

Here, maritime leaders **Francis Vallat** and **Paul Marceul** outline the perspective of European maritime clusters in the face of multiple challenges today

Backs to the ocean?

According to the European Commission, the maritime sector represents 5.4 million jobs and a gross added value of just under €500bn per year. While the definition of the EU's blue economy differs from ours, let's give the devil his due: these figures pay tribute to the overwhelming importance of the sea-related economy.

By way of example, the 17 national maritime cluster-organisations which are members of the European Network of Maritime Cluster (ENMC) directly represent tens of thousands of companies and institutions behind these impressive figures (that was the upshot of an internal survey started in 2012 and concerning the membership structure of the national maritime clusters themselves). As a matter of fact, all national cross-industry organisations located in member states of the European Union or in the European Economic Area (EEA), and representing most of the maritime activities of their countries, (gathering all, or the major part of, the maritime subsectors) are eligible for full membership of the ENMC.

We would like to point out that, since its foundation by the French and the Dutch maritime clusters in 2005, the ENMC has continuously been extending its membership and geographical coverage, occasionally welcoming observers from outside Europe, whilst one representative from the Directorate-General for Maritime Affairs (European Commission) usually attends its main meetings.

Currently the type of each national maritime cluster varies. Some have already reached a high degree of development: they are an advisory body and a driving force, both appreciated and recognised by the government in the respective member state. Other clusters are still structuring or have not yet managed to gather and number all of the maritime activities of their country. However, very fortunately all 17 of our members have already realised that it is only by acting together that the maritime economy will become stronger and more efficient.

Furthermore, some of these clusters are state controlled, some others are purely private, whilst others are run by an intermediate mix. Depending on the nature of the respective maritime sectors, i.e. the existing connections between shipping companies and spin-off activities, some clusters include river navigation and/or the logistics sector, the port industries, the fisheries, the coastal tourism, the insurance and finance sector in their scope; others do not. And some are of a specific nature, for instance the landlocked Luxembourg Maritime Cluster has been co-founded by the national railway company, and involves many financial institutions and consulting firms, but fewer shipping companies among its members.

Given these differences with regards to the scope, the areas of actions and the level of development of the national maritime clusters, the ENMC has to be understood, for the time being, as a best practice dissemination



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and exchange platform, a smoothly unifying organisation, and simultaneously, the growing natural counterpart of the maritime European authorities.

Its activities take place mainly through its website, numerous informal talks and exchanges, working and communicating more and more along common criteria. Each year a meeting is held, during which each country gives a brief presentation of the economic situation of its maritime sector, and the recent actions undertaken. In other words, the ENMC is not yet the definitive European maritime cluster, which it will hopefully become within a few years when all national maritime clusters will have reached a sufficiently harmonised level of development and representativeness (the possibility is there for the ENMC being raised to a strong federation of national clusters, acting by proxy in many definite matters). And it is in that spirit that the new French-Luxembourg presidium has been giving a strong new impetus to the network since the end of 2011, multiplying the efforts to better connect national clusters with each other on the one hand, and the ENMC itself with relevant international organisations on the other.

Links to the Commission

Today, so much is certain: despite its imperfection, the ENMC established itself as a fully recognised stakeholder consulted by the European Commission, and as a strong voice of the European maritime sector. For instance, the ENMC presidium and chairman has met with high level members of the European Commission three times in recent months; despite the fact that quite a few Commissioners are largely unapproachable. Fortunately, we have the happy exception of Commissioner for Maritime Affairs, Maria Damanaki, who has given great encouragement by welcoming ENMC representatives in Brussels or visiting them at several intervals (this is in line with the wish of the EU to create clusters).

Still, the European Network of Maritime Clusters is facing and sharing a huge challenge: the promotion and the concrete reinforcement of the European maritime economy as a whole, and how to help to make clearer what is, and should be, the blue economy, hence the blue growth. As individual sector policies might conflict with each other, and taking into account that the European Commission registered in the eponymous Blue Book the necessity of an integrated approach; the ENMC can and does contribute to this new mindset, toward this 'Integrated Maritime Policy'.

This is by trying to bring really representative national clusters together, pushing forward common positions and drawing EU authorities' attention to its specific views, which by nature cannot be but in an 'integrated spirit'. It is obviously the same spirit when referring to the necessary planning of the activities at sea, since the appearance of new activities, if not organised, can lead to the multiplication of conflicts between traditional activities (for instance, fishing, transport and sailing) and new ones. And as clusters are supposed to gather within them all the concerned activities, they are in the first instance concerned by the resolution of these oppositions. That is why the ENMC supports the initiatives of the Commission; which answer to the constant demand of all clusters to organise from now on the cohabitation of activities at sea in order to facilitate future development.

Above all, the main priority for the ENMC, is to obtain a reliable and true identification of what the maritime sector represents in Europe as a whole, as well as by subsector and by country. This is indeed the necessary basis of any credible long-term policy, and this is possible only by adding reliable and homogeneous national figures on a common basis (it is necessary to sort out the sectors to be included, the scope of analysis and the figures to be considered re amongst others direct/indirect employment). In fact, the European network considers such a study – which should be possibly updated every two or three years – to be the necessary starting point for a reliable snapshot of the importance of the maritime reality; hence supporting all future concrete actions. Indeed, the maritime data available today, whether per country or at EU level, is for the large part, approximate, non-scientific, vague and often made of partial figures.



Maritime activity is integral to the European economy

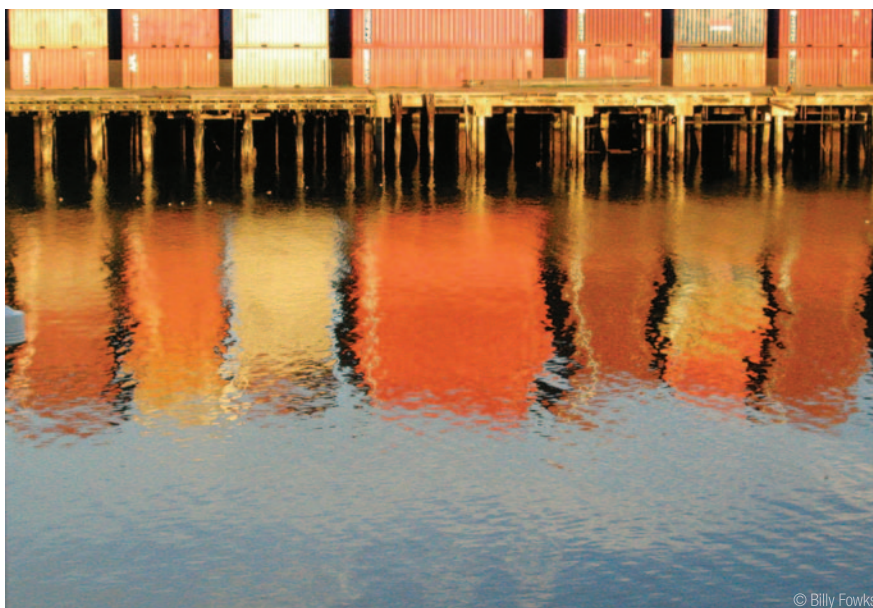
Strength in knowledge

Furthermore, what is certainly known is interesting but not exploitable. It simply indulges our vanity. For instance, it is clear that the EU is one of the global maritime players (including huge Exclusive Economic Zones, control of 40% of the world tonnage with important ship owners in all business sectors, major complex and sophisticated shipbuilding, a mighty offshore industry, state of the art oceanographic research and so on) but this power remains potential and cannot be really organised as long as it has not been precisely identified, weighted and studied. Facing this situation, the ENMC has a strategy – currently being very seriously and openly discussed with Brussels – to obtain sufficient and adequate funding to detail what the maritime sector is worth all over the continent.

It appears today that this is a feasible exercise since millions of euros are spent each year for numerous studies which are hardly used. The ENMC is of course aware that it is, and will be, a complex, long lasting and costly investigation (it may last two years, and cost €2m, if not more), the more so because the competent consultancy (to be appointed by the Commission through an open and public tender, in order to be absolutely neutral) will have to set acceptable and fair criteria, to cross-check all data, in each concerned country. But it is a top priority, in the general interest of the European Union, given that we are at the dawn of a century, that is looming to be the most maritime of mankind's history, in the context of globalisation. Besides, such a 'dynamic' study will help European decision makers to allocate resources in a more adequate and appropriate manner.

Colossal impact of integration

By its nature (an open space where physical borders do not exist) the sea is and should be more and more of an essential concern, challenge and chance for Europe. Certain policies, as the fisheries policy, are now communitised almost completely. Others are communitised *de facto*, as the regulations regarding sea transport for example (today 90% of these regulations are passed by the EU, even if it is often only the transposing of international regulations). But the EU is not only a regulatory authority. It also creates incentives, invests in numerous projects where states are not sufficiently involved, as the development of the maritime highways (Marco-Polo programme), or the adaptation of the merchant fleet to



environmental requirements. It even frequently decides structuring objectives which 'force' states.

For instance, with regards to environmental protection, the Marine Strategy Framework Directive obliges states to draw up a complete inventory; essentially pursuing an environmental vocation (it is up to the maritime professionals, with the support of the clusters and states, to develop studies and research in order to collect the necessary data of activities). With regards to the development of renewable energies, the objective defined by European authorities was the decisive factor for the craze for the development of marine energies. Those energies again are also structuring for all sorts of linked maritime activities of service (such as connected equipment, shipbuilding, ship owners' requirements, safety, future maintenance and so on).

Europe is thus everywhere, and powerfully so! One could also quote in that respect the choice of the European Union to abolish some historical, well established 'commercial' agreements (such as the famous 'conferences' for instance) and enforce stronger environmental constraints in sea transport; including the decrease of sulphur emissions, control of ballast waters, specific obligation towards clean recycling of ships and strengthening of the port state control in all the European ports. All these measures strongly shape or mark the industry.

Similarly, competition rules and environmental regulations have had a big impact on the sector. Europe punishes more and more companies for non-compliance with their obligations or with the competition rules. It is fair to recognise that the application of these rules mostly allowed the cleaning up of the market and an end to numerous doubtful or debatable practices. This being said, the continuation of the state aids in its current form is seen as essential by European ship owners. Following these guidelines, member states are allowed to support the maritime transport companies through various measures, for instance by applying taxes based on the tonnage of their fleet, thereby helping them to remain competitive. This is the reason why the members of the ENMC, co-ordinated by its presidium, decided last year to individually approach their national authorities and to take part in the consultation launched

by the EU on this matter – urging the Commission for a maintaining of the *status quo*.

Major developments and challenges

Since 2008, the financial crisis has badly hit the maritime sector. Ship rates have been dropping, ship orders have been cancelled due to the on-going overcapacity, or default of payment and ship owners have still to overcome financial shortage. And this very serious overall downturn has been aggravated for the ship owners by the recrudescing phenomenon of piracy. Even though the number of successful attacks in the waters off the Horn of Africa has significantly reduced through the enhanced naval protection (amongst others the effective European military initiative, Operation Atalanta) and various measures, such as armed guards, the establishment of a government in Somalia, and the work of the International Maritime Bureau; there has nevertheless been an alarming rise in pirate activity in some other areas, especially along the west coast of Africa. This is a crucial issue, which can affect other maritime routes in the future, and is likely to last for decades. Ship owners face the threat of a ship, cargo and crew being hijacked and ransomed, leading to ever higher insurance costs, increased wages for seafarers and the use of armed guards.

Equally complex and difficult, although very different, is the situation in Europe's naval industry (e.g. construction yards and equipment subcontractors) which has to struggle permanently to keep competing and maintain strong industrial capacity and technology in Europe; often against accelerating and often unfair competition from some Asian countries. There, as recommended by the French Marine Industry Group (GICAN), the solution appears to start from existing strengths apparent in some European countries, such as building high technology ships (e.g. cruise ships, naval ships, dredgers, gas carriers, car ferries, supply vessels, fishing ships) and manufacturing high technology marine equipment such as electrical appliances, submarine equipment and electronics.

Such strengths should lead the current main professional actors towards other products in new markets; such as energy transition in shipping, renewable marine energy, exploration and exploitation of the maritime deeps. All these new activities take advantage of the oceans as 'another space', as a real 'new frontier' (under the so-called 'blue growth', or new blue industry).



In other words the idea is not to try and reconquer lost markets (such as construction of bulkers, container ships or tankers), but rather to permanently retain a significant lead in high technology and innovation. This will rely on focusing on processes, but is also subject to a few terms and conditions being met; such as long-term financing, and protection against copying and corporate espionage.

Which initiatives at EU level?

For the naval industry, the EU's next framework programme Horizon 2020 could have a strong impact, all the more so because European shipyards must obviously benefit from appropriate aid schemes mainly orientated towards research, development and innovation. In this respect quite a few initiatives taken at EU level might help, by maintaining at least the current arrangements and rules, pushing the development of new technologies, determining a strategy for the innovations to avoid their being readily copied in Asia and securing fair competition by enforcement of a recommendation on International Labour Organisation (ILO) compliance as stated in the Leadership 2020 report. This would exclude from all public markets all offers coming from third-party countries that have not ratified ILO conventions – for instance the Convention on Forced or Compulsory Labour, imposing access to other international markets by equipment manufacturers (reciprocity clause as requested again by the LS2020). Also, European Investment Bank (EIB) long-term finance should be promoted.

Green regulations

When it comes to green regulations, such as the European Directive 2012/33 as regards the sulphur content of marine fuels, or more globally the MARPOL Annex VI; both are, in ENMC's opinion, a challenge and an opportunity. It is quite clear that European ship owners are more and more obviously 'keen on green'. Nevertheless they expect costs for retrofitting to go into the millions while the aid granted by the EU to help ship owners comply is too limited, especially in view of its restricted forms and of the very strict and tight deadlines in place for applying new regulations.

Indeed eligible costs are the retrofitting and the acquisition of new vessels provided they are to operate under stricter rules than compulsory legislation, or the changes are made ahead of the entry into force of regulation. Yet nothing is planned for key areas such as investing in scrubbers or to help switch from fuel to gasoil. In that respect too, one may hope that the new framework programme – Horizon 2020 – will cope with the lack of funding and support the LeaderSHIP initiative and other promising R&D projects, together; cutting back noxious emissions and coming to the rescue of maritime transport companies.

More generally the new environmental mindset towards sustainability is or should be an opportunity for innovative companies involved in green shipping, offshore wind farms and other clean energies gained at sea; provided the challenges remain realistic and – as already mentioned – appropriate funding public, or adequate and fair compensation, is made available under reasonable terms and conditions.

By way of conclusion, one point matters very much to the ENMC. In our ever more globalised world, it is essential to insist on the importance of maintaining a level playing field. The maritime sector is a global business and it must be clear to everyone that international bodies, such as the IMO, are the best places to discuss and enforce rules for the maritime sector. For instance, from that point of view, the fact that 'Emission Controlled Areas' are no longer located only in European waters but also in North American waters and, soon, in the Caribbean Sea as well; a positive evolution. Similarly a very positive move was the entry into force of the Maritime Labour Convention on 20 August 2013. As a result, European ship owners should indeed be less disadvantaged because of their enhanced social responsibility towards seamen, as from now on all ship owners are bound by a minimum set of regulations and controls with a worldwide coverage.

As far as the creation of new regulations is concerned, and as much as possible the enforcement and application of them, this positive and essential trend for universality should be a top priority for the EU, far more than the unilateral issuing of rules, whether national or even regional. For this necessity, the ENMC is clearly on watch.

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