, container compatibility, steel bottoms (max. 30%)
 - Transshipment facilities, e.g. purchase of land, infrastructure, cranes, conveyor belts (max. 20%, max. 30% for SME)
 - Regular waterborne container services (12 EUR/20ft.)
- Time frame: 2008-2013
- Total budget: EUR 21,000,000

France: Modernisation of French inland waterway transport



- Supported Actions (selection):
 - Reduction of emissions, techn. Improvement of vessels (max. 30%)
 - RIS (max. 50%)
 - On-bord transshipment cranes (max. 25%)
 - Purchase of used vessels by young IWT entrepreneurs (80EUR/TDW, max. EUR 60,000)
- Time frame: 2008-2012
- Total budget: EUR 16,500,000



Examples: fleet funding schemes



Germany: Innovative Ship Building

- Supported Actions:
 - New types of ships, ship modules or systems
 - New methods in ship building
- Max. 20% direct grant, 30% when „green“ measure
- Time frame: 2012-2013, Budget: EUR 24,000,000 p.a. (incl. Maritime)

Germany: Low-emission diesel engines

- Supported Actions:
 - Low-emission diesel engines
 - Particulate filter / nitrogen reduction systems
- Max. 30%-50% direct grant, depends on region and size of company
- Time frame: 2007-2012
- Total Budget: EUR 10,000,000



Netherlands: Energy Investment Allowance



- Supported Actions:
 - Energy-efficient engines for existing vessels
 - Fuel consumption meter
 - Automatic propulsion regulator
 - Measures to reduce energy consumption (e.g. nozzles, reversing gears, thermal isolation of wheelhouse)
 - Propeller shaft packing
 - Lubricant oil system for diesel engines
- Deduction of 41,5% of energy reduction investments from the company's fiscal profit
- Time frame: since 2001
- Total Budget (for 2012) EUR 151,000,000

Inventory on IWT funding programs

European Funding Database for Inland Waterway Transport

- www.naiades.info/funding
- hosted by PLATINA
- National and EU Funding

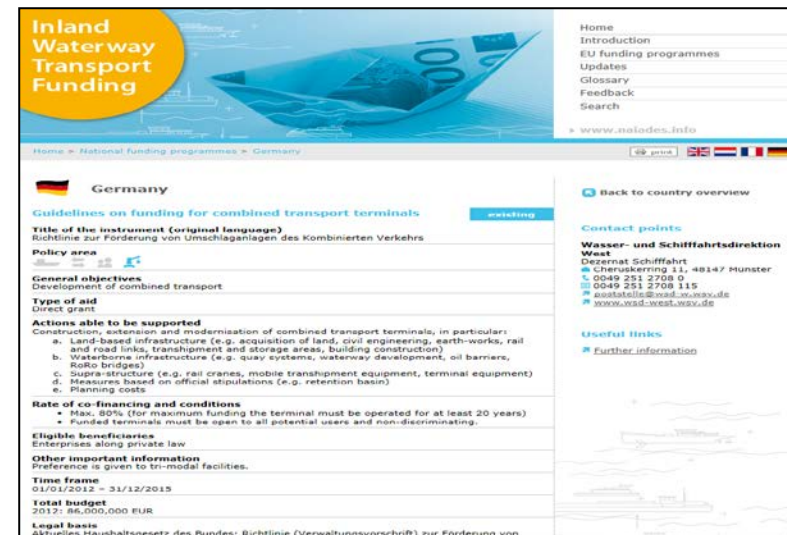


Funding Programmes for

- Fleet
- Logistics
- People
- Ports

Details on

- Supported Actions, Co-financing Rate
- Contact Data, Links, ...



Status of Danube Fleet

- Current (operational) commercial fleet consists of approx. 450 propelled units (c.220 pushers, c.230 MCV) and c.1500 barges
 - Very few companies could afford investment into modern engines and upgrades of vessels, no significant new-builts over the last two decades, very little innovation (except RIS)
 - Poor fairway conditions due to neglected waterway maintenance result into low profits and/or high losses of barge operators
 - Recovery from economic crisis in 2008/2009 did not bring back previous levels of freight rates
 - Significant backlog in fleet investment and even in regular maintenance
 - High fuel consumption, unnessecary polluting emissions
 - Unplanned downtimes in operations, extra costs, reduced level of services
- **Strong need to invest into the fleet in order to improve cost-efficiency and environmental performance (e.g. forthcoming air emission legislation will result into high adaption costs)**

Key elements for Fleet Modernization

- Challenge is to optimize existing fleet with regard to energy-efficiency, emissions, propulsion, safety of navigation and operational costs, but:
 - “Not everything which is technically feasible is economically viable”
 - we therefore need a transition roadmap for new techniques & technologies in IWT
- Comprehensive Innovation Strategy including an Innovation Implementation Roadmap as part of a long-term strategic IWT development policy of the European Union (very good basis: NAIADES and CEF for implementation)
- Important preparatory step: EC/DG Regio commissioned study „**Innovative Danube vessel**“
 - will deliver recommendations and guidelines for barge operators and policy makers w.r.t. implementation of innovations & further research needs
- LNG as a fuel for Danube vessels has an extremely high potential to meet efficiency and environmental objectives (see: LNG Masterplan for Danube)
- Danube barge operators need financial support for the modernization of the fleet from national & EU programs
- → (Very) good practice: state aid scheme of Czech Republic

Examples fleet modernization



Czech Republic: Modernisation of inland vessels

- Supported Actions (4th Call till 15.6.2012):
 - Acquisition of low-emission propulsion and auxiliary units
 - Modernisation of vessels in order to increase the multimodality of the freight transport
 - Modernisation of vessels leading to increased safety of inland navigation
- Eligible: *vessel owners / fleet operators of cargo vessels registered in the Czech Vessel Register*
- Non-repayable direct assistance up to **49% of the eligible costs**
- Time frame: 2012 (project finalisation 2013)
- Total Budget: EUR 1.187.000 EUR (30.000.000 CZK)

- **Part of the Operational Programme Transport. Priority Axis 6: Increasing the Multimodality in Freight Transport and Improving Inland Waterway Transport**
 - *Support for Multimodal Freight Transport, Purchase of Transport Vehicles and Transport Units, Upgrading Transshipment Stations (all for combined transport)*
 - *Development and Upgrading of Inland Waterways on and outside the TEN-T Network*
 - **Support of the modernisation of the inland vessels, which contributes to the lowering the negative impacts of the inland water transport on the environment and supports the multimodality in the freight transport**
- Time frame: 2007 – 2013
- Total Budget for Priority Axis 6: 140 502 026 CZK (EUR 5.562.040) (ERDF: 85% ERDF +15% Czech R.)

Conclusions

- Development of Danube ports and modernization of Danube fleet needs an active IWT policy of all Danube states under the co-ordination and with the help of the European Union programs
- The new financial period of the EU offers unique opportunities to include public port and fleet funding schemes into ERDF funding
- A successful implementation of development strategies and programs requires close co-operation of public and private sector stakeholders in planning and execution
- A transnational development strategy for port development as part of national and EU regional development policies can be a significant catalyst for (re-) industrialization of the Danube region and contribute to growth and job creation
- Cost-effective and environmentally sustainable Danube vessels are a prerequisite for competitive logistics solutions of the industry in the Danube region

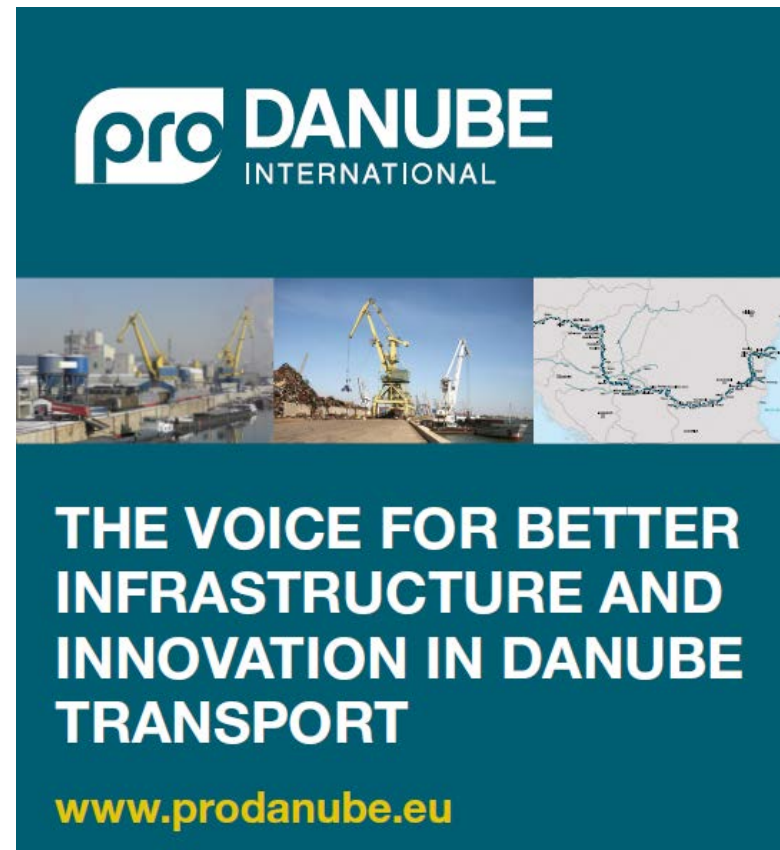
“There is no time to waste if we want to achieve what is necessary for Europe by 2020”

by José Manuel Barroso, President of the European Commission, 15 March 2011

Further information

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The image shows a promotional banner for Pro Danube International. At the top, the logo features the word 'pro' in a white circle on a dark teal background, followed by 'DANUBE' in large white letters and 'INTERNATIONAL' in smaller white letters below it. Below the logo is a horizontal strip of three images: a port with yellow cranes, a construction site with a yellow crane, and a map of the Danube river basin. The bottom half of the banner is dark teal with the text 'THE VOICE FOR BETTER INFRASTRUCTURE AND INNOVATION IN DANUBE TRANSPORT' in white, bold, uppercase letters. At the very bottom, the website 'www.prodanube.eu' is written in yellow.