



Europäischer Metallgewerkschaftsbund  
Fédération Européenne des Métallurgistes  
European Metalworker's Federation

## **The Future Of The Maritime Industry In Europe The Sea Is The Future**

*(approved by the 100<sup>th</sup> EMF Executive Committee  
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### **I. The present situation**

The maritime industry is a key sector in Europe in terms of jobs and value added, innovation and infrastructural development. Maritime traffic, transport and the transshipment of goods across the world's oceans and along the continent's coastline, the associated logistical services and the use of maritime resources are of vital importance to the survival of the industry in Europe. In terms of industrial and transport policy, the maritime industry is clearly one of Europe's most important sectors. Such a claim is based on

- the need to set up an integrated European transport system;
- the maritime industry's contribution to the ecological renewal of the economic system;
- the future importance of the maritime sector in an industrial policy context;
- the fact that the importance of employment policy extends far beyond Europe's coastal regions.

Nonetheless, in recent years Europe's maritime industry has undergone far-reaching structural changes and been exposed to mounting pressure from international competition.

- Recent decades have been characterised by the apparently unrelenting growth of car and lorry traffic. For decades, transport policy has prioritised road traffic, both for the shipment of goods and the transportation of people. Inadequate and varying toll charges and external costs and also interface problems between individual carriers are a handicap to maritime traffic.
- In global, intercontinental trade, shipping is the most important transport mode. Nonetheless, the increase in intra-European trade has led to disproportionate growth in overland traffic. Another factor behind that growth was the trend in world trade towards smaller, higher-order goods, which favoured faster carriers and road traffic in particular.

- Exporters' interest in cutting transport costs in world trade to a minimum created favourable conditions for the growth of an international merchant fleet, so bigger and better ships formed the basis for expanding maritime world trade, so more and more goods came to be transported on board so-called flag-of-convenience (FOC) ships.
- In many Southeast Asian countries, geographical conditions and trade policy interests combine to make industry's maritime branches key sectors, shored up by an industrial policy geared towards the long term. There has been no corresponding European policy on shipping, shipbuilding or ports.
- Often, companies involved in shipping, shipbuilding, transport and port management have failed to recognise their shared maritime interests. On the contrary, pronounced conflicts of interest, exacerbated by regional rivalries between specific locations and countries, have frequently hampered the establishment of a common maritime policy. Cooperation, networking, clustering or the establishment of maritime industry associations never got off the ground, so to speak.

In spite of the far-reaching structural changes affecting the maritime industry in Europe, the EMF feels that maritime economic activities in Europe and throughout the world are bound to grow in importance in the coming decades. In industrial policy terms, the maritime sector constitutes one of the key areas of promise in the 21<sup>st</sup> century. Even today, the maritime branches of industry are highly technology-intensive. Key technologies in the areas of electronics, computing, logistics, propulsion and materials are used in shipbuilding, shipping and port transshipment. In this respect, maritime production can certainly compete with the aerospace industry.

The importance of the maritime industry extends way beyond maritime production and the transport and traffic sectors, including all branches involved in the waterborne transport of goods and people and all those directly or indirectly involved in maritime production and services, i.e. shipyards, suppliers, shipping companies, transshipment companies, import and export companies, freight forwarding companies, brokers, shipping banks and credit institutions, companies involved in mining maritime resources and energy carriers, government maritime offices and research facilities.

The economic importance of the maritime cluster in Europe is clear from the fact that the sector's 1.3 million employees together generate value added totalling €70 billion.

The growing importance of the maritime industry in Europe at the beginning of the 21<sup>st</sup> century was also reflected by the order-book situation for its shipyards, with more than 2,800 vessels (over 40 million cgt) to be built, the best situation for more than 20 years. But even though the orders were piling up at most of Europe's shipyards at the beginning of 2000, many of them are struggling.

A substantial proportion of these orders do not cover their costs, so a fair number of shipyards are in the red. One of the main reasons for this is the dramatic drop in prices: container ships or tankers are less expensive now than they were in the early 1990s. There is one very good reason for this paradoxical state of affairs (a high demand for ships, but sinking prices): continuous over-capacity. The push to modernise, coupled with productivity gains and the construction of new docks and shipyards, prompted worldwide growth in production capacity in the 1990s that outstripped orders from shipping companies. As a result, during 2003 and early 2004 several closures with substantial employment losses took place all over Europe and several countries are set to lose their shipbuilding industries all together.

This trend is unlikely to change in the next few years. Between now and 2005, the OECD forecasts a rise in overcapacity to 40%. Korean shipyards in particular, which command more than 30% of the market and have massively expanded their production capacity, have been instrumental in tipping the balance on the market. In the 1990s they invested billions of dollars in the construction of new shipyards and docks and boosting production. In the EMF's view the European Union has dragged its heels in reacting to South Korea's aggressive dumping policy. And not only has the EU acted half-heartedly and too late, it has also dismantled its own defences by eliminating the regime of defensive subsidies within the EU at the end of 2000, as a unilateral advance concession in its negotiations with South Korea. Even worse, the South Korean industry must have regarded such a move as an indication that Europe was de facto giving up on its maritime industry.

A newcomer to the ranks of the leading shipbuilding nations, the People's Republic of China has announced its intention to expand its market share to 25% of the world market by 2010. This has recently entailed a dramatic shift in the situation regarding market shares on the global shipbuilding market.

The EMF recognises that the Chinese challenge may be a decisive factor in determining the competitive situation of future years given the immense efforts undertaken by the Chinese government to develop shipbuilding into a key national industry. Indeed, the shipbuilding sector is expected to play a key role in the economic development of China in that it will boost the technological proficiency of its industry and have positive spill-over effects on other economic branches as well as on a big supplying industry. At present, we can observe a purposefully orchestrated restructuring strategy consisting of mergers, international joint ventures, closures, the building of new facilities and even more importantly the expansion and modernisation of existing facilities. Such a strategy and the still abundant supply of cheap and well trained personnel should contribute to optimising the international competitiveness of the Chinese shipbuilding sector and enable it to build high technology ships eventually.

In view of the above it is clear that the next few years will be of critical importance to the continued existence of the European shipbuilding industry.

Those, like the European Commission, who inwardly define private regulatory policy as the 'greatest good' of a European competition policy and fail to

retaliate with their own aggressive industrial policy and take protective measures when faced with unfair competition from other countries, will only have themselves to blame if this key strategic European industry is wiped out.

Consequently, the EMF is demanding some clear answers from European politicians regarding how to protect the sector. It is not enough to interpret the various Commission reports and engage in negotiations with South Korea. Corresponding political steps have to be taken to protect the sector. Notwithstanding the strategic importance of supporting a thriving maritime industry, if shipbuilding is to disappear in areas where it constitutes a major economic activity this will inevitably lead to immense social and economic hardship in the regions concerned.

Over the last 20 years three out of every four workers in the European shipbuilding have been made redundant. In 1975 there were still 505,000 people employed in the shipyards, but by 1999 this figure had plummeted to 114,000. In most countries, job losses ran to over 75%. Some European nations completely abandoned shipbuilding. Today, in Europe, around 110,000 highly skilled shipbuilding personnel represent the backbone of a competitive industry, which extends far beyond the continent's coastal regions. Suppliers of entire system components, who offer their wares on the global market, are just as dependent on their local shipbuilding industry as logistics companies that are hoping to expand their business. European shipbuilding companies and suppliers directly and indirectly employ around 350,000 people.

Today, ocean-going vessels are being built and/or repaired at over 200 shipyards in Europe, and the average shipyard – after 25 years of massive job cuts – has a workforce of around 500. Strengthening our maritime associations and boosting cooperation with suppliers and shipping companies must become a priority aim of companies and in modern industrial policy.

In this context, the EMF highly welcomes the initiative “LeaderSHIP 2015 – defining the future of the European shipbuilding and ship repair industry” of CESA (Community of European shipyards’ association) and the European Commission that was supported by the EMF. After years of defensive debates a forward looking, proactive industrial policy approach has thus been formulated that is supported by the main stakeholders. The LeaderSHIP initiative is exemplary of the EU’s new approach to industrial policy – an integrated approach that seeks to better coordinate all Community policies that impact on the competitiveness of Europe’s industries, that addresses at the same time the specific needs of individual sectors, and that brings together all stakeholders in a consultation process. Such an approach is supported by the EMF as only a jointly defined and jointly implemented industrial policy can generate the necessary driving force for an industrial sector that is exposed to highest competitive pressures. The aims, results and recommendations of the LeaderSHIP 2015 report are consistent with the industrial policy aims of the EMF:

1. Establishing a level playing field in world shipbuilding

- a determined EU trade policy for shipbuilding capable of enforcing fair trading rules at WTO and OECD level
- 2. Improving research, development and innovation (RDI) investment
  - integrate and concentrate RDI efforts via the creation of a technology platform
  - develop innovation aid into a tool to foster technological leadership
- 3. Ship Financing
  - develop competitive ship financing instruments through the creation of an EU-wide guarantee fund
- 4. Safety and Environment
  - incentives for quality products and services
- 5. Naval Shipbuilding
  - support cooperation in naval shipbuilding and harmonise regulations
- 6. Protection of intellectual property rights
  - exploit existing rules and instruments to avoid leakages of knowledge and create a culture for the protection of intellectual property rights
- 7. Human resources development
  - promote training programmes designed to tackle new skill requirements, initiate exchanges of staff and know how
- 8. Building a sustainable industry structure

### **Structure of naval shipbuilding in Western Europe**

As merchant shipbuilding in Western Europe declined, the emphasis switched to the construction of military vessels. In some countries both the volume of sales achieved and number of workers employed in the naval shipbuilding sector outstrips their performance in the merchant shipping sector. But in the 1990s spending cuts and dwindling opportunities for export business also prompted restructuring and rationalisation in military shipbuilding, resulting in some shipyard closures.

At present, the situation in the naval shipbuilding sector in Western Europe can be summed up as follows:

- There are around two dozen shipyards involved in naval shipbuilding in Europe.
- In most countries naval shipbuilding is highly concentrated. At national level, only a few shipyards (and sometimes just a single company) are still active in special segments of the naval shipbuilding sector (see Table).
- The 10 biggest shipyards or shipbuilding groups (DCN, Fincantieri, IZAR, TKMS, BAE Systems and so on) account for some three-quarters of turnover in the Western European naval shipbuilding sector.

- In our estimation, approximately 35,000 to 40,000 jobs in the European shipbuilding industry depend either directly or indirectly on orders placed by the respective navies.
- As a result, the naval shipbuilding industry in Western Europe is about 70% the size of its US counterpart. However, this comparison should take account of the fact that many shipyards in Western Europe also build merchant ships, so their economic and technological know-how can be deemed far superior. What is more, it should be borne in mind that considerable differences in shipyards' vertical range of manufacture render international comparisons problematic.
- The lion's share of value added in the production of military ships goes to the supply industry, for nowadays somewhere in the region of half the value of a naval vessel lies in its electronics and weapons systems and something like a quarter of its value is linked to its propulsion system.

Ultimately then, the shipyards only retain some 25% of the value of a contract, and where competition between naval shipyards is concerned, vertical cooperation is a significant factor.

On the other hand, in the past there has been little cross-border cooperation between these shipyards, though that situation and attitudes have started to change in recent years. The naval shipbuilding market is developing within the context of the establishment of a Europe Defence Policy. Against this background some discussions are taking place suggesting the creation of a future European naval shipbuilding group that may also involve European electronic components suppliers.

## The main military shipyards in the European Union

Country	Aircraft carriers	Frigates	Corvettes	Submarines	Mine-sweepers	Motor torpedo boats	Auxiliary vessels
<b>Denmark</b>					Aalborg Vaerft	Aalborg Vaerft	
<b>Finland</b>					Aker Finnyards	Aker Finnyards	
<b>France</b>	DCN ALSTOM	DCN ALSTOM	DCN	DCN	DCN	CMN ALSTOM	DCN ALSTOM CMN
<b>Germany</b>		TKMS Lürssen Gruppe	TKMS Lürssen Gruppe Peene-Werft Abeking& Rasmussen	TKMS	Lürssen Gruppe Peene-Werft Abeking& Rasmussen	Lürssen Gruppe Abeking& Rasmussen	TKMS Lürssen Gruppe Peenewerft Abeking& Rasmussen
<b>Greece</b>		Hellenic Shipyard				Hellenic Shipyard	
<b>United Kingdom</b>	Swan Hunter	Swan Hunter BAE Systems Ships. Vosper Thornycroft	Vosper Thornycroft	BAE Systems Submarines	Vosper Thornycroft		BAE Systems Ships.
<b>Italy</b>	CNI/ Fincantieri	Fincantieri RivaTrigoso	CNI/Fincantieri RivaTrigoso	Fincantieri Muggiano	Intermarine	Fincantieri Riva Trigoso	Fincantieri
<b>Netherlands</b>		De Schelde/ Damen	De Schelde/ Damen		Merwede	De Schelde/ Damen	Merwede
<b>Sweden</b>			Kockums	Kockums	Karlskro- navarvet	Karlskro- navarvet	
<b>Spain</b>	NEW IZAR	NEW IZAR	NEW IZAR	NEW IZAR		NEW IZAR	NEW IZAR

Quelle: Voß 1993, Heseler 1999, ALPHA 2000, Smit u. a. 2000 (ISA CONSULT, June 2002), updated by EMF, February 2005

The conference organised by the EMF in Brussels in April 2001 on the future of military shipbuilding in Europe as well as the EMF conference on the future perspectives of the European defence industries in December 2003 have highlighted a lack of Europeanisation in naval shipbuilding and some very striking differences concerning ownership between the naval shipbuilding sectors in various parts of Europe, most being due to the history of the respective country. The EMF notes however a renewed impetus and commitment towards developing a European defence policy following the debates in the Convention on the Future of Europe and the adoption of the European Constitution that enlists the “progressive framing of a common defence policy, which might lead to a common defence” as an explicit aim. With the Commission Communication COM(2003)113 final on the development of an EU defence equipment policy and the decision to create a European Defence Agency (EDA) we acknowledge and welcome attempts to promote coherence in European defence procurement and greater synergies between European defence industries, including the naval sector. The EDA will work in the field of defence capabilities development, research, acquisition and armaments. Its task will be, among others, to work for a more comprehensive and systematic approach to defining and meeting the capability needs of the ESDP (European Security and Defence Policy) and to promote equipment collaboration. The EMF is well aware that this may act as catalysts for further restructuring in the European defence industry, including the military shipbuilding sector.

If the unions are not merely to be passive bystanders, but also to prove capable of actively intervening, they must build up a corresponding information and communication system. The main aims of such an undertaking would be to:

- ensure the ongoing exchange of information and forming of opinions between European merchant shipbuilders and military shipbuilders;
- adopt joint positions as a means of stepping up the dialogue with both industry and politicians.

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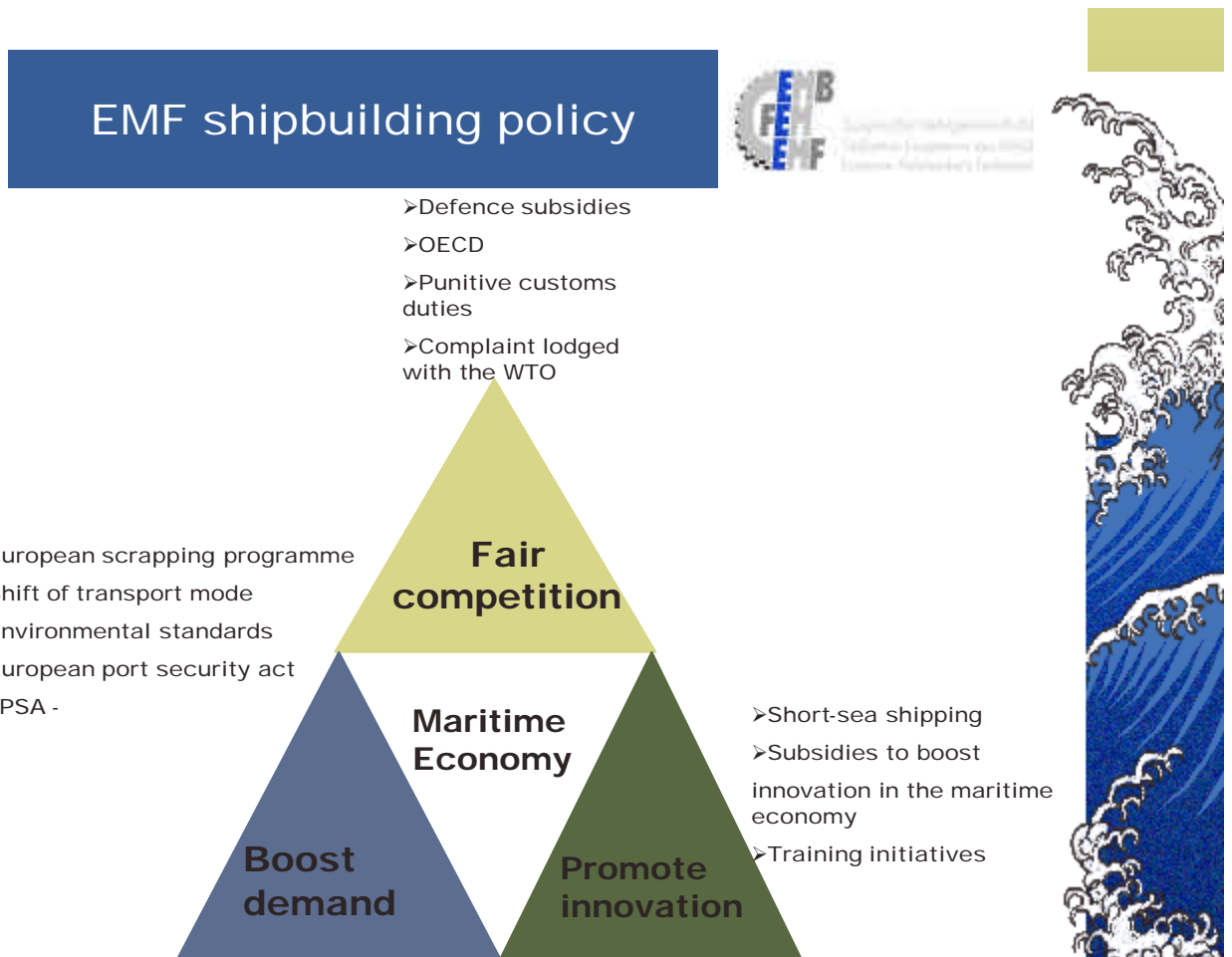
Overall, a new European initiative is required. Europe must seize its opportunities. To do so it needs a maritime transport policy entailing the expansion of European coastal traffic, stronger integration of individual carriers, a common ports policy, better monitoring of port states, a European shipping and flag policy, and a maritime environmental and safety policy.

That is why the EMF is calling for more extensive measures to ensure the survival of the maritime cluster in Europe. The unsatisfactory result of the complaint lodged with the World Trade Organisation (WTO) over restructuring aid to Korean shipyards and the fact that the temporary reintroduction of

subsidies to restore competitiveness only applies to a few segments anyway illustrates that more drastic measures are needed immediately to help safeguard the core of the maritime industry in Europe..The LeaderSHIP 2015 initiative, as described earlier, reaches further and contains a range of important policy recommendations.

In the view of the EMF a thoroughly comprehensive approach has to be based on the following three-pillar model:

1. Restoration of fair conditions governing competition;
2. the promotion of innovation and qualifications;
3. measures to boost demand.



## II. Future opportunities for the maritime sector

The maritime industry is integrated into the European economy more closely than virtually any other sector. Safeguarding its ability to compete and securing jobs in the sector will assume even greater importance in European policy-making in the future.

The continuing expansion of world trade also offers future high growth potential for maritime traffic and other branches of the maritime industry in Europe. All current forecasts predict above-average growth in the transport sector and especially in container traffic. Passenger and ferry traffic will also continue to expand over the next decade.

Shipping, shipbuilding and the port industry have traditionally been integrated into the world economy and are now having to compete in the global marketplace. However, by virtue of that position, they have at the same time always been subject to political regulation and state aid, which considerably influence competitiveness and have frequently led to distortions of competition, not only for economic and security policy reasons, but increasingly also due to environmental policy considerations. The social future and international competitiveness will, in the future, also depend very much on the general political situation. Here, demands will be made on the European level in particular.

The success of market strategies, innovative products and processes will depend largely on company policy being accompanied and supported by a forward-looking maritime industry policy that will determine the general conditions for shipbuilding, shipping and the port industry. Setting the focus in transport policy also impacts on the prospects for shipbuilding. For instance, imposing stricter safety standards to protect the environment, crews and passengers can trigger product innovation and open up fresh market opportunities. Hence the need for an aggressive industrial and transport policy.

### **Securing and strengthening the position of the maritime industry in globally expanding markets**

The maritime sector uses modern technology, especially in areas such as electronics, computing, propulsion and materials. Greater importance is being attached to complex system solutions. Suppliers of entire system components, distributed globally, are just as dependent on their local shipbuilding industry as logistics companies that are seeking to expand. It is a key industry that is becoming increasingly important beyond the transport sector for getting to grips with some of society's more pressing problems.

Shipbuilding is a high-tech, system-based industry, which - given the right environment - has a future in Europe. The emphasis must be on system capability and industry networking, not on individual products. Companies within the various maritime branches are linked and interdependent in various ways. Networks, branches and associations of companies are important driving forces. Effective supplier-customer links are key factors behind the choice of business locations. Via the direct global value chain, strategic alliances with universities, R&D establishments and consultancies also play a role in determining competitiveness.

The shipyards must step up their efforts to modernise production, innovate and maintain shipyards' system capability. The future of European

shipbuilding lies not in assembly lines, but in shipyards offering proficient, comprehensive maritime system solutions.

### **Safe, environmentally compatible maritime traffic - Protecting our oceans**

Maritime traffic is a viable ecological and economic alternative to overland transport. However, it is indispensable that deregulation does not cause standards to drop. Safe, environmentally compatible maritime traffic is threatened in the long run by inadequate international safety requirements and/or poor implementation and monitoring of agreed safety standards, by a massive increase in the use of substandard ships and by inadequate qualifications and the unreasonable working conditions of many crew members. These dangers are closely linked to the increasing deregulation of maritime traffic.

Moreover, ecological and safety risks need to be greatly reduced by appropriate regulatory measures, as the tanker accidents of recent years, such as the accident involving the PALLAS and the disaster involving the ERIKA or the PRESTIGE have graphically illustrated. Today it is evident that oil transfers on the Baltic Sea are very rapidly growing. If a similar disaster to the PRESTIGE accident on the coast of Spain in 2003 would happen in that region it would be total catastrophe for the whole Baltic Sea and for many countries around it.

Whereas the European Commission concludes that 80% of all shipping accidents can be attributed to so-called human error, it should be emphasised that the underlying causes are closely linked to sailors' working and living conditions, on the one hand, and the poor qualifications of crews on FOC ships. Non-compliance with existing environmental standards and safety provisions has been given a considerable boost by the policy of changing flags. FOC countries are neither willing, nor able to monitor safety and environmental standards on board the ships flying their flag. On the other hand, modern ships which met the highest safety and environmental standards would clearly help to minimise the possible consequences of human error or serve to prevent such errors - which are always possible - occurring in the first place.

### **The continued economically efficient and environmentally compatible development of the transport system – Conversion to an integrated transport system**

The need to upgrade coastal and ocean-going vessels and seaports as multi-modal transport hubs, and to forge links between them and other carriers make the development of the maritime industry an important aim of a forward-looking integrated transport policy.

European short-sea shipping displays particular potential. Maritime traffic accounts for just under a third of all intra-Community trade, and that figure does not include cabotage on Europe's waterways. Potentially 14 million

tonnes of goods a year could be shifted from our roads to maritime traffic. In parallel with the tremendous growth in container transport on the high seas, feeder traffic (container short-sea traffic) is also burgeoning. The prospects of seeing both new and traditional cargoes shifted from overland traffic to short-sea shipping are encouraging.

In particular, if a deliberate attempt is made to embed short-sea shipping in an integrated multi-mode transport policy concept, there will be sustained growth potential for this environmentally friendly, safe, reliable transport option. At the same time, though, the clear expansion of transport via waterways and the high seas has also generated a considerable additional need for maritime industrial products and services, such as corresponding ship systems, transshipment facilities or logistics systems.

A study carried out by the European Commission rightly concluded that new and/or specifically adapted vessels and advanced, flexible designs of ship might be required for short-sea shipping to ensure its intermodal integration, and Europe's shipyards have shown themselves to be - and are still - more than capable of obliging. Short-sea shipping and the European shipbuilding industry can therefore open up new market opportunities for each other. For the EMF, the future tasks facing integrated operation in the context of a transport policy taking a new direction is inexorably linked to the demand for acceptable social framework conditions.

### **Maritime resources**

Not only shipping and shipbuilding, but also research into and the use and protection of maritime resources, the generation of energy and the extraction of resources from the sea, marine technology and research, as well as maritime environmental protection can all help to strengthen the European Union.

For offshore oil and gas manufacture, new, lighter and safer systems for small fields and automated underwater production need to be developed. Exploiting renewable energy from the sea, i.e. from the wind, waves or currents, through heat exchangers using hydrogen technology, will be one of the major tasks of an environmentally compatible energy policy, to which the maritime company can contribute its know-how.

In the future, the exploration, exploitation and caring use or protection of the marine environment and marine resources as the basis of almost immeasurable quantities of raw materials, foodstuffs and energy will only follow if industrial and research policy take the appropriate steps to ensure that this is the case if and companies are quick to seize the opportunities offered by a growing maritime market.

### **III. A forward-looking industrial and transport policy for a stronger maritime sector in Europe**

**a) Starting points for product innovation in the shipbuilding industry –  
Modernisation of the shipyard situation**

- Shipyards' dealings with each other and with shipping companies and suppliers need to be improved. Closer cooperation between shipyards and the creation of maritime networks are vital if European shipbuilders are to survive. Both stronger maritime associations and cooperation with suppliers and shipping companies must become a priority for undertakings and for a modern industrial policy, which in turn must improve the general conditions for closer cooperation within the maritime industry. Cooperation can take many forms, including capital investment in, or mergers between, shipyards, closer cooperation in research projects and technological development, the use of joint training establishments, closer coordination with suppliers and shipbuilders or joint procurement or marketing activities.
- The qualifications of shipyard workers will play a key role in ensuring that Europe's shipbuilding sector remains competitive in the future. Companies capable of meeting future challenges and organising themselves along modern lines need a skilled workforce. For far too long now, European shipyards have been pursuing a policy of job cuts. Their modernisation campaign can only succeed if it is accompanied by efforts to upgrade the qualifications of their workforce (multi-skilling). This must be accompanied by lifelong learning programmes in order to create a culture of learning and increase employees' general competencies and 'social skills'. This will enable them to better manage product and process innovations, as well as changes in work organization and the introduction of new technologies.
- Training and continuing training concepts should be developed to help attract and retain skilled workers in the shipbuilding sector. Training and continuing training concepts should also be developed to counteract the negative image of the industry and to demonstrate that shipbuilding is a modern, viable industry offering attractive job prospects, including for young workers.
- Transparency, maximum information and communication, flat hierarchies and the inclusion of the workforce are becoming increasingly important factors in competition.
- Companies must also start devoting more resources to research and development than they have done in the past. This cannot be left up to individual companies – especially at the level of SMEs. The promotion of R&D and product innovation is the joint responsibility of both companies and politicians. There must be much closer cooperation between shipyards as regards R&D and also between companies, on the one hand, and government research facilities, universities and colleges of higher education, on the other.
- As a significant step in the right direction, the EMF welcomes two recent projects initiated under the 6<sup>th</sup> framework programme, namely the InterSHIP project and the coordinated action ACMARE. InterSHIP is managed by a consortium of seven leading European

shipyards with the objective to increase the competitiveness of European cruise, passenger ferry and RoPax shipbuilders by improving and integrating tools and methods for design and manufacturing, developing new production technologies and fostering vertical integration between shipyards and suppliers and horizontal integration between European shipyards. Within the coordinated action ACMARE industry representatives of the maritime sector, including the shipbuilding sector, have undertaken preparatory works that led to the establishment of the maritime industries technology platform WATERBORNE. WATERBORNE could be an important vehicle for industrial and research policy by bringing together all stakeholders, including the EMF, to jointly set out a strategic research agenda for the maritime sector.

## **b) Safety and the environmental compatibility of maritime traffic**

Making shipping and shipbuilding socially acceptable and environmentally compatible must be made a higher priority. To this end, the shipyards and the corresponding institutions must step up their efforts in R&D. Agreements involving the IMO and other international institutions must be more rapidly transposed into European law. Trade unions, company-level working parties and environmental organisations have for many years been proposing ways of improving environmental protection and health and safety standards in the shipping and shipbuilding industries. Moreover, these proposals (see below) could create more jobs and open up new perspectives for European shipyards:

- At least once every 3 years ships should have to be checked to ensure that they comply with current international regulations and be re-equipped accordingly.
- European waterways may only be plied by double-hulled tankers and no longer by substandard ships.
- The European Union should have its own programme to promote the development of new systems up to the prototype stage, the aim being to develop environmentally compatible and socially acceptable ships.
- Ships should keep a register of hazardous substances on board, so that, whenever repairs, conversion work, maintenance or wrecking takes place, preventive health and safety measures can be taken.
- Funnel exhaust fumes on ocean-going vessels should have to be cleaned using a filtering process that complies with Germany's 'TA Luft' regulation. Corresponding self-monitoring should be ensured by installing sealed recording equipment.
- Exhaust emissions should continue to be minimised by using better, high-order fuel. The use of heavy oils (like Bunker C oils), which contain high levels of hazardous substances, should be prohibited.
- The use of anti-fouling dyes containing the active substance TBT (tributyltin compound) for ocean-going vessels should be prohibited

immediately. Further research programmes must be set up to find alternatives to environmentally damaging paint for ships.

- The use of zinc anodes and of HCFCs or HFCs on board ships for air-conditioning and refrigeration units should be prohibited.
- Stricter penalties must be imposed for water pollution. A blanket ban should be imposed on tank washing at sea. Ports are to be equipped with the necessary collection facilities.
- A general ban should be imposed on dumping rubbish overboard. All vessels should have to be equipped with separate waste-processing systems.

Solo efforts by individual countries in maritime traffic and shipping can only have a limited effect. However, so far the European Commission has also failed to take satisfactory steps against the growing trend for changing flags or using substandard ships, despite the obvious negative social consequences of using ships flying flags of convenience and the patent dangers to the safety of our oceans. In the past, European policy has failed to lead by example by imposing more stringent safety standards. The EU must act to maintain a competitive merchant fleet that meets modern safety and environmental standards and must also take steps to secure jobs. It must not await international regulations (IMO) or adapt European standards to inferior international arrangements, but should lead the way by aiming to ensure that its vessels meet economic, social and environmental standards. The EMF has the following proposals to make:

- Stricter monitoring of port states and more power for the member states' inspection authorities.
- National coastguard services should be reinforced and developed to enable greater coordination between different countries in this connection. A European Maritime Security Council, vested with the corresponding powers, should be set up to coordinate and harmonise European safety provisions.
- Minimum standards should be set for training for jobs in the maritime traffic industry, including criteria for attainment of the Community vocational competence certificate, determining crew members' ability to communicate with each other using a *lingua franca*, laying down the conditions under which seamen from third countries may be authorised to work on ships sailing under the EU flag and a campaign to attract young people to jobs at sea.
- Improved safety standards, such as separate fuel and auxiliary systems, emergency recovery systems, emergency anchor systems, etc. for tankers and other types of vessels, like container ships and bulk carriers. Containers for hazardous goods must also be equipped with detection devices to pinpoint their location.

### **c) Improved maritime transport infrastructure - integrated transport system**

Any transport policy strategy intended to reduce traffic and shift it to other modes must begin by targeting transport costs and improving infrastructure.

Economic incentives that are of the wrong kind, which fail to materialise or which do not go far enough will result in a market for transport services that is inadequate with respect to its environmental aims, its use of the available surface area and the standard of living it supports. At present, the users of this traffic are not being charged the full economic costs of the respective transport mode.

Stepping up short-sea shipping and inland navigation could considerably relieve trans-European overland traffic, particularly where waterborne transport is embedded into an integrated multimodal transport system on an equal footing with road and rail traffic. Coastal transport linking regions from the North Sea, Baltic Sea, Atlantic and Mediterranean to the Black Sea, can be just as easily developed as combined rail-and-waterway networks (rail-sea services). Considerable reserves of capacity are available for expanding inland navigation.

Ship-port-railway networks and continuous transport chains using inland navigation can also make a major contribution towards the development of coastal shipping. In addition, greater importance has to be attributed to coordination and cooperation between maritime and overland carriers.

Making coastal shipping more competitive with other forms of transport and stepping up the use of combined overland-maritime traffic requires technical and organisational innovation and investment, which must not be allowed to focus on isolated solutions or individual new products, like high-speed ships, but must entail the development of system solutions and technologies that will affect shipbuilding, ports, transport trade and shipping companies.

The steps required promoting coastal shipping and the greater integration of overland and maritime traffic should focus on the following main areas:

- The development of new transport corridors linking into trans-European networks and regional transport flows. To this end, coastal shipping lines should also be created.
- Optimisation of transshipments in ports through improved cooperation, customs clearance and facilities.
- The development of harmonised European ship types which can be procured and run cost-effectively, and better coordination of sea-land-sea loading facilities, enabling ships to berth, cast off or be loaded and unloaded quickly.
- The development of new, improved organisational and logistical concepts and transport-related information chains, in order to ensure that combined transport and house-to-house transport are arranged more efficiently.
- The promotion of model projects, enabling cargo to be shifted to maritime traffic.
- The expansion of R&D programmes focussing on the interfaces between shipping, port industry and maritime traffic.

## **IV. EMF programme of immediate measures to strengthen the maritime industry**

### **1. Fair competition**

The restoration of fair conditions governing competition is one of the basic prerequisites for an industry acting in a global market. The European Union must profess its faith in shipbuilding and the maritime cluster and take consequential steps to protect the sector at all levels, including at the level of the WTO and OECD.

The EMF draws attention to three new developments having a major impact on the competitive framework:

- The currency exchange rates differentials between the Euro and Asian currencies, which are between 20% and 30%, are currently creating such an artificial barrier that the 6% subsidy granted under the temporary defence mechanism (TDM) for merchant ships is of no real value. Ship prices are linked to the US dollar (USD) as freight costs are priced in USD. As far as Asian currencies are following the USD their exchange rate with the Euro creates an artificial barrier for European shipbuilders of up to 30%.
- We can observe the fast expansion of shipbuilding in China that is drastically increasing its shipbuilding capacities.
- Following the enlargement of the EU several new shipbuilding nations operating under different cost structures have entered the single market.

The EMF is insisting on the conclusion of an OECD world shipbuilding agreement. Even if previous attempts to reach agreement on a new worldwide shipbuilding agreement failed, especially in view of the pressure brought to bear by newly enlarged production capacities in the global market, the conclusion of such a regulatory agreement is absolutely vital in terms of currency rates, capacities and cost elaboration.

### **2. Industrial cooperation**

Besides re-establishing politically acceptable framework conditions and market conditions, it is also essential that maritime shipbuilders that have hitherto largely been national players forge alliances and strategic initiatives at the European level in both the civilian and military shipbuilding sectors. Greater cooperation between shipyards and the expansion of maritime networks are crucial to the survival of the European shipbuilding industry, for many individual shipyards will not last for long if they go it alone. Both the strengthening of maritime alliances and cooperation with suppliers and shipping companies must become a top priority for the actors in question, who must adopt a modern industrial policy. Such cooperation should entail acquiring stakes in the capital of shipyards, becoming involved in mergers, working more closely with researchers and playing a more active role in technological development, using common training establishments, engaging

in closer coordination with suppliers and shipping companies, and taking part in joint procurement and marketing activities.

### **3. Safer and more environmentally friendly ships**

Secure jobs are only to be had on safe ships. The safety and environmental compatibility of maritime transport are endangered in the long run by insufficient international safety requirements or the inadequate application and monitoring of agreed safety standards, by the massive increase in transport development using so-called sub-standard ships, and by the lack of decent qualifications and unreasonable working conditions for large proportions of crews. Accordingly, the EMF is advocating closer monitoring of countries with ports and greater clout for the member states' various inspectorates. Double-hulled tankers may now only enter European waters, but compulsory routes and safety standards need to be internationally prescribed for tankers and vessels transporting hazardous cargoes. Sub-standard ships have no place in European ports.

Furthermore, the EMF is calling on the EU to initiate a European scrapping programme in an attempt to withdraw old tonnage from use.

### **4. An innovation and training offensive**

The EMF is calling for an innovation and training offensive for the European shipbuilding industry. The qualifications of shipyard workers will be decisive in determining the competitiveness of European shipbuilding in the future. The shipbuilding industry cannot hope to rise to future challenges and organise itself into a modern force if its workers are not highly qualified.

What is more, the existing instruments for shoring up the industry need to be refined in such a way as to enable SMEs in particular to make up for their structural disadvantages in the global shipbuilding market. This would potentially involve action in the following areas:

- attempts to forge cooperation between small and medium-sized shipbuilding firms;
- the promotion of joint marketing activities;
- the promotion of joint qualification- and employment-related initiatives.

### **5. The redirection of transport policy**

Global transport is increasingly linked with economic development. Given the congestion of road traffic and its ecological consequences for global warming the development of maritime transport is not only an ecologically viable alternative but also an economically viable choice given the higher ratio of tons/km. If the maritime industry is to have a future, transport policy must be redirected with a view to establishing an efficient, integrated transport system that meets both ecological and social requirements to an equal extent. One essential component of such a transport concept entails shifting freight to

maritime and coastal shipping, the further development of seaports into multimodal transport hubs and the promotion of the associated development in shipbuilding and transshipment technology. According to the EMF, the realisation of pilot projects to encourage the flow of traffic in Europe to shift to ships – *aqua strada* – is indispensable if Europe is to succeed in developing alternatives that will be capable of holding their own on the market.

## **6. European approach for merchant ship orders – coastal shipping**

With regard to the merchant ships market, the EMF considers it necessary to develop a European approach to address the problem of the support given to European ship owners and the building orders for ships in Europe. In this context the EMF draws attention to the following facts:

- South Korea is building about 45% of the world shipbuilding industry, Japan 30% and China is increasing its market share
- European shipbuilders cannot compete against Asian shipbuilders when there is an exchange rate of 25% and a temporary defence mechanism of only 6%
- It is not possible to impose customs duties on new ships
- 40% of the world merchant ships are owned by European ship owners
- 90% of the renewing of the European fleets are done in Asian shipyards
- Tax advantages are given to European ship owners for ordering ships in Asia
- Ecological concerns should force the EU and its member states to develop coastal shipping instead of road transportation
- New shipbuilders are joining Europe following enlargement

In the light of the above, and for all the reasons developed throughout this document the EMF invites CESA and the European institutions to develop with us a European approach that aims at increasing domestic demand for merchant ships in Europe and gives incentives to European shipowners to place their orders in Europe. The EMF seeks to make a contribution to this debate.

## **7. Implementing LeaderSHIP**

The EMF demands of industry and policy makers that the LeaderSHIP recommendations be implemented as a priority with the overall aim to safeguard employment, sites and qualifications. The implementation of the LeaderSHIP aims touch on many horizontal policy areas which calls for a strongly coordinated implementation approach. To ensure that the aims of LeaderSHIP are realized across all policy fields and the EU Member States should consider engaging Maritime Coordinators who would play a coordinating role and serve to initiate actions with the aim of bringing together

the various interests of the maritime players. At EU level, within the newly established social dialogue between EMF and CESA the EMF will seek to ensure that implementation concepts for certain aspects of the LeaderSHIP recommendations, e.g. qualification, are developed by the social partners.

## **8 Social Dialogue**

The EMF welcomes the establishment of a social dialogue between EMF and CESA in September 2003. The social dialogue should follow the philosophy and the findings of the LeaderSHIP 2015 project. As such EMF and CESA should work together to find common solutions for a competitive European shipbuilding sector with adequate framework conditions that can generate high levels of employment with high quality jobs. The social dialogue should also be a forum that develops proposals and principles on how to turn the challenge of enlargement into a mutual advantage for old, new and prospective member states.

The focal points contained in the 1<sup>st</sup> social partner work programme

1. Mapping of the shipbuilding and ship repair sector in Western, Central and Eastern Europe
2. Qualification initiative
3. Improving the image of shipbuilding
4. Developing a 'tool box' for managing cyclical waves and restructuring in a socially responsible manner

should soon lead to concrete results in order to demonstrate the relevance and meaningfulness of the social dialogue.

The EMF recognises that CESA as an industry association has no explicit socio-economic mandate. The EMF will nevertheless concentrate on the social dimension or workers' interests in secure jobs, positive employment developments, improved working conditions and socially responsible restructuring. Within the social dialogue and beyond the EMF will therefore also address imbalances across Europe in the social situation of employees in shipyards

- on social protection
- on working conditions in the shipbuilding yards
- on a genuine recognition of the demanding nature of the work
- on skills, training, pay
- on working time.