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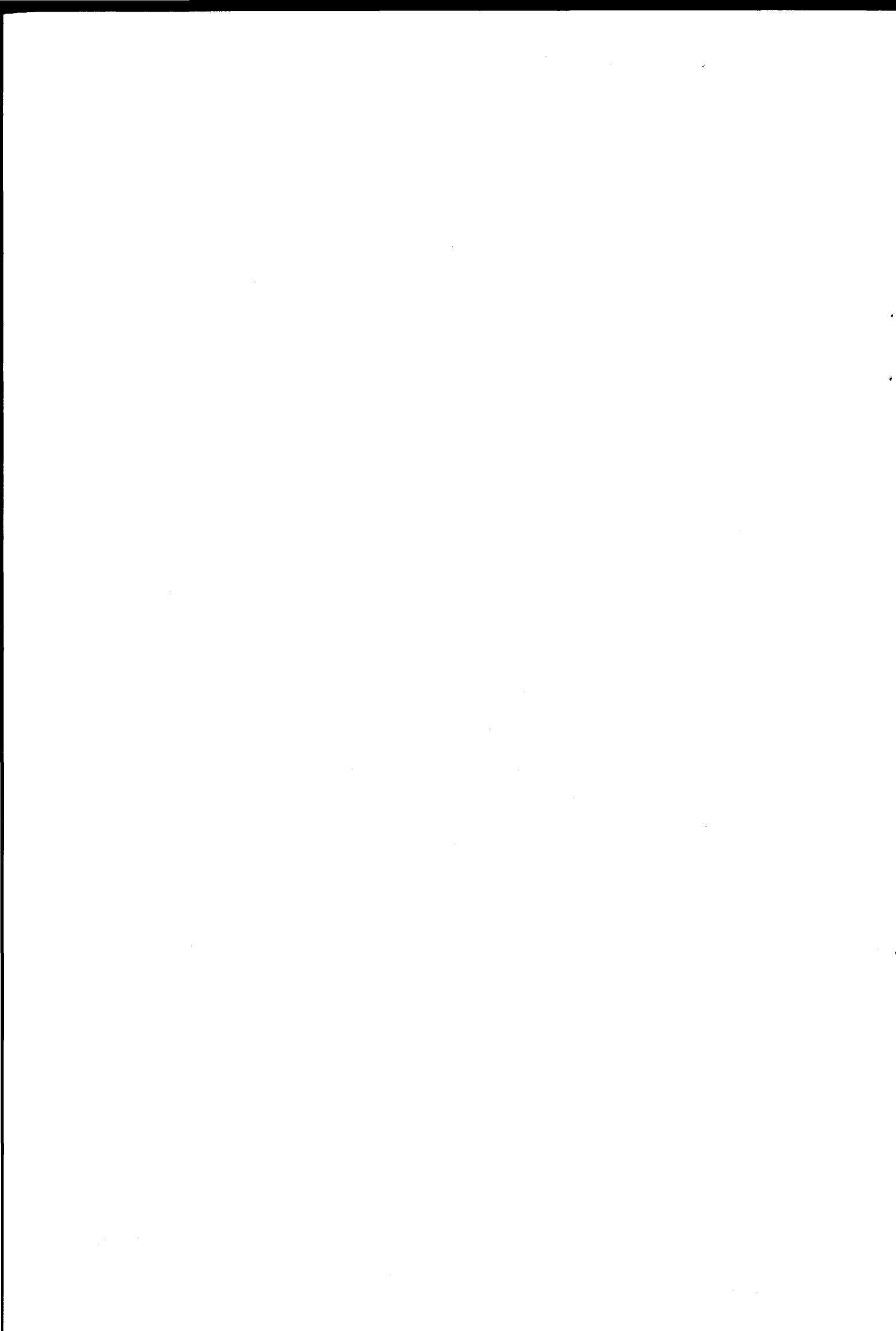
Report

drawn up on behalf of the Committee on Social Affairs and Employment

on the proposal from the Commission of the European Communities to the Council (Doc. 349/73) for a decision on assistance from the European Social Fund to persons employed in the shipbuilding industry

Rapporteur : Miss A. LULLING

PE 36.748/fin.



By letter of 29 January 1974 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a decision on assistance from the European Social Fund to persons employed in the shipbuilding industry.

On 8 February 1974 the President of the European Parliament referred this proposal to the Committee on Social Affairs and Employment as the committee responsible and the Committee on Economic and Monetary Affairs as the committee asked for its opinion.

The Committee on Social Affairs and Employment appointed Miss Lulling rapporteur on 4 February 1974.

It considered this proposal at its meetings of 20/21 March and 6/7 May 1974.

At the latter meeting the committee unanimously adopted the motion for a resolution and the explanatory statement.

The following were present:

Mr Bertrand, chairman,
Mr Adams, vice-chairman,
Miss Lulling, rapporteur,

Mr Artzinger (deputizing for Mr Rosati), Mr Bermani, Mr Delmotte (deputizing for Mr Brégégère), Mr Girardin, Mr Laudrin, Sir John Peel, Mr Pisoni, Mr Schwabe, Mr Wieldraaijer and Mr Yeats.

The opinion of the Committee on Economic and Monetary Affairs is attached.

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A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a decision on assistance from the European Social Fund to persons employed in the shipbuilding industry

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
- having been consulted by the Council (Doc. 349/73),
- having regard to the report of the Committee on Social Affairs and Employment and the opinion of the Committee on Economic and Monetary Affairs (Doc. 86/74),

1. Approves the Commission's proposal;
2. Considers that aid from the Social Fund under Article 4 of the Council decision of 1 February 1974 as stipulated in this proposal can constitute a typical example of the way in which the new Fund should operate, provided that it forms part of a reorganization and investment policy coordinated at Community level, due regard being given to regional policy;
3. Stresses, in this connection, that assistance from the Social Fund can only be completely effective and a real instrument of a policy of full and improved employment if it is integrated into an overall Community strategy;
4. Considers that the objective of the Community's coordinated social, industrial and regional policy measures in favour of shipbuilding should be to ensure the development of a dynamic and competitive industry in the Community:

¹ OJ No. C 13, 12 February 1974, p.6

5. Regrets that the Commission has not given any information in its proposals on the probable number of workers affected by the reorganization plans, their breakdown according to age, skills etc. and the number of persons likely to be granted aid from the Fund;
6. Fears that the fact that the financial implications of the aid granted by the Social Fund to persons employed in the shipbuilding industry are unknown will give rise to difficulties in the Council and exacerbate the budgetary problems with which the Fund is already confronted as a result of the inadequate resources available;
7. Approves the application of Article 4 of the basic decision to workers employed in the shipbuilding industry, which will enable action to be taken in time to retrain or transfer these workers as required by the reorganization essential if this industry is to develop in the Community;
8. Believes that, although there is no shortage of orders in European shipyards at present, coordinated industrial, regional and social policies should be devised and implemented without delay to promote the reorganization of European shipbuilding and thus assure it of an appropriate position in the world shipbuilding industry;
9. Therefore calls upon the Council of Ministers, the Member States and the public and private undertakings concerned to act in good time to ensure the effective and smooth reorganization of this sector;
10. Urges the Commission to consider the possibility of extending assistance from the Fund to persons employed in industries which are directly dependent on shipbuilding and would also be affected by the repercussions of reorganization in this sector;
11. Requests the Commission of the European Communities to adopt the following amendments, pursuant to Article 149, para. two, of the Treaty;
12. Instructs its President to forward this resolution to the Council and Commission of the European Communities.

Proposal from the Commission of the European Communities to the Council for a decision on assistance from the European Social Fund to persons employed in the shipbuilding industry.

Preamble and recitals unchanged

Article 1

The following shall qualify for assistance from the Social Fund under Article 4 of the Council Decision of 1 February 1971: operations designed to facilitate the employment and increase the geographical and occupational mobility of workers employed in the shipbuilding industry whose jobs are, or run the risk of being, directly affected by quantitative or qualitative measures to adjust the structure of the shipbuilding industry and who need to be employed either within that industry or elsewhere.

Article 2

To qualify for assistance from the Fund, the operations referred to in Article 1 should take the form of a specific programme designed to contribute within a short time towards the long-term improvement of the competitiveness of undertakings so that they can compete on a world-wide basis.

In particular, this programme should emphasize the objectives for various regions and sectors of the economy, to which those operations are to contribute.

Article 1

The following shall qualify for assistance from the Social Fund under Article 4 of the Council Decision of 1 February 1971: operations designed to facilitate the employment and increase the geographical and occupational mobility of workers employed in the shipbuilding industry or in related industries whose jobs are, or run the risk of being, directly affected by quantitative or qualitative measures to adjust the structure of the shipbuilding industry and who need to be employed either within these industries or elsewhere.

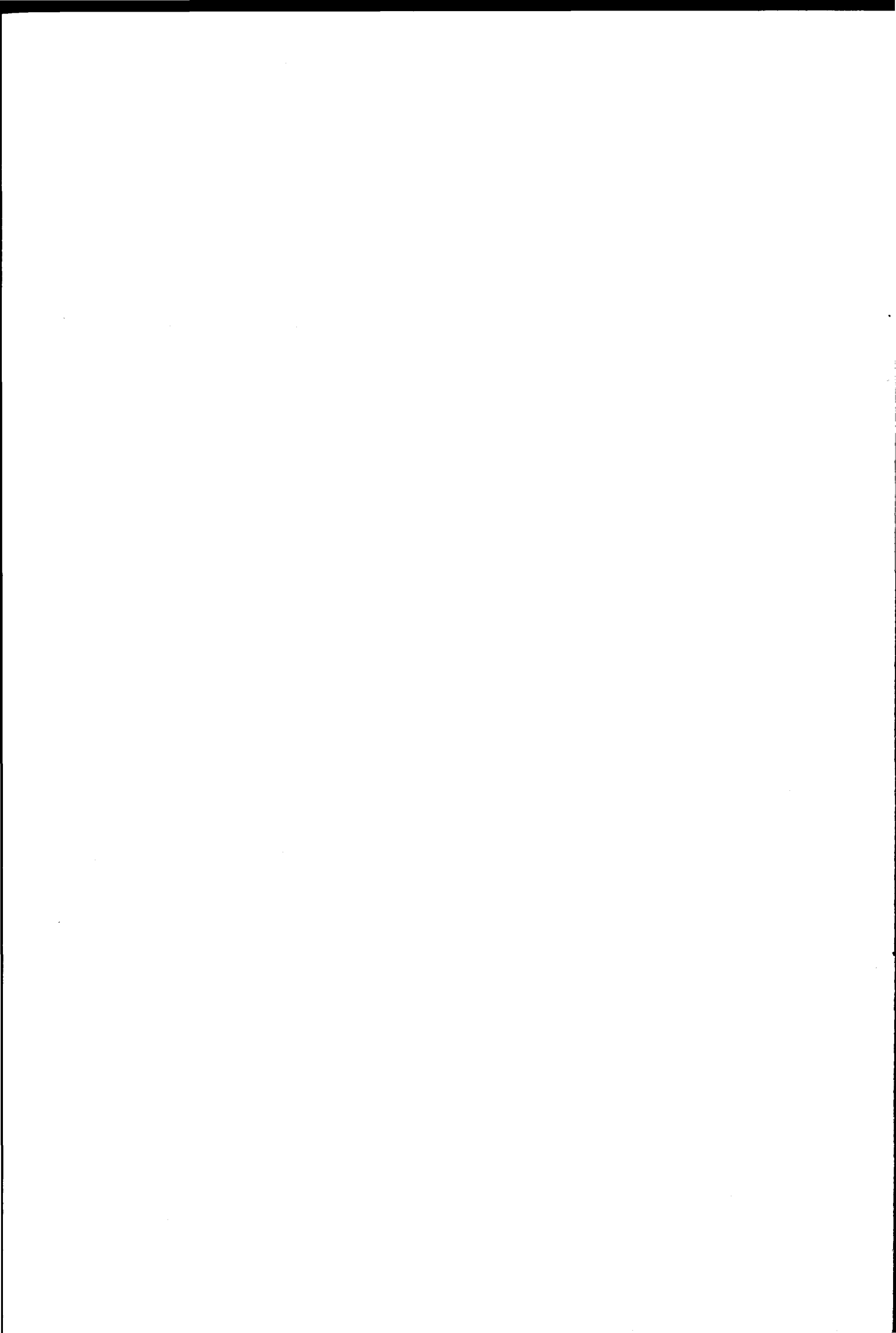
Article 2

To qualify for assistance from the Fund, the operations referred to in Article 1 should take the form of a specific programme designed to contribute within a short time towards the long-term improvement of the competitiveness of undertakings.

In particular, this programme should emphasize the objectives for various regions and sectors of the economy, to which those operations are to contribute.

Articles 3, 4 and 5 unchanged

¹ For complete text see OJ No. C 13, 12 February 1974, p.6



EXPLANATORY STATEMENTI. The position of the shipbuilding industry in the Community and in the world

1. The development of the situation in the shipbuilding industry in the European Community is characterized by a marked decline in the importance of this industry in relation to the rest of the world and in particular Japan. In fact, although the overall tonnage of ships launched in Europe represented 52.3% of the world total in 1960 as against only 20.2% for Japan, in 1965 these percentages were 29.5% and 44.3% respectively and by 1972 they reached 25.8% and 48.3%¹. Thus at present Japan builds about half the total number of ships manufactured in the world and this situation is bound to become more pronounced in the future.

On the other hand, the present world rate of increase in the annual production of ships, which is about 10 to 12%, cannot be maintained over a long period and a serious surplus production capacity is therefore to be expected at the end of the present decade. The reduction in demand foreseeable in the future as a result of saturation of the market will be accentuated by the present energy crisis.

2. Therefore, even if European shipyards continue to work at full capacity for the time being and orders are guaranteed for several years to come, they will inevitably be faced with considerable difficulties in the future. It must be remembered that the factors which have ensured the success of the Japanese shipbuilding industry will probably persist in the future and that future orders for ships will therefore be diverted to Japanese shipyards to the detriment of Community shipyards. The following factors will continue to have disastrous effects on European competition; the highly integrated and concentrated structure of the Japanese shipyards, the fact that with scarcely half the Community manpower Japan produces twice as many ships, the policy of total support and protection pursued by the Japanese Government, the fact that Japanese wages are lower than those in Europe (although the difference is less marked at present), the permanent undervaluation of the yen, and above all the system of fixed price contracts practised in Japan despite the considerable increases in the prices of raw materials and world inflation. Although Japanese competition has made itself felt mainly in the market for large ships (super-tankers), experts agree that it can also be expected to affect sales of small and medium ships. Competition from the socialist

¹ See Document 252/73, table on p.7

countries (Poland, Yugoslavia) can also be regarded as a matter for concern in the future, particularly in the case of fishing boats and low-tonnage cargo vessels. On the basis of the export policies followed by their respective governments, these countries are able to offer extremely favourable prices, which are a political advantage and bear no relation to current cost prices.

The United States too, thanks to its advanced technology, has gained a very strong position in manufacturing ships of the latest design, for example vessels for transporting methane and liquid gas, a fast-expanding market.

3. With a view to reorganizing the European shipbuilding industry while there is still time for it to confront the imminent crisis without serious damage, the Commission of the European Communities recently submitted proposals to the Council laying down a number of policy guidelines for the shipbuilding industry, containing procedures for action in this field, and a further directive concerning aid to the shipbuilding industry (see Doc. 252/73).

As the structural changes which will have to be made in this sector will inevitably have both quantitative and qualitative repercussions on employment, the Commission has also provided for aid to be granted from the European Social Fund, pursuant to Article 4 of the Council decision of 1 February 1971 regarding the reform of the ESF. The object of this aid would be to safeguard the interests of the labour force (consisting of more than 400 thousand workers), given that reorganization of the industry would force a considerable number of these workers to change their jobs, undergo further training, acquire new skills or move to different areas (see Doc. 349/73).

II. Opinion of the Committee on Social Affairs and Employment

4. The Commission of Social Affairs and Employment feels bound to approve the Commission's proposal in regard to aid from the Social Fund, pursuant to Article 4 of the Council decision. In fact, in view of the modest nature of the appropriations allocated to the Fund (98.9 million u.a. under Article 4 for 1974) the European Parliament has always stressed the need¹ for aid from the Fund to be granted in the context of joint measures or policies drawn up at Community level. In this way the Commission will always have a valid criterion by which to assess the numerous applications for aid submitted by Member States.

¹ Cf. Lulling report, Doc. 18/74

Aid from the Fund for workers employed in the shipbuilding industry may be considered a characteristic example of this type of operation, provided that it is part of an overall plan to reorganize the shipyards so that they can compete on a world-wide basis. This will mean using all the instruments available to the Community: industrial policy, regional policy (thanks to the creation of the Regional Fund), the European Investment Bank and the Social Fund for problems specifically connected with the labour force.

This will prevent Community funds from being dispersed in independent operations, isolated from the context of the Community as such, which offer the Member States, whether openly or unknowingly, some sort of 'fair return'.

Thus, from this point of view the Community's measures in the shipbuilding industry can provide a good example of what the new Social Fund is able to do if its resources are used wisely in the context of an overall Community policy.

5. The Committee wishes to make a number of other comments.

Firstly, the objective of Community policy must be the development of a dynamic and competitive Community shipbuilding industry. The proposed measures should be aimed at guaranteeing continued employment so that workers are not compelled to leave the shipyards and seek employment in other areas or countries.

It must be remembered that shipbuilding plays a crucial role in certain regions of the Community. The shipbuilding industry is a typical example of an assembly industry; 60 to 70% of its production costs are accounted for by supplies, in particular from the steel, mechanical and electrical engineering industries. It is thus more important than a normal industry in the regions where it is based, since it is an essential source of employment.

Apart from this general aspect, the shipbuilding industry, as the Commission has pointed out (see Doc. 252/73, p.14), is largely based in areas where the average per capita income is low, the industrial infrastructure not sufficiently diversified, and there are employment problems.

This applies for example to Trieste, where 20% of industrial workers were employed either directly or indirectly in the shipbuilding industry. The closure of the San Marco shipyard, which employed 1,700 workers, and the reorganization of the Monfalcone yards, 35 kilometres away, gave rise

to serious social problems a few years ago. The doubts as to whether the Monfalcone yards could absorb the workers made redundant by the closure of San Marco and the delay in setting up alternative industries (the 'Grand Motori' diesel engine factory, for example), with all the attendant problems such as occupational re-training, the transfer of families etc. clearly demonstrate the social and economic effects that the closure of shipyards may have on an entire region.

Similar problems occurred in St. Nazaire, where the reorganization and closure of a number of shipyards owned by the 'Chantiers de l'Atlantique' company caused redundancy among older workers whose skills were no longer suited to new working methods. The lack of other major industries in the area which could absorb the redundant workers has been the cause of serious social tension over the past few years.

Finally, it should be noted that in all the Community Member States the regions in which the shipbuilding industry is based are experiencing or have experienced similar difficulties: the area in which the Burmeister & Wain shipyard is situated in Denmark, Hoboken in Belgium, where the threat to close the Cockerill yard caused serious problems in 1966, the Fairfields yard in the United Kingdom, Harland and Wolff in Northern Ireland etc.¹

6. The Commission's current proposals should be considered in the light of these social problems; particular importance attaches to world competition and aid to the shipbuilding industry by Member States.

The Commission's intention of raising European shipyards to a level at which they can compete on a worldwide basis, at whatever price and within the comparatively short period of four years, is likely to lead to the abrupt closure of various small- or medium-scale yards which already have problems in competing and would find it difficult to become competitive in four years. Furthermore, under the OECD general agreement signed by all the Member States, all direct aid to the shipbuilding industry must be discontinued by the end of 1975. Although the Commission is not specifically insisting on adherence to this agreement, the granting of aid is made subject to three conditions (see Doc. 252/73, p.13): that aid is given only in cases which further sectoral and regional objectives, that it is likely to improve competitiveness on world markets and that it is in line with the common interest as regards trade.

¹ For these references, see in particular 'Die sozialen Probleme der Strukturveränderungen im Schiffbau' (The social problems of structural change in the shipbuilding industry), Newcastle 1967

7. Rather than discontinuing aid, careful consideration should be given to coordinating it in order to guarantee its effectiveness and real import. Instead of aiming at worldwide competitiveness at any price, without aid, the object should be to ensure the development of the Community shipyards. Rather than using aid from the Social Fund to assist the mobility of the workers and their transfer to other industries and areas, the resources should be used to provide vocational training for these workers and qualify them for new types of work in modernized and reorganized shipyards. This is the only way in which the new Fund can achieve its basic objective, which is to provide better employment or better working and living conditions for the workers and not to subsidize their removal to other regions or cause them to be made redundant or prematurely retired.
8. This general comment on the Commission's proposal leads on to another point concerning aid from the Fund.

The Commission documents state that the number of workers employed in the shipyards was about 415,000 in 1972, but this is the only figure given. There is no indication of

- the number of shipyards to be closed down or reorganized;
- the number of workers likely to be made redundant, transferred to other jobs or to other undertakings, or prematurely retired;
- the structure of the labour force, particularly in regard to age and skills;
- the probable recipients of aid from the Fund;
- the financial implications in respect of appropriations for the Social Fund (Art. 4).

It is true that, at the meeting of your committee when the proposal from the Commission of the Communities was discussed, the latter's representative did give a certain amount of information. Taking into account the fact that in each year between 1958 and 1968 about 10,000 people left the shipbuilding industry in the 9 member countries, it can be calculated that between now and 1980 about one-third of the workers at present employed in this industry will have to change their jobs or acquire new skills. About 20,000 people per year would thus be involved, of whom half would have recourse to the Fund. As the cost of redeployment is calculated at 4,000 u.a. per person (half being paid by the Fund), this operation would require a budget of about 20 million u.a. per annum.

However, these estimates are not based on the actual situation in the various shipyards, their competitiveness, their need for reorganization, their labour situation. More accurate information could only be provided by a detailed study.

As mentioned above, Art. 4 of the Social Fund's budget for 1974 is 98.9 million u.a., and aid has already been granted to the textile industry and to persons leaving the agricultural sector. The Council of Ministers should also adopt, without delay, the proposals for aid to be granted under Article 4 to migrant workers and handicapped persons. In the absence of precise figures and more comprehensive estimates, there is a danger that the Fund's resources will be too widely dispersed and possibly used up before any aid has been granted to this new sector of activity.

9. The committee agrees that aid from the Social Fund should be granted under Article 4 rather than Article 5 of the basic decision. As the Commission of the European Communities rightly remarks (Doc. 252/73, p.16), aid granted pursuant to Article 5 is essentially of a remedial nature and geared to a situation which is already a fait accompli. Aid under Article 4, on the other hand, is aimed at improvement and prevention, adapting employment to structural developments in the industry concerned. It thus constitutes a preventive measure, offering an excellent chance of success, rather than assistance after the event when the crisis has already occurred and immediate action has to be taken to alleviate its serious social repercussions.

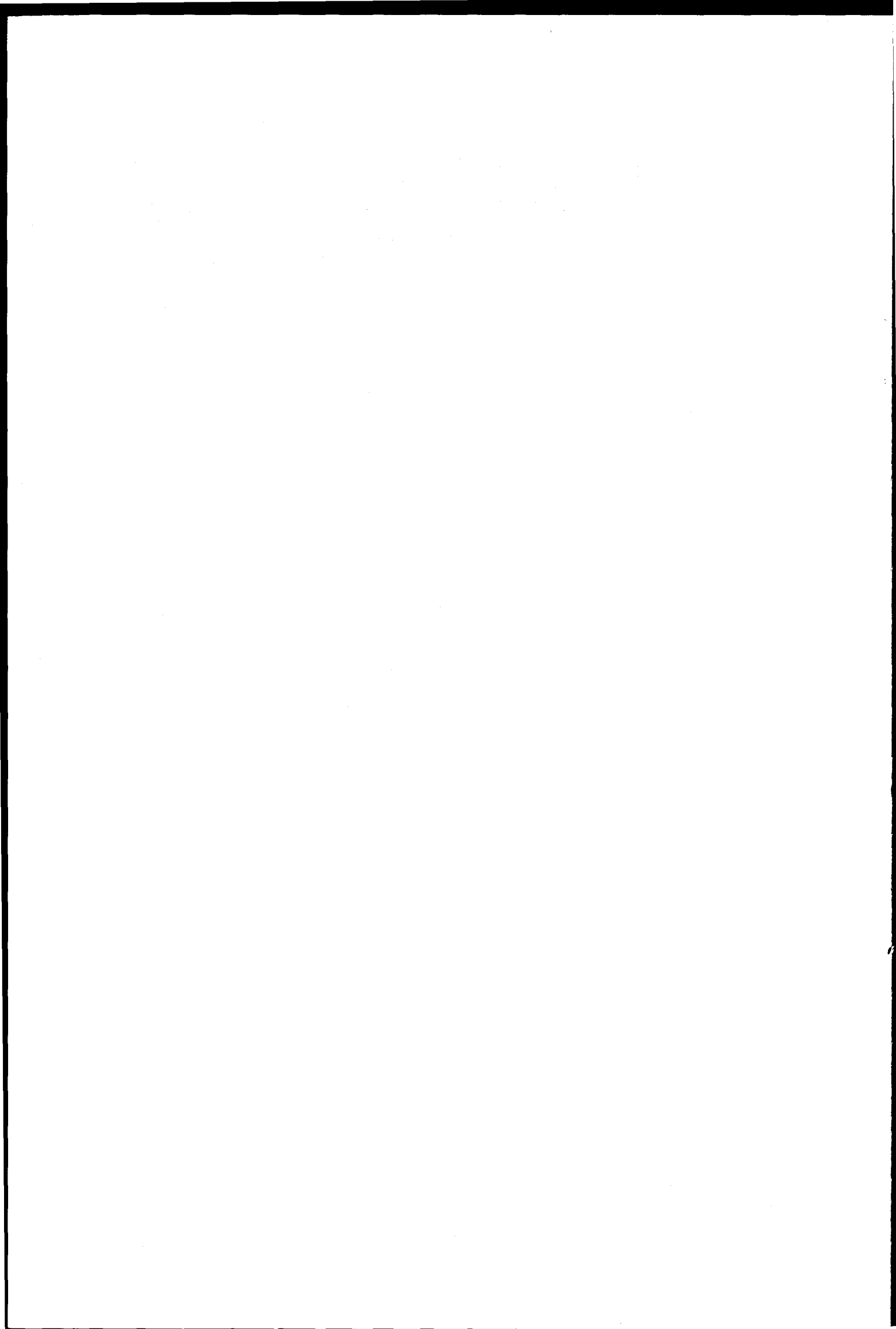
At present the Community shipyards are working at maximum capacity and have full order books. This situation should not, however, hide the fact that difficulty in maintaining competitiveness and in particular some surplus production capacity are to be expected in the coming years.

Since some reorganization will definitely be needed, Member States and public and private undertakings concerned should be urged to take action in good time, to ensure the effective and smooth reorganization of this sector.

Everyone therefore, from the Council of Ministers down to the smallest public or private undertaking which has a direct connection with the shipbuilding industry, must appreciate the situation and be prepared to take the necessary decisions in the context of a common policy aimed at ensuring the development of a well-organized shipbuilding industry.

10. A final remark on the recipients of the aid: according to the Commission's proposal, aid from the Fund should be confined in future to persons employed in the shipbuilding industry. In the light of the above comments on this industry, which is essentially an assembly industry, consideration might be given to the possibility of extending aid to persons who, although not actually employed in the industry, are closely

dependent on it and would also suffer the consequences of a crisis. This applies, for example, to the 'sub-contractors' which many shipyards use, and to suppliers of equipment. In France, for instance, about 25,000 workers are directly employed in the shipyards, but if the other groups involved are also taken into account the labour force is in fact doubled to about 50,000 workers.



OPINION
OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

- The Chairman -

Strasbourg, 24 April 1974

To the Chairman of the Committee
on Social Affairs and Employment
Mr Alfred BERTRAND
Europe House
STRASBOURG

Dear Mr Bertrand,

On 18 and 19 April 1974 the Committee on Economic and Monetary Affairs discussed the Commission's proposal for a decision on assistance from the European Social Fund to persons employed in the shipbuilding industry (Doc. 349/73). The committee considered this proposal in conjunction with the Commission's proposal for a directive on aid to the shipbuilding industry (Doc. 252/73).

The Committee on Economic and Monetary Affairs approved the granting of aid from the European Social Fund for measures to promote the re-employment and the geographical and occupational mobility of workers employed in the shipbuilding industry; the committee wishes to point out, however, that the European Parliament's opinion, presumably through an oversight, is not mentioned in the preamble to the proposal.

With the above comments the Committee on Economic and Monetary Affairs unanimously approved the Commission's proposal¹.

Please regard this letter as an opinion in answer to the consultation of 8 February 1974.

Yours sincerely,

(sgd.) Lothar KRALL
Draftsman of the opinion

(sgd.) Erwin LANGE
Chairman

¹ The following were present: Mr LANGE, Chairman; Mr NOTENBOOM, Vice-Chairman; Mr KRALL, Draftsman of the opinion; Mr ARTZINGER, Mr BURGBACHER, Mr FLAMIG (deputizing for Mr van der HEK), Mr HARMEGNIES, Mr KATER and Mr LEONARDI.

