

## LeaderSHIP 2015/2020 Review Joint SEA Europe & IndustriALL Europe Position

### BACKGROUND:

In the context of the Sectoral Social Dialogue for the shipbuilding industry, the social partners IndustriAll and SEA Europe have agreed on a joint position with regard to the implementation of the maritime technology industries' strategy pursued by the European Commission in the framework of LeaderSHIP 2020. This position should be read in conjunction with the individual positions of both associations with regard to the LeaderSHIP 2020 recommendations.

### THE EUROPEAN MARITIME TECHNOLOGY INDUSTRY:

The European maritime technology industry encompasses all the enterprises involved in the design, construction, maintenance and repair of all types of ships and other maritime structures, including the complete supply chain of systems, equipment and services as well as research and educational institutions.

The maritime technology industry is the key industry for achieving the goals of the Europe 2020 strategy for smart, sustainable and inclusive growth, in particular through 'blue growth'.

- **Smart:** The European maritime technology industry is a pioneer in the development of the most advanced technologies and vessels. Investment in R&D&I and a highly skilled workforce are essential for the success of the industry. The sector contributes to Europe's smart growth and knowledge based economy.
- **Sustainable:**
  - The most efficient technologies are developed in Europe to ensure the reduction of environmental emissions from waterborne transport. The industry is forming a comprehensive research strategy to work towards zero emission and towards zero accident vessels concepts.
  - The industry contributes to the development of offshore renewable energies, providing the technologies and structures for their production, transmission and storage.
- **Inclusive:**

With an annual turnover of €91 bn, it comprises more than 22.000 companies, most of them SMEs, providing in excess of 500.000 direct jobs and thousands of indirect jobs, contributing to the economic development of the regions in which they are situated (more than 200 regions in at least 18 European countries).

The 'blue' economy represents around 5.4 million jobs and generates a gross added value of almost €500 bn a year. However, further growth is possible, and the maritime technology industry is the key enabler, providing the technologies, vessels and structures needed to ensure the sustainable development of all the maritime activities (maritime transport of goods and

passengers, promotion of oil & gas, offshore renewable energies, aquaculture and fisheries, security and defence, etc.).

Over the last decade, the industry has experienced a meaningful evolution. European companies have specialised towards building the most innovative and advanced technologies and vessels of a high value. **The European maritime supplier industry produces 48% of the total marine supplies worldwide, and in civil shipbuilding the European shipyards represent 20% of the global orderbook value, ranking 3<sup>rd</sup> after South Korea and China.** 50% of global investment in newbuildings comes from European shipowners. Furthermore, several studies forecast the growth on the demand for vessels and technologies in the coming years<sup>1</sup> providing a positive outlook for the sector.

However, the sector in Europe is facing challenges as a direct result of the ongoing financial and economic crises, and this situation has been exacerbated by unfair competition from overseas, where protective legislations and trade barriers are put in place in order to support their maritime technology industries.

#### Points of Common Interest:

##### 1. Employment and Skills:

The European maritime technology industry is an important source of jobs providing more than 500.000 direct employees. The workers of the shipyards and equipment manufacturing companies clearly contribute to the economic development of the regions where they are located, throughout the whole supply chain with special relevance for SMEs. Per each direct job in a European shipyard, on average there are x7 jobs created in the region (1:7).

To that end, the following actions should be adopted:

- Provide for lifelong career prospects in the maritime industry and clusters and facilitate career progression. In this respect consideration should be given to the findings and recommendations from the skills mapping exercise undertaken by the Sectoral Skills Council for the maritime technology industry.
- Enhance the image of the sector and careers in maritime engineering by improving awareness of job opportunities by organising promotion and recruitment campaigns (e.g. European Maritime Technology Week 2016) and by encouraging best practices in such campaigns by highlighting the opportunities that exist to access EU funds for training and education and by making use of the permissible State aids.
- Maintaining sensitivity in relation to occupational health and safety, where much was achieved in this sector in the last 15 years. Funding and assistance for the establishment of the European Agency for Health & Safety at Work in this sector are required.
- Prerequisites for access to the support frameworks of workers for the shipbuilding and ship repair sector at regional, national and community levels are: the fulfilment of collective agreements, the freedom of association and representation of workers as well as compliance with the standards of occupational health and safety, of the environment and of working conditions (social standards).

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<sup>1</sup> See SEA Europe 2014 Market Forecast Report: Newbuilding Requirements 2014-2035  
<http://www.seaeurope.eu/template.asp?f=publications.asp>

## 2. Improving Market Access and Fair Market Conditions:

Promoting a free, fair and open market is one of the founding principles of the European Union. Globally a level playing field, open markets and non-distortion of trade and competition rules are vital for the interests of the EU and more specifically for the European maritime technology industry. In many countries the maritime industry has often been considered strategic. Although this is also true for the EU<sup>2</sup>, the political will to provide active support is mainly recorded outside Europe. Various forms of support have been observed, ranging from subsidies to build up the industry to protectionist measures defending it in times of crisis. Such distortions in fair market conditions threaten the interests of the European maritime technology industry, especially if support measures are linked to domestic production or capacities are increased. The sector thrives when global markets are open and when domestic and foreign players are on an equal footing.

It is proposed that the following areas are further explored to address the threats of market access and fair market conditions:

- Maritime technology companies in Europe comply with the highest social standards for environmental protection worldwide. We, as social partners, recommend the Commission use these criteria when opening public tenders.
- The social partners encourage the Commission to implement the recommendations already stated in the LeaderSHIP 2020 strategy for procurement processes, especially given the proliferation of new restrictive policies from overseas.
- Definition of a “Made in Europe” label, which guarantees that through all the shipbuilding supply chain European quality standards are respected, and which gives recognition to the investors’ commitment to the European industry and the goals of the Europe 2020 strategy.
- The Jones Act? DEFINITELY. Everything relating to the TTIP complicates the matter, from the trade union standpoint. At least that is what we believe.

## 3. Access to Finance:

The economic and financial crisis has put an end to the boom in global shipping and shipbuilding markets and affects Europe far more than competitors in Asia. Large over-capacity in many segments of the fleet has led to low freight rates and decreasing ship prices. As a result the maritime technology industry is seeing declining profitability on many new shipbuilding projects.

Funds for new projects are therefore scarce and expensive. State supported export credits have gained importance all over the world, sometimes combined with currency interventions and the use of macro-economic 'crisis response' instruments. However, their availability in Europe is limited due to budgetary constraints of Member States. This leads to increasing market distortions on a global level.

A survey conducted by industriAll Europe has revealed that two of the most prominent challenges affecting the sector are the financing of new shipbuilding projects and consequently

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<sup>2</sup> [http://ec.europa.eu/enterprise/sectors/maritime/shipbuilding/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/maritime/shipbuilding/index_en.htm)

the difficulty of securing new orders. With an average rating of 8.4 out of 10, financing is the most pressing problem in all European shipbuilding nations.

Bearing this in mind political emphasis should be placed on the following:

- Studying a revision of the financing instruments for the sector, especially EIB, in order to improve the access to finance independently of the regional/national economic situation.
- Ensuring that any financing being provided by the European Commission to undertake 'retrofitting' or similar projects to stimulate the uptake of technology by shipowners should be given to the European maritime technology to support home-grown technology development and not be provided to overseas competitors.
- The guarantee that the financial support will benefit the construction of plants and products or services which are carried out by the Member States.

#### **4. Research, Development and Innovation:**

The competitiveness of the European maritime technology industry relies on its capacity for strong research, development and innovation. R&D&I efforts are needed to foster not only innovation in products, but also for process and non-technological innovation which are key factors for the competitiveness of the sector.

The European Commission should take the following measures:

- Agree with the European Waterborne Cluster as quickly as possible a contractual public-private partnership (cPPP) with the aim of focusing research towards the zero emission and energy efficient vessels and towards zero technical accident vessels and emerging market opportunities.
- Support the role of the industry through dedicated R&D programmes in the development of 'Blue Growth' opportunities and maximising the sector's role in harnessing the economic potential from the oceans and seas.
- Agility on the implementation of new regulations is a must, and policy makers should encourage pioneering companies to invest in new technologies with an effective policy benefiting first movers.
- In order that our industry remains leader in innovation and development, it is essential that sufficient incentives are made available as well as the necessary resources with which it can maintain a sustainable market share which exploits the full potential of current capacities. For this reason it is necessary to reconsider some restrictive interpretations in relation to the competition in the internal market.