

## I

(Resolutions, recommendations and opinions)

## OPINIONS

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

487TH PLENARY SESSION HELD ON 13 AND 14 FEBRUARY 2013

**Opinion of the European Economic and Social Committee on 'Nautical industries: restructuring accelerated by the crisis' (own-initiative opinion)**

(2013/C 133/01)

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On 12 July 2012 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*Nautical industries: restructuring accelerated by the crisis.*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 January 2013.

At its 487th plenary session, held on 13 and 14 February 2013 (meeting of 13 February 2013), the European Economic and Social Committee adopted the following opinion by 70 votes with 2 abstentions.

### 1. Conclusions and recommendations

1.1 Recreational water activities, i.e. the use for leisure of watercraft (sailing boats, motor boats, canoes, kayaks, or similar craft), or the many nautical activities (windsurfing and kite surfing, diving, recreational fishing, etc.), have been practiced in Europe by all social categories for decades. This is why boating in Europe is not seen just as a summer pastime, but also contributes to sporting, cultural, environmental and social values. In this sense, mass recreational boating activities in Europe have an important social function and support the values of the European Union.

1.2 Recreational boating teaches respect for nature, the value of team work, and responsibility, especially to the younger generations. It is an opportunity to socialise, practice an

enjoyable sport at a moderate cost, get to know new regions through nautical tourism, and access marine environments of high value. Boating has recently acquired a therapeutic function for people with disabilities who have lost their self-confidence, by helping them to reintegrate and regain faith in their abilities.

1.3 This opinion is based on the EESC's observation that, for the purposes of the nautical industry, the European single market is still imperfect. The public hearing held in October 2012 during the international boat show in Genoa (Italy), which was attended by representatives of the Commission, the European Parliament, the industry, its workers, consumers, universities and environmental associations, highlighted the many difficulties that still exist in the European market for

this sector. The EESC therefore calls on the Commission to consider the measures advocated in this opinion, which are needed in order to complete the single market and combat enduring national and international barriers and restrictions.

1.4 The European nautical industry's production has plummeted by some 40-60 %, depending on the country, during the crisis, leading to over 46 thousand job losses and a contraction of EUR 3 to 4,5 billion in the sector's total manufacturing turnover. Nevertheless, it remains the largest nautical industry at the international level, where US competition is weakening and emerging countries like Brazil, China and Turkey are gaining ground.

1.5 The EESC believes that it is vital not to lose this heritage of innovative skills capacity which has enabled businesses to hold their ground and increase their export orientation, but almost exclusively in the top-of-the-range segment.

1.6 The Mediterranean Sea accounts for over 70 % of the world's nautical tourism, which creates very significant spillover benefits for its coastal countries. This form of tourism is hampered by differing national laws in areas such as the registration of recreational craft, navigation licences and safety and tax measures, to mention the most important.

1.7 The EESC, while aware of the various sensitivities of the traditional maritime countries, advises the Commission to find shared solutions and argues that it is very much in the sector's interest to begin to see the direct and indirect non-discrimination principle, which governs the internal market, applied to the free movement of services and people.

1.8 Whereas safety and environmental requirements for the construction of recreational craft have been harmonised across Europe, the regulatory framework in Europe concerning the conditions for their recreational use (navigation licences, registration, safety rules and equipment, taxation, etc.) varies significantly from country to country. These national differences fragment the European single market creating confusion for economic operators and users, not to mention a certain form of unfair competition. The most flagrant example is undoubtedly the Mediterranean Sea, where nautical activities are regulated differently in each country, from Spain to Greece, via France, Italy, Slovenia and Croatia. Such differences in treatment do not exist for other forms of transport such as road, rail and air.

1.9 At the interesting hearing held during the Genoa international boat show, representatives of the industry's various

components, representatives of the industry's workers, and environmental associations were unanimous and forceful in their calls for appropriate EU initiatives to support the activities of the nautical industry.

1.10 In addition to representing a sector whose very survival depends on innovation and development, the nautical industry, unlike many other sectors, is not asking for extraordinary measures or financial assistance, but simply for initiatives and actions that will make a European single market a reality in this sector.

1.11 The EESC shares the nautical industry's concerns and calls on the Commission to combine the revision of Directive 94/25/EC on recreational craft of a maximum length of 24 metres with additional initiatives to be incorporated in a specific action plan. It would be very useful to draw up a Green Paper on the measures to be adopted for the nautical industry, involving all the parties concerned, so that an action plan could then be defined, which was consistent with the general principles of a new European industrial policy <sup>(1)</sup> and a European policy for sustainable tourism <sup>(2)</sup>.

1.12 More specifically, the EESC points to some issues that must be addressed and resolved.

- New rules on the **reciprocated** market access of EU products to their markets need to be negotiated with third countries, especially the United States, China and Brazil.
- Market surveillance should be stepped up to prevent recreational craft that do not comply with EU rules on noise and emissions from entering the EU market from third countries and creating unfair competition.
- Harmonised continuing vocational training needs to be promoted to ensure that acquired professional qualifications are recognised, thereby promoting labour mobility. The social stakeholders want a European skills passport for the industry.

<sup>(1)</sup> Communication from the Commission - *A Stronger European Industry for Growth and Economic Recovery Industrial Policy Communication Update* (COM(2012) 582 final).

<sup>(2)</sup> Communication from the Commission - *Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe* (COM(2010) 352 final).

- A European databank needs to be set up on boating and nautical accidents to facilitate understanding of the risks associated with these activities and to adopt the appropriate safety regulations and standards.
- Harmonised safety regulations applicable throughout the EU should be adopted, especially for marine basins such as the Mediterranean Sea, the Baltic Sea and other European seas.
- A technical study should be commissioned to review the current system of boat design categories, as also requested by the European Parliament in connection with the revision of Directive 94/25/EC.
- It should be made easier for the nautical industries to access European research, development and innovation funds, just as it is for other transport modes.
- The adoption of international standards that are actually respected needs to be promoted. The United States, for instance, participates in developing ISO standards, but does not recognise them or use them at the national level, preferring US standards.
- Tax treatment in the area of nautical tourism needs to be harmonised within the internal market. Some Member States apply the reduced VAT rate for the hospitality industry to port tariffs and chartering whereas others apply standard VAT rates, with obvious unjustified disadvantages for national operators.
- The nautical sector needs to be made more attractive to the younger generations as an employment prospect, as well as for leisure and sport.

## 2. The European nautical industry

2.1 The European nautical industry currently comprises over 37 thousand businesses with 234 thousand direct employees, and generated an annual turnover of EUR 20 billion in 2011. Ninety-seven percent of these businesses are small and medium-sized enterprises; there are about ten - more structured - large groups. The economic and financial crisis of 2008/2009 caused sales and industrial production to plummet by an average of

about 40-60 % and all product segments were affected. Since 2009, the economic crisis has led to over 46 thousand job losses and a contraction of EUR 3 to 4,5 billion in the sector's total manufacturing turnover. In percentage terms, job losses in large firms and SMEs were on the same scale. The job losses and reduction in turnover have mainly occurred in the industrial section of the sector (i.e. boatyards and production of accessories and components). The services section (lease/charter of recreational craft, repair and maintenance, marinas and recreational ports), which had largely held out, began to feel the crisis this year. Although the crisis has profoundly changed the international context, Europe continues to lead the world market, whereas US competition has weakened and emerging countries such as Brazil, China and Turkey are gaining ground<sup>(3)</sup>.

2.2 The sector's industrial activity covers the entire area of boatyard production, ranging from small craft to superyachts of over 100 metres. However, the nautical industry focuses more typically on the production of craft of a maximum length of 24 metres (the construction of which is covered by Directive 94/25/EC). These craft have various uses and include recreational craft, small non-recreational craft used by coast guards, the maritime police and customs; small passenger craft used in tourist and island areas; and specialist vessels. The industry produces equipment and components (engines and propulsion systems, deck equipment, electronics and navigation systems, sails, paintwork and internal fixtures and fittings), nautical accessories (safety equipment, textile products, etc.) and equipment for nautical sports (diving, wind surfing, kite surfing, canoe/kayaking, etc.).

2.3 The service sector is extremely diverse insofar as it covers the management and development of 4 500 European recreational ports and marinas (offering 1,75 million berths for a European fleet of 6.3 million craft), as well as marketing, maintenance, chartering, maritime leasing and river boat hire (with or without crew), nautical schools, maritime experts, and nautical financial and insurance services, etc.

2.4 There are over 48 million people in Europe who practice one or more nautical activities and 36 million of them use boats (motor or sail powered)<sup>(4)</sup>. The profile of recreational boat users effectively mirrors the different social categories of each country. Despite an often unjustified media-generated image of nautical sports as exclusively luxury activities, they are not the reserve of a social elite. It is appropriate to speak above all of "mass recreational boating".

<sup>(3)</sup> Statistical data is based on the statistics published by the International Council of Marine Industry Associations in the Annual ICOMIA Boating Industry Statistics Book (2007-2012).

<sup>(4)</sup> Source – European Boating Industry, European Boating Association, ICOMIA Boating Industry Statistics Book.

2.5 Moreover, ageing trends among recreational boat users over the last decade show an increase in the average age of boat users, in line with European demographic trends, raising concerns for the nautical industry's future.

2.6 Over the years, nautical enterprises and sports federations in various European countries have organised events through their associations to offer young people nautical experience. These initiatives are designed to raise awareness of boating as a sport and tourist activity, as well as a source of career opportunities, offering apprenticeships, student work placements and traineeships with companies. These national initiatives could be taken up at the European level by holding joint initiatives to promote the nautical sector on the sidelines of events such as European Maritime Day, which is held on 20 May <sup>(5)</sup>.

2.7 With a coastline of 66 thousand kilometres, Europe is the first international destination for recreational navigation. Nautical, usually marine, activities are also practiced across the continent, and have a strong presence in some countries, both along the 27 thousand kilometres of inland waterways and on lakes (Europe has over 128 lakes of more than 100 km<sup>2</sup>). In particular, the Mediterranean Sea alone accounts for 70 % of the world's nautical charter activities for all categories of watercraft length.

2.8 Europe's industry is open and competitive. About two-thirds of its production is traded within the internal market and it exports to traditional markets including the USA, Canada and Australia/New Zealand. Since the collapse in demand from these countries, the European industry has experienced a steady increase in its exports to emerging Asian (mainly China) and Latin American (mainly Brazil) markets, where demand is strong but the local authorities are interested in safeguarding and developing their own national industries. In Asia, red tape and importation procedures are discouraging, especially for European SMEs. The CE mark on European products is not generally recognised and boatyards have to supply their own technical dossier to obtain local type-approval, which presents serious problems with regard to protecting intellectual property

rights for Europe's nautical industry, imposing excessive costs on SMEs and prompting large companies to relocate.

### 3. Impact of EU legislation of the nautical industry

3.1 In 1994, the Directive on the approximation of the laws, regulations and administrative provisions of the Member States relating to recreational craft (Directive 94/25/EC) was adopted. This directive allowed the EU-level harmonisation of safety requirements for recreational craft of a minimum length of 2.5 m and a maximum length of 24 m. It was amended in 2003 (Directive 2003/44/EC) by adding new environmental requirements (e.g. lower exhaust and noise emissions of marine engines) and including personal watercraft (jet skis) in the directive's scope of application.

3.2 Over a period of 15 years, the application of this directive on recreational craft has determined the development of over 60 EN-ISO standards at the international level to be applied to such craft and personal watercraft. These standards, which originated in Europe, are now used as an international technical benchmark. Directive 94/25/EC has also made it possible to create a European single market for recreational craft, thereby facilitating the conditions for trade, competition and intra-European exchange. The EESC calls on the Commission to put forward coherent proposals to enable a European single market to be created so that uniform conditions for use and navigation can be established in Europe.

3.3 Directive 94/25/EC is currently under review and discussion between the European Parliament and the Council (proposal for a directive COM(2011) 456 final). The most significant changes concern a further reduction in exhaust emissions for marine engines, the requirement to install holding tanks or foul water treatment systems on board and alignment with the requirements of the new EU legal framework harmonising the marketing of products (Decision No 768/2008/EC and Regulation (EC) No 765/2008). The EESC issued an opinion in support of the proposal for a review <sup>(6)</sup>.

<sup>(5)</sup> The European Maritime Day 2013 Conference will focus on sustainable coastal and maritime tourism and will be held in Malta on 21-22 May, with the support of the European Commission (Maritime Affairs DG).

<sup>(6)</sup> Opinion of the European Economic and Social Committee on the *Proposal for a Directive of the European Parliament and of the Council on Recreational Craft and Personal Watercraft* (COM(2011) 456 final - 2011/0197 (COD)), OJ C 43, 15.2.2012, p. 30.

3.4 The EESC believes that the new directive is an opportunity to review the current system for categorising recreational craft. The directive sets out four boat design categories, depending on their capacity to withstand specified marine weather conditions (wind force and wave height). The European Parliament has asked the Commission to carry out a technical study on the suitability and possibility of reviewing the current system of design categories to make it reflect the wide variety of recreational craft on the market and to provide users with more precise indications about the craft's characteristics. The European nautical industry and the European federation of users have both expressed their support for the EP's initiative (7). The EESC urges the Commission to take steps to carry out this study.

3.5 In the area of maritime transport, the European Commission has undertaken a revision of Directive 2009/45/EC on safety rules and standards for passenger ships of 24 metres in length and above, constructed in steel or equivalent, when engaged on domestic voyages. However, nowadays, most of these ships are built in materials other than steel (mainly in glass fibre and other composite materials) and are therefore subject to national legislation. The EESC believes that the proposal for a simplification of the directive, currently being prepared by the Commission, could extend the directive's scope of application to passenger ships of less than 24 metres in length, and/or constructed in materials other than steel or equivalent. It is important to make sure that extending its scope of application does not harm European boatyards that make small passenger boats.

#### 4. The demand problem facing the nautical industry

4.1 Faced with a deep financial crisis with drastic economic consequences, the European nautical industry reacted promptly by taking the necessary measures to add new markets to its traditional ones (Europe, North America, Australia/New Zealand), by investing in new models and technologies in order to provide innovative products, lower production costs and safeguard its position as world market leader. Furthermore, current prices for these craft are more competitive than they used to be for consumers.

4.2 The problem of financing industrial production and the acquisition of craft has to be addressed, bearing in mind the difficulties posed by the European banking system. One of the financial crisis's consequences for the nautical industry is delayed demand, which is normal for non-essential goods. Furthermore, the banking system no longer accepts the value of recreational craft as security for financing, in case their value plummets. Another consequence of the financial crisis is the stagnation of the second-hand market, with bank-held recreational craft being sold off at very low prices. Leasing, which is very popular in the nautical sector, has also gone into crisis. The nautical industry is facing the same type of situation as other sectors, such as real estate in Spain.

4.3 Before the crisis, the traditional markets accounted for about 80 % of sales for the European nautical industry, and the emerging markets for the other 20 %. The 40-60 % slump in sales in the traditional markets, aggravated by their current stagnation, was only slightly compensated by the growth in sales to emerging markets. Furthermore, many boatyards that provide "entry level" recreational craft (e.g. floating and inflatable craft) are not finding new outlets in emerging markets, where there is no demand for this type of product (either because of the price or because boating has not yet caught on with the low- and middle-income segments in these countries). This means that the problem the European nautical industry has to cope with in these countries concerns demand rather than its competitiveness.

4.4 The legislative framework for recreational craft in Europe is largely regulated at the national level. Although the construction of recreational craft is harmonised at the EU level, the conditions of use (e.g. navigation licences, registration, safety equipment, taxation on the industry, etc.), vary considerably from country to country. The EESC believes that in this case the subsidiarity principle is undermining the development of a European single market.

4.5 Current market surveillance at the EU level is far from satisfactory. Many recreational craft that breach EU exhaust and noise emission standards are imported and sold in Europe without the market surveillance authorities monitoring the relevant importers, which creates unfair competition.

(7) European Parliament, DG for internal policies, Policy Dpt A-Economic & Scientific Policy: *Design Categories of Watercrafts*, Briefing Note, IP/A/IMCO/NT2012-07, PE 475.122 (June 2012) <http://www.europarl.europa.eu/committees/en/imco/studiesdownload.html?languageDocument=EN&file=74331>

4.6 The Commission should pay particular attention in its work to how industry and services develop in the recreational sector. Such development should be compatible with environmental and conservation principles, particularly in relation to preserving natural resources and ecosystems, combating noise pollution on inland waterways and pollution of water basins due to municipal and industrial waste, the safety of persons participating in various forms of water-based/water-related recreational activities, etc.

## 5. What can Europe do?

5.1 The EESC held a public hearing at the international boat show in Genoa (October 2012), where the high level of participation and expertise enabled it to take note of the views, problems and expectations of the various European nautical industry stakeholders.

5.2 The European nautical industry currently leads the world market despite the ongoing economic crisis, thanks to the innovations that businesses have always developed. Current difficulties in accessing financing through the banking system are jeopardising the ability of European businesses to invest in research, development and innovation. Innovation is still the strongest tool for maintaining the European nautical industry's leading position. Nautical firms need easier access to European research, development and innovation funds currently available to other transport modes, but to which the nautical industry has limited access. At the national level, tax exemptions for investments in research, development and innovation should be promoted. Innovation in the nautical sector is not just about technological innovation; it is also about innovative use, maintenance, servicing, and services such as chartering and nautical financing.

5.3 The situation in Europe regarding State concessions granted to nautical businesses is extremely varied. In some countries, investment in tourist ports is restricted by the conditions under which the concessions are granted (either for excessively limited periods, or with no guarantee of renewal). The EESC recommends drafting EU guidelines to facilitate investment in this sector by European businesses.

5.4 Under the Lisbon Treaty, tourism has become an EU competence and the EU can therefore propose initiatives. The Commission has announced that it will publish its coastal and maritime tourism strategy in 2013. This strategy should make it

possible to further extend the practice of recreational boating in Europe and to tackle a number of problems which this future document will identify, including differences in legislation on navigation licences, registration or even safety requirements, by introducing measures that align rules on recreational navigation in Europe.

5.5 The EESC is in favour of developing the growing number of protected marine areas in Europe, especially in the Mediterranean, but notes that this situation is causing uncertainty about navigation rules. The EESC advocates harmonising the rules for granting recreational craft access to these protected marine areas at the EU level so that users may know from the start whether or not their craft are equipped to navigate in these areas.

5.6 In order to improve safety, statistics on accidents could be collected in a common EU-level database to facilitate joint and comparative analysis and to improve our understanding of the risks associated with nautical activities, thereby enabling us to adopt rules that are more adapted to the risks identified. The EESC urges the Commission to provide a data collection model, agreed upon by the Member States, to obtain uniform and comparable statistics.

5.7 Furthermore, vocational training and recognition of relevant qualifications at the EU level is fundamental. Vocational training for the nautical occupations (especially in the industrial sector for apprentices and in services associated with repair and maintenance) is not available throughout Europe. There should be a debate on how to develop training plans recognised at the EU level, which would allow quality training and promote greater worker mobility in Europe, attracting young people to nautical careers. It would be advisable to adopt an EU training "passport", as in the case of mining engineers. The social partners should contribute to the development of a system for recognising qualifications at the EU level, for instance, through an ECVET pilot project (European Credit system for Vocational Education and Training)<sup>(8)</sup>. The training of crews and maritime expertise are another two areas that would also benefit from a European approach by opening up the labour market in the EU. In the past, the nautical industry has suffered from a low profile and lack of awareness in schools and universities of the jobs available in the sector, which means that little is known about possible career paths. In some European countries, the sector does not even have its own specific social agreements, which also makes it less attractive.

<sup>(8)</sup> The European Credit system for Vocational Education and Training (ECVET) is the new European instrument to promote mutual trust and mobility in vocational education and training.

5.8 The nautical industry has been using ISO International Standards, harmonised under Directive 94/25/EC, for 15 years. It is essential for the use of international standards such as ISO to be promoted as the sole technical reference for recreational craft at the international level, in order to avoid the proliferation of national standards (Brazilian, Chinese, etc.), which could lead to the further fragmentation of technical requirements and constitute real barriers.

5.9 The EU can and should safeguard its nautical industry by improving and making direct and indirect market control and surveillance measures effective, and supporting access to non-EU markets for exports. Trade negotiations between the EU and Mercosur, for example, should be used as an opportunity to combat the protectionist measures and exorbitant customs duties imposed by some South American countries to limit access to their markets.

Brussels, 13 February 2013.

*The President*  
*of the European Economic and Social Committee*  
Staffan NILSSON

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