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REPORT FROM THE COMMISSION TO THE COUNCIL
on the state of the shipbuilding industry in the Community

(Situation at the beginning of 1984)

C O N T E N T S

	<u>Pages</u>
Summary	1
1. Introduction	1
2. General economic background	2
3. Trends in the sea transport sector	2
4. Situation in the shipbuilding industry	3
4.1 General trends	6
4.2 Situation in the Community	7
4.2.1 Production	7
4.2.2 New orders	7
4.2.3 Order books	10
4.2.4 Employment	11
4.3 Prospects	12
5. Guidelines for action at Community level	13
<u>Appendix</u>	15

SUMMARY

This document is the sixth report from the Commission to the Council on the development of the crisis in the shipbuilding industry.

The situation worsened in 1983. World sea transport continued to decline from 1981 levels, a fact which deepened the disturbance arising from the over-capacity of fleets.

Contrary to what one might expect as a result of these negative developments, world demand for vessels did not decline further in 1983, having being buoyed up by speculative orders prompted by a new fall in prices initiated by Japanese and South Korean yards. As the latter cornered more of this demand than hitherto, Community shipbuilding suffered an unprecedented drop in its market share and found itself in a position which has probably never been so difficult;

It does not seem that the shipyards can expect an improvement in the situation in the near future : fleets, already having surplus capacity, can meet foreseeable needs, even if these grow, and the drop in new orders for ships will make itself felt on the production side. In addition, if Japanese and Korean producers, who together satisfy 65 % of world demand, refuse to accept that part of this contraction in demand should affect them, the situation may become extremely difficult in areas where the industry is most vulnerable, in particular in Europe.

In the Community in 1983, the drop of 21 % in new orders accompanied by a fall in shipyard employment of 9 %. It is likely that job numbers will continue to decline in the short term, since work programmes for a number of yards have been lacking since autumn 1983 and lay-offs are announced.

This development of the situation will require the extension and reinforcement of efforts by the Community's industry to adapt to market conditions, mainly by directing action towards improving competitiveness and, where appropriate, modifying public aid measures in this direction.

REPORT ON THE STATE OF THE SHIPBUILDING INDUSTRY IN THE COMMUNITY

Situation at the beginning of 1984

1. Introduction

The Council Resolution of 19 September 1978 ⁽¹⁾ called on the Commission to submit periodic reports on the state of the shipbuilding industry. This is the Commission's sixth such report. Like the previous ones, ⁽²⁾ it seeks to outline the current situation in, and the prospects for, the shipbuilding market.

In 1983, the market conditions for shipbuilding were not favourable : the falling-off in maritime traffic continued, as did the disturbance of the market resulting from the fleet over-capacity. In the world's two main

(1) OJ C 229 of 27 September 1978.

(2) Supplemant 7/79 to the Bulletin of the European Communities ; COM(80)443 final ; COM(81) 432 final ; COM(82)564 final, and COM(83)483 final.

shipbuilding countries, however, the industry used its position of strength on the market to maintain its level of activity, and this shifted the whole burden of the crisis on to the European yards : thus, the Community shipbuilding industry's share of global new orders fell suddenly to 11 %, never having been less than 17 % before.

In these circumstances, Community yards were not able to prevent their situation from again being seriously destabilized, although they continued the tangible efforts to adjust which they have been making for nearly ten years. For most yards, a new cycle of reorganization, closures and lay-offs was inevitable. The authorities were forced to maintain their aid in many cases to prevent the disturbances from having too serious consequences, social criteria prevailing sometimes, depending on the circumstances, over economic criteria.

Japanese and South Korean shipbuilders exert a major influence on market conditions, if only because they supply 65 % of the world market. The Community cannot easily accept that their behaviour should unfairly disadvantage its shipyards. For this reason, in addition to the efforts which the latter should make as regards improving competitiveness, international discipline should be fostered with the aim of ensuring that Japanese and Korean shipyards bear their fair share of the consequences of the world crisis. This discipline has proved its worth at certain difficult moments in the past and should be reactivated and applied now, notably by inviting Korea (whose shipbuilding industry has since become jointly responsible for the trend in market conditions) to participate. Unless the industry's efficiency is improved and international cooperation is forthcoming, it seems unlikely that European shipbuilding will be able gradually to overcome its difficulties in the years ahead.

2. General economic background

The economic situation in 1983 was an improvement on what it had been in 1982: GDP in volume terms in the OECD rose by 2.4 %. Production volume followed much the same pattern, strengthening generally during the second half of the year.

According to the latest Commission forecasts (which may well have to be revised), economic activity will continue to pick up in 1984. GDP is expected to grow by 4.4 % in the OECD in 1984 ; growth in world GDP would be roughly the same, with world trade (based on imports) expanding by 4.4 %. More limited growth in GDP (2.2 %) is forecast for the Community in 1984. The rate of growth will slow down, however, in 1985.

By the end of 1983, the mood of the international shipping community (which handles the lion's share of world trade) was one of cautious optimism in contrast to the gloom at the start of the year.

3. Trends in the sea transport sector

The decline which had begun in virtually all branches of the sea transport market in 1980 worsened during most of 1983, with the situation again dominated entirely by the combined impact of over-capacity on the supply side and of weak demand for shipping services. The gross tonnage carried by sea fell by 16 % since 1979, while the fleet utilization rate in tonne-miles fell by 25 % over the same period. These losses were paralleled by stagnation in

the fleet, though not even this was enough to prevent further weakening of the market throughout 1982. The tension was heightened by the manifest, growing, over-capacity. This imbalance had a disastrous effect on freight rates, where the collapse which started in 1981 continued, sparing virtually no sector of the market.

The table below gives an idea of the main trends.

	Crude oil and oil products				Other cargo			
	Seaborne trade		Fleet*		seaborne trade		fleet	
	'000 million	%	million dwt	%	'000 million	%	million dwt	%
1973	10.217	100	234,3	100	5.187	100	205,6	100
1975	9.730	95	313,0	134	5.636	109	230,7	112
1977	11.467	112	356,1	152	6.050	117	268,5	131
1978	10.646	105	352,9	151	6.388	123	279,8	136
1979	10.659	107	350,9	150	7.016	135	287,0	140
1980	9.405	92	348,4	149	7.372	142	292,9	142
1981	8.371	82	342,4	146	7.469	144	305,9	149
1982	6.482	63	322,5	138	7.217	139	320,6	155
1983 p	6.250	61	301,6	129	6.930	134	331,0	156

* As at the of year p = provisional Source : Fearnleys, Oslo.

These figures also show how much the trends varied from one sector of the market to another. As regards tankers, for instance, the carriage of oil products in 1983 was 25 % down, in tonne-mile terms, on 1981, bringing the total reduction in trade in this sector over the last five years to more than 40 %. The two main reasons for this predicament are the further reduction of some 9 % in oil consumption and the increase in supplies from the fields closest to the centres of consumption - a development which has shortened the usual voyages. Although the oil-tanker fleet, which has had surplus tonnage for several years, contracted again in 1983 (by 12 %), this was not enough to offset the significant drop in tonnage carried and halt the deterioration in the market. The increase in the number of vessels withdrawn from the freight market in 1983 as compared with 1982, is clear evidence of the depth of the depression. Tanker sales to breakers rose and the laid-up tanker tonnage began to fall only at the start of 1984. Some experts put the surplus tanker capacity at almost 50 %, part of it due to less efficient use of the vessels, and in particular to slow steaming and to low load factors.

All concerned broadly agree that the over-capacity in the tanker fleet will persist for several more years, with oil movements expected to remain stagnant in the short, and possibly even medium term. The largest tankers are the hardest hit.

Although statistics cannot tell the full story, the table below sets out some of the figures behind these developments.

- 4 -
TABLE 2
TONNAGE WITHDRAWN (IN'000 GRT/DWT)

Tonnage laid up			Tonnage broken up			Tonnage used for storage						
Month	No	GRT	DWT	No	GRT	DWT	Month	No	DWT			
1978	VII	765	29.651	55.289	1978	1.088	12.840	21.703				
	X	737	25.486	47.507								
1979	I	595	16.678	30.290					1979	I	40	7.856
	VII	417	11.206	20.063	1979	904	6.997	11.137		VII	37	6.668
	X	353	7.490	12.518						X	37	6.672
1980	I	298	6.204	10.603					1980	I	39	7.112
	VII	268	6.767	12.249	1980	887	9.184	15.940		VII	45	9.199
	X	233	5.371	9.512						X	67	14.266
1981	I	229	4.840	8.288					1981	I	74	16.866
	VII	246	8.618	15.562	1981	824	9.789	17.517		VII	77	15.668
	X	287	10.399	19.014						X	149	35.950
1982	I	353	14.111	26.391					1982	I	120	28.757
	VII	624	25.437	49.122	1982	1.081	18.086	32.160		VII	79	18.295
	X	1071	35.293	67.260						X	64	13.860
1983	I	1292	40.657	77.168					1983	I	58	11.812
	VII	1403	45.093	85.755	1983	1.323	20.299	36.881		VI	70	13.482
	X	1429	42.641	80.959						X	78	14.868

Sources : Institute of Shipping Economics, Bremen ; Howard Houlder Chartering Ltd.

Despite this trend, the operators concerned have not tried very hard to improve this section of the market. However, there is no denying that resolute action could help remedy the situation. Since a large proportion of the surplus 150 million dwt is destined for the breakers' yard sooner or later, moves to speed up the process would help restore the balance of the market sooner.

Traffic in the dry bulk sector has fallen by nearly 10 % in the last two years. This sector has taken a sharp turn for the worse, which is only to be expected as the vessels ordered were recently brought on to the market - against the trend of the market which indicated a downturn in transport requirements - to swell the over-capacity which has beset the fleet since the end of 1981. Almost 20 % of the fleet is now surplus to requirements, absorbed mainly in the form of laid-up vessels and by a far lower fleet utilization rate.

As for the chief commodities in the dry bulk sector, the decline in iron-ore shipments continued, coal failed to live up to its promise and there was a general, in some cases considerable, slump in the other raw materials. Even grain transport fell back. Only a slight improvement is expected in 1984, and the status quo may even be maintained.

The overcapacity in the bulk-carrier fleet is unlikely to be absorbed in the short term, especially as newly-ordered vessels continue to add to the fleet and ship-owners such as the Japanese have persisted in placing massive orders for this type of vessel, at the risk of delaying the improvement in freight rates. In this section of the market, a number of large operators have therefore opted for speculation rather than choosing to manage their fleet in such a way as to encourage a return to balance between supply and demand.

The deterioration which struck the more specialized sectors and the liner trade in 1981 continued in 1983 as it had done in 1982, the over-capacity in most fleets, including the LPG, roll-on/roll-off, container and cargo fleets tending to grow, and the recession paralyzing further development. However, these fleets do not appear to be as over-tonnaged as the oil-tanker and bulk-carrier fleets and it should be possible to absorb the surplus capacity in the short term, with a few exceptions, once the general economic climate improves and provided orders for new vessels remain realistic.

The decline which has been apparent for several years in the fleet flying the flags of the Community's Member States gained pace, though the world fleet and the fleets of most shipping nations remained stable or even grew slightly in 1983. The Community's fleet had the highest proportion of vessels laid up or broken up in relation to the fleet on the seas. The average age of the Community's fleet is now slightly greater than that of the world fleet.

Shipowners, and especially those operating tankers and bulk-carriers, have been confronted with freight rates which generally fail even to cover their operating costs and which, therefore, have made it harder for them to balance their books. Many of the Community's shipowners, having exhausted their limited scope for diversification, had no alternative but to reduce the size of their fleet in order to survive in an industry where capital coefficient and indebtedness are generally high and the margin for manoeuvre small. No comprehensive surveys of movements by the Member States' fleets are available, but the statistics below amply illustrate how much the fleet has been trimmed.

TABLE 3 - WORLD AND COMMUNITY FLEETS

A. Fleet as at 1 July (in million grt)										
	1960	1970	1975	1977	1978	1979	1980	1981	1982	1983
World	129,8	227,5	342,2	393,7	406,0	413,0	419,9	420,8	424,7	422,6
EEC	48,1	68,3	96,8	105,9	110,9	110,4	111,1	109,9	104,5	95,9
% EEC	37,1	30,0	28,3	26,9	27,3	26,7	26,5	26,1	24,6	22,7
World										

B. Member States' fleet (in '000 grt) by flag									
	Fleet as at 1-7			Scrapped			Laid up		
	1981	1982	83	1981	1982	83	1981	1982	1983
Germany	7708	7707	6897	143	185	250	17	409	501
Belgium	1917	2271	2274	..	..	58	..	..	..
Denmark	5048	5214	5115	110	144	..	144	793	843
France	11455	10771	9868	397	479	658	297	519	1343
Greece	42005	40035	37478	1691	3027	2931	2308	10248	9937
Ireland	268	239	223	...	...	...	...	...	...
Italy	10641	10375	10015	210	259	705	206	1610	1635
Netherlands	5468	5393	4940	65	548	394	...	...	462
United Kingdom	25419	22505	19122	1026	1107	932	770	2591	2272

Sources : Existing fleet : Lloyd's Register of Shipping
 Other data : Institute of Shipping Economics, Bremen

It is clear from the figures that the deterioration has been less severe in certain Member States, generally in those with an aid scheme of one form or another for shipowners. In any event, the erosion of the Community-based shipowners' position reduces their capacity to order new vessels, which in turn has an adverse impact on the Community's shipyards.

4. Situation in the shipbuilding industry ⁽⁴⁾

4.1 General trends

The crisis in the industry grew more intense during 1983 as was revealed above all by the increased disorder on the market : the fall in contract prices that had occurred in 1982 continued, nourishing speculative demand which in turn increased the industry's insecurity, given the over-capacity of fleets already referred to. The main reason for this development is to be found in the attitude of the Japanese and, to a growing extent, Korean yards, which are responsible for the conditions on the market, since they occupy a dominant position in it. One of the results has been that they have considerably increased their share of the world market (64 % of global new orders in 1983 as against 50 % in 1982), mainly at the expense of yards in Western Europe (16% in 1983 as against 26 % in 1982). The latter consequently regard themselves as being in a "crisis within a crisis".

Worldwide, the level of new orders paradoxically increased by 28% in 1983. As this increase is the fruit of the speculative operations referred to above, the general view is that it does not constitute the beginning of a revival for the industry. On the contrary, there is a strong chance that it will have a negative effect on future developments : since many of the orders for vessels have been placed in anticipation of future requirements, they will very probably be withdrawn shortly. All concerned, moreover, do not expect any improvement in the next two years.

The European attempt to adapt is being thwarted by Japanese and Korean yards setting low prices and expanding their capacity. These developments are also harming the shipbuilding supply industries. In Europe in particular, suppliers of equipment are experiencing increasing difficulties as a result of the fall in their shipbuilding business and in prices.

Table 4 - Contract prices for orders of new vessels, 1976-83

(prices in US \$ million as charged by Japanese and Korean yards)

	1976	1977	1978	1979	1980	1981	1982	1983
30.000 dwt product carrier	15.0	15.0	16.0	23.0	26.0	25.0	17.0	16.0
87.000 dwt tankers	16.0	16.0	20.0	30.0	36.0	40.0	25.0	24.0
96.000 dwt oil/bulk/ore (OBO)	23.0	21.0	24.0	35.0	47.0	44.0	30.0	28.0
30.000 dwt bulk carriers	11.0	11.0	12.0	15.5	20.0	19.0	13.0	12.0
70.000 dwt bulk carriers	16.0	16.0	19.0	26.0	30.0	29.0	19.0	18.0
120.000 dwt bulk carriers	24.0	22.0	26.0	33.0	44.0	42.0	26.0	25.0
125.000 cbm LNG carriers	105.0	115.0	115.0	125.0	150.0	175.0	150.0	150.0
75.000 cbm LPG carriers	42.0	40.0	45.0	60.0	75.0	75.0	53.0	50.0
5.000 dwt ro-ro	10.0	10.0	12.0	14.0	16.0	20.0	15.0	12.0

Source : Fearnleys

(4) See the Appendix to this report for a guide to understanding the interpreting the units and sources of information used in this section. Note in particular that the observations made are based on the cgrt figures supplied by Lloyd's Register of Shipping (LRS). Greece is included in the Community figures for 1981 and after, though not in those provided by the OECD, which has no data for that country.

4.2 Situation in the Community

4.2.1 Production

In 1983 Community production rose by roughly 6 % compared with 1982 to reach 2.7 million cgrt. (This was 48 % less than in 1976). There were technical reasons for this increase, which did not indicate an improvement in shipbuilding programmes - yards have simultaneously slimmed the workforce by 9 %. As the number of new buildings dwindled, a higher percentage of the workforce was engaged on completing vessels under construction, thus speeding up the rate at which these were turned out. The only exception to this trend is the United Kingdom, where jobs have been cut more swiftly and to a greater extent than in the other Member States. In addition, the new orders obtained in 1983 represent only 60 % of the production level for that year, or 32 % of that for 1976. Production, therefore, is clearly going to contract in future in a number of Community yards.

TABLE 5 - PRODUCTION (COMPLETIONS) in '000 CGRT

	1976		1978		1980		1982		1983	
	LRS coeff. AWES	OECD coeff. 1967	LRS new coeff.	OECD new coeff.	LRS new coeff.	OECD new coeff.	LRS new coeff.	OECD new coeff.	LRS new coeff.	OECD new coeff.
Germany	1468,0	1630,0	1029,1	1059,6	596,2	618,5	757,3	763,5	811,3	925,5
Belgium	139,8	141,0	165,2	154,8	129,6	126,7	83,0	85,5	173,2	153,3
Denmark	560,6	425,0	362,5	378,7	382,4	267,9	329,2	313,3	338,5	405,9
France	672,4	1117,0	430,6	440,2	267,8	301,8	353,3	319,0	356,8	376,8
Greece	.XX	XX	.XX	.XX	.XX	.XX	61,8	.	35,7	.
Ireland	20,3	14,0	5,0	-	3,0	-	-	-	19,2	17,7
Italy*	353,9	314,0	305,2	283,1	345,5	287,4	156,2	176,6	217,0	128,8
Netherl	940,0	507,0	513,9	455,0	249,5	239,6	390,0	366,0	415,8	406,5
U.K.	985,1	824,0	718,4	708,9	458,6	513,2	394,0	420,8	319,3	349,2
EEC	5140,1	4972,0	3529,9	3480,3	2432,7	2355,1	2524,8	2444,7	2686,8	2763,7

*The OECD figures for 1976 and 1976 cover only the main yards ; from 1980 the figures cover all yards.

** Not available.

4.2.2 New orders

New orders in the Community fell back sharply in 1983 to 1.6 million cgrt (21% down on 1982), whereas worldwide they went up by 29 %. The main reasons for this development have been given in point 4.1. It is noteworthy that over the last two years orders in the Community have declined by 36 % while worldwide they have increased by 5 %.

In all the Member States except for Denmark, the volume of new orders makes it impossible to maintain the 1983 level of activity.

Shipyards' previous adjustment measures are thus constantly being jeopardized by the worsening situation ; this creates uncertainty and tension at all levels, notably as regards industrial relations.

In 1983, Community shipyards' share of all new orders placed throughout the world contracted dramatically, falling to 11 %, when it had never been less than 17 % even during the most critical periods of the crisis. The other Western European countries saw their market share shrink by about the same amount. Japan's share of world orders rose to 50 % in 1983 having been 42 % in the previous year ; similarly Korea's share is definitely increasing (14% in 1983 as against 9 % in 1982).

This development has increased fears and uncertainty in the European shipbuilding industry and, since requirements have remained stagnant at a much reduced level, has given rise to increasing censure of Japanese and Korean competitors' pricing policy and continued capacity expansion.

TABLE 7 - TREND IN THE MARKET SHARE OF THE MAJOR SHIPBUILDING REGIONS

Production	1976		1978		1980		1982		1983	
	1000 CGRT	%	1000 CGRT	%	1000 CGRT	%	1000 CGRT	%	1000 CGRT	%
EC*										
Rest of AWES**	5140,1	23,3	3529,9	21,3	2432,7	19,2	2524,8	17,3	2686,8	19,8
Total of all	3145,7	14,2	2303,1	13,9	1499,0	11,9	1760,2	12,1	1688,8	12,5
Western Europe	8285,8	37,5	5832,9	35,2	3931,8	31,1	4285,0	29,4	4375,6	32,3
Japan	8348,8	37,8	6120,5	37,0	5207,2	41,2	5811,1	39,8	4908,2	36,2
Rest of world	5444,4	24,7	4593,4	27,8	3496,3	27,7	4491,7	30,8	4268,5	31,5
of which										
Eastern bloc	2755,4	12,5	2132,3	12,9	1213,5	9,6	1678,4	11,5	1634,8	12,1
South Korea	-		-		445,7	3,5	880,3	6,0	985,5	7,3
Total	22078,2	100	16546,7	100	12635,2	100	14587,8	100	13552,3	100
New order intake										
EC										
Rest of AWES**	2756,6	17,2	2012,6	18,6	2463,8	17,2	2051,8	17,8	1623,8	10,9
Total for all	1903,0	11,9	1367,8	12,7	2049,5	14,3	913,7	7,9	780,7	5,3
Western Europe	4659,6	29,1	3380,6	31,3	4513,3	31,5	2965,5	25,7	2404,5	16,2
Japan	7337,5	45,9	4333,9	40,1	6708,3	46,7	4859,4	42,1	7389,1	49,8
Rest of the world of which	3985,3	25,0	3081,8	28,6	3136,1	21,8	3708,3	32,2	5056,5	34,0
Eastern bloc	1896,9	11,9	1146,8	10,6	467,9	3,3	1069,0	9,3	1544,0	10,4
South Korea	-		-		939,3	6,5	1002,5	8,7	2147,1	14,4
Total	15982,4	100	10796,5	100	14357,5	100	11533,2	100	14850,1	100

* The 1976, 1978 and 1980 figures do not include Greece. Source : Lloyd's Register of Shipping.

** AWES : Association of West European Shipbuilders. Members from outside the European Community include the shipbuilders' associations of Finland, Sweden, Norway, Spain and Portugal.

In 1983 the Community's shipowners ordered more or less the same overall tonnage as in 1982 but placed only 51 % of their orders with yards in the Member States, compared with an average of 70 % in previous years. In tonnage terms, therefore, orders fell back sharply to 1.1 million cgrt in 1983 as against 1.6 million in 1982. Greek shipowners placed less than 1 % of their orders with Community yards in 1983, and UK shipowners 39 %; in the other Member States the proportion of such placings ranges from about 70 % (France and the Netherlands) to 90 % (Belgium, Denmark, Germany and Italy). These figures do not include orders from such shipowners' subsidiary companies operating under a non-Community flag, especially on open registry: there is no reliable information for evaluating this kind of order.

As Community shipyards managed more or less to maintain their exports to non-member countries in 1983, the losses in sales which them to slip back were mainly incurred within the Community.

TABLE 8 - BREAKDOWN OF ORDERS BY FLAG

'000cgrt	1976			1978 (x)		1980			1982			1983		
	national market	other EC countries	third countries	total EEC	third countries	national market	other EC countries	third countries	national market	other EC Countries	third countries	national market	other EC countries	third countries
Orders placed by Community shipowners	64%	5%	31%	80%	20%	63%	7%	30%	77%	1%	22%	49,9%	1,3%	48,8%
TOTAL	3027			2063		2381			1876			2222,4		
Orders received by Community shipyards	70%	5%	25%	74%	26%	61%	7%	32%	73%	1%	26%	68,3%	1,8%	29,9%
TOTAL	2756			2233		2476			1988			1623,8		

Source : LRS

* No breakdown within the Community is available for 1978.

Note : Greece is included in the Community figures for 1981 onwards ; there may be slight differences in the totals compared with similar data in other tables.

The tendency for each Member State's yards to receive remarkably few orders from owners in the other Member States - more pronounced in 1982 - continued in 1983. Community-based shipowners thus almost always continued to turn either to one of the shipyards in their own country or else to one in a non-Community country. The fact that the Community's shipowners placed a mere 1% of their orders with yards in other Community countries is evidence that no progress was made on opening-up the common shipbuilding market in 1983.

On a world scale, demand for the various types of vessel was distinguished by a spectacular improvement in orders for bulk carriers, almost 90 % of which were placed in Korea and Japan. The doubts about whether such orders are warranted in view of the imbalance in fleets have been set out above. There was also a certain recovery in tanker orders, but these were primarily for small-tonnage vessels, notably product-carriers, and tensions as regards the over-capacity in these two fleets.

TABLE 9 : TREND OF NEW ORDERS BY TYPE OF VESSEL

'000 CGRT	Tankers		Bulk carriers		Cargo		Non-cargo		TOTAL
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(including non-specified)
1977 World	790,6		1783,2		8497,3		2969,8		14040,9
EEC	30,9 (3,9)		75,1 (4,2)		1764,4 (20,8)		670,5 (22,6)		2540,9 (18,1)
1978 World	1185,4		534,8		6163,8		2912,7		10796,7
EEC	56,2 (4,7)		23,6 (4,4)		1341,3 (21,8)		591,5 (20,3)		2012,6 (18,6)
1979 World	3364,8		2744,9		5148,4		2949,8		14207,9
EEC	168,1 (5,0)		466,5 (17)		1172,6 (22,8)		747,6 (25,3)		2554,8 (18,0)
1980 World	2960,2		4325,3		4780,1		2291,9		14357,5
EEC	273,7 (9,2)		425,9 (9,8)		1023,4 (21,4)		740,8 (32,3)		2463,8 (17,2)
1981 World	1166,7		4934,9		4967,9		2433,0		14053,1
EEC	75,1 (6,4)		487,9 (9,9)		1342,7 (27,0)		606,4 (24,9)		2525,2 (18,0)
1982 World	662,6		2335,3		5679,9		2135,4		10813,2
EEC	70,3 (10,6)		197,5 (8,5)		1093,2 (22,0)		628,0 (29,4)		1989,0 (18,4)
1983 World	1682,1		5370,3		5910,8		1886,9		14850,1
EEC	92,3 (5,5)		110,7 (2,1)		1039,9 (17,6)		380,9 (20,2)		1623,8 (10,9)

Source : LRS

Within the Community, developments for shipyards in 1983 in respect of the types of vessel ordered were not very different from those in 1982, with the emphasis as regards the quality of Community output still on the construction of sophisticated vessels.

4.2.3 Order books

The fall in new orders affected the order books, which contracted sharply (down by 28 %); By the end of 1983 it had shrunk to the disturbing level of 3.4 million cgrt, never having been lower than 4.7 million cgrt, even during the crisis.

TABLE 10 - ORDER BOOKS

'000 cgrt	to 31.12.78		to 31.12.80		to 31.12.82		to 31.12.83	
	LRS	OECD	LRS	OECD	LRS	OECD	LRS	OECD
EC								
Rest of AWES	5087,2	4870	4911,9	4799,6	4738,3	4358,2	3418,9	3313,5
Western Europe	3957,2	3834	4398,1	3975,1	3474,3	3185,7	2481,9	2407,3
Japan	(9044,4)	(8704)	(9310,0)	(8774,7)	(8212,6)	(7543,9)	(5900,8)	(5720,8)
Eastern bloc	5464,6	4938	7297,8	6541,0	6640,2	6622,6	8477,9	8389,1
South Korea	2121,7		1964,9		2206,2		2546,0	
					1854,9		2898,4	
Other regions	6787,9		7019,5		4817,6		4295,4	
Total	23418,6		25592,2		23731,5		24118,5	

All Member States were affected by the contraction of the order book, except for Denmark where yards enjoy closer links with national shipowners. The number of yards having to cope with interrupted work programmes is increasing. In the circumstances, much of the effort that has gone into improving competitiveness is wasted through productivity being lowered by the increased inactivity of production facilities and the workforce, even though in many cases Community yards were obliged to carry out further reductions in their capacity, and this will continue in 1984. These measures are not easy to swallow, for Japanese and Korean yards have not so far contemplated applying any discipline as regards capacity and have thus maintained a destabilized market ; it is only very recently that the intention of Korean operators not to continue expanding capacity has been learned.

TABLE 11 - ORDER BOOKS IN THE EUROPEAN COMMUNITY (thousand cgrt)

	LRS					OECD				
	Prod.	Total	For delivery			Prod.	Total	For delivery		
	1983	to 31.12.83	1984	1985	1986	1983	to 31.12.83	1984	1985	1986
Germany	811,3	649,5	474,5	160,6	14,4	925,5	704,7	514,0	190,7	-
Belgium	173,2	143,7	90,5	53,2	-	153,3	147,9	85,0	62,9	-
Denmark	338,5	707,7	366,7	290,3	50,7	405,9	690,5	316,0	298,0	76,5
France	356,8	598,6	479,1	119,5	-	376,8	548,3	425,0	123,3	-
Greece	35,7	146,1	100,0	40,5	5,6	-	-	-	-	-
Ireland	19,2	2,1	-	2,1	-	17,7	-	-	-	-
Italy	217,0	356,3	290,1	66,2	-	128,8	263,1	200,0	54,0	9,1
Netherlands	415,8	308,8	241,0	67,8	-	406,5	481,6	322,0	159,6	-
United Kingdom	319,3	506,1	383,5	104,2	18,4	349,2	477,4	357,0	103,4	17,0
Community	2686,8	3418,9	2425,4	904,4	89,1	2763,7	3313,5	2219,0	991,9	102,6

4.2.4 Employment

Having fluctuated only slightly since 1980, the numbers employed in the Community's shipyards fell by 9 % in 1983 as a result of the situation explained above. All Member States were affected by this contraction, which was particularly strong in the United Kingdom, but weaker in Denmark, Germany and France ; in the latter, significant job-reduction programme have been drawn up, however, and will probably be implemented without delay.

4.3 Prospects

In view of the outlook for the development of the general economy (see Section 2) the conditions exist for a certain recovery in seaborne trade in 1984-5. Beyond this time-horizon, the outlook is very uncertain : the most widely adopted hypothesis is one where there will be a slowdown in the modest growth achieved in 1983 and 1984.

This development will not be sufficient to change noticeably the nature of the problems in the shipbuilding sector. In fact, fleet overcapacity is such that it could not be taken up by such a modest advance in seaborne trade in the short to medium term : so long as this overcapacity persists, demand will remain depressed, and shipyards will have to operate in a buyers' market.

The European and Japanese professional associations have not finished, at the time of drafting this report, bringing up to date their forecasts of the need for ships, which were last prepared in 1982 (see Fifth Report), with the result that at present the basis is lacking to express in figures the consequences of recent developments in the shipbuilding market.

TABLE 12 : EMPLOYMENT IN SHIPBUILDING IN THE COMMUNITY (NEW BUILDING)

	1975	1978	1979	1980	1981	1982	1983
Belgium*	7467	6614	6258	6523	6119	5.031	4388
Denmark	16630	12000	9900	11400	11350	11800	11200
France	32500	25300	23000	22200	22200	21600	21000
Germany	46839	31113	27369	24784	26521	27600	25966
Greece	.	.	.	.	3393	3696	.
Ireland	869	840	750	750	762	882	550
Italy	25000	20000	19000	18000	16500	13750	12800
Netherlands	22662	17540	14540	13100	13100	13100	12000
United Kingdom	54550	41050	31200	24800	25345	25000	20486
Sub-total (without Greece)	206517	154457	132017	121551	121897	118763	108390
Total					125290**)	122459	

(Table compiled from national sources).

* Revised series.

** The figures for 1981 onwards include Greece, the data being based on the estimates made by the Greek shipbuilding industry itself. According to them, the Greek workforce numbered 2316 in 1975 and 2616 in 1980.

5. Guidelines for action at Community level

In response to the worsening situation of the Community's shipyards, the Commission revised its plans⁽⁵⁾ at the beginning of 1983 for policy guidelines on restructuring the industry. Together with the shipbuilding community, the Commission has tried to give a boost to the implementation of the measures called for in these guidelines.

The following steps, in particular, should be noted :

- the proposal⁽⁶⁾ for a Directive amending the 5th Directive on aid to shipbuilding ;
- the intervention of the European Regional Development Fund in operations of reconversion in several shipbuilding zones. Support for investment projects under the quota section has been considerable in recent years. In the non-quota section, the Fund contributes, under the heading of specific Community measures to help regional development, towards reconversion actions in certain zones particularly affected by the restructuring of the shipbuilding industry. The Commission is now considering how far the deterioration of the situation in this sector would warrant the extension of these measures to other zones.
- the cofinancing with industry, within the framework of Community support for R&D, of investigations forming the first stage of an attempt to strengthen technological cooperation in industry within the Community ;
- a study of possible ways of encouraging shipowners to place more orders with Community shipyards.

(5) COM(83) 65 final.

(6) COM(83) 73 final.

In addition, within the Community, the Commission is trying to get port inspection tightened up in order to improve safety of movements ; eliminating sub-standard vessels may also help indirectly to improve demand. Externally, the Commission continues to regard it as extremely important - as is clear from the above analysis - that the countries whose industry exerts an influence on the market commit themselves to avoiding any action that might encourage disturbance and, in particular, increase the difficulties of the other market participants. It has therefore stepped up its efforts regarding international cooperation in the industry, notably within OECD. In this context, Japan very recently announced that it has decided to increase measures to monitor the prices charged by its shipyards ; also, the Koreans have announced that they intend to stop expanding capacity.

APPENDIX

1. The tables giving the trend of completions, new order intake and order books in the Member States' shipyards are taken from two different sources : OECD and Lloyd's Register of Shipping (LRS);

Where the Member States are concerned, the OECD statistics constitute an official source but provide a more limited range of data, there are sometimes differences of approach as regards the moment when an order can be considered being booked and as regards the classification of vessels, there are breaks in the range of coefficients used for conversions into cgrt and do not permit worldwide comparisons to be made.

The figures produced by LRS are not infalible either. However, given that they present a wider range of data and that - over a period of time - the figures in cgrt are more comparable, it has been considered preferable to use this source for commentaires as the objective is to present homogeneous references and, moreover, they are being used worldwide by those concerned with these matters. The discrepancies between the two sources originate mainly from different news as to when an order is regarded as being definite, in the classification of vessels and in the coefficients for conversion into cgrt concerning the years 1976 and 1977. Despite certain differences which can sometimes arise from this, the two sets of data show trends which generally point in the same direction. Since the divergence between the two sources are only random, and the present report is essentially concerned with indicating the main trends, the reference to only one source is generally of no consequence.

2. Cgrt - compensated gross registered ton, a measurement which takes account of the volume of work that goes into building a vessel, calculated on the basis of the grt and of special coefficients for different vessel types and sizes ($\text{grt} \times \text{coefficient} = \text{cgrt}$). New coefficients for cgrt calculations were agreed upon by the OECD in 1977. The LRS figures for 1976 are based on AWES coefficients, which were the basis for the new OECD figures - without being completely comparable ; the OECD coefficients for 1976 are however based on OECD 1967 coefficients, which diverge markedly from the new coefficients for certain types of ship. This explains why certain 1976 OECD values are not at all comparable with the other series.