

Insight & Opinion

Lloyd's List

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After Skikda

THE appalling explosion which devastated the liquefied natural gas plant in Skikda with such a sad loss of life will have a serious knock on effect in an energy sector that is even now gearing itself up to greatly increased production.

There is a physical effect which will threaten supplies to southern Europe, where the Skikda production was principally directed. Most terminals will have a certain amount of spare capacity, although the ability to ship out gas

is often constrained by berth capacity; in the case of the Skikda trades, not infrequently affected by bad weather in winter.

There has been a government pledge that the wrecked facility will be rebuilt, but that is perhaps easier said than done at a time when LNG plants are being constructed all over the world and specialist cryogenic engineers thus in short supply. And even beginning with a green field site, rather than a severely damaged facility, three or four years is a normal construction period for such a terminal. Aside of the physical problems of replacement and supply shortages, the sound of this blast will reverberate far further than the immediately affected trades. After years of fierce opposition to any new LNG terminal facilities, by the environmentalists who have

always alleged such trades were hugely hazardous, the US is making up for lost time and actually getting down to building gas reception facilities for imported LNG. The awful explosion at the Sonatrach plant will be seized upon by the greens with alacrity, despite the fact that this is the first serious accident in nearly 40 years of international gas shipments. They will doubtless be dusting off their alarming scenario showing whole cities devastated by ignited gas plumes, ignoring the realities of an exceptionally safe sector.

For this reason, it is essential that the Algerian government investigates the accident with diligence, and, more importantly, communicates its findings to the world via the Society of International Gas Tanker and Terminal Operators. The sector has an enviable reputation for safe operations both afloat

and ashore, and it is important that the truth of what occurred in the Skikda plant is made public as quickly as possible.

Scrap blueprint

THE UK Environment Minister Elliot Morley, doubtless thinking about the ongoing fiasco over the US "ghost ships" presently languishing in their dock near Hartlepool, has called for a new national code of practice on what everyone likes to term ship "recycling". In that almost no ship demolition still takes place within these sceptred isles, it is something that is clearly not high on the government's agenda. But on the grounds that firms like Able UK see a commercial opportunity that ought not to be dismissed as unreasonable by green lobbyists, a code of

practice is no bad thing. It has been welcomed by the UK Chamber of Shipping, which has helpfully sent a copy of the existing industry's Code of Practice, which is being used as a basis for IMO guidance, to the minister.

Hopefully, the emergence of recycling facilities that are compliant with best practice might defuse the ridiculous situations that have been allowed to develop, with activists targeting elderly tonnage and a war of words over the applicability of the Basel Convention for the transboundary movement of wastes to the ship demolition sector. A "list of approved yards", as suggested by the Chamber's Mark Brownrigg, could do much to clarify the situation, encourage better practices within scrapyards, and assist with a development of a viable and safe ship recycling sector.

Europe port 'patchwork' needs to be redesigned

ANYTHING more than a cursory look at maritime policy-making by the European Union will suggest that recent developments in this area could well have a monumental impact on the development of European ports. The rejection of the 'port package' was certainly the most important port-related event of 2003 in Europe. But there are others worthy of note, too.

Before discussing the port package, perhaps it is of interest to highlight some other 'background' developments that are important.

Last October, the European Commission adopted the proposals by a high-level group headed by former commissioner Karel van Miert regarding the revision of the Trans-European Transport Network (TEN-T).

The EU transport ministers made some modifications and reached an agreement on this issue in December, and the matter will be sent to the European Parliament soon.

Of particular interest was the proposed creation of a network of 'Motorways of the Sea', with four such maritime arteries identified across Europe. The aim is to concentrate flows of freight on a few sea routes in order to establish new viable, regular and frequent maritime links for the transport of goods between member states, reducing road congestion and improving access to peripheral and island countries.

Such a goal is not new. In the European Commission's White Paper "European Transport Policy for 2010: Time to Decide", shortsea shipping is one of the central pillars of the community's transport policy for the next decade. Shifting traffic (mainly cargo) from road to sea has been adopted as a main policy goal, and specific actions are proposed to move forward toward that goal.

FirstPerson

Harilaos N Psaraftis



The most recent estimate of the external costs of road congestion is 0.5% of community gross domestic product — a proportion that will increase by 2010 to 1% of GDP, or €80bn (\$100.9bn), a year if no action is taken.

However, and in spite of much talk since at least the early 1990s, news as regards shortsea shipping in Europe has not been that encouraging. Even though shortsea shipping grew by something like 27% between 1990 and 1998, road transport grew even faster, at a rate of 35%.

In fact, in 1990, road surpassed shortsea shipping as the top transporter in intra-EU trades, a position that it still holds and will continue to hold if no serious action is taken.

In addition, the commission's 'flagship' programme Marco Polo to support intermodality, including shifting cargo from road to sea, encountered problems in the European Parliament and in the Council of Ministers, and in fact received considerably lower funding — about €75m — than previously advertised.

In another related development, a separate legislative initiative by the commission that purports to enhance shortsea shipping, the proposal for a directive on European intermodal loading units, has encountered a widespread lack of enthusiasm from the European port

industry, among others. The concern is that the directive, as it stands, would undermine the very intermodal efficiency it aims to increase.

To make matters even more complicated, the commission's proposal to transpose into EU law the International Maritime Organization's International Ship and Port Facility Security code will have far-reaching ramifications on all facets of the intermodal chain. This is particularly true for ports.

Last but not least, the stiff implementation timetable of ISPS (July 1, 2004) does not make things any easier. The feeling among many is that most ships will probably be ready by that time, but many ports probably will not.

There is more reason for concern by European ports. As a result of the *Prestige* disaster, last November the European Parliament adopted its opinion in the first reading on the commission's proposal to introduce criminal sanctions for ship-source pollution offences.

The commission initially included, among the parties liable, the shipowner, the owner of the cargo, class, or any other person involved. The parliament has also added the competent (port authority).

It is already known that the parliament, after the *Prestige* accident, tasked the commission to investigate,



Psaraftis: risk of policies pulling in opposite directions — a port prioritising security is likely to differ from one maximising intermodal efficiency.

among other things, the possibility of establishing a financial liability regime for ports refusing to give access to ships in distress. It now wishes to impose criminal liability on port authorities.

Given the above general picture, I think the obligatory question is this: is there really a clear sense of direction as regards these — and possibly other — policy developments on the European port sector?

In my opinion, the answer is 'no'. I think there is a real risk that every individual development such as the above may pull things in a different direction.

As an example, which is one of many, a port designed for maximum security will not necessarily be the same

as a port designed for maximum intermodal efficiency.

A container vessel designed to implement the latest EILU directive proposal, whatever final form it takes, will not necessarily be the same ship — not even the same type of ship — designed for the most efficient implementation of the 'motorways of the sea' concept.

Last but not least, the market potential of 15,000-plus teu mega-carriers which are being designed, and the ports that will handle them, may be influenced by the — yet unknown — precise direction that any of these developments will follow.

It is clear that no European port that wants to move forward — and all of them do — can wait for the next version of the port package, whenever that is put on the table again.

As the issues raised by the directive will not disappear, my opinion is that European ports are left with a significant void as to what the institutional and operating environment of their sector will be in the future.

As things stand, maritime security seems to be the locomotive pulling the overall European maritime trans-

port policy train, and that includes ports. The lack of cohesion among distinct individual policy areas, the rejection of the port package and the shift of focus to security matters after September 11 surely contribute to such a state of affairs.

This situation may place a heavy toll on the competitiveness of the industries involved, as it is these industries — and not the people who formulate or vote on these policies — that are asked to bear the costs and the risks associated with investment and other strategic development decisions.

In my opinion, it is still possible to alleviate this unpleasant situation, and in fact setbacks such as the rejection of the port package can produce lessons that will be useful for the future.

But such action will require politicians and legislators to thoroughly reassess their current 'patchwork' modus operandi and adopt a more proactive policy philosophy. That is, a policy should be developed by carefully assessing all of its implications before its adoption, and by listening to the industry stakeholders more than is done today.

In my opinion, this did not happen with the port package, and it contributed to its downfall. The various politically correct, but widely controversial, measures adopted after the *Prestige* accident also belong to the same league.

I fear that a continuation of the present 'top-down' and 'put the cart before the horse' policy attitude will lead to further over-regulation, inconsistent regulation, and ineffective regulation.

It will also lead to significant and costly correction measures, and maybe even to some irreversible problems.

And it will be grossly inept in solving the very problems for which the relevant policies were adopted. This is true for European shipping in general, but it is particularly true for the European port sector.

Using a computer analogy, one question is, should our policymakers reformat their disc? Not necessarily, but there is a clear and urgent need for them to have access to a set of tools and a pool of experts that can assist them in the analysis of policy alternatives and the formulation of proactive policies.

The pool of experts must

be drawn primarily from industry, but it should also be assisted by scientific expertise, which has the tools for the analysis and assessment of complex policy scenarios.

If this conclusion is valid for issues such as maritime safety, security and environmental protection, it is also true for issues such as port and intermodal policy formulation.

In Europe, the vast array of maritime and intermodal research and development projects sponsored by the Commission may have an important role to play towards this goal, provided that (a) these projects have something to say as regards policy, and (b) the policymakers are willing to listen.

It remains to be seen which — if any — of these two necessary conditions have a chance of being satisfied in the foreseeable future.

More important, it remains to be seen if policymaking for the European port sector can regroup and live up to the high expectations of these increasingly challenging times.

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Hamburg: the 'one-size-fits-all' elements of the port services directive, or port package, contributed to its defeat.

Defeat seen as efficiency setback

WHEN the European Commission's flagship legislative proposal for a directive on the market access for port services, also known as the 'port package', was narrowly defeated in the European Parliament on November 20 2003, it was a killer for the port industry.

This occurred after at least three years of negotiations, as well as the time that elapsed after the commission's Green Paper on ports and maritime infrastructure (1998).

The rejection was a serious setback for everybody who wanted things to move on the fronts of

competition and efficiency. These included first and foremost the commission itself, but also industry bodies such as the European Sea Ports Organisation, the European Community Shipowners Association and the European Shipowners Council.

At the same time, the rejection was portrayed as a triumph by a heterogeneous spectrum of stakeholders, ranging from dockers unions at one end to various private ports at the other.

To some, the rejection of the port package was not entirely a

surprise. Many felt that the package forced a 'one-size-fits-all' model on to a widely diversified industry and that inadequate consultation with trade unions and the industry was a major problem.

Of course, the commission had already warned that if the directive would not pass, it would start infringing procedures against ports that violated European Union competition law, and that this would produce more severe consequences than if the directive had passed.