

MARKET OBSERVATION REPORT ON INLAND NAVIGATION IN EUROPE: FIRST ANNUAL REPORT PUBLISHED BY THE CCNR IN COLLABORATION WITH THE EUROPEAN COMMISSION

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In this annual report, the CCNR's Market Observation takes a wider analytical perspective and looks as well at European inland navigation in Europe's transport corridors. Particular attention is paid to the **Rhine-Alps, Rhine-Danube, North Sea, Mediterranean and North Sea-Baltic Sea transport corridors**. Indeed, these 4 corridors contain major European waterways: the Rhine, the Moselle, the North-South axis connecting the Netherlands via Belgium with the north of France, the East-West axis connecting Poland, Northern Germany and the Netherlands, and the Danube. A study of multi-modality in these corridors highlights the position river transport occupies within these European transport ways. Inland navigation's share is variable, ranging from 15% in central Europe (Rhine-Danube axis) to 50% within the Rhine axis.

ANALYSIS OF EVOLUTION ON THE MOST IMPORTANT INTERNATIONAL WATERWAYS IN EUROPE

The CCNR's annual report provides a detailed analysis of how river transport has evolved on the aforementioned waterways, which represent a combined total of around 500 million tonnes of goods carried in 2015. Nevertheless, with 330 million tonnes of goods transported, the **Rhine** represents **2/3 of European inland navigation**, thus retaining, in spite of everything, an important place in this market observation. A particular study of the development in volume carried by product type has been conducted, and this analysis makes it possible to highlight different dynamics in river transport demand. Certain products that have historically accounted for a large share of river navigation, such as construction materials or metals, are on a downward trend. At the same time, other products, such as chemical products or containers, high-value products, are experiencing an increase in transport volumes.

ANALYSIS OF INFLUENCES BEYOND INLAND NAVIGATION

Beyond the Observation of volumes carried, the CCNR's annual report analyses the various aspects that can influence transport on European navigable waterways. This report therefore looks again at the **economic conditions** and pick-up in activity that is underway in Europe. This report also looks again at the **environmental situation** and in particular the poor water conditions in the second half of 2015, which had a severely adverse effect on inland navigation and throughout Europe. As an example, on the traditional Rhine and the Moselle, transport volumes declined by between 4% and 14% for 2015 as a whole.

DIVERSIFICATION OF THE PROVIDED ANALYSES

The study of a market requires a study of its overall ecosystem, the CCNR's Market Observation therefore endeavours to provide a wide-ranging analysis enabling the reader to gain a better understanding of the European navigation market. In addition to monitoring the fleet, the operating conditions of this fleet and port handling, this new annual report contains analyses of the **labour market, capacity utilisation** and **multi-modality**.

You will find the executive summary of this report in the attachment. The full report can be downloaded in PDF format in English, French, German or Dutch from <http://www.ccr-zkr.org/13020800-fr.html> or viewed directly online at: www.inland-navigation-market.org.

We wish you an enjoyable read!



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MARKET OBSERVATION: 2016 ANNUAL REPORT EXECUTIVE SUMMARY

EUROPEAN INLAND NAVIGATION

KEY FIGURES

- Currently, around **550 million t** of goods are carried on inland waterways within the EU.
 - **330 million t** of this is accounted for by the Rhine
 - Transport on the Rhine:
 - 1st half 2015: + 3 %
 - 2nd half 2015: -11 %
- Period of time from 2010 to 2015 (= period starting with the recovery from the crisis):
→ average yearly growth rate: + 1,5 %

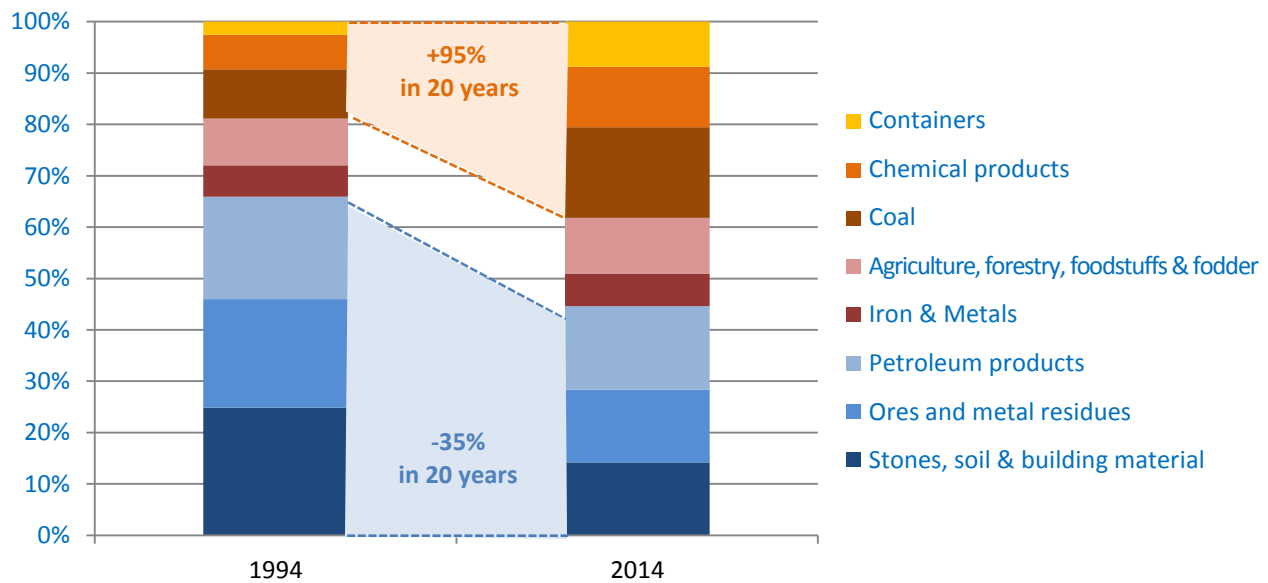
A mode of transport...

between stability and change

- The volume of goods carried on European inland waterways is relatively stable over a multi-year period.
- But in tandem with this stability there are also fluctuations in transport demand, associated with cyclical fluctuations in economic activity.
- Notwithstanding the constant multi-year trend, there is a structural change going on.
- The goods that dominated transport 20 years ago, namely ores, petroleum products and building materials, have posted a 35% decline over the past 20 years. Ores and building materials are bulk goods with a low value-weight ratio.
- At the same time there has been a 95% increase in the carriage of other goods such as containers, chemical products and coal over this same twenty-year period.



Composition of goods carried on the Rhine



Source: destatis

A mode of transport...

embedded within an environmental, political, economic and inter-modal logistic framework

- Inland waterway transport depends greatly on exogenous factors, such as natural environmental conditions (see the second half of 2015) or the socio-political environment, as is evident from the energy policy in countries such as Germany.
- Inland waterway transport is connected with other modes of transport and thus offers a complementary logistics offering within European transport corridors.

A mode of transport ...

with a nuanced development trajectory in 2015

- Transport demand on the Rhine enjoyed a positive development in the first half of 2015. There was a 3% growth in transport volumes. The product of transport volume and transport distance (transport performance) even grew by 7%.
- The downturn in transport volume that occurred on European waterways in the second half of this year was attributable to a low-water phase that lasted from August to November. Low water levels meant that vessels could only be loaded to a certain extent. The consequence was limitations in the carriage of large volumes of dry and liquid bulk goods. A small 4% dip in full-year transport demand was thus to be observed for the Rhine.
- The low water was also in evidence on other European rivers and here too acted as a dampening and inhibiting factor on transport volumes. This affected not just freight navigation, but passenger navigation as well. The low water resulted in isolated cruise restrictions.

- The north-south axis, extending from the Netherlands via Belgium to northern France, carries approximately 20% of European freight volumes. In 2015 there was a spike here in the carriage of agricultural produce; these are very important on the north-south axis, along with other goods categories (petroleum products, sand, soil & building materials). There is a positive trend on this axis in the carriage of petroleum products and agricultural produce.
- Danube navigation, which accounts for approximately 10% of European transport volume, posted freight transport declines in 2015. Consequently, there was a fall in the freight index for transport movements on the Danube. The absence of steady and adequate rainfall in the Danube basin resulted in a reduction of vessel capacity utilisation in the second half of 2015. It also resulted in a necessary lightening of vessels to negotiate critical stretches, as well as in occasional halts to navigation.
- But the low water conditions were also associated with positive effects. For example, there was a significant increase in freight navigation transport prices, which also boosted revenue, notwithstanding the fall in volumes. In the countries carrying the greatest transport volumes on inland waterways, the Netherlands and Germany, turnover increased by 4% for 2015 as a whole. Operating conditions in the West European industry improved in response to the modest cost reduction as a result of lower fuel costs.
- The development in the freight navigation fleet continues to be characterised by very low new construction rates. This applies both to Western Europe and the Danube region. Only in passenger navigation, or in the river cruise sector to be more accurate, is there a very high rate of new construction. In 2015 almost 30 new river cruise vessels came onto the European market. This equates to almost 10% of the existing river cruise ship fleet for 2015.
- The prospects for freight navigation for 2016 are cautiously positive; volumes are anticipated to increase by between 3% and 5%. On the one hand, this increase is the result of a base effect, which has to do with the low water and attendant reduction in volumes in 2015. This base effect therefore results in catch-up effects, which manifest themselves in a higher growth rate. On the other hand, however, the anticipated increase is also the result of the economic estimates of transport demand, which are overall positive when weighing up the different goods segments.

A mode of transport ...

looking to the future and with the potential for renewal

- What is currently to be observed is a low rate of renewal of the fleet; but there are innovative initiatives enabling lower fuel consumption, thus making this mode of transport more sustainable. Especially noteworthy in this respect is the use of liquefied natural gas (LNG) as fuel.
- But we can also cite regional initiatives such as the introduction of a regular container service on the Moselle. This demonstrates the ability to introduce new business models and also proves that new offerings are capable of creating new demand.

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