ECSA
European Community Shipowners' Associations

ECSA COVID-19 Survey May 2020

European shipping is facing a critical moment in the face of the current COVID-19 pandemic. Shipping companies, charterers, operators, shipowners, crew as well as onshore staff are all dealing with mounting difficulties in continuing their operations. To better understand the economic impact of the pandemic on our industry and to assess the impact of EU and national measures put in place to alleviate the situation, ECSA conducted a survey in April 2020 among companies.

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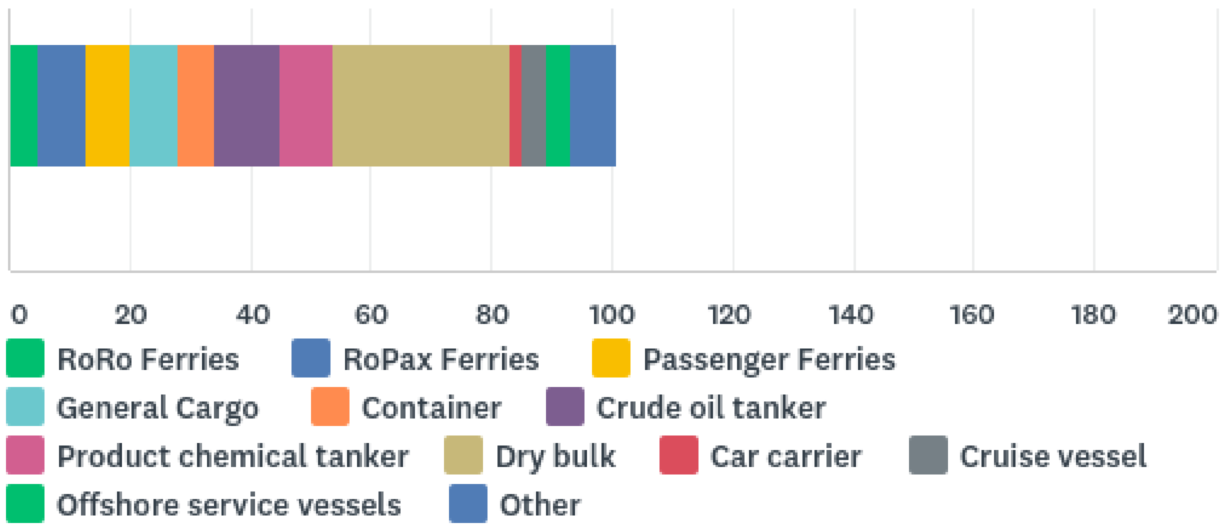
Overview of segments:

The survey received the most number of answers from the dry bulk segment. Followed by crude oil tankers. As could be expected, different segments are impacted differently by the crisis. It is thus too simple to generalise the situation for the whole shipping industry.

Figure 1: Segments covered by the survey respondents



Economic impact

Turnover

With the exception of the tanker segment, the overall shipping industry is facing significant immediate losses. The worst-hit segments are: ferries (many indicating a higher than 60% turnover decrease), cruise, car carriers and offshore service vessels. On the other end of the spectrum, tankers saw an increase of their turnover in the month of March 2020.

Key Takeaways

- *Except for tankers, the rest of the industry is suffering from significant immediate losses.*
- *The situation for ferries, car carriers, offshore services vessels and also general cargo and containers is expected to deteriorate.*

When asked about the turnover for Q2 2020, as compared to Q2 2019: Again, except for the tanker segment, the whole sector is facing significant immediate losses. Besides the above-mentioned segments which are particularly badly hit in the immediate term, the situation of the car carriers, offshore service vessels, general cargo and container sectors is expected to worsen. Responses are indicating that the majority of the passenger transport operators expect a decline of turnover of more than 40% compared to 2019.

Respondents signalled that some recovery is expected in the rest of the year compared to the immediate economic impact, however turnover losses remain significant throughout the industry - except for the tanker sector.

Figure 2: Change in turnover in March 2020 compared to March 2019, by segments

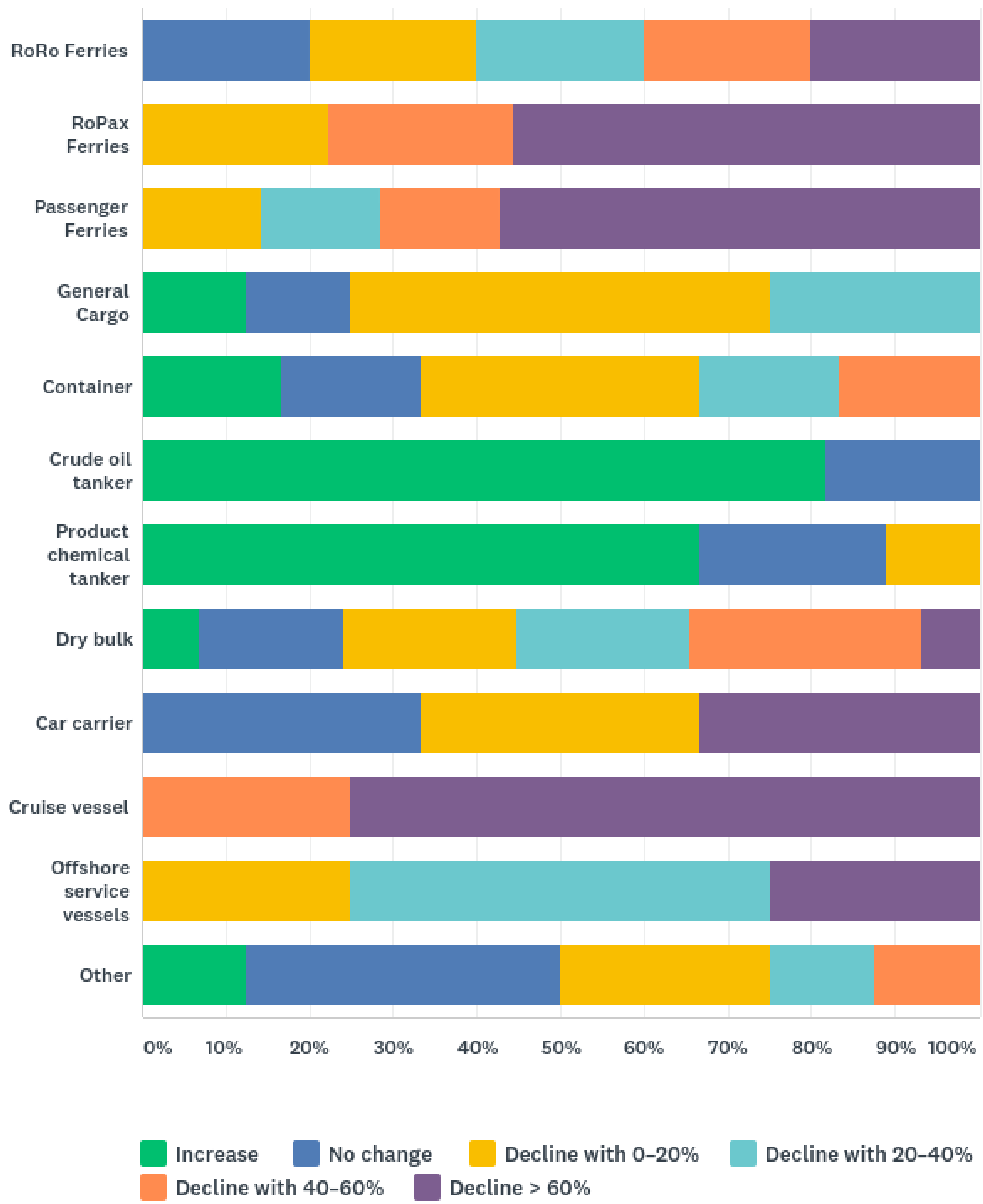


Figure 3: Turnover expectations Q2 2020 compared to Q2 2019

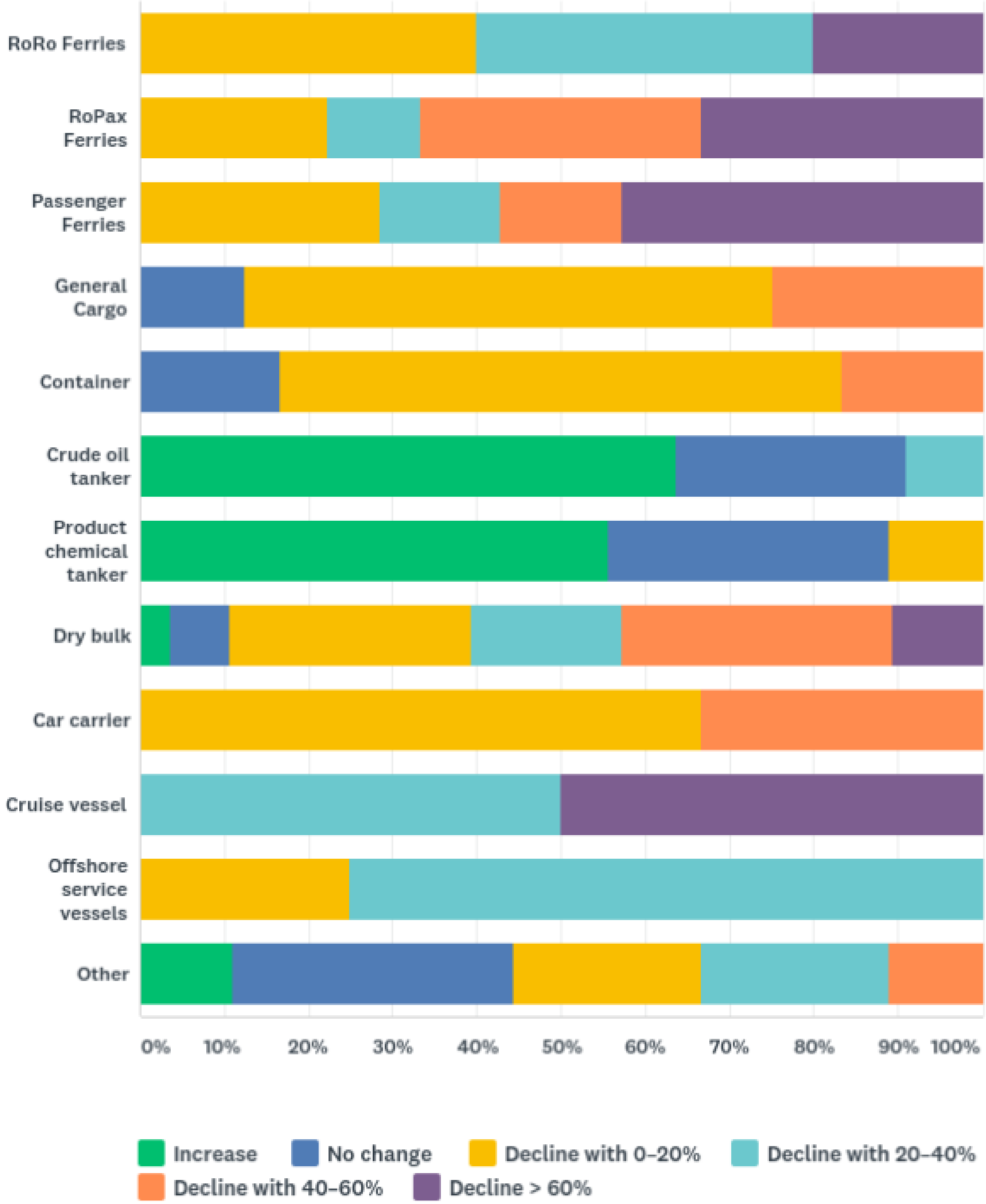
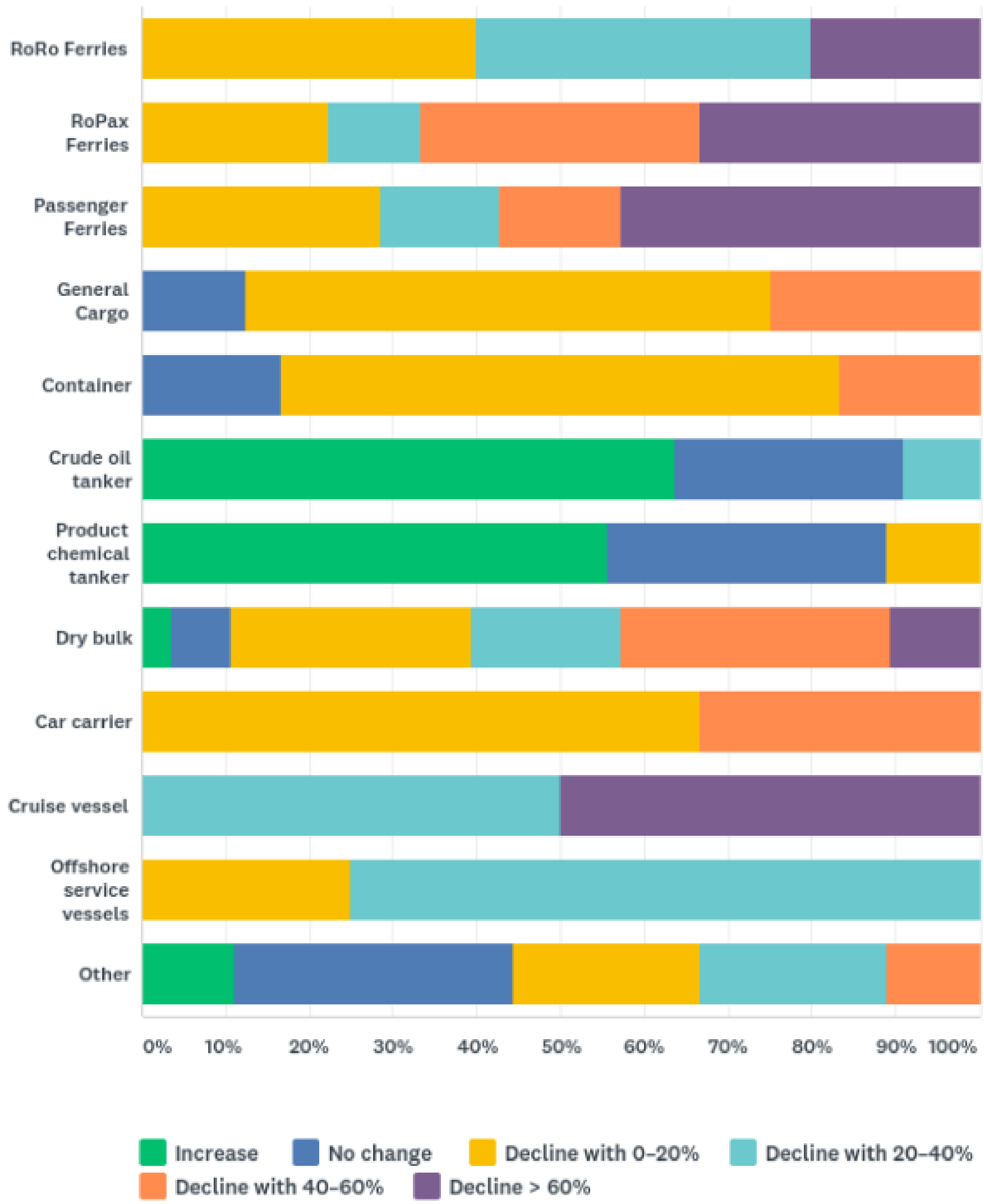


Figure 4: Turnover expectations 2020, compared to 2019



Employment:

Corresponding to the economic impact suffered by different segments, the respondents' answers on the employment of seafarers and of office personnel follow similar patterns.

On the **employment of seafarers** in 2020, without national support measures: The dry bulk and tanker segments report not to expect big changes, for container and general cargo half expect declines, up to 20%. Very serious declines are foreseen in other segments with biggest losses in cruise, offshore, car carriers and ferries, up to over 60%.

On the **employment of office jobs**: Similar trends can be seen here: segments that are hit most are primarily cruise, offshore, car carriers and ferries. However, compared to seafarers' employment forecasts, there is less overall expectations of massive job losses, category of over 60%.

Key Takeaways

- *Serious decline in the employment of seafarers and office personnel in the hardest-hit segments – cruises, offshore, car carriers and ferries- with overall expectations of massive job losses.*
- *National measures on the employment of seafarers often only apply to nationals and they do not sufficiently cover the loss in salary.*
- *Measures for the employment of office personnel are easier to tap into by companies because they come under general schemes available at the national level.*

Figure 5: Expected development of the employment of seafarers for 2020, compared to 2019, by segments

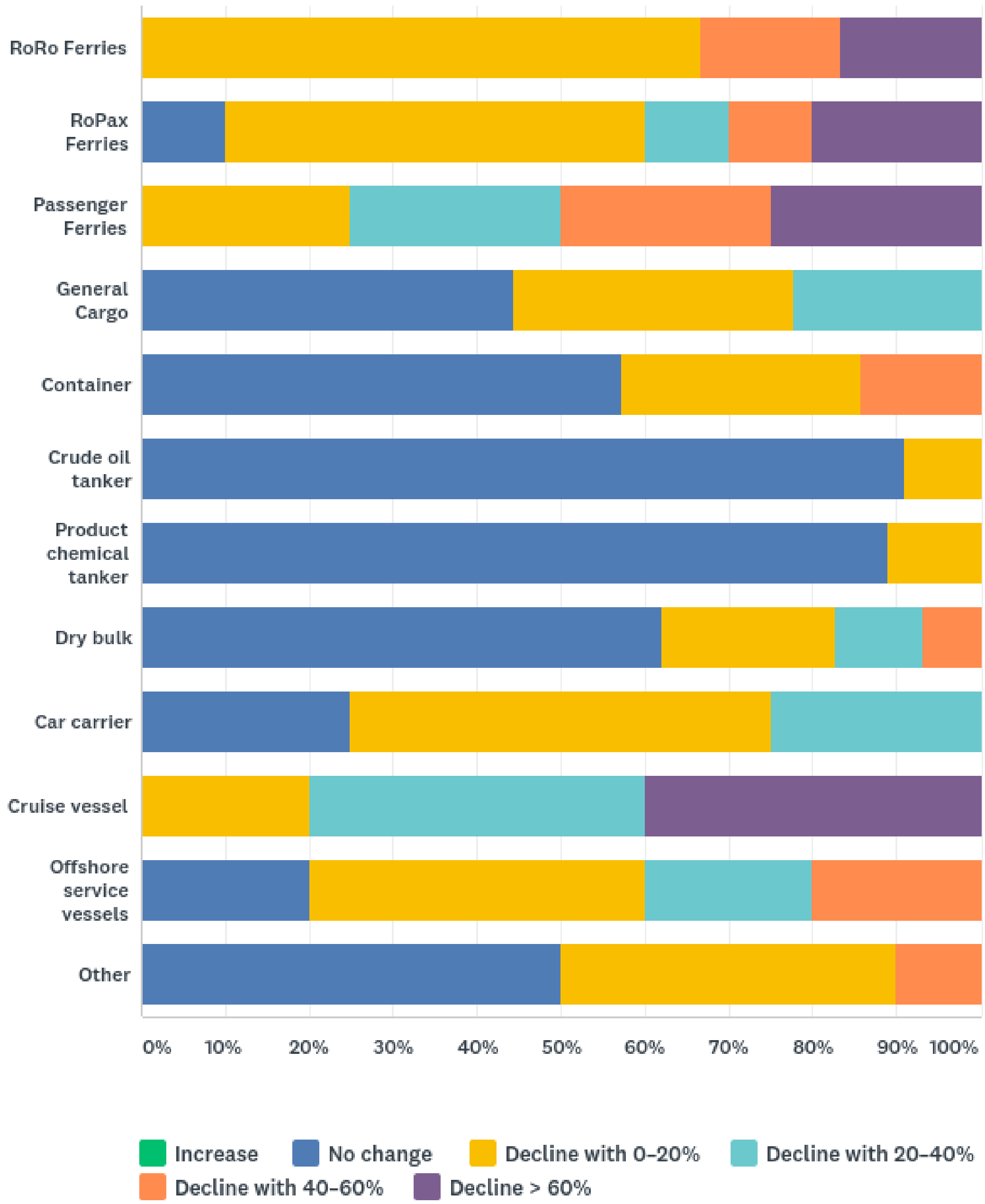
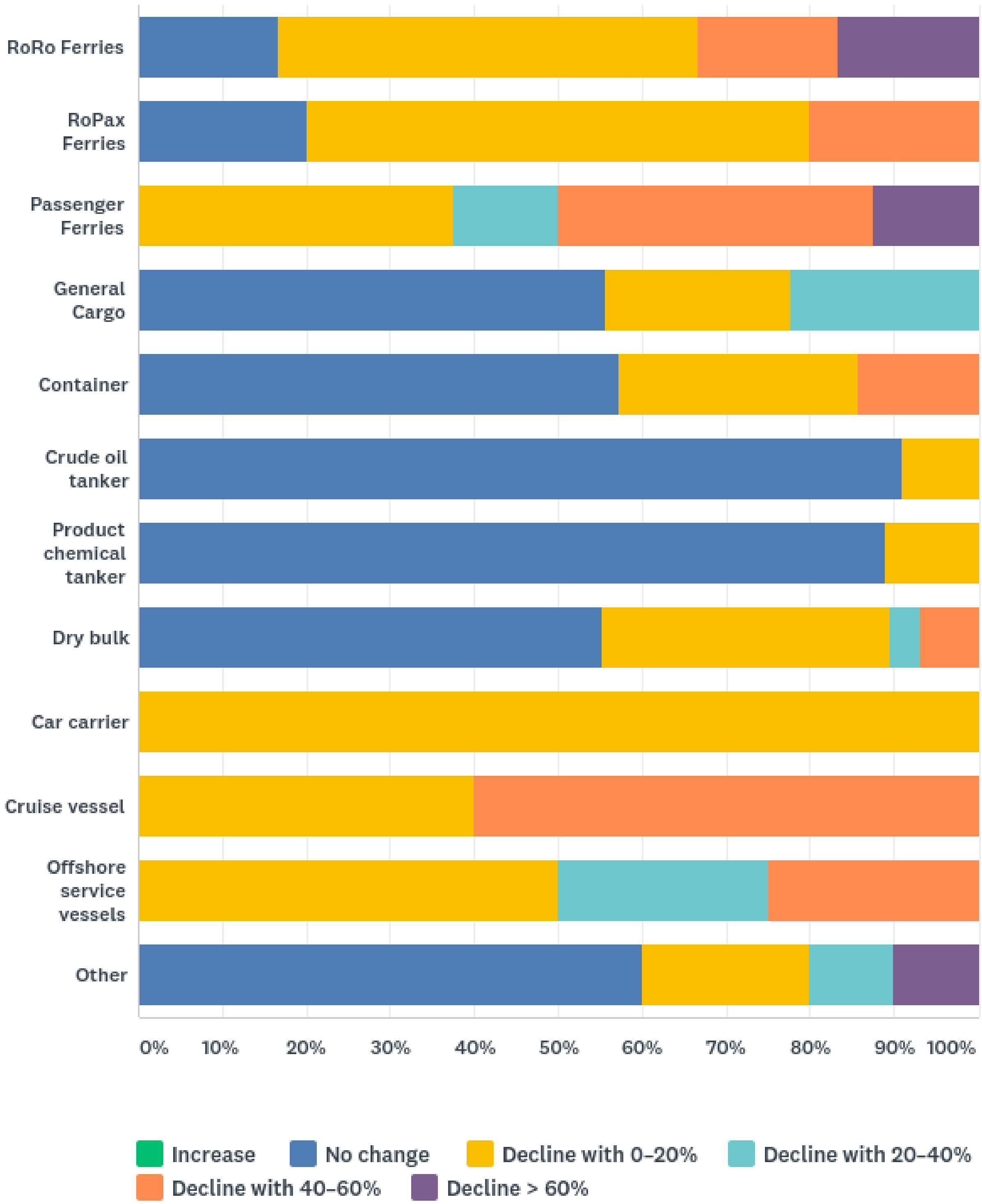


Figure 6: Expected development of the employment of office personnel for 2020, compared to 2019, by segments



Have national or regional measures for the employment of seafarers and office personnel been effective?

For the passengers, ro-pax and cruise segment, as well as car carriers, the measures in place provide a significant support for the short term, however, for both of these passenger segments as for other affected segments it is noted that the measures in place do not fit (sufficiently) the shipping sector.

Main reported challenges relate to the fact that the support regimes do only apply to a part of the seafarers, e.g. because the measure only applies to nationals, and to the fact that the measures do not cover sufficiently the loss in salary.

Across the segments, it can be reported that 'measures in place and effective' score for the employment of office personnel higher than for seafarers.

For the office staff, companies have to turn to the general schemes available at national level, most of these concern rules that allow them to suspend temporarily contracts while the person receives financial support , these alleviate the companies but do not cover sufficiently the loss in salary. Other measures relate among others to waivers or suspensions of social contributions for the staff.

Measures against liquidity problems:

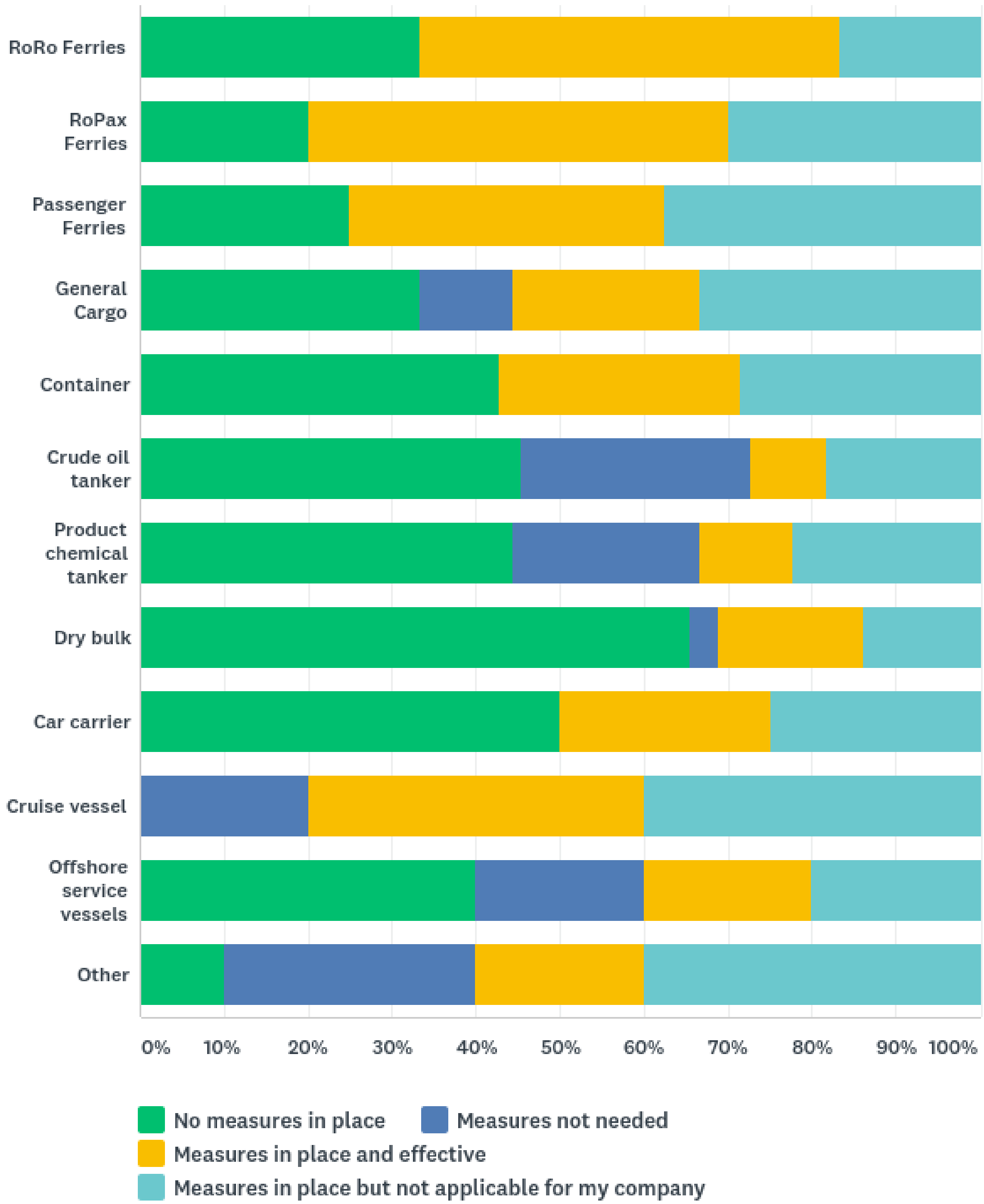
Around half of the respondents state that there are either no **national, regional, or local measures** in place or that these are not applicable to the shipping industry.

With regard to **measures by banks** on liquidity issues:
A minority of the respondents say that measures put in place by banks are effective. Even when there is policy measure put in place by the government (e.g. guarantees, extension of credit lines, postponements of down payments, loan restructuring, etc), **in practice banks either do not offer these options or if they offer such possibilities shipping companies do not use these options**. One of the reasons is that the administrative burden and costs to apply for liquidity relief outperforms the benefit of these measures.

Key Takeaways

- *There are few to none national, regional or local measures on liquidity for the shipping industry.*
- *Bank measures, if provided, are often not helpful.*

Figure 7: Measures provided by national/regional/local governments(s) for immediate liquidity problems, by segments



Measures on financing

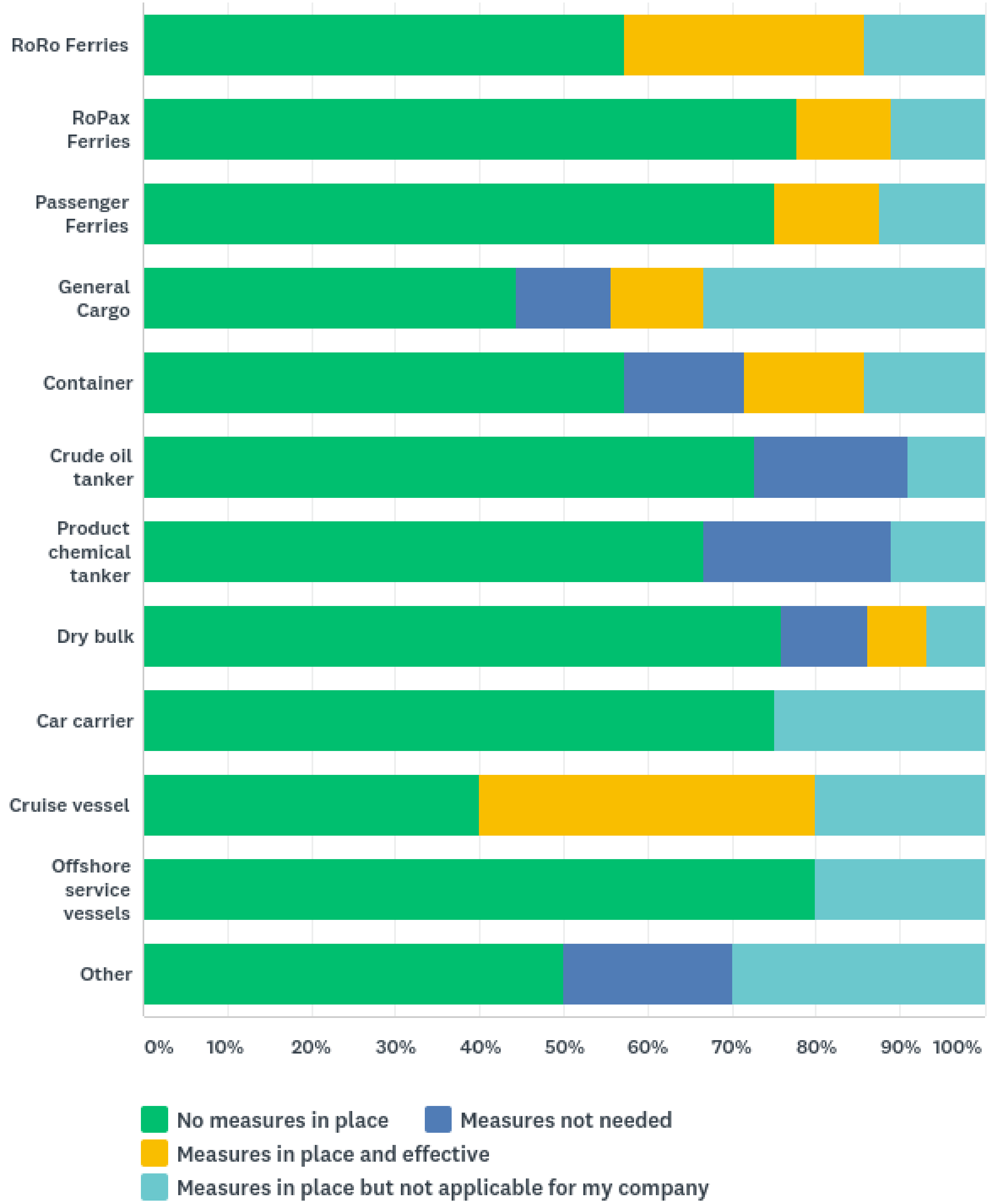
On the **measures by banks on project financing, refinancing of loans**:

Only a minority of respondents are saying such measures - if at all put in place - are effective. This is especially the case for car carriers, offshore service vessels and ferries, which have reported facing difficulties. These are also the segments that are most in need of these measures, judging from the economic impact they are currently experiencing.

Key Takeaways

- *Majority of respondents report that bank measures on financing do not exist or are not effective.*
- *The hardest-hit segments most in need of financial measures are the ones not receiving assistance.*

Figure 8: Measures provided by banks for immediate liquidity problems, by segments



Expectations for 2020:

In general, the **European shipping industry does not expect a return to pre-crisis level of activity in the course of 2020**.

Up to 74% of our respondents answered 'no', should the situation start to improve the coming weeks, with a gradual return to 'normal' business conditions starting in June.

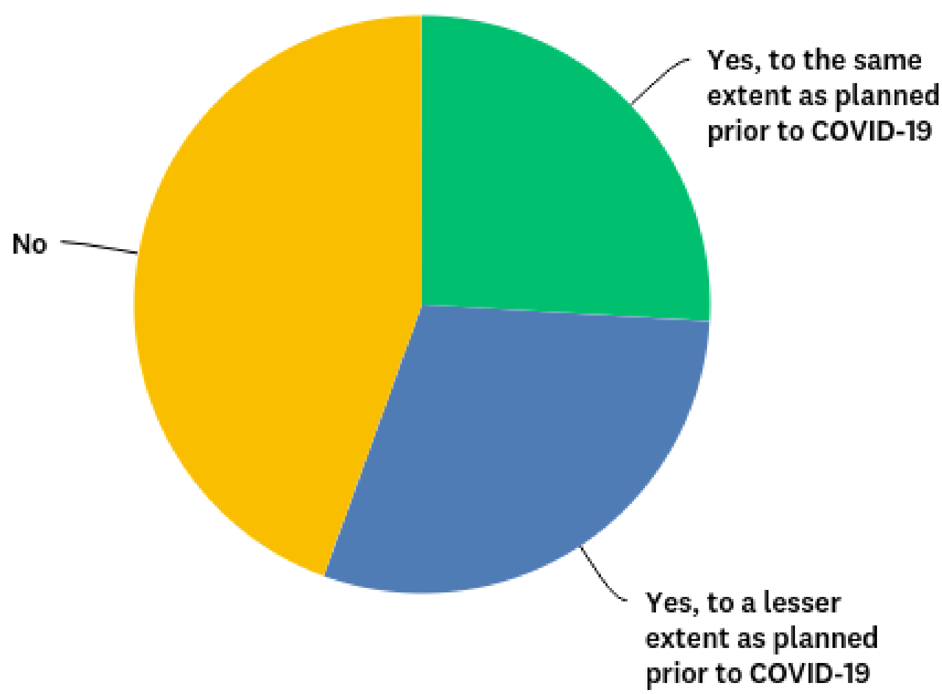
With regard to **employment**: 65% of respondents think they would keep/ return to the same number of seafarers previously employed. 56% of them think this would also happen for office personnel.

Key Takeaways

- *More than half of companies maintain a positive outlook on returning to pre-crisis level of employment later in 2020.*
- *Nearly 45% will no longer be able to invest in greening their fleet.*
- *More than half will not be renewing their fleet.*

With regard to **investments in the reduction of air emissions**:
26% of respondents think they would return to the same extent as planned prior to COVID-19. 30% of them think it would still happen but at a lesser extent, while 44% think these investments would no longer be possible.

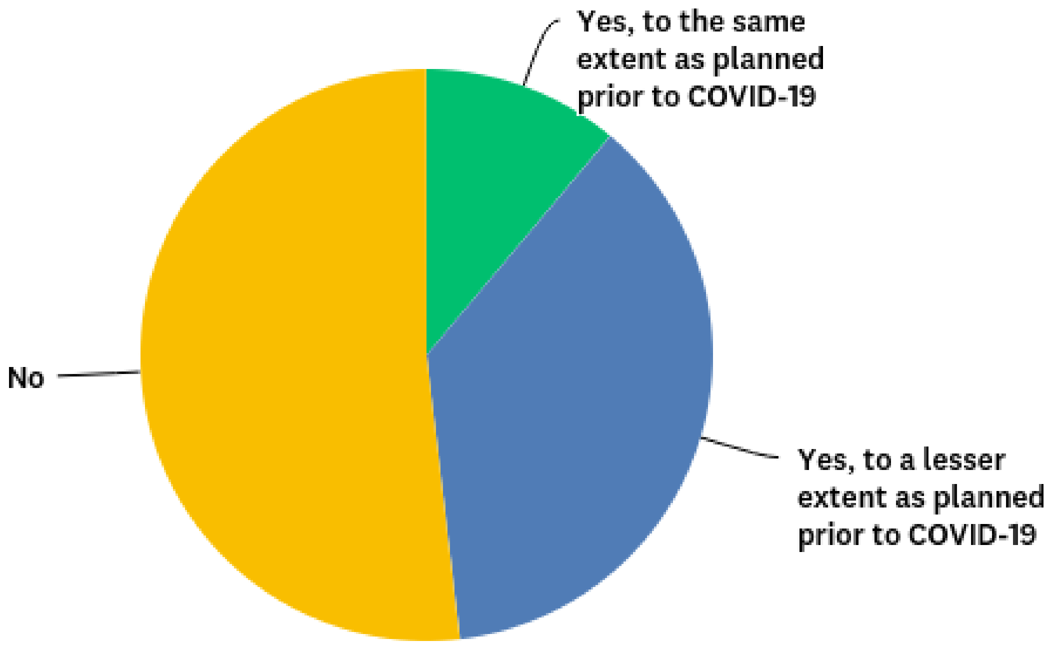
Figure 9: Return to expected Post-crisis investments in the reduction of air emissions



Investments in fleet renewal:

Only 11% of respondents think they would return as planned prior to COVID-19. 37% think these would be made but to a lesser extent. More than half, 52% of them, think this would not happen at all.

Figure 10: Return to expected Post-crisis investments in fleet renewal



What are the support measures urgently needed by the industry?

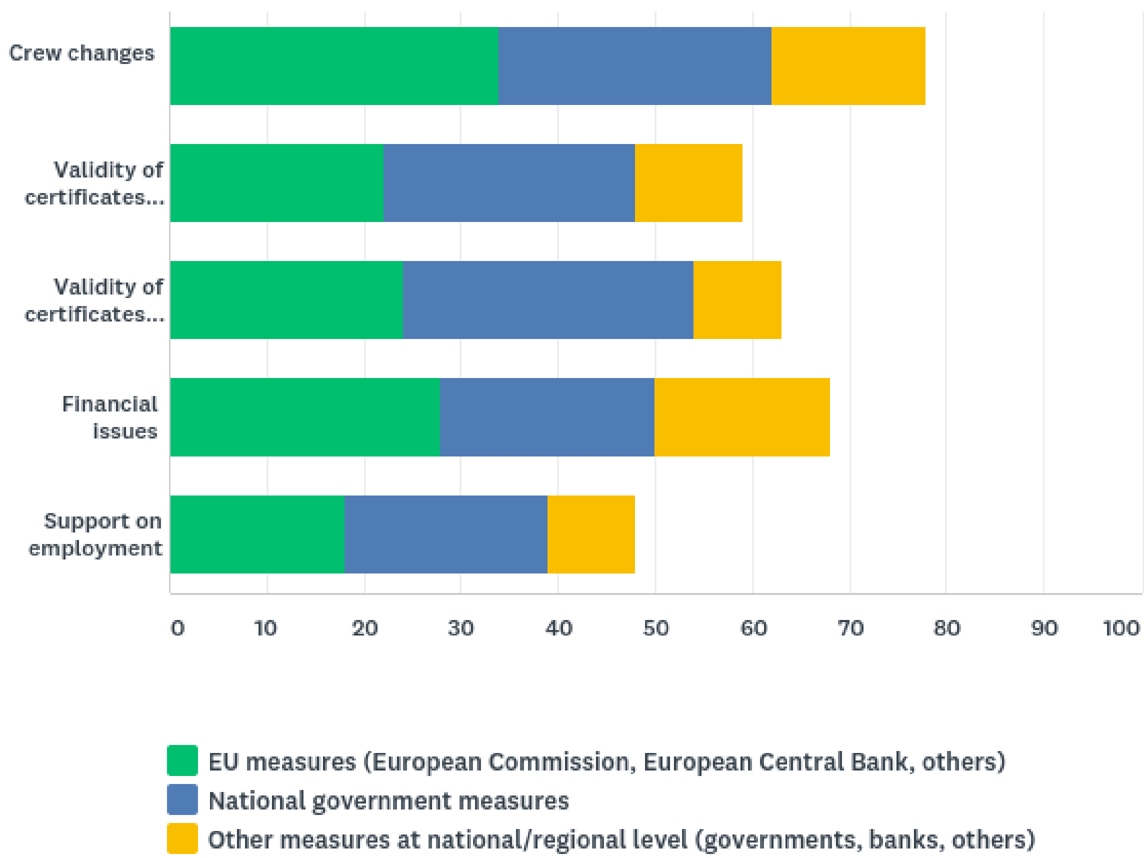
In our survey, it is clear that different segments need different types of support. In general, EU and national support is equally sought.

Nearly 80% of our respondents highlighted crew changes as the most urgent issue that needs support, followed by financial issues, then by the validity of certificates of seafarers, and of ships, followed last by the support on employment.

Key Takeaways

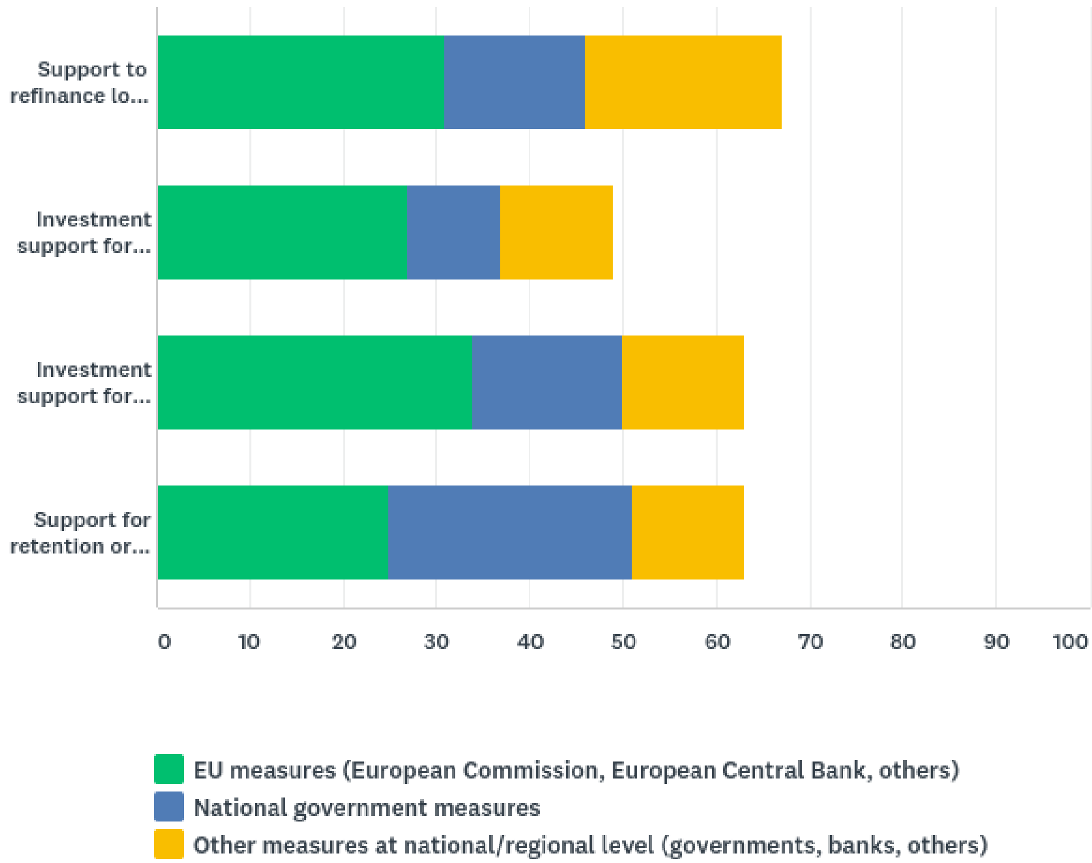
- *EU and national support equally sought by companies.*
- *Crew changes and financial issues top the list.*
- *Companies need support to help refinance loans portfolio.*

Figure 11: Ranking of urgent support measures



In terms of financial support, the industry prioritizes the support to refinance loans portfolio. This is closely followed by the support for the greening of the fleet and the retention or return of personnel / seafarers. The support for the investment in fleet renewal is ranked last.

Figure 12: Ranking of areas of financial support needed



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