

**Opinion on the Commission communication on 'New Challenges for Maritime Industries'**

(92/C 223/13)

On 17 December 1991 the Economic and Social Committee decided, under the third paragraph of Article 20 of its Rules of Procedure, to draw up an Opinion on the abovementioned communication.

The Section for Industry, Commerce, Crafts and Services, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 6 May 1992. The Rapporteur was Mr Arena.

At its 297th Plenary Session (meeting of 26 May 1992) the Economic and Social Committee unanimously adopted the following Opinion.

**1. Introduction**

This Opinion should be regarded as supplementing the Committee's earlier Opinion<sup>(1)</sup> on the Commission's Communication 'Industrial policy in an open and competitive environment'.

1.1. On several occasions in recent years the Committee has focused attention on maritime issues<sup>(2)</sup>. Here cooperation with the Commission has proved constructive and produced good results. The Committee regrets the Commission's failure to ask specifically for its advice at a stage when an issue of such vital economic and social importance as the 'New Challenges for Maritime Industries' was already being studied in depth.

1.1.1. This Opinion is intended to be the Committee's contribution to the work of the Maritime Industries Forum instigated by the Commission, which will continue up to next October.

**2. General comments**

2.1. The Committee welcomes the Commission's initiative, which seeks, while reiterating the importance of the 'maritime dimension' in the context of the proposed industrial policy, to frame a strategy to halt the decline of the Community's maritime industries and

sharpen their competitive edge. The setting-up of a debating chamber with the task of helping to frame the types of measures required and enabling the various parties concerned to contribute their experiences and suggestions is also to be applauded.

2.2. On the other hand, the Commission document would not seem to highlight sufficiently the many social implications that are inevitable. This omission is also reflected in the membership of the Forum's working groups. Further, the Committee has some doubts as to the key factors indicated for the purpose of boosting the competitiveness of the various sectors—in particular those vulnerable to international competition—and the corresponding areas of action proposed.

2.3. For the first time an overall approach is taken to the relaunch of the Community's maritime economy. For too long, the industry's various sub-sectors have been dominated by defensive positions which have hampered decisive action to sharpen their international competitiveness, let alone enhance the wider economy.

2.4. Though interests clearly do not always coincide, the interdependence and potential pooling of effort among the maritime industries must be highlighted. A large EC fleet obviously guarantees an internal market for shipbuilding and repair yards as well as for suppliers of components. Historically, no country has developed maritime industries without relying on its national shipping sector as main customer; the same holds good for off-shore activities. Similarly shipping must be able to draw on an extensive range of highly skilled financial, insurance, legal and brokerage services. Lastly, the professionalism of those employed in the Community maritime sector is an asset which must be carefully preserved since it ultimately advantages other land-based and port activities.

<sup>(1)</sup> OJ No C 40, 17. 2. 1992.

<sup>(2)</sup> Progress towards a common transport policy—maritime transport—OJ No C 207, 18. 8. 1986. Minimum requirements for vessels entering or leaving Community ports carrying packages of dangerous or polluting goods—OJ No C 329, 30. 12. 1989. Aid to shipbuilding—OJ No C 68, 16. 3. 1987. Aid to shipbuilding—OJ No C 332, 31. 12. 1990. Common Fisheries Policy—OJ No C 339, 31. 12. 1991. Positive measures for maritime transport—OJ No C 56, 7. 3. 1990. Application of Article 85(3) of the Treaty to certain categories of agreements, decisions and concerted practices between shipping companies—OJ No C 69, 18. 3. 1991.

2.5. The persistence of the worldwide recession afflicting the maritime economy, combined with pressure from a competition policy conceived virtually exclusively in terms of the internal market, has caused the maritime industries within the EC to 'withdraw into their shells'. The stringent restructuring process undertaken by the Member States has undoubtedly reduced production unit costs but also swept away hundreds of thousands of jobs.

2.6. Today we are at last becoming aware of the sharp decline in the influence exercised by the EC maritime industries as a whole, both on the international front and in terms of the Community's own requirements, causing concern on strategic as well as economic grounds.

2.7. The many and various causes of this steadily dwindling competitiveness primarily affect two sectors—shipping and shipbuilding—which operate directly on international markets. It is not just a matter of the technological and qualitative advances achieved by certain competitors. The Member States' shipping fleets—which are already burdened by higher tax, social and administrative costs—also have to contend with the widespread protectionist measures (e.g. reservation of cargoes) and unfair practices to which the fleets of quite a few non-EC countries resort. EC shipyards have been hit not only by the lower labour costs and working conditions prevalent in countries such as Korea—which are inconceivable in the Community—but by more or less surreptitious yet highly effective systems of aid, as borne out by the still unresolved negotiations of the Organization for Economic Cooperation and Development (OECD) on the dismantling of mechanisms which distort the shipbuilding market.

2.7.1. Japan has developed a distinctive maritime policy—a modern national fleet, entirely built in Japanese shipyards (supplemented by Japanese controlled vessels under other flags also built in other, even cheaper countries) and serving a closely integrated, export-oriented economy in which all synergies are exploited. Furthermore, there is now a prevalent belief that the 'Japanese system' has undermined the trust on which free trade is founded.

## 2.8. *The Community fleet*

2.8.1. The European Communities, as the world's largest trading power, cannot continue to be an idle

witness of the decline of its fleet—which, as mentioned above, is the main catalyst of the many and varied interests revolving round sea transport.

2.8.1.1. This is more true today than ever before, as we move towards the single market—with its physical, legislative and service infrastructure—and the new prospects of trade with the markets of Eastern Europe. The internationalization of markets (and in particular the rapid expansion and consolidation of the other two main areas: the Pacific Rim and North/South America) will have a significant impact on the transport system, both in organizational terms and as regards technological innovation.

2.8.1.2. In addition, the scaling-down of investment in new ships from the mid-70s and virtually throughout the 80s is currently making it imperative to modernize the world fleet (EC vessels are generally older than average)—a vast process which has already been set in motion.

2.8.2. The competitiveness of Community shipowners, operating as they do on an international market as described above, is seriously undermined by constraints and regulations since these are not applied, as they should be, by all countries.

2.8.2.1. Hence the dramatic fall in the tonnage of the Community fleet (and thus in the number of Community seamen), and the ploy of recourse to 'secondary registers' which distort competition within the Community.

2.8.3. Shipowners' operating costs must be reduced with the aid of a pragmatic approach which does not damage working conditions, most importantly safety. Here the Committee's earlier suggestions should serve as basis for this new Community policy<sup>(1)</sup>.

2.8.4. The Commission's proposals to date seem inadequate. Shipowners' expectations are based on the adoption of a complete package of measures (tax, financial, nationality of crew, pay, working conditions, etc.) which will also make the EUROS registry proposed by the Commission genuinely attractive, and thus competitive. The Committee therefore urges the Commission to press ahead with this work.

2.8.4.1. At the same time effective instruments, drawing on Community and other funds, should be

<sup>(1)</sup> ESC Opinion on Positive Measures for Maritime Transport—OJ No C 56, 7. 3. 1990.

introduced with a view to modernizing the EC fleet and scrapping obsolescent vessels.

## 2.9. *The shipbuilding and equipment industries*

2.9.1. A strong EC fleet is a sine qua non for the future of an internationally viable Community shipbuilding industry. Over the past fifteen years the shipbuilding industry has undertaken a major drive to cut back and restructure its production capacity. Regardless of the resulting productivity gains and greater concentration on shipbuilding with a higher technological content, EC shipyards are still unable to survive on the market unless they receive adequate public support. This will apply until such time as their main competitors (notably Japan and Korea) dismantle their aids systems (here the abovementioned OECD negotiations instigated by the US are highly relevant) and concurrently the effects of the indispensable process of integration among national shipyards start to bear fruit.

2.9.1.1. It follows from this that the European Community cannot at present rely solely on competition policy, but must develop a positive industrial policy to assist its shipbuilding industry.

2.9.1.2. Inside the Community, principles of transparency and degression are applied to shipbuilding subsidies. The Commission should advocate these principles with equal vigour in a global context.

2.9.2. EC shipyards can certainly not be accused of having contributed to the over-production of ships since their shipbuilding capacity (and in particular their workforces) has been cut by around 60 % since 1975 so that today it is about one-fifth of the world total. The Community, via its directives, has invariably made the granting of aids subject to stringent controls over production capacity. Further, this policy does not seem to have biased the choices of the Community shipping sector, which has purchased over half its requirements from non-EC shipyards.

2.9.3. Conversely, with the upsurge in world demand for ships, the Committee is perturbed by the renewed expansionist drive, especially on the part of the shipyards of Japan (already in a position to meet around 50 % of world demand) and Korea (over 15 %), with the dangers—for EC shipowners—of a monopolization of supply.

2.9.4. However, it would seem narrow and misguided—as borne out in the Commission's Communication—to place trust in the relative advantage that the Community would enjoy over its competitors in more sophisticated shipbuilding products and consequently see the EC's strong hand in terms of greater concentration on highly advanced technologies (important as that may be) which the world's largest producer can certainly offer too.

2.9.5. From the industrial angle, Community shipyards and ancillary activities must cease to be so fragmented and strive for the economies of scale which are one of the strongpoints of their Asian competitors. It is therefore more important than ever to encourage cooperation between Community undertakings. Only in the past few years, interesting joint schemes have been set in motion in such areas as research and development (R&D), design, purchasing, environmental protection and marine engine manufacture.

2.9.6. The Community must also take more forceful action to obtain, in conjunction with the stage-by-stage dismantling of all forms of aid, voluntary restraints on production from the major Asian shipbuilders to prevent a recurrence of the dreaded imbalance of supply and demand and, in the last resort, discourage surplus cargo capacity which would push down freight rates. With this particular aim in mind, modernization of the world fleet should go hand in hand with the scrapping of decrepit vessels, starting with those which are substandard, on account of the obvious implications for occupational safety and protection of the marine environment.

2.9.7. The supply of components is another prerequisite for a competitive shipbuilding industry, since products purchased from outside shipyards account for over 50 % of ship costs. Perhaps the main problem, especially in view of lower production volumes, is the wide variety of suppliers of ancillary components (in terms of both size and specialization), many of which sell only a small proportion of their production to the shipping sector. Standardization of parts, especially those required to comply with specific safety requirements, also poses many problems.

2.9.8. A jointly agreed definition of future maritime transport requirements is thus one of the basic components of a common strategy for not only shipping

and shipyards but also the numerous, disparate enterprises (mostly of small or medium size) of the equipment industry. Knowledge of trends is no less important for the technologies pertaining to protection of the marine environment and utilization of its resources.

## 2.10. *Protection of the marine environment*

2.10.1. In recent years the social demand for greater environment protection has become far more urgent and a practical response must be forthcoming, particularly from national and international institutions. Though most marine pollution is land-based in origin (industrial and municipal plants, chemicals used in farming, etc.), accidental or systematic ship discharges of oil or toxic substances cause great public anxiety.

2.10.2. The increase in oil tanker transport, the increasing obsolescence of much of the world fleet (over 85 % of tankers above 150 000 tonnes currently in service were built before 1980, i.e. before the introduction of rules making segregation of ballast compulsory) and the significant number of sub-standard ships (a phenomenon which casts doubts on the effectiveness of ship registers) are among the main factors that have made the seas surrounding Europe—a major consumer of energy raw materials—into high risk zones through the discharge of oil and a variety of chemical products intended for, or resulting from, a wide range of industrial processes.

2.10.3. Many different aspects (legislative, administrative, technical, economic, insurance, etc.) have to be considered and anti-pollution programmes are still at the 'first generation' stage despite the discovery of significant possibilities for improvement, due especially to scientific and technological progress in telecommunications, monitoring, marine equipment, etc.

2.10.3.1. The global and international dimension of protection of the marine environment clearly highlights the problem of just how efficient cooperation on a very broad scale actually proves. Often points of weakness have been evident. This explains, for instance, the United States' adoption in 1990 of the Oil Pollution Act (making double hulls compulsory for tankers built after June 1990 sailing in North American waters), a measure which has inevitably influenced the new standards of the International Maritime Organization (IMO) recently agreed on, which are to come into force in July 1996 as regards new ships and in July 1995 as regards more stringent controls in respect of ships already in use.

2.10.4. The Community and the Member States must strive for more stringent application of these rules to protect the marine environment and ensure navigational safety in conjunction with the introduction (including

the framing and financing of specific projects) of an integrated operational system combining prevention, penalties and cleaning-up measures (on-board surveillance and emergency equipment, specific port installations and amenities, etc.).

## 2.11. *Marine resources and marine research industry*

2.11.1. Exploitation of marine resources (energy, mineral, biological etc.) calls for a resolutely rational approach, bearing constantly in mind the potential impact of human activities on the fragile balance of the marine environment and rising above possible conflicts of interest (exploitation versus conservation).

2.11.2. The plight of the EC fisheries industry is the most obvious illustration of the difficulty—albeit necessity—of reconciling the development of off-shore industry with the management of natural resources. Increasingly sophisticated techniques for locating fish shoals, improvement in ship performance and more efficient catch methods are at the roots of the serious problem of overcatching, regardless of Community attempts to frame a policy on the management of fishing stocks.

2.11.3. The fisheries sector would seem in urgent need of a restructuring process designed to reduce the overall capacity of the existing EC fleet, accompanied by the renewal of certain national fleets as part of a 'scrap and build' drive. The development of aquaculture and improvement of land-based fisheries infrastructure are potential measures to accompany the rationalization process, for which adequate funding and structural measures will have to be earmarked, bearing in mind the particular socio-economic vulnerability of the fishery sector, especially in certain regions of the Community.

2.11.4. On marine research, EC interest in science and technology is currently confined in practice (except in the oil sector) to improving scientific knowledge of the marine environment. One effective way of attracting industry's attention is undoubtedly a multidisciplinary Community policy encompassing research programmes designed to develop specific technologies (other than off-shore oil exploration technologies, useful as these are) for the management and rational use of resources.

2.11.5. Possible short and medium-term outlets of industrial interest include oceanographic research

equipment (involving military technologies) and relocation of industry or services (e.g. energy production, storage of energy and other resources, waste incineration, etc.) to off-shore or coastal sites.

## 2.12. Port network

2.12.1. For some time the introduction of electronics, computerization, etc. has radically transformed management of ports and maritime traffic, though to a far lesser degree than in the air transport sector. Particularly in the past few years significant advances have been made in the development of systems (VTS—Vessel Traffic Systems) for controlling vessel traffic in specific (sometimes congested) waters where accidents are most likely to occur.

2.12.2. For the sake of safety and efficiency—and consequently transport quality—steps should be taken on a broader basis to speed up the introduction of operational standards, rules and procedures applicable to all ports (currently managed under very different legal and other arrangements). In addition, the wide gap that commonly exists between port facilities in the Mediterranean and Northern Europe would be narrowed. A balanced port network would have decided advantages, e.g. in terms of intermodality (fewer expensive ‘on- and off-loading’ costs, easier link-ups with road, rail and inland waterway communications) and relief of congestion in certain areas. Here the development of coastal shipping could play a part. Obviously this presupposes appropriate legislative and infrastructural measures—for which adequate Community and other financial provision would have to be made—to ensure swift and economic movement of goods.

2.12.3. To promote safety in terms of environmental protection—a phenomenon which is exacerbated by the vast size of modern ships—installations such as tanker cleaning and gasfreeing plants need to be backed by port and anchorage monitoring services combined with more stringent enforcement of deterrent measures and penalties vis-à-vis offenders.

## 2.13. Research and development

2.13.1. With good reason the Commission’s Communication mentions technological development as one of the key factors in promoting and maintaining the desired competitiveness of the Community’s maritime

industries, focusing on innovative yet economic and safe production processes and products. The research drive needed to provide these industries with advanced know-how presupposes:

- action to awaken interest and achieve closer coordination among Community research bodies and programmes,
- the framing of a specific programming and financial strategy guaranteeing wide-ranging, sustained activity and encompassing the pre-commercialization stage and not just basic research.

2.13.2. The Communication’s reference to the Japanese Government’s annual investment of approximately ECU 300 million in ocean technology R&D programmes—substantially more than the estimated amount for the entire EC—is of significant interest.

## 2.14. The human factor

Of particular importance is the need specifically to address the human factor in the safe and efficient operation of ships. Since the human factor is involved in 80 % of accidents at sea, the key principle that has to be adopted is that safe operation of ships by fully trained crews is also the most efficient way to operate ships. To this end, the social regulations in Port State controls should be developed and include training, especially with regard to safety procedures and multi-lingual crews. Savings in operating costs should be first of all pursued by taking advantage of technical advances and lower interest rates and not merely by the use of low cost labour from third world countries. It is necessary for the Community to take measures to attract recruits to seafaring and also to give ship captains the legal protection they need to ensure the safety of their ships.

## 3. Conclusions

3.1. The Commission Communication has laid the foundations for a highly ambitious venture, bearing in mind the boost an effective maritime system could give to the competitiveness of the Community’s economy. However, this document seems deficient as regards practical definition of the challenges facing the EC maritime industries and identification of the most suitable measures to tackle them.

3.2. The work of the Forum—understandably already exposed to a wide variety of pressures—should be centred on clear-cut, realistic objectives in view of the huge scale and complexity of the matter under discussion. This must include a proper evaluation of the human factor in safe and efficient shipboard operation.

3.3. In the Committee's opinion, it is vital, first and foremost, that an in-depth assessment of the efficiency and competitiveness of each industry (especially those operating on the international market) should be made.

3.4. Equal attention should then be given to setting priorities for action—with all their legal and cost implications, along with an indication of who will have to shoulder the costs—without losing sight of the desired harmonious development of the various industries. Clearly each will have to choose the approach that seems most appropriate from various angles (Community/national, greater/lesser inter-sectoral coordination, etc.). Lastly, the Community's negotiating efforts within international bodies must be effectively stepped up to curb any distortion of competition.

3.5. Once again the Committee [see the ESC Opinion on the Commission's Communication 'Industrial Policy in an open and competitive environment' <sup>(1)</sup>] highlights the need for a clear demarcation line between general strategy and economic instruments, with particular reference to competition. If the future of the Community's maritime economy is to hinge on the competitiveness of the firms involved, the measures within the Community's area of responsibility, as described by the Commission, seem insufficient in the short or medium term to equip firms themselves to compete on equal terms on markets where free competition rules are frequently flouted.

<sup>(1)</sup> OJ No C 40, 17. 2. 1992.

3.5.1. It is for that reason that it is necessary in present circumstances that competition policy must be supplemented by a policy or policies specifically directed at assisting the EC's shipping and shipbuilding industries.

3.6. The concept of 'subsidiarity' must also be clarified in respect of the position of the Community and the Member States. While a 'welfare mentality' is to be rejected, there is every justification for an industrial policy accompanied by coordination and financing measures designed to support operators during the business consolidation and reactivation phase, fostering a climate of ever-closer cooperation between the different sectors and within each individual sector.

3.7. Today a total shift in attitude is needed in sectors which for far too long have been hamstrung by a recession which has caused the loss of hundreds of thousands of jobs (primarily in the least developed regions of the Community), triggering a significant increase in the average age of the workforce and the exodus of the most qualified young workers to 'growth' industries. The Commission's Communication does not take sufficient account of this 'social dimension'—apart from the essential vocational training schemes seeking to rectify the increasing shortage of EC seamen—despite the fact that this dimension must be one of the key objectives of an 'assault' strategy for the Community's maritime industries.

3.8. A social dimension also implies job security and protection of the marine environment—problems which perhaps relate more to culture and occupational skills than to technology. Without a return to, and stringent compliance with, satisfactory ship and port operational safety standards, the threat to Europe's coastline (along with its economic activities, historic heritage and natural assets) could increase dramatically, as would the costs of remedying the damage inflicted.

Done at Brussels, 26 May 1992.

*The Chairman  
of the Economic and Social Committee*

Michael GEUENICH