

THE NEED FOR A EUROPEAN MARITIME POLICY IN THE SHIPBUILDING INDUSTRY

Speech of Mr. Corrado Antonini, Chairman of Fincantieri, Italy,
to the Conference:

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Thank you for inviting me to this prestigious event.

Evidently I cannot but approve the initiative launched by the EU Commission, taking into account:

- the great economic and social value of the European maritime system, as a whole and in its different segments;
- the importance of a comprehensive maritime policy, complementing and integrating several different sectoral policies;
- the growing link between maritime activities and environment.

The holistic approach, in the first place, exalts the strategic relevance of each single segment. As to shipbuilding: if single countries cannot totally depend on others for the production of transport and defense means which are vital for their economy and security (but today I am not speaking about this last aspect), obviously this strategic role is all the more true for a world power like the European Union.

The tendency towards integrated policies in the maritime field, on the other hand, is not new in Europe. I refer, in particular, to maritime Clusters, who are among the organizers of this Forum. Their aim - besides making more attractive for the public opinion some activities which are often underestimated and sometimes even blamed - is to meet specific interests, being aware that some targets can be reached only by increasing “critical mass” and synergies.

As to the objective of the Green Paper related to employment and economic growth, I would like to mention some of the possible fallouts that the New Policy could have in a sector – shipbuilding - complex, fully exposed to international competition and subject to cyclical trends.

I would like to begin with a few highlights about our sector because they are often overlooked. European shipyards are leading the world market in terms of turnover. In 2004, more than 10 billion Euro 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.

And as the new European Maritime Policy focuses on growth and employment let me underline the key role of modern ships: in almost all the fields of maritime activity, improved performances are driven by innovative ships and other floating structures. A competitive European shipbuilding industry is, therefore, a crucial factor towards improved maritime performance, which is the key to exploiting growth opportunities in several maritime fields.

Quite contrary to often witnessed public perception, global shipbuilding is one of the strongest growing markets for manufactured goods. There are attractive opportunities for European yards; we are technology leaders and almost half of the global demand is generated by European shipowners. The strongest growing shipbuilding nations Korea and China both depend up to roughly 2/3 on orders from Europe.

Naturally, in a globalized market such as shipbuilding, shipowners are free to purchase their ships from anywhere in the world wherever they can obtain the best deal. That is to say that it is up to European shipbuilders, first of all, to improve their competitive position, as it is being done with the implementation of "LeaderSHIP 2015 – Competitiveness through excellence", the comprehensive community plan which dictates the action lines for the reshaping of the shipbuilding sector. This implementation will have, by the way, a positive fallout for many other maritime activities.

Coming back to owners' freedom, I believe that also in a globalized market (but everyone knows that protection systems do exist in some countries) efforts should be made to identify a "European priority" aiming at "encouraging" – I say encouraging, without obligations therefore for shipowners - the construction of ships in EU shipyards. This in particular wherever programs are put in place with the incentivation of the EU, such as the Marco Polo project.

Many European yards are evaluating the opportunities arising arising by

the development of short sea shipping with the so-called Motorways of the Sea, included by the European Parliament among the 30 projects of priority interest for the Europe of the future.

In my opinion, it would be unforgivable if public funding supporting the renewal and the enhancing of short sea shipping in Europe, would be spent in Asia. This occurred for oil tankers, when the double hull regulations were implemented. The segment was lost for European yards. Today ferries – in their several typologies - represent market segments where Europe has the technological leadership and which we firmly intend to preserve.

Another measure, eagerly awaited by medium-small shipbuilders, is the adoption of modern financial and guarantee schemes for investments in ships.

These examples of measures aiming at strengthening the shipbuilding industrial structure of the Union appear today more valid than ever, also in the light of the probable reversal of the world shipping cycle and, consequently, of the shipbuilding industry, after the extraordinary boom in the last years.

Last month, in China, the annual meeting of the representatives of the shipbuilding industries of Japan, Europe, China, Korea and USA, a convention called JECKU, was held. Well, while Korea for the first time assumed a position coherent with those of Europe, Japan and USA, China only – due to their huge production capacity development plans – did not openly point out the dangers of a new market unbalance between offer and demand, with falling prices and consequent war amongst producers also through unfair commercial practices. And the impact would certainly cause, once again, substantial damage to European industry and its vast ancillary sector. As a matter of fact already today the “China effect” is being indirectly felt by European yards through the attitude of the Korean shipbuilders; Chinese yards are entering more and more the standard ship segment and this will more and more push Koreans towards high-tech ships, the typologies, in other words, we are focusing on.

Coming back to the expected down-turn of the market, for the mid-term, European shipbuilders are expecting a “soft landing”; orders acquired worldwide in the first half of this year, however, decreased by 31%

compared to the record level of mid-2004. Both owners and yards are becoming more prudent. Medium-long term demand forecasts depend upon world wide economy and sea born trade growth (and the opening of new markets besides China has a positive effect), in addition to fleet renewals deriving from new technologies and regulations in the field of safety and environment. But future shipbuilding capacity will likely be much larger than the newbuilding demand.

Unfortunately, all attempts carried out by Europeans to address somehow the problem of overcapacity and injurious pricing at OECD level have so far not been fruitful. Just two months ago OECD agreed to a period of reflection in their work as there was insufficient ground for a successful conclusion. We believe that the EU must keep a steady position towards an agreement with stringent and effective rules valid for all players, the recovery of an acceptable level playing field being a necessary condition for the safeguard of our industry.

Furthermore, the current slow ratification process of IMO decisions could be considerably accelerated by a ratification at EU level instead of Member States level. However all participants in the process should be consulted to reach the correct decisions, in order to avoid uncertainties and overcosts deriving from drastic measures on the emotional wave of some unfortunate events.

In this general context, European shipbuilding is firmly advocating a new image and contents to strengthen its competitive positions, especially in its more congenial market segments, where price is not the sole competitive factor. The permanent challenge is to innovate products and production processes. This applies to ships and – more and more for the future – to means for the exploitation of deep sea energy and other raw material resources, in other words, the off-shore industry.

With specific reference to the off-shore industry, let me quote the Eurogif summary: “Deep and ultra-deep water require innovative technologies such as sub-sea systems, floating production, storage and transport infrastructure that can withstand hostile environment. Off-shore construction, shipbuilding and marine equipment sectors are converging more and more”. Shipbuilding has thus become of strategic importance for the energy policy of the EU.

Improving RDI efforts is therefore a key pillar of LeaderSHIP 2015. Indeed, the manufacturing maritime industry – yards and suppliers - is already investing significant resources in RDI and keeps very tight links with research centers and universities. The contribution of the Ue in this field is, on the other hand, of paramount importance: the increase from 10 to 20% of innovation aid – an intelligent form of support that needs to be continued and improved - has already been approved; furthermore, the Waterborne Technology Platform, which identifies the key R&D challenges for the maritime industry, provides a medium to long term vision and formulates a strategic research agenda, was launched. It is now vital that the results of this work are properly reflected in the 7th Framework Programme.

Equally important are the protection of the Intellectual Property Rights and securing access to a skilled workforce.

IPR are a valid asset of our industry, which has no sufficiently established culture in this field. The existing instruments (copyrights, trademarks, registered designs, etc.) need to be exploited to the full and knowledge data bases should be built and run by dedicated IPR entities. A legal protection of the intellectual property must be envisaged in order to limit the transfer or the leakage (through owners, class societies, consultants, suppliers) of know-how and innovation developed in Europe with costly efforts.

As to a skilled workforce in a rapidly evolving industry, a general effort is awaited with regard to training at all levels, social dialogue and, last but not least, in communicating a more positive and attractive image of the maritime activities.

All this being said, building on the existing sectoral policy of the Union, the Green Paper should deeply explore the opportunities arising for shipbuilding within the context of the New Maritime Policy. On the other hand, the Communication to the Commission from President Barroso and Mr. Borg reads : “The challenge for Europe to maintain a competitive commercial fleet and a healthy shipbuilding industry requires proactive industrial policy based on science, research and innovation, and within a sustainable European maritime policy framework”.

To conclude, the fact that all the different issues concerning the maritime economy are examined and considered in unity through the launching of an organic policy, cannot but have our approval and our full cooperation.

As to the spirit of the New European Maritime Policy, the wish is that it shall be pervaded by the same energy that marked the Lisbon Agenda in the year 2000, but hopefully with better results. At the same time, for the success of its implementation it will be essential that all stakeholders (Member States, shipowners, yards, equipment makers, ports, etc.) make themselves responsible, in a growing awareness of the importance of the European maritime economy as a whole.

Thank you for your attention.