

Policy Research Corporation

Update 2013

Economic Impact Study (EIS) for the Belgian shipping cluster

Summary

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The Royal Belgian Shipowners Association

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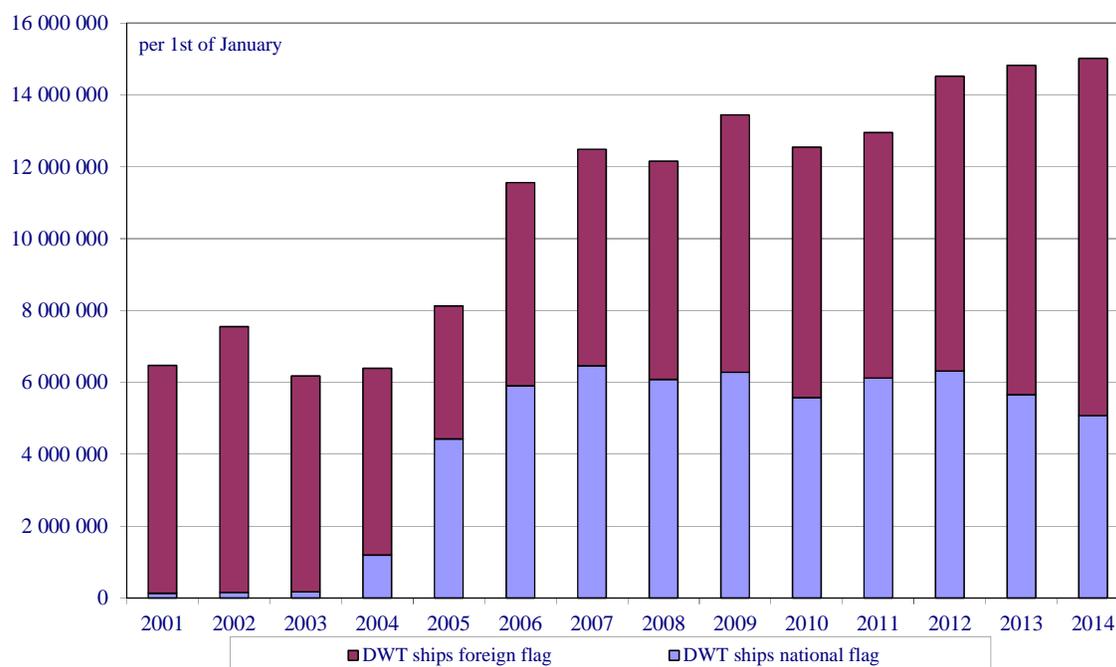
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For the Royal Belgian Shipowners Association (RBSA) *Policy Research* created an update of the key figures of the Belgian shipping cluster for the year 2013. This note summarises the main findings of the study¹. For a more comprehensive understanding of the results, reference is made to the underlying report.

a/ Development Belgian controlled fleet

The Belgian Program Act of August 2002 laid the foundation for the introduction of a tonnage tax system for maritime transport. It took until June 2004 before agreement on the totality of the measures was received from the European Commission.² On December 31, 2004 the amended Act was published (Article 321 to Article 331) in the Belgian Official Gazette. Especially from the second half of 2004, the use of the tonnage tax system accelerated and many ships were brought under the Belgian flag. This concerned ships that flew another flag before as well as new ships that were given a Belgian flag. The figure below visualises the strong development of the **Belgian controlled fleet**³ from 2004 onwards in DWT⁴ (as of January 1st each year).



¹ Previous actualisation studies have been carried out for the years 2010, 2007 and 2004. These were drafted in line with the methodology used for the base study in which 2001 was analysed).

² In June 2009 new and detailed guidelines were drafted in addition to the 2004 guidelines. These specified that, in principle, crew and technical management were also qualified to make use of the tonnage tax.

³ Belgian controlled fleet: the fleet of Belgian ship owners, consisting of ships with Belgian flag and other foreign flags.

⁴ DWT = Deadweight tonnage. This is a measure for determining the mass a ship can transport. The figure is based on data from the yearly 'Review of Maritime Transport' reports of UNCTAD, Clarkson Research and own calculations.

Since the introduction of the tonnage tax policy in mid-2004, the Belgian flag experienced an unprecedented growth. The extent of the Belgian-controlled fleet with Belgian flag grew from roughly 0.2 million DWT in the first years of the new millennium to 1.2 million DWT at the end of 2004 and to about 5 million DWT per January 2014. In the same period, the Belgian controlled fleet grew from more than 6 million DWT to about 15 million DWT. Primarily thanks to the purchase of fifteen VLCC's in 2014 by a Belgian ship-owner, the size of the controlled fleet is significantly larger per 2015 (around 19-20 million DWT); the size of the controlled fleet with Belgian flag grows to around 7 million DWT.

The current Belgian maritime policy ensures a sustainable presence of the shipping cluster in Belgium and made the Belgian flag competitive compared to other important flags in Europe. It is also noteworthy that the adjusted policy framework led to new dynamics in education, resulting in an increased influx of students at the Maritime Academy. The Antwerp Maritime Academy currently counts over 650 students, which is more than twice as much as in 2001.

b/ Direct economic impact of shipping cluster

In 2013 the direct value added of the shipping cluster (merchant shipping, towage and dredging) amounted to € 2 298 million, coupled with employment for 8 710 people.

In the period 2010-2013, the production value of merchant shipping fell by 25% and the value added fell by 45%. Throughout the period 2010-2013 the merchant shipping sector was subject to the aftermath of the global financial and economic crisis, which resulted in a worldwide overcapacity of ships. This overcapacity was reinforced by the delivery of new vessels ordered before the crisis started. As a result, freight rates came under pressure. The persistence of high fuel prices also had an adverse effect on the performance of the merchant shipping sector. The towage sector on the contrary experienced growth during 2010-2013, as a result of the expansion of activities for the offshore industry.

In 2013 the merchant marine sector generated a direct value added of approximately € 362 million, or 16% of the direct value added by the shipping cluster.⁵ The towage sector accounted for € 67 million direct value added, or 3% of the total cluster.

In 2013, the merchant shipping sector provided employment for 3 260 people of which approximately 1 040 were Belgians. The towage sector provided employment to 650 people, of which the majority were Belgian. Of the 3 910 employees in the merchant shipping and towage sectors, more than 3 250 people were employed on board of ships and about 670 people were employed ashore.

⁵ In 2010 this was € 662 million or 35% of the direct value added of the shipping cluster.

During the period 2010-2013, the production value of the dredging sector⁶ increased by 29% and the value added increased by 58%. Throughout the period the dredging sector grew steadily, which is the result of a number of (global) developments that continue to evolve. The increase in world trade and vessel size leads to a rising demand for additional capacity and efficiency of ports and access routes. An increasing world population and more prosperity lead to land reclamation in urban areas and at sea. Climate change and rising sea levels result worldwide in growing attention for coastal protection against flooding. The rising demand for energy, in the form of both offshore extractable fossil fuels and renewable energy sources, results in additional activities for the dredging sector. In recent years, the sector realised an especially strong growth in activities for the construction of offshore wind turbines. Hence, activities for offshore renewable energy (also including wave and tidal energy) are considered a growth market for the dredging sector.

In 2013 the dredging sector created more than € 1 850 million value added directly. The marine engineering sector created employment directly for 4 800 people of which approximately 3 640 were Belgian. Of the 4 800 directly employed, an estimated 2 500 were employed ashore.

c/ Indirect and total economic impact of the shipping cluster

In 2013, the indirect value added of the shipping cluster amounted to € 530 million, coupled with employment for 6 700 people.⁷ Together with the direct economic impact, the total value added of the shipping cluster is € 2 830 million - compared to approximately € 2 350 million in 2010 - thereby providing employment to 15 400 people. Of the total value added about 80% is directly derived from the merchant shipping, towage and dredging companies.

Conclusion

In 2013 the Belgian shipping cluster realised approximately € 2 300 million in direct value added and created a further € 530 million indirect value added. This generated employment for 15 400 people. Compared to 2010, the direct value added of the cluster (in current prices) increased by over 20% and direct employment increased with nearly 400 jobs.

The merchant shipping sector had to deal with low tariffs and high fuel costs; the direct value added dropped by 45% since 2010. The dredging sector on the other hand continued its growth, with a rise in direct value added of 58%. With a growth of 32% compared to 2010, the direct value added of the towage sector has also risen sharply.

⁶ The dredging sector combines a wide range of activities, not only limited to dredging. For instance, the sector also carries out construction works for the offshore industry.

⁷ The indirect effects concern the economic impact (in terms of value added and employment) generated through purchases by the shipping cluster in other sectors. Parties that benefit are for instance: fuel suppliers, maritime service suppliers, ports, legal services and insurance services, et cetera.

Summary

The introduction of the new maritime policy in Belgium has proven to be successful. An unprecedented number of ships were given a Belgian flag, which led to a strong increase of the Belgian flagged fleet and the Belgian controlled fleet as a whole increased as well. At the end of 2004, the Belgian controlled fleet with a Belgian flag amounted to 1.2 million DWT compared to less than 0.2 million DWT a year earlier. With around 5 million DWT in January 2014, the total controlled fleet has quadrupled (and will increase further to 7 million DWT per January 2015). Thanks to the introduction of the tonnage tax policy, the controlling power of the key-players in the Belgian shipping cluster remained in Belgium.

After a strong increase in the number of students since the beginning of the millennium, the number of students at the Antwerp Maritime Academy has remained relatively stable over the past few years. This implies maritime knowledge can be retained for the Belgian economy.

The decision of the European Commission to leave the current State Aid Guidelines unchanged, ensures that current policies can be continued. The tonnage tax and the social security and income tax arrangements (that limit taxes for seafarers), preserve the attractiveness of the Belgian flag.