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## The last word - Swedish Shipping : Erik Nordström

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**Erik Nordstrom, recently-appointed managing director of the Swedish Shipowners Association, reflects on future directions for the country's shipping.**

**P**ROFESSOR Erik Nordstrom came to the Shipowners' Association this year from the post of rector at the World Maritime University in Malmo. His reputation preceded him, but he is showing every sign of being the sort of straight-talking leader the industry expected. Direct and to the point, he feels that the government's decision to drop contract depreciation allowances in November 1989 was regrettable. He explains that Swedish heavy industry has contributed Skr 15bn (\$2.3bn) in the last three years to investments in shipping, specifically in the building of about 60 ships totalling more than 4m dwt, and there are also options with a value of more than Skr 1.5bn (nearly \$235m). It is equivalent to over 10 per cent of the world's ordered tonnage.

Whilst these orders were placed during a period of low newbuilding prices, Nordstrom points out that part of the problem for shipowners was obtaining financing in the normal manner. "Here the infusion of profits generated by Swedish heavy industry was invaluable," he stresses, the main reason that the shipping industry could regain in the space of a few years the size and ranking it had when it was at its largest in 1973.

But what of the future for Swedish shipping? The professor does not share what he calls his members "fixation" with a second register. While acknowledging the benefits of such an initiative, he feels there are other ways of reducing costs which are worth exploring.

One of the most exciting developments of recent years, for example, has been the Swedish owners' concentration on ferry and cruise operations. The country now possesses some of the most sophisticated cruise and ferry tonnage in the world and, with more new ships on order, the businesses are ready to take advantage of their prime market position, says Nordstrom.

He can see only one stumbling block, left over from the past. The demise of Swedish shipyards in the mid-80s meant that a great deal of expertise, particularly in the field of naval architecture, was lost for ever. As a result, future innovation in ferry and cruiseship design is likely to originate elsewhere.

In view of the inherent high costs of the Swedish economy, Nordstrom feels that specialised tonnage such as ro-ros and tankers will experience continuing success

into the 90s. He cites the particular example of the communities of part shipowners based in the western archipelago. Here family-based businesses are successfully running short- and deep-sea operations from islands such as Donso and Tjorn with small to medium-sized tankers, bulkers and ro-ros. Their dynamism will result in an expansion of activities, he feels.

As managing director Professor Nordstrom arranges informal meetings between shipowners and government. He is generally pleased with the understanding which arises out of these meetings but acknowledges that "shipping remains a complex issue for Swedish politicians."

A prime example of ministers being out of touch with the shipping industry is the absence of a special funding system for shipping. The system called for would work in the following way. When a shipowner sold a ship he would be able to retain the capital for up to three years. The capital would not attract interest. More importantly, the sum would not be taxed during that period.

So far the Swedish government has not been persuaded to adopt the scheme. "The result," says Nordstrom, "is that small companies are forced to reinvest the money simply to avoid taxation."

Sweden takes its position as a neutral country very seriously. So seriously that it is a major obstacle to the country ever contemplating membership of the EC. Professor Nordstrom says, "To succeed in shipping one must always look at the international context. In view of that, our exclusion from the EC is very worrying."

Professor Nordstrom points to another problem confronting Sweden — the mixed fortunes of the country's ports. In the sixties and seventies, with the arrival of containerisation, Sweden's east and west coast ports lost out to Gothenburg. Gothenburg responded to the innovation quickly with a massive injection of capital which was used to build container terminals. As a result it became the natural choice for deep-sea traffic, including several major conference lines.

But Gothenburg now finds itself outside the range of the major north European ports, and 30 per cent of dry cargo which passes through the port is now transit cargo. Hamburg, Bremerhaven and Rotterdam are all competing hard for Gothenburg's share of the market. If Gothenburg were to lose much more of its share of the deep-sea traffic it would again find itself back in competition with rival ports in Sweden and Finland. Professor Nordstrom says, "If Gothenburg ceased to be a direct conference call, exporters would have to pay additional feeder costs to Europe." And the struggle to be competitive would be further exacerbated.

Whatever difficulties the Swedish shipping industry has to face in the future, it is likely that the will and the expertise will be there to resolve them. Professor Nordstrom concludes, "Sweden is a country of associations. Whatever the subject, Swedes can be relied on to form an association to handle it."

Whilst this instinct may not prove enough to solve the current economic and political crisis which brought down the government last week, the shipping industry can at least be confident that it has in Erik Nordstrom an able and willing communicator of its interests.

**Michael Grinter**