

European Communities

EUROPEAN PARLIAMENT

Working Documents

1976 - 1977

23 December 1976

DOCUMENT 479/76

INTERIM REPORT

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the Community shipping industry

Rapporteur: Mr J.L. PRESCOTT

PE 43.499/fin.

At its meeting of 25 September 1975, the European Parliament referred the motion for a resolution, tabled by Mr Bangemann on behalf of the Liberal and Allies Group, on the Community's Shipping Policy (Doc.268/75) to the Committee on Economic and Monetary Affairs as the Committee responsible, and to the Committee on Regional Policy, Regional Planning and Transport for its opinion.

On 21 October 1975 the Committee on Economic and Monetary Affairs appointed Mr Prescott rapporteur.

It considered the draft report at its meetings of 3 October, 21 October, 5 November, 18 November 1975, 26 February, 13 July, 22 November and 2 December 1976.

At its meeting of 2 December 1976, the Committee decided that the report should be an interim report and adopted it with 14 votes in favour and one against.

Present: Sir Brandon Rhys Williams, acting chairman, Mr Prescott, rapporteur; Lord Ardwick, Mr Artzinger, Mr Carpentier, Mr Delmotte, Mr O. Hansen (deputizing for Mr K. Nielsen), Mrs Kellett-Bowman (deputizing for Mr Dykes), Mr Leonardi, Lord Murray of Gravesend (deputizing for Mr Thornley), Mr Notenboom, Mr Normanton, Mr Nyborg, Mr Schwörer and Mr Spinelli.

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A

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the Community Shipping Industry

The European Parliament,

- having regard to the motion for a resolution (Doc.268/75) ,
 - having regard to the interim report of the Committee on Economic and Monetary Affairs (Doc. 479/76) ,
1. Stresses the urgency and importance for the Community to develop an industrial policy embracing the interdependent sectors of shipping, shipbuilding and ship-repairing, and commercial trade policy;
 2. Calls on the Commission to call, urgently, a conference of all concerned, including representatives from the European Parliament, to discuss the interrelationships and interdependence of these sectors;
 3. Emphasizes that, in preparation for this conference, it will be essential to define an industrial policy considering, inter alia, the following:
 - (a) An assessment of the various schemes proposed to solve problems arising from over-capacity in shipbuilding and ship-repairing including the plans to regulate the tanker market.
 - (b) An investigation of the possibility and desirability of exercising 'Community preference' by requiring Community shipowners to purchase a certain proportion of their ships in Community shipyards.
 - (c) A study of the fiscal aspects of the problems faced by shipping and shipbuilding and ship-repairing sectors.
 - (d) The scope for a Community harmonization regulation dealing with working conditions and, ultimately, wages in Community ships to eliminate the unfair competitive advantage enjoyed by some Member States.
 4. Asks the Commission to take the initiative in formulating a Community policy in regard to the problems posed by the UNCTAD Convention on Liner Conferences;

5. Expects the Commission to pursue discussions with Japan with a view to resolving the Community problems in shipbuilding and the possible consequences for trade relations between Japan and the Community;
6. Calls for the Commission to assess the threat posed to Community ship-owners by Comecon shipping practices, and to consider the possibility of action in this field by including a Community shipping clause in any trade agreements.
7. Urges the Commission to investigate the problems caused by flags of convenience, including the economic advantages which they confer, which enable ships flying these flags to compete unfairly with EEC-registered ships, the proportion of Community-owned shipping using flags of convenience, and the safety hazards caused by their less strict regulations; to consider the use of port state control to investigate unsafe and inadequate working standards on board such vessels.
8. Requests that within one year the Commission shall report to the Parliament on the progress it has made in dealing with these problems and the development of a coherent industrial policy.
9. Regards this only as an interim report and resolves that its committees concerned should take immediate steps to draw up a set of proposals for dealing with problems in this industry.
10. Instructs its President to forward this resolution and the explanatory statement to the Council and the Commission and also to the governments and Parliaments of the Member States.

EXPLANATORY STATEMENTINTRODUCTION: THE 'BANGEMANN RESOLUTION'

1. Although this resolution (Doc.268/75) was drafted some twelve months ago, the events of the past year - further collapse of the tanker market, the acceptance of the UNCTAD Code of Conduct by more states, and the Law of the Sea Conference, for instance - have all gone to emphasise the need for greater coordination in the shipping and shipbuilding fields amongst the countries of the EEC. The Committee agree with the resolution's emphasis on the importance of the role played by shipping for the Community, and agree that new ideas and policies in this field are vital.
2. They consider that the 'sea transport restructuring problems' referred to in the resolution arise from developments both in the field of shipping and in the field of shipbuilding, and, in view of the interdependence of these two sectors, it is clear that any solutions will have to embrace and indeed integrate policies in both these areas.
3. The reference in the resolution to the need for 'merchant fleets based on private economy' is somewhat perplexing in view of the fact that the shipping industry is one where government and international organisations intervene to a considerable extent, and where, moreover, any policies which might help the crisis in this industry would seem to require more rather than less public intervention. It should be noted that the organisation of the industry is such that the prevailing situation could by no means be described as one of free competition. Conference systems, for example, regulate the liner trade by agreements between their members.
4. The resolution's expressed wish to safeguard and increase the standard of living of those employed in the sector should be tackled at least by a harmonisation of wage rates, and the Committee would support the resolution's general desire for the harmonisation of the lines of development followed by the Member States.
5. The crisis in world shipbuilding has led to calls for harmonisation of credit facilities, subsidies, and other conditions of competition, and attempts, within the OECD for example, to achieve this. It should be remembered that the social and economic consequences of any development in the shipbuilding sector will be experienced in the areas where this industry is concentrated, that is to say, largely in Europe's areas of high unemployment.
6. Finally, Community action will certainly be required to counteract growing problems from flags of convenience, Comecon fleets, and trade blocs in

general. There is a clear need for a coherent strategy to cover shipping, shipbuilding, and the Community's trade policy.

THE IMPORTANCE OF SHIPPING IN THE COMMUNITY

7. Since the United Kingdom, Ireland and Denmark joined the European Community, the proportion of intra-Community trade which has been carried by sea has reached some 25 per cent, while of the Community's external trade the proportion carried by sea is as high as 90 per cent. Community shipping companies, moreover, own approximately one quarter of the world fleet. The accession of Greece, with a merchant fleet larger than that of any present Member State with the exception of the United Kingdom, would obviously strengthen the already great importance of shipping for the Community.¹
8. Apart from its importance in ensuring the security of the Community's supplies of energy and raw materials, Community shipping makes a considerable financial contribution to the Community's income and to its balance of payments. In 1974 Community shipping companies earned some 13,000 million units of account, 11,000 million of which came from trade between the EEC and third countries, or between two non-Community countries. This gross contribution of 11,000 million u.a. to the Community's balance of payments represents earnings from exports from the Community and from non-Community trade, and also a saving of foreign exchange on imports into the Community.
9. Investments by Community shipping companies totalled 20,000 million u.a. in 1972, with annual investment rising from 1,500 million u.a. in 1969 to 3,300 million in 1973. Approximately 65 per cent of their new ships in 1973 were built in Community shipyards.² The Community shipping industry gives direct employment to some 310,000 people (250,000 of them on board ship³), to which should be added the employment created through the construction and repair of ships and in ancillary services.
10. The state of the Community shipping industry affects the situation in ports as well as in shipyards. A high level of investment in developing port facilities, which may have an important regional impact, can be rendered unproductive if shippers refuse to use the port, or play off one port against another to obtain the lowest possible price.

¹ According to 'The Times' of 8.7.1976, Greek shipowners control 14% of the world's shipping

² The above figures come from the 'Communication from the Commission to the Council on the Community's relations with non-member countries in shipping matters' (COM(76) 341 final) of 30.6.1976

³ A considerable percentage of these are not EEC nationals

THE CURRENT DIFFICULTIES OF COMMUNITY SHIPPING

(a) The General Situation

11. The participation of Community fleets in the Community's external trade is declining, as indeed is their relative world wide importance: in 1959 the fleets of the Nine represented 40% of total world tonnage, while in 1975 they represented only 25%.⁴ The actual size of the Community fleets, however, grew by 78% from 1959 to 1975, from 40.1 million grt to 71.3 million. (For further information see Annexes II and III).

12. Apart from this decline in relative importance of Community shipping, a certain structural weakness in this sector is apparent. The most productive ships from the point of view of 'value added' (per ton) are incontestably the most expensive and sophisticated ones (cargo and container ships), while the 'value added' by oil tankers of bulk carriers is much lower.

Community fleets had only 20% of the world total of traditional cargo ships while the developing countries and the socialist states each possess 15% of this total, that is to say, a much greater proportion than they have of world shipping in general (7 per cent). As for container ships, the Community does have some 41 per cent of the world total, but this is an area where the Comecon countries have just launched a very important investment programme. The Community has only 20% of the world total of bulk carriers, and only 11 per cent of world tonnage of lighter-carriers. The Community does have 25% of the world tonnage of oil tankers, but this is a sector experiencing severe difficulties at the moment (see below).

It should not be forgotten, nevertheless, that in spite of their relative decline, the Community's merchant fleets are among the most advanced in the world, with a high quality combined with a relatively low average age of ships.⁵

(b) The Collapse of the Tanker Market

13. The abrupt fall in the previously growing demand for oil transport which occurred with the 'oil crisis' in 1973 created great difficulties for tanker owners. In April 1975, for example, the time charter rate for a supertanker was Worldscale 15, which it is said would not cover fuel costs, let alone other operating costs and depreciation; this compares with Worldscale 280

⁴ COM (76) 341 final, op.cit.

⁵ COM (76) 341 final, op.cit.

at the height of the boom.⁶ Those owners without long-term contracts for their ships were faced with high overheads, including interest payments, which they were unable to meet without government aid.

14. A vast number of tankers have been laid up, which cuts the shipowner's costs considerably but by no means entirely. At the beginning of 1975, 46 tankers with a total deadweight of 1.6 million tons were laid up. By October these were 426 tankers of 34.9 million deadweight tons, representing almost 15% of the world tanker fleet. And 54% of this laid-up tonnage is composed of ships less than five years old.⁷

In addition to those laid-up (a procedure becoming more and more difficult owing to the scarcity of suitable berths), many tankers are without work for part of the time, or are sailing at half-speed, or are being used as huge offshore storage tanks for oil.

(c) Flag Discrimination and the UN Code of Conduct

(i) General

15. Especially since the 1960s and in respect of liners in particular, the South American countries, as well as certain Asian ones, have introduced measures discriminating in favour of ships flying their national flag, measures which usually reserve up to or beyond 50 per cent of incoming or outgoing cargo for these ships. Such measures have enabled the developing countries to achieve a high rate of growth in their commercial fleets, raising to 15 per cent their share of the world cargo fleet. Their share of total world shipping, however, fell from 7 to just over 6 per cent between 1970 and 1975, despite the declared aim of the United Nations Development Decade that it should rise to 10 per cent by 1980.

Certain EEC States, notably Germany and Italy, have taken some measures to counter this practice. The German Federal Government can restrict conditions of freight contracts and charters between residents of the Federal Republic of Germany and carriers which are residents of the countries which exclude German ships from free competition. Italy restricts the use of ships which discriminate against Italian flag ships; shipments on such vessels are subject to government authorisation.

16. In cabotage, or coastal trading, within the EEC, there is also some flag discrimination to be found. For example, some Community States' vessels have

⁶ 'The Economist', London, 19.4.1975

⁷ 'Finanstidende', Copenhagen, 31.12.1975

been excluded from certain cross-Channel passenger services. The effects of such a practice, may, however, prove to be beneficial, especially where such trade is heavily seasonal. Established shipping companies may use a high revenue during the summer to help finance under-utilised shipping in the winter months, thus providing a service of considerable social and economic benefit.

(ii) UN Code of Conduct

17. The trend towards flag discrimination was reinforced recently by the drafting of the United Nations Convention on a Code of Conduct for Liner Conferences. This Convention upholds as a basic principle that conference practices should not involve any discrimination against shipowners, shippers, or the foreign trade of any country. However, it also introduces the principle of cargo-sharing, on the basis of a 40-40-20 formula (i.e. 40 per cent each by the importing and exporting countries' ships, and 20 per cent by the ships of third countries).

Although the liner conferences (of which there are some 350 in the world, many with headquarters in Europe), involve only some 8 to 10 per cent of total seaborne trade by volume, the principle involved is an important one, and one whose acceptance could seriously weaken the position of EEC shipping. Moreover, while accepting the desire of the developing countries to play a large part in world shipping as a legitimate one, one might well question whether the method proposed by the United Nations Convention was the best way of achieving this.

According to a study published⁸ on shipping in the Third World, developing countries could experience serious difficulties as a result of widescale cargo reservation schemes as they are applied to national flag fleets. Such policies, it suggested, would not only result in a reduction of free competition but would often lead to a reduction in the frequency of services. The report stated that this would produce over-tonnaging which in turn would reduce the efficiency of vessel utilisation and result in increased shipping costs.

18. The Member States of the European Community were divided in their attitude during the negotiations leading to the UN Convention, and Germany, France and Belgium voted in favour of the Code, while the United Kingdom and Denmark voted against, and Italy and the Netherlands abstained (Ireland and Luxembourg did not participate). The European Commission, however, stressing

⁸Shipping in the Third World, H.P. Drewry (Shipping Consultants) as quoted in 'The Times', London, 12.1.1976

that the application of the general rules of the Treaty of Rome to sea and air transport had been confirmed by the Court of Justice in its ruling of 4 April, 1974 in Case 167/73, called on the Member States to adopt a common position on the UN Convention.

19. As the Commission pointed out⁹, 'the area governed by the Convention on a Code of Conduct for Liner Conferences is of prime importance to the Common Market:

- most of its exports and a substantial part of its imports are transported by liners belonging to liner conferences;
- approximately one-quarter of the trade within the Community is carried out by sea, and part of this is governed by agreements such as those concluded within the framework of conferences;
- the shipping lines of the Member States have approximately one-quarter of the world general cargo tonnage and make a substantial contribution to the employment and balance of payments situations within the Community.

'On account of the provisions which it contains, the Convention on a Code of Conduct for Liner Conferences is liable

- to influence the cost and quality of liner services between the Community and the other parts of the world;
- to interfere with the development of trade within the Community.

'The Commission draws particular attention to the fact that it considers that the present provisions of the Code of Conduct do not pay equal regard to the interests of shipowners and of shippers and are likely to damage certain fundamental interests of the Community'.

20. Later the Commission set out its view that specific incompatibilities existed between certain provisions of the Code of Conduct and specified articles of the Treaty¹⁰, as follows:

<u>Provisions of the Code of Conduct</u>	<u>Articles of the Treaty</u>
(The references in brackets are to the text of the Code of Conduct)	
- Membership of a Conference (Chapter II, Article 1)	7, 52, 85
- Participation in the Trade (Chapter II, Article 2)	7, 53, 85
(the present provisions create discrimination, because of their national base, between shipping companies established in the EEC and risk limiting competition)	
- Relations between shipping companies and shippers (Chapter III)	85, 86
(These provisions do not entirely conform to competition rules)'	

⁹ COM (74) 1112 final of 15.7.1974, 'Proposal for a decision of the Council concerning common action by the Member States in respect of the United Nations Convention on a Code of Conduct for Liner Conferences

¹⁰ Doc.COM (75) 302 final of 17.6.1975, 'Proposal concerning the opening of negotiations in respect of the United Nations Convention on a Code of Conduct for Liner Conferences'

21. The Commission considers, for example, that difficulties are raised by the Code of Conduct's provisions for membership of the liner conference and participation in the trade. They would favour modifications which would avoid the creation of fresh barriers to international maritime transport while taking account of the special needs of developing countries.

They would like, in addition, to improve the protection of the shippers' interests, especially insofar as the terms and conditions of the application of loyalty agreements are concerned. They would welcome more flexibility in the provisions concerning the notice given of overall increases in freight rates, and the simplification of provisions for the settlement of disputes. They also want the definition of 'competent authority' for the purpose of applying the Code, to include the Commission of the EEC.

As difficulties of a legal, economic and political nature would be raised by the application of the Code of Conduct to sea transport within the Community, it would be wise, the Commission feels, to ensure the non-application of the Code to this traffic.

22. The Commission requested therefore that Member States should refrain from signing or ratifying the Convention until the difficulties caused by the above-mentioned incompatibilities could be resolved. Notwithstanding the Commission request, however, Germany, France and Belgium all signed the Convention subject to ratification. The Commission protested, and initiated action against the states concerned under Article 169 of the Treaty. The present situation was outlined by Mr Scarascia Mugnozza, Vice-President of the Commission, in answer to a question in the European Parliament on 13 October 1976. He stated:

'The three Member States who have signed the Convention, subject to ratification, declare themselves bound to respect the obligations incumbent on them under the Treaty of Accession to the European Communities and are now ready to suspend ratification unless the Council of Ministers of the Community expressly authorises them to ratify. The Commission will not begin infringement proceedings before the Court of Justice. The Commission has had firm assurances that the three Member States will take active steps at Community level to formulate a common approach to the Code of Conduct. In the meantime, the Member States and the Commission reserve their position on the legal aspects of the problem'.

23. To see the question in perspective, however, it should not be forgotten that the Convention will only come into force six months after the date on

which at least 24 states representing together a tonnage of at least 25 per cent of world tonnage become contracting parties. Of the 30 countries, representing 25.8% of world tonnage, who have signed the Convention, only 17, representing 3% of world tonnage, have satisfied the conditions for becoming contracting parties (signature followed by ratification, acceptance or approval, or accession). Since the 13 other countries signed subject to ratification, either these countries must ratify or other countries must accede if the Convention is to enter into force. It seems very unlikely that this will happen in the near future.

Nevertheless, it seems probable that the principles of the Code, particularly the 40-40-20 rule, may be invoked by certain countries to give additional protection to their shipping, even without ratification.

24. It is important to note that the Community now occupies a key position with regard to the entry into force of the Code. Were all the Member States now to become contracting parties, the conditions for the entry into force of the Code would be fulfilled: the 17 present contracting parties would be joined by the Nine, so that the necessary minimum of 24 would be reached; and the Community's 25 per cent or so of world tonnage would, added to the three per cent owned by the present contracting parties, achieve the necessary figure.

It is crucial in view of Community shipping and trade interests that the Community does not appear to be trying to block the implementation of an agreed international solution, where the alternative is likely to be unilateral action. It is therefore important to find a solution to the problems outstanding, so that the Community can participate. The Community should not seem to be aligning itself with hard-line shipping interests.

25. If the Conference could be reconvened, it could usefully consider the Norwegian formula, which was proposed too late to be examined at the original Conference. This formula suggested that, instead of a 40-40-20 division of shipping, there might be a 40-60 split, where 40 per cent of the shipping would be reserved for any importer or exporter which was a developing country, and the remainder would be open for ships of any nation to carry.

Other ways of helping developing countries to achieve their aim of taking a greater part in world shipping might be suggested. These countries are handicapped so far as shipping is concerned by a shortage of capital and skill. As the Community shipowners have excess capacity, some sort of joint agreements might be worked out whereby these shipowners would operate services with the participation of developing countries; this would enable

the training of crews and also give these countries time to gradually expand their own fleets (some such arrangements have already been made by oil companies such as BP and oil-exporting states).

(d) Subsidies and Dumping

(i) Outside the EEC: Comecon Shipping

26. Most countries with a merchant fleet accord it certain subsidies, either direct or through favourable fiscal provisions. The Third World, especially the Arab countries, is rapidly developing its own state fleets. The policies followed by the state-trading countries are of particular concern here, as certain elements making up a significant part of EEC shipping costs, such as insurance, are not included as a shipping cost by lines in state-trading countries, with the results that these latter can naturally charge lower rates. Between 1963 and 1974, the USSR and other Eastern European countries increased their share of world tonnage from 5.2% to 7.6%, while the share of the OECD countries fell from 75.7% to 60%.¹¹ The gross tonnage of the fleets of state-trading countries has increased by about 400% in 15 years.¹²

27. Because of their different system of calculating costs, and the fact that their personnel receive a different system of remuneration which results in lower wage costs than those for Community fleets, the fleets of state-trading countries have been able to offer freight rates between 10 and 50 per cent lower than those offered by Community shipping; this is, in effect, a practice of dumping.

Such practices are creating greater and greater difficulties for EEC shipping companies, on sea routes between the Community and third countries (fleets of state-trading countries can load or discharge goods at Community ports without any restriction) and on routes between third countries where Community ships ply as cross-traders.

28. Concern has been expressed in several quarters over the expansion of Soviet and Eastern European shipping fleets. The 'World Trade Review and Outlook' (published by the shipbrokers, Lambert Brothers Shipping) suggests that undercutting of freight rates by the Russians, aided by the east Europeans and some sympathetic developing countries, is making western liner services insolvent and ripe for State subsidies or public ownership. With

¹¹ Lloyds Register of Shipping

¹² COM (76) 341 final, op.cit.

nearly 10 million tons already afloat, Russia has the world's largest general cargo liner fleet, nearly a third of which is competing for scarce cargoes at cut rates against western shipping in western ports.¹³

As an example of problems faced, the percentage of the United Kingdom's seaborne exports to the Soviet Union by value, carried in Russian ships in 1975, was 78% and in British ships 18%. The corresponding figures for the United Kingdom's seaborne imports from the Soviet Union were 74% and 10% respectively.¹⁴

The Soviet merchant fleet, according to the General Council of British Shipping, now ranks sixth in the world, and the Soviet Union has the largest conventional cargo liner fleet in the world - 6.9 million gross registered tons in 1974 (the UK has 6.4 million). Moreover, the Eastern bloc could account for up to 20 per cent of all liner tonnage on order.¹⁵

29. The most obvious practices used by Eastern bloc countries, in particular the Soviet Union, to divert cargoes to their own shipping, fell under four main headings:

- (a) a strict enforcement of f.o.b. purchase/c.i.f. sale contract terms in their direct trades with no flexibility, resulting in a near total monopoly of cargo movements;
- (b) a systematic policy of undercutting in their cross-trading activities by charging freight rates which were uneconomic, certainly in Western terms;
- (c) inter-governmental (either bilateral or multilateral) agreements reserving part or all of the cargo moving in the trade;
- (d) the establishment of so-called joint shipping agencies in foreign countries without reciprocity; Western shipping companies were not afforded the same possibility to run their business in Eastern bloc countries with the same freedom.¹⁶

30. Shipping interests have called for Western governments to consider concerted action against uncommercial Eastern bloc practices, and for shippers to bear in mind that the immediate attractions of using Soviet cut rates will

¹³ 'The Times', London, 25.3.1976

¹⁴ 'The Times', London, 27.4.1976

¹⁵ General Council of British Shipping: 'Red Ensign versus Red Flag - a Critical Choice'

¹⁶ Press Release on a speech by Mr W.R. Russell, retiring Chairman of the Council of European and Japanese National Shipowner's Associations (CENSA) in London on 11.12.1975

only be short-term and there would be a big longer-term price to be paid. Estimates of the significance of the threat from Comecon shipping vary considerably, however; the arguments are complex, and the facts are in some dispute. A study published in February 1976 by Seatrade Publications entitled 'Soviet Shipping' suggests, however, that the expansion of the Russian fleet in the next five years may not be as dramatic as supposed by certain European and American shipping sources. This study makes the following important points:

1. 'A confidential study from the Committee on European and Japanese National Shipowners' Associations (CENSA) has offered to accept government involvement in their affairs in return for curbs on the "uncommercial practices" of socialist shipping lines'.
2. Soviet shipping minister Timofei Guzhenko stated that the socialist share of world shipping was not expanding since over 80% of world orders for dry cargo ships were being placed by capitalist countries, with socialist countries accounting for only 3% and this was declining.
3. CENSA also accuses Comecon fleets of slashing freight rates on cross trades, and of costing practices which relieve shipping lines of the capital costs of building ships, as well as the cost of insurance. The Russians deny that their companies receive any such government subsidies.
4. 'The US and other western lines can easily outgun the Soviets and other East bloc carriers in both ship capacity and service, but when trade slumps the inoffensive Soviet tonnage becomes a bigger threat'.
5. 'The USSR's modest \$200 m. trade surplus with the West in 1974, has plummeted to a staggering \$5.5 billion deficit in 1975 ... the Comecon bloc as a whole is in hock to the West to the tune of \$12 bn'.
6. Soviet shipping has had to cross trade to stay viable, because the USSR's annual tonnage of maritime exports greatly exceeds imports, and cross-trading therefore helps to utilise capacity. In addition, the seasonality of many Soviet sea routes, which are blocked by ice in winter, releases ships elsewhere.

(ii) Within the EEC

31. The practice of granting subsidies and aids to the shipping and ship-building sectors is widespread within the European Community. Annex IV gives some idea of the very wide range of such aids. It does not, however, give

any indication of their overall value. Their nature is so disparate¹⁷ that no accurate quantification would be possible. This is clearly a field where some harmonisation of EEC Member States' policies is vital.

(e) Flags of Convenience

32. Although state-trading countries increased their share of world tonnage between 1963 and 1974, their gain seems tiny in comparison with the advance made by the fleets under flags of convenience. Between these years fleets flying the flags of Cyprus, Lebanon, Liberia, Panama, Singapore and Somalia increased their share of world tonnage from 11.4 per cent to 24.2 per cent, virtually entirely at the expense of OECD countries.¹⁸

Flags of convenience have been systematically undermining the shipping trade in traditional maritime countries by allowing under-manning, inadequate social and health benefits for crews, low standards of maintenance, and inadequate enforcement of safety regulations. Shippers operating under flags of convenience (mainly Greek and American, but with an ever-growing number of EEC shippers) enjoy various benefits: freedom from national manning scales and regulations, wage scales and social security requirements; freedom to recruit crews of any nationality and in the cheapest markets; freedom from restrictions on raising or transferring capital; freedom to buy, sell, or charter ships; freedom from competent judicial state investigation in the event of major casualties.

33. In the absence of any effective international control in this field, trade unions in the industry have been using their own industrial strength to try to combat the serious problems arising from the use of flags of convenience.

The International Transport Federation has been active in this field, and the Scandinavian Transport Workers Federation's boycott of ships flying flags of convenience whose seamen do not enjoy the same pay and conditions as in ships under European flags, which has been in operation in Sweden and

¹⁷ The source (US Department of Commerce) states, for example:
'France: Modernisation Subsidies. Following the recommendations of the VIth Plan, the government's 1971 budget included a sum of \$10 million earmarked for the construction subsidy of new vessels built in accordance with the recommendations of Plan VI. These subsidies have been granted on a selective basis taking account of technical and commercial considerations but not of the country of origin of the liners.
'... Italy: Social Security. Under a recent decree the government is to take over 10% of shipowners' compulsory social security payments if they are based in the south'.

¹⁸ Lloyd's Register of Shipping

Finland since 1950, has since 1 May 1976 been extended to Norway and Denmark. The reinforcement of this boycott has been attended with considerable success, and in Sweden alone more than 100 ships have signed ITF agreements on pay and conditions, while some others have changed from a flag of convenience to European registration.

34. If practices such as this boycott continue, and it seems likely that they will so long as ships flying flags of convenience offer wages and working conditions significantly inferior to those registered within the EEC, for example, the resulting disruption in essential maritime traffic may have serious consequences for the Community, some 90 per cent of whose trade is by sea. It is clearly in the Community's interests, therefore, to take action against the problems created by flags of convenience.

The Community could try to get a clause guaranteeing fair wages and good working conditions for seamen included in any trade agreements it concludes. This would contribute to reducing the economic attractions and advantages of flags of convenience for some European shipowners who switch out of Community flag registration to secure cheaper operating costs, which enables them to compete unfairly with Community-registered ships.

Safety regulations must be included as an important part of any agreements on wages and working conditions. One of the awesome consequences of the practice of cutting costs by operating sub-standard ships, a practice enabled by the lack of adequate supervision by many flag of convenience countries, is a high loss rate of vessels. This loss rate is much higher for flag of convenience countries than for others in comparison with total tonnage (see Annex VI). Some Community action in this field is being undertaken in the forum of the International Maritime Conference in Geneva, where EEC governments have proposed that states with coastal ports should "take measures" to rectify any conditions hazardous to health and safety on board ships docking in its ports, if there are any complaints from crew members or trade unions'.¹⁹

f) Social Conditions

35. Ships flying flags of convenience may well pay their crews lower wages than EEC-registered ships, but within the Community itself there are wide differentials, with a comparative wage ratio sometimes as great as 2:1. Clearly a competitive advantage is available to the shipowners (the majority of whom are British) with lower wage costs, in competing for freight on a

¹⁹ 'The Guardian', London, 22.10.1976

world market. And as conference lines have agreed freight rates, here the lower-cost shipowners are enabled to make higher profits than their competitors.

36. There is a strong argument, therefore, for a harmonisation upwards of wage rates throughout the Community, which would at least remove an element of unfair competition here, and probably enable all Community shipowners to compete more effectively in the world market.

Harmonisation of conditions of competition requires action to be taken not only over wages, but also over conditions of work. There has already been some attempt within the framework of the ILO to formulate international legislation concerning social security and working and health conditions on board ships. The table in Annex V shows that, of the 22 currently valid ILO conventions, most EEC Member States have ratified fewer than half. Moreover, in many instances, the conventions have been accepted but there has been virtually no effort to ensure their implementation. This indicates that there is still a wide field open for harmonisation of working conditions within the Community, and some initiative by the Commission in this field is certainly called for. Some such measures were suggested, in fact, in the French memorandum (see below).

THE IMPORTANCE OF SHIPBUILDING IN THE COMMUNITY

37. The shipbuilding industry is extremely important to the Community, directly employing more than 400,000 people, and also providing work for a further one million or so in various supply industries, whose deliveries of goods or services represent about 60% of shipyard turnover.

The industry is also extremely important for regional policy, as it is often located in regions where the structure of industry is scarcely diversified.²⁰ In 1975 almost 8 million grt was completed in Community shipyards, the largest producers being Germany (some 2m grt) followed by the UK, Denmark, France, Italy and the Netherlands (in order of importance, each producing around 1m grt). In comparison, Japan produced almost 17m grt, and the rest of the world 9m.

²⁰ See 'Communication from the Commission to the Council on Shipbuilding', 26.5.1976 (COM(76) 224 final)

THE CURRENT DIFFICULTIES OF COMMUNITY SHIPBUILDING

(a) The General Situation

38. The difficulties of shipowners in the Community are paralleled by those to be found in the shipbuilding sector, where an extremely serious situation prevails. The Community share of world shipbuilding declined from 50.9% in 1960 to 27.8% in 1970 and 22.3% in 1975. While the Community share has been declining, Japan's share of world production increased from 21.6% in 1960 to 50.6% in 1974, falling back very slightly to 49.4% the following year.²¹ The present world surplus of shipbuilding capacity has led to a general crisis in the sector, affecting shipyards all over the world who are faced with a situation of more than 40% overcapacity for the next few years.²²

According to figures issued in August 1976 by Lloyd's Register of Shipping, orders held by the world's shipyards are at their lowest level for six years. The world order book had fallen by nearly 7.7 million grt since the end of March to just over 67 million grt (in March 1974, 133.4 million grt were on order). Most of the main shipbuilding nations show reductions, with only Brazil and Poland actually increasing the size of their orders in the second quarter of 1976. Japanese shipyards registered the heaviest fall over this period, of some 4 million tons.

(b) The 'Tanker Crisis'

39. The current overcapacity of world shipyards has been caused largely by the collapse in demand for oil tankers. This sector had been growing at a feverish rate (some 10 million grt delivered in 1970 had risen to 22¾ million grt in 1975) but the "oil crisis" which began in 1973 abruptly halted the growth of the trade in oil and the demand for its transport declined. Tankers on order, however, were already being built and continued to be delivered, which led to an enormous surplus of tankers all over the world. It was estimated²³ that the demand for tankers in the 1980s was likely to be between 200 and 250 million deadweight tons. But the fleet of tankers already built or being built or under order at the time of this forecast was 460 million tons. Overcapacity was estimated by the Commission to be around 60% for the tanker sector.²⁴

21 Lloyd's Register of Shipping

22 'The Times', London, 24.5.1976. and 'Finanstidende', Copenhagen, 31.12.1975

23 'The Economist', London, 19.4.1975

24 COM(76) 224 final op.cit.

The corollary of the surplus of tanker tonnage is serious over-capacity in world shipyards. Three-quarters of the world order book at the beginning of 1975²⁵ at that time was for oil tankers, new orders for which were likely to run at a trickle until the end of the decade, while many of the existing orders would be cancelled. This crisis for the shipyards is further aggravated by the high rate of inflation, which compounds the losses they make on completed orders. Indeed, it is estimated that bankers and government agencies are already owed \$25,000 m on tankers alone.

The problem has spread, as might be expected, from the tanker sector to other sectors of shipbuilding. When the shipyards (especially in Japan) geared to building large tankers found themselves short of orders, many switched to building the type of ship for which they were next best suited - bulk carriers. The crisis is certainly not confined to tankers, and any solution to the problems could not be confined to this one sector.

(c) Competition from Japan

40. A report²⁶ on the situation in the last quarter of 1975 indicated that 70% of EEC shipowners went to Japanese shipyards. Japan took 75% of all November orders, many of which were placed at prices up to 45% cheaper than similar ships could be built in Europe. Moreover, some EEC orders were from government-subsidised companies, "whilst yards also with government participation in the same EEC country are desperately short of orders". However, Japanese shipyards have been greatly affected by the current crisis, especially as in recent years they have concentrated on building tankers. In June 1976, Japanese shipyard orders were at their lowest level since June 1970. Because of the lack of tanker orders on which most Japanese capacity had been geared, their yards have turned increasingly to more advanced types of tonnage.

A statement issued by the Association of West European Shipbuilders after a meeting in September 1976 with the Shipbuilders Association of Japan, noted that against the background of market projections and the failure of the Japanese to agree to reduce their targets, West European yards were likely to be left with no more than 20% of the expected world shipbuilding market for the next few years²⁷, which could amount to no more than 2.5 million grt. This would be a sharp fall from the 8 million tons produced

25 'The Economist', London, 15.2.1975

26 Published by the London brokers Mullion & Co (Shipping) Ltd., as quoted in the Journal of Commerce, London, 9.1.1976

27 'The Times', London, 17.9.1976

in 1975 but would represent virtually the same share of the world market (35 million tons in 1975, but expected to be only 10-13 million tons per annum over the next five years). Japan, in intending to maintain her share of the world market at 50 per cent or so, though at the same time reducing her shipbuilding capacity, could expect to be producing some 6.5 million tons each year up to 1980. This, although it would be a sharp drop from her 17 million tons in 1975, would leave at most 6.5 million tons to be built elsewhere. The expanding Third World shipbuilding countries would probably capture orders for some 4 million tons of this, leaving, therefore, at most 2.5 million tons for European shipbuilders.

41. There are several reasons why the Japanese could gain a large share of any shipbuilding orders capable of being drummed up in the difficult conditions prevailing for the past year:

- (a) Under the Japanese system it is virtually impossible to lay off any of the 250,000 men employed in the industry (including its sub-contractors). Though there is scope for cutting down recruitment and for transferring some workers to other divisions of diversified companies of any group, the only practical alternative to providing gainful employment for the labour force is bankruptcy.
- (b) Because many shipbuilders are well diversified into heavy engineering and other activities, there must be scope for price-cutting which would be denied to specialist shipyards of the European type. It has been alleged by some Europeans that Japan is currently selling ships below cost, but it is more accurate to say that under the existing Japanese corporate structure it is possible for the yards to re-allocate overheads in such a way that price-cutting becomes commercially feasible.
- (c) The Japanese trading house system provides a channel of communication between yards, owners, and those most likely to have freight to be transported to or from Japan. This may mean, for instance, that a shipowner can be induced to place orders, on the promise of some kind of steady employment for his vessel when in service.
- (d) The Japanese may have some advantage in financing in present conditions. It is possible, for example, that Japanese trading companies and others may be helping shipowners to find their down-payments, something they are well organised to do by virtue of their normal access to large amounts of offshore funds.²⁸

²⁸ 'Financial Times', London, 12.2.1976: 'New orders boost for shipyards' by Peter Duminy

European allegations of dumping have been strongly denied by Japanese shipbuilders, but the pressure has been such that Japanese government agencies are now investigating Japanese yard prices. European shipbuilding industry leaders have been discussing pricing policies with their Japanese counterparts, as well as the state of the world market, the serious surplus capacity, and measures which could be taken to improve the situation.²⁹

(d) Attempts to deal with Shipbuilding Problems

(i) Increases in State Aid

42. As pointed out above (para.31) the practice of granting subsidies and aids to the shipping and shipbuilding sectors is widespread in the European Community (though it is by no means confined to this area). Since the present crisis developed, however, there has been increasing pressure on governments to support the shipbuilding industry by increasing their aid, and in many cases this pressure has had results.

A recent report³⁰ states that 'yards in virtually every major shipbuilding country are now quoting for new orders on terms which contravene the intent, if not the letter, of the Organisation for Economic Cooperation and Development's Understanding on Export Credits'. A case is cited of a West German shipyard indicating to Egyptian officials seeking to order ships that the 30% down payment (which the understanding requires to be paid in the pre-delivery period) could be provided in the form of capital aid made available by the German government for development projects.

The Budgets Committee of the Bundestag voted at the beginning of April,³¹ 'to lift a restriction which had barred German shipowners placing orders with German yards from claiming both interest rate subsidies under the country's shipyard aid scheme and direct subvention under the shipping line aid fund. It also decided to reduce the subventions that German shipping lines could claim when placing orders abroad'.

The British Government has decided to extend to home shipowners the insurance inflation scheme which has been available to foreign customers on capital goods. This measure³² had been delayed by difficulties over

29 'The Times', London, 3.11.1975: 'EEC calls for evidence of unfair price cuts for Japan's shipyards' by Peter Hill

30 'The Times', London, 26.1.1976

31 'The Times', London, 12.4.1976

32 'The Times', London, 9.4.1976

gaining approval from the EEC authorities in Brussels. In response to pressure from the European Commission, this cost escalation scheme will cover goods imported from other Member States for incorporation into ships being built in the United Kingdom. The Commission's requirement of degressivity having also been complied with, the Commission has proposed that the Council should amend its directive 75/432/EEC on aid to shipbuilding to permit this British scheme.³³

As a final example of increasing aids to shipbuilding, one notes that the West German Transport Ministry announced in April 1976 that the shipbuilding aid programme for the current year would be stepped up (from the DM 110 m. originally planned) to DM 170 m.

(ii)OECD Action

43. The extension of State aids indicated above is clearly not in any way sufficient by itself to resolve the problems facing the industry, and may even hamper world recovery in this sector. As the European Commission pointed out: 'It is therefore to be feared that uncoordinated measures by individual countries would be ineffective and, because of their protectionist effect, lead only to disruption of competition and a partitioning of the market'.³⁴

Numerous initiatives have already been taken by public authorities and interested circles to solve the industry's problems through international cooperation. Perhaps the most important of these have been carried out within the OECD. The most concrete achievement here was the adoption by the OECD Council in May 1976 of a resolution 'concerning the general arrangement for the progressive removal of obstacles to normal competitive conditions in the shipbuilding industry'.³⁵ In effect, this was an affirmation by certain OECD members (Belgium, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden and the United Kingdom) of their intention to progressively remove obstacles 'to normal competitive conditions in the shipbuilding industry' and an undertaking to try to eliminate certain specified measures of assistance before 1 November 1978.

Such a development, while certainly to be welcomed, goes nowhere near solving the current problems faced by the industry, and, while work continues within the OECD, there have been various other plans put forward.

³³ COM(76) 321 final, 30.7.1976

³⁴ COM(76) 224 final, op.cit., page 9

³⁵ C (76) 68 final (OECD)

(iii) Other Plans

44. There have been negotiations at industry level between the Association of West European Shipbuilders (AWES) and the Shipbuilders Association of Japan (SAJ). One report³⁶ suggested that agreement was being sought on the following basis:

- the reduction of production capacity by roughly 30 to 40%, with fair distribution between Community and Japanese shipyards;
- system for a fair distribution of orders;
- setting of floor prices for various types of vessel to prevent dumping.

Any such agreement would clearly raise problems concerning the EEC competition rules in that it would entail elements of an understanding on prices and an understanding on the division of the market. However, formulae other than cooperation appear difficult to apply: customs duties on vessels would present difficulties for the Community merchant fleet and might be evaded by flags of convenience; and substantial direct aids are prohibited by the commitments entered into by the EEC within the framework of the OECD, and they could create financial difficulties for the Member States.

Latest reports, however, say that negotiations between the two associations have broken down, with the AWES claiming that the Japanese negotiators had stated specifically that they intended to maintain their production targets and that there was no possibility of any change in their pricing policy.³⁷

45. There has also been mention³⁸ of a plan specifically to overcome the problem of overcapacity in the tanker market which has been drawn up by representatives of the four sectors of the tanker industry: shipyards, shipowners, bankers, and oil companies. The plan, which aims at achieving a balance between tanker supply and demand by 1978, would involve the spending of \$5,000 million. It envisages the creation of a form of cartel which, judging by the lack of any open support from United States interests, might well clash with US anti-trust laws, and no doubt with EEC competition rules as well.

Certain other plans have been geared specifically to the problems in the tanker sector. Suggestions that tankers should be required to have segregated ballast tanks, which substantially reduce a vessel's cargo capacity (conversion can cost up to US\$4 million a ship), have been mooted, and there are signs that the US Government is considering imposing unilateral regulations to enforce this.³⁹

³⁶ 'Agence Europe', 31.12.1975

³⁷ 'The Times', London, 17.9.1976: 'Shipbuilders want EEC to press case with Japan after impasse', by Peter Hill

³⁸ 'The Guardian', London, 15.1.1976

³⁹ 'The Times', London, 31.8.1976: 'US tanker plan widely condemned' by Michael Bailly

The Oslo-based International Association of Independent Tanker Owners (Intertanko) has proposed a worldwide scheme for the scrapping of old oil tankers, suggesting that governments would be better advised to provide financial incentives to shipowners for scrapping than incentives for the construction of ships 'for stock'.⁴⁰

Another plan⁴¹ was for a world tanker cartel into which all independent tonnage would be put and from which it would be chartered at enhanced rates. The aim would be to secure rate levels sufficient to support pool tankers whether working or not and which would be met, through higher rates, by the oil companies and, through them, by the consumer. This plan was expected to be put by a Japanese delegation to assembled shipowners, shipbuilders, bankers, and oil producers at a meeting of the Tanker Industry Forum in London in October.

(iv) Action by the European Community

46. The Commission, in its communication to the Council on Shipbuilding, states that it is 'of the opinion that, to obtain best results, the serious worldwide crisis in shipbuilding calls for immediate Community action, in advance of any possible fruition of the unavoidable steps for restructuring the industry in the longer term'.⁴² It considers that the best means of achieving its aims is to pursue action in the forum of the OECD. However, it has said that the Community should prepare proposals which would be put to its OECD partners, should the exchange of information envisaged in the OECD 'general arrangement' prove inadequate to ensure a fair distribution of new orders.⁴³

The Commission has said that the shipbuilding sector requires continuous Community coordination and 'joint recourse to all those measures necessary to maintain the activities of at least the essential core of the industry, and protect it against the measures of third countries; among these measures one can rule out neither financial support for shipowners or yards, nor any appropriate action in the field of maritime or commercial policy'.⁴⁴

It should be noted that there is now, since the recent breakdown in negotiations with Japanese shipowners, more support within the industry for

40 'The Times', London, 6.9.1976

41 'The Times', London, 28.9.1976: 'Will more tanker owners sink beneath the weight of laid-up shipping?' by Michael Bailly

42 COM(76) 224 final, op.cit., page 19

43 Ibid., page 15

44 Ibid., page 18

Community action in this field. European shipowners are to make a formal approach to their national governments and the European Commission, asking for top level representations to the Japanese authorities over the international shipbuilding crisis.

CONCLUSIONS

47. The foregoing analysis of problems in the shipping and shipbuilding sectors makes it clear that both face serious problems which should be tackled with the utmost dispatch. Upon consideration of these problems it is evident that the most effective way of dealing with them will be by means of a policy which embraces both the sectors in question. The links between them are obvious and the present uncoordinated and piecemeal attempts to deal with their problems have both proved ineffective and given rise to the incongruous situation where a Community shipowner in receipt of government aid will place an order for a new ship in a Japanese shipyard while a Community shipyard, also in receipt of government aid, is starved of orders for ships. Moreover, the scope and variety of state aids given by the Member States indicate that these countries are in fact giving competing subsidies which will be useless to solve problems in this industry for the Community as a whole.

48. The Community has taken some action in the shipbuilding sector, with three directives⁴⁵ and several amendments aimed at rationalising and progressively reducing aid given by Member States to their shipyards. The European Parliament was in some cases consulted and in some cases not. On the latest occasion a second version of the Third Directive was passed by the Council without the Parliament having been consulted (although it was consulted on the first, substantially different, version). The Parliament has also not been consulted on a proposed amendment to this directive⁴⁶ which permits a new scheme of cost escalation cover to be introduced by the United Kingdom. It is regrettable that in an area in which the Parliament

⁴⁵ Directives numbers 69/262/EEC, 72/273/EEC and 75/432/EEC

⁴⁶ COM(76) 321 final of 30.7.1976. The Commission letter to the European Parliament, enclosing the proposal for amendment "for information" refers to Article 149; this Article is not applicable, however, as it refers only to amending a proposal not already adopted by the Council, which is not the case here. The letter also refers to the European Parliament having been consulted on the directive to be amended (i.e. the Third Directive) which is scarcely the case.

has shown considerable interest, and in a sector where the Commission would find useful the widest possible expression of support for its actions, that the Parliament is not consulted on every occasion.

The Committee had some misgivings about the first version of the Third Directive which it expressed in the Krall Report (Doc.68/74). The Committee regretted that there was no evidence of any attempt to harmonise the aid schemes in operation throughout the Community, but supported the Commission's efforts to subordinate all the different forms of aid, including investment aid, to common rules. They called upon the Commission to formulate as soon as possible a proposal for a structural directive for shipbuilding which would oblige Member States to comply with Community rules on investment aid.⁴⁷

The Committee are pleased to note the awareness of the Commission of the need for restructuring this industry which was expressed in their communication to the Council in May 1976.⁴⁸ They hope that some concrete proposals in this field will shortly be forthcoming, but stress that any effective policy in this area must be part of a general Community policy for the whole shipping industry (covering merchant fleets and shipyards).

49. It should be recalled that the Court of Justice of the European Communities in its judgment on case 167/73 decreed that sea and air transport fell under the general provisions of the Treaty of Rome. This meant that shipping was subject to the Community rules on competition. The Commission stated in its Fifth Report on Competition Policy of April 1976 that it had 'begun work on proposals to the Council for special regulations applying the rules of competition to sea and air transport, which will take account of the need for uniform application of these rules and at the same time of the specific features of those modes of transport'.⁴⁹

The Commission's actions must be carefully planned. It has never tried to enforce the competition clauses of the Treaty with the utmost rigour, and it would not be desirable for it to do so now. The present system of liner conferences, while by no means ideal and clearly not in complete conformity with the principles of free competition, serves at the moment, nevertheless, as a measure of protection for European shipping. To attempt to remove such protection under the present circumstances could prove disastrous. A recent

⁴⁷ Doc.68/74: VI.Conclusions. See also the Resolution of the European Parliament OJ C.76 of 13.7.1974

⁴⁸ COM(76) 224 final, op.cit., page 19

⁴⁹ Fifth Report, Introduction

report ⁵⁰ suggested, however, that the United States Department for Justice is striving to develop an anti-trust case aimed at breaking apart the whole system of international shipping conferences, and the Commission should certainly keep itself informed of developments in this matter.

It is evident, however, that certain changes must be made in the structure of the European shipping industry if it is to survive in a healthy state.

50. The Commission has produced a document ⁵¹ indicating certain measures which it thinks might be taken with regard to the Community's relations with third countries. It suggests a systematic coordination of positions of the Member States in order to select joint activities to be carried out under the auspices of such organisations as UNCTAD, the ILO, IMCO, the OECD, and GATT. The principles outlined in this document have not yet been accepted by the Council. Though these principles are somewhat unspecific, it would give an impetus for necessary developments in this field were they to be approved. However, the Commission should press ahead with work in these sectors without waiting for the Council to pronounce.

As preliminary measures, moves by the Commission to implement a certain harmonisation of conditions within the industry, would aid the adoption of a common European policy for shipping. There is plenty of scope for harmonisation measures: they could embrace common safety standards, wages and social conditions, and a common fiscal policy for the industry (in order of practicability of achievement). Once firms within the EEC were competing on equal conditions, the desirable long-term direction and structural development of the industry could be examined in a rational manner.

51. There should be considerable support for some such measures within the Community. In the context of the Council session devoted to transport problems on 11 December 1975, the French delegation presented a memorandum on maritime transport, suggesting a Community action programme in this field, and setting out three priority fields in which it thought the Commission could 'seek possibilities for common action':

- harmonisation of intra-Community maritime transport considered as a vehicle for the Community internal trade;
- protection of the economic interests of the Member States from discrimination in the maritime field;

⁵⁰ 'The Times', London. 27.8.1976: 'Ship groups fear US move to end trade pacts', by Frank Vogl

⁵¹ COM(76) 341 final, op.cit.

- protection for the security of transport including the protection of the environment and covering social policy by the taking of common measures against sub-standard ships.

The memorandum contained a number of indications on desirable harmonisation tasks:

- (a) in the social field, the Community could make an important effort at equalisation in progress with regard to the duration and organisation of work and regulations regarding qualifications and recruitment. Furthermore, it could get to grips with schemes for the social protection of seamen;
- (b) in the taxation field, it would not be enough to confine matters to overall assessments of the effect of national taxation schemes. The economic data pertaining to the maritime world not only as regards the variation in freight but also the pattern of the market for new and second-hand ships should be considered.⁵²

The Committee await with interest Commission proposals in this field, which are necessary if a sensible long-term Community shipping policy is to be achieved.

52. Two major problems which necessitate Community negotiations with other countries (apart from dealing with shipbuilding overcapacity) are, as is indicated in the above analysis, those of the UN Code of Conduct and Comecon competition. As far as the former is concerned, as the Code seems unlikely to receive the adherence of the requisite number of contracting parties before 1979, when a review conference should be convened, the Commission should ensure that a clear Community position is worked out before this date. The Committee could also, however, usefully take the initiative in trying to get the conference reconvened as soon as possible. Regarding Comecon competition, the Commission might do well to raise the issue in the context of any negotiations with this body. It is essential that the Commission make an analytical study of this problem, in view of the lack of clear data available.

The Commission will not need to be reminded of the need for urgent measures to deal with the crisis in the shipping industry. It seems at the moment to be committed to working within the OECD to get international agreement to resolve the current problems, but it should at the same time prepare other lines of action which could be pursued outside the OECD, especially if there is little progress made in that forum. It is vital that a Community policy should be developed as the alternative is probably the uncoordinated and conflicting development of national measures of government aid which could jeopardise common action in this field and which, moreover, are virtually certain to prove ineffectual.

⁵² 'Agence Europe', 12.12.1975

MOTION FOR A RESOLUTION

tabled by Mr BANGEMANN

(Doc.268/75)

on behalf of the Liberal and Allies Group pursuant to Rule 25 of the Rules of Procedure on the Community's Shipping Policy on 25 September 1975

The European Parliament,

- having regard to the important role played by sea transport in ensuring supplies of energy and raw materials and in safeguarding international trade in goods,
- having considered the different structures of the merchant fleets of the Nine which, so far, have been adequate for the task, is nevertheless of the opinion that new ideas should be formulated to cope with sea transport restructuring problems,
- feels that the overall objective of a sea transport policy in the countries of the EEC should be the construction of merchant fleets based on private economy, and on safeguarding and increasing their productivity and profitability and the standard of living of those employed in the sector,
- requests the Commission of the Communities to put forward proposals for the harmonisation of the lines of development followed by the various Member States of the Community and, if appropriate, to pursue them in the form of joint action,
- proposes that priority be given to the elimination of distortions of competition within the Community by harmonising the main factors likely to affect costs in the sectors of shipbuilding policy, fiscal policy and labour market social policy and by eliminating all other national protectionist measures,
- urges the appropriate EEC bodies to encourage action outside the Community aimed at combating protectionist attitudes throughout the world and to take the necessary measures to resist the increasing pressure of competition from the merchant fleets of the Comecon countries.

SIZE AND COMPOSITION OF COMMUNITY MERCHANT FLEETS

Country	Tankers	% of Total	Ore and Bulk Carriers (1)	% of Total	General Cargo (2)	% of Total	Fishing Vessels (3)	% of Total	Miscellaneous (4)	% of Total	Total
Belgium	367.1	27	546.9	40	332.8	25	13.4	1	98.2	7	1,358.4
Denmark	2,161.3	48	552.2	12	1,347.3	30	60.6	2	356.7	8	4,478.1
France	6,937.9	65	1,405.4	13	1,530.9	14	208.4	2	663.4	6	10,746.0
Germany	2,724.6	32	2,202.0	26	3,085.6	36	145.6	2	358.8	4	8,516.6
Ireland	5.7	3	148.3	70	22.2	11	2.3	1	31.9	15	210.4
Italy	4,061.0	40	3,559.8	35	1,241.2	12	90.7	1	1,184.3	12	10,137.0
Netherlands	2,637.3	46	508.1	9	1,984.8	35	88.4	2	460.8	8	5,679.4
U.K.	16,096.1	49	8,107.6	24	6,232.9	19	236.5	1	2,484.3	7	33,157.4

(in thousand g.r.t.)

(1) Including combination carriers

(2) Including container ships and miscellaneous cargo ships

(3) Including fish factory and carrier ships

(4) Including chemical and other non-oil tankers, liquefied gas carriers, transporters of barges, vehicles or livestock, passenger ships and ferries, research ships and other non-trading vessels

Source: OECD (Maritime Transport 1975)

COUNCIL OF EUROPE COUNTRIES' MERCHANT FLEETS
AS AT MID 1965, 1970 and 1974

(Ships of 100 g.r.t. and over)

	in '000 g.r.t.	1965 as a % of world total	1970 in '000 g.r.t.	as a % of world total	1974 in '000 g.r.t.	as a % of world total
Austria	0.9	0.0 ¹	9.8	0.0	97.1	0.03
Belgium	832.0	0.5	1,062.2	0.5	1,214.7	0.4
Cyprus	181.8	0.1 ¹	1,138.2	0.5	3,394.9	1.1
Denmark	2,561.6	1.6	3,314.3	1.5	4,504.8	1.5
France	5,198.4	3.3	6,457.9	2.9	8,834.5	2.9
Fed. Rep. of Germany	5,279.5	3.4	7,881.0	3.5	7,980.4	2.6
Greece	7,137.2	4.5	10,952.0	4.9	21,759.4	7.1
Iceland	129.0	0.1	119.0	0.05	148.7	0.05
Ireland	173.0	0.1	175.0	0.1	208.7	0.1
Italy	5,701.3	3.6	7,447.6	3.3.	9,322.0	3.0
Luxembourg	nil	nil	nil	nil	nil	nil
Malta	54.7	.0.03	35.4	0.02	38.0	0.01
Netherlands	4,891.0	3.1	5,206.7	2.3	5,500.9	1.8
Norway	15,641.5	10.0	19,346.9	8.6	24,852.9	8.1
Sweden	4,290.1	2.7	4,920.7	2.2.	6,226.7	2.0
Switzerland	179.6	0.1	195.9	0.1	199.7	0.1
Turkey	671.7	0.4	696.8	0.3	971.7	0.3
United Kingdom	21,530.3	13.7	25,824.8	11.5	31,566.3	10.2
Total Council of Europe	74,453.6	47.4	94,784.2	42.3	126,821.4	41.2
Total OECD	109,155.2	69.5	143,946.7	64.2	184,829.0	60.0
World Total	157,172.6	100.0	224,260.5	100.0	308,134.6	100.0

Computed from figures by Lloyd's Register of Shipping

¹ 1966

TYPES OF AID TO SHIPPING AND SHIPBUILDING GRANTED BY EEC MEMBER STATES

	Belgium	Denmark	France	Germany	Ireland	Italy	Netherlands	United Kingdom
Operating subsidy or aid			x			x		x
Construction subsidy or aid	x		x	x	x	x		
Modernisation subsidies Conversion policy Scrap and build/break-up premium			x			x	x	
Export credits Credit guarantees	x		x			x	x	x
Tax benefits	x	x	x	x	x	x	x	x
Interest subsidy							x	
Lower customs duties		x	x	x		x	x	x
Investment grant loans and interest on loans	x	x	x		x	x	x	x
Depreciation allowances	x	x	x	x		x	x	x
Cargo preference and cabotage		x	x	x		x		
Government ownership/ shareholding		x	x	x	x	x	x	x
Reimbursement of part-cost			x					
Research grants	x	x					x	x
Measures against detrimental shipping policies of other states				x				
Lower Social security contributions			x					

Source: "Maritime Subsidies May 1974", U.S. Department of Commerce

STATE OF RATIFICATIONS OF INTERNATIONAL LABOUR CONVENTIONS BY EEC MEMBER STATES AND GREECE

Convention No. ¹	8	9	15	16	22	23	53	55	56	58	68	69	70	71	73	74	91	92	108	109	133	134	
Fed. Rep. of Germany	x	x	x	x	x	x	-	-	x	-	-	-	-	-	-	-	-	x	-	-	x	x	
Belgium	x	x	x	x	x	x	x	x	x	x	x	x	-	-	x	x	x	x	-	-	-	-	
Denmark	x	x	x	x	-	-	x	-	-	x	-	-	-	-	-	-	-	x	x	-	-	-	
France	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	-
Greece	x	x	x	x	-	-	-	x	-	x	-	x	-	-	-	-	-	-	x	-	-	-	
Ireland	x	-	x	x	x	x	-	-	-	-	x	x	-	-	-	x	-	x	x	-	-	-	
Italy	x	x	x	x	x	x	x	x	-	x	x	x	-	x	x	-	x	-	x	-	-	-	
Luxembourg	x	x	x	x	x	x	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Netherlands	x	x	x	x	x	x	-	-	-	x	x	x	x	x	x	x	x	x	-	-	-	-	
United Kingdom	x	-	x	x	x	-	-	-	x	-	x	x	x	-	-	x	-	x	x	-	-	-	

¹ For titles of Conventions see following page

TITLES OF INTERNATIONAL LABOUR CONVENTIONS GIVEN IN ANNEX V.

Convention No.	8	Unemployment Indemnity (Shipwreck)
	9	Placing of Seamen
	15	Minimum Age (Trimmmers and Stokers)
	16	Medical Examinations of Young Persons (Sea)
	22	Seamen's Articles of Agreement
	23	Repatriation of Seamen
	53	Officers' Competency Certificates
	55	Shipowners' Liability (Sick and Injured Seamen)
	56	Sickness Insurance (Sea)
	58	Minimum Age (Sea) (Revised)
	68	Food and Catering (Ships' Crews)
	69	Certification of Ships' Cooks
	70	Social Security (Seafarers)
	71	Seafarers' Pensions
	73	Medical Examinations (Seafarers)
	74	Certification of Able Seamen
	91	Paid Vacations (Seafarers) (Revised)
	92	Accommodation of Crews (Revised)
	108	Seafarers' Identity Documents
	109	Wages, Hours of Work and Manning (Sea) (Revised)
	133	Crew Accommodation on Board Ship
	134	Prevention of Occupational Accidents to Seafarers

In terms of No. of Ships	Liberia	Panama	Cyprus	Somalia	Singapore	Lebanon	Honduras	All F's of con.	OECD	East Europe	Rest of World	
1964	2.57	5.52	Information not available			(4.76)	-	3.57	0.67	(0.23)	1.73	
1965	2.96	(3.04)	Information not available			(4.96)	(3.96)	3.16	0.71	(0.389)	1.58	
1966	2.22	5.00	(23.12)	Information not available			(6.94)	-	3.53	0.73	(0.15)	1.16
1967	2.47	4.59	(15.29)	Information not available			(11.28)	-	3.77	0.58	(0.18)	1.81
1968	1.92	4.05	(0.00)	(22.00)	(0.00)	(6.84)	-	2.57	0.80	(0.25)	1.43	
1969	1.77	4.74	(2.98)	(9.62)	(1.66)	(5.95)	(3.61)	2.84	0.66	(0.25)	1.94	
1970	1.43	5.71	(4.92)	(6.00)	(3.04)	(2.92)	-	2.76	0.75	(0.07)	1.54	
1971	1.71	4.13	(4.81)	(6.05)	(7.56)	(6.96)	-	2.87	0.75	(0.00)	1.42	
1972	1.78	3.83	(5.17)	(5.81)	(1.20)	(2.86)	-	2.67	0.60	(0.16)	1.98	
1973	1.32	2.62	6.97	(4.07)	(2.14)	(4.35)	-	2.53	0.63	(0.23)	1.62	
For the whole period 1964-1973	1.95	4.20	5.89	6.19	2.49	6.04	(0.76)	2.83	0.69	0.19	1.62	
In terms of tonnage (grt)												
1964	1.96	3.73	Information not available			(6.79)	-	2.54	0.69	(0.25)	1.86	
1965	1.73	(2.18)	Information not available			(6.75)	(6.00)	2.00	0.81	(0.33)	1.50	
1966	1.65	3.15	(34.36)	Information not available			(7.91)	-	2.31	0.77	(0.08)	1.45
1967	2.09	3.60	(21.14)	Information not available			(17.00)	-	2.89	0.54	(0.21)	1.93
1968	1.76	3.00	(0.00)	(59.00)	(0.00)	(11.61)	-	2.13	0.67	(0.39)	2.05	
1969	1.19	2.22	(3.18)	(10.93)	(3.00)	(5.00)	(9.67)	1.52	0.87	(0.10)	1.82	
1970	1.14	5.56	(4.79)	(6.29)	(6.85)	(6.25)	-	1.96	0.81	(0.09)	1.22	
1971	1.22	3.36	(5.08)	(6.08)	(15.04)	(22.60)	-	1.89	0.81	(0.00)	1.37	
1972	1.35	3.42	(3.50)	(6.35)	(1.53)	(2.40)	-	1.79	0.43	(0.53)	4.21	
1973	1.77	1.74	11.30	(6.13)	(2.37)	(8.88)	-	2.32	0.45	(0.38)	2.03	
For the whole period 1964-1973	1.56	3.15	7.38	7.80	4.52	8.56	(1.57)	2.11	0.68	0.24	1.94	

Note: Figures in brackets on this table indicate that they relate to samples of less than 10 ships