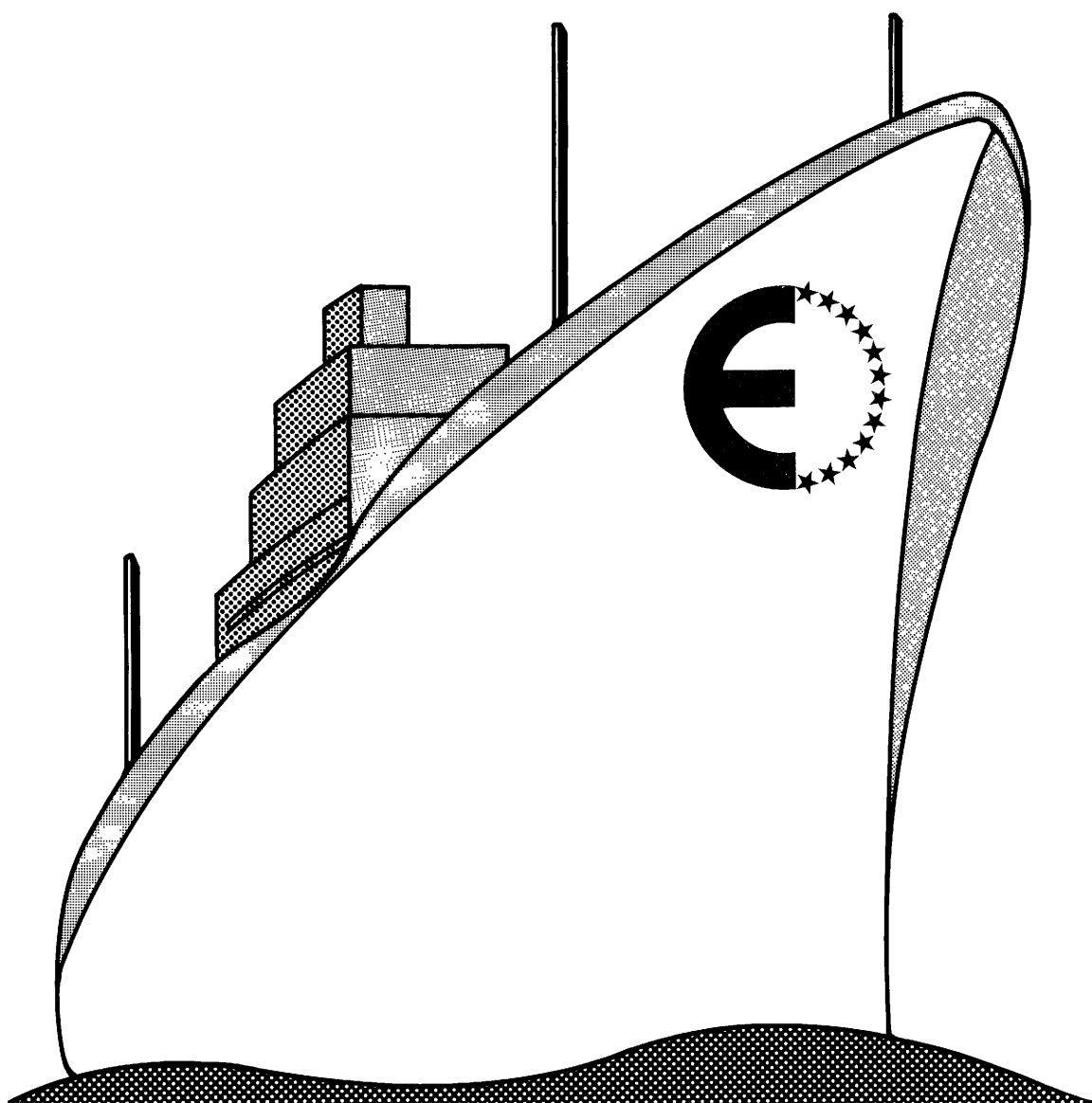


**ECONOMIC AND SOCIAL
CONSULTATIVE ASSEMBLY**

EEC MARITIME TRANSPORT POLICY



**EUROPEAN
COMMUNITIES**

**ECONOMIC AND
SOCIAL COMMITTEE**

EEC MARITIME TRANSPORT POLICY

PROGRESS TOWARDS A COMMON TRANSPORT POLICY

Communication and Proposals by the Commission to the Council

OPINION of the Economic and Social Committee

REPORT of the Section for Transport

**ADDITIONAL OPINION of the Economic and Social Committee
on the Guidelines for a Community Policy in the Shipbuilding Sector**

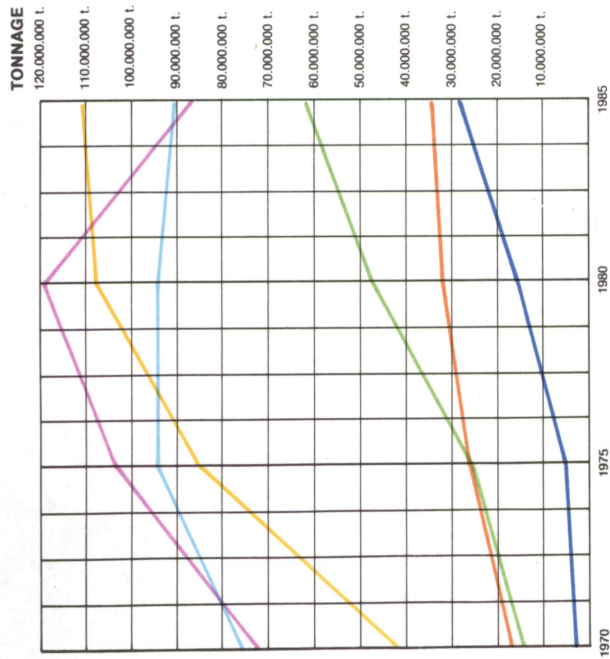
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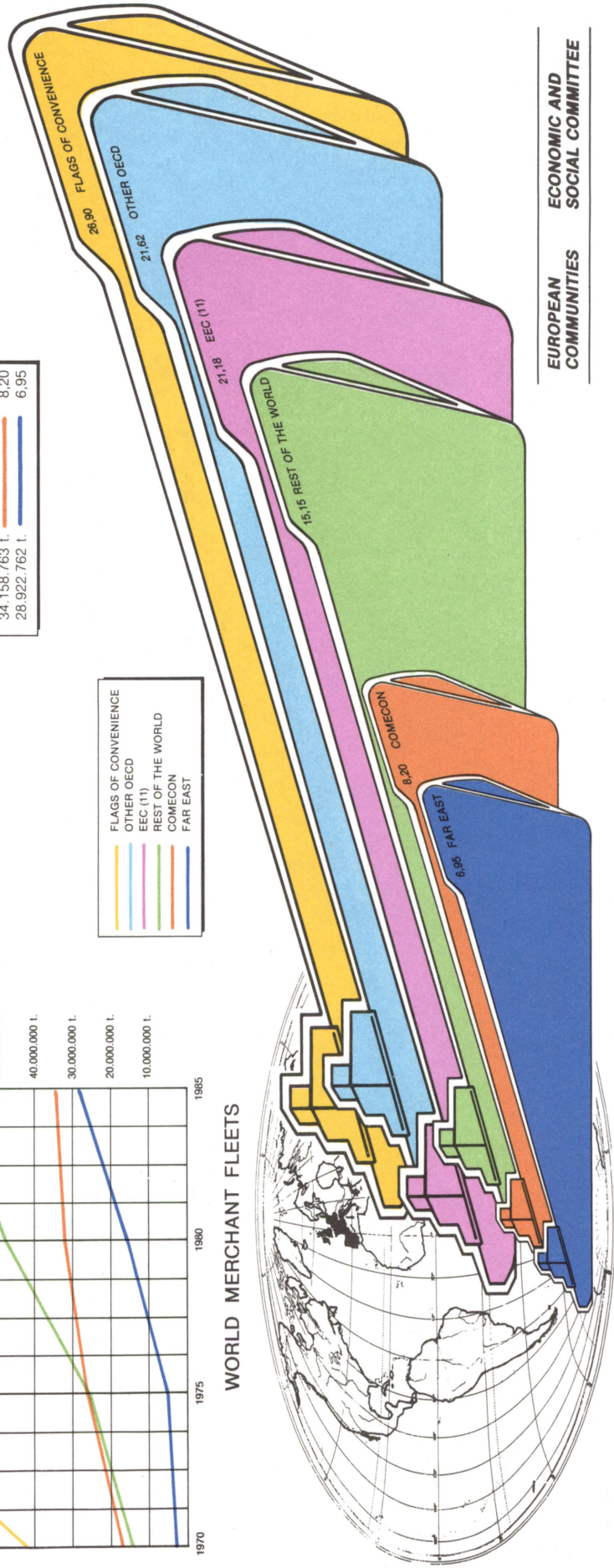
EEC MARITIME TRANSPORT POLICY



1985	
TONNAGE	% OF WORLD
111.967.288 t.	26,90
90.001.158 t.	21,62
88.163.580 t.	21,18
63.054.983 t.	15,15
34.158.763 t.	8,20
28.922.762 t.	6,95



WORLD MERCHANT FLEETS

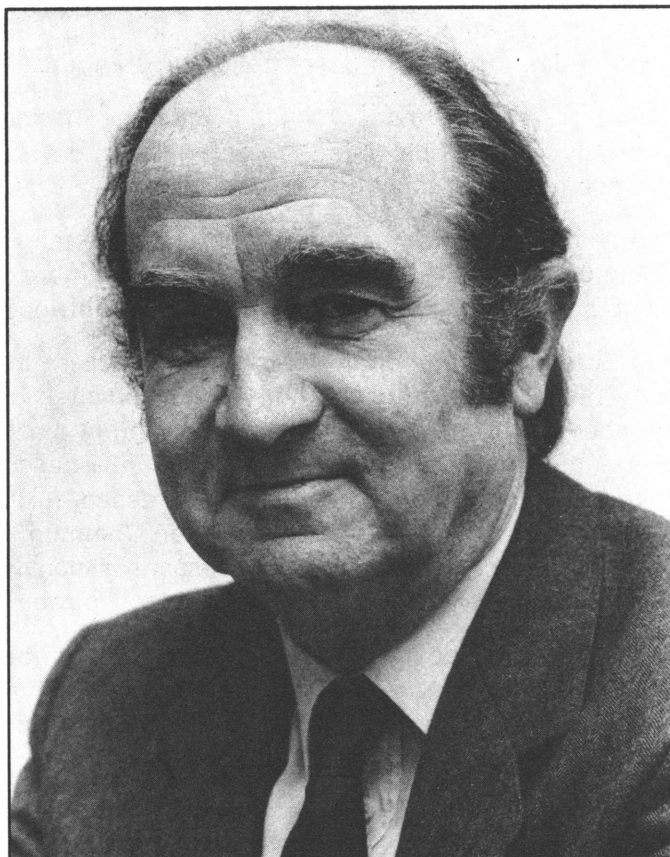


EUROPEAN
COMMUNITIES

ECONOMIC AND
SOCIAL COMMITTEE

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INTRODUCTION BY THE CHAIRMAN

The European Community is the biggest trading bloc in the world. 95% of its external trade and 30% of its internal trade is carried by sea.

The European Community also until recently had the world's largest merchant fleet although open-registry (or "flags of convenience") countries have now overtaken it.

Sea transport is therefore of the greatest importance for the EEC. Yet there is still no real maritime shipping policy for the European Community, and the EEC as such barely exists in this field.

Sea transport is an international activity. It is subject to a number of rules and practices affecting such matters as access to trades, freight rates, safety and environmental protection, and employment.

At the same time world shipping is in a crisis, with too many ships chasing too few cargoes. The Community merchant fleet has suffered more than any other; in the five years between 1980 and 1985 its total tonnage dropped and its share of world tonnage fell from 28.7% to 21.2%.

Dependent as it is on world trade, vulnerable as its member countries are to new developments in world sea trading, concerned as it must be to halt the decline in Member States' fleets, the Community urgently needs a coherent and comprehensive policy for maritime transport.

In these circumstances the Community is not faced with a stark choice between a free market and protectionism; rather, there can be a balanced and pragmatic approach applying selective defensive actions where the basic viability of the shipping industry is being seriously undermined.

The Committee strongly urges that the Community take shipbuilding policy into account; it too has an impact on shipping policy, since the persistent problem of overcapacity is one that handicaps any recovery in shipping. The Committee therefore recommends that the Community encourage its shipowners to adopt its "scrap and build policy" as a means of preventing second-hand vessels from acting as cheap sub-standard competition for Community operators.

Moreover, the Community should use its negotiating powers to resist protectionism in maritime trade by including provisions to safeguard the access of vessels registered in Member States in trade agreements with third countries.

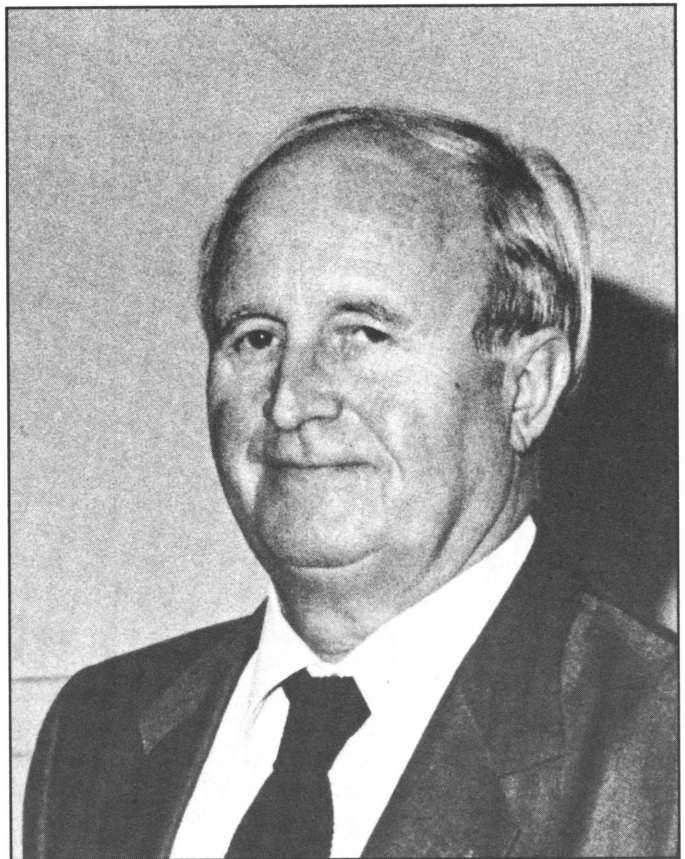
There should be greater coordination of national assistance to shipping companies within the Community, and the Community should resist more strongly and openly any undesirable national shipping subsidies worldwide where they contribute to the overtonnage crisis.

The European Community has given insufficient attention to the economic impact of flags of convenience on Member States' fleets and their competitiveness. It should therefore require Member States to inform it of any flagging in or out by Community owners or the acquisition of foreign vessels with the aid of Community-based capital. Whilst the international character of the maritime problem needs to be stressed, further improvements to the present legislation can only be achieved by direct European Community support and action. It must be recognized that flags of convenience are not necessarily synonymous with substandard operations; all vessels regardless of flag should be made subject to more stringent port state control.

The best way to secure and protect the employment and livelihood of seafarers and their shipping industries is to ensure that the Community's maritime policy stimulates international trade and continually endeavours to improve their general standards of living.

The Economic and Social Committee calls on the Council to act urgently in this field. It has itself achieved a remarkable degree of consensus in the Opinions published in this volume, despite the many divergent interests assembled in its ranks. It is convinced the Council can, and must, achieve the same degree of agreement.

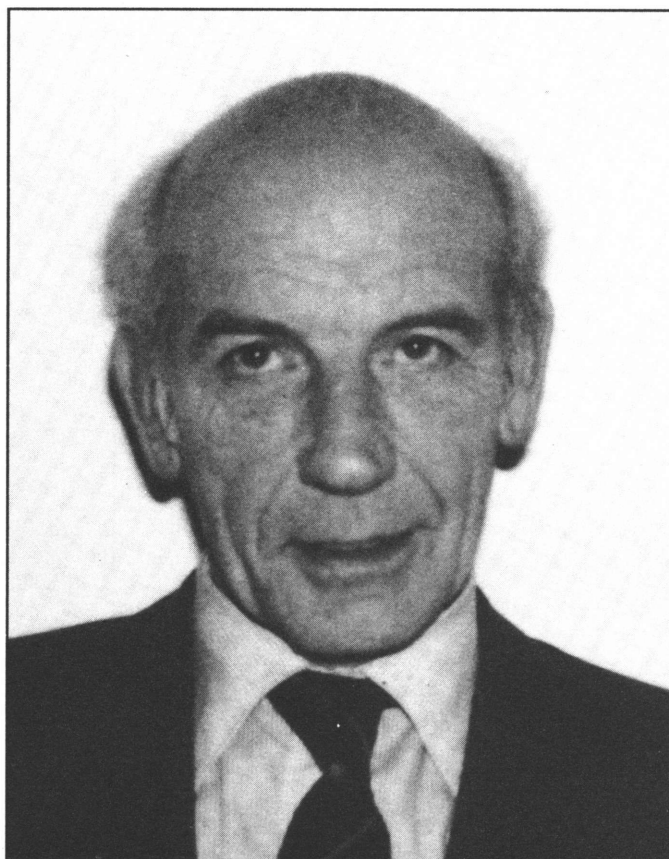
Gerd MUHR
President of the Economic and Social Committee



Alfred DELOURME
President of the Transport Section



Knud MOLS SØRENSEN
Rapporteur



Corstiaan A. BOS
Chairman of the Study Group



Anna BREDIMA
Co-Rapporteur

OPINION

of the Economic and Social Committee

on the Commission Memorandum

Progress towards a Common Transport Policy - Maritime Transport

(Supplement 5 / 85, Bulletin of the European Communities)

Part 1

Mr. Stathis ALEXANDRIS, Greek Minister for the Merchant Marine, and Mr. Alfred DELOURME, President of the Ecosoc Transport Section, at a Study Group meeting in Athens.



On 1 April 1985 the Council decided to consult the Economic and Social Committee under Article 198(1) of the Treaty establishing the European Economic Community, on the

Communication and Proposals by the Commission to the Council on Progress towards a Common Transport Policy - Maritime Transport⁽¹⁾.

On 26 July 1985, the Council asked the Committee to deliver its Opinion on four of the six Annexes by November 1985 at the latest. These Annexes concern the following subjects:

Draft Council Regulation concerning coordinated action to safeguard free access to cargoes in ocean trades (Annex II.1);

Draft Council Regulation applying to the principle of freedom to provide services to maritime transport (Annex II.2);

Amendments to the Proposal for a Council Regulation (EEC) laying down detailed rules for the application of Articles 85 and 86 of the Treaty to maritime transport (Annex II.5);

Draft Council Regulation on unfair pricing practices in maritime transport (Annex II.6).

The Section for Transport and Communications, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 13 November 1985, in the light of the Report by Mr MOLS SØRENSEN, Rapporteur and Mrs BREDIMA, Co-Rapporteur.

At its 231st Plenary Session (meeting of 27 November 1985) the Committee adopted the following Opinion by a unanimous vote:

Although the Committee has been able to deliver a thorough consideration of the four Annexes regarded as a priority by the Council, it is concerned that the timetable was substantially shortened and that its Opinion on the whole Memorandum and all Annexes is not being given in its entirety.

The Committee's Opinion on the Memorandum and the remaining Annexes, and the Section's Report on the Memorandum and on the Annexes will be given at a later date. (See Opinion, Part 2, pages 9 - 17; and Report pages 19 - 77 of this publication).

1. General comments

The shipping industry is important to the Community as an earner of foreign exchange and as an employer both at sea and ashore. In addition to its strategic value including for defence, the shipping industry is also vital as a provider of transport services for external trade to and from the Community as well as for trade within and between Member States. A viable Community-flag fleet is essential if services to exporters and importers in the European Community are not to be dominated by third party shipping interests.

Therefore the Community needs a maritime transport policy concerned with the promotion of maritime activities such as the carriage of goods by companies in Member States, the use of vessels registered in Member States and the employment of seafarers from Member States.

The European Community is the leading trading area in the world, with trade with third countries in 1982 representing 21% by value of world imports and 20% of world exports.

The European Community accounts for one third of world seaborne imports by weight and one seventh of world seaborne exports.

Around 95% of the total volume of EC trade with third countries and around 30% of intra-Community traffic is carried by sea.

Traditionally Community Member States have carried a large proportion of their own trade in national flag vessels and several have been particularly important carriers of trade between third countries.

(1) Bulletin of the European Communities, Supplement 5/85 and OJ No. C 212 of 23 August 1985, pages 2 to 21 (proposals only).

The overall fleet of the Community has fallen by over 20% since 1980, and with the exception of Belgium every Member State's fleet has declined, whilst at the same time the fleets of many non-Community countries, particularly non-OECD countries in the Far East, flag of convenience countries, and COMECON have increased in size resulting in serious overcapacity.

The fleets of Community Member States have found it increasingly difficult to operate profitably in the face of the decline in world trade beginning in 1979/1980 combined with the erosion of their competitive position; and of the surplus of shipping, which has been produced by the fall in trade, the continued ordering of vessels when the trade slump continued, and the assistance which governments have given to encourage new orders for ships either to maintain or develop shipbuilding industries.

In these circumstances the Community is not faced with a stark choice between a free market and protectionism, rather there can be a balanced and pragmatic approach applying selective defensive actions where the basic viability of the shipping industry is being seriously undermined.

2. Specific comments

Draft Council Regulation concerning coordinated action to safeguard free access to cargoes in ocean trades (Annex II.1)

- a) The Committee notes that this Regulation is intended to strengthen the 1983 Council Decision in the area of countermeasures.
- b) The Committee believes that the Regulation could usefully be extended to cover all sectors of shipping, i.e. passenger and cruise shipping, offshore and towage, etc. It notes that the draft Regulation appears to have been written with the liner sector primarily in mind and suggests that it be adjusted to take account of the circumstances and nature of other sectors as well.
- c) The Committee notes that the Regulation would not extend to action against an OECD country which restricts access of shipping companies of Member States. However, it believes acknowledgement should be made that such restrictions do exist within OECD and the draft Regulation should consequently be amended to deal with these.
- d) The Committee believes that the preamble to the Regulation should recognize that a flexible approach may be required and that if cargo reservation and other protectionist trends cannot be countered sufficiently and continue to an unacceptable degree, then a point may be reached where the Community may wish to review its policies with a view to securing appropriate access to cargoes.
- e) The Committee is concerned that the effects on the EC shipping industry of the third-country restrictions which are the target of Community action under this draft Regulation are similar to those of cargo sharing arrangements contained in certain bilateral agreements between EC Member States and third countries. It notes that these are the subject of proposals contained in Annex II.2 and, concerning future agreements, in Annex II.3. It stresses therefore that Annex II.1 and Annex II.2 should be adopted simultaneously and implemented at the earliest possible stage in this respect.
- f) The Committee considers that it would be useful to make a reference to the need for the EC to include non-discriminatory shipping clauses in any EC trade agreements with third countries. Specifically, it proposes that a new text along the following lines should be included in the Regulation (e.g. as a new Article after the present Article 6):

"When negotiating trade or other agreements with third countries or groups of countries, the Community shall seek the inclusion of a non-discriminatory provision safeguarding the access of vessels registered in Member States in shipping trades between Member States and the countries in question. In particular, the provision shall include undertakings by the contracting parties not to engage in flag discrimination or cargo reservation."

- g) The Committee also believes that the Commission should ensure that adequate resources are available to monitor developments in cargo reservation and other action which threatens the merchant fleet registered in Member States; and clear guidelines on the assessment of adverse effects on the competitive position of a Member State's fleet should be included in the Regulation (cf. Article 2).
- h) The Committee further believes, that as the Regulation is aimed at defending Community merchant shipping, Article 1 should be amended to refer to "shipping companies, or vessels flying the flag, of Member States".
- i) The Committee notes that provision should be made in Article 5 for Member States to take action outside the procedures contained in the Regulation, where the Commission fails to follow up a request for coordinated action. In the current text, such provision is only made where the Council does not act.
- j) The Committee also believes that if countermeasures are to be effective these should apply, apart from shipping, to the offending country's exports of goods or services to the EC.

Draft Council Regulation applying the principle of freedom to provide services to sea transport (Annex II.2)

- a) The Committee welcomes the establishment of a common internal market within the Community as one of the fundamental objectives of the Treaty of Rome and notes that the adoption of the Regulation would be in conformity with the judgment of the European Court on common transport policy delivered on 22 May 1985;
- b) The Committee recognizes that there is also a parallel requirement to promote improved working conditions and an improved standard of living for workers, so as to make possible their harmonization while the improvement is being maintained, which is also a fundamental objective of the Treaty of Rome.
- c) The Committee recognizes that the establishment of a common internal market is a sensitive area and that many varying interests, both national and sectoral, will have to be balanced in order to achieve any regulation in the field of maritime transport.
- d) The Committee regrets that the Commission has only considered the nationality of the operator offering services rather than considering also the nationality of the service itself, i.e. the flag of the vessel. It appears that the Commission is suggesting that an EC national can offer a service with non-EC flag vessels and yet be given the same rights as an EC national offering an EC flag service. Furthermore, it would appear that an EC flag service offered by a non-EC national would not have these rights. The Committee believes that the denial of these rights is not in the best interests of the Community as a whole or of Community flag vessels, nor does it appear to be in accordance with the principle of non-discrimination enshrined in the Treaty of Rome. The Committee therefore recommends that the Regulation should also make reference to the nationality of the service offered, i.e. to the flag. Article 1(1) should therefore be amended by adding at the end: "... or of vessels flying the flag of Member States".
- e) The Committee is concerned that whilst the Regulation provides for Member States not to be excluded from trades within the Community as well as from trades with third countries, individual Member States would be allowed to continue excluding non-Community shipping, thereby producing quantitative and qualitative differences in the competition in the trades of the various Member States. The Committee therefore believes that the Regulation should cover the conditions applicable to non-EC shipping. In particular the Regulation could provide for the coordinated exclusion from Member States' national coastal trades of ships flying the flag of countries which restrict the access of Community vessels to their national coastal trade in order to achieve a reciprocity of treatment vis-à-vis third countries.
- f) The Committee notes that the draft Regulation applying the principle of freedom to provide services to sea transport expressly provides for the abolition of restrictions arising, inter alia, from bilateral agreements relating to the carriage of passengers or goods by sea between Member States and a third country and supports this.

- g) The Committee recognizes the necessity of permitting transitional periods to allow Member States to adjust to the requirements of the Regulation. However, the Committee is concerned that if the freedom to provide services cannot be realized swiftly, any transitional period during which Member States are required to remove existing restrictions would only have the effect of widening the differences between those States which have restrictions and those which do not, since the latter will be unable to introduce any restriction after July 1986.
- h) The Committee recommends that it will be necessary in addition, before the end of the transitional period, for governments to endeavour to minimize any internal policy differences, as between Member States, which lead to distortions in competitive capabilities, in particular in such areas as shipping, fiscal and employment policy.

Amendments to the Proposal for a Council Regulation laying down detailed rules of the application of Articles 85 and 86 of the Treaty to Maritime Transport (Annex II.5)

- a) The Committee recognizes the need for a regulation applying the competition articles of the Treaty to maritime transport.
- b) The Committee regrets that the Commission appears not to have taken full account of the Economic and Social Committee's Opinion on the original 1981 proposal, and the European Parliament's Report of 1984.
- c) The Committee reaffirms the views in its Opinion of January 1983, and continues to support the granting of an exemption under Article 85(3) to liner conferences. It stresses again that the Regulation should take into account the particular circumstances of the shipping industry, and that, as far as it is practicable and relevant, the Regulation should be compatible with the UN Convention on a Code of Conduct for Liner Conferences (to which Member States are committed under Regulation 954/79), as well as with the principles of the Treaty of Rome.
- d) The Committee believes that the position on the legal basis for this Regulation has been clouded by the Commission's presentation, and that there should be a dual legal basis, viz. Articles 84(2) and 87.
- e) The Committee believes that the Regulation should treat any passenger or combined passenger/freight conferences in the same way as freight conferences.
- f) The Committee considers that tramp vessel services or bulk transport should be excluded and defined as follows: "any transport of cargo in ships which are hired wholly or partly for the carriage of cargoes on the basis of a voyage or time charter or any other form of contract against rates of freight which are established in free competition in accordance with conditions of supply and demand". (Cf. Article 1(3)(a))
- g) The Committee believes that the Commission should clarify in the Regulation how exempted agreements will be monitored in those circumstances described in Article 7.2(b)(i) relating to acts of third countries. In particular, the Committee draws attention to acts or arrangements which prevent the participation of outsiders in a trade, or which force outsiders to join the conference and/or impose cargo-sharing on them.
- h) The Committee also believes that the Commission should clarify in the Regulation the criteria on which decisions would be taken that there had been an elimination of competition contrary to Article 85(3)(b).
- i) The Committee regrets that Annex II.5 does not reproduce the preambular procedural and final clauses. The Committee recalls that its 1983 Opinion commented fully on these clauses.
- j) Again Annex II.5 makes no reference to the application of Article 86 although this is mentioned in the title of the Draft Regulation. The Committee believes that the Commission should clarify the criteria under which Article 86 would be applied in view of the particular circumstances of maritime transport.

Draft Council Regulation on unfair pricing practices in maritime transport (Annex II.6)

- a) The Committee welcomes the draft Regulation as a useful endeavour to provide Community machinery with which to combat dumping and other unfair pricing practices by carriers of non-EC countries on similar lines to the existing machinery to combat dumping and other unauthorized trading practices with respect to the import of goods from third countries (Regulations 2176/84 and 2641/84).
- b) The Committee is concerned that the Regulation only applies to liner shipping, and believes that the Council should give serious consideration to extending it to other shipping sectors also.
- c) The Committee believes that the definition of foreign shipowners in Article 3(i)(a) should be expanded to include shipowners who are enabled to compete on an unfair basis as a result of a high level of direct and/or indirect subsidies including credit and fiscal privileges.
- d) The Committee believes that the Regulation on unfair pricing practices should include measures to be taken against the operators of ships flying the flag of countries which allow shipping companies to avoid social and economic responsibilities since those companies thereby gain an unfair economic advantage.
- e) The Committee agrees with the Commission's view that foreign shipowners gain an unfair competitive advantage by operating their vessels under the flags of countries which do not ratify and/or implement certain IMO and ILO Conventions, and notes that such countries include flags of convenience.
- f) However, the Committee is concerned that the third indent of Article 3.1(a) as presently drafted is ambiguous. It refers to ships flying the flags of countries which have not ratified **and** do not implement certain IMO and ILO Conventions. Yet in the Communication (paragraph 69(i)) there is a reference to countries which have not ratified **or** do not implement such Conventions. The Committee believes that this latter formulation should appear in the Regulation. Furthermore, the Regulation should clarify which body will judge whether IMO and ILO Conventions have been implemented.
- g) The Committee is concerned that the definition of "Community shipowners" is also too narrow and should be broadened to embrace the operation of vessels under Member States' national employment practices in either of the following two categories: - operation of vessels by shipping companies which have their management head office and their effective control in a Member State, - operations of vessels flying the flag of a Member State (cf. Article 3(1)(e)).
- h) In regard to the right to present complaints, the Committee believes that a wide range of interests make up the Community shipping industry, and that one party, viz. Community shipowners cannot be vested with the sole responsibility of ensuring that all interests are protected. The Committee notes the precedent in the complementary Regulation 2176/84 where the right clearly relates to "a Community industry", which has suffered harm. The Committee believes therefore, that the reference in this Regulation should be to persons acting on behalf of the "Community shipping industry", which should be defined so as to enable the representatives of seafarers also to bring complaints, particularly since adverse employment effects may be considered as evidence of an injury (cf. Article 5(1)).
- i) The Committee considers that the definition of unfair practices should be improved. The rate charged by a single commercial outsider could be too restrictive if used as the only yardstick when assessing whether a freight rate is unfair. To gain an accurate picture of the situation, other factors relating to the specific trade should come into play and the concept of a weighted average should be used more generally. (cf. Article 3(3)).
- j) The Committee considers that, in many situations, a sanction other than a duty might be appropriate and that the Regulation should provide for greater flexibility regarding sanctions, as exists in other Community legislation applying to unfair commercial practices generally.

In sea transport, sanctions might also include, for example, quotas on sailings, carryings or earnings and the Committee draws particular attention to the sanctions contained in Article 3(1)(b) of Annex II.1. Article 13(6) already envisages withholding permission to load or discharge if security is not given for the amount of a countervailing duty and this provision should be expanded to cover other circumstances (cf. Article 2).

- k) The situations referred to in the above paragraph may occur particularly where the unfair pricing practice takes place in trade between non-EC countries. In such cases a sanction might be appropriate in the direct trade with the EC of the non-EC countries concerned. Article 3(1)b needs to be revised to take account of such situations and in conformity with the objectives set out in the last phrase of Article 1.

OPINION

**of the Economic and Social Committee
on the Commission Memorandum**

Progress towards a Common Transport Policy - Maritime Transport

(Supplement 5 / 85, Bulletin of the European Communities)

Part 2

On 1 April 1985 the Council decided to consult the Economic and Social Committee under Article 198(1) of the Treaty establishing the European Economic Community, on the

*Communication and Proposals by the Commission to the Council on
Progress towards a Common Transport Policy - Maritime Transport⁽¹⁾.*

On 26 July 1985, the Council asked the Committee to deliver its Opinion on four of the six Annexes by November 1985 at the latest. (See Opinion, Part 1 pages 3 - 8 of this publication).

The Section for Transport and Communications adopted its Opinion on the Memorandum and the remaining Annexes II.3 and II.4 on 9 April 1986, in the light of the Report by Mr MOLS SØRENSEN, Rapporteur and Mrs BREDIMA, Co-Rapporteur.

At its 237th Plenary Session (meeting of 21 May 1986), the Economic and Social Committee adopted the following Opinion with 1 vote against and 3 abstentions:

1. General comments

The shipping industry is important to the Community as an earner of foreign exchange and as an employer both at sea and ashore. In addition to its strategic value and its important role in defence, the shipping industry is also vital as a provider of transport services for external trade to and from the Community as well as for trade within and between Member States. A viable Community fleet, registered in Member States is essential if services to exporters and importers in the European Community are not to be dominated by third party shipping interests.

Therefore the Community needs a maritime transport policy concerned with the promotion of all maritime activities such as the carriage of goods and passengers by companies in Member States, the use of vessels registered in Member States and the employment of seafarers from Member States. Also since shipping is the dominant mode for freight and passenger traffic between some Member States, policy should ensure that shipping services are in a position to compete on equal terms with other modes such as road and rail.

The European Community is the leading trading area in the world, with trade with third countries in 1982 representing 21% by value of world imports and 20% of world exports.

The European Community accounts for one third of world seaborne imports by volume and one seventh of world seaborne exports.

Around 95% of the total volume of EC trade with third countries and around 30% of intra-Community traffic is carried by sea.

Traditionally Community Member States have carried a large proportion of their own trade in national flag vessels and several have been particularly important carriers of trade between third countries.

The overall size of the Community fleet has fallen by over 20% since 1980, and with the exception of Belgium every Member State's fleet has declined, whilst at the same time the fleets of many non-Community countries, particularly non-OECD countries in the Far East, flag of convenience countries and COMECON have increased in size resulting in serious overcapacity.

The fleets of Community Member States have found it increasingly difficult to operate profitably in the face of the decline in world trade beginning in 1979/80 combined with the erosion of their competitive position, and of the surplus of shipping, which has been produced by the fall in trade, the continued ordering of vessels when the trade slump continued, and the assistance which governments have given to encourage new orders for ships either to maintain or develop shipbuilding industries.

(1) Bulletin of the European Communities, Supplement 5/85 and OJ No. C 212 of 23 August 1985, pages 2 to 21 (proposals only).

Community fleets face competitive difficulties from those fleets in third countries which:

- **are financed with capital at substantially lower costs;**
- **do not match the standards applied within Member States for terms and conditions of employment and social security and in some cases do not even match internationally agreed standards;**
- **use flags of convenience for the purpose of reducing their operating costs (labour costs, taxes and other charges).**

There has been a growth in government intervention, including the UN Code of Conduct for Liner Conferences, cargo reservation, government subsidies, tax exemption and easy credit.

Community shipping companies have responded to changing circumstances both by transferring vessels to other flags including flags of convenience and by moving assets out of shipping and into other industries.

There have been substantial changes in patterns of trade particularly in oil trades, as new production areas have been developed and alternatives to oil have been sought.

Member States have experienced a decline in the share of national trade carried in national flag vessels between 1979 and 1982, with the exception of Greece, exports from Belgium and imports to the Netherlands.

Vessels registered in Community Member States are important cross-traders between other Member States and third countries and between third countries only. They face strong competition from flag of convenience shipping and shipping under other flags, and are threatened by the increasing trend towards cargo reservation and the desire of many non-Community States to build up their fleets.

Demand for shipping services is derived from trade in goods and consequently in the short-term freight rate competition is not about whether goods are carried, but which vessels carry the goods.

The maritime transport policy of the Community must encourage international trade and improve collective standards of living.

In these circumstances the Community is not faced with a stark choice between a free market and protectionism, rather there can be a balanced and pragmatic approach applying selective defensive actions where the basic viability of the shipping industry is being seriously undermined.

2. Comments on the Memorandum - General

The Committee welcomes the publication of this long-awaited document on maritime transport policy since it indicates that at last the Commission has begun to regard maritime transport as an industry in its own right. Until now the Community has lacked a coherent and comprehensive policy for the maritime transport sector and it is now crucial that such a policy should address the means of halting the Member States' fleets decline, if not reversing it.

Although the Commission has made a useful attempt to translate the principles of the EEC Treaty into shipping terms, the analysis and policy have a number of deficiencies and the Commission's proposals will not halt the fleet's decline unless these proposals are amended and improved. The situation in the shipping industry is clearly deteriorating yet the Commission does not appear to appreciate fully the seriousness of the situation. The Commission's analysis is confined to a static review of the situation, failing to assess the most recent trends and the outlook for various sectors or to consider the effects of the fundamental change taking place in the level and pattern of world trade.

A policy for the maritime transport sector must be essentially pragmatic and realistic, recognizing inter alia the international dimension of the industry and its relationship with other maritime industries. Moreover it should serve the social, economic and political interests of the European Community and enable a prompt and effective response to any threat to these interests.

The Committee believes that the maximum benefit is gained for the Community through the operation of its vessels under Community flags. It therefore follows that support for flags of convenience, whether EC owned or not, is not the best means of pursuing the Community's interests. The Committee notes, however, that many shipping companies claim that they have been forced to decide whether to remain in shipping under a low cost flag, thereby retaining the control and some employment for EC nationals, or to leave the business altogether. It is appropriate in this regard to recall its Opinion on EC Shipping Policy and Flags of Convenience which stated:

"(WHEREAS) there is no disputing the fact that if Member States do not want to lose their economic independence, and if they desire to keep control over their own means of transport and maintaining jobs, they must under all circumstances have a merchant fleet at their disposal, and the Community should therefore find suitable economic, social or technical means of eliminating distortions of competition⁽²⁾."

The Commission advocates a free market approach but the Committee believes that a flexible approach must be adopted when dealing with the problems faced by the Community's shipping industry. The Opinion put forward on an earlier occasion still holds:

"The common transport policy must allow as much free competition as possible, though in specific cases, and when necessary, this must be limited if the overriding interests of the general public are at stake⁽³⁾."

With specific regard to the shipping industry, it must be recognized that the commercial and political realities of today's world are unfortunately eroding the free market approach. The Committee believes that the EC should use its negotiating power to resist protectionism in bulk, liner and other maritime trades. This could be done through, for example, the inclusion in trade and other cooperation agreements with third countries of provisions safeguarding the access of vessels registered in Member States in shipping trades between Member States and the countries concerned. The Committee welcomes the actions which the Commission has already taken in this area such as the latest Lomé Convention. Clearly the Community should adopt a pragmatic policy and practical intervention should be applied in certain trades and sectors where the alternative is the loss of trade for EC flag vessels.

The Commission recognizes the impact of shipbuilding activity and policies on shipping yet it is unwilling to accept that these result in distortions in the market. The Committee believes that it is necessary to take account of shipbuilding policy insofar as it has an impact on shipping policy since the persistent problem of overcapacity is one that handicaps any recovery in shipping.

While Community shipowners will continue to need to build more efficient and technologically advanced vessels, the Committee agrees with the Commission that the comparative advantages gained over competitors by technological innovation are becoming more difficult and costly to achieve.

Moreover modernizing the EC fleet, although desirable, will not on its own solve the problem of overcapacity. It is important that a scrap and build policy should be pursued, as advocated in earlier ESC Opinions. The Commission should therefore give renewed consideration to measures to encourage shipowners to scrap vessels rather than having to resort to the secondhand market since the sale of such vessels for further trading can mean that these vessels become the cheap sub-standard competition with which EC operators have to compete.

(2) OJ No. C 171 of 9 July 1979, p. 35 (EEC Shipping Policy - Flags of Convenience).

(3) OJ No. C 326 of 13 December 1982, page 12 (point 3.3.1.), (The Transport Policy of the European Communities in the 1980s).

Moreover modernizing the EC fleet, although desirable, will not on its own solve the problem of overcapacity. It is important that a scrap and build policy should be pursued, as advocated in earlier ESC Opinions. The Commission should therefore give renewed consideration to measures to encourage shipowners to scrap vessels rather than having to resort to the secondhand market since the sale of such vessels for further trading can mean that these vessels become the cheap sub-standard competition with which EC operators have to compete.

The Commission should pay particular attention to the relationship between the financing of vessels and their competitiveness since capital costs are the most significant component of total costs. Thus the basis on which capital is raised can be the real key to remaining in business. In this respect the Committee draws attention to its recent Opinion (see pages 81 - 88) on Policy in the Shipbuilding Sector and in particular its comments on an EC-wide Home Credit Scheme which should preferably be implemented with a measure of flexibility, as a partial substitute for current arrangements or in some cases a complement to existing national schemes.

The Committee believes that the legal basis for additional shipping policy measures is Article 84(2) of the Treaty of Rome, read in the light of the objectives and tasks enumerated in Articles 2, 3 and 7 (non-discrimination clause).

3. Comments on the Memorandum - Specific

State Aids

The Committee considers that there should be greater coordination of national assistance to shipping companies within the Community and that the EC should resist more strongly and openly any undesirable national shipbuilding subsidies worldwide where they contribute to the over-tonnaging crisis.

The issue of State aids needs to be put into perspective. The Commission's intention to produce in the near future a paper on State aids in general may help in this respect, especially in regard to comparisons with aids given to other industries within the Community. A more complete picture is however needed covering not only investment subsidies but levels of direct and indirect subsidy and protective legislation given to shipowners both within and - more especially - outside the European Community.

Manpower and Social Aspects

The Committee notes that the Treaty refers to the need to promote improved working conditions and an improved standard of living for workers so as to make possible their harmonization while the improvement is being maintained.

The Committee reaffirms its view expressed in an earlier Opinion (CES 741/82) on the Transport Policy of European Communities in the 1980s:

"A common transport policy must be socially beneficial by catering for transport needs from an overall economic point of view and by helping to improve the living and working conditions of the people employed in transport⁽⁴⁾."

The Committee recognizes that the best way to secure employment for seafarers is to secure the future of Member States fleets and also notes that many other jobs are also dependent on a healthy and viable Community shipping industry.

(4) OJ No C 326 of 13 December 1982 page 12 (point 4.4.1)

The Committee notes with concern that the decline of Community fleets has led to a serious loss of seafaring jobs. It notes the Commission's comments in paras. 43 and 44 of its Communication in this respect, and in particular its recognition that "wide differentials in pay and conditions of employment operate between EEC and non-EEC nationals employed in the industry". The Committee shares the Commission's anxiety about the adverse consequences of this for Member States, especially in terms of seafarers' unemployment and the reduction in numbers of skilled and semi-skilled seafarers within the Community.

The Committee notes that some social aspects of seafaring employment are regulated on a worldwide basis by the International Labour Organization (ILO) and the International Maritime Organization (IMO) in a number of conventions and recommendations. Further improvements of these instruments should continue to be supported and promoted by the EC. In this connection the Committee notes that the Commission in conjunction with the two sides of the industry has already embarked on a study of seafaring employment matters and working conditions. The Committee considers that the social aspects of seafaring employment should be examined by the Commission, first with reference to hours of work and the pressure to reduce crews. Strict regulations exist for the hours of work of other transport workers, such as those engaged in road transport, and clearly excessive working time poses dangers to the health and safety of seafarers, vessels and the environment.

The Committee notes that research is being undertaken within Member States into the crewing and technology required for different types and sizes of vessels and considers that an attempt should be made to coordinate such research at a European Community level, with specific attention to the training required.

The Committee welcomes the Commission's support for favourable direct tax regimes for the Community seafarers and believes that the Commission should actively promote this and also explore other such means of helping to maintain the employment of EC nationals on vessels of Member States, such as assistance with training and repatriation costs.

The Committee notes the intention of the Commission to develop proposals for the mutual recognition of certificates and points out that mutual recognition must assume an agreed equivalence of entry standards, training and examinations and that such agreement does not currently exist. Moreover the Commission should take into consideration that certain Member States have legislation specifying the nationality of all or part of their crews and that such legislation is often for defence reasons. While defence is not an area for which the Community is responsible, it cannot be ignored by Member States.

Open registries

The Committee noted that the Commission's analysis refers to flags of convenience primarily in the context of bulk shipping and points out that the phenomenon is not confined to the bulk sector. Moreover the Committee feels that it is not helpful to confuse the two issues.

Flag of convenience shipping now represents 28% of world tonnage and while it was 9% smaller than total EC flag tonnage in 1975 it is now 29% larger. The advantages which shipowners expect to derive from registering their vessels under such flags concern lower operating costs arising from the minimum of flag state control, the minimum of social or fiscal obligations to the flag state and lower labour costs.

The Committee considers however that the Commission has given insufficient attention to the economic impact of flags of convenience on Member States' fleets and their competitiveness and the effect on Member States' economies of the form of expatriation of capital out of the Community represented by flag of convenience shipping. The Treaty of Rome (Article 72) requires Member States to keep the Commission informed of any movement of capital to and from third countries. The Committee believes that the Commission should use its power to require Member States to inform it of any flagging in or out by EC owners or the acquisition of foreign vessels using EC based capital.

The Committee recognizes that flags of convenience are not necessarily synonymous with substandard operations and believes that all vessels regardless of flag should be made subject to more stringent port state control. The Committee believes that it is essential that greater transparency and accountability of ownership of all vessels should be achieved and that the link between the flag state and vessels should be tightened, thus enabling the flag state to identify ownership and financial responsibility and to improve the implementation of international agreements on safety and social standards.

The Committee notes that the UN have recently adopted a Convention containing detailed requirements for registration of vessels which go some way to achieve these objectives.

Maritime safety and pollution prevention

The Committee fully supports the concept of port State control as the necessary complement of the exercise of flag jurisdiction. In particular it supports the 1982 Paris Memorandum which stressed the importance of vessels of all flags adhering to the generally accepted IMO and ILO Conventions and coordinated the approach of the EC and Nordic countries to inspections of vessels visiting their ports.

However there should be full disclosure of deficiencies classified by flag type and degree of seriousness gathered from port State inspections and an investigation into whether the inspections are uniformly carried out through the Community's ports. Unless there is such a disclosure and unless it can be demonstrated that these inspections are being conducted on a uniform basis, then a statement, as in the Commission's memorandum, that there is little evidence that competitive pressures among the various ports of the Community are undermining the application of port State control is far from convincing.

The Committee further considers that the Commission should explore the possibility of introducing a system of coastal State control so that vessels passing through EC waters are subject to the same standards as vessels entering ports, since the safety of seafarers, vessels, the public and the environment is no less at risk from vessels which are sailing through the waters of port State control signatories without visiting a port in a signatory State than from those which do visit a signatory State's port. The Committee recognizes that there are a number of practical and legal difficulties in establishing a system of coastal State control but considers that the subject merits investigation.

Ports

The Committee feels that greater weight should be attached by the Commission to the adverse affects of disparities in port charges and light dues since these are important factors to ship operators in their choice of ports. Furthermore, the Committee notes that certain liner Conference Services operating between Member States and third countries practise price discrimination on cargo shipped as between ports of one Member State and another to destinations in third countries. Such practice is inconsistent with the principle of fair and equal competition for all and should be discontinued.

The Committee welcomes the Commission's proposal that a Community wide dimension should be given to the provision of port waste facilities, as required under MARPOL. It feels that the Commission should initiate a proposal for the provision of such facilities on a much wider basis than at present with either Community or national funding for the establishment of reception facilities. Further the Commission should investigate the feasibility of using laid up tankers for the reception of oily wastes and possibly other wastes. The provision of port reception facilities should be considered within the context of EC infrastructure policy and priority areas should include the Mediterranean and also the North Sea.

4. Comments on the specific proposals

Draft Council Decision amending Decision 77/587/EEC setting up a consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations (Annex II.3)

The Committee considers that there is merit in a requirement for advanced consultation in the event of bilateral or multilateral agreements being concluded by individual Member States and believes that such consultation should cover, besides purely maritime agreements, other agreements which might have implications for shipping, e.g. in the field of trade and agriculture. The Committee therefore believes that the proposed paragraph 1(c) should be amended by the addition of the following at the end of the first line:

"- both maritime and other -".

The Committee also believes that Article 1(c) should be amended by adding after "in a Member State" the following phrase: "or vessels flying the flag of a Member State". Otherwise it would appear that the draft Decision applies only to the nationality of the operator offering a service and not to the nationality of the service itself, i.e. the flag of the vessel.

The Committee is concerned that the consultative process could be abused in order to delay unduly the ability of Member States to conclude agreements with third countries. Consequently there is a need to ensure that, in putting forward this measure, such potential abuses are avoided. Moreover in order to minimize the likelihood of agreements being contemplated which are contrary to the interests of the Community, it would be helpful if Member States agreed on common objectives in this context.

The Committee notes that this Draft Council Decision refers to future bilateral or multilateral agreements and supports that. It also considers that the Commission should explain how it intends to deal with existing maritime or other agreements restricting access to cargo between Member States and third countries and the role of the draft Council Regulation applying the principle of freedom to provide services to sea transport (Annex II.2) in this regard.

Draft Council Directive concerning a common interpretation of the concept of "National Shipping Line" (Annex II.4)

The Committee questions whether this proposal comes too late to be useful since a number of States have already adopted a definition while others are well on the way to doing so. At the same time the Committee also feels that the present draft is unclear and should be re-examined by the Commission.



Mr. Stathis ALEXANDRIS, Greek Minister for the Merchant Marine, addresses the Study Group meeting in Athens.



*(left to right)
Jean ROUZIER, Michel de GRAVE (Ecosoc Members), Mark BROWNRIGG (General Council of British Shipping), Ian CAMPBELL (Ecosoc Member), Prof. John TZOANNOS (Expert), Mrs Anna BREDIMA (co-Rapporteur), Miss Belinda PYKE (Expert) and the Rapporteur, Knud MOLS SØRENSEN, follow the debate.*

R E P O R T

of the Section for Transport and Communications

on the

Progress towards a Common Transport Policy - Maritime Transport

Rapporteur: Mr MOLS SØRENSEN

Co-Rapporteur: Mrs BREDIMA

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1. Background and procedure.

On 1 April 1985 the Council decided to consult the Economic and Social Committee, under Article 198(1) of the Treaty establishing the European Economic Community, on the

*Communication and Proposals by the Commission to the Council on
Progress Towards a Common Transport Policy - Maritime Transport*

On 17 April 1985, the Section for Transport and Communications, which had been asked to prepare the Committee's work on the subject, appointed the following Study Group

- Chairman :** Mr BOS *Nederland* : Mayor of Katwijk
- Rapporteur :** Mr MOLS SØRENSEN *Denmark* : Member of the Executive Committee of the Danish Federation of Civil Servants and Salaried Employees' Organizations;
Federation of Merchant Navy Officers.
- Co-Rapporteur :** Mrs BREDIMA *Hellas* : Special Adviser to the Greek Shipowners' Association.
- Members :** Mr ANTONSEN *Denmark* : Director of the Danish Brewers' Association.
- Mr BURNEL *France* : President of the National Union of Family Associations (UNAF);
Member of the Bureau of the French Economic and Social Council;
Quaestor of the French Economic and Social Council.
- Mr CAMPBELL *United Kingdom* : Part-time Member, British Railways Board,
responsible for research;
Chairman Scottish Railways Board.
- Mr DE GRAVE *Belgium* : Adviser, Research Department of the Belgian Confederation
of Christian Trade Unions (CSC / ACV)
- Mr FORTUYN *Nederland* : Chairman, Netherlands Transport Liaison Committee;
Member of the Economic and Social Council.
- Mr HADJIVASSILIOU *Hellas* : Former President, Greek General Confederation of Labour
(GSEE); Member of Administrative Council of the Institute for Social Security
(IKA).
- Mr KAMIZOLAS *Hellas* : Director at the Ministry for the National Economy with respons-
ability for the affairs of the Council for Economic and Social Policy.
- Mr MASPRONE *Italy* : Vice-Director General for the Coordination of the Activities of the
Economic and Social Committee of the European Communities;
General Confederation of Italian Industry (CONFINDUSTRIA).
- Mr MORSELLI *Italy* : Director of the International Relations Department of the
Confederation of Italian Cooperatives, Rome.
- Mr PLANK *Deutschland* : Special Adviser, International Relations Department,
Deutsche Lufthansa AG, (Cologne)
- Mr ROUZIER *France* : National Secretary of the French General Confederation of
Labour — Force Ouvrière (CGT-FO)
- Mr SMITH L.J. *United Kingdom* : Executive Officer, Transport and General Workers'
Union (TGUW);
Member of the General Council, Trades Union Congress (TUC);
Chairman of the Committee of Transport Workers of the EEC
- Experts :** Mrs Belinda PYKE *United Kingdom* : for the Rapporteur
Research Officer, National Union of Marine, Aviation and Shipping Transport
Officers, London
- Prof. John TZOANNOS *Hellas* : for the Co-Rapporteur
Professor of Business Administration, Athens School of Economics
Business Science, Athens
- Prof. Rolf H. FUNCK *Deutschland* : for the Various Interests' Group
Professor of Economics, University of Karlsruhe (TH), Germany
- Mr Phil HEATON *United Kingdom* : for the Workers' Group
Research Officer, National Union of Seamen, London
- Mr Bernardus VERHAAR *Nederland* : for the Employers' Group
Secretary-General of the European Shippers' Council, Zoetermeer

At the Council meeting of 24 June 1985 it was stressed that a careful examination of all aspects (internal and external) of the Commission's Communication should be conducted as soon as possible. The Council would examine the six proposals contained in the Communication, giving priority to the proposals on co-ordinated action to safeguard free access to cargoes in ocean trades (II.1), on freedom to provide sea transport services (II.2), and on detailed rules for the application of Article 85 and 86 of the Treaty to maritime transport (II.5) and on unfair pricing practices in maritime transport (II.6). In a second letter to the Committee of 26 July 1985, the Council accordingly asked the Committee to deliver its Opinion on Annexes II.1, II.2, II.5, and II.6 by November 1985 at the latest.

The Section's Opinion on Annexes II.1, II.2, II.5 and II.6 was approved at the Plenary Session of the Committee on 27 November 1985 and on Annexes II.3 and II.4 on 21 May 1986. The Section's Report deals with the whole Memorandum and all the Annexes. This Report was adopted by the Section on 9 April 1986.

2. Gist of the Commission document

The Commission believes that the time has come "to develop a more coherent overall framework for a Community shipping policy". This overall concept of shipping policy "should be read in conjunction with the policy papers of February 1983 (on inland transport) and March 1984 (on civil aviation)." (summary, page i). Taken together these represent a comprehensive approach to the common transport policy, in the Commission's view.

The importance of maritime transport for the Community

The European Community is the leading trading area in the world. Its trade with third countries in 1982 represented 21% by value of world imports and 20% of world exports. The share of the USA, the second most important trading area, amounted to 16% of world imports and 10% of world exports. Maritime transport is far and away the most important carrier of this trade (Table 13). About 95% of the total quantity of EC trade with third countries and about 30% of intra-Community traffic is carried by sea. In 1982 the fleets belonging to EC Member States earned net incomes of approximately \$US 9.1 thousand million, of which approximately 50% derived from cross trades. The actual percentage of income from cross trades varied from approximately 90% in the case of Denmark and Greece to approximately 35% in the case of France. This shows, in the Commission's view, how dependent the EC is on world trade and how dependent its maritime shipping interests are in turn on the international maritime shipping markets (Table 5).

Standpoint of the Communication

The Commission holds the view that the maintenance of a multilateral, market-economy oriented maritime shipping policy is still in the interests of the EC maritime shipping industry and that of shippers, in spite of EC vessels' declining share of the world fleet, as a result of the continuing recession in world trade, reductions in comparative cost advantages and increasing protectionism on the part of non-EC States (Table 1, Diagrams 1.1, 1.2, 1.3). Furthermore, such a policy is, in the Commission's view, the best way of achieving the objectives of the Treaty.

It is, however, now consequently more necessary than ever for the Community and the Member States to take action against the growing danger to EC interests posed by practices and protectionist measures employed by non-EC countries which make it more difficult, if not impossible, to maintain a market economy system. One of the priorities of the memorandum is therefore to set out proposed counter-measures by means of which, the Commission hopes, it will be possible to negotiate an effective solution to the problem.

Concrete proposals

- a) Draft Council **Regulation** concerning coordinated action to safeguard **free access to cargoes in ocean trades** (II.1)

- b) Draft Council **Regulation** applying the principle of **freedom** to provide services to maritime transport (II.2)
- c) Draft Council **Decision** amending Council Decision No. 77/587/EEC of 13.9.77 setting up a **consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations** (II.3)

(The amended Decision would make it possible to hold prior consultations on relations between Member States and third countries in the field of maritime transport.)
- d) Draft Council **Directive** concerning a common interpretation of the concept of "**national shipping line**" (II.4)
- e) **Amendments to the Proposal for a Council Regulation (EEC) Laying down Detailed Rules for the Application of Articles 85 and 86 of the Treaty to Maritime Transport** (II.5)

(The Commission is concerned about the growing tendency to exclude outsiders from traffic in which closed conferences are operating. These cases are particularly serious when a State prevents competition from outsiders at one end of a route. The Commission's proposal is aimed particularly at dealing with this problem.)
- f) Draft Council **Regulation on unfair pricing practices** in maritime transport (liner trade) (II.6)

(The aim of this draft Regulation is to enable the Community to take measures to compensate for unfair pricing practices.)

Other measures taken into account

The Communication from the Commission also surveys developments in **bulk shipping** and **open-registry shipping** (Table 6 and Diagram 6.1). In the case of both of these fields the Commission considers that the Community's interests are best served by pursuing a **liberal maritime shipping policy**. In the event of the misuse of this freedom, such as by the use of ships which do not conform to standards or the adoption of unacceptable working conditions, it should be possible to take strict measures to put a stop to unacceptable practices.

The Commission also wants to continue its work in the field of **maritime safety** and the **prevention of maritime pollution**. The main fields of action are as follows:

- the development and coordination of port-state control (minimum standards for ships and working conditions);
- consideration of the need for a network of shore-based navigation aids to improve maritime safety in the Community's coastal waters, followed by the establishment of such a network if it proves to be advisable;
- measures to facilitate the transfer of ships between Community countries;
- the establishment of common standards for the training of Vessel Traffic Management Services (VTS) staff (captains and crews).

As regards **sea ports**, the Commission holds the view that they should be considered against the background of the establishment of a common transport policy covering maritime shipping and inland transport. In its Communication the Commission therefore draws attention to the proposal which it recently submitted to the Council on the elimination of distortions in competition between sea ports owing to different regulations laid down by the various Member States with regard to **hinterland traffic**. The Commission has let it be known that it will be taking a fresh look at State aid to sea ports and intends to tackle this issue on the basis of Articles 92 and 93 of the Treaty.

The Commission also intends to intensify its cooperation with sea ports in the field of **information technology** (exchange of information).

Finally, the Commission intends to put forward proposals, by 1986 at the latest, with regard to **research programmes** in the field of maritime transport (maritime systems, transport needs, new means of transport, ship-harbour interfaces, ship safety and environmental protection, ship economy and competitiveness). The Commission also wishes to exercise more effective control over the **transport of EC food aid** to developing countries and **maritime fraud**.

3. Community initiatives to date on common sea transport policy and Opinions of the Economic and Social Committee

Sea transport is only mentioned once in the EEC Treaty, viz. in Article 84 which states:

"1. The provisions of this Title shall apply to transport by rail, road and inland waterway.

2. The Council may, acting unanimously, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport."

The wording of this Article has given rise to differing interpretations. Most of the economic sectors involved and most of the governments of the original Community of Six, held that sea transport was not covered by the other provisions of the Treaty and should thus not be included in the Community integration process until the Council took a unanimous decision under Article 84(2). The Commission, however, has always taken a different view, which was confirmed in a ruling of the European Court of Justice in 1974.

The moves towards a Community policy based on Article 84(2) can best be traced chronologically. This is done essentially in the following text. Two further points deal also with Community initiatives in the area of shipbuilding and other measures with a bearing on shipping.

Memorandum from the Commission to the Council on the applicability of the competition rules in the Treaty establishing the European Economic Community to transport and the interpretation of the Treaty's application to sea and air transport (Doc. VII/S/05230 final of 12 November 1960)

This Memorandum took the line that, in the interest of the economy as a whole and with a view to healthy development of sea and air transport, the Community institutions should take the decisions necessary to ensure that these two modes are included in the measures adopted in the field of transport in furtherance of the Treaty's objectives (point 29). A few months later the Commission presented a further document, stating its position on maritime transport.

Memorandum on the basic approach to be adopted in the common transport policy (Doc. VII/COM(61) 50 final of 10 April 1961)

According to the Commission, the provisions of Articles 74 to 83 of Title IV (Transport) of the EEC Treaty did not apply to sea and air transport. The Treaty's general rules, however, were applicable in principle to sea and air transport, unless provision was made to the contrary. However, it was obvious that these two modes have specific characteristics; they have much stronger ties with, and depend more heavily on, the world economy than the three modes of inland transport. It was therefore in the Community's interest to take this special situation into consideration and not to interfere with these modes' competitiveness outside the ambit of the Treaty of Rome. Consequently, all the problems raised by sea and air transport within the Treaty's ambit should be examined, and the measures required to take their special situation into consideration should be adopted under Article 84(2). It might even prove expedient to suspend the application of certain general Treaty rules to sea and air transport for a period to be determined, until suitable provisions had been adopted for these modes.

In its Opinion⁽¹⁾ on the memorandum, the ESC did not comment specifically on the special aspects of sea transport.

(1) CES 70/62 of 28 February 1962 (not published)

Action programme for a common transport policy (Communication from the Commission to the Council) (Doc. VII/COM(62) 88 final of 23 May 1962)

The Commission confirmed the line taken by it in 1960 and 1961, but did not propose any concrete measures. It merely stated that it was examining whether it was necessary to apply special rules to competition in the sea and air transport sectors (point 237).

In its Opinion of 2 July 1963⁽²⁾ the Committee mainly referred to its earlier Opinion of 29 October 1962.

Proposal for a Council Regulation regarding the temporary non-application of Articles 85 to 94 of the EEC Treaty to sea and air transport (Doc. VII/COM(62) 103 final of 16 July 1962 and Doc. VII/IV/COM(62) 261 final of 27 September 1962)

As certain Member States were against the application to transport undertakings of Regulation No. 17, the first Regulation implementing the competition Articles of the Treaty (Articles 85 and 86), the Council had asked the Commission on 14 June 1962 to submit a proposal on this problem.

Regulation No. 141 of the Council exempting transport from the application of Council Regulation No. 17⁽³⁾ was consequently enacted on 26 November 1962. This Regulation also applied to sea transport.

In its Opinion of 29 October 1962⁽⁴⁾ on the Commission document, the Committee proposed exemption from the competition rules until 31 December 1965.

As envisaged in Regulation No. 141, this Regulation was subsequently rescinded in respect of inland transport modes by Regulation No. 1017/68 of the Council enacted on 19 July 1968⁽⁵⁾. However, it remains in force in respect of sea and air transport.

Commission statements at the Council meetings of 20 October 1964 and 4 June 1970

The Commission pointed out that in the context of a fully-fledged European Economic Community, two sectors as important as sea and air transport could not be left out of the integration process. The inter-dependence of the transport modes called for Community action in these two areas, so that the measures there could be coordinated with the measures for the other transport modes. As regards sea transport, the Commission considered it expedient to wait until completion of the negotiations that were in progress in other international institutions⁽⁶⁾.

At the Council meeting of 4 June 1970 the Commission drew attention once again to the urgent need for Community measures in the area of sea transport and outlined several objectives. It announced that it would shortly be submitting to the Council more concrete and more detailed proposals regarding the action it considered was most urgently required in this sphere⁽⁷⁾.

The 1974 and 1978 judgments of the EC Court of Justice

The legal controversy about the applicability of the EEC Treaty to sea transport, which in practice had led nowhere, was transformed from 1973 onwards as a result of three events:

- the first enlargement of the Community brought sea transport more to the fore, since the UK and Denmark were two important shipping nations; in addition sea transport became part of the Community's internal transport system (Table 4 and Diagram 4.1);

(2) OJ No. 189 of 29 December 1963, pp. 3035-3038

(3) OJ no. 124 of 28 November 1962, p. 2751

(4) CES 260/62

(5) OJ No. L 175 of 23 July 1968, p. 1

(6) Eighth General Report of the Commission of the European Economic Community on the Activities of the Community (1 April 1964 - 31 March 1965) p. 234/235, point 239.

(7) Fourth General Report on the Activities of the European Communities 1970, p. 253, point 302.

- the world-wide shipping problems (flag discrimination) had got worse since 1975;
- the EC Court of Justice decided in two judgments⁽⁸⁾ that while sea and air transport did not come under the provisions of Articles 74 to 83 they were governed by the general rules of the EEC Treaty insofar as the Council did not decide otherwise (cf. 32nd ground of the Judgment of 4 April 1974).

This judgment spurred some movement and focussed attention on the solution of practical problems.

Community initiatives in the period 1975-1977

In 1975 the Commission attempted to bring about common action by the Member States in respect of the United Nations Convention on a Code of Conduct for Liner Conferences⁽⁹⁾. In March 1975 the Commission requested a further year in which to define this common action⁽¹⁰⁾. In June 1975 it submitted to the Council a new proposal for a Decision⁽¹¹⁾ on negotiations with a view to the Community and the Member States becoming parties to the Convention. Three Member States had signed the Convention meanwhile, subject to ratification. The Commission considered this action incompatible with Articles 113 and 116, in particular, of the EEC Treaty and took legal action.

In July 1976 the Commission decided to discontinue the proceedings it had instituted against the abovementioned three Member States, since they had undertaken not to ratify the Code of Conduct for the time being and to strive for a common approach within the Community framework.

In December 1975 the French Government presented the Council with a memorandum on the development of Community action on shipping. This memorandum which suggested several lines of action both for harmonization within the Community and for the protection of the Member States' economic interests against discrimination from outside the Community, was discussed by the Council bodies. In 1976 this initiative was continued under the Netherlands Presidency of the Council.

In view of the difficulties being faced by the Community's shipowners because of certain measures by non-member countries, the Commission submitted to the Council in June 1976 a Communication on relations with third countries in the sea transport sector⁽¹²⁾ advocating the adoption of Community measures to deal with these difficulties.

At its meeting on 4 November 1975 the Council adopted a Resolution on a Community solution to the problems in sea transport⁽¹³⁾.

Activities concerning relations with third countries were intensified in 1977. Two problems certainly played a role here: the expansion of State-trading country shipping, particularly in the liner trades, and flag discrimination (action in connection with the UN Code for Liner Conferences). The European Parliament (PRESCOTT⁽¹⁴⁾ and SEEFELD⁽¹⁵⁾ Reports on problems in sea transport and relations with the State-trading countries) and the Economic and Social Committee also came into action. The EP called upon the Community bodies to adopt a common position towards the State-trading countries.

In its Own-initiative Opinion of 23 November 1977 on transport problems in relations with Eastern Bloc countries⁽¹⁶⁾ the Economic and Social Committee, too, examined sea transport problems and called upon the Community authorities to "equip themselves as soon as possible with suitable legal instruments for taking counter-action in the event of serious disturbances on the transport market". Negotiations with the COMECON countries were not, however, precluded. This idea was also taken up by the EP⁽¹⁷⁾.

(8) European Court of Justice judgements of 4 April 1974, Case 167/73, and 12 October 1978, Case 156/77.

(9) EC Bull. 1-1975, point 2263 and EC Bull. 7-1974, point 2281

(10) EC Bull. 3-1975, point 2264

(11) EC Bull. 6-1975, point 2292

(12) EC Bull. 6-1976, point 2274, COM(76) 341 final of 30 June 1976

(13) Tenth General Report on the Activities of the European Communities 1976, p. 257, point 451.

(14) EP Resolution of 10 February 1977, OJ No. C 57 of 7 March 1977, p. 5.

(15) EP Resolution of 20 April 1977, OJ No. C 118 of 16 May 1977, p. 4.

(16) ESC brochure 1977 and OJ No. C 59 of 8 March 1978, p. 10 and 12, point 1.5.

(17) OJ No. C 163 of 15 June 1978, p. 49 (Rapporteur: Mr SCHMIDT); OJ No. C 140 of 5 June 1979, p. 171 (Rapporteur: Mr JUNG); OJ No. C 238 of 13 September 1982, p. 96.

On 13 September 1977 the Council adopted the

Decision setting up a consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations (77/587/EEC)⁽¹⁸⁾

This was the very first Council Decision in application of Article 84(2) of the EEC Treaty.

In December 1977 shipping questions were dealt with for the first time in the regular high-level discussions between the Commission and the US and Japanese authorities⁽¹⁹⁾.

On 28 November 1977 the Commission submitted to the Council a programme of priority action in the transport sector up to 1980⁽²⁰⁾. The Commission regarded the following as priority matters: the problems concerning the organization of liner shipping; the Code of Conduct and flag discrimination; the definition of competition rules for sea transport; sub-standard vessels and the mutual recognition of seafarers' certificates⁽²¹⁾.

Concrete proposals for solving individual problems instead of an overall arrangement - Council Decisions 1978

In the course of 1978 the Council issued a total of seven legal instruments - representing one third of the some 20 legal instruments on shipping enacted by the Council up to the end of 1985. The Council and the Commission refrained for the time being from putting forward an overall arrangement for sea transport. They gave preference to concrete proposals for solving individual problems which could be dealt with more easily under a joint approach; these proposals could at the same time supplement the policies of the individual Member States.

Following the Amoco Cadiz disaster and the discussions of the European Council on the subject of safety at sea, the Council adopted on 26 June 1978 the

Recommendation on the ratification by the Member States of conventions on safety in shipping (78/584/EEC)⁽²²⁾

The following conventions were involved: the SOLAS 1974 Convention (International Convention on the Safety of Life at Sea), the MARPOL Convention (International Convention for the Prevention of Pollution by Ships) together with their 1978 Protocols, and Convention No. 147 of 1976 of the International Labour Organization (ILO) concerning minimum standards on board merchant ships. At the same time the Council also adopted a declaration on the need for better enforcement of international measures to prevent marine pollution by ships and to ensure the safety of ships and the competence of crews. The Economic and Social Committee had unanimously welcomed the draft Recommendation submitted by the Commission⁽²³⁾ in its Opinion of 21 June 1978⁽²⁴⁾ and it had previously also adopted an Opinion on the Commission Communication to the Council on marine pollution arising from the carriage of oil (Amoco Cadiz)⁽²⁵⁾. (The Council Recommendation was not based on any particular Article of the Treaty.)

Also on 26 June 1978 the Council adopted a

Resolution setting up an action programme of the European Communities on the control and reduction of pollution caused by hydrocarbons discharged at sea⁽²⁶⁾ (legal basis: "the Treaty")

(18) OJ No. L 239 of 17 September 1977, p. 23 and EC Bull. 9-1977, point 2.1.64.

(19) Eleventh General Report on the Activities of the European Communities 1977, p. 211, point 380.

(21) Idem. p. 125, point 15 and p. 127

(22) OJ No. L 194 of 19 July 1978, p. 17

(23) OJ No. C 135 of 9 June 1978, p. 5

(24) OJ No. C 283 of 27 November 1978, p. 37

(25) OJ No. C 269 of 13 November 1978, p. 31

(26) OJ No. C 162 of 8 July 1978, p. 1

Other measures in the area of shipping safety followed in 1978:

Council Recommendation of 21 December 1978 on the ratification of the 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (79/114/EEC) ⁽²⁷⁾.

Council Directive of 21 December 1978 concerning pilotage of vessels by deep-sea pilots in the North Sea and the English Channel (79/115/EEC) ⁽²⁸⁾.

Council Directive of 21 December 1978 concerning minimum requirements for certain tankers entering or leaving Community ports (79/116/EEC) ⁽²⁹⁾.

The abovementioned three Council instruments were based on Article 84(2) of the EEC Treaty (the Economic and Social Committee was not consulted). In the first instrument the Member States were recommended to sign the 1978 IMCO Convention by 1 April 1979 and to ratify it not later than 31 December 1980. The first of the two Directives sought to improve the qualification standards of deep-sea pilots and encourage the use of these pilots on vessels flying flags of the Community States or other countries. The Second Directive laid down minimum requirements for certain tankers. On 23 November 1978 the Council had adopted a statement on the memorandum of understanding of 2 March 1978 between certain North Sea maritime authorities on the maintenance of standards on board merchant vessels⁽³⁰⁾.

Acting on a proposal from the Commission, announced in its priority action programme of 1977 (cf. point 3.7.10.), and after having obtained the Opinions of the European Parliament⁽³¹⁾ and the Economic and Social Committee⁽³²⁾, the Council adopted on 19 September 1978 the

Decision concerning the activities of certain third countries in the field of cargo shipping (78/774/EEC) ⁽³³⁾ ***(based on Article 84(2) of the EEC Treaty).***

This Decision required all Member States to set up a system for gathering information on the activities of the fleets of countries whose practices were detrimental to the maritime interests of Member States.

On 19 December 1978 the Council adopted the

Decision on the collection of information concerning the activities of carriers participating in cargo liner traffic in certain areas of operation (79/4/EEC) ⁽³⁴⁾.

Under this Decision, which was also based on Article 84(2) of the EEC Treaty, the system for collecting information was expanded to cover the activities of carriers participating in liner trades between the Community and East Africa and Central America. The relevant Commission proposal had been welcomed by the Committee on 29 November 1978⁽³⁵⁾.

Mention should also be made of the proposal for a Council Decision (based on Article 84(2) of the EEC Treaty) rendering mandatory the procedures for ship inspection forming the subject of resolutions of the Inter-Governmental Maritime Consultative Organization (IMCO)⁽³⁶⁾, which the Commission submitted on 13 November 1978. This proposal was endorsed by both the European Parliament⁽³⁷⁾ and the Economic and Social Committee⁽³⁸⁾. The proposal has not been adopted by the Council.

(29) idem, p. 33

(30) EC Bull. 11-1978, point 2.1.91

(31) OJ No. C 131 of 5 June 1978, p. 40

(32) OJ No. C 269 of 13 November 1978, p. 56

(33) OJ No. L 258 of 21 September 1978, p. 38

(34) OJ No. L 5 of 9 January 1979, p. 31

(35) OJ No. C 105 of 26 April 1979, p. 20

(36) OJ No. C 284 of 28 November 1978, p. 3

(37) OJ No. C 39 of 12 February 1979, p. 74

(38) OJ No. C 128 of 21 May 1979, p. 34

In 1978 the European Parliament adopted a Resolution on shipping accidents and the regulation of maritime traffic, after a hearing on the subject. The Report was produced by Lord BRUCE OF DONINGTON⁽³⁹⁾.

Continuation of the pragmatic approach in sea transport policy in 1979 - UN Code of Conduct, subject of the first Community Regulation

The Commission continued to follow a pragmatic course in its activities. This approach was evident not only in the sphere of inland transport but also as regards air and sea transport.

In May 1979 the Council adopted under Article 84(2)

Council Regulation (EEC) No. 954/79 of 15 May 1979 concerning the ratification by the Member States, or their accession to, the United Nations Convention on a Code of Conduct for Liner Conferences⁽⁴⁰⁾.

The Commission had submitted a proposal⁽⁴¹⁾ on this subject in 1977 and the European Parliament⁽⁴²⁾ and the Committee⁽⁴³⁾ had delivered Opinions in 1978.

This Regulation marked the achievement of a common approach which not only took account of the wishes of the developing countries for access to liner conferences and cargo sharing but also maintained commercial principles for cargo sharing between OECD shipping lines and in traffic between OECD countries. This Convention had been signed in Geneva on 4 April 1974 during the Fourth UNCTAD Conference. Regulation 954/79 had four main objectives:

- participation of the European Community in a world-wide liner conference system which sets limits to all unilateral and bilateral measures to reserve cargo for vessels flying a particular flag;
- compliance with the basic principles of the EEC Treaty;
- support for the aspirations of the developing countries in liner conference shipping;
- maintenance of the commercial liner conference system in traffic within the Community and among the Community's shipping lines and extension of this system on a reciprocal basis to the shipping lines of the OECD countries and to traffic with those countries.

Under this Regulation, known as the "Brussels Package", the Member States were obliged to enter the following reservations when ratifying the Convention:

- the Code is to apply to trade between the developed countries and the developing countries;
- certain provisions of the Code, in particular the 40-40-20 cargo sharing measure, are not to be applied in conference trades between EEC countries or, on a reciprocal basis, in conference trades with OECD countries;
- the share of cargo that goes to EEC shipping lines under the Code is to be apportioned according to commercial principles. (Again this principle may extend to other OECD countries on the basis of reciprocity.)

The Regulation also provides that the Member States' definition of "national shipping line" may include any shipping line established in a Member State in accordance with the provisions of the EEC Treaty.

The Code came into force on 6 October 1983 and as at end 1985 had been signed by 65 countries (including Denmark, Germany, France, the Netherlands, and the United Kingdom), accounting for well above the required 25% of world liner shipping tonnage.

(39) OJ No. C 67 of 12 March 1979, p. 22

(40) OJ No. L 121 of 17 May 1979, p. 1

(41) OJ No. C 35 of 11 February 1978, p. 3

(42) OJ No. C 131 of 5 June 1978, p. 34

(43) OJ No. C 269 of 13 November 1978, p. 46

In this connection it should be noted that since 1981 the USA has had contacts with European governments, the European Community and Japan (forming the Consultative Shipping Group) with a view to reaching an understanding about the international implications of the Code. The USA, which does not intend to accede to the Code, proposed an agreement on reciprocal guarantees of competitive access to sea transport. The negotiations started in July 1982 and the first stage of the dialogue between the CSG and the USA has recently been concluded; the talks were renewed recently. It is also worth mentioning that over a number of years the Member States have also taken part in the discussions on a general sea transport policy within the framework of the OECD's Committee on Maritime Transport. These talks are likely to be concluded in the near future in the form of a recommendation of the OECD Council on common principles for the maritime transport policy of the member countries. If adopted, this draft recommendation will confirm the principle of free sea transport in international trade with free competition. This principle is set out in note 1 to Annex A to the OECD Code for the liberalization of current invisible operations.

Finally, mention should also be made of the participation of the Member States in group B of the UN conference on the conditions for the registration of vessels; the fourth round of negotiations finished on 7 February 1986. This conference adopted a Convention on common conditions for the registration of vessels flying any flag.

In 1979 the Economic and Social Committee drew up an Own-initiative Opinion in which it made a detailed examination of shipping questions. On 4 April 1979 it adopted by 81 votes to 2, with 15 abstentions, the Opinion on

Problems currently facing Community shipping policy, particularly maritime safety, the growing importance of the new shipping nations, the development of flags of convenience and the discrimination against certain flags ⁽⁴⁴⁾.

In this Opinion the Committee stressed two priority objectives for a Community sea transport policy:

- to seek, with all the means at the Community's disposal, the maximum degree of safety as far as human beings, the environment and equipment are concerned;
- to ward off the threat to Community shipowners' survival and to employment posed by the growing distortions of competition.

December 1979 saw the issue of the

Council Directive of 6 December 1979 amending Directive 79/116/EEC concerning minimum requirements for certain tankers entering or leaving Community ports (79/1034/EEC) ⁽⁴⁵⁾.

This Directive supplemented Directive 79/116/EEC with provisions on the carriage of liquefied gases (requiring a certificate of fitness under the IMCO code for the construction and equipment of vessels carrying liquefied gases in bulk).

Activities of the Community in the sphere of sea transport in the period 1980-1984

On 2 July 1980 the Commission submitted to the Council a

Proposal for a Council Directive concerning the enforcement, in respect of shipping using Community ports, of international standards for shipping safety and pollution prevention ⁽⁴⁶⁾.

(44) OJ No. C 171 of 9 July 1979, p. 34

(45) OJ No. L 315 of 11 December 1979, p. 16

(46) OJ No. C 192 of 30 July 1980, p. 8

Both the European Parliament⁽⁴⁷⁾ and the Committee⁽⁴⁸⁾ were asked for Opinions on this proposal, which was based on Article 84(2) of the EEC Treaty.

In December 1980 a ministerial conference was convened in Paris to discuss port state control. This led to a further ministerial conference on 26 January 1982, at which the maritime authorities of 14 countries (including the nine seafaring Member States) signed a memorandum of understanding on port state control, and the ministers issued a final communique in which full support was promised. This memorandum of understanding is based largely on the proposal the Commission submitted in 1980. A committee comprising representatives of the 14 signatory States and the Commission was set up to administer the memorandum of understanding.

The Commission did not withdraw its proposal but did not insist either on it being discussed before the results of the first year of application of the memorandum of understanding were available. (The first annual report of the port state control committee on the application of the memorandum of understanding was submitted in 1984).

In the memorandum of understanding each member country undertook to ratify swiftly the relevant international instruments (IMCO and ILO conventions): SOLAS 1974 and protocol of 1978, MARPOL 1973/1978, ILO Convention No. 147, Convention on training, certification and watchkeeping 1978, Convention on the prevention of collisions 1972, Convention on load lines 1966). Considerable progress has been made since January 1982; according to the third annual report the third year of operation of the memorandum of understanding (Paris 1982) (m.o.u.) may be characterized as the year of international acceptance and increased public interest in port state control. Although the targeted inspection rate of 25%, was not achieved, 19.7% of vessels visiting the m.o.u. area have been inspected and a new conference at ministerial level was held in The Hague on 23 April 1986.

On 24 October 1980 the Commission submitted to the Council a

Draft for a Council Resolution concerning priorities and the timetable for decisions to be taken by the Council in the transport sector during the period up to the end of 1983 (COM(80) 582 final)⁽⁴⁹⁾

which provided in the Annex for the following priority action by the Council in the area of sea transport: system for monitoring the activities of certain third countries in sea transport (verifying fulfilment of international safety standards by ships in ports of Community countries, bringing Community interests to bear in relations between the Member States and third countries in the area of sea transport, Community aspects of State aids for shipping, implementing provisions regarding the application of the competition rules to sea transport, social regulations in sea transport).

In connection with the Council meeting on 26 March 1981 the Committee issued on 21 February 1981 a provisional Opinion⁽⁵⁰⁾ on this document, in which it recommended that "the programme proposed by the Commission for the next three years should be regarded both as a vehicle for previous proposals which have encountered difficulties in the Council, and as a programme which takes account of the pressing needs of the present situation".

In December 1980 the Council decided to extend Decision 79/4/EEC for two years:

Council Decision of 4 December 1980 amending and supplementing Decision 79/4/EEC on the collection of information concerning the activities of carriers participating in cargo liner traffic in certain areas of operation (80/1181/EEC)⁽⁵¹⁾

(47) OJ No. C 28 of 9 February 1981, p. 52 (Rapporteur: Mr CAROSSINO)

(48) OJ No. C 159 of 29 June 1981, p. 14 (Rapporteur: Mr BONETY)

(49) OJ No. C 294 of 13 November 1980, p. 6

(50) OJ No. C 138 of 9 June 1981, p. 64

(51) OJ No. L 350 of 23 December 1980, p. 44

It also decided to expand this system to cover traffic between the Community and the Far East.

The basic Decision 79/4/EEC was subsequently amended/extended by Council Decisions 81/189/EEC⁽⁵²⁾, 82/870/EEC⁽⁵³⁾, and 84/656/EEC⁽⁵⁴⁾. The Decision is now to continue in force until 31 December 1986.

On 16 October 1981 the Commission presented the Council with the

Proposal for a Council Regulation (EEC) laying down detailed rules for the application of Articles 85 and 86 of the Treaty to maritime transport ⁽⁵⁵⁾.

The Committee issued an Opinion⁽⁵⁶⁾ on this document on 27 January 1983, in which it advocated that Article 84(2) be taken as legal basis in addition to Article 87. (This proposal has meanwhile undergone a change with the submission of the maritime transport Communication, Annex II.5, of 15 March 1985).

Council Decision of 13 December 1982 adopting a concerted action project for the European Economic Community in the field of shore-based navigation aid systems (82/887/EEC) ⁽⁵⁷⁾.

On 25 November 1981 the Committee had issued an Opinion⁽⁵⁸⁾ on the relevant proposal, which was based on Article 235 of the EEC Treaty

Commission Opinion of 1 July 1982 addressed to the Greek Government regarding the implementation of the Council Directive of 21 December 1978 concerning minimum requirements for certain tankers entering or leaving Community ports, and of the Council Directive of 6 December 1979 amending the abovementioned Directive (82/452/EEC) ⁽⁵⁹⁾.

Council Decision of 28 March 1983 on the conclusion of a Community COST concertation agreement on a concerted action project in the field of shore-based marine navigation aid systems (COST project 310) (83/124/EEC) ⁽⁶⁰⁾.

— **Community COST concertation agreement on a concerted action project in the field of shore-based navigation aid systems (COST project 301)** ⁽⁶¹⁾.

Council Recommendation of 25 July 1983 on the ratification of, or accession to, the 1979 International Convention on Maritime Search and Rescue (SAR) (83/419/EEC) ⁽⁶²⁾.

Council Decision of 26 October 1983 concerning counter-measures in the field of international merchant shipping (83/573/EEC) ⁽⁶³⁾.

Under this Decision Member States that have adopted or intend to adopt counter-measures in the field of international merchant shipping are to consult the other Member States and the Commission. Within the framework of this consultation the Member States are to endeavour to concert any counter-measures they may take. Without prejudice to the freedom of the Member States to apply national counter-measures unilaterally, the Council may decide on the joint application by Member States of appropriate counter-measures forming part of their national legislation. This Decision supplements the provisions of Decision 78/774/EEC concerning the activities of certain third countries in the field of cargo shipping.

(52) OJ No. L 88 of 2 April 1981, p. 32

(53) OJ No. L 368 of 28 December 1982, p. 42

(54) OJ No. L 341 of 29 December 1984, p. 92

(55) OJ No. C 282 of 5 November 1981, p. 4 and No. C 339 of 29 December 1981, p. 4

(56) OJ No. C 77 of 21 March 1983, p. 13

(57) OJ No. L 378 of 31 December 1982, p. 32

(58) OJ No. C 348 of 31 December 1981, p. 24

(59) OJ No. L 206 of 14 July 1982, p. 46

(60) OJ No. L 84 of 30 March 1983, p. 9

(61) *idem*, p. 10

(62) OJ No. L 237 of 26 August 1983, p. 34

(63) OJ No. L 332 of 28 November 1983, p. 37

Proposal for a Council Decision amending the Council Decision 82/887/EEC adopting a concerted action project for the European Economic Community in the field of shore-based navigation aid systems (see 3.10.5. above) ⁽⁶⁴⁾

On 30 October 1985 the Committee had issued an Opinion on the relevant proposal, which was based on Article 235 of the EEC Treaty (see also 5.7.8. below).

Community initiatives in the area of shipbuilding

Although shipbuilding is a separate economic activity, policy decisions in that area can have a direct impact on the sea transport industry. So far the Community has issued five Directives on aids to shipbuilding: 78/338/EEC⁽⁶⁵⁾, 81/363/EEC⁽⁶⁶⁾, 82/880/EEC⁽⁶⁷⁾, 85/2/EEC⁽⁶⁸⁾. The last-mentioned Directive applies until 31 December 1986. These Directives lay down which aids are compatible with the competition rules under Article 92(3) of the EEC Treaty; they also specify the conditions under which the governments of the Member States may grant such aids, the aim being to avoid distortions of competition between Community shipyards. Under the Council Resolution of 19 September 1978 on the reorganization of the shipbuilding industry⁽⁶⁹⁾, in which the need for qualitative and quantitative adjustment was recognized, the Commission proposed a programme for promoting the scrapping and the construction of ships⁽⁷⁰⁾, which was not, however, adopted. The Committee has expressed its views on Commission proposals concerning shipbuilding aids on a number of occasions most recently on 23 April 1986⁽⁷¹⁾.

Other Community measures with a bearing on shipping

Sea transport is mentioned in several agreements between the Community and third countries. For example, the Lomé II Convention (1979) between the EEC and the ACP countries contains in Annex XIX a joint declaration on shipping. In the current Lomé III Convention (1984) this text has been replaced by Articles 86-90 on sea transport.

In other agreements, for example those between the Community and the Andean Pact countries of 17 December 1983, between the Community and China of 21 May 1985 and between the Community and Brazil of 1 October 1980, provision also made for cooperation in the sphere of sea transport.

Under this heading falls also the

Council Decision of 10 December 1984 authorizing the automatic renewal or continuance in force of certain friendship, trade and navigation treaties and similar agreements concluded between Member States and third countries (84/640/EEC) ⁽⁷²⁾ (Legal basis: Article 113; validity until 31 December 1986).

Finally mention should also be made of the

Council Recommendation of 15 May 1979 on the ratification of the International Convention for Safe Containers (79/487/EEC) ⁽⁷³⁾,

which is based on both Article 75 and Article 84(2) of the EEC Treaty. The Committee had endorsed the draft Recommendation in its Opinion⁽⁷⁴⁾ of 4 April 1979.

(64) OJ No. C 182 of 20 July 1985

(65) OJ No. L 98 of 11 April 1981, p. 19

(66) OJ No. L 137 of 23 May 1981, p. 39

(67) OJ No. L 371 of 30 December 1982, p. 46

(68) OJ No. L 2 of 3 January 1985, p. 13

(69) OJ No. C 229 of 27 September 1978, p. 1

(70) Supplement to EC Bull. 7-79

(71) Pages 81 - 88 of this publication.

(72) OJ No. L 339 of 27 December 1984, p. 10

(73) OJ No. L 125 of 22 May 1979, p. 18

(74) OJ No. C 171 of 9 July 1979, p. 27

On 18 July 1980 the Commission submitted to the Council the proposal for a Council Directive on the harmonized application of the International Convention for Safe Containers (CSC) in the European Economic Community⁽⁷⁵⁾. In its Opinion of 26 February 1981⁽⁷⁶⁾ the Committee recommended that "the proposed Directive should come into force when all the problems concerning uniform implementation of the Convention for Safe Containers (CSC) throughout the world have been solved at IMCO level and the CSC has met with sufficient worldwide approval"⁽⁷⁷⁾.

In 1977 the Commission also issued the following Decision:

Commission Decision of 29 July 1977 establishing the list of maritime shipping lanes for the application of Council Directive 76/135/EEC (77/527/EEC)⁽⁷⁸⁾.

Sea ports

The question of a Community sea ports policy was first raised in the European Parliament in the Reports by Mr KAPTEYN⁽⁷⁹⁾, Mr SEIFRIZ⁽⁸⁰⁾ and Mr SEEFELD⁽⁸¹⁾. The first Commission initiative was taken in 1972⁽⁸²⁾. Between 1972 and 1980 the Commission held meetings with representatives of the major European ports, at which two internal Commission documents were presented⁽⁸³⁾. In July 1981 the Commission submitted to the EP a report⁽⁸⁴⁾ on its work in connection with a Community sea ports policy. On 11 March 1983 the EP adopted the CAROSSINO Report⁽⁸⁵⁾ on the role of ports in the common transport policy and a ten-point Resolution.

4. General comments⁽⁸⁶⁾

The Section welcomes the publication of this long-awaited document on maritime transport policy since it indicates that at last the Commission has begun to regard maritime transport as an industry in its own right. The publication of the document is timely since the merchant fleets of the EC Member States are either in decline or facing the prospect of decline at a time when competition from non-EC fleets is growing and the level and pattern of world trade is undergoing a fundamental change (Table 2 and Diagram 2.1). Until now the Community has lacked a coherent and comprehensive policy for the maritime transport sector and it is now crucial that such a policy should address the means of halting the fleets' decline, if not reversing it.

Although the Commission has made a useful attempt to translate the principles of the EEC Treaty into shipping terms, the analysis and policy have a number of deficiencies and the Commission's proposals will not halt the fleet's decline unless these proposals are amended and improved. The situation in the shipping industry is clearly deteriorating yet the Commission does not appear to appreciate fully the seriousness of the situation.

The shipping industry is important to the Community as an earner of foreign exchange and as an employer both at sea and ashore. In addition to its strategic value and its important role in defence, it is also vital as a provider of transport services for external trade to and from the Community as well as for trade within and between Member States (Table 12). A viable Community-flag fleet is essential if services to exporters and importers in the European Community are not to be dominated by third party shipping interests (Table 11). Therefore the Community needs a maritime transport policy concerned with the promotion of all maritime activities such as the carriage of goods and passengers by companies in Member States, the use of a viable Community fleet registered in Member States and the employment of seafarers from Member States.

(75) OJ No. C 228 of 8 August 1980, p. 43

(76) OJ No. C 138 of 9 June 1981, p. 52

(77) idem, p. 53, point 5

(78) OJ No. L 209 of 17 August 1977, p. 29

(79) Doc. EP 106 of 11 December 1961

(80) Doc. EP 148 of 24 November 1967

(81) Doc. EP 10/72 of 12 April 1972

(82) Doc. 16/VII/71 of 24 March 1970

(83) Doc. CB"77-863 and VII/440/80

(84) Doc. EP 73.762

(85) Doc. EP 47.110 and OJ No. C 96 of 11 April 1983, p. 116

(86) See also statistics and diagrams in the Appendix.

It is appropriate to recall the Committee's 1979 Opinion on EC Shipping Policy and Flags of Convenience which stated:

"There is no disputing the fact that if Member States do not want to lose their economic independence, and if they desire to keep control over their own means of transport and maintaining jobs, they must under all circumstances have a merchant fleet at their disposal; and the Community should therefore find suitable economic, social or technical means of eliminating distortions of competition."

A policy for the maritime transport sector must be essentially pragmatic and realistic, recognizing inter alia the international dimension of the industry and also its relationship with other maritime industries. Moreover, it should serve the social, economic and political interests of the European Community and enable a prompt and effective response to any threat to those interests.

In the view of some members the Commission should not be defending flag of convenience tonnage (Diagram 2.1), whether EC-owned or not, since support for such flags is inimical to the pursuit of the Community's interests.

Other members support the Commission's view on flags of convenience which endorses the Group "B" position at the UN conference on conditions of ship registration held under the auspices of UNCTAD.

The Commission's analysis is confined to a static review of the situation, failing to assess the most recent trends and the outlook for various sectors. Furthermore, there is no analysis of intra-Community maritime transport, although the Commission proposes measures which would have a profound impact on such services; no analysis is offered of Community cross trades although the Commission attaches importance to their defence; the Commission's statistics are also insufficient with regard to the bulk trades despite the fact that 75% of tonnage registered in Member States comprises tankers and bulk carriers (Table 3 and Diagrams 3.1 and 3.2). It is also a weakness of the Commission's analysis that it depends on statistics which are, in some instances, out of date and/or inconsistent. The Section has therefore assembled more current statistical information for this Report and understands that the Commission will update the statistical annexes.

The Commission advocates a free market approach.

However, the choice for the Community is not a stark one between a free market and protectionism. It is both possible and necessary to adopt a balanced and pragmatic approach aimed at improving the competitiveness of the EC shipping industry in the international market, applying selective defensive actions where political or economic distortions exist. Indeed the Commission should adopt, as is practised in respect of other Community industries, a defensive approach on specific issues where the basic viability of the shipping industry is being seriously undermined.

With specific regard to the shipping industry, it must be recognized that the commercial and political realities of today's world are unfortunately eroding the free market approach. The Section believes that the EC should use its negotiating power to resist protectionism in bulk, liner and other maritime trades. This could be done through, for example, the inclusion of shipping clauses in trade and other cooperation agreements with third countries and the Section welcomes the actions which the Commission has already taken in this area. Clearly the Community should adopt a pragmatic policy and apply practical intervention in certain trades and sectors where the alternative is the loss of trade for EC flag vessels.

The position of EC flag shipping in world shipping markets is clearly affected by a number of factors including flags of convenience, flag-discriminatory practices, subsidized and/or State-sponsored operators and massive overtonnaging. However, the Commission gives uneven attention to these factors; for example it over-emphasizes the effect of competition from State-trading countries without providing evidence, while under-emphasizing the competition from

flags of convenience. The Commission acknowledges (paragraph 11) that the movement of tonnage to competing flags brings about an intensification of competition and thus contributes to the decline of the Community fleets; yet in paragraph 81 the Commission describes flagged-out ships as a "complement" of the fleets under the registry of Member States. The Section believes that there is an apparent contradiction in the Commission's document.

While the Commission recognizes the impact of ship-building activity and policies on shipping, it is unwilling to accept that these result in distortions in the market. It is impossible to understand what is happening within the shipping industry without having regard to shipbuilding, notably in the EC and in the Far East, and it is necessary to take account of shipbuilding policy insofar as it has an impact on shipping policy, since the persistent problem of over-capacity is one that handicaps any recovery in shipping (Table 14).

The Commission should pay particular attention to the relationship between the financing of vessels and their competitiveness since capital costs are the most significant component of total costs. Thus the basis on which capital is raised can be the real key to remaining in business. Even minor reductions in interest rates can mean the difference between profit and loss, between continuing to operate under the flag of an EC Member State or under a flag of convenience, and between employing EC or non-EC nationals (Table 10 and Diagrams 10.1, 10.2). The Commission should therefore review any apparent distortions arising in this sector and investigate the possibility of establishing an EC-wide credit scheme to complement home credit schemes in Member States. This scheme would make available to owners attractive credit facilities (e.g. interest rate subsidies, longer grace periods, lower down payments, etc.) when building vessels in EC yards for registration under EC flags.

It is appropriate to recall the 1984 Opinion of the ESC⁽⁸⁷⁾ on the

Proposal for a Council Directive modifying Directive 81/363/EEC on Aids to Shipbuilding⁽⁸⁸⁾.

Inter alia, the ESC felt that greater attention should be given to the following areas:

- encouraging Community shipowners to place their orders with Community shipyards by introducing a home credit scheme to make the financing offered for the purchase of vessels built in the Community more competitive;
- monitoring and inspection arrangements for vessels entering Community ports to reduce the number of unsound vessels;
- fight unfair shipping competition from certain third countries.

The Section would add to this list measures to encourage shipowners to scrap vessels rather than having to resort to the secondhand market since the sale of such vessels for further trading can mean that such vessels become the cheap sub-standard competition with which EC operators have to contend.

The Section believes that the legal basis for additional shipping policy measures is Article 84 para. 2 of the Treaty of Rome read in the light of objectives and tasks enumerated in Articles 2, 3 and 7 (non-discrimination clause).

(87) OJ No. C 307 of 19 November 1984, p. 19

(88) OJ No. C 86 of 28 March 1984, p. 5

5. Comments on other proposals

State Aids

The Section considers that there should be greater coordination of national assistance to shipping companies within the Community and that the EC should resist more strongly and openly any undesirable national shipbuilding subsidies worldwide where they contribute to the overtonnaging crisis.

The Commission appears to have only considered State aids in the context of investment subsidies without taking into account other aspects of State support. The Commission should put the issue of State aids into perspective by undertaking a study of the levels of direct and indirect subsidy and protective legislation given to shipowners both inside and outside the European Community, and of the aid given to other industries within the Community.

Some members have questioned the value of extending the transparency Directive to maritime transport since that Directive refers to State aids to public undertakings. It would therefore give only a partial picture in the area of shipping which has a much lesser degree of public ownership than other transport sectors.

Manpower and Social Aspects

Some members support the Commission's view that the best means of benefitting seafarers within the Community is to ensure a truly competitive environment as a basis for an economically healthy and sound shipping industry. They endorse the statement made in the paper that it is impossible to insulate social and employment problems from the full international dimensions of shipping. They also welcome the acknowledgment of the general rule that the special circumstances of shipping must be taken into account when developing broader social policy. These members agree with the Commission's conclusion that the promotion of a competitive Community shipping industry in terms of a non-protectionist policy is an effective means of ensuring and possibly expanding employment of EC nationals in the long run.

These members point out that technical and labour aspects of shipping have already long been regulated at a wider international level than the Community, particularly within the International Labour Organization (ILO) - in which the maritime industry has a very special status and is very active - and the International Maritime Organization (IMO) which is the specialist maritime agency of the UN. In both these organizations, European owners and unions have taken the lead in developing detailed instruments governing the whole range of safety and personnel elements of shipboard employment. These members stress the importance - in view of the international nature of the shipping industry - of operating within a genuinely worldwide framework of rules, except when there is a very specific Community dimension, when EC rules may be more appropriate.

They draw attention in particular to the comprehensive ILO Convention 147 (1976) on minimum standards which pulled together all the relevant strands of earlier ILO standards and added the then new ingredient of port state control. Also of direct importance are the IMO Convention on Standards of Training, Certification and Watchkeeping (1978) and Recommendation on the Principles of Safe Manning of Ships (1981); between them these two instruments lay down detailed training requirements for all categories of seafarer and also prescribe basic manning standards (including watchkeeping arrangements and hours of work).

The standards contained in these instruments were drawn largely from the then best known maritime practices. Non-European countries have had some difficulty in adapting to them, but they are now becoming increasingly widely ratified. These members suggest that, if they are considered to be inadequate, it is clearly through the relevant UN organization that improvements should be channelled.

Other members consider that the social aspects of a maritime transport policy must be an integral part of that policy. They point out that the experience of seafarers has been that general proposals

from the Commission on matters of social policy, such as the Draft Directives on Procedures for Informing and Consulting Employees (Vredeling) and on Temporary Work, have been vigorously opposed by shipowners, backed by a number of governments, on the basis that the special circumstances of the shipping industry mean that any progressive social policy proposals cannot be applied.

These members consider that the social aspects of seafaring employment should be examined, first with reference to hours of work and the pressure to reduce crews. Strict regulations exist for the hours of work of other transport workers, such as lorry drivers, but the Commission has ignored the lack of such regulation in shipping and the dangers which excessive working time pose to the health and safety of seafarers, vessels and the environment.

The same members are also critical of the Commission's statement that the main argument of the trade unions is that the Community should adopt a policy which enables EC shipowners to offer the sort of wages and conditions that would attract EC nationals to seagoing employment. While seafarers' trade unions consider that the wages and working conditions of Community seafarers should be no worse than shore-based workers in the Community, the unions recognize that the best way to secure employment for their members is to secure the future of shipping under the flags of Member States. These members consider that if the Commission was to take a more positive attitude towards fleets under the registry of Member States, rather than giving its support to the option of "flagging out", then its proposals would indeed lead to improved employment opportunities. They point out that while a flagged out vessel may continue to be controlled by a Community firm, little economic benefit accrues to the Community - profits remain abroad and few EC nationals are employed.

These same members welcome the proposal for an official dialogue between the social partners in the sector but seek further information on the purpose and scope of the study proposed by the Commission on the issue of different treatment of EC and non-EC nationals. These members share the Commission's view that the employment of non-EC crews on the vessels of Member States has exacted a heavy price in terms of employment among the Member States seafarers, and that this reduction of skilled and semi-skilled seafarers could have adverse consequences for Member States. Given that the cost of unemployment falls on EC Member States, there is clearly a conflict between the interests of the individual Community-based shipowner and the interests of the Community as a whole.

The Section welcomes the Commission's support for favourable direct tax regimes for Community seafarers and believe that the Commission should actively promote this and also explore other means of helping to maintain the employment of EC nationals on the vessels of Member States such as assistance with training and repatriation costs.

Some members believe that it is clearly not enough for the Commission to state that there has been a loss of comparative advantage when measures can be taken to offset the advantages which competitors have from either, on the one hand, paying meagre wages, providing little or no social security and expecting low standards of living for their seafarers or, on the other hand, providing State aid in the form of subsidies, fiscal privileges and cargo reservation.

Mutual Recognition of Certificates

The Commission should recall that mutual recognition must assume an agreed equivalence of entry standards, training and examinations and that such agreement does not currently exist. Moreover, the Commission should take into consideration that certain Member States have legislation specifying the nationality of all or part of their crews and that such legislation is for defence as well as for social reasons.

Open Registries

The Section believes that the maximum benefit is gained for the Community through the operation of its vessels under Community flags.

Some members however are concerned about the economic impact of flags of convenience on Member States' fleets and their competitiveness and about the effect on Member States' economies of the form of expatriation of capital out of the Community represented by f.o.c shipping. It is the very existence of flags of convenience that makes it so difficult for traditional ship operators to remain competitive. As long as there is a mechanism which owners can resort to in order to avoid social, safety and financial obligations, it will remain difficult for any responsible owner to remain competitive. The Commission argues, inter alia, that open registry shipping in general fosters the operation of highly competitive shipping services. Yet the Commission does not point out that it also depresses price and profitability and produces a downward pressure on standards of employment and safety.

The same members do not accept that the Commission's support for open registry shipping is in accordance with the Treaty obligation to provide for the freedom of movement of capital. The Treaty of Rome refers to the freedom of movement **within** Community boundaries and there is no basis in the Treaty for the Commission's active encouragement of a flow of capital out of the Community. Indeed, the Treaty (Article 72) requires Member States to keep the Commission informed of any movement of capital to and from third countries. These members therefore believe that the Commission should use this power to require Member States to inform it of any flagging out by EC owners or the acquisition of foreign tonnage by EC-based companies.

Bearing in mind the realities of international shipping other members support the Commission's view which endorsed the stance taken by the group B countries - including all EC Member States - in UNCTAD where the issue was debated at the conference on conditions of ship registration. Basically this view concludes that phasing out of open registries would run counter to the Community shipping and trading interests. Moreover, they oppose the economic genuine link concept because, in their view, it is at variance with relevant provisions of the 1958 High Seas Convention (repeated in the Law of the Sea Convention) and because it infringes on the sovereign right of States to fix their own criteria for the registration of ships under their flag. They believe that flags of convenience and substandard ships are not synonymous and that all ships regardless of flag should be made subject to more stringent port state control. These members endorse the Commission's and OECD countries' conclusion that more transparency of ownership and improvement of ship safety and social standards can be achieved by tightening the administrative link between flag State and ship, thus enabling the flag State to identify ownership and financial responsibility and to improve implementation of international agreements on safety and social standards.

These members also endorse the Commission's view that the ability of Community shipping companies to operate ships under other flags (as most appropriate for the service in question) enables them to remain competitive in certain world shipping markets, while retaining economic control in the Community and thus also other direct benefits which would otherwise disappear (including employment opportunities).

Bulk Shipping

The Section notes that the Commission's analysis refers to flags of convenience primarily in the context of bulk shipping and points out that the phenomenon is not confined to the bulk sector. Moreover the Section feels that it is not helpful to confuse the two issues.

Some members share the Commission's view that the existing organisation of the bulk markets has provided the Community with reliable, efficient and competitively priced bulk shipping services and that cargo reservation policies in this sector should be resisted (Tables 7, 8 and Diagrams 7.1, 8.1). They also concur with the Commission's express opposition to any governmentally imposed scheme of mandatory cargo sharing on bulk shipping either between Member States or between Member States and third countries.

Other members point out that there already exist in the bulk sector market mechanisms which lead to market management and control and suggest that these may be damaging to the interests of Community fleets. These members therefore feel that the Commission should adopt a flexible and pragmatic approach regarding the process of managing trade and cargo sharing.

Maritime Safety and Pollution Prevention

The Section fully supports the concept of port State control as a necessary complement to the exercise of flag jurisdiction. In particular it supports the 1982 Paris Memorandum which stressed the importance of ships of all flags adhering to the generally accepted IMO and ILO Conventions and coordinated the approach of the EC and Nordic countries to inspections of ships visiting their ports.

However, the Commission should call for full disclosure of all information gathered from port State inspections and should undertake an investigation into whether the inspections are being uniformly carried out throughout the Community's ports. Unless there is such a disclosure and unless it can be demonstrated that these inspections are being conducted on a uniform basis, it cannot be stated, as in the Commission's memorandum, that there is little evidence that competitive pressure among the various ports of the Community is undermining the application of port State control.

Some members believe that the system of port State control should be strengthened, through its incorporation into Community legislation if necessary. They also believe that port State control inspections should include the enforcement of all the international Conventions listed in the annex to ILO Convention No. 147. At present the enforcement of the social Conventions, Nos. 87 and 98 (Freedom of Association and Protection of the Right to Organize; and Right to Organise and Collective Bargaining) has been neglected and, as long as this state of affairs persists, there is even less credence in the Commission's argument that port State control is in some way an effective substitute for the abolition of flags of convenience. In the view of these members, flags of convenience are a means of exploiting labour and will remain so as long as seafarers serving on such vessels are not able to exercise their right to organise and to participate in free collective bargaining.

These same members also propose that the Commission should consider as a priority the introduction of coastal State control, so that vessels passing through EC waters are subject to the same standards as vessels entering ports. The safety of seafarers, vessels, the public and the environment is no less at risk from vessels which are sailing through the waters of PSC signatories without visiting a port in a signatory State than those which do visit a signatory State's ports.

Other members question the advisability of the Commission's suggestion that the Port State Control Memorandum might be incorporated into Community law, since the individual Member States are already obliged to apply its standards directly under the various international conventions.

These same members consider that coastal State control is impractical.

Concerning the provision of navigational assistance in European waters, some members consider that any notification procedures should not only include the ship's projected route but also its cargo and should involve a mechanism to ensure that special monitoring is given to vessels carrying hazardous cargoes.

The Section has reservations as to the outcome of the COST 301 programme arising from the fact that, although the 2.3 million ECU project is well-advanced and clearly committed to the development of shore-based services, the need for such a project has yet to be established. Recent progress reports have suggested that the identification of navigational problem areas will be amongst the last of the individual studies to be completed; that is to say, the solution will be fully developed before any problem has been identified. This unorthodox approach is likely to place considerable pressure upon researchers to identify problem areas which would "benefit" from the introduction of shore-based vessel traffic services (VTS). (The ECOSOC Opinion on this subject issued on 30 October 1985 expressed the same view⁽⁸⁹⁾.)

(89) OJ No. C 330 of 20 December 1985, p. 7

Transfer of Ships Between Member States

The Commission should only develop its proposal to establish a Community-wide list of approved equipment if an investigation shows there is a need for such a list; that there will be no lowering of safety standards; and provided that the Member States will retain the absolute right to reject such equipment without the threat of proceedings by the Commission.

Training Standards

While it is right that the Community should accept its responsibility to assist developing countries and that, where possible, training facilities should be offered for the personnel of national maritime administrations and control centres, the Commission should avoid providing assistance to countries which wish to expand their pool of seafaring labour beyond what is necessary for the requirements of their national fleet.

Ports

The Section feels that greater weight should be attached by the Commission to the adverse effects of disparities in port charges and light dues since they may be important factors to ship operators in their choice of ports. Moreover, in the view of some members, even if port charges do not affect the shipowner's choice of a port, they can cause distortion. A difference in port charges between two ports may not be so great as to deter the shipowner from calling at either of them, but still be such that he needs higher freight rates from one than the other (Table 9). If so, the exporter whose nearby port is higher priced is at a disadvantage and will secure less business and less profits than a competitor who is able to ship through the port where charges or freight rates are lower. Thus even if the choice of port is unaffected, port pricing policies can affect competition between users and can be held to distort it. Therefore, while a major harmonization of charging policies in the Community is not advocated, these members believe that there should be a greater recognition by the Commission of the harmful impact of disparate port policies.

The Section also welcomes the Commission's proposal that a Community-wide dimension should be given to the provision of port waste facilities, as required under MARPOL. It feels that the Commission should initiate a proposal for the provision of such facilities on a much wider basis than at present with either Community or national funding for the establishment of reception facilities. Further, the Commission should investigate the feasibility of using laid-up tankers for the reception of oily wastes and possible other wastes. The provision of port reception facilities should be considered within the context of EC infrastructure policy and priority areas should include the Mediterranean and also the North Sea.

The charge for the use of such facilities should in the view of some members, be absorbed into the port charges, rather than charged separately.

Other members however feel that the method of charging for their use should be kept flexible.

Maritime Research

The Section hopes to receive further information from the Commission on the proposed areas of research.

Cooperation with Developing Countries

The Section welcomes the statement in para. 27 of the Commission's document concerning the possibilities of cooperation with developing countries and emphasises the importance of including non-discriminatory shipping clauses in all EC agreements with these countries.

Greater emphasis should also be placed on the need for consultation with the EC shipping industry where aid, including shipbuilding aid, is granted to other countries which are in direct competition with and/or apply discriminatory measures against the EC as carriers.

Community Food Aid

The Section welcomes the Commission's proposal to acquire better control over shipment of food aid. The Commission should ensure that vessels registered in Member States are allowed an equitable opportunity to carry food aid cargoes.

Some members go further and believe that the Commission should stipulate that only vessels registered in Member States can be used for the transport of such cargoes.

Maritime Fraud

The Section welcomes the Commission's resolve to consider whether the Community should take any action to tackle this problem bearing in mind the work already being undertaken in other organizations such as the International Maritime Bureau (IMB), the International Chamber of Commerce and Interpol.

Some members go further and point out that the growth of maritime fraud is quite clearly linked to the absence of accountability and transparency in shipping operations. This absence is a feature of flag of convenience shipping and, unfortunately, is beginning to spread to some areas of traditional flag shipping. These members consider that the Commission needs to examine the problem of maritime fraud in a wider context and that this wider context is clearly the lack of control over maritime operations by flag States. The Commission's support for flags of convenience is in direct conflict with any efforts to apply such controls.

Hydrography

The Section awaits further information from the Commission on proposals for concerted action on hydrography and will wish to ensure such proposals are both practical and cost-effective.

6. Specific Comments on the Commission's Proposals

Draft Council Regulation Concerning Coordinated Action to safeguard free access to cargoes on ocean trades (Annex II.1)

Some members, whilst accepting the first phase of coordinated action, i.e. the diplomatic procedure proposed by the Draft Regulation, object to the second phase, i.e. countermeasures, as potentially leading to a vicious circle of retaliatory action by the third countries concerned with the ultimate result of raising transport costs to the detriment of the EC flag fleet and European consumers. Nevertheless, these members could accept the principle of countermeasures subject to a simultaneous and clear cut interdiction in the Draft Regulation of the involvement by EC Member States in cargo sharing commercial agreements (existing or future) either between themselves or with third countries.

Other members believe that the Regulation will not provide long-term assistance to Community merchant fleets, and that a regulation should be proposed which is based on developing the management of cargo movements in an orderly way. These members believe that the Regulation should make greater recognition of the fact that cargo reservation is established worldwide to the extent that the Community's interests could soon be better served by a more directly supportive policy for its fleets, and that this policy would not preclude certain reservation measures.

Yet other members believe that this Regulation would usefully strengthen the 1983 Council Decision in the area of countermeasures and support it in principle. They note that the text is in line with the philosophy of Community Governments as expressed in the context of the OECD Draft Recommendation concerning common principles of shipping policy and the US/CSG dialogue which the Commission's Memorandum (paragraph 24) rightly regards as being of vital importance to the Community.

The Section believes that the Regulation could usefully be extended to cover all sectors of shipping, i.e. passenger and cruise shipping, offshore and towage, etc. It notes that the terms of the Draft Regulation (which appears to have been written with the liner sector in mind primarily) require editorial adjustment to take account of the circumstances and nature of other sectors as well. In particular whilst the proposed Regulation applies to the bulk sector - which accounts for 75% of the EC fleet - the detailed provisions do not take proper account of its particular nature.

The Section notes that the Regulation would not extend to action against an OECD country which restricted access of shipping companies of Member States. Whilst such restrictions should not occur within OECD, that possibility should not be precluded in the event of an infringement.

With regard to the scope of the Regulation the Section believes that Article 1 should be amended to refer to "shipping companies, **or vessels flying the flag**, of Member States or another OECD country".

The Section considers that it would be useful to make a reference to the need for the EEC to include non-discriminatory shipping clauses in any EEC trade agreement with third countries.

Specifically, it proposes that a new text along the following lines should be included in the Regulation (e.g. as a new Article after the present Article 6):

"When negotiating trade or other agreements with third countries or groups of countries, the Community shall seek the inclusion of a non-discriminatory provision safeguarding the access of vessels registered in Member States in shipping trades between Member States and the countries in question. In particular, the provision shall include undertakings by the contracting parties not to engage in flag discrimination or cargo reservation."

In addition, some members propose that the 2nd indent of Article 1 should read as follows:

"Bulk cargoes, where the Member States affirm their commitment to a freely competitive environment as being an essential feature of the trade."

The Section believes that the Commission should ensure that adequate resources are available to monitor developments in cargo reservation and other action which threatens the merchant fleet registered in Member States; and clear guidelines on the assessment of adverse effects on the competitive position of a Member State's fleet should be included in the Regulation.

The Section also believes that if countermeasures are to be effective these should apply, apart from shipping, to the offending country's exports of goods or services to the EC.

The Section notes that provision should be made in Article 5 for Member States to take action outside the procedures contained in the Regulation, where the Commission fails to follow up a request for coordinated action. In the current text, such provision is only made where the Council does not act.

The Commission should provide clarification on the following points:

- The Regulation states that a Member State or OECD country may request action if the competitive position of its fleet is or may be adversely affected (Article 2(1)). How will this be assessed?
- Will the measures to be agreed by the Council following a proposal from the Commission be the subject of a **unanimous** decision?

Draft Council Regulation Applying the Principle of Freedom to Provide Services to Sea Transport (Annex II.2)

The Section supports the establishment of a common internal market within the Community as one of the fundamental objectives of the Rome Treaty and welcomes the Commission's endeavour to lay down a framework for this for shipping in the context of Articles 61(1) and 84(2).

Some members also point out that the need to promote improved working conditions and an improved standard of living for workers, so as to make possible their harmonization while the improvement is being maintained, is also a fundamental objective of the Treaty of Rome.

The Section notes that the adoption of the Regulation would be in conformity with the views expressed by the European Court in its recent judgement on common transport policy. However, the Section recognizes that this is a sensitive area and that many varying interests, both national and sectoral, will have to be balanced in order to achieve an acceptable Regulation.

It is evident that the Commission could have given more extensive consideration to the factors involved. Indeed its analysis refers hardly at all to certain of the sea transport services which would be affected, such as coastal trades or to the effect of opening up participation in such services. Yet the Commission's proposal will have a radical effect on the way in which Member States organize and provide such services.

Some members believe that if liberalization of the internal market is an objective, it requires upward harmonization in order to be equitable and, at the present time, there are a number of internal differences leading to distortions in competitive capabilities. Preliminary work is thus necessary in coordinating national policies in certain areas, such as assistance to shipping companies and to the shipbuilding industry, and in the terms and conditions of employment, taxation, training and safety of seafarers in Member States.

Other members object to harmonization as a precondition to the liberalization of the internal market as premature since it has not been dealt with in other sectors (e.g. agriculture) and this is the result of a gradual process of integration of the economies of Member States through the creation of an internal market.

In addition, the Section believes that it will be necessary, before the end of the transitional period, for Governments to endeavour to minimize any internal policy differences, as between Member States, which lead to distortions in competitive capabilities, in particular in such areas as shipping, fiscal and employment policy.

Some members believe that the Regulation should provide for Member States to reserve their coastal and offshore trades to national flag vessels and for the exclusion of vessels not registered in Member States from all intra-Community trade.

Other members believe that it should be for individual States to determine their policy governing their national coastal and offshore trades vis-à-vis non-EC shipping. They stress that the aim of the Regulation should be to eliminate without delay any discriminatory treatment of ships operated by one Community operator in the territory of another Member State.

The Section notes that the Regulation, as drafted, would still allow Member States to exclude non-EC operators from their trades. This means that the degree of competition would be both quantitatively and qualitatively different between the various Community States; the vessels of those States without the protection of any form of exclusion would face greater overall competition and would not have security which even a partially protected market can provide. The Section therefore believes that the Regulation should cover the conditions applicable to non-EC shipping. In particular, the Regulation could provide for the coordinated exclusion from Member States' trade of ships flying the flag of countries which restrict the access of Community vessels to their national trade, in order to achieve a reciprocity of treatment vis-à-vis third countries.

Some members also draw attention to the provision in this Regulation which relates to the establishment of the freedom to provide services in regard to cross-trades between Member States and third countries. In particular, they place emphasis on the need to effect this in regard to bilateral agreements containing cargo-sharing arrangements.

The Commission appears to have considered only the nationality of the operator offering the service rather than considering also the nationality of the service itself i.e. the flag of the vessel. It would appear that the Commission is suggesting that an EC national can offer services with non-EC flag vessels and yet be given exactly the same rights as an EC national offering an EC flag service. Further, it would appear that an EC flag service offered by a non-EC national would not have these rights. The Section therefore proposes that the Regulation should make reference to the nationality of the service offered, i.e. to the flag.

Some members believe that to give rights under the Regulation to the operators of non-EC flag vessels, whatever the nationality of the operator, cannot be considered to be in the interests of the Community or of its flag fleets and does not appear to be in accordance with the principle of non-discrimination enshrined in the Treaty of Rome.

Other members consider that the flag criterion is not paramount. An important alternative point of reference is the nationality or domicile of the shipping company. They note that the Commission's proposal recognizes this by referring to "nationals". They stress, for example, the practical reality that it is common for ships of different nationalities to be chartered by a company, but that this fact of life does not alter the nationality of the company.

The Section recognizes the necessity of permitting transitional periods to allow Member States to adjust to the requirements of the Regulation. However, they are concerned that if the freedom to provide services cannot be realized swiftly, any transitional period during which Member States are required to remove existing restrictions would only serve to widen the disadvantage between those States which have restrictions and those which do not, since the latter will be unable to introduce any restrictions after July 1986.

Other members go further and urge that the transitional periods for the implementation of the freedom to provide services in all areas should be very short.

Draft Council Directive Amending Decision 77/587/EEC (Annex II.3)

There is merit in a requirement for advance consultation in the event of bilateral or multilateral agreements being concluded by individual Member States.

Besides purely maritime agreements, other agreements might well have implications for shipping, e.g. in the field of trade or agriculture. The Decision should also refer to the flag of the vessel for the reasons given in the Committee's Opinion on the Draft Council Regulation applying the principle of freedom to provide services to sea transport (Annex II.2 to the Memorandum). Consequently the proposed Article 1(c) should be amended to read as follows:

*"on any provisions of bilateral or multilateral agreements - **both maritime and other** - to be negotiated between Member States and third countries, which might affect the freedom of shipping companies, established in a Member State or **vessels flying the flag of a Member State** to provide sea transport services."*

Further the Commission should explain how it intends to deal with existing maritime or other agreements restricting access to cargo between Member States and third countries.

However there is a danger that the consultative process could be abused in order to delay unduly the ability of Member States to conclude agreements with third countries. Consequently there is a need to ensure that, in putting forward this measure, such potential abuses are avoided.

Moreover in order to minimize the likelihood of agreements being contemplated which are contrary to the interests of the Community, it would be helpful if Member States agreed on common objectives in this context.

Some members draw attention to the need for a pragmatic assessment of the circumstances in certain bilateral trades where - in practical terms - the emphasis may have to be initially on facilitating access to the trade for interested EC shipping companies rather than a rigid insistence from day one on ensuring the application of commercial principles (as understood by the West) to shipping. (In Article 3a(2), the Commission appears to accept this by the use of the words "to the maximum extent possible".)

Draft Council Directive Concerning a Common Interpretation of the Concept of "National Shipping Line" (Annex II.4)

Some members feel that the criterion of flag nationality, contained in Article 2, should form part of the primary criteria in Article 1, and that crew nationality should also be a criterion. These members feel that requirements on flag and crew nationality are necessary for the exercise of effective control by Member States over "national shipping lines".

Other members, whilst recognising that the proposal seeks to protect the concept of a national shipping line against abuses, indicate that this is a very delicate area and therefore it would not be helpful for such a proposal to be introduced. These members take the view that the most suitable way forward is for individual countries to develop their own definition of a national line and to keep the Commission informed accordingly.

Amendments to the Proposal for a Council Regulation Laying Down Detailed Rules of the Application of Articles 85 and 86 of the Treaty to Maritime Transport (Annex II.5)

The Section recognises the need for a Regulation applying the competition Articles of the Treaty to Maritime Transport.

The Section expresses its disappointment that the Commission appears not to have taken account of the Economic and Social Committee's Opinion on the original 1981 proposal and the European Parliament's Report of 1984.

The Section reaffirms the views in its Opinion of January 1983, and continues to support the granting of an exemption under Article 85(3) to liner conferences. It stresses again that the Regulation should take into account the particular circumstances of the shipping industry, and that, as far as it is practicable and relevant, the Regulation should be compatible with the UN Convention on a Code of Conduct for Liner Conferences (to which Member States are committed under Regulation 954/79), as well as the principles of the Treaty of Rome.

The Section notes that the Regulation does not reproduce the preambular, procedural and final clauses. The Section recalls that the 1983 ESC Opinion commented fully on these clauses.

The Section is aware that, since the publication of the Commission's Memorandum, and proposals, the Commission has begun an investigation on the position of consortia and joint ventures vis-à-vis the competition rules of the Treaty of Rome and the Section awaits the outcome of this investigation.

The Section considers that tramp vessel services or bulk transport should be excluded and defined as follows:

"any transport of cargo in ships which are hired wholly or partly for the carriage of cargoes on the basis of a voyage or time charter or any other form of contract against rates of freight which are established in free competition in accordance with conditions of supply and demand."

The Section believes that the Regulation should treat any passenger or combined passenger/freight conferences in the same way as freight conferences.

The Section notes that the rules will apply to all sea transport undertakings which trade to or from the Community and thus are intended to apply to non-EC undertakings as well as to EC undertakings. There is a danger that the effect will largely be on EC based undertakings since it would be easier to enforce the rules within the EC. Clarification is required as to how the rules can be applied effectively to undertakings outside the EC.

The Section notes that the body of the Regulation makes no reference to the application of Article 86, although this is mentioned in the title of the Regulation. The Section believes that the Commission should clarify how Article 86 would be applied in view of the particular circumstances in maritime transport.

Some members further object to this absence of reference to application of Article 86 since it could be interpreted as meaning that the Commission does not envisage the possibility of abuse of dominant position in maritime transport.

Some members, while agreeing the need for a clarification of the position regarding Article 86, draw attention to the declaration proposed by the Commission in its original 1981 proposal, which states that:

"As regards the application of Article 86 to the shipping sector, the Commission notes the behaviour which is prohibited by this Article (abuse of a dominant position) is by its nature of a serious kind. This is underlined by the fact that this Article, unlike Article 85 in its third paragraph, makes no provision for its rules to be declared inapplicable. In applying this Article and in particular in deciding what constitutes an abuse of a dominant position the Commission will have regard also to the particularities of the shipping sector, such as its market structure, its international dimensions, the possible effects of provisions of international conventions to which Member States are contracting parties, the presence of competition coming from state trading countries and the aspirations of developing countries."

These members support the inclusion of a similar text in the Regulation.

Some members believe that the Regulation should confine the sanctions for breaches of minor rules to the imposition of fines and ensure that, where the benefit of the group exemption is withdrawn from a specific conference agreement, that should always be as a last resort and the effect should always be prospective.

Other members believe that withdrawal of the benefit of the block exemption should not be precluded, if the circumstances justify it, and that fines for a breach of an obligation should not always be the maximum sanction.

In regard to loyalty arrangements the Section believes that the Regulation should reflect only the text of Article 7(1) of the UN Liner Code. This provides that:

"The shipping lines, members of a Conference are entitled to institute and maintain loyalty arrangements with shippers, the form and terms of which are matters for consultation between the Conference and shippers' organizations or representatives of shippers. The loyalty arrangements shall provide safeguards making explicit the rights of shippers and Conference members. These arrangements shall be based on the contract system or any other system which is also lawful."

Some members whilst accepting the above considerations believe that the Commission should have rather dealt with the issue by taking account of new shipment arrangements such as time/volume service contracts.

Some members believe that, where the possibility of eliminating competition arises through no act or omission of the conference itself (e.g. as a result of a change in market conditions or of the act of a third country) the Regulation should either not provide for a withdrawal of the exemption or else it should contain a commitment to provide an individual exemption, with no additional requirements which would inhibit the trading of a Community conference line.

Other members believe that acts of conferences restricting the operators of outsiders should be sanctioned like acts of third countries leading to the same result. The same members take the view that access to conferences should be provided when the trade is closed due either to acts of third countries or as acts of the conference.

Clarification is sought from the Commission on the following points:

- Is the legal basis of the Regulation still Article 87 or, as the Committee has argued it should be, Articles 84(2) and 87?
- How does the Commission intend to monitor exempted agreements, particularly in areas where it believes the actions of third States are preventing the participation of outsiders? In particular the Section draws attention to acts or arrangements which prevent the participation of outsiders in a trade, or which force outsiders to join the conference and/or impose cargo sharing on them.
- What criteria would the Commission use to decide that there had been an elimination of competition contrary to Articles 85(3)(b)? Would any party have to demonstrate an injury before the Commission could proceed?

Draft Council Regulation on Unfair Pricing Practices in Maritime Transport (Annex II.6)

Some members object in principle to the Draft Regulation as being ill advised and representing a disservice to the common shipping policy in that the proposed countermeasures will serve as an instrument of protectionism and trigger off retaliatory measures in the liner or bulk trades with the ultimate result of raising transport costs to the detriment of European consumers. They disassociate themselves from specific comments vis-à-vis the Regulation in subsequent paragraphs made by the large majority of members of the Section.

Other members welcome the Draft Regulation as a useful endeavour to provide effective Community machinery with which to combat dumping and other unfair pricing practices by carriers of non-EC countries and a complement to that existing for products in shore-based industry (Regulation 2176/84). However, a number of reservations were expressed as to both the substance and the detail of the proposal.

The large majority of members of the Section is concerned that the Regulation only applies to liner shipping, and believes that the Council should give serious consideration to extending it to other sectors also.

The large majority of the Section believes that the definition of foreign shipowners in Article 3(i)(a) should be expanded to include shipowners who are enabled to compete on an unfair basis as a result of a high level of direct and/or indirect subsidies including credit and fiscal privileges.

The large majority of the Section is concerned that the definition of Community shipowners is also too narrow and should be broadened to embrace the operation of vessels under Member States' employment practices in either of the following categories:

- operation of vessels by shipping companies which have their management head office and effective control in a Member State;
- operation of vessels flying the flag of a Member State.

Some members go further and believe that Community shipowners should be defined so as to include reference to the operation of vessels, registered in Member States and employment under national terms and conditions.

The same members feel that the Regulation’s scope should be extended further to deal with the unfair competition represented by flags of convenience. Nearly 30% of the world fleet is accounted for by flags of convenience which allow shipping companies to escape all social and economic responsibilities, and parasitically benefit from facilities (e.g. training) provided in bona fide maritime nations.

Other members do not accept the suggestion that flags of convenience should be covered by the Regulation since, in their view, they do not represent unfair competition in the sense intended by the Commission. They noted that the whole issue of conditions of ship registration was debated in the UN Conference on ship registration. These members agree that a policy of operating ships below the generally accepted international maritime safety and employment standards could give foreign shipowners an unfair competitive advantage over Community shipowners. They stress the need to retain, in the definition of "foreign shipowner", the concept of ships complying with the IMO and ILO Conventions listed in the Annex, to which Member States are committed under Community legislation. These members point out that it is important that objective - rather than subjective - criteria should be incorporated in the Regulation for this purpose and that this would be met by such a reference.

The large majority of the Section is concerned that the third indent of Article 3.1. (a) as presently drafted is ambiguous. It refers to ships flying the flags of countries which have not ratified **and** do not implement certain IMO and ILO Conventions. Yet in the communication (paragraph 69(i)) there is a reference to countries which have not ratified **or** do not implement such Conventions. The Section believes that this latter formulation should appear in the Regulation. Furthermore, the Regulation should clarify which body will judge whether IMO and ILO Conventions have been implemented.

The large majority of the Section notes that there are certain third countries which are not recognized as sovereign States within the United Nations and are not therefore able to ratify ILO or IMO Conventions in their own right. Nevertheless, vessels operating under the flags of such countries should still be expected to implement generally acceptable international rules and standards.

Some members believe that the following ILO Conventions and Recommendations should also be included in the Annex to the Regulation:

ILO Convention	9
" "	108
" "	109
" "	121
" "	128
" "	135
" "	146
ILO Recommendation	28
" "	109
" "	137

The large majority of the Section notes that a number of these instruments have still not been implemented by governments, many years after their adoption, and do not believe that these represent standards which have been generally accepted. They therefore consider that the Annex should be retained in its present form.

In regard to the right to present complaints under Article 5 the Section believes that a wide range of interests make up the Community shipping industry, and that one party, viz. Community shipowners cannot be vested with the sole responsibility of ensuring that all interests are protected. The Section notes the precedent in the complementary Regulation 2176/84 where the right clearly relates to "a Community industry", which has suffered harm. The Section believes therefore, that the reference in this Regulation should be to persons acting on behalf of the Community Shipping Industry", which would enable the facility to bring complaints to be extended to the representatives of seafarers, particularly since adverse employment effects may be considered as evidence of an injury.

Some members go further and argue that as the Regulation is aimed at defending the Community Shipping Industry, which by definition means Community companies operating Community flag ships, then only shipowners operating Community flag vessels should be able to bring a complaint under Article 5. According to these members, it is inequitable that the Regulation as currently drafted allows only shipowners to bring complaints since such owners may themselves be operating vessels under the flags of countries which have not ratified and/or implemented ILO and IMO Conventions.

The large majority of the Section considers that the definition of unfair practices should be improved. The rate charged by a single commercial outsider could be too restrictive if used as the only yardstick when assessing whether a freight rate is unfair. To gain an accurate picture of the situation, other factors relative to the specific trade could be used more generally (Cf. Article 3(3)).

The situations referred to in the paragraph above may occur particularly where the unfair pricing practice takes place in trade between non-EC countries. In such cases a sanction might be appropriate in the direct trade with the EC of the non-EC countries concerned. Article 3(1)(b) needs to be revised to take account of such situations and to conform with the objectives set out in the last phrase of Article 1, viz. "... or which otherwise cause injury to Community shipowners".

The large majority of the Section considers that, in many situations, particularly the cross trades, a sanction other than a duty might be appropriate and that the Regulation should provide for greater flexibility regarding sanctions, as exists in other Community legislation applying to unfair commercial practices generally. In sea transport, sanctions might also include, for example, quotas on sailings, carryings or earnings, and the Section draws attention to Article 3(1)(b) of Annex II.1 which provides such sanctions. Article 13(b) already envisages withholding permission to load or discharge if security is not given for the amount of a countervailing duty and this provision should be expanded to cover other circumstances.

APPENDIX to the REPORT
of the Section for Transport and Communications
on the
Progress towards a Common Transport Policy - Maritime Transport

Rapporteur: Mr MOLS SØRENSEN

Co-Rapporteur: Mrs BREDIMA

Statistics and Diagrams

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TABLE 1

WORLD MERCHANT FLEETS (1970, 1975, 1980, 1985)

	1970		1975		1980		1985	
	Tonnage	% of world total	Tonnage	% of world total	Tonnage	% of world total	Tonnage	% of world total
BELGIUM	1 062 152	0,47	1 358 425	0,40	1 809 829	0,44	2 400 292	0,58
DENMARK	3 314 320	1,46	4 478 112	1,31	5 390 365	1,28	4 942 175	1,19
FRANCE	6 457 900	2,84	10 745 999	3,14	11 924 557	2,84	8 237 418	1,98
GERMANY	7 881 000	3,46	8 516 567	2,49	8 355 638	1,99	6 177 032	1,48
GREECE	10 951 993	4,81	22 527 156	6,58	39 471 744	9,40	31 031 544	7,45
IRISH REPUBLIC	174 977	0,08	210 389	0,06	208 986	0,05	194 022	0,05
ITALY	7 447 610	3,27	10 136 989	2,96	11 095 694	2,64	8 843 181	2,12
NETHERLANDS	5 206 663	2,29	5 679 413	1,66	5 723 845	1,36	4 301 324	1,03
UNITED KINGDOM	25 824 820	11,36	33 157 422	9,69	27 135 155	6,46	14 343 512	3,45
EC 9	68 321 435	30,03	96 810 472	28,29	111 115 813	26,46	80 470 500	19,33
PORTUGAL	870 008	0,38	1 209 701	0,35	1 355 989	0,32	1 436 892	0,35
SPAIN	3 440 952	1,51	5 433 354	1,59	8 112 245	1,93	6 256 188	1,50
EC 11	72 632 395	31,93	103 453 527	30,23	120 584 047	28,71	88 163 580	21,18
Other OECD	75 813 484	33,33	95 319 081	27,86	95 324 387	22,70	90 001 158	21,62
Total OECD	148 445 879	65,26	198 772 608	58,09	215 908 434	51,41	178 164 738	42,80
COMECON	18 604 643	8,18	25 378 328	7,42	31 990 937	7,62	34 158 763	8,20
FAR EAST	3 554 661	1,56	6 320 291	1,85	14 974 075	3,57	28 922 762	6,95
FLAGS OF CONVENIENCE	41 409 494	18,20	86 162 197	25,18	108 423 500	25,82	111 967 288	26,90
REST OF WORLD	15 475 187	6,8	25 528 939	7,46	48 613 705	11,58	63 054 983	15,15
WORLD	227 489 864	100	342 162 363	100	419 910 651	100	416 268 534	100

Source : Lloyd's Register of Shipping

Other OECD : Australia, Austria, Canada, Finland, Iceland, Japan, New Zealand, Norway, Sweden, Switzerland, Turkey, U.S.A.
 COMECON Albania, Bulgaria, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, USSR, Vietnam
 FAR EAST Taiwan, People's Republic of China, Hong-Kong, South Korea
 FLAGS OF CONVENIENCE Bahamas, Bermuda, Cyprus, Liberia, Panama, Somali Republic

DIAGRAM 1.1

THE EVOLUTION OF WORLD MERCHANT FLEETS : 1970, 1975, 1980, 1985
(MILLIONS TONNAGE)

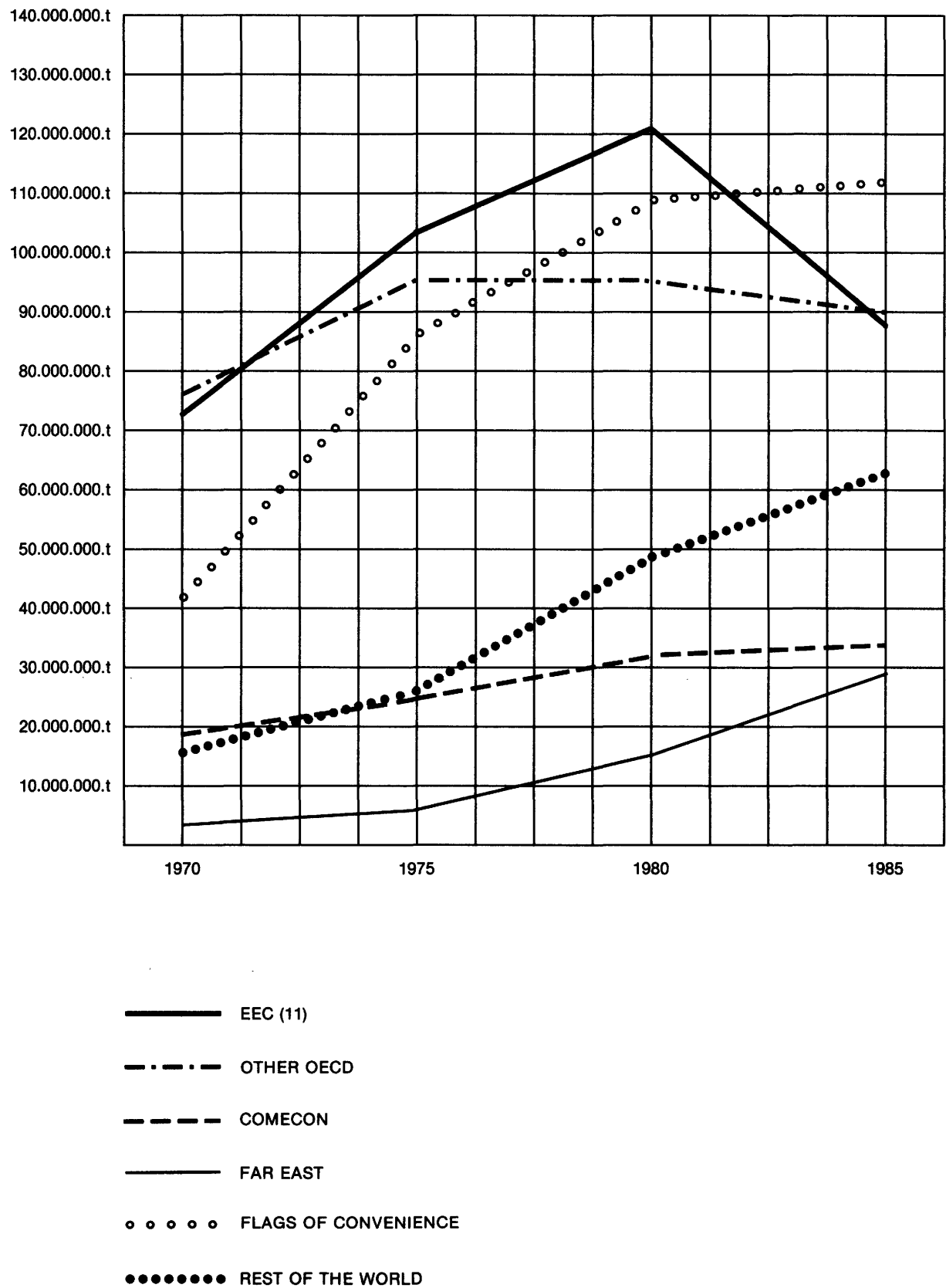


DIAGRAM 1.2

**WORLD MERCHANT FLEETS : 1975, 1985
(PERCENT TONNAGE)**

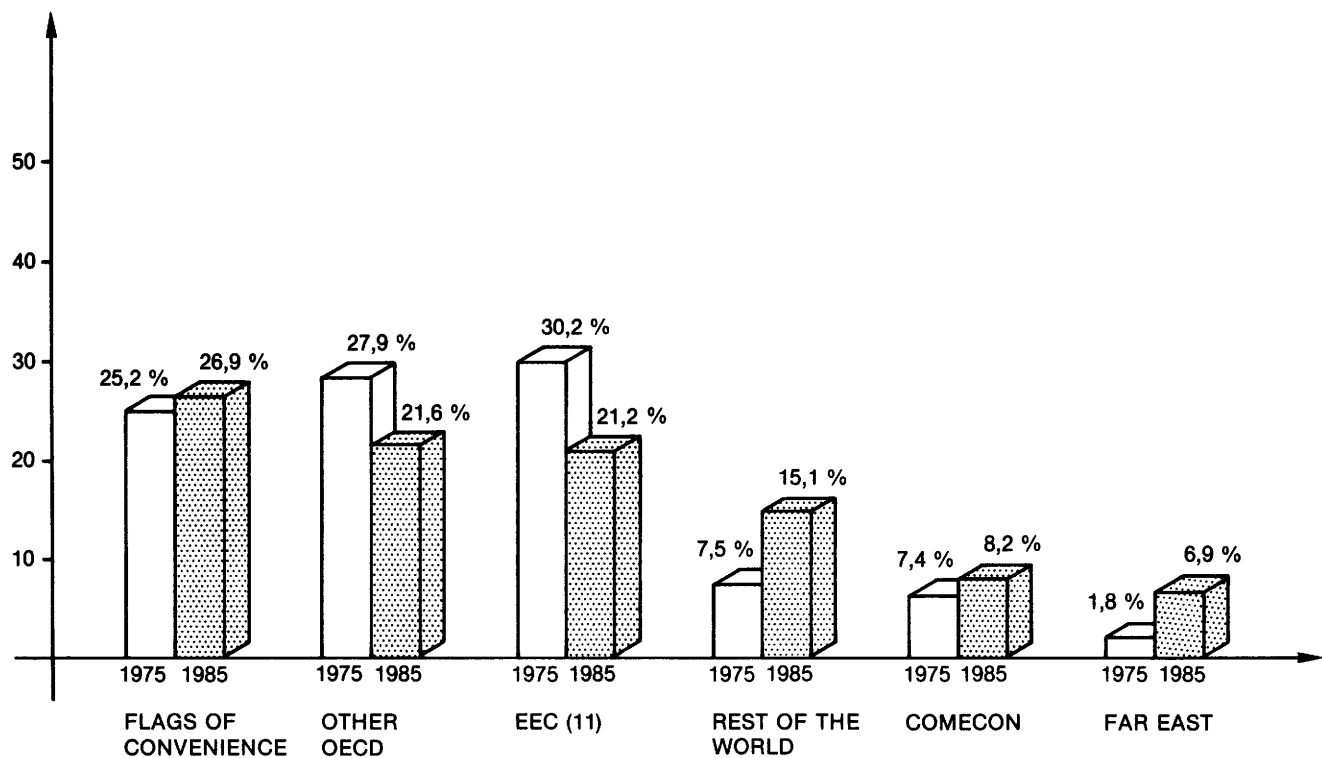
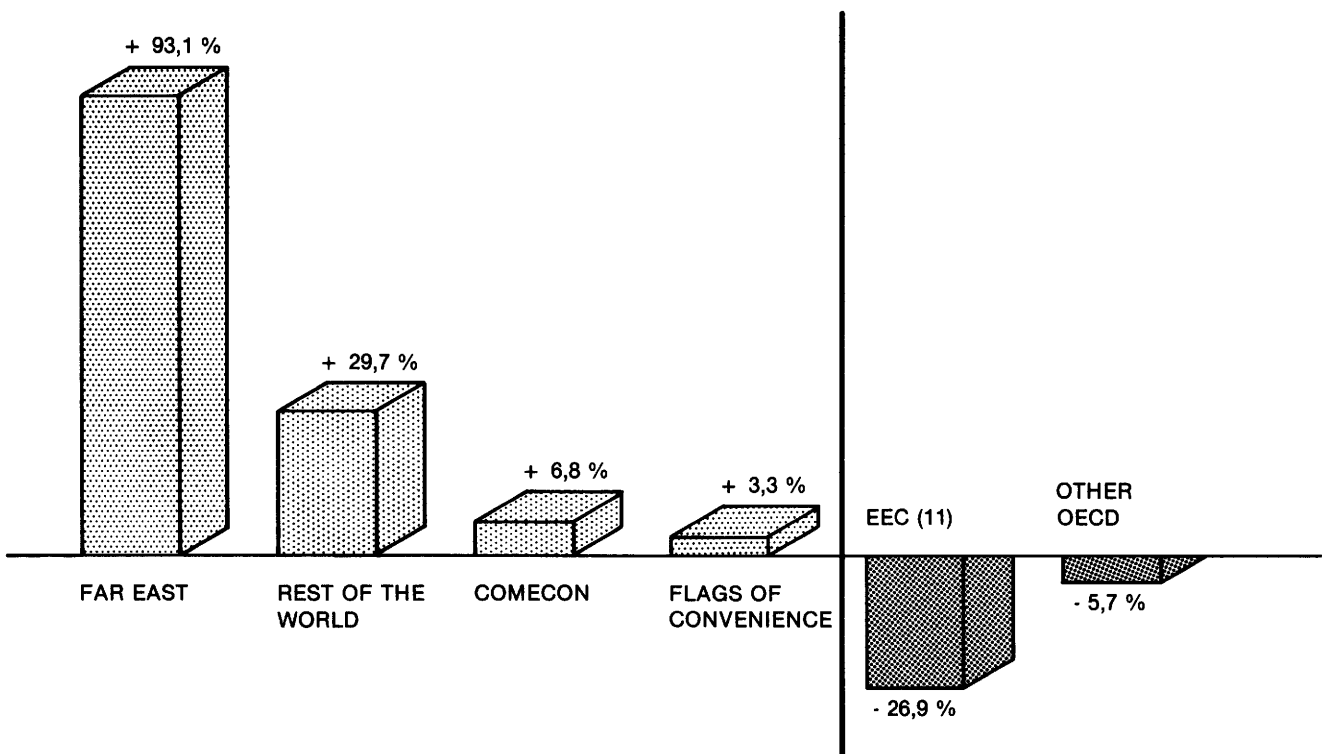


DIAGRAM 1.3

GROWTH RATE OF WORLD MERCHANT FLEETS : 1985 / 1980



INDEX OF SIZE OF MERCHANT FLEETS (1970, 1975, 1980, 1985)

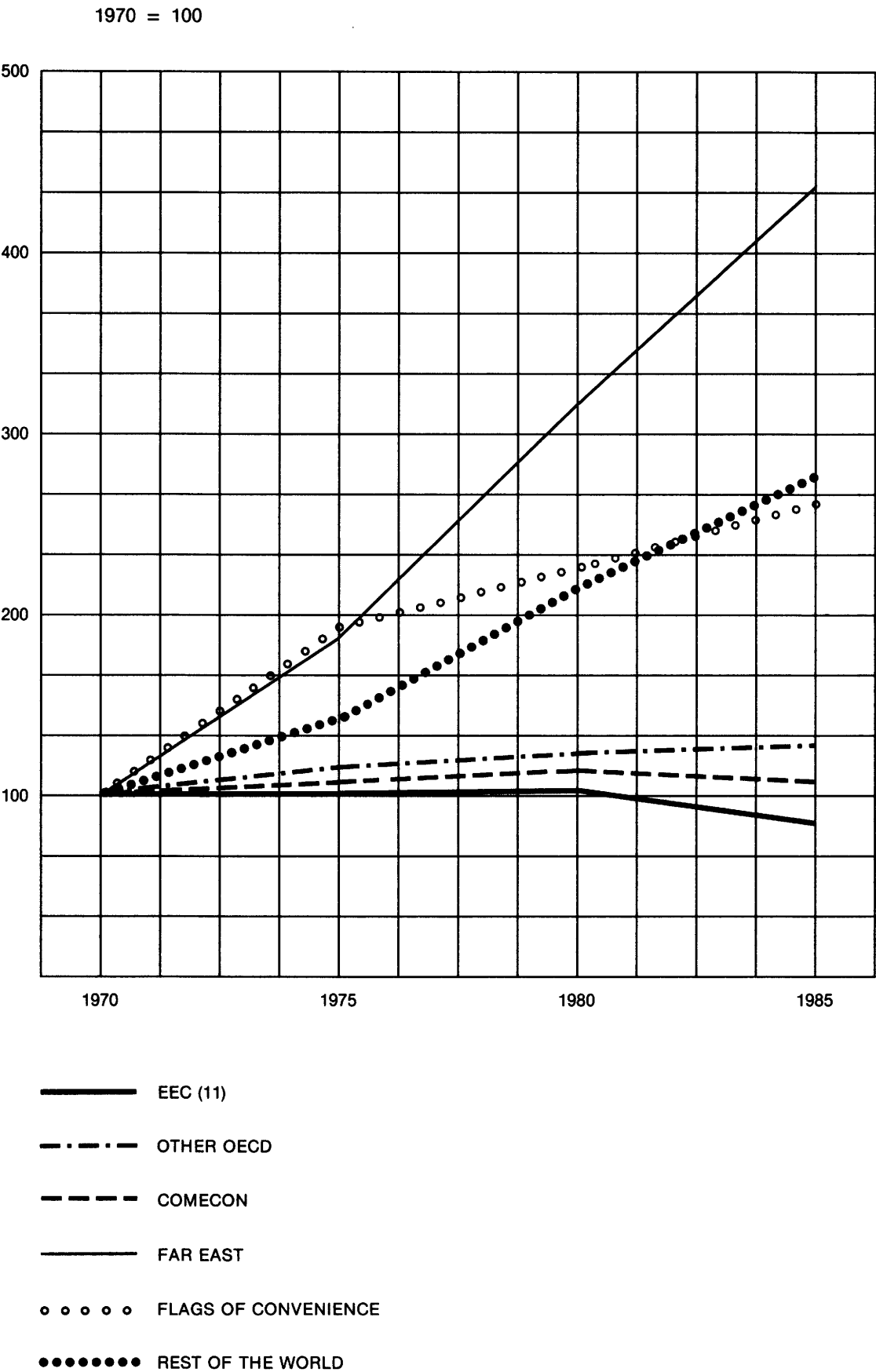
TABLE 2

	1970		1975		1980		1985	
	No of ships	Tonnage	No of ships	Tonnage	No of ships	Tonnage	No of ships	Tonnage
BELGIUM	100	100	109,5	128	126	170	149,5	226
DENMARK	100	100	113,3	135	103,5	162,6	88	149
FRANCE	100	100	98	166	43,3	184,6	80	128
GERMANY	100	100	68	109	103	106	63	78
GREECE	100	100	148,3	205	212	360	140	283
IRISH REPUBLIC	100	100	108,1	120	164	119	176	111
ITALY	100	100	105,7	136	106	149	96	119
NETHERLANDS	100	100	84,3	109	79	109	84	83
UNITED KINGDOM	100	100	94,8	128	89	105	62	56
EEC 9	100	100	98,6	141,7	101,4	162,6	84,3	117,8
PORTUGAL	100	100	117	139	93	156	97,6	165
SPAIN	100	100	119,4	158	124	235,7	111	182
EEC 11	100	100	100,6	142,5	103	166,1	88,5	121,5
Other OECD	100	100	115,5	125,7	125,9	125,7	129,7	118,7
Total OECD	100	100	108,7	133,9	115,2	145,4	109,2	120
COMECON	100	100	108	133,8	115,45	145,6	109,5	120,6
FAR EAST	100	100	188,8	177,8	316,9	421,2	437,8	813,6
FLAGS OF CONVENIENCE	100	100	189,4	208,1	229	261,8	261,8	270,3
REST OF WORLD	100	100	141,5	165	214,9	314,1	277,4	407,4
WORLD	100	100	121,5	150,4	140,8	184,6	145,7	183

Source : Lloyd's Register of Shipping

DIAGRAM 2.1

INDEX OF SIZE OF MERCHANT FLEETS : NUMBER OF SHIPS
1970, 1975, 1980, 1985



DISTRIBUTION BY TYPE OF VESSEL (1970, 1985)

TABLE 3

	WORLD				OECD				EEC 9				EEC 11			
	1970		1985		1970		1985		1970		1985		1970		1985	
	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%
OIL TANKERS	86 139 853	40,7	138 448 304	35,3	54 723 593	37,2	64 766 215	34,5	27 378 151	42,2	27 827 349	36,0	29 049 651	42,4	31 593 624	37,4
LIQ. GAS CARRIERS	1 349 605	0,6	9 964 988	2,5	1 050 110	0,7	5 699 734	3,0	346 227	0,5	1 767 859	2,3	416 650	0,6	1 838 611	2,2
CHEMICAL TANKERS	450 531	0,2	3 422 372	0,9	399 108	0,3	1 653 241	0,9	134 515	0,2	491 181	0,6	136 121	0,7	588 708	0,7
OTHER TANKERS	—	—	273 718	0,1	—	—	209 563	0,1	—	—	101 084	0,1	—	—	112 379	0,1
TOTAL TANKERS	87 939 989	41,5	152 109 382	38,8	56 172 811	38,2	72 328 753	38,5	27 858 893	42,9	30 187 473	39,0	29 602 422	43,2	34 133 322	40,4
BULK / OIL CARRIERS	8 317 290	3,9	23 725 586	6,0	5 295 845	3,6	8 998 216	4,8	1 183 258	1,8	4 611 195	6,0	1 183 258	1,8	4 739 113	5,6
ORE / BULK CARRIERS	38 334 465	18,1	110 257 281	28,1	26 996 639	18,4	42 607 677	22,7	10 492 695	16,2	21 480 896	27,7	10 773 570	15,7	22 831 432	27,0
TOTAL OTHER BULK CARRIERS	46 651 755	22,0	133 982 867	34,1	32 292 484	22,0	51 605 893	27,5	11 675 953	18,0	26 092 091	33,7	11 956 828	17,5	27 570 545	32,6
GENERAL CARGO	72 396 359	34,2	75 091 683	19,1	54 255 965	36,9	43 968 762	23,4	22 902 556	35,3	12 575 333	16,2	24 329 617	35,5	13 809 958	16,3
CONTAINER SHIPS	1 907 801	0,9	18 363 828	4,7	1 888 959	1,3	11 606 282	6,2	591 902	0,9	5 923 572	7,6	600 954	0,9	6 072 034	7,2
FERRIES, PASSENGER & OTHER MERCH.	2 991 247	1,4	12 909 464	3,3	2 455 491	1,7	8 189 249	4,4	1 865 525	2,9	2 710 530	3,5	1 990 094	2,9	2 881 065	3,5
TOTAL GEN. CARGO & OTHER MERCH.	77 295 407	36,5	106 364 975	27,1	58 600 415	39,8	63 764 293	34,0	25 359 983	39,1	21 209 435	27,3	26 920 665	39,3	22 763 057	27,0
TOTAL ALL	211 887 151	100	392 457 224	100	147 065 710	100	187 698 939	100	64 894 829	100	77 488 999	100	68 479 915	100	84 466 942	100

Source : Lloyd's Register of Shipping

TABLE 3 (continued)

DISTRIBUTION BY TYPE OF VESSEL (1970, 1985)

	COMECON				FAR EAST				FLAGS OF CONVENIENCE				REST OF THE WORLD			
	1970		1985		1970		1985		1970		1985		1970		1985	
	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%
OIL TANKERS	3 935 991	30,2	5 640 494	22,2	726 539	21,2	2 070 474	11,7	23 413 509	57,0	46 556 585	42,1	3 340 221	45,8	19 414 536	37,9
LIQ. GAS CARRIERS	6 968	0,10	201 002	0,8	—	—	170 562	1,0	247 967	0,6	2 079 423	1,9	44 560	0,6	1 814 267	3,5
CHEMICAL TANKERS	1 080	0,01	12 016	0,05	3 350	0,1	29 770	0,2	33 342	0,1	1 423 154	1,3	13 651	0,2	304 191	0,6
OTHER TANKERS	—	—	14 535	0,10	—	—	2 676	0,01	—	—	18 251	0,0	—	—	28 695	0,10
TOTAL TANKERS	3 944 039	30,3	5 868 047	23,1	729 889	21,3	2 273 482	12,9	23 694 818	57,7	50 077 413	45,3	3 398 432	46,6	21 561 689	42,1
BULK / OIL CARRIERS	48 983	0,4	727 902	2,9	—	—	2 427 850	13,7	2 658 199	6,5	8 512 285	7,7	314 263	4,3	3 059 333	6,0
ORE / BULK CARRIERS	902 063	6,9	5 973 123	23,6	530 358	15,5	9 355 229	52,8	8 194 796	19,9	33 089 910	30,0	1 710 609	23,5	19 251 342	37,6
TOTAL OTHER BULK CARRIERS	951 046	7,3	6 701 025	26,5	530 358	15,5	11 783 079	66,5	10 852 995	26,4	41 582 195	37,7	2 024 872	27,8	22 310 675	43,6
GENERAL CARGO	7 918 237	60,8	11 290 772	44,6	2 149 626	62,9	1 835 832	10,3	6 318 744	15,4	14 176 333	12,8	1 753 787	24,1	3 819 984	7,5
CONTAINER SHIPS	—	—	649 854	2,6	—	—	1 710 038	9,6	18 842	0,05	2 464 923	2,2	—	—	1 932 731	3,8
FERRIES, PASSENGER & OTHER MERCH.	203 090	1,6	811 173	3,2	10 151	0,3	118 401	0,7	212 322	0,5	2 193 137	2,0	110 193	1,5	1 597 504	3,0
TOTAL GEN. CARGO & OTHER MERCH.	8 121 327	62,4	12 751 799	50,4	2 159 777	63,2	3 664 271	20,6	6 549 908	15,9	18 834 393	17,0	1 863 980	25,6	7 350 219	14,3
TOTAL ALL	13 016 412	100	25 320 871	100	3 420 024	100	17 720 832	100	41 097 721	100	110 494 001	100	7 287 284	100	51 222 583	100

Source : Lloyd's Register of Shipping

DIAGRAM 3.1

DISTRIBUTION BY TYPE OF VESSEL (millions)
(1970, 1985)

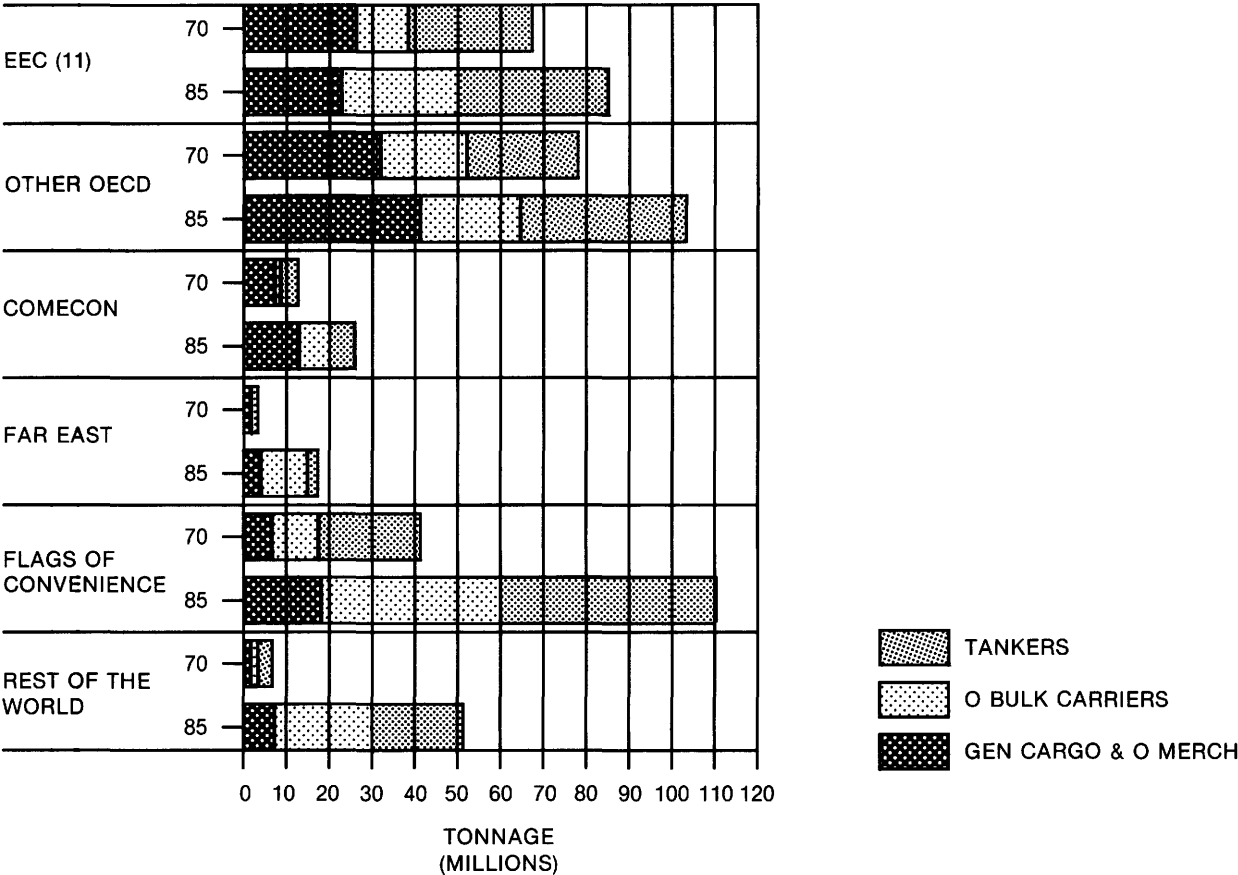


DIAGRAM 3.2

DISTRIBUTION BY TYPE OF VESSEL (percentage)
(1970, 1985)

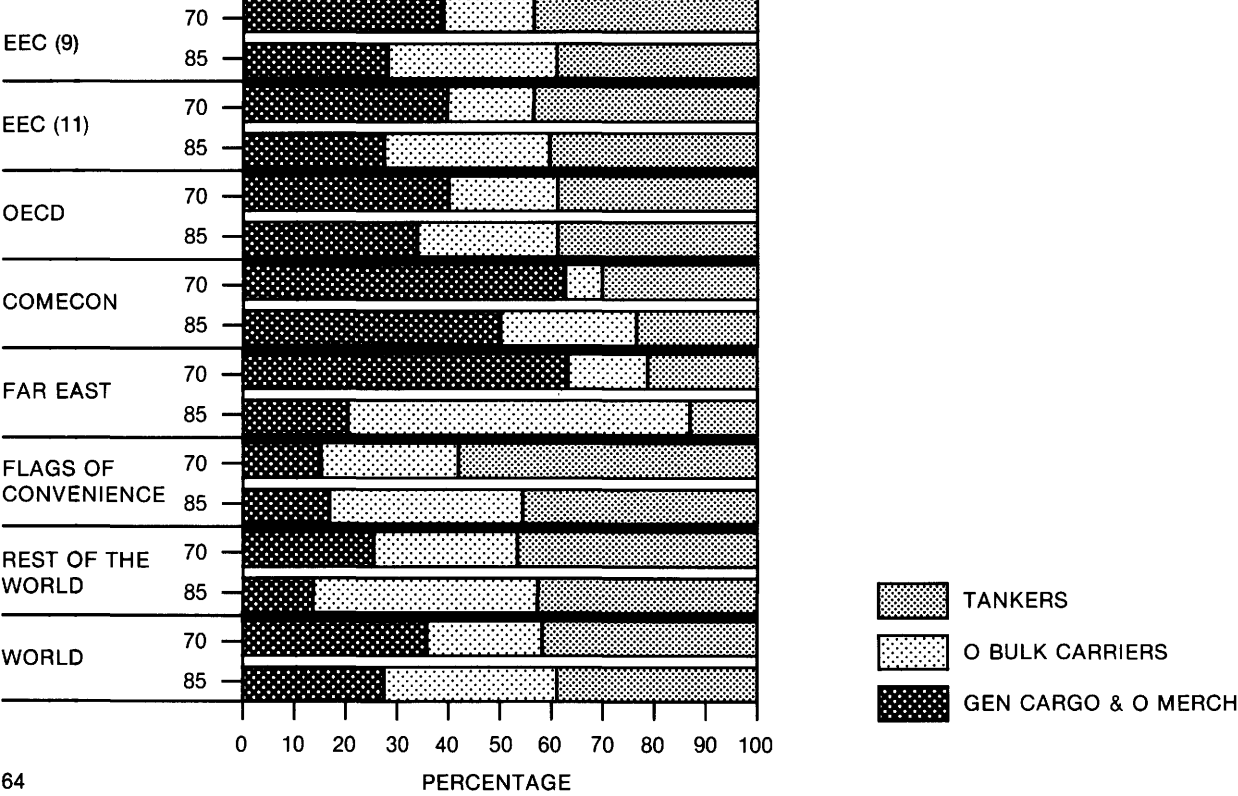


TABLE 4

DISTRIBUTION OF EEC MERCHANT FLEETS BY CATEGORY OF VESSEL (1970, 1985)

	BELGIUM			DENMARK			FRANCE			GERMANY, F.R.		
	1970		1985		1970		1985		1970		1985	
	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%
OIL TANKERS	304 889	31,3	232 313	10,3	1 339 510	44,5	2 198 748	46,1	3 477 494	58,9	4 345 640	55,1
LIQ. GAS CARRIERS	—		139 525	6,2	18 691	0,6	141 820	3,0	85 622	1,4	271 036	3,4
CHEMICAL TANKERS	—		75 536	3,4	6 587	0,2	7 849	0,2	4 628	0,1	51 519	0,7
OTHER TANKERS	—		—		—		499	0,0	—		8 950	0,1
TOTAL TANKERS	304 889	31,3	447 374	19,9	1 364 788	45,3	2 348 916	49,3	3 567 744	60,4	4 677 145	59,3
BULK / OIL CARRIERS	—		208 365	9,3	—		—		76 650	1,3	387 940	4,9
ORE / BULK CARRIERS	318 265	32,7	1 156 708	51,3	445 661	14,8	423 443	8,9	654 819	11,1	1 012 116	12,9
TOTAL OTHER BULK CARRIERS	318 265	32,7	1 365 073	60,6	445 661	14,8	423 443	8,9	731 469	12,4	1 400 056	17,8
GENERAL CARGO	350 926	36,0	148 957	6,6	1 186 691	39,4	751 241	15,8	1 396 786	23,6	958 926	12,2
CONTAINER SHIPS	—		227 426	10,1	15 810	0,5	986 143	20,6	27 000	0,5	673 387	8,5
FERRIES, PASSENGER & OTHER MERCH.	—		62 296	2,8	—		256 921	5,4	183 130	3,1	175 525	2,2
TOTAL GEN. CARGO & OTHER MERCH.	350 926	36,0	438 679	19,5	1 202 501	39,9	1 994 305	41,8	1 606 916	27,2	1 807 838	22,9
TOTAL ALL	974 080	100	2 251 126	100	3 012 950	100	4 766 664	100	5 906 129	100	7 885 039	100

Source : Lloyd's Register of Shipping

DISTRIBUTION OF EEC MERCHANT FLEETS BY CATEGORY OF VESSEL (1970, 1985)

TABLE 4 (continued)

	GREECE				IRISH REPUBLIC				ITALY				NETHERLANDS			
	1970		1985		1970		1985		1970		1985		1970		1985	
	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%
OIL TANKERS	3 872 364	36,4	9 365 658	30,3	3 207	2,1	8 533	5,1	2 720 828	38,7	3 601 121	41,9	1 984 656	39,7	744 575	20,3
LIQ. GAS CARRIERS	7 613	0,1	65 583	0,2	—	—	—	—	116 135	1,7	174 849	2,0	23 011	0,5	60 833	1,7
CHEMICAL TANKERS	—	—	3 490	0,0	—	—	—	—	40 254	0,6	94 465	1,2	18 137	0,4	42 937	1,2
OTHER TANKERS	—	—	22 649	0,1	—	—	3 917	2,4	—	—	26 703	0,3	—	—	915	0,0
TOTAL TANKERS	3 879 977	36,5	9 457 380	30,6	3 207	2,1	12 450	7,5	2 877 217	41,0	3 897 138	45,4	2 025 804	40,6	849 260	23,2
BULK / OIL CARRIERS	151 615	1,4	2 149 151	7,0	—	—	—	—	491 441	7,0	905 397	10,5	45 009	0,9	—	—
ORE / BULK CARRIERS	2 032 000	19,1	13 175 175	42,6	81 677	53,7	57 097	34,3	1 597 142	22,7	2 135 537	24,9	436 951	8,8	698 890	19,1
TOTAL OTHER BULK CARRIERS	2 183 615	20,5	15 324 326	49,6	81 677	53,7	57 097	34,3	2 088 583	29,7	3 040 934	35,4	481 960	9,7	698 890	19,1
GENERAL CARGO	4 450 936	41,8	5 408 046	17,5	65 868	43,4	39 855	23,9	1 470 962	20,9	813 920	9,5	2 357 634	47,2	1 356 762	37,2
CONTAINER SHIPS	—	—	102 876	0,4	1 244	0,8	18 386	11,0	—	—	268 689	3,1	9 234	0,2	573 885	15,7
FERRIES, PASSENGER & OTHER MERCH.	123 357	1,2	601 990	1,9	—	—	38 882	23,3	585 832	8,4	566 799	6,6	114 110	2,3	171 127	4,7
TOTAL GEN. CARGO & OTHER MERCH.	4 574 293	43,0	6 112 912	19,8	67 112	44,2	97 123	58,2	2 056 794	29,3	1 649 408	19,2	2 480 978	49,7	2 101 774	57,6
TOTAL ALL	10 637 885	100	30 894 618	100	151 996	100	166 670	100	7 022 594	100	8 587 480	100	4 988 742	100	3 649 924	100

Source : Lloyd's Register of Shipping

TABLE 4 (continued)

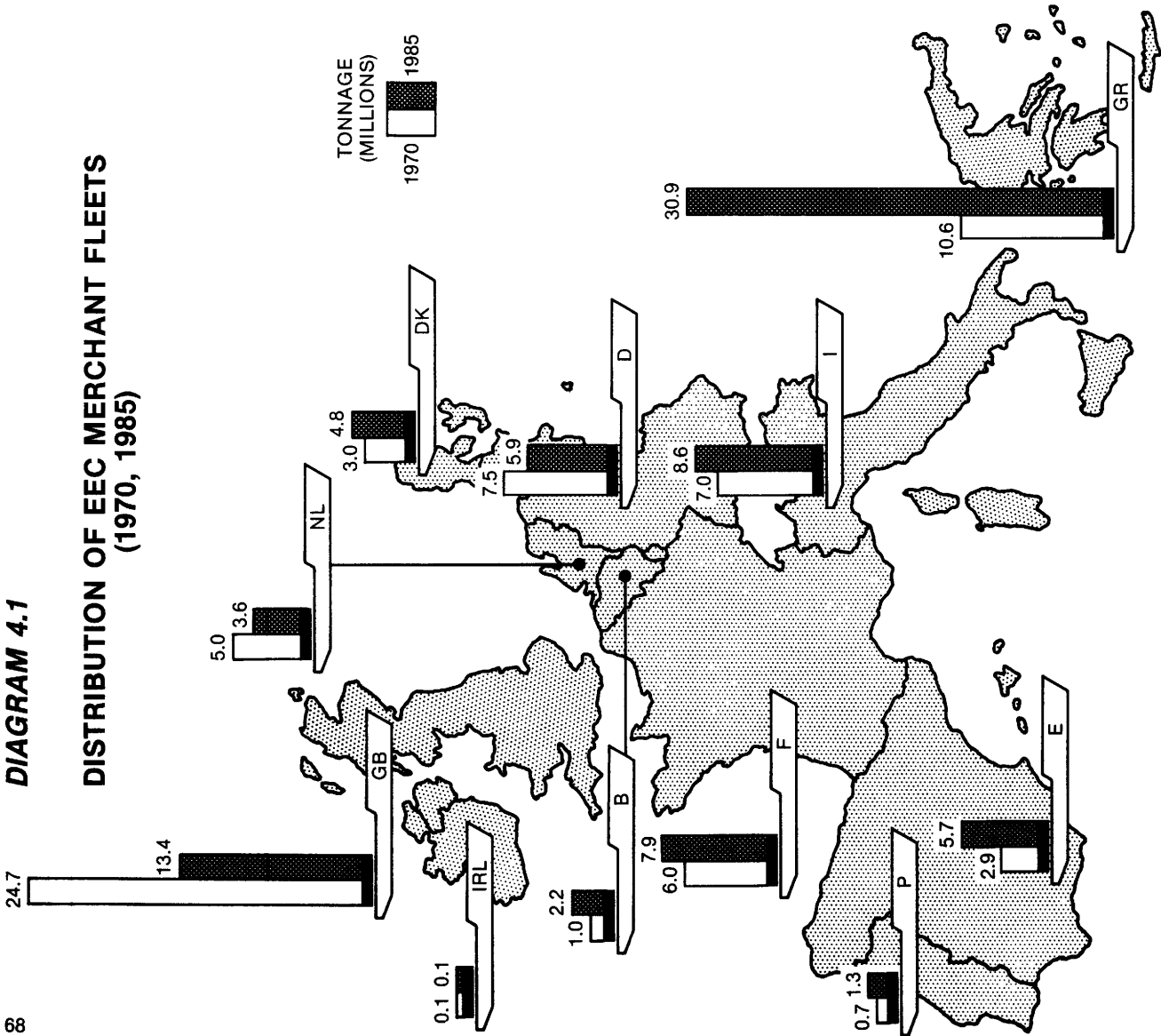
DISTRIBUTION OF EEC MERCHANT FLEETS BY CATEGORY OF VESSEL (1970, 1985)

	PORTUGAL				SPAIN				UNITED KINGDOM				EEC TOTAL			
	1970		1985		1970		1985		1970		1985		1970		1985	
	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%	Tonnage	%
OIL TANKERS	248 108	34,4	860 155	66,7	1 423 392	49,7	2 906 120	51,1	12 032 394	48,7	5 937 074	44,4	29 049 651	42,4	31 593 624	37,4
LIQ. GAS CARRIERS	3 688	0,5	1 844	0,1	66 735	2,3	68 908	1,2	96 869	0,4	716 964	5,4	416 650	0,6	1 838 611	2,2
CHEMICAL TANKERS	—	—	5 528	0,5	1 606	0,1	91 999	1,6	54 687	0,2	139 610	1,0	136 121	0,2	588 708	0,7
OTHER TANKERS	—	—	—	—	—	—	11 295	0,2	—	—	35 702	0,3	—	—	112 379	0,1
TOTAL TANKERS	251 796	34,9	867 527	67,3	1 491 733	52,1	3 078 322	54,1	12 183 950	49,3	6 829 350	51,1	29 602 422	43,2	34 133 322	40,4
BULK / OIL CARRIERS	—	—	—	—	—	—	127 918	2,2	364 908	1,5	870 381	6,6	1 183 258	1,8	4 739 113	5,6
ORE / BULK CARRIERS	11 054	1,5	157 590	12,2	269 821	9,4	1 192 946	21,0	3 484 980	14,1	2 143 810	16,0	10 773 570	15,7	22 831 432	27,0
TOTAL OTHER BULK CARRIERS	11 054	1,5	157 590	12,2	269 821	9,4	1 320 864	23,2	3 849 888	15,6	3 014 191	22,6	11 956 828	17,5	27 570 545	32,6
GENERAL CARGO	373 047	51,8	233 447	18,1	1 054 014	36,8	1 001 196	17,7	7 523 558	30,5	1 338 880	10,0	24 329 617	35,5	13 809 976	16,3
CONTAINER SHIPS	—	—	9 184	0,7	9 052	0,3	139 278	2,4	376 569	1,5	1 521 704	11,4	600 954	0,9	6 072 034	7,2
FERRIES, PASSENGER & OTHER MERCH.	85 370	11,8	22 259	1,7	39 199	1,4	148 276	2,6	754 880	3,1	657 777	4,9	1 990 094	2,9	2 881 065	3,5
TOTAL GEN. CARGO & OTHER MERCH.	458 417	63,6	264 890	20,5	1 102 265	38,5	1 288 750	22,7	8 655 007	35,1	3 518 361	26,3	26 920 665	39,3	22 763 075	27,0
TOTAL ALL	721 267	100	1 290 007	100	2 863 819	100	5 687 936	100	24 688 845	100	13 361 902	100	68 479 915	100	84 466 942	100

Source : Lloyd's Register of Shipping

DIAGRAM 4.1

DISTRIBUTION OF EEC MERCHANT FLEETS
(1970, 1985)



DISTRIBUTION BY TYPE OF VESSEL
(1970, 1985)

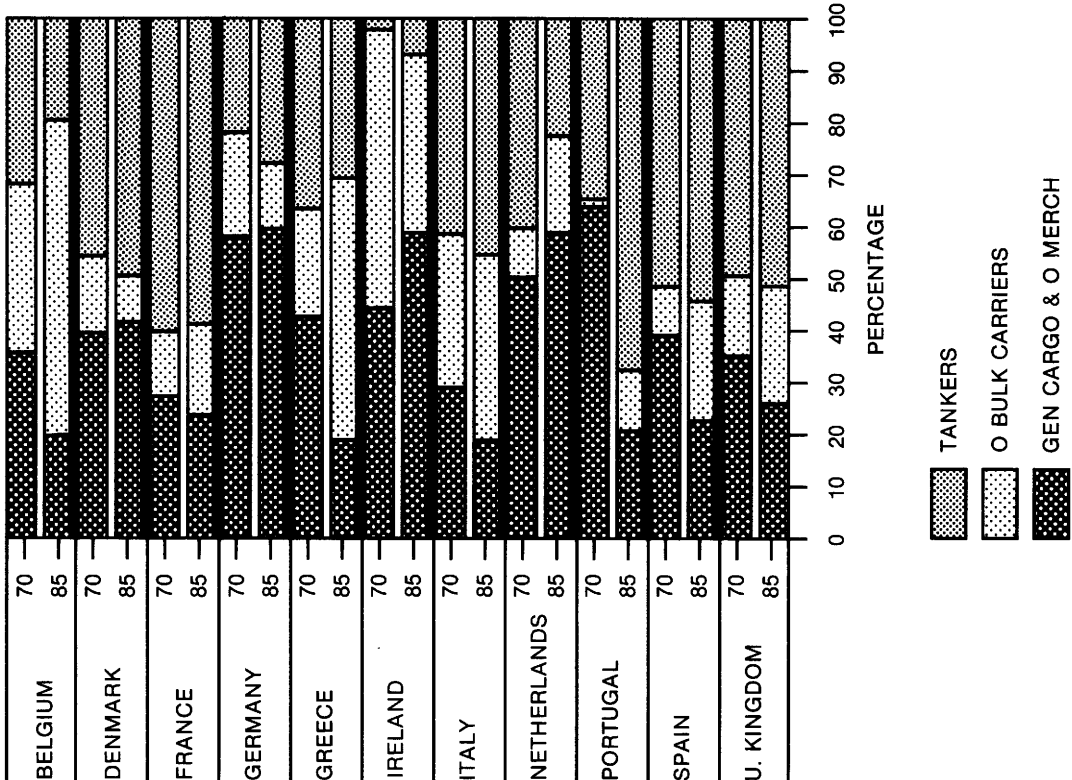


TABLE 5

GROWTH OF SEABORNE TRADE IN MILLION METRIC TONS

YEAR	CRUDE OIL	OIL PRODUCTS	TOTAL	IRON ORE	COAL	GRAIN	TOTAL
1976	1 410	260	1 670	294	127	146	567
1977	1 451	273	1 724	276	132	147	555
1978	1 432	270	1 702	278	127	169	574
1979	1 497	279	1 776	327	159	182	668
1980	1 320	276	1 596	314	188	198	700
1981	1 170	267	1 437	303	210	206	719
1982	993	285	1 278	273	208	200	681
1983	930	282	1 212	257	197	199	653
1984	950	297	1 247	306	232	207	745
1985	910	288	1 198	305	248	188	741

Source : Fearnleys Review 1984

TABLE 6

GROWTH OF TOTAL WORLD FLEETS

	TANKER		DRY BULK	
	GRT	INDEX	GRT	INDEX
1976	173 327 129	100	91 737 580	100
1977	180 458 552	104	100 921 626	110
1978	182 683 557	105	106 544 622	116
1979	183 215 170	106	108 323 261	118
1980	184 883 309	101	109 596 112	119
1981	182 570 302	105	113 083 793	123
1982	178 857 201	103	119 298 053	130
1983	169 798 559	98	124 396 677	136
1984	161 021 019	93	128 336 086	140
1985	152 109 382	88	133 982 867	146

Source : Lloyds Register of Shipping Statistical Tables

DIAGRAM 6.1

GROWTH OF TOTAL WORLD FLEETS : 1976 - 1985

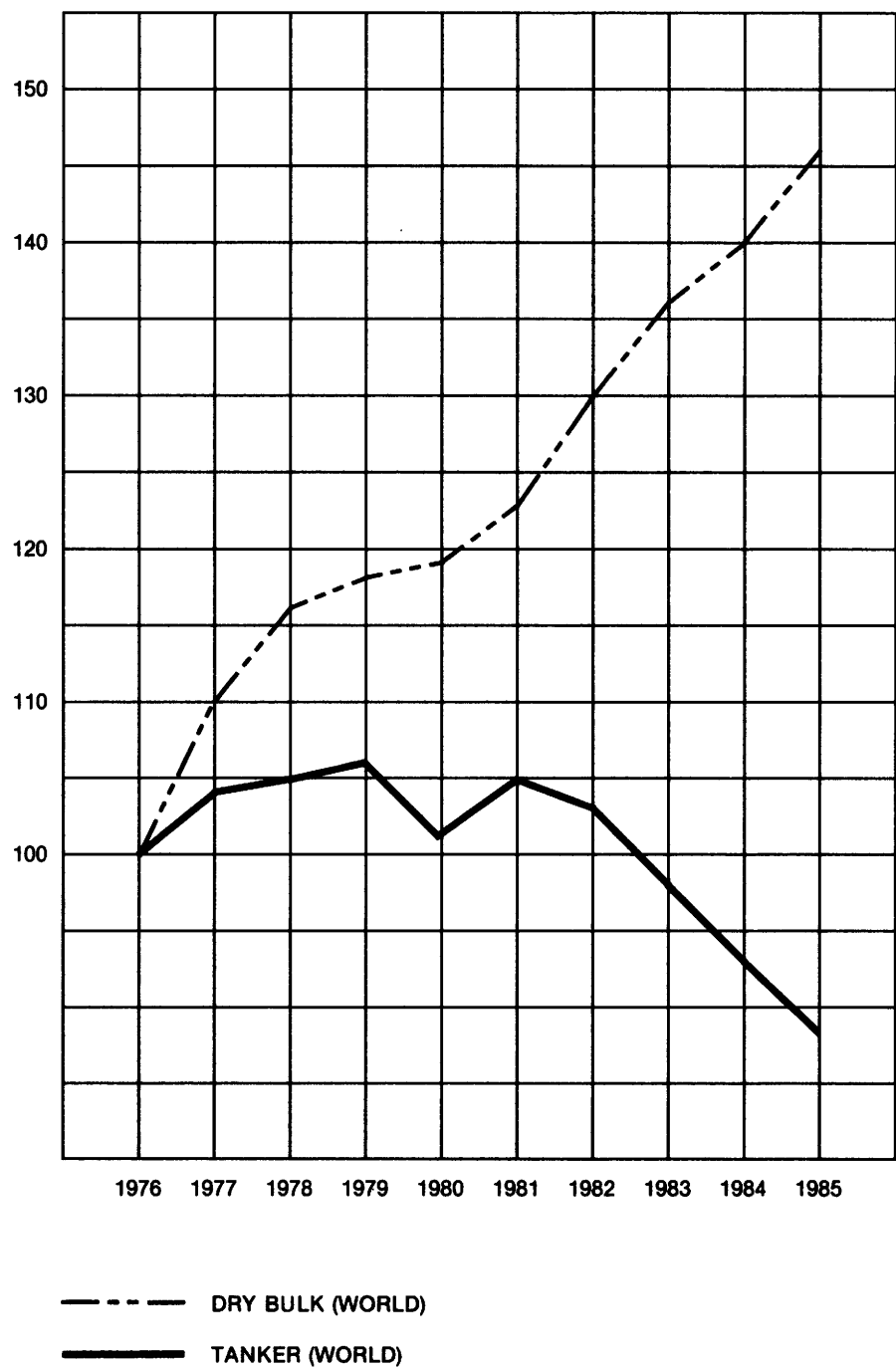


TABLE 7

**THE EVOLUTION OF SUPPLY, DEMAND
AND FREIGHT RATES IN THE OIL TRADES**

INDICES 1976 = 100

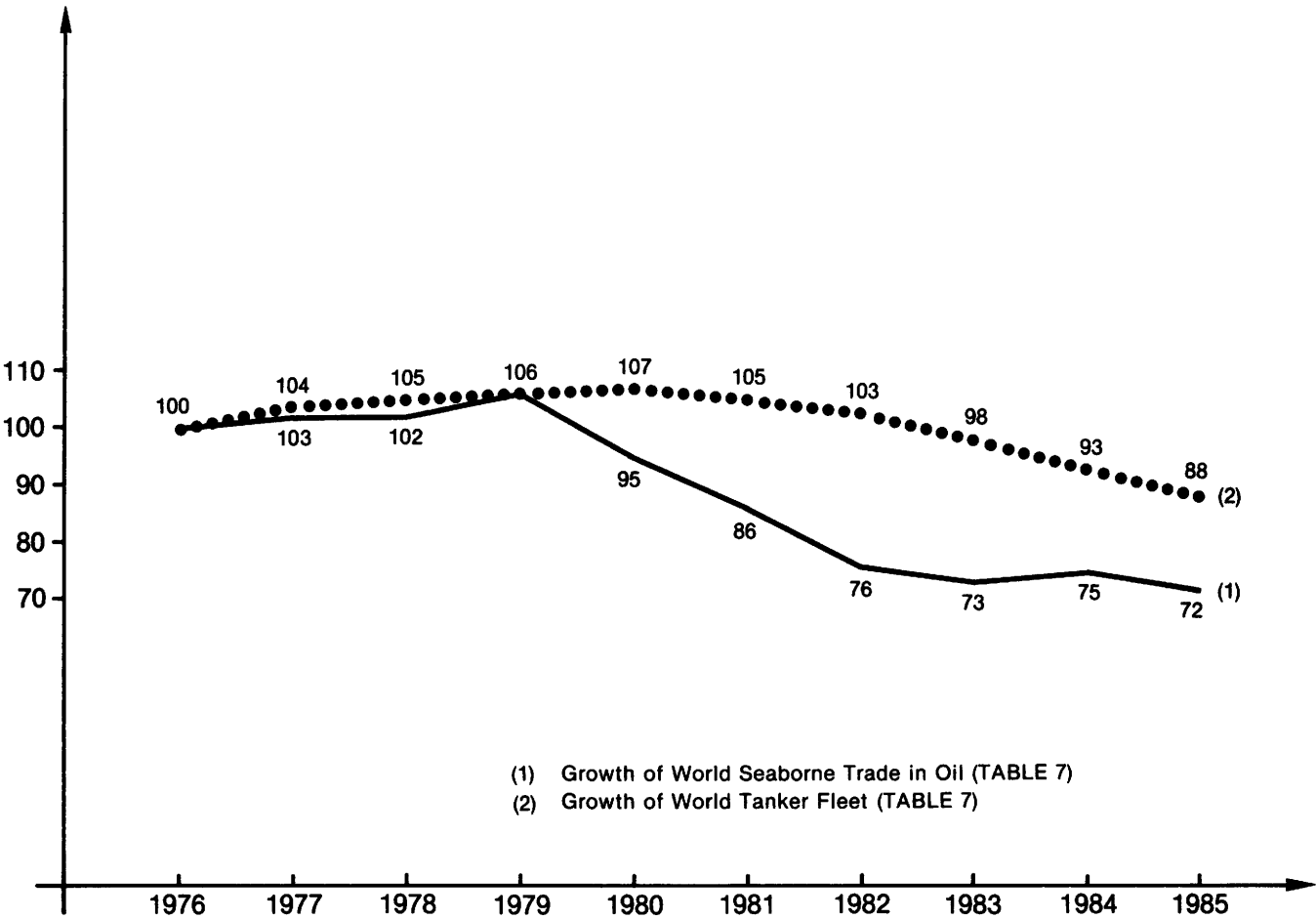
	1	2	3
1976	100	100	100
1977	103	104	88
1978	102	105	93
1979	106	106	171
1980	95	107	132
1981	86	105	82
1982	76	103	67
1983	73	98	69
1984	75	93	73
1985	72	88	72

INDEX 1 Growth of World Seaborne Trade in Oil
INDEX 2 Growth of World Tanker Fleet
INDEX 3 MULLION WEEKLY INDEX (DIRTY TANKER)

Source : Fearnleys, OECD Maritime Transport

DIAGRAM 7.1

SUPPLY AND DEMAND INDICES FOR WET BULK TRADES



Source : FEARNLEYS + OCDE Maritime Transport

TABLE 8

**GROWTH OF SUPPLY, DEMAND
AND FREIGHT RATES IN THE DRY BULK TRADES**

INDICES 1976 = 100

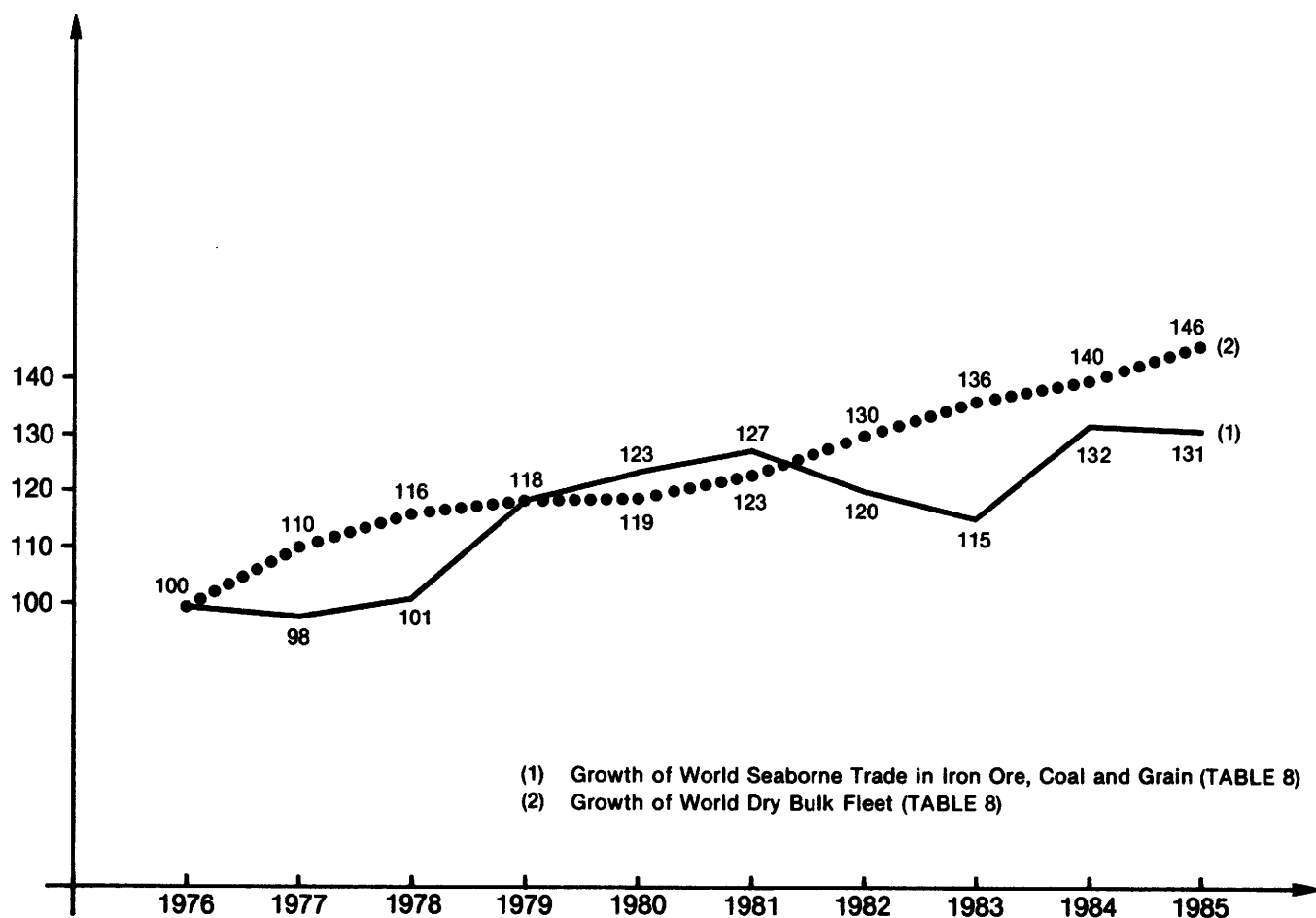
	1	2	3
1976	100	100	100
1977	98	110	77
1978	101	116	104
1979	118	118	190
1980	123	119	234
1981	127	123	191
1982	120	130	88
1983	115	136	89
1984	132	140	94
1985	131	146	86

INDEX 1 Growth of World Seaborne Trade in Iron Ore, Coal and Grain
 INDEX 2 Growth of World Dry Bulk Fleet
 INDEX 3 G.C.B.S. Tramp Trip Index

Source : Fearnleys Review 1984 General Council of British Shipping

DIAGRAM 8.1

SUPPLY AND DEMAND INDICES FOR DRY BULK TRADES



Source : FEARNLEYS, Review, 1984, General Council of British Shipping

TABLE 9**CARGO FREIGHT RATES****1. CONTAINERISED**

Major Conference Rates (Unit rates US \$ / average)

YEAR	Europe / Far East	Index	North Atlantic Westbound	Index	Europe / Arabian Gulf	Index	Europe / Australia	Index
1979	3 165	100	3 368	100	2 546	100	4 541	100
1980	3 645	115	3 924	117	2 759	108	5 181	114
1981	3 901	123	4 162	124	2 836	111	5 244	115
1982	3 616	114	4 483	133	2 804	110	5 194	114
1983	2 136	67	4 397	131	2 804	110	4886	108
1984	2 317	73	5 757	171	2 810	110	4 684	103
1985	2 179	69	6 451	192	2 810	110	5 039	111

Source : Lloyd's Shipping Economist

2. GENERAL CARGO

YEAR	12 000 - 19 999 dwt		20 000 - 34 999 dwt	
	(\$ / dwt / month)	Index	(\$ / dwt / month)	Index
1979	10,7	100	7,3	100
1980	13,9	129	11,3	155
1981	12,6	118	8,8	121
1982	7,5	70	5,0	68
1983	7,1	66	4,6	63
1984	7,4	69	4,9	67
1985	6,8	64	4,3	59

Source : General Council of British Shipping

3. DRY BULK

YEAR	Single Voyage Rates (\$ / ton of Cargo)						Time Charter Year (\$ 000 / dry)					
	30 00 dwt	Index	55 000 dwt	Index	120 000 dwt	Index	30 000 dwt	Index	50 000 dwt	Index	120 000 dwt	Index
1979	22,7	100	14,8	100	6,1	100	6,3	100	8,4	100	12,6	100
1980	29,8	131	24,2	164	10,0	164	8,8	140	12,6	150	15,4	122
1981	25,8	114	21,9	148	8,2	134	8,0	127	10,9	130	12,7	101
1982	18,4	81	14,9	101	5,2	85	4,9	78	5,2	62	5,3	42
1983	18,9	83	13,8	93	5,0	82	4,2	67	5,6	67	6,1	48
1984	18,1	80	12,6	85	6,0	98	4,0	64	5,4	64	7,9	63
1985	15,8	70	11,8	80	5,1	84	3,6	57	4,9	58	7,5	60

Source : Lloyd's Shipping Economist

4. TANKERS

YEAR	Spot Market (Worldscale)						Period Market 1 Year (\$ / dwt / month)					
	30 000 dwt	Index	100 000 dwt	Index	250 000 dwt	Index	30 000 dwt	Index	100 000 dwt	Index	250 000 dwt	Index
1979	340	100	89	100	44	100	13,1	100	3,0	100	1,1	100
1980	267	79	72	81	35	80	16,8	128	5,0	167	1,3	118
1981	137	40	49	55	26	59	9,7	74	2,7	90	1,1	100
1982	131	39	39	44	19	43	8,0	61	1,9	64	0,7	64
1983	119	35	48	54	25	57	7,5	57	2,3	77	0,7	64
1984	110	32	51	57	29	66	6,6	50	3,5	117	0,8	73
1985	110	32	48	54	26	59	6,1	47	2,9	97	1,0	91

Source : Lloyd's Shipping Economist

TABLE 10

**DEVELOPMENTS IN INTEREST RATES
AND INFLATION**

YEAR	LIBOR on U.S.*	Index (1976)	Price deflation of G.D.P. in EEC 10
1976	5,58	100	100
1977	6,00	108	110
1978	8,85	159	119
1979	12,09	217	130
1980	14,19	254	144
1981	16,78	301	157
1982	13,16	236	171
1983	9,61	172	182
1984	10,85	194	191
1985	9,29	166	199

* LIBOR (London Inter-Bank Offering Rate) on U.S. Dollar Deposit (3 months)

Source : IMF, Eurostat

TABLE 11

NATIONAL FLAGS SHARES IN TOTAL TRADE (Percent of Tonnage)

	1978		1979		1980		1981		1982		1983	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
BELGIUM	8,3	4,2	6,1	3,2	5,0	3,1	5,2	3,9	6,6	4,7	9,5	7,9
DENMARK	7,7	25,3	5,9	24,9	5,9	27,1	6,2	26,9	5,7	20,8	*	*
FRANCE	31,3	25,7	24,5	18,2	26,7	19,4	24,9	18,5	23,6	17,9	24,2	20,7
GERMANY	13,6	22,6	13,0	24,7	13,4	24,4	13,4	21,8	12,9	20,0	13,5	21,2
GREECE	43,4	45,0	31,3	44,6	58,1	45,0	38,5	43,9	46,4	46,5	32,3	43,3
ITALY	26,6	17,6	26,3	16,7	24,1	17,7	23,3	17,3	25,2	15,6	24,7	18,5
NETHERLANDS	1,7	9,1	2,1	8,5	2,0	8,1	2,1	8,9	2,2	8,7	2,3	8,2
<i>(Liner only)</i>	<i>9,3</i>	<i>10,7</i>	<i>9,9</i>	<i>11,4</i>	<i>10,0</i>	<i>10,4</i>	<i>8,9</i>	<i>9,8</i>	<i>10,0</i>	<i>10,6</i>	<i>7,2</i>	<i>9,0</i>
UNITED KINGDOM	29,5	36,5	27,0	33,1	30,9	36,9	28,9	28,0	29,2	27,1	25,4	23,5
<i>(Non-bulk only)</i>	<i>37,2</i>	<i>39,4</i>	<i>34,4</i>	<i>39,1</i>	<i>33,8</i>	<i>38,1</i>	<i>32,7</i>	<i>32,0</i>	<i>33,3</i>	<i>29,9</i>	<i>30,5</i>	<i>28,3</i>

* not available

Source : OECD

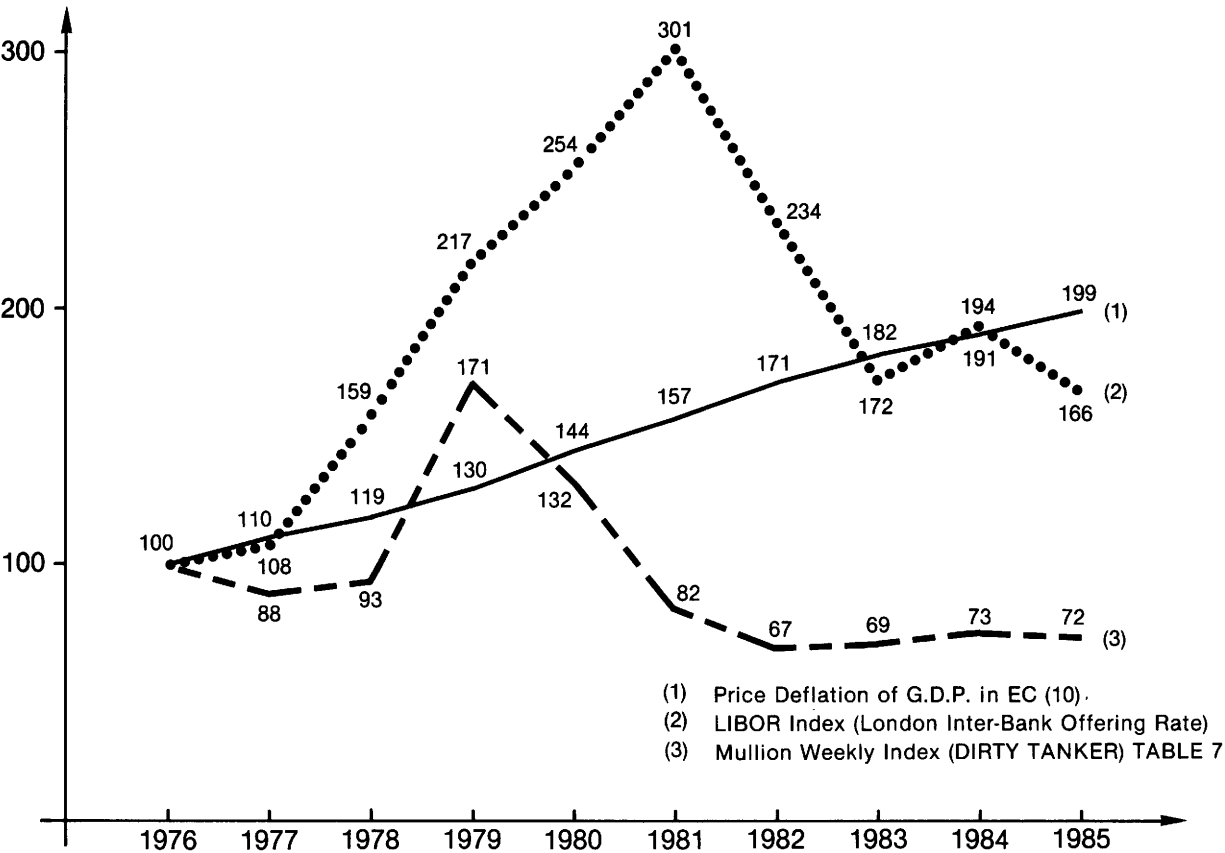
TABLE 12

**SHARES OF TRADE BETWEEN COMMUNITY STATES AND
NON-EUROPEAN STATES BY FLAG (PERCENT TONNAGE) 1981**

Trade with	IMPORTS			EXPORTS		
	Other EEC Flags	National Flag	Liberia & Panama	EEC Flags	National Flag	Liberia & Panama
FRG	33	8	30	45	11	12
FRANCE	53	27	23	59	23	10
ITALY	50	24	25	45	19	19
NETHERLANDS	35	1	31	42	5	15
BELGIUM	35	7	19	48	4	11
UK	49	26	21	43	17	23

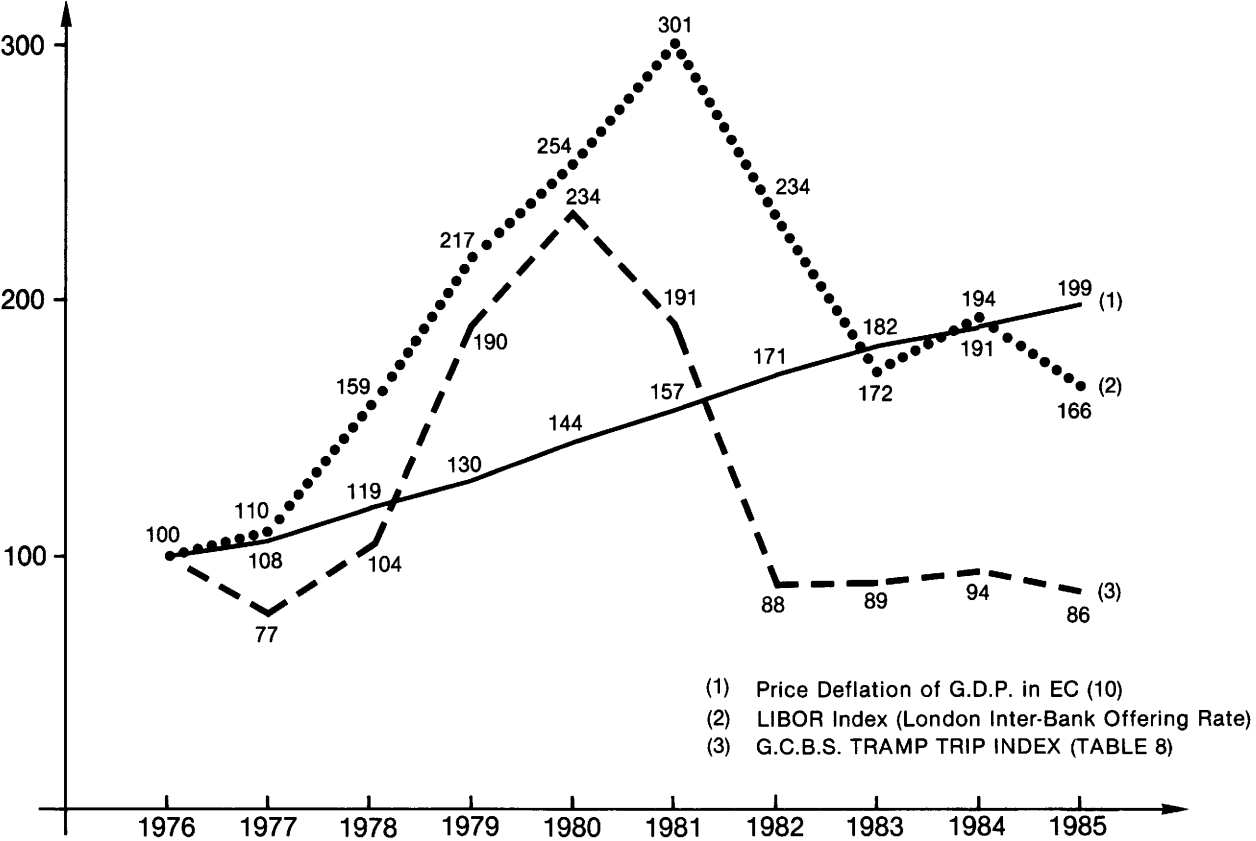
Source : Eurostat 1984

DIAGRAM 10.1
FREIGHT INTEREST RATE AND INFLATION INDICES WET BULK TRADES



Source : FEARNLEYS, OCDE Maritime Transport, IMF, Eurostat

DIAGRAM 10.2
FREIGHT INTEREST RATE AND INFLATION INDICES DRY BULK TRADES



Source : FEARNLEYS, Review, 1984, General Council of British Shipping, IMF, Eurostat

TABLE 13

**SEABORNE TRADE WITH EUROPE
PRINCIPAL GEOGRAPHIC AREAS (WEIGHT)**

IMPORTS				EXPORTS			
		Atlantic Northern Europe (a)	Mediterranean Europe (b)			Atlantic Northern Europe (a)	Mediterranean Europe (b)
		% of total imports				% of total exports	
Atlantic Northern Europe	1970	20,1	4,8	Atlantic Northern Europe	1970	67,5	40,6
	1979	26,2	3,4		1979	64,5	19,6
	1981	29,2	4,4		1981	58,5	13,6
Mediterranean Europe	1970	3,2	3,5	Mediterranean Europe	1970	6,7	18,8
	1979	2,0	3,2		1979	3,6	13,4
	1981	1,6	3,8		1981	4,3	14,7
North America (c)	1970	9,9	5,6	North America (c)	1970	7,5	14,1
	1979	11,6	7,5		1979	8,3	8,2
	1981	15,8	11,1		1981	10,5	6,3
Central America and Caribbean (d)	1970	1,2	0,4	Central America and Caribbean (d)	1970	1,2	1,6
	1979	1,2	1,1		1979	1,8	1,0
	1981	2,5	1,9		1981	3,0	2,1
South America	1970	6,4	5,4	South America	1970	2,0	1,6
	1979	6,6	5,5		1979	1,8	3,1
	1981	8,0	7,0		1981	1,5	2,1
Centrally Planned Europe	1970	6,7	8,8	Centrally Planned Europe	1970	2,8	4,7
	1979	7,3	8,0		1979	4,9	3,1
	1981	6,0	8,2		1981	5,8	5,3
Mediterranean Africa and Asia	1970	16,2	44,8	Mediterranean Africa and Asia	1970	2,9	11,0
	1979	4,1	34,9		1979	4,0	22,9
	1981	4,5	38,3		1981	4,1	25,8
West East and Southern Africa	1970	9,8	5,4	West East and Southern Africa	1970	4,1	3,4
	1979	9,6	8,5		1979	4,3	7,3
	1981	9,3	9,0		1981	4,1	7,8
Red Sea and Persian Gulf	1970	22,9	19,4	Red Sea and Persian Gulf	1970	1,2	1,6
	1979	26,2	24,8		1979	2,9	14,4
	1981	17,8	12,6		1981	4,0	17,9
South, South East & Centrally Planned Asia (e)	1970	0,9	0,6	South, South East & Centrally Planned Asia (e)	1970	2,8	1,6
	1979	1,7	1,0		1979	2,9	4,1
	1981	2,2	1,1		1981	3,0	3,2
Far East Asia	1970	0,3	0,5	Far East Asia	1970	1,2	—
	1979	0,5	0,3		1979	1,0	2,1
	1981	0,5	0,3		1981	0,8	1,1
Oceania	1970	1,4	0,7	Oceania	1970	0,8	—
	1979	2,5	1,6		1979	0,5	0,7
	1981	2,2	2,0		1981	0,5	0,5

(a) Portugal, N. Coast Spain, Atlantic Coast France, Belgium, Netherlands, Federal Republic of Germany, Denmark, Iceland, United Kingdom, Norway, Sweden, Finland.

(b) S. Coast Spain, Gibraltar, Malta, S. Coast France, Italy, Yugoslavia, Albania, Greece.

(c) includes Greenland, Puerto Rico and Hawaii.

(d) excludes Puerto Rico.

(e) includes Vietnam, China, N. Korea and Pacific USSR.

Source : UN Monthly Bulletin of Statistics, September 1984.

TABLE 14

SHIPBUILDING PRICES (NEW ORDER)

in US \$ million

YEAR	Actual prices				Constant 1980 prices			
	30 000 dwt Bulk Carrier	Index	87 000 dwt Tanker	Index	30 000 dwt Bulk Carrier	Index	87 000 dwt Tanker	Index
1972	8	100	15	100	16	100	32	100
1976	11	138	16	107	16	100	23	72
1977	11	138	16	107	15	94	21	66
1978	12	150	20	133	15	94	25	78
1979	16	200	30	200	17	106	34	106
1980	20	250	46	307	20	125	46	144
1981	19	238	40	267	17	106	36	113
1982	13	163	25	167	11	69	21	66
1983	12	150	24	160	10	63	19	59
1984	11	138	22	147	8	50	16	50
1985	10	125	20	133	7	44	14	44

Source : British Shipbuilders



Dr. Kurt PLANK, Vice-Chairman of the Transport and Communications Section, Secretary, Gerd MUHR, Chairman of the Committee, Secretary, Philip H. NORDWAL and Dott. Umberto CAPODILISTA, Vice-Chairman of the Committee; In front : Mrs Belinda PYKE, Rapporteur's expert, Mr. Knud MOLS SØRENSEN, Rapporteur, Dr. Anna BREDIMA, Co-Rapporteur, Prof. John TZOANNOS, Co-Rapporteur's expert.

Dairmid McLAUGHLIN, Ecosoc Director with Jürgen ERDMENGER, Commission Director and Helmuth MÜLLERS, Secretary of Transport Section.



ADDITIONAL OPINION

of the Economic and Social Committee

on the

Guidelines for a Community Policy in the Shipbuilding Sector

In its Opinion of 26 September 1985 on the Proposal for a Council Directive amending Directive 81/363/EEC on Aid to Shipbuilding, the Committee argued that it was extremely important for the Community to work out precise guidelines for a series of well-coordinated measures on which an overall policy for the shipbuilding sector could be based.

With this in mind, on 25 September 1984 the Section for Industry, Commerce, Crafts and Services was instructed by the Committee Bureau to draw up an additional Opinion on shipbuilding (Rapporteur: Mr ARENA). It adopted the Opinion on 5 March 1986.

At its 236th Plenary Session (meeting of 23 April 1986) the Economic and Social Committee adopted the following Opinion by a large majority with two dissenting votes.

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1. Background

More than ten years after the onset of the shipbuilding crisis, the situation justifies concerned appraisal of the industry's future and, by definition, the effectiveness of the policies pursued to date in an attempt to halt the decline.

The greatest cause for alarm is the absence of any sign of relief. Capacity utilization rates are still too low despite constant and continuing efforts to trim capacity to fit demand.

Accordingly, the Committee wishes to consider the industrial policy aspects and the outlook for the shipbuilding market before going on to express its views on the Commission's Guidelines regarding aims and the means of achieving these aims.

2. State of the Community shipbuilding sector: productivity and competitiveness

Overall productivity trends show no significant improvement despite capacity shedding and substantial improvements in terms of rationalization. Employment, and hence production capacity, in this sector have dropped by over 50% since 1975 but output has fallen at the same rate because of dwindling orders.

The methods used for achieving these cuts can be questioned. The Commission departments have a point when they claim that it would have been preferable - in terms of industrial policy - to close down a larger number of shipyards rather than cutting the capacity of each on a more or less proportional basis. Even leaving aside the serious local social and economic side-effects, closures would not, however, have played a decisive part in regaining the required productivity levels. Demand has fallen too drastically. On the other hand, work reorganization and restructuring measures have had a substantial impact - and the labour force can certainly not be accused of lack of commitment as regards individual output.

The restructuring process has failed to achieve substantial results because these measures and this commitment have not found their parallel in a steady flow of activity. Neither the volume nor the phasing of work have been adequate to match the efforts to increase productivity and the efficiency of the system as a whole.

Clear-cut proof of this state of affairs can be found, even today, in the Report on the State of the Shipbuilding Industry in the Community⁽¹⁾, which points out (para. 4.2.1.) that despite further shedding of capacity in 1984⁽²⁾, the average capacity utilization rate was still only around 60%. The reason for this is to be found not only in the stagnation of world demand for ships, but equally in the reluctance of Far East countries, despite their informal commitments, to reduce their capacity to the same extent as in Europe, or even, in some cases, to halt its expansion.

(1) COM(85) 548 final

(2) The total number of jobs shed in 1984 was over 16,000.

Hence the growing "frustration" over the effects of the large scale and costly (in both economic and social terms) schemes to adjust shipbuilding capacity.

As regards **competitiveness**, the differential between the Community's costs and prices seems to have been increased in recent years by (a) rising production costs, which (as has been seen) have not been adequately offset by a sufficient pick-up in productivity and are also boosted by the structural costs of unused capacity, and (b) the steady post-1981 drop in market prices (-40%), which fell to 1976-78 levels on average in 1984. Statistics for the first nine months of 1985 confirm this downward trend.

It is well-known that prices - in practice fixed by the Far-East shipyards, which together account for over two-thirds of the world market - have for years little more than covered the "external" costs (materials, specialist services etc.) borne by Community shipyards (see Table 1). These costs account at most for 60%-65% of the total cost of building a ship.

TABLE 1

Illustration of prices for newly-built ships charged by Far-East shipyards compared with just the "external" costs borne by Community shipbuilders in 1985

Type of ship		Price (million US\$)	External costs (million US\$)
General cargo	5.000 dwt	5.6	6.3
Panamax	62.000 dwt	16-17	14.0
Product carrier	40.000 dwt	23.0	19.0
Fruit carrier		19.7	18.0
Crude carrier	80.000 dwt	19.6	17.5
Crude carrier	130.000 dwt	42.0	35.7
Container ship	2.500 teu ⁽³⁾	27.0	24.0
Bulk carrier	220.000 dwt	38.5	33.2

Source: Linking Committee

Everything therefore goes to show that restructuring measures, however trenchant they may be, do not suffice to achieve a competitive industry. Similarly, without a sufficient workload, it would be unrealistic to set any theoretical target for Community shipbuilding capacity.

Since it must be expected - as all the most authoritative market forecasters agree (see Table 2) - that world demand will remain for some years at a very low level (10/12 million cgrt), the ability of European shipbuilding to survive (at any rate in certain Member States) must be seriously questioned.

Here clear signs are already visible as regards both shipbuilding "structures" and the size and quality of the "secondary" component, viz. the various suppliers of materials, parts and equipment who, as mentioned above, together account for around 60% of ship-production costs.

Just as shipbuilding companies lacking the necessary cash flow cannot invest in the plant or research required if they are not to fall behind their competitors, Community secondary suppliers need reliable market outlets in order to sustain their own R & D, production and after-sale services.

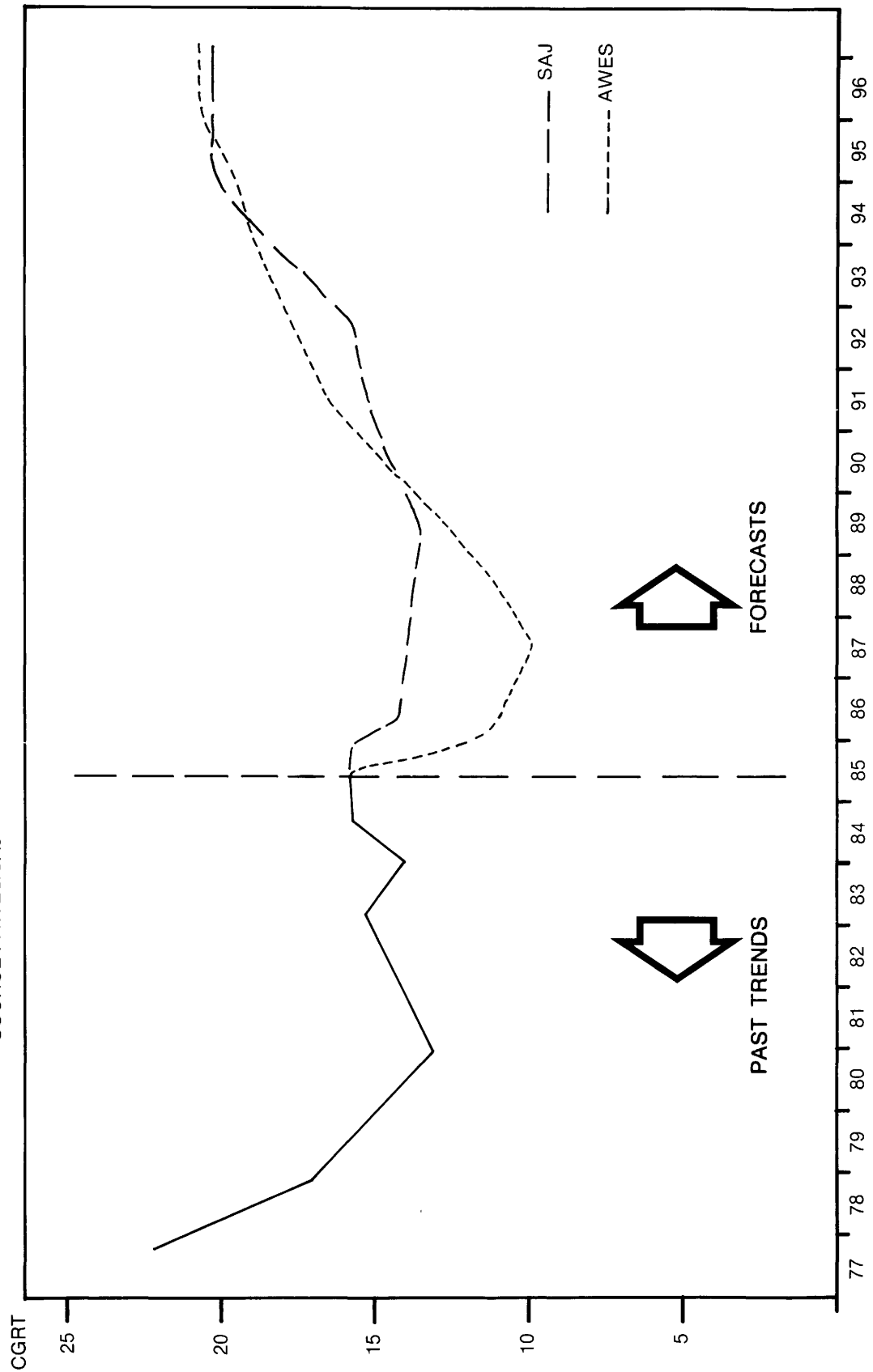
Both shipbuilders and their suppliers deplore the disturbing drop in qualified staff, despite the training schemes organized, due to their inability to offer attractive career prospects in the immediate future. This trend is particularly serious at a time when technological advances will increasingly influence production processes and products.

(3) Twent-foot equivalent units

TABLE 2

PAST AND PROJECTED TRENDS
IN WORLD SHIPBUILDING PRODUCTION (M/CGRT)

SOURCE : AWES/SAJ



Source : AWES (Association for West European Shipbuilding)
SAJ (Shipbuilders' Association of Japan)

Consequently the very infrastructure of this industry - a cornerstone of Western Europe's maritime economy - is now under attack. The decline may turn out to be irreversible. More generally, all the various skilled activities that make up this system (shipping, commercial and speciality services, as well as shipbuilders and ancillary sectors) show increasing signs of erosion.

Another area that has not escaped is **ship repairs**, which is badly hit by the current structural changes in demand. Here again great sacrifices (on both the economic and employment fronts) are being forced on the Member States. As this sub-sector is often closely interlinked with shipbuilding, these sacrifices ultimately exacerbate the latter's plight in various ways. The Committee would suggest that the Commission also give due attention to the ship-repairs sub-sector.

3. World production trends

Table 3 shows the distribution of the world market among the major shipbuilding areas.

In all international forums where attempts are made to find solutions to the shipbuilding crisis, attention is focussed on two points: a) tailoring of production capacity to discernible market trends, and b) ways of ensuring a return to reasonable price levels.

Though views still diverge sharply on the production capacity cuts made in the Japanese shipbuilding industry, it is clear that by far the major brunt of the crisis has so far been borne by European shipyards. In addition, while the drastic downscaling of this sector seems a permanent fact of life in Europe, that is not altogether true in Japan despite the period of relative hardship this country is currently experiencing (perhaps for the first time) both on the domestic and international fronts. Several factors - a) fierce competition from Korea and Taiwan, b) the substantial contrasts that have surfaced between large and small shipyards, c) the repercussions of the collapse of one of Japan's largest shipping consortia (Sanko), d) the visible gap between the shipbuilding and advanced technology sectors of the Japanese economy - have made cracks (or so it would seem) in the Japanese Government's systematic and carefully programmed strategy for the entire sea-going sector, which was a lynchpin of the impressive expansion of Japanese shipyards and fleets up to the early '80s. The prospect of a "deregulation" drive in fixing production aims, and hence a large scale "free for all", would spur Japanese shipyards to more aggressive tactics, with the foreseeable side-effects on world market conditions. It is worth mentioning, however, Japan's proposals for the new technological leap forward in this sector planned for the end of the next decade.⁽⁴⁾

In the case of South Korea - which hitherto has been reluctant to engage in negotiations on production capacity and prices - its relatively undeveloped technology should be more than offset by very low labour costs and State aids for several years to come pending the heralded new investment programmes, which would seem merely to have been postponed. The heading "rest of the world" conceals the eruption onto the international shipbuilding scene of the People's Republic of China which, together with Brazil and Taiwan, reflects the gradual shift in this sector towards the industrializing countries.

4. Forecast for the European shipbuilding industry

In the light of the above, two paths seem open to Community shipbuilders: either to follow the example of Sweden, which has virtually ceased to build merchant ships, or to equip itself properly so as to survive the next few years, when the market crisis will still be in its most acute phase, and be ready to face up to the challenge of the 90's concentrating, for instance, on as specialized a product as possible.

(4) Study Report on "A long-term future vision for the shipbuilding industry up to the 21st century".

TABLE 3**TRENDS IN WORLD ORDER BOOKS (% in cgrt)**

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
JAPAN	46	44	40	42	47	42	42	50	50	44.5
W. EUROPE	29	33	31	33	31	32	26	16	22	24.5
(EEC)	(17)	(18)	(19)	(18)	(17)	(18)	(18)	(11)	(15)	(19.5)
REST OF WORLD	25	23	29	25	22	26	32	34	28	31
(S. KOREA)	(2)	(3)	(2)	(4)	(6)	(6)	(9)	(14)	(10)	(8.3)
	100	100	100	100	100	100	100	100	100	100

Source: LLOYD'S - EEC

It seems superfluous to reiterate yet again the reasons for preserving a shipbuilding industry tailored to the needs of Member States' fleets and Community seagoing transport.

Regardless of the outcome of the required action by the Member States' governments, and in particular the EEC, to get Japan and Korea finally to shoulder a fair share of the burden of the crisis, the Community shipbuilding industry (with variations from country to country) will clearly have to press ahead in the next few years with the process of restructuring capacity, constantly bearing in mind that seagoing transport is of key importance to the Community, as the world's largest trade partner, with the heaviest sea traffic.

It would, however, be futile to hope that even substantial capacity cutbacks can restore a healthy world supply/demand balance should any further cuts in Europe merely make it easier for shipyards in other parts of the world to increase their share of the world market unless prevented from so doing by effective agreements.

The key factor is the shipyard utilization rate, the main aim being to achieve an optimum manning level (labour being one of the largest heads of expenditure) and greater concentration of orders. In this last connection, it would be preferable to close down a number of yards so that aid can make a greater impact.

It has to be asked whether the future size of the Community shipbuilding industry should be determined by the level of funds earmarked for this sector, or by social, economic or strategic considerations.

The Committee is bound to point out that:

- further labour shedding would seem more expensive and likely to cause greater political difficulties, in a period of sluggish economic growth and high unemployment;
- should output fall below a certain level, most of the industry will be doomed, partly because of the impossibility of attracting skilled managers, technical staff and workers;
- naval and merchant shipping requirements make it imperative for many countries to maintain adequate shipbuilding facilities.

In the light of the above, it has to be said that the shipbuilding sector has now contracted to the minimum sustainable level in some Member States and efforts should concentrate on maintaining and safeguarding that level. The question is how much further the Community shipbuilding industry as a whole still needs to go. Consequently the strategical guidelines to underpin implementation of a sound Community shipbuilding policy need to be determined.

(4) Study Report on "A long-term future vision for the shipbuilding industry up to the 21st century".

The policy pursued by the EEC Commission to date has consisted of stepping-up monitoring of aid and tightening the links with restructuring. A policy focussed on the collective potential of the Community shipbuilding industry - even encouraging cooperation, coordination and merger agreements that may not necessarily be "global" - would in fact have been far more effective. The scarcity of such agreements to date is due to the lack of unanimity between Member States and between shipbuilders.

In any event, the deterioration of market conditions beyond anything that could reasonably have been predicted has jeopardized the Commission's aims. The ultimate goal of a self-reliant shipbuilding industry is still a far-distant prospect.

One cannot fail to be struck by the discrepancy between the efforts being made by the Community authorities to control and reduce aid granted by EEC countries to their shipbuilding industry and these authorities' inability or lack of the necessary energy to track down and denounce the multiple forms of aid received by shipyards outside the Community, as well as the obvious dumping practices which this Opinion condemns.

5. Potential schemes to give the industry a shot in the arm

Community shipbuilding policy is bound to be founded on the Council Resolution of 19 September 1978. It is therefore unthinkable that the Member States should not be resolved to ensure the survival of this industry. Hence the urgent need for measures to sharpen the competitive edge of Community shipbuilders vis-à-vis non-member countries, preserve fair competition within the Community and establish more equal terms of competition on the world market.

Community shipbuilders, aware that the main responsibility for recovering their competitive force rests with themselves, continue to strive jointly with the other social partners (despite the difficulties inherent in lack of orders) to improve organization and working methods and retrain staff at the same time as keeping investment (notably in R & D) within the limits of their understandably scanty funds.

However, without aspiring to obsessive self-sufficiency, greater attention should be given to encouraging Community shipping companies to concentrate orders as far as possible on Community shipyards. These companies should also be offered terms enabling them to face up more effectively to international competition, thereby halting the decline that, in the space of five years, has brought about a 20% reduction (28%, if Greece is omitted) in the Community fleet. The far-reaching changes currently taking place in sea transport could determine the fate of Community carriers, especially in the vulnerable sector of line transport, in the face of the challenge by the large US and Taiwanese shipping companies with their new round-the-world services.

Several "measures" still at the project stage merit a closer look. The Committee takes for granted the operational validity of instruments such as the European Social Fund and the European Regional Development Fund - though the latter's effectiveness (especially as regards the special "quota-free" programmes) could with advantage be substantially boosted.

Home-Credit Scheme

The Home-Credit Scheme deserves particular attention. Disregarding the many complex technical aspects that have to be solved in order to frame a satisfactory scheme, and bearing in mind both the considerable differences in the workings of national financial markets and the fact that conditions on the shipbuilding market over the next few years will probably become more acute than ever, the HCS should preferably be implemented with a certain measure of flexibility (as a partial substitute for current arrangements or, in some cases, as complement to existing national schemes).

It seems unrealistic to expect that in the next few years action by the shipbuilding industry will manage to narrow the cost-price gap to such an extent that the HCS will offer shipowners enough advantages over the OECD export-credit scheme, even if correctly applied in non-member countries.

Research and Development

It is unnecessary to dwell on the key role of high technology in sharpening the competitiveness of Community shipbuilding, which has to contend with high labour costs. Some technologies cannot be introduced as extensively or as fast as in other sectors. However, the latter's experience will enable the shipbuilding industry in its turn to adopt specifically tailored methods and equipment (CAD / CAM techniques, robotics, etc.).

R & D cooperation must therefore be given every encouragement at all levels: bilateral/multilateral; between the Member States' shipyards and research institutes. Such cooperation merits special financial support, bearing in mind that innovatory techniques applicable in traditional processes could be just as valuable as basic research leading to radically new processes.

The Committee regrets the absence of any R & D programme tailored specifically to shipbuilding and hopes that, as an alternative, existing Community programmes, such as BRITE and ESPRIT will provide for satisfactory measures.

New production methods will have to go hand in hand with modernization of the product itself so as to capture sections of the market that are less vulnerable to direct competition from the "price leaders" countries.

Standardization

No headway whatsoever seems to have been made at the lengthy talks between national experts on standardization of the countless components that go into a ship. While accepting the theoretical merits, the Committee feels that the way ahead might lie not so much in standardization for its own sake as in measures to encourage a small circle of suppliers so as to achieve consistent economies of scale at Community level. In short, the idea is not for each Member State to produce identical packs but for a limited number of specialized suppliers to be able to meet the requirements of all Community shipyards at more competitive prices.

Scrap and build

The disappointing reception given at the time to the proposed scheme linking premiums for the scrapping of outdated ships with the building of new ones should not discourage a fresh attack on similar lines (possibly focussed solely on the scrapping side).

Obviously much will depend on the size of the "premium", which will have to be large enough to act as a significant incentive to shipowners.

As to the idea of encouraging the setting-up of scrapyards in countries with very low labour costs - an idea currently championed particularly by the Japanese - the perils of developing production capacity that could be converted into shipbuilding and/or repair yards should not be overlooked.

Action to restore balance on the world market

The minimal success achieved so far by the Community's efforts to contain Japan's dominant share of the market and slow down the rapid expansion of the Korean shipyards - the main cause of the disruptive price war - should have convinced the EEC and Member States that only a determined political drive can bring these two countries round the negotiation table to restore a minimum degree of order to the world market. Action is needed in the shape of either bilateral/multilateral agreements or moves within international organizations.

6. Conclusions

The above appraisal of the situation has given rise to grave concern over the future of the Community shipbuilding industry. Prices have slumped to well below the level dictated by slack demand, partly as a result of the aggressive tactics of certain producer countries. This factor - combined with the disappointing impact of the very significant drive by Community shipbuilders to stimulate productivity and competitiveness, and with gloomy forecasts of the time needed for orders of new ships to pick up - augurs the relegation of Community shipyards to the bottom of the international league unless speedy action is taken to get off the ground a policy differing radically in respect of both key principles and implementing arrangements from that pursued to date.

In the Committee's view, the Community can no longer drag its feet in identifying the minimum level of capacity to be defended with all our might. Here it should be pointed out that current production capacity (approx. 2.8 million cgrt) is not even 30% of what is needed to update just the Community fleet handling EC import-export trade, quite regardless of cross-trading. The Commission must return to the charge and determine this minimum capacity determination, making sure that Member States are not blinkered by inexcusable partisan interests. The accession of Spain and Portugal, both of them major shipbuilding countries, further complicates the Community's problems.

Once the minimum capacity has been identified, the Member States (via agreements, possibly along the lines of the steel industry market quota arrangements) should join with the Community in framing a clearcut policy safeguarding the shipbuilding sector.

Meanwhile, the Directive relating to the post-1986 period will have to take account of the aims of the above new policy for the resuscitation of an industry which has been far too long in the grip of a recession that could have dire consequences in terms of the workforce and professional skills. Attempts to modernize and upgrade production methods and products need to be matched by orders commensurate with production capacity, as described above. This sectoral policy must be accompanied by the development of new industries in hard-hit areas, particularly when further sacrifices prove necessary. Carefully thought out production specialization should assist in revitalizing the sector. It will then be less difficult to face up to the rapid technological changes in the shipbuilding industry that are predicted for the '90s. Naval equipment for marine activities other than off-shore oil production is a market with huge potential.

Ship repairs and shipbuilding are interlinked and therefore require coordinated action in the shape of restructuring and support measures ensuring the healthy survival of this subsector too.

As mentioned in its Opinion of 26 September 1984, the Committee recommends more stringent arrangements for monitoring and inspecting ships entering Community ports so as to cut down the number of unsafe vessels.

Nor must it be forgotten that the fate of the shipyards (including ship repair yards) determines that of ancillary activities (which account for over half the total cost of building a ship). Consequently firms supplying ship components which will have to rationalize and specialize, will ultimately receive a substantial share of the aid nominally earmarked for shipbuilding. (This aid is anyway only the counterpart of the customs protection enjoyed by other manufacturing sectors).

The scale, and hence the "admissibility" of such aid - ensuring total comparability and "transparency" - has to be assessed in relation to the complexities of the Community's maritime sector, which registers a substantial profit.

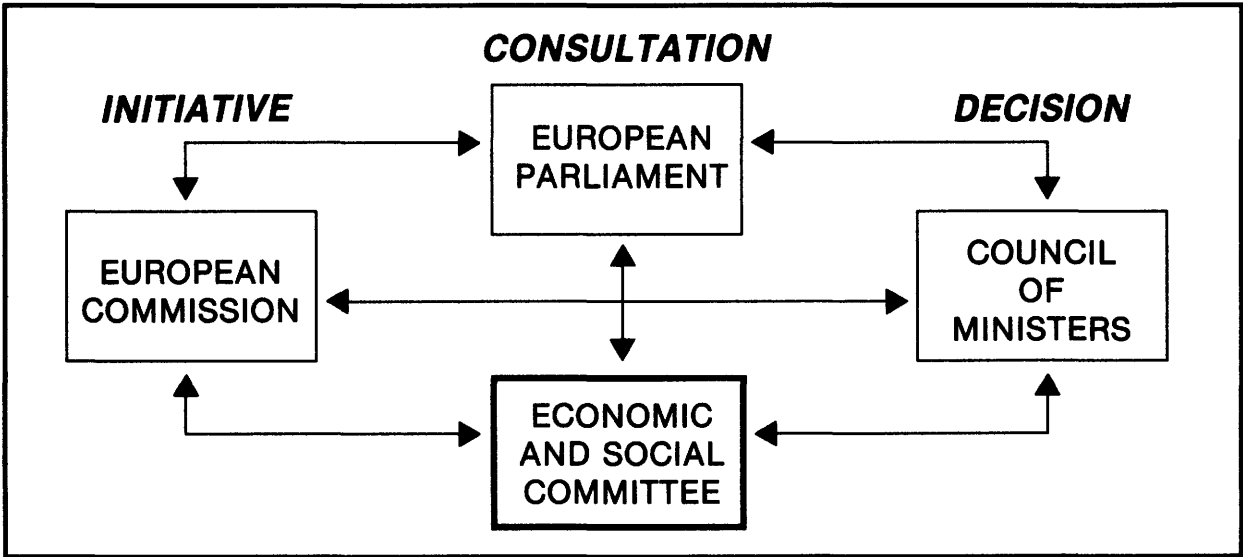
Both on economic and strategic grounds, the shipbuilding industry is an intrinsic and inextricable facet of this sector. A comprehensive approach is more than ever essential in tackling the difficulties of the shipbuilding industry in conjunction with those of Community shipowners. Due mainly to unfair competition from many non-Community countries, the latter are now menaced by dangers reminiscent of the start of the Community shipbuilding crisis during the late '70s. Should these dangers be underestimated, it will be far harder to secure compliance with the Council and European Parliament resolutions aimed at protecting the Community's maritime sector.

Consequently, the Commission should work, on a broad basis, for appropriate international political and commercial action to resist all kinds of protectionist policies followed by third countries, thereby creating a climate in which the competitiveness of the Community merchant shipping fleet can be restored. This will be an effective means of boosting the shipbuilding sector at the same time.

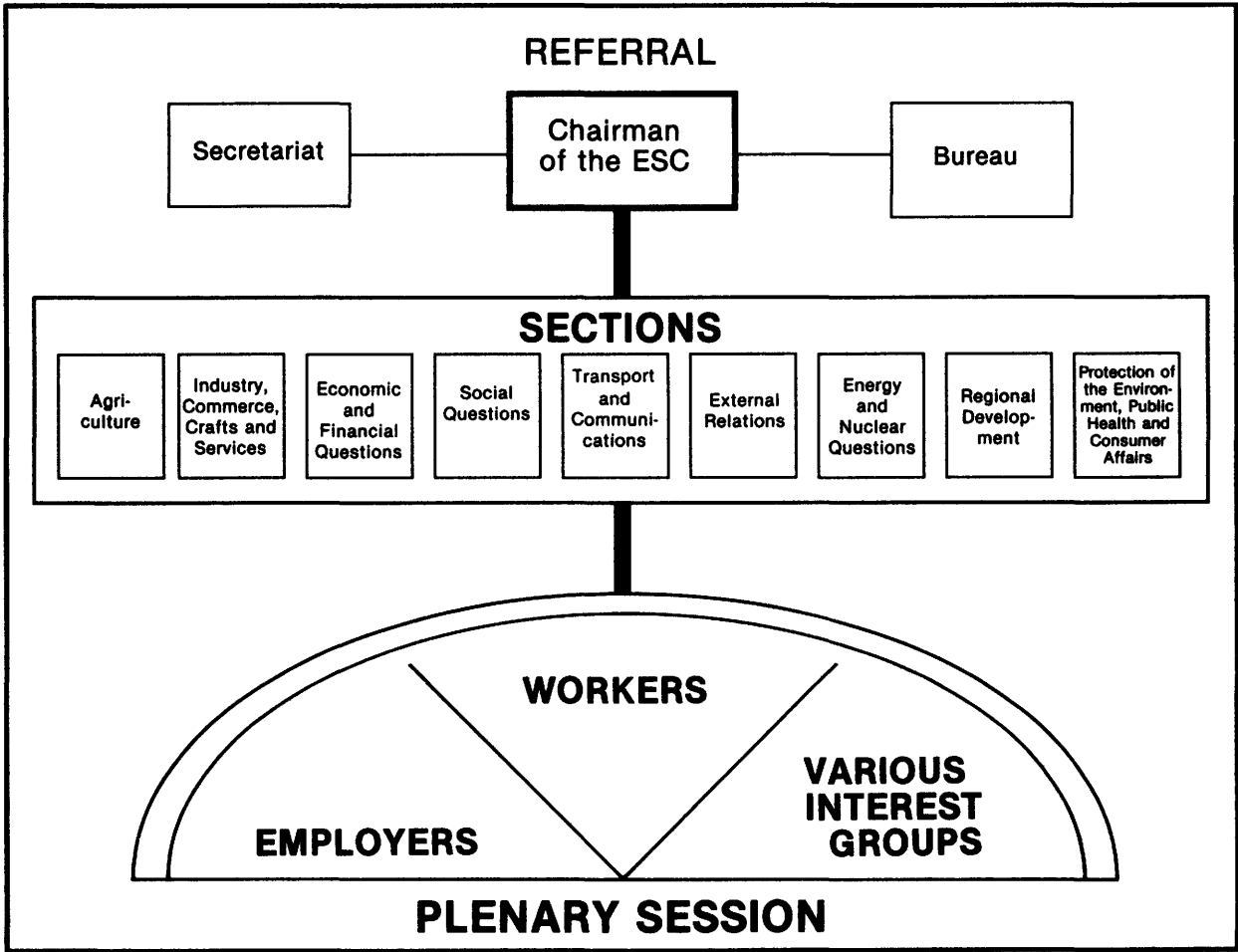
In particular the Economic and Social Committee urges the Commission to play a more active role in GATT to end dumping, as well as in bodies cooperating on the reduction of shipbuilding capacity, especially OECD working group no. 6.

Until conclusions are held with the Asian countries and produce results, it is essential that the Community take measures to safeguard its shipbuilding industry.

THE POSITION OF THE ECONOMIC AND SOCIAL COMMITTEE AMONG THE INSTITUTIONS



THE ECONOMIC AND SOCIAL COMMITTEE — STRUCTURE



EEC MARITIME TRANSPORT POLICY

Progress towards a Common Transport Policy - Maritime Transport

Guidelines for a Community Policy in the Shipbuilding Sector

3 Opinions of the Economic and Social Committee

Brussels : General Secretariat of the Economic and Social Committee

1986 - 88 pages

DE, EN, FR, GR

In this document the Committee considers that the European Community should adopt a vigorous maritime policy to safeguard employment and halt the decline in the European shipping industry.

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