

Feasibility study

Maritime crewing sector in Croatia

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CRONoMAR 

SEA OF OPPORTUNITIES

Address: Velimira Škorpika bb
Sibenik / Croatia

Phone: +385/22/340480
+385/22/340481

Fax: +385/22/340426

E-mail: info@cronomar.hr

Web: www.cronomar.hr

MARITIME CREWING SECTOR IN CROATIA

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Author:
Ana Zajc

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Malvin Villabø

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Abstract:

CroNoMar's mission is to participate in commercial development of new modern, innovative and sustainable products, processes, and services in marine sectors in Croatia. CroNoMar has opportunity to create links towards the Norwegian market for seafarers. Intention of this feasibility study was to take a "bird's eye view" in the maritime crewing sector in Croatia. The aim of this study was to identify possibilities and challenges in order to improve efficiency and competitiveness of the Croatian seafarers. Based on collected data the following areas have been analyzed:

- Maritime personnel sector in Croatia – main issues
- Supply and demand in the sector; cooperation between Croatia and Norway
- Swot analysis
- New way of crewing, etc.

Recommendations of this feasibility study can assist this sector in order to improve sustainability and commercial potentials, to develop more international cooperation, knowledge transfer, and experience exchange.

That can be achieved by the:

- o By further development of both business model for recruitment agencies and improvement of employment terms
- o Improving the present way of recruitment of seafarers, etc.

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1.INTRODUCTION

The main objective for CroNoMar is to find interesting business opportunities, and to implement them in business-relations together with interested cooperating partners.

CroNoMar's goal is to identify potentials for business improvements, and markets for new products and services in marine and maritime sector, and to participate in processes to commercialize these new business propositions. The end-result shall be prosperous new jobs and activities in Croatia.

CroNoMar is spending considerable resources on stimulation activities in order to generate deal-flow of new commercial ideas and business opportunities.

The types of stimulation activity will be:

- PR and publicity activities to market our services and contribute to an improved business oriented culture and attitudes in the region. Establish good relations to relevant public and private development agencies where potential idea-holders seek assistance and contribution
- Proactively towards national R&D-institutes, educational institution and students from the region to be trained in entrepreneurship and look for maritime relate business opportunities during their studies
- Establish proactive cooperation with existing business communities, national and regional public authorities, with financial and knowledge development organizations, branches, clusters, unions, associations, etc, in order to highlight non-released potentials and opportunities for new businesses and new business models, and jointly take new ideas into:
 - Feasibility studies
 - Pre projects
 - Development projectfor further development and evaluation as new business opportunities

The prime objective from CroNoMar with feasibility studies is two-sided:

- Identify new marine and maritime business concepts that are relevant as new competitive products and services to be produced and marketed from Croatia.
- Identify cooperative partners that have interest and capabilities to be our partners in such commercialization.

A secondary result is that these studies very likely will identify considerable improvement potentials by upgrading the structure and operational focus of integrated business -branches and –sectors. Such commercial potentials can only be achieved by close cooperation with all parties from individual private companies and local and national agencies and policy makers.

This feasibility study highlights the **maritime crewing sector** in Croatia. This means the sector where Croatian seafarers are employed on domestic and international ships. The sector then consists of local education/training, recruitment, and employment. The study includes short view of following areas:

- Status of the sector with respect to volumes, categories and market penetration.
- Possible careers and sustainability of the sector
- Situation in the sector as a simple SWOT-analysis
- Challenges/opportunities in the sector and topics of interest for CroNoMar to be involved in.

2. MARITIME PERSONNEL SECTOR IN CROATIA – MAIN ISSUES

2.1. Volume and Recruitment to the sector

Croatia has a long tradition of experienced seafarers. During the past Croatians were recognized as a reliable nation for recruiting of seafarers. At present there are at the moment about 27,000 seafarers in Croatia and more than a half of those numbers are officers.

More than 20,000 of them are on the ships owned by foreign ship-owners;

- 90% of them are employed over private agents
- Some 5 % are sailing on Norwegian flagged vessels. Norwegian ship managers prefer mainly top-officers and specialists from Croatia

From 1990-2006 the statistics for education, training and certification is as follows:

- 7312 students completed the secondary marine school
- 4626 students graduated on Maritime University.
- 89 327 Certificates have been issued in accordance with the STCW Convention.

(Source: Croatian Ministry of Sea, Tourism, Transport and Development 2006)

2.2. The Attractiveness of the sector

Attractiveness of this sector in Croatia is mainly based on:

- Croatian seafarers have been mainly recruited to the sector believing that the sector allows them to see the world and in limited period of time to make good money without long term employment. The leave-periods of several months have been attractive too.
- The contract periods can be classified into 2 categories:
 - Favorable contracts - when seafarer for example spends 2 months on board and 2 at home, 3 +3, etc., and mainly 4 +4 for cargo type vessels.
 - Unfavorable contracts - when in a year seafarer spend more time on board than at house, for example on cruisers, 6 +1, 6 +3, etc.

Basically the seafarer is employed only during the onboard period, and he is free to select new employer or type of vessel next time he wants to go to sea.

- Ship managers are normally recruiting ratings-seafarers through agencies on short term contracts. They do then look for best qualified personnel, with best possible working ethics, but at the same time for less cost. The sector has thus become rather competitive for younger persons. Regards higher officers the ship managers are looking for longer term cooperation and to keep the staff on continuous basis by reengaging the same persons after leave periods.
- Maritime seafarer career is presently difficult to develop due to limited time horizon of employment periods, and the needs for practicing periods in between educational periods in order to obtain certificates. In a longer term contract it could be in both sides interest for further develop the career and certifying of an individual and ambitious younger seafarer.

2.3. Basic education and post education

Croatia has well developed education and training institutions for seafarers and Universities. In these institutions and universities a seafarer can get basic education, university education and post education. Post education institutions are providing many different programs or courses. One of the companies involved in this business is Adria mar in Šibenik. Company runs simulated scenarios and practical workshops in specialized classrooms. Simulator and nautical lab, DP equipment include:

- Tug and mooring functionality module
- Evaluation and assessment functionality module, etc.

2.4. The recruitment arena

Present situation in the world – present economical crisis has some impact on the international shipping too. There is a big competition in price related to quality and attitudes between seafarers coming from traditional system education of seafarers towards cheap labor force from Asian countries. Present needs from abroad are oriented to more specialized seafarers like DP operators or similar. For the rest of personnel main issue is attitude, qualifications and price of their work.

In short, recruitment arena at the moment consist of:

- Recruitment of cadets when qualifying for certificates is a challenge in the present short-term thinking when the market is mainly looking for recruitment of Europeans to top-officers jobs.
- Rating personnel is mainly recruited from more low-cost nations like Philippines, India, etc. In many developing nations the status and salary levels onboard international vessels are attractive.
- The new nations for recruitment has over years spent much effort also to educate and certify higher officers. Officers are now recruited to international ships both from Eastern Europe, India and the Philippines.
- Presently neighboring countries at Balkan and Eastern Europe are popular recruitment arenas for rated seafarer personnel.
- Crewing Agencies is the normal entrance to employment contracts. There is no complete list of all the agencies that perform this function in Croatia, but 27 legal entities in Croatia are in accordance with the provisions of the Regulations on mediation in employment of seafarers (NN 120/2007).

(Source: Maritime connector, registered shipping agency, 12.03.2008)

2.5. Employment conditions

Today seafarers are experiencing some difficulties in their line of work. There is no possibility for any kind of career planning and implementation of long term contracts. For the time being most of the seafarers are not employed on long term base. Employment conditions include both salary and social security like healthcare, insurance, pension, etc. At present, social security is mainly provided by seafarers themselves. In longer perspective social security should be obtained by long term employment. The timeline of the employment contract and career development is normally a part of the contract only for key personnel like top officers and not for ratings that have ambitions to build a seafarer career.

The term "salary" varies a lot. Crew cost (salaries, insurance, etc.) are different from company to company and very connected with nationality of a seafarer, for example:

- Commanders wages can be from 6000 to 25 000 USD per month when onboard and nothing when on leave. Possibility for a longer term employment is that same salary can be divided during the whole year in order to have salary every month.
- The salary will depend on where the seafarer comes from (Scandinavians, Croatia, Philippines, Vietnam, etc) for the same position. In addition the salaries are dependent on workmanship and quality of work.
- Croatian commanders on foreign ships have salaries ranging from 4500 USD to 15,000 USD per month when onboard. Croatian commanders are claiming that their needs related to cost-level in Croatia should be minimum 8000 USD (paid only when they are on board).
- Most Croatian commanders have salary in the range between 6 and 8.000 USD and to keep any higher standard they need to remain on board for longer periods.
- Some better salaries are in the sector that deals with oil (tankers and suppliers) and the passenger ships where the captain makes a salary in the range of 9 to 12 000 USD per month and paid only while on board.
- The salary of 15,000 USD, as the Scandinavian standard, applies only to a few of our commanders with experience from highly specialized vessels like LNG ships.

Because of international competition the salaries as discussed above varies a lot and are related to market mechanisms like supply/demand, qualifications and expertise, and experience of the seafarer.

By Croatian law operational from 1.1.08. each seafarer must have health insurance and membership to pension arrangements for all the time spent on the sea, regardless under which flag he is sailing and it can be anticipated that this is now common practice.

The individual seafarer is responsible for such arrangements, and in some cases the employer pays these costs some EUR 1000/year). When employer is registered in a country where Croatia has an agreement for such matters, the employer is obliged to pay such costs.

By the end of 2007 only 1000 seafarers were insured.

(Source: Liderpress 07.02.08.)

3. SUPPLY AND DEMAND IN THE SECTOR; PRESENT COOPERATION BETWEEN NORWAY AND CROATIA

The shipping market in the period up to 2008 has experienced a big upturn both shipping-wise and with respect to orders for new vessels. This upturn has also positively affected the recruitment market for seafarers. Projections have indicated a need for 27000 more seafarers for the period until 2015. This is particularly a challenge when regards officers and leading personnel.

Croatian ship owners have faced this challenge and they have required from the competent state bodies the import of some 200 seafarers in a situation where there is a ban on boarding foreign seafarers on Croatian flagged ships. As an example Tankerska plovidba Zadar have articulated this challenge and they have stimulated their crew with better salaries (commanders receive around 13,000 USD per month).

(Source: Slobodna Dalmacija, 01.10.2008.)

Since 2008 there is down trend in field of recruiting of seafarers all around the world. Shipping branch is experiencing a financial crisis too. So the requirements for the seafarer have been reduced.

Some examples of Norway-Croatian cooperation:

- Some 1000 (300-400 according to the embassy but they don't have obligation to sign in their port in Croatia) Croatian seafarers onboard NIS-vessels whereof more than 50% higher ranked officers
- Leif Hoegh & Co. have a long experience with Croatian seafarers and have a staff of approx 100 Croatians
- Crewing manager Oddbjorn Lange have 360 seafarers from Croatia all officers
- Seatrains have 70 Croatian seafarers whereof 35 always onboard; prefer top-four officers from Croatia, etc.

Norway has a long lasting and very positive experience regarding Croatian seafarers for more than 15 years. There is a demand from Norwegian side for even more Croatian seafarers (officers, engineers and specialists like DP-operators).

4. SWOT ANALYSIS

Strengths

- Tradition of quality personnel; well educated and experienced officers
- Global request for Croatian maritime personnel
- Existence of Universities and High schools related to naval sector in Croatia
- Existence post education training institutions like company Adriamar in Šibenik

Weaknesses

- Most agencies for maritime crewing have a short-term mission looking for recruitment with 6 month's perspective
- Limited cooperation between training institutions and crewing agencies
- For training institutions is difficult to find trainee positions onboard vessels for cadets
- Limited cooperation between crewing agencies and ship operators makes it difficult to plan for long term employment and career development for the individual seafarer
- Unorganized promotion of Croatian seafarers to foreign ship owners
- Croatian seafarers can be demanding and opportunistic, and the positive reputation might be in decline. Ship operators are, to an increasing extent, looking for team-workers and –leaders.

Opportunities:

- Western countries have not good systems for recruitment and advancement for younger cadets that want to climb the career-ladder.
- Neighboring countries at Balkan and Eastern Europe are competitive recruitment arenas for rating personnel. These countries have limited experience as seafarer nations and limited training facilities. Coastal areas in Croatia with long seafarer experience can take advantage of this situation. Existing training institutions and services have an opportunity by internationalization of their market and recruitment arena for students.
- The request for longer term employment, social security, and career development might be a good opportunity to develop a new type of sustainable crewing agency. Such functionality will also request further development of education and training facilities.
- With increasing unemployment on mainland Croatia, an international naval career could be promoted more strongly.

Threats:

- Croatian students in the position to choose education and working career do not find a naval career of interest in comparison to alternatives.
- Most ship operators want to carry on recruitment in an opportunistic manner and not take responsibility for longer term cooperation for education of new officer candidates
- It is not possible to develop longer-term employment with social security and careers development without contribution also from seafarers. If Croatian seafarers are opportunistic and give priority to maximized short term salary it is not possible to establish alternative crewing agencies as described.

5. NEW WAY OF CREWING

A potential new model of crewing agency should have contract for crewing of vessels for ship operators and act as a long term agent towards ship types and operators. On the end, individual seafarer will get a long term contract and maintain social security system operational. Such a model should take care of career development for the individual seafarer both with respect to formal certificates and familiarization to different types of vessels and cargos by training and education in the free periods.

The main activity of such an agency would be to send a seafarer onboard vessels of same type and same operator in longer term in order to keep regularity and functionality. If some changes take place then the possible alternative is that the seafarer is already qualified to go onboard of other vessel of similar type, and he is attractive for other operators.

This model is interesting but difficult to be implemented if orientation of individual seafarers and operator companies is towards short term employment and not to the future in longer run.

In the process of establishing the new model of crewing agency there are some facts that need to be considered:

a. The needs

- The qualification scheme for seafarers require longer term thinking
- Good seafarers will look for career development and continuous retraining
- The social systems are looking for longer term employment
- Shipping operations becomes more specialized and advanced – requires specialized operators

b. The functionality of the crewing and training company

- A crewing company which offering long term employment and career development
- A crewing company that gives training and qualification courses to seafarers during leave periods for improved qualification/certification
- A international Maritime university as a strategic partner for such company
- Permanent employment including membership to insurance and pension arrangements
- Sending individuals to same ship operator over time – experience

- Sending individuals to same type of vessel every time – experience
- Only changing vessel type and operator when no other choice or gaining new experience/qualifications – build relations and continuity

c. New cooperating models with ship operators

- Long term cooperation with employees and a part of salary goes to the crewing company
- Long term cooperation for crewing contract with ship managers
- Have to accept changing market conditions (salary) but on average always be better qualified

d. The market

Important question for future actions are:

- Do ship operators want this long term cooperation in order to obtain quality officers
- Do Croatians or potential seafarers from other parts of Balkan want it

6. RECOMMENDATIONS

Current status of this sector provides possibility for establishing new model of crewing company with recognizable character. This new model of crewing agency can provide more direct contact between companies and seafarers – easier, faster and long term employment and carrier planning.

Another possibility of this sector can be orientation towards expanded training facilities or forming an International Maritime University in Croatia with intention to attract students from the whole Balkan Adriatic region.

CroNoMar can be a link towards the Norwegian market in order to provide more direct approach.

From all data we can draw some conclusions:

- 1) Present way of recruiting of seafarers is functioning at the moment but in longer perspective it will be difficult to maintain recruitment of well qualified and motivated personnel
- 2) Possible new model of crewing agency is not so interesting to Croatian younger seafarers. Due to the present situation in shipping, ship operators are not likely to commit themselves to a longer time period for employment of young officers or to educate and retrain them
- 3) The market is looking for experience and well qualified officers, but none is prepared to invest in career development for young cadets toward a career as top officer.

CroNoMar s involvement in sector of maritime crewing will depend of conditions and stability of the whole international market related to maritime crewing. Therefore CroNoMar will keep potential initiative on hold for the next period. At present time being it s important to keep track of all changes in this branch and to keep contacts with all people included in the process so that the right moment for further steps can be estimated.

