CESA CONTRIBUTION TO THE GREEN PAPER ON MARITIME POLICY

1. Summary

o Facts :

European shipyards lead the world market in terms of turnover and innovative products and processes, investing 10% of their turnover in research, development and innovation each year. It is a high technology industry.

LeaderSHIP 2015, the sector's response to the Lisbon challenges, has become a role model for successful industry policy at sector level. Its vigorous implementation will benefit the entire European maritime industry.

In most maritime fields of activity, improved performances are driven by innovative ships and other floating structures. A competitive European shipyard industry is, therefore, a crucial factor towards improved maritime performance, which is the key to exploiting growth opportunities in several maritime fields.

o Key Recommendations

MAINTAIN THE TECHNOLOGICAL LEAD: A strengthened focus on research and development is vital to maintain and reinforce the European leading technological position in the maritime sectors. Sufficient resources should be allocated to the maritime industries under the 7th framework programme on research and development, in accordance with WATER*BORNE* TP, that identifies the key R&D challenges for the maritime industry, provides a medium to long term vision and formulates a Strategic Research Agenda. It is vital that the results of this work are properly reflected in the 7th framework programme

CESA advocates a uniform implementation of the SUPPORT FOR INNOVATIONS as established with the framework for state aid in shipbuilding [EC (2003) C317/06] by Member States; the respective provisions should be applicable in appropriate form beyond 2006.

A LEVEL PLAYING FIELD: Trade distortions in the global shipbuilding market are to the detriment of the global maritime sector. The equivalent of anti-dumping rules, which are not applicable in the shipbuilding sector, should be conceived and further pursued.

IMPROVE COMPETITIVE FINANCING: A European guarantee fund for ship financing, in particular for the pre-delivery area, should be implemented by the European Investment Bank.

- **Further recommendations**

  - The ratification process related to IMO decisions should be accelerated by implementing a European ratification process for adopted IMO conventions.
  - Public financing for short sea shipping should support safe and environment-friendly ships. Thus, ships need to be considered as part of the infrastructure which forms highways of the seas.
  - In the field of security and defence policy, co-operation between member states and between yards should be promoted, leading a genuine internal market for security and defence products.
  - Intellectual property rights (IPR) are vital assets of the European shipbuilding industry. A clear understanding of the "leakage vehicles" in the complex interaction between yards, suppliers, owners, classification societies and universities must be established and used to vigorously counter abuse.
  - European leadership in many maritime industries is based on unique knowledge and skills of its labour force. Thus, more attention should be paid to the various educational systems preparing for maritime careers.
  - Industry should provide clear responses to structural questions, while policy support should facilitate identified requirements.

2. Introduction

CESA, the Community of European Shipyards' Associations, represents directly more than 99% of the EU shipbuilding production and more than 85% of the production in geographical Europe in the widest sense. More than 300 shipyards producing, converting and maintaining merchant and naval ships and other floating objects are members of 14 National Associations from the EU, Norway, Romania and Croatia. CESA is a recognised organisation at IMO, OECD, CCNR, UNCTAD and other international organisations.

European shipyards represented within CESA are leading the world market in terms of turnover. In 2004, more than 10 billion € turnover were achieved only on newbuilding of merchant vessels. The shipyards supply more than 100.000 direct jobs for a high skilled labour force. In modern ship construction, on average more than 70% of the final vessel is produced by a vast network of system, equipment and service providers, which add another 250.000 jobs. Altogether, the maritime manufacturers are generating an estimated turnover of 30 – 40 billion € annually.

CESA welcomes the Commission initiative to create a policy approach to Maritime Affairs. The various maritime industries and services constitute an important economic area. Maritime activities and their impact on European society are as substantial as they are broad. In almost all the concerned areas, improved performances are driven by innovative ships and other floating structures. A competitive European shipyard industry is, therefore, a crucial factor towards improved maritime performance, which is the key to exploiting growth opportunities in several maritime fields.

3. LeaderSHIP 2015

In 2003, LeaderSHIP 2015, initiated by CESA, was conceived by a joint effort of policymakers and stakeholders. This successful example of industry policy at sector level has served as a role model, now applied in several important industry sectors. In fact, the approach established with LeaderSHIP 2015 forms a crucial element of the Commission's new industrial policy as described in its Communication of 5 October 2005 [COM (2005) 474]. The most significant achievement of LeaderSHIP 2015 is the clear definition of ambitious but realistic goals, thereby focusing various activities and obtaining targeted co-ordination of all relevant policy areas.

As shown above, as vigorously implemented Community policy for the shipyard sector, LeaderSHIP 2015 will not only benefit the shipyards and their suppliers, but also the entire maritime cluster.

LeaderSHIP 2015 includes recommendations in eight areas:

a. Level Playing Field

The shipbuilding sector is still lacking effective, globally applicable trade rules that can ensure a level playing field and fair competition world wide. This has caused substantial market distortions with negative consequences for the entire maritime sector. Due to unsustainable practices, unrealistic cost pressure has led some producers to offer substandard vessels not fit for purpose. Whereas rule enforcement in this context is an important aspect, the root of the problems must be tackled as well: the equivalent of anti-dumping rules must be conceived to ensure full cost-coverage and sales at normal value, as defined by the WTO.

b. Research, development and innovation

The European shipbuilding industry is the global technology leader and most maritime innovations have a European origin. European producers are particularly strong in product segments with the highest technology content and most demanding engineering challenges. This is made possible by investing approx. 10% of the turnover into research, development and innovation. The fact that one out of four ships produced in Europe is a full scale prototype underlines the technological dynamism in the European shipbuilding industry.

One of the LeaderSHIP 2015 recommendations in this context was that shipbuilding should, in substance, enjoy the same conditions as other industries that engage in similar research, development and innovation activities. This was implemented with the framework for state aid in

shipbuilding [EC (2003) C317/06], which entered into force at the beginning of 2004, and which includes appropriate provisions related to support measures for innovation. Uniform implementation of these rules by Member States is crucial to ensure equal competitive conditions. However, up to date this is not yet the case and, as the framework expires at the end of 2006, a continuation of the provisions either as sectoral rules or in the context of appropriate horizontal regulations is indispensable in order to allow an implementation by all relevant Member States.

c. Shipfinancing

Shipbuilding projects are capital-intensive, but yards are often not well suited to organise all necessary financing elements. A European guarantee fund for ship financing, in particular for the pre-delivery area, is considered an effective instrument to support the competitiveness of the European producers without resulting in any costs for tax payers. It would also help to compete against non-EU competitors that can rely on advanced state-supported financing instruments.

d. Safe and environment-friendly ships

Many ships produced in Europe are outstanding with regard to their safe and environment-friendly performance, often well beyond the regulatory requirements. These examples show that an overall improved eco-record is technically and commercially possible. Furthermore, the quality work of European ship maintenance, repair and conversion yards is a major contributor to the safe and environmentally-friendly operation of ships, in Europe's waters and elsewhere around the globe.

Internationally applicable technical rules do exist, as far as those agreed at the IMO. However, their homogeneous application is not sufficiently ensured. The monitoring and enforcement systems related to technical rules should, therefore, be strengthened and sound international standards should be safeguarded. Furthermore, the ratification process related to IMO decisions is regarded as too slow. In this context, a European ratification process should be considered. Adopting IMO conventions at Community level instead of the 25 separate ratifications by EU Member States would considerably increase the efficiency of the system.

The great potential of Short Sea Shipping is widely recognised. This area should be fully developed also with regard to safe and environment-friendly ships. It is, therefore, important that ships are considered as part of the infrastructure which altogether forms the new highways of the seas.

e. European approach to naval shipbuilding needs.

Protecting 68,000 km of EU coastline establishes a highly demanding security task, which requires appropriate equipment. European shipyards are important suppliers of such equipment, producing vessels for coast guards, navies and other authorities. A true internal market for naval and security products and services should be established in Europe. This would enhance cooperation among naval shipyards, a co-operation that is now often hampered by diverging operational requirements of national navies and other authorities. Furthermore, the absence of a true internal market for defence equipment makes industrial consolidation difficult. Co-operation could lead to joint requirements, common projects and inter-operability of systems and vessels.

f. Protection of intellectual property rights

As described above, the technological leadership of European shipyards is crucial to its ability to face the increasing global competition. In this environment, competitiveness can only be maintained through innovative vessel concepts, optimized sub-systems and sophisticated design, production and planning methods. Therefore, intellectual property rights (IPR) are vital assets of the European shipbuilding industry. The complex and comprehensive interaction in shipbuilding projects between yards, suppliers, owners, classification societies, universities and other service providers opens numerous opportunities for the leakage of knowledge. In order to fully exploit existing legal instruments, a clear understanding about these “leakage vehicles” must be established and used to vigorously counter commercial abuse of new developments.

g. Skilled workforce

European leadership in many maritime industries is based on unique knowledge and skills of its labor force. However, pursuing a maritime career appears to be less attractive today than in the past. Therefore, more attention should be paid to the various educational systems preparing for maritime careers. The Social Dialogue committee for the shipbuilding sector is addressing these issues, but can only do so effectively if fully supported by stakeholders as well as public authorities and, in particular, the European Commission.

h. Industry structure

While shipbuilding and shiprepair are for many reasons a strategic industry for Europe, the industrial structure is not optimal. In LeaderSHIP 2015, all parties agreed that non-action is not an option and neither is protectionism. Structural questions need clear responses from industry in the first place. However, it is vital that policy support facilitates identified requirements. In this respect, a close dialogue between policy makers and stakeholders is essential.

4. Technology Platform WATER*BORNE* TP

In December 2003, the Maritime Industry Forum (MIF) initiated the process for the establishment of an *Advisory Council for Waterborne Transport Research* in Europe (subsequently named Technology Platform: WATER*BORNE* TP) functioning as a forum where all the stakeholders would agree on a medium to long term vision, would assess the key challenges for the maritime industry and waterborne transport and operations, would formulate the R&D actions to be fulfilled for meeting these challenges in a Strategic Research Agenda (SRA), and would promote the mobilisation of the necessary resources.

In the maritime field, the manufacturing industries contribute the largest share of resources invested in research, development and innovations. A large number of maritime research organisations in the EU are conducting outstanding projects. The synergies for these activities should be fully exploited leading to advanced technology for better and more environment-friendly performance. Such synergies should then be commercially utilized in order to contribute to growth and jobs. In this context, it may be worthwhile considering whether future R&D framework programmes should include maritime research as a thematic priority.

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