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A FUTURE FOR THE COMMUNITY SHIPPING INDUSTRY:

MEASURES TO IMPROVE THE

OPERATING CONDITIONS OF COMMUNITY SHIPPING

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(Communication by the Commission to the Council)

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A FUTURE FOR THE COMMUNITY SHIPPING INDUSTRY:

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I. INTRODUCTION

1. The Community merchant fleet on the ship registers of Member States has suffered since 1980 a dramatic decline both in absolute tonnage and in its share of the world fleet. The tonnage was practically halved between 1980 and 1988⁽¹⁾. The share of the world fleet fell during the decade from 1970 to 1980 by about 3% to 29,7% but this share had declined by 1988 to 15,4%.

Even if account is taken also of vessels registered outside the Community but controlled by Community based companies, there is the same tendency. While the world fleet as a whole declined only marginally (about 5%), the Community-owned fleet was 28.3% down in 1987 - last year for which relevant figures are available - in comparison with 1981.

The situation of the Community fleet has continued to deteriorate since the Commission Communication to the Council transmitted on 19 March 1985⁽²⁾. Sale of ships and flagging out has become an ever more serious problem, with negative consequences for the employment of Community seafarers. In addition, significant developments have taken place in international shipping in respect of ship registration. In particular there has been the development of "offshore" or "second" registers and moves to extend the use of parallel registers. Given the present circumstances of world shipping such options have proved increasingly popular to Community shipowners in preference to the traditional main registers of Member States. This development presents the danger of an increasing divergence in operating conditions between Member States' fleets and distortion of conditions of competition between Community shipowners.

2. If the downward trend is not to continue there is a need for substantial measures which go beyond those taken on the basis of proposals in the Communication and earlier.

Following the adoption of the package of four Regulations in December 1986⁽³⁾, which focused in particular on the threat to Community shipping from protectionist policies and practices of third countries, there is a clear need for further development of Community policy to meet the problems relating to the erosion of the competitive advantage of Member States' fleets in the world market.

(1) See Statistical Annex, Table 1

(2) COM(85)90 final

(3) OJ L 378, 31.12.86

When adopting the four Regulations, the Council therefore agreed on a "Statement" relating to the further development of Community shipping policy. In that Statement, the Council recognised the need for further measures which precisely would aim to maintain and develop an efficient and competitive Community shipping industry and to secure competitive sea transport services in the interest of Community trade. To this effect efforts are needed to reduce the disparities in operating conditions and costs between the Community fleets as a whole and their foreign competitors. The Commission undertook to come forward with relevant proposals to the Council and this is the subject of the present Communication.

3. The Commission is convinced that only a combination of concerted measures, taken at Community and national level with the necessary participation and co-operation of shipowners and seafarers can have the required positive impact on the operating conditions of Community shipping. This impact must provide sufficient incentive for Community shipowners to register their ships within the Community and man those ships, to the highest possible proportion, with Community seafarers. Such objectives can be achieved only if the operating conditions of the Community fleet improve its competitive position in the world market.
4. Having considered possible measures that could be taken at Community level, the Commission has concluded that one effective means of assisting the Community fleet to make the necessary adjustments in the face of its present difficulties would be the establishment of a Community register, parallel to existing national registers. Such a register could contribute to the achievement of the single internal market in the Community, and would bring other advantages which are discussed in Chapter IV below. A proposal for a Council Regulation to establish a Community ship register is attached at Annex 1.
5. In addition, the Commission is proposing a number of further measures, and areas for further work, which have as their objective the improvement of the competitive position of the Community fleet. Thus, the Commission's research programme includes work aimed at achieving greater technical efficiency in order to consolidate the fleet's long term future, by, in particular, putting Community ship operators in a competitive position allowing them to accept the higher costs of Community seafarers. Measures to achieve mutual recognition of technical equipment, thus facilitating the transfer of ships between Community countries are being pursued. Similarly, proposed social measures include a proposal for mutual recognition of seafarers' qualifications. Measures are also to be taken to ensure as far as possible that third country flag ships coming to Community ports operate in full observance of internationally applicable safety, environment and employment standards, as laid down in the relevant IMO and ILO Conventions; a Commission Recommendation is at Annex 2. The use of Community flag shipping for the transport of food aid will be promoted. Community shipping companies will be defined, in order to ensure that the rights and benefits attached to shipping in the Community are available only

to companies with a substantial presence in the Community: a proposal for a Regulation is at Annex 3. There is also a proposal for the application to sea transport within Member States of the principle of freedom to provide services: a proposal for a Regulation, which supersedes the earlier proposal of the Commission in COM(85)90, Annex 11-2, is attached at Annex 4. It is also necessary that the position of shipping consortia in relation to the competition rules of the Treaty should be clarified; the Commission will submit a proposal to the Council on the subject as soon as possible. And finally, the treatment of shipping for VAT and certain excise purposes is to be clarified.

6. The Commission has come to the conclusion, corroborated by three studies carried out for the Commission⁽¹⁾⁽²⁾⁽³⁾, that, among the range of possible measures and actions, fiscal and financial measures aimed at reducing the burdens on Community shipping not shared by third country competitors could also have an impact. But such measures, if introduced by Member States separately and outside a common framework, may not achieve their objectives and may well lend to a further divergence of operating conditions between Member States' fleets and a distortion of competition between Community shipowners.
7. Such fiscal and financial measures, as well as any other state aids, have to comply with the relevant rules of the Treaty, and the Commission has adopted guidelines for the examination by it of state aids to the shipping industry, contained in a Commission document on the subject⁽⁴⁾.
8. The Commission is confident that, taken together, this substantial list of proposed measures offers the Community fleet a new future in line with the development of the single market.

11. THE SITUATION OF THE SHIPPING INDUSTRY

(1) CHANGES IN WORLD AND COMMUNITY SHIPPING

9. The protracted oversupply of shipping services world-wide, and the consequent fall in freight rates, have precipitated a serious decline of the Community's merchant fleet. Despite the reduction in world shipping capacity that has taken place during the Eighties, and despite the upturn in seaborne trade over the last two years, the world shipping market is only now reaching a balance, and in some sectors this point has not yet been reached. Over a prolonged period markets have been characterised by freight rates that were so low that only those ships with the highest levels of productivity could compete effectively.

(1) "A social Survey in Maritime Transport" by Maritime Economic Research Centre Rotterdam - 1987.

(2) "Study of the Possible Financial Impact on Shipping Companies and Sailors of Measures to aid the Community Fleet" by KPMG Peat Marwick Treuhand GmbH - 1988 (unpublished)

(3) "EEC Maritime Industries Policy Study" by Moore Stephens - 1989

(4) "Financial and Fiscal Measures concerning Shipping Operations with ships registered in the Community", SEC(89)921

10. The increased competition has had serious consequences for the Community fleet, which has contracted rapidly. The Community fleet shrank almost four times as fast as world capacity in the first part of the Eighties, or almost one-and-a-half times as fast as world shipping demand. The consequences of this rapid contraction are measured in terms of increased dependence on the services of third country operators, lost foreign exchange earnings, lost employment, lost influence in international trade and shipping negotiations and lost orders for Community shipyards.
11. The following paragraphs present a more detailed analysis of this decline.

(a) Reduced demand for world shipping services

12. Cargo movements by sea in 1988, measured by tonne-miles, were still 9% below the 1980 level, following a disastrous fall by 24% between 1980 and 1983. This drop represents not only a fall in the total volume of seaborne trade but, more significantly, a fall in the distances which this trade is carried. The trend varies for the different categories of cargo: broadly speaking, crude oil movements are down 38%, while those of oil products are up by almost one third, movements of other major bulk commodities have grown by 28% - most of the expansion being in coal trades - and the movement of other cargoes has expanded by 9% (Table 2).
13. Irreversible changes have been taking place in the relationship between the level of economic activity and that of seaborne trade. Firstly, the upturn which the world economy has experienced during the last few years has not been accompanied by an equivalent increase in seaborne cargo volumes. This is explicable in terms of structural changes in the world economy: slower growth in demand for primary commodities, increased economic importance for the service sector.
14. Secondly, changes in trade patterns are leading seaborne transport to and from industrialised countries to grow more slowly than the expanding world economy. Examples of these changes are the decrease of the average voyage distance for some of the main bulk commodities, notably oil, as newer production areas become important; and the establishment of manufacturing and processing facilities in newly-industrialised countries so that trade between the EC and those countries tends towards lower-volume, higher-value goods than in the past. The importance of the Pacific Basin, and particularly of South and East Asia, as a focus of world economic activity has increased sharply during the past decade and as a consequence the role of the European economies as a generator of cargoes has become relatively less important. These developments have an inevitable effect on the demand for shipping services generated by the Community.
15. While world seaborne trade (or the demand for shipping services) fell between 1980 and 1988 by 9%, the capacity of the world fleet (or the supply of shipping services) fell by only 5% (Table 1).

Excess shipping capacity was still estimated to be about 20% a year ago in spite of the slight upturn since 1986 in crude oil trade and further reductions in the world fleet. More recently developments have confirmed the improvement of the world market towards a balance between the supply and demand to shipping services although in some sectors, in particular certain liner trades, considerable overcapacity persists.

16. While it is estimated that the recent recovery in the level of seaborne trade will continue with improved freight rates, it needs to be borne in mind that the existing beneficial effects can be short-lived as new tonnage is acquired to take advantage of improving markets.

(b) Fleet developments and the decline of the Community fleet

17. After years of expansion, the Community's shipping capacity contracted sharply in the Eighties. The Community fleet is now smaller than in 1980 and is also a smaller part of the world fleet.
18. Since 1980 the tonnage registered in the eleven maritime Member States has fallen from 117 million gross tons to 59 million tons in 1988 - a decrease of about 50% while the number of ships fell from 11 218 to 6 512 (Table 3). As a share of the world fleet, Community-registered tonnage in 1988 was 15.4%, compared with more than 29.7% in 1980.
19. To a large extent the reduction has been the result of "flagging out" by shipowners. However, the Community-owned fleet as a whole, i.e. including also the ships beneficially owned by Community shipowners, has also been significantly reduced.

In 1981, this Community-owned fleet accounted for more than 34% of world shipping capacity; in 1987, it was 27%. While world shipping capacity, measured by deadweight tonnes, fell by 8% between 1981 and 1987, Community-owned capacity dropped by 28% (Table 4).

20. The decline of the different sectors of the Community fleet has not run parallel with the evolution of those sectors worldwide. Moreover, it has not been evenly experienced across the Member States' fleets (Table 6).

- . In the six years 1981-1987, the capacity of the Community-owned tanker fleet fell by 40%, the same as the fall in world demand for crude oil capacity. Another third of the fleet only remained competitive by being transferred to open registries so that the Community-registered fleet declined twice as fast as the world fleet, with a fall of 54%. The effects were greatest in the UK, the Federal Republic, France and the Netherlands.
- . In the dry bulk sector, Community-owned capacity dropped over the same period by 13% while world capacity grew by 16%. Again, competitiveness for a large part of the fleet could only be maintained by transferring it to open registries: about 40% of the Community-owned fleet was flagged out in this way. The effects were most severe in the UK and the Federal Republic.

Community-owned non-bulk capacity in 1987 was nearly 20% below the 1981 level with a 36% drop in the Community-registered share. However, this conceals sharp differences according to vessel types. The Community's conventional general cargo fleet has declined much faster than the world's fleet, with most of the loss occurring in the Greek fleet. The decline of this sector was to be expected with the advent of containerisation, and indeed the container sector has expanded, with recent growth taking place in the Federal Republic and Denmark. The expansion has not, though, been sufficient to enable the Community to maintain its world share in this expanding part of the shipping market: it stood at 28% in 1987, against 36% as recently as 1983. Over the same period, the world share of the open-registry container fleets had doubled. There were sharp increases too in the Far East container fleets (Table 7). There are signs that overcapacity in the containerised sector will increase, particularly in the Trans-atlantic and Transpacific trades.

21. Each of the Member States' fleets is smaller now than it was in 1980, with the exception of Belgium whose fleet continued to grow until 1986. The largest tonnage falls have been in the Greek- and UK-registered fleets, which together account for two-thirds of the decline in the Community-registered fleet. The crisis in Greek shipping led to a doubling of Greek-owned ships on open registries between 1981 and 1987, but total Greek-owned capacity still fell by some 8% (Table 8).
22. While most OECD fleets have declined over the last decade, the United States fleet has increased by a third. Nonetheless, the OECD share of world shipping in 1988 stood at 34% compared with 53% in 1980. The rate of expansion of the COMECON fleet in the 1970s has not been sustained in the 1980s, and its world share is now 7%. The fleets of the developing countries have increased by 60% in the Eighties and now represent just over 20% of world shipping. The growth has been heavily biased towards South and East Asia, where four newly industrialised countries (Rep. of China, Hong Kong, Singapore and South Korea) had 6.8% of world shipping capacity in 1988 (from 3.9% in 1980).
23. The tendency for the fleets of developing countries to provide sharp competition to the Community fleet highlights one aspect of present Community policy with respect to shipbuilding. Present policy places a ceiling on the amount of national aid that may be accorded to a Community shipyard building a ship for registration in the Community. These rules may be relaxed for ships for developing countries, with the result that a Member State was recently allowed to pay bigger aids for two container ships for Singapore than could have been paid for container ships for the Community fleet. The Commission has now introduced a stricter interpretation of the rules concerning shipbuilding aid for developing countries.

24. The open registry fleets' share of world shipping has grown from 27% to 35%, but this conceals some sharp changes. The Liberian fleet is now a third smaller than it was in 1980, the Panamanian fleet is twice as large and the Cypriot fleet is eight times larger. In the recent years, the newer open registries, such as Vanuatu, St. Vincent and Antigua, have grown sharply and have intensified the competition between open registries to attract shipowners.
25. However, the most remarkable feature of recent years has been the growth of "offshore" or "international" registries. These registers differ from open registries in that ships operating on the former fly the flag of the country concerned. (*) By June 1988, the Norwegian International Registry had attracted 241 ships of 12.2 million tonnes deadweight within a year of its establishment. Most of these were transfers from the main Norwegian registry but an estimated 40% were repatriated from other flags. By the end of 1987, the Isle of Man, one of the UK's second registries, had attracted 112 ships of 2.3 million gross tons and there was more tanker tonnage registered in the Isle of Man than in the UK itself. The Bermudan registry expanded too, to stand at 3.7 million gross tons at mid-1988, reflecting in part the flagging-in of tankers in order to gain Royal Navy protection in the Gulf. Within days of opening in August 1988, the Danish International Register had attracted a large part of the fleet from the main Danish registry.

(c) Relative ageing of the Community fleet

26. However, apart from the case of the Federal Republic and Denmark, the reduction of older tonnage through flagging out as well as increased scrapping has not been accompanied by a modernisation of the Community's fleet. The Community-registered fleet is now older than most of its competitors (Table 8). There are, of course, variations between member States reflecting, inter alia, the different compositions of their fleets. Thus, over 70% of ships registered in the Federal Republic are less than 10 years old and in Denmark 45% but in the UK and Spain it is 34%, in France and Greece 27% and Italy 17%. For the Community as a whole, the average is 34%, compared with an OECD average of 40%, 39% for COMECON and 30% for open registers. In the rapidly growing fleets of Hong Kong and Taiwan, half the tonnage is under ten years old.
27. The relative ageing of the Community fleet reflects the reduced level of investment in new ships. This is in some cases a fully justified decision in an oversupplied market. In other cases, however, it reflects reduced possibilities because of reduced cash flow. In any event it means a reduced opportunity to benefit from developments in shipbuilding design and construction aimed at increasing operational efficiency and reducing running costs. The continuation of such a trend would contribute further to a loss of competitiveness in the Community fleet.

(*) See also section II.(3) below

(d) Shrinkage in employment

28. The contraction of the Community fleet and the development of more technologically advanced ships with lower manning requirements has led to reduced seagoing employment (Table 9). The total number of seafarers employed in the Community fell by about 138,000 or some 45%, between 1980 and 1986 to barely 169,000. In 1980 the Community-registered fleet employed about 54,000 seafarers of nationalities other than that of the flag state out of a total of about 307,000. Although precise figures are not available, the number of Community nationals on board vessels registered in another Member State is limited, the largest part of non-domiciled seafarers being nationals of third countries. Their number had dropped to about 18 600 in 1986, this reduction being accounted for to a large extent by the reduction by about 23,800 in employment of non-national seafarers in the Greek fleet and by about 8 200 in the UK fleet.
29. Comparable information is not available for non-seagoing employment in the industry, but this too has probably declined. In addition, there have been significant job losses in related industries such as shipbuilding and ship repair, the bulk of the orders for which come from Community shipowners.

(2) THE COMPETITIVE DISADVANTAGE OF THE COMMUNITY FLEET

30. All world fleets have faced the problem of excess capacity aggravated by recession and continued heavily subsidised shipbuilding especially in the Far East. However, the acute competition and cuts in freight rates have led to the relatively much greater decline in the Community fleet in a position of comparative disadvantage. The previous communication identified the loss of comparative advantage as a main factor in the decline. In the past Community fleets have countered competition by maintaining a technological lead and providing a higher quality of service. However, in recent years third country fleets have expanded with modern vessels to at least match technically the Community fleet and the cost disadvantages of operating under Community flags have proved too great for many shipowners. Whilst world market conditions have now improved very significantly, the problem of comparative disadvantage remains.
31. In part there have been the growth of protectionist measures by third countries and unfair pricing practices. The Council Regulations on coordinated action to safeguard free access to cargoes in ocean trades and on unfair pricing practices in maritime transport are now available to combat such practices⁽¹⁾.
32. To compete effectively, however, Community shipping has to face the problem of loss of comparative advantage. Shipowners when flagging out have emphasised in particular the importance of reducing crew costs in making their decision. Third country crews have been so much cheaper not only because basic wages have been lower but also because the seafarers' taxes and social security contributions

(1) OJ L 378 31.12.86

(payable by the seafarer and employer) are lower or non existent. Tax treatment of shipping companies must also be taken into account in this connection: a company established in an open register country does not pay any corporate income tax.

33. The importance of crew costs in the total costs of a vessel varies considerably with the age, category and financing of a vessel and the tax system under which the shipowner is operating his business. In the first year of a new vessel of relatively high capital cost such as a container vessel the allocation for depreciation and interest may be substantial. After amortisation and loan repayment crew costs become a more significant consideration. However, in either case, the degree of competition is sufficiently acute for shipowners to examine carefully the possible cost savings of employing third country crews under the flags of convenience or alternative registers with less stringent crew nationality conditions. The fluctuation of currency exchange values can also prove decisive in certain circumstances.
34. The studies for the Commission referred to above⁽¹⁾ provide examples of such variations based on certain fixed assumptions. One example of a container vessel of 1500 TEU operated by a UK company had a total cost structure in the first year dominated by depreciation of 58% and loan interest 18% with fuel 10%, and net salaries 7% with wage taxes 2%. By the fifth year the balance of the cost structure had altered to depreciation 31%, loan interest 21%, fuel 16% and net salaries 12% with wage taxes 4%. In the case of a cheaper bulkier vessel capital costs as a proportion of total costs are relatively low and by the twelfth year costs for the crew could come close to half of the ships overall costs (about 46% in the example given in Table 10). The low purchase price of bulkers in recent years has accentuated this position. Further examples and details are given in Annex 5 and Table 10 (see also footnote⁽²⁾).
35. The age structure of the Community fleet (Table 8), with a high proportion of vessels above 10 years old, is especially relevant from this point of view. The development of more advanced vessels with lower manning requirements should help Member States with relatively high manning costs by reducing the relative importance of this cost element (on this subject see Section VI.1 - Manning and Research). Furthermore there are significant cost advantages especially in fuel consumption and maintenance which can be gained by investment in modern vessels.

(1) See footnotes 2 to paragraph 6

(2) Another study (source below) has suggested that running costs of a German registered vessel could be reduced by 30% on average by flagging out of which 90% was represented by savings on crew costs. Such figures emphasise at least in Germany the importance of crew costs in the consideration of alternative ship registers by Community shipowners and give an indication of the scale of the problem in maintaining competitiveness.

Source: Schiffahrtsgutachten vom Institute of shipping economics and Logistics, Bremen, vom 30.9.87 Untersuchung von Massnahmen zur mittel- und langfristigen Sicherung der deutschen Seeschifffahrt im Auftrag der Bundeslaender Bremen, Hamburg, Niedersachsen und Schleswig - Holstein.

36. Whilst technological developments have made possible significantly reduced manning scales as compared with the past, in some Member States the relevant regulations have not been adapted accordingly. As a result, these Member States' fleets are now burdened with an additional handicap which could be alleviated by the adoption of more appropriate manning scales.
37. Furthermore, in certain Member States shipowners are as a rule required to build their vessels in the national shipyards, at prices higher than they would pay in the world market; and, in at least one country, when permitted to buy abroad they have to pay an import duty. The resulting burdens on the price of the ship are quite heavy; and the position becomes more difficult if this comes on top of antiquated manning scales and any other disadvantages, vis a vis competitors, in respect of crew cost elements mentioned above.
38. During the last year, the problems facing the shipping industry have eased to some extent, as economic recovery and the scrapping of surplus ships have brought supply and demand for shipping into a better balance, although the position varies from sector to sector. However, such changes in economic conditions do not eliminate the structural comparative disadvantage which Community shipping suffers as against many third country fleets - except to the extent that certain Member States have already taken measures to improve the competitiveness of their shipping industry.

(3) MEASURES TAKEN BY MEMBER STATES

39. Faced with the increasing tendency for shipowners operating under their national registers to transfer their vessels to open registers outside the Community, or leave the industry altogether, the Member States have responded in a variety of ways. Measures have been introduced with the main aim of reducing operating costs. A number of cost factors depend on government intervention - in particular, taxation of shipping companies and seafarers and social security contributions - and it is in these areas that Member States have started to act. In addition, some Member States have introduced financial aid to shipping companies in the form of operating subsidies or aid for the repatriation or training of crews.
40. In a number of Member States, the use of existing offshore registers has been greatly expanded, or new offshore or "international" registers have been established. By means of such registers, Member States compete to lower costs by easing the conditions under which vessels are operated. These reduced operating costs of shipowners may be achieved by lower registration costs and little or no taxation. However, a common characteristic of such registers is the possibility of replacing Community seafarers by employing non-community seafarers on non-Community wages and conditions. Traditionally, these seafarers have come from developing countries, particularly those of the Far East, but COMECON countries are now becoming important too as suppliers of

officers as well as ratings. By replacing Community seafarers in this way, shipowners attempt to meet the competitive advantage of non-community operators who employ crews from low-wage areas of the world.

41. Among the registers whose use has been expanded in this way are those of the Isle of Man, Hong Kong, the Cayman Islands and Bermuda; Kerguelen (French Antarctic Territory); and the Dutch Antilles. In addition, Danish and German International Registers have been set up, following the successful model of the Norwegian International Register. A new register is also being founded in Luxembourg, with the cooperation of the Belgian authorities.

III. THE NEED AND SCOPE FOR COMMUNITY ACTION

(1) NEED FOR A COMMUNITY FLEET

42. There are three main lines of economic and commercial argument which call for the need to support a merchant fleet registered in the Community and manned as far as possible with Community seafarers. These arguments are relevant both for national and Community measures and acquire additional significance within the context of the effort to complete the internal market.
43. The first consideration is that shipping is strategically vital for the Member States and for the Community itself as the world's leading trading area and there should not be an overdependence on third country fleets. Shippers should have the option of using a competitive Community fleet, at least controlled by Community interests but preferably flying a Community flag, for carrying their imports and exports. Sometimes indifference is expressed about the flag of the vessel carrying goods as long as the price is competitive. In the long run the Commission considers however that the loss of a Community fleet could have an adverse influence on the quality and cost of transport to and from the Community and damage the Community's trading position.
44. Second, there is employment generated by the Community fleet. There is a strategic need not only to retain Community vessels but to maintain a force of well trained experienced seafarers. As noted above there remains a significant but fast declining number of Community seafarers. The uncertain prospects have also made the profession less attractive for new recruits and the numbers in maritime academies have been dwindling. At a time when the Community gives particular attention to the social dimension of the internal market, it needs to provide a perspective to the people employed in the shipping industry.
45. It is important also to remember employment in related services and industries. To some extent services such as insurance have many clients on third country registers but others such as

shipbuilding are very much dependent on the health of national fleets. There seems little doubt that a further decline in the Community fleet would damage the interests and employment in these associated sectors.

46. A third concern is the loss of the direct contribution made by Member State fleets to the balance of payments through their operation both in home trades and in cross trades.
47. In addition to these economic and social considerations, Member States may have defence policies which depend on the availability of Community vessels and experienced Community seafarers.

(2) THE SCOPE FOR COMMUNITY ACTION

48. The decline of the fleet is, as seen above, a matter of concern for both the Member States and the Community. The assessment of the facts presented in Chapter II leads to the conclusion that the downward trend in ownership, flag and crew of the Community fleet can only be stemmed by active policies. Member States have started adopting a variety of measures aimed at stemming the decline and retaining vessels under their flags. The challenge for the Community is whether it shall, and if so how, contribute to redressing the situation of the European shipping industry.
49. In a situation where the Community is completing its internal market for goods and services in general it cannot allow a fading away of its presence on the world shipping market and a drifting apart of Member States' own national policies of assistance to their fleets, with the consequent danger of increasing disparities inside the Community and distortion of competition between Community shipowners. The question as to how the Community should contribute, beyond trying to secure free and fair competition in the world shipping market through the implementation of the package of Regulations adopted in December 1986, needs further consideration.
50. First the objective must be clear. The objective of the Community cannot be to seek that as many ships as in the early 80's be owned by nationals of Member States or shipping companies established in the Community. Nor is it necessary that all ships owned by nationals of Member States are registered in one of the Member States registers or manned totally by their nationals. It is sufficient that the three elements, namely Community ownership, registration and crew are achieved to a relative extent. The degree of meeting this requirement depends on the situation of the world shipping market, the structural changes taking place and the extent to which Member States and the Community can assist the fleet.
51. The aim of this assistance is reduction of disparities in operating conditions between the Community fleets and their foreign competitors insofar as the operating

conditions in Europe adversely affect the costs of European operators. The shipping industry is, like certain other industries of the Community, facing strong competition from third countries. But shipping is more vulnerable than textiles, steel or agriculture since it has to face international competition without any help from external Community customs borders or other measures of foreign trade policy. In short, there is no internal Community shipping market as distinct from the world market. As agreed by the Council in the debate preceding the adoption of the package of Regulations in December 1986, even sea transport between Member States of the Community is open to anybody from the rest of the world.

52. Therefore the normal function of the Community of harmonising conditions of competition between the Member States is only relevant to shipping insofar as it might be a by-product of an adjustment of the European operating conditions to those existing on the world shipping market.
53. The Commission believes that an action programme is necessary to help the Community shipping industry stem the decline of the fleet. This action programme must meet a number of criteria:
 - . It must be in line with the non-protectionist shipping policy of the Community, based on the principle of free and fair competition in world shipping;
 - . It must be effective in responding to the situation facing the industry;
 - . It must be capable of speedy introduction;
 - . It must prevent the growing divergence between Member States policies which are tending towards a "beggar thy neighbour" effect and, as far as possible, reduce existing divergence;
 - . It must maintain, to the highest possible proportion, Community employment in the sector and provide a perspective to those employed in it;
 - . It must not lead to the undermining of internationally agreed safety and environmental standards and employment conditions;
 - . It must not drive up freight rates to the detriment of shippers;
 - . It must be adapted to the financial possibilities of the Member States.
54. The Commission has considered what scope there is for action to be taken by the Community which would meet the above objectives and criteria. It has concluded that such action should be taken in three ways:

- (i) by the setting up of a Community register of ships flying the European Flag in addition to their national flag;
- (ii) by the clarification of the Commission's approach to fiscal and financial measures taken by the Member States; and
- (iii) by a set of other actions and accompanying measures, as already referred to in paragraph 5, by which the position of the fleet could be improved. Some of these actions and measures can be linked to the Community register.

Subjects (i) and (iii) above are dealt with in the following two sections, respectively. Fiscal and financial measures are the subject of guidelines adopted by the Commission for the examination of state aids to Community shipping companies.(*).

IV. A COMMUNITY SHIP REGISTER AS A MEASURE TO STEM THE DECLINE OF THE COMMUNITY FLEET.

- 55. The Commission has investigated the possibility of setting up an EC register, whose ships would fly the Community flag. Whilst the setting-up of a single Community register cannot be seen as a short-term prospect, the establishment of a parallel register would be technically and legally feasible. Under this arrangement ships would remain on the register of a Member State, and would remain under the control and jurisdiction of the Member State. But they would also be eligible for registration in the Community register, subject to certain conditions intended to ensure that the register serves its purpose of contributing to the maintenance of a Community shipping fleet and a workforce of high quality Community seafarers.
- 56. There are obvious attractions in a single Community register as a replacement for the present assortment of registers with a variety of conditions linked to Member States to different degrees. The legal and practical implications of a single Community ship register would need however careful examination.
- 57. It has to be recognised that existing maritime law and conventions vest jurisdiction and control in administrative, technical and social matters in the national state. The administrative needs of a quality independent register include a competent inspectorate to secure compliance with international conventions and enquire into maritime casualties. There are also policing and legal functions which can include detection and dealing with fraud and the arrest and enforced sale of vessels if necessary, as well as the ability to act in the case of vessels detained or confiscated in third countries. There is no short-term prospect for setting up a single independent registry for the Community.
- 58. The Community can play a fuller role in the international maritime organisations dealing with the technical and social aspects of shipping; to this end the Commission will exploit as

(*) SEC(89)921

far as possible the present status of the Community as an observer: In time the Community could formally accede to IMO and ILO conventions and accept certain responsibilities. This however would first require amendment of those conventions to make Community accession possible.

59. Alternatively, as a first step, the Community can set up a parallel register to Member State registers. Vessels which are registered in a national ship register of a Member State, while staying in that register, would also be eligible for registration in a Community register, provided that adequate safety and social standards on board such vessels are being enforced and will be enforced by the Member States concerned. Vessels acquired by Community vessel owners (as defined in Annex 1, Article 3.2) on the basis of a bareboat charter and entitled to fly the flag of a Member State would also be eligible, under certain conditions.

The Commission reminds the Member States that the provisions on the admission to the national register have to respect the fundamental principles of the EEC Treaty, especially with regard to the prohibition of discrimination on the grounds of nationality and the right of establishment.

The parallel register would set minimum requirements for the conditions with respect to the nationality of seafarers and thereby seek to obtain the observance of such requirements throughout the Community.

60. Conditions for registration as a Community vessel would include a requirement that at least a specified number or proportion of seafarers on board should be nationals of a Member State. Such a condition would place a limit on the number of foreign and non domiciled seafarers who could be employed by Community shipowners, and safeguard the employment of a minimum of Community nationals employed on board the vessels concerned. Owners of ships on the EC register would however have to employ Member States' nationals in greater numbers than the specified minimum, where this was a requirement of the Member State register involved. Such a requirement must be applied in conformity with the fundamental principles of the EEC Treaty on the prohibition of discrimination on the grounds of nationality and the free movement of workers. Ships on Member State registers which permit a lower proportion of Member States' nationals would be admitted to the EC register only if they complied with or exceeded the EC minimum.

61. The crew nationality requirements would aim to achieve one of the objectives of the Community ship register, which is to secure the employment of European seafarers in highly-skilled functions and as far as possible those in other functions. While each Member State has the right to seek full employment opportunities for Community nationals in the latter functions through national measures, it would be unrealistic to give an

assurance that they could invariably remain employed at the wage level of the Member State, at least not for the Community as a whole. The Community ship register, while requiring a substantial European element in the manning of the highly-skilled functions, does not prevent shipowners of ships registered in it from employing third-country seafarers at rates agreed with their representative organisation, provided that the provisions of the ILO wages, hours of work and Manning (Sea) Recommendation (No 109) were respected. Equally, social security for seafarers of third countries must be provided on a level which reflects the standards of the country where the seafarer is resident, following the provisions of the ILO Social Security for seafarers (Revised) Convention, No 165.

As far as the highly skilled functions are concerned, the requirements for the Community ship register reflect the trend in some Member States to secure the employment of officers and certified seamen by requiring a minimum number of seafarers with national or recognised certificates. In determining such minimum requirements for the Community register, account is also taken of the differences in operating costs with Community shipowners' major competitors and the need that they be reduced to an acceptable level, which, together with other competitive advantages, would be sufficient to compete effectively in the world market.

62. The flying of the Community flag would then be an indication that the vessel concerned met high standards of quality, reliability and safety. Within the EC register obstacles to the transfer of ships from one Member State register to another could also be removed through the recognition of technical equipment. Similarly, the free movement of seafarers between vessels on the EC register would also be facilitated through the mutual recognition of their qualifications.
63. Finally, advantages of a fiscal and financial nature made available by Member States should be used in a way which make them appropriate to reach the objectives pursued by the creation of an EEC register. In considering such advantages, regard will need to be had to the objective of preventing a divergence, and achieving a convergence, of the conditions of competition among Member States. The various possible fiscal and financial advantages which Member States will wish to consider, the contribution which they could make to restoring the competitive position of Community shipping, and the approach which the Commission intends to adopt in relation to such measures, are discussed in a Commission document on the subject. (*)
64. From a broader perspective, the establishment of a parallel Community register would have other obvious attractions. The European flag flying on Community vessels throughout the world would be a powerful reminder of the Community presence in global trade, and a symbol of the Community as a single trading entity. The register would also serve as a focus for discussions to achieve a greater cohesion in the Community of operating conditions.

(*) "Financial and Fiscal Measures concerning Shipping Operations with Ships registered in the Community", SEC(89)921

65. Technically and legally speaking the setting up of a parallel register is not a major problem. It is not in conflict with the new UN Convention on conditions for registration of ships since it does not lead to registration in two different states. The ship remains on its national register and the legislation of the Member State governs the control and jurisdiction over the vessel. Indeed, if a ship is entered in the Community register, it would be ascertained that the registration on the national register still existed. The entry itself could be relatively simple with no transfer of ownership, renegotiation of lease, loan agreements or mortgages, re-survey and re-measurement.
66. In general such a register would secure the discipline needed to make a system of harmonised, yet less burdensome, operating conditions better workable. Moreover, it would be the intention by adopting sufficiently attractive conditions to end the necessity for setting up and maintaining second or offshore registers.

A proposal for a Council Regulation for the establishment of a Community register as above described is attached at Annex 1.

V. AREAS FOR FURTHER ACTION & ACCOMPANYING MEASURES

(1) MANNING AND RESEARCH

67. Manning costs are the main component of the competitive disadvantage of the Community vis-à-vis its competitors of third countries. The same factor also largely accounts for the disparity between the operating costs of the ships belonging to the European fleets.
68. Research can contribute to the objective of improving the competitive position of Community fleets by leading to improvements in technical efficiency which result in lower operational costs through improved fuel efficiency and reduced maintenance and manning costs. Third country fleets can also take advantage of such developments but Member State fleets because of relatively high manning costs will benefit in particular from advances which lead to reduced crew sizes.
69. There has been some consideration of manning costs as a proportion of total running costs in Chapter III. A further example has been based on the manning costs of a container ship of 1500 TEU (1) which show that manning costs (basic wages, overtime, leave pay, social security contributions, retirement provisions, crew rotation, travel and victualling) amount to 50% or more of operating costs with the exceptions of Portugal and Greece.
70. Differences between the annual costs of a sailor on board Member States' vessels⁽¹⁾ have to be related to the various systems of social security (e.g very high contributions in France), or to the different levels of wages (Italian case).

(1) See Annex 5

The negative effects of this situation (together with technological improvements) on the number of seafarers employed are shown in Table 9 of the Statistical Annex: diminution of the supply with the main effects of a decline of the number of Community seafarers on board of the ships of the Member States, reduction of crews, and recruitment of low cost manpower.

71. In that respect the tendency can now be seen in Member States to modify their strict regulations concerning the size and composition of the crew and to allow, under certain conditions, the interested parties to determine their needs, case by case, with reference to the equipment and the qualification of the staff on board.
72. In addition, using the most specialised techniques and offering high-quality services are important considerations in seeking to maintain a competitive position in world shipping.
73. Taking into account the changes which have occurred in the equipment of ships and new transport techniques, the Commission considers that the rationalisation of work on board, adapted to the needs related to innovation and restructuring, constitutes an appropriate instrument for improving productivity and as a consequence the competitiveness of the sector.
74. The Commission believes that to achieve a balanced rationalisation, consultation and negotiation have to be developed, by obtaining the cooperation and the commitment of social partners in the definition of the tasks and functions of staff on board to achieve safe navigation consistent with a commercial management ashore.
75. These measures of rationalisation have to be accompanied by standardised automation programmes to develop the exchange of data ship to ship, ship to land and between users: shipowners, ports agencies, administrations and others.
76. Finally such a rationalisation conceived for safety as well as for commercial management needs, requires that training programmes, both theoretical and practical, are developed in view of both the needs of the ships under operation and of a continuing innovating process in the management of the ship.
77. The improvement of productivity based on advanced and/or improved techniques requires continuing progress in research. Some Member States have undertaken action in that respect and have started research programmes on the ship of the future. It is in that field that cooperation and coordination at Community level can be most fruitful.
78. In the context of the framework programme for Community activities in the field of research and technological development⁽¹⁾, the Commission is finishing the preparatory

⁽¹⁾ O.J. L302 24.10.87

work of a four-year programme for Research and Development in the field of Transport, a section of which is devoted to Maritime Transport.

The main objectives of the transport programme are the improvement of the efficiency and the competitiveness of the transport system, the improvement of safety and work conditions and the protection of environment.

79. Amongst the themes of research relating to maritime transport special priority is being given to:
- research into the interface between the human being and the ship and on-board equipment, including investigation of the possibility of integrating and automating certain functions; and
 - research into the use of manpower, with a view to determining the optimum crew for different types of vessel.
80. The new BRITE/EURAM Programme covering Research and Development on manufacturing technologies and advanced materials will include some R & D topics relevant to the shipbuilding industry. These topics deal with material technology, design methodologies and assurance, manufacturing technologies and processes such as shaping, assembling and joining.
81. It is worth mentioning also the COST projects. Two of them concern safety at sea and one the maintenance management of ships. As regards safety, the project COST 301 was directed at shore-based marine navigation aid systems. An executive and a main report of this project have been published⁽¹⁾. The follow up to COST 301 consists of a new research COST project, called 311, concerning the simulation of maritime traffic, and a research project on the design and assessment of a vessel traffic management system, which is to be included in the Research and Development Program mentioned in para. 78 above. Project COST 308 relating to maintenance of ships commenced in 1987. Through the management of maintenance systems on board the expected results of this research will contribute to rationalisation of the functions of crews.
- (2) TECHNICAL HARMONIZATION AND STANDARDIZATION AND THE TRANSFER OF SHIPS BETWEEN COMMUNITY COUNTRIES
82. One measure under consideration by the Commission is the achievement of mutual recognition within the Community of the technical equipment of ships. Costs to shipowners transferring vessels between Community ship registers may arise from the need to change equipment completely, supplementary work to existing equipment, additional testing or approval fees and the time in delays. In the past mutual agreement on standards has been achieved only after long detailed discussion between experts and a considerable amount of such work will still be necessary. However, an impetus has been given to the work by the need to achieve the Single Market.

(1) CEL COST EUR 11250 EN Luxembourg 1987
CEL COST EUR 11304 EN Luxembourg 1988

83. One approach considered by the Commission has been that representatives of marine equipment manufacturers and the European Association of Classification Societies should draw up a list of those items of marine technical equipment on which it is felt that there can be agreement on mutual recognition. This list would be then offered for consideration by the national administrations and clear the ground for discussion on other items.
84. This idea has been explored with the European Association of Classification Societies which produced a list of around 400 items; for each item information was provided on whether there is a need for certification by the particular national regulatory authorities, limited mutual recognition of the certificates of other authorities or general recognition. The broad finding was that the authorities accepted only equipment approved by themselves. Where there were deviations from the rule, cases tended to be considered on an individual basis.
85. The Classification Societies recognised the need to maintain high safety standards and proposed:
- initial control on type approval of marine and marine related equipment;
 - initial control on installations and laboratories where type approval is carried out;
 - initial control on manufacturers of marine and marine related equipment and
 - regular control on maintenance of required standards and compliance with regulations for marine and marine related equipment.
- The Classification Societies would be prepared to set up and operate such a system acting on behalf of the governments concerned.
86. However, in view of the fact that the Community is now in the process of establishing EC-wide standards and certification procedures, so that products meeting stipulated "essential" requirements concerning health, safety, the protection of the consumer or the environment can be marketed freely throughout the Community, it seems that the time has come to reconsider the foregoing initiatives in the framework of the Community's New Approach on Technical Specifications, Testing and Certification, adopted by the Council in its Resolution of 7 May 1985 (OJ No. C 136, 4.6.85).
87. The situation in this sector is, however, complicated by the fact that the international character of technical regulation of the shipping industry is highly developed and it would be undesirable for the Community to follow an approach which was

independent of developments within IMO. It would still be possible, however, to imagine a situation in which the Community, acting within the constraints of the international framework, developed a new approach to the implementation of international recommendations within its jurisdiction.

This approach could be summarized as follows:

- The Community would, through a Directive, agree upon a basic set of essential requirements for ships and their equipment (perhaps based upon existing IMO documentation);
- In the light of those agreed essential requirements, the Community as such would henceforth negotiate in IMO discussions on the development of new international safety recommendations;
- Adoption of future IMO recommendations as new or revised essential requirements would take place through a Community-level decision, on the basis of a proposal submitted by the Commission to an appropriate regulatory committee;
- In its decisions on how to implement adopted IMO recommendations, the Community would decide case-by-case to what extent it would be appropriate to follow the new approach to technical harmonization, that is:
 - . to lay down technical specifications and conformity assessment procedures in Community legislation, or
 - . to delegate the task of defining such specifications to standardization bodies, thereby giving them a voluntary character which nevertheless provided a presumption of conformity to the essential requirements.

88. This approach would have to be supported by initiatives in the shipping industry and the related marine industries to create the necessary infrastructure in the voluntary sector, both in the European standardization bodies and in the future European Organization on Testing and Certification, in order to ensure that sufficient expertise is available to develop the standards, test methods and certification procedures needed under the new approach. Following consultations of the main interested parties and national administrations during the next 12 months, the Commission will submit proposals concerning the different areas of action.

89. The Commission considers that ships which will be accepted on the Community ship register should not be hindered by technical obstacles in being transferred between Community shipowners and Member States' flags. To achieve this, the period until the EEC register is established has to be used so that any technical obstacles are removed. Accordingly, the EEC register will include a provision to the effect that any vessel on the

register which has valid certificates and classification and which meets the essential technical requirements to be laid down by the Council according to the provisions of the Treaty by the time the EEC register is established, may be transferred to the register of another Member State without the imposition of additional technical requirements.

90. Meanwhile, the Community already disposes of an instrument whereby deviations between national technical requirements can be limited. Directive 83/189/EEC requires that all proposed national technical regulations (that is, technical specifications which are made obligatory by law) are notified to the Commission and the other Member States, and may not be adopted until a certain time limit has elapsed. Adoption of such measures may be delayed if the Commission or another Member State considers that they will create obstacles to the free movement of goods. In this context the Commission notes with regret that the Member States have until now not respected the obligation to notify technical specifications in the sector concerned. The Commission is therefore considering to initiate infringement procedures in this respect.

(3) SOCIAL MEASURES

91. In order to reduce differences in working conditions in the Community fleet attention should be given to social measures. These should lead to a greater coherence in the maritime sector in relation to the international context in which the fleet operates. This would involve strengthening the dialogue and co-operation between the social partners especially in the work of the restructuring of the fleet and enable individuals and businesses to face better the challenge of modernisation.
92. The Commission will, therefore, consult with the Joint Committee on Maritime Transport⁽¹⁾ in developing measures relating to:
- the improvement of specific working conditions in the shipping industry;
 - the drawing up of common programmes of training and retraining adapted to the needs of technological change;
 - mutual recognition of diplomas, licenses and certificates of competence.
93. In respect of training programs, attention will be given to training needs in connection with rationalization of work on board and in particular in connection with the multi-functional concept of work. (See also para. 76 in Section V.1).
94. In respect of the last item mentioned in para. 92 above, the recently adopted Council Directive 89/48/EEC of 21.12.88 "on a general system for the recognition of higher-education diplomas

⁽¹⁾ OJ No. L253, 4.9.87

awarded on completion of professional education and training of at least three years' duration"(1) will cover certain functions on board ships. However, for those not falling within the scope of the Directive, it will be necessary to make proposals to achieve comprehensive coverage of mutual recognition.

95. In the specific field of maritime transport the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (1978), adopted in 1984, lays down internationally accepted minimum standards for the training and certification of Masters, Officers and Ratings. It also establishes watchkeeping standards. All Community countries have ratified this Convention which can serve as a useful instrument to achieve mobility and equality of standards within the Community.
96. The Commission considers that in the case of vessels which have joined the proposed EC register it would be particularly inappropriate for any unnecessary obstacles to exist in the way of free movement of seafarers between vessels of the Member States. Therefore, the proposed register will include a specific provision that seafarers of any Member State will be free to work on any vessel on the register provided they meet the minimum requirements for professional training and experience laid down in the IMO STCW 1978 Convention.

(4) ENSURING THE OBSERVATION OF INTERNATIONAL IMO/ILO STANDARDS

97. Whereas the observation of internationally applicable IMO and ILO standards by all ships is essential for reasons of safety of ships and crew and for environmental protection, it can also have a beneficial effect for the Community fleet through eliminating unfair competition from ships not observing those standards.
98. This is an area for continuing action, and the Commission plays an active role with a view to strengthening the enforcement of Port State Control. It also intends to play a full role in the protection of the marine environment and the fight against pollution. The Commission will participate, to this end, in the appropriate meetings of the International Maritime Organization and the relevant regional agreements, such as the Bonn Agreement on the North Sea and the Barcelona agreement on the Mediterranean Sea.
99. The Commission attaches particular priority to the effective application of the ILO Merchant Shipping (Minimum Standards) Convention, 1976 (No. 147), and has recently taken the lead, in conjunction with the Port State Control Secretariat and the maritime branch of the ILO, in achieving agreement among the countries subscribing to the Memorandum of Understanding on Port State Control on the integration of this Convention into the manual for surveyors. Appropriate amendments to the relevant Annex 1 of the MOU have been accepted, taking effect on 11 May 1989. The task ahead is to secure their implementation.

(1) OJ No L 19, 24.1.89

100. In order to strengthen the effectiveness of Port State Control and to ensure uniform standards of application throughout the Community, the Commission will continue to finance seminars for surveyors on specific subjects. Seminars have been held in Lisbon and Rotterdam on the implementation of MARPOL 73/78, and it is now the Commission's intention to support two such seminars each year on the subject of ILO Convention 147.
101. The Commission considers that the system of Port State Control has been developing in a satisfactory manner although there is still room for improvement. The Commission, through its work in this field, will continue to encourage Member States to implement Port State Control procedures fully and effectively. If however this is not achieved and it becomes evident that competitive pressures amongst the various ports of the Community are undermining the application of Port State Control, the way to deal with them would be by writing the MOU into Community law. The Commission maintains on the table the draft Directive proposed in 1980⁽¹⁾ with this end in view. It considers, however, that the target laid down in the Memorandum of Understanding on Port State Control of inspecting 25% of individual ships entering the ports of each Community country should be attained if international standards are to be maintained and the high levels of inspection already attained are to continue.
102. The Commission also considers necessary that Member States, which have not so far done so, ratify all the relevant conventions as soon as possible, particularly MARPOL and ILO 147, and that their provisions are applied to their own flagged ships as well as to those of third countries.
103. At this stage, therefore, the Commission addresses a Recommendation to Member States in respect of the 25% inspection target and the ratification of the relevant conventions, as mentioned above; the Recommendation is attached in Annex 2.
104. The Commission will encourage the existing trend to establish forms of co-operation with non-signatories of the Memorandum. Co-operation agreements already exist with the United States and Canadian Coastguards. The Soviet Union has inquired about possible forms of co-operation. Over the past few years exchanges of information on Port State Control have been taking place with the Maritime Authorities of Japan. Such co-operation and the establishment of effective, concerted and uniform regional Port State Control systems elsewhere in the world will contribute to reducing sub-standard shipping in the world.

(1) OJ C 192, 30.7.80

(5) PROMOTION OF THE USE OF COMMUNITY FLAG SHIPPING FOR
TRANSPORT OF FOOD AID

105. During the past decade Community shipowners have pressed for improvements in the system of "mobilization" of Community food aid. This system consists generally of a package whereby a company ("the mobilizer") purchases the food, transports it to its destination and is paid a "package price" for the entire operation. In practice, mobilizers use vessels flying a wide range of flags, including occasionally flags of countries politically undesirable for the transport of Community aid paid for by the Community taxpayer.
106. The provisions of Commission Regulation No.2200/87 on the mobilization of food aid were a step forward insofar as they opened up the possibility of forbidding the transport of food aid by shipowners of third countries whose practices are harmful to Community shipowners or who benefit from schemes which legally or in practice reserve cargoes for their shipowners.
107. The Commission considers it necessary that EC shipowners be given the opportunity to offer their services for the transport of Community food aid cargoes. It also considers that the very fact that these cargoes are Community aid to third countries justifies that they be carried with ships flying the Community flag, ships registered in a Member State and meeting the requirements for registration in the Community register or ships flying the flag of developing countries pre-qualified by the Commission on the basis of objective technical and social criteria.
108. Measures will be taken so that mobilizers of food aid will be obliged to use, for the carriage of food aid, ships on the proposed EEC register, ships on a Member State's register and meeting the requirements for registration in the Community register or ships flying the flag of developing countries pre-qualified by the Commission as above.

(6) DEFINITION OF A COMMUNITY SHIPOWNER

109. As long ago as 1979, upon the adoption of Regulation 954/79 on the ratification of the UN Liner Code, the need was felt to jointly define a "national shipping line" for the purpose of the Code of Conduct for Liner Conferences. Some Member States did not wish to rely only on the procedures of Regulation 954/79 and the criteria in the Council Minutes but there should be no restrictions introduced which would be contrary to the non-discrimination provisions of the Treaty and Regulation 954/79. The Commission made a proposal as part of its Communication of March 1985, "Progress towards a common transport policy (maritime transport)", but so far no discussion in depth on this proposal has taken place in the Council.

110. Also during the discussions on the proposal concerning the freedom to provide services which led to the adoption in December 1986 of Regulation 4055/86, some Member States supported the idea of a restriction of the beneficiaries to "Community shipping companies" which would be made subject to certain conditions, in particular, as to the capital and nationality of board members and even their use of ships flying the flag of a Member State. Only the last condition was partly and temporarily introduced in the phasing out of existing restrictions in the freedom to provide services.
111. The measures proposed in this Communication include proposals for the removal of cabotage restrictions and the promotion of the use of Community flag shipping for the transport of food aid. In this context, it is clearly right to consider again the joint definition of Community shipowners as the beneficiaries of such measures, so as to ensure that these and other rights and benefits attached to Community shipownership accrue only to shipowners with a real and substantial presence in the Community. A proposal for a Regulation is at Annex 3.
112. The outcome might also facilitate the adoption of the 1985 Commission proposal on the joint definition of a national shipping line. That proposal, although restricted to carriers to which the United Nations Convention on a Code of Conduct for Liner Conferences applies, also requires a real and substantial presence of shipowners in the Community. Its text may need adjustment, however, in the light of the present proposal and of developments since the adoption of Regulation 954/79.

(7) REMOVAL OF CABOTAGE RESTRICTIONS

113. With the communication which it addressed to the Council in 1985 on maritime transport, the Commission proposed the application of the principle of freedom to provide services to the sector (COM(85)90, Annex II-2). In agreeing to the package of four Regulations in the field of maritime transport in December 1986, the Council did not find it possible to decide at that stage on the application of the principle of freedom to provide services in respect of shipping services within the Member States; it therefore agreed that further consideration of this part of the Commission proposal was necessary.

No progress, however, has been achieved on the subject during the intervening interval of more than two years.

114. In the context of measures being proposed with the aim of maintaining a more competitive Community fleet, with converging conditions of operation, through the instrument of a parallel Community register, the Commission considers it necessary to make progress with the application to Member States' internal maritime transport of the principle of the freedom to provide services, in view of the completion of the internal market by 1993.

115. In this context, the Commission considers appropriate that the removal of restrictions on the freedom to provide services in Member States' internal maritime transport in respect of nationals and maritime companies of the Member States should be accompanied by conditions in respect of the vessels used to provide the service, so as to ensure a degree of approximation of operating conditions, always taking also due account of the special requirements of certain public services of cabotage which the Member States make in the general interest. The Commission therefore proposes that removal of restrictions is subject to the use of vessels registered in the Community ship register and which operate in short-sea trades. A proposal for a Council regulation concerning the application to Member States' internal maritime transport of the freedom to provide services, which incorporates the above considerations and supersedes the earlier Commission proposal, is at Annex 4.

(8) CONSORTIA

116. During its meeting of 15/16 December 1986, the Council, when it reached agreement on the Competition Regulation, made a statement in which it invited the Commission to study inter alia the matter of consortia and if necessary to submit new proposals. The Commission undertook to submit a report to the Council, within one year from the date of adoption of the Regulation, on whether to provide for block exemptions for such agreements as consortia and to submit a proposal to that effect if necessary.
117. In January 1988 the Commission gave its interim report in which it concluded that so far no evidence had been made available which could justify a block exemption for consortia. From the content of the few agreements submitted to the Commission's services and subsequent soundings, it seems, however, that there are substantial differences between consortia, ranging from purely technical arrangements to closely knitted organisations with joint marketing. There seems to be three main categories of agreements:
- . the technical agreement (exchange of slots, equipment, use of terminals)
 - . the operational agreement (joint scheduling, pooling of cargoes or revenues)
 - . the commercial agreement (notably joint marketing).
118. Whereas consortia which take the form of a technical arrangement only might be easily exempted (or in the framework of a block exemption excepted), the two other sorts of agreement could substantially restrict competition between the partners and as such be forbidden. Whether and, if so, how far a group exemption could be given for the two other sorts of agreements, and the conditions for such possible group exemption is not yet clear.

119. The Commission is anxious to clarify the position of consortia and intends to make a report to the Council. As soon as it has received the necessary further information, it will give serious consideration to the possibility of granting a group exemption.

(9) VAT AND EXCISE DUTIES RELATED TO SHIPPING SERVICES

120. It is of course a generally shared concern (throughout the Commission) to succeed in creating a genuine single market and thus getting the economic as well as social benefits of it for Europe and its people. That is precisely the reason why the measures chosen to achieve this objective have to be carefully weighted against the actual operating conditions of a given economic activity, so as to avoid undesired adverse consequences.
121. As regards fiscality the drive of the Community towards completing the internal market led the Commission to put forward in August 1987 a series of proposals on the removal of fiscal frontiers⁽¹⁾. The measures envisaged would introduce considerable changes for the Community shipping industry. In particular,
- passenger fares on sea voyages within the Community would no longer benefit the transitional exemption granted under the 6th VAT directive⁽²⁾, and would be submitted to VAT rates from 4 to 9%; freight costs will be chargeable at the standard rate.
 - within the Community VAT - and excise duties where appropriate - would be added for the first time to the supply of ships and ships' equipment, bunker fuel and a number of various shipping related activities where intracommunity voyages are concerned. (It is not however proposed to charge excise duties on bunker fuel).

These changes would in turn cause rate increases in similar proportions, which would obviously put the Community shipping industry at disadvantage if the same charges are not also borne by their non-Community competitors insofar as they also provide services in intracommunity voyages.

122. Maritime transport being typically a world-scale operated sort of service and subject to a very strong international competition, the global fiscal principles at stake, whether on VAT or on excise duties, raise a number of complex issues of detail at the practical level to ensure equal treatment between Community and non-Community operators and to ensure there is no taxation on voyages to third countries. Balanced solutions will have to be worked out, also taking into account the

(1) COM(87)320 final and following, especially COM(87) 322 and 324, August 1987.

(2) OJ L 145 of 13.6.1977.

legitimate interests of an international trading sector which is of paramount importance for the Community in its economic and social as well as strategic aspects. This will have to be borne in mind in working out the detailed application of the Commission's fiscal proposals, in the light of the Communication of May 1989⁽¹⁾ on the completion of the internal market and approximation of indirect taxes.

Proposal for a
COUNCIL REGULATION

establishing a Community ship register and providing for the
flying of the Community flag by sea-going vessels

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic
Community, and in particular Article 84(2) thereof,

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas shipping is an indispensable element in trade between the
Member States and between Member States and third countries;

Whereas the availability of a high quality and truly competitive fleet
depends, on the one hand, on the availability of a maritime
infrastructure within the Community including a reserve of nationals of
Member States to serve as seafarers and, on the other hand, a cost
level which is competitive;

Whereas the fleet flying Member States' flags has suffered a considerable
decline over the years and to the extent that ships have been
transferred to third country registers, there has been a severe loss of
employment for Community nationals;

Whereas the efforts to meet the problem through national measures,
inter alia the establishment of second national registers, to which
more favourable conditions are attached, tend to disperse the effects
of the actions undertaken and risk a distortion of competition;

Whereas it is in the Community interest to aim at a structural
development of a fleet of vessels, registered in Member States
registers but also identifiable as ships serving Community needs,
which comply with the standards of the maritime conventions, and whose
crew includes as a minimum a specified number of trained seafarers from
Member States;

Whereas this aim cannot be attained without a reduction of the cost
level;

Whereas the Commission has developed guidelines for the examination of
State aids to be given by the Member States to Community shipping
companies;

Whereas the establishment of a Community ship register should serve the purpose of creating a channel through which national efforts can be converged, a pool of Community seafarers and a trade mark guaranteeing shippers a high quality service;

Whereas the Community ship register will be additional to the national register;

Whereas the right to register vessels in the Community register should be reserved for natural and legal persons having a certain link with the Community; whereas, however, this right should also be given under certain conditions to persons having a link with a given third country;

Whereas the vessel to be registered in the Community register should comply with certain conditions; whereas, in particular, the vessel should be and remain registered in a national register; whereas the decisions on the admission to the national register must be taken in compliance with the provisions of the Treaty;

Whereas registration in the Community register should depend on compliance with the safety measures required by the international conventions in this respect;

Whereas the number of trained seafarers from Member States on board of vessels registered in this register should be sufficient to meet future requirements of the Community fleet;

Whereas seafarers from non-Community countries on vessels registered in this register should be employed on conditions in conformity with internationally agreed standards, unless otherwise mutually agreed with their representative organisations;

Whereas all seafarers on vessels registered in this register should at least benefit from the social security schemes to which they are entitled in the country where they are resident;

Whereas vessels, while remaining on this register, should be able to transfer between the national registers of Member States without technical hindrance, when they comply with the essential technical requirements to be laid down by the Council;

Whereas the right of free movement under Article 48 of the Treaty as implemented by Council Regulation 1612/68¹ applies to employment of nationals of Member States on board vessels registered in the Member States; whereas therefore this right applies to vessels registered in EUROS; whereas, however, the effective exercise of that right may be hindered by differences between qualifications and licences issued in the Member States; whereas it is appropriate to provide for recognition of such qualifications and licences for seafarers for the purposes of employment on board vessels in the Community register subject to minimum requirements laid down by the Council;

Whereas registration in this register should be reflected in the right and obligation to fly the European Flag;

¹ OJ No L 257, 19.10.1968, p. 2.

Whereas the Commission should be enabled to adopt implementing provisions concerning the establishment of the register and concerning procedures of registration and deregistration;

Whereas there should be cooperation between the Community register and the national ship registers, including an exchange of information;

Whereas the Member States should take the necessary measures to control and enforce compliance with the provisions of this Regulation;

HAS ADOPTED THIS REGULATION:

SECTION 1 : Scope of the Regulation

Article 1 - Objective

This Regulation provides for :

- the establishment of a Community ship register for sea-going merchant vessels ;
- the conditions for registration;
- certain facilities accruing from such registration;
- the right to fly the European flag on these vessels in addition to the national flag.

SECTION 2 : The register, vessel owners and vessels

Article 2 : Establishment of the register.

A Community ship register (hereafter called "EUROS") is hereby established in which sea-going merchant vessels may be registered in addition to their national registration in a Member State.

The Commission shall register when the conditions laid down in Articles 3, 4 and 5 are met. It shall deregister a vessel when it no longer conforms to the provisions of this Regulation.

Article 3 - Persons entitled to have a vessel registered in EUROS.

1) The following may apply for registration of a vessel in EUROS :

- a) nationals of the Member States established in a Member State and pursuing shipping activities ;

- b) a shipping company formed in accordance with the law of a Member State and having its principal place of business in, and effective control exercised within the Community, provided that the majority of the capital of that company is owned by nationals of the Member States or the majority of the board of the company consists of such nationals, who have their domicile or usual residence in the Community.
 - c) nationals of Member States established outside the Community or shipping companies established outside the Community and controlled by nationals of a Member State, if the vessels owned or operated by them are registered in that Member State in accordance with its legislation;
- 2) For the purpose of this regulation, a natural or legal person meant in paragraph 1 will hereafter be referred to as a "Community vessel owner";
- 3) Where it has been agreed between a third country and the Community that registration of vessels in each other's register shall be permitted, the term "nationals of the Member States" shall, for the purposes only of paragraph 1(a) and (b), include nationals of the third country concerned.

Article 4 - Vessels eligible for registration

Eligible for registration in EUROS is any sea-going merchant vessel of at least 500 grt, built or under construction, which is already registered in a Member State, and entitled to fly the flag of that Member State and used or to be used in national or international trade for the transport of cargo or passengers or any other commercial purpose, if it fulfils the following conditions:

- a. the vessel must be and remain registered in the national ship register for the duration of its registration in EUROS;
- b. the vessel must be owned and for the duration of its registration in EUROS remain owned by a person entitled to register a vessel in EUROS, or operated by a Community vessel owner on the basis of a bare-boat charter in accordance with the provisions of Article 5;
- c. the vessel shall not be more than 20 years old.

Article 5. - Bare-boat charters

Vessels operated by Community vessel owners on the basis of a bare-boat charter may be registered in EUROS during the period of that charter if the following conditions are fulfilled:

- 1. the vessel is registered as a bare-boat chartered vessel in a national ship register of a Member State;

2. the laws of the vessel's initial flag country allow bare-boat registration in another country;
3. the consent of the owner of the vessel and of all mortgage creditors for the registration of the bare-boat is obtained; and
4. the bare-boat charter is duly recorded in the register of the vessel's initial flag country.

SECTION 3: Safety, manning and crew.

Article 6 - Safety.

Throughout the period of registration the vessel must be provided with all certificates required by the Member State concerned.

Article 7 - Nationality of crew.

On vessels registered in EUROS all officers and at least half of the rest of the crew shall be nationals of a Member State.

Trainees do not count towards meeting the requirements above.

Article 8 - Wages, working hours and further labour conditions.

Wages, working hours and further labour conditions of seafarers, who are not nationals of a Member State, on board vessels registered in EUROS, shall be in accordance with the ILO Wages, Hours of Work and Manning (Sea) Recommendation (No 109), 1958, subject to any arrangement on collective wages agreed upon with organisations as referred to in Article 9.

Article 9 - Collective wage agreements

1. If Community vessel owners who have registered the vessels which they own or operate in EUROS employ seafarers who are not nationals of a Member State such seafarers may be employed only on the basis of collective wage agreements concluded with trade unions or similar organisations of the country where they are resident.
2. No collective wage agreement may be concluded with a foreign trade union or similar organization on behalf of nationals of a third country if such trade union or organization does not satisfy the conditions of ILO Convention No. 87 concerning the freedom of association and protection of the right to organize.

3. The law of the Member State of registration of the vessel or, if explicitly referred to in the agreement, any other Member State, shall apply to such collective wage agreements. The courts of the Member State concerned shall be competent to hear and determine disputes arising out of such agreements.

Article 10 – Social Security

Without prejudice to Article 13(2)(c) of Council Regulation (EEC) No 1408/71¹ and unless otherwise mutually agreed at the level of governments or social partners, social security for seafarers on board vessels registered in EUROS shall be the responsibility of the country in which the seafarer is resident unless the legislation of that country expressly provides otherwise, in which case the Member State of registration shall be responsible but in accordance with the legislation of the country of residence.

For the purpose of this provision residence means residence on shore and employment on board a vessel registered in a Member State shall not of itself, be considered as being residence in that State.

Article 11

Articles 8, 9 and 10 shall apply subject to any right conferred or obligations imposed by any other Community legislative act except where such act expressly provides otherwise.

SECTION 4: Facilities attached to registration in EUROS

Article 12 – Transfer of vessels

Any vessel registered in EUROS and having valid certificates and classification and meeting the essential technical requirements to be laid down by the Council according to the provisions of the Treaty before 1 July 1991, may be transferred to the register of another Member State without the imposition of additional technical requirements.

Article 13 – Recognition of seafarers' qualifications

The qualifications and licences of seafarers who are nationals of a Member State shall be recognised by the competent authorities of each Member State for the purposes of employment on any vessel registered in EUROS, subject to minimum requirements for professional training and experience in the function concerned as required in Directives adopted or to be adopted by the Council, according to the provisions of the Treaty, before 1 July 1991.

SECTION 5: European flag, port of registration

Article 14 – European flag

1. Vessels registered in EUROS are entitled and obliged to fly the European flag in addition to their national flag.

¹ OJ No L 149, 5.7.1971, p. 2.

2. Upon registration a certificate conveying the right to fly the European flag will be delivered by the Commission to the applicant for registration.

Article 15 – Port of registration

A vessel registered in EUROS shall bear a relevant identification on its stern under the name of the port of registry in its national register.

SECTION 6: Final provisions

Article 16 – Implementing measures

The Commission shall, within six months after the adoption of this regulation, adopt the necessary implementing measures concerning the establishment of EUROS, the procedures for registration and deregistration, the form and content of the documents concerned, including the certificate concerning the right to fly the European Flag, the form of, and rules governing the flying of, the flag, and the identification of vessels on the register.

Article 17 – Cooperation

1. National authorities and the Commission shall assist each other in applying this Regulation and in checking compliance therewith.
2. Within the framework of this mutual assistance they shall communicate to each other the necessary information with respect to registration and deregistration.

Article 18 – Transitional period

1. Member States shall, within six months after the adoption of this Regulation and after consultation with the Commission, take the necessary measures to:
 - organise effective controls to ensure compliance with the requirements laid down in Sections 2, 3 and 5;
 - impose sanctions in case of non-compliance with those requirements;
 - enable vessels registered in EUROS to exercise the right to fly the European flag.
2. Such measures shall make express reference to this Regulation.
3. Member States shall forthwith communicate to the Commission the measures adopted.

Article 19 - Entry into force

This Regulation shall enter into force on 1 January 1991.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,1989.

For the Council
The President

COMMISSION RECOMMENDATION

on improving the effectiveness of Port State Control
in the Community

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Whereas the safety of life at sea, acceptable standards of living and working conditions on board ships and the protection of the marine environment must be maintained and promoted;

Whereas the principal responsibility for the effective application of these standards as laid down in international instruments rests upon the relevant authorities of the State whose flag a ship is entitled to fly;

Whereas effective action in the form of Port State Control is, nevertheless, necessary to ensure proper application of these standards in order to reduce and prevent substandard shipping;

Whereas all the maritime nations of the European Economic Community are signatories of the Memorandum of Understanding on Port State Control;

Whereas it is essential that all international conventions under the Memorandum of Understanding are duly signed and ratified by all Member States;

Whereas correct application of the international conventions referred to in the Memorandum of Understanding on Port State Control requires uniform and effective checking by Member States who are signatories to the aforesaid Memorandum;

Whereas it is necessary to ensure that the target number of inspections on individual foreign merchant ships visiting the ports of signatories to the Memorandum is achieved in order to reduce and prevent substandard shipping and in order to avoid distortions of conditions of competition between ports within the Community;

Whereas for these purposes a full and uniform system of Port State Control should be in force throughout the Community;

HEREBY RECOMMENDS THE MEMBER STATES to take the following measures in pursuance of their obligations under the Memorandum of Understanding on Port State Control (M.O.U.):

I. WITH REGARD TO RATIFICATION OF THE INTERNATIONAL CONVENTIONS COVERED BY THE MEMORANDUM OF UNDERSTANDING

1. those Member States, which have not yet ratified the International Conventions cited below, to do so forthwith:
 - . the International Convention on Load Lines, 1966;
 - . the International Convention for the Safety of Life at Sea, 1974, as amended by the Protocol of 1978;
 - . the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978;
 - . the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978;
 - . the Convention on the International Regulations for Preventing Collisions at Sea, 1972;
 - . the Merchant Shipping (Minimum Standards) Convention, 1976 (ILO Convention no. 147).
2. those Member States, which have not yet ratified the optional annexes to the International Convention for the Prevention of Pollution from Ships, 1973, as amended by the Protocol of 1978 (MARPOL 73/78), to do so forthwith.

II. WITH REGARD TO THE IMPLEMENTATION OF THE INTERNATIONAL CONVENTIONS COVERED BY THE MEMORANDUM OF UNDERSTANDING

Member States, which are signatories to the Memorandum of Understanding, to ensure that

1. a minimum annual total of 25% of the number of individual foreign merchant ships visiting their ports are inspected in accordance with the provisions of the Memorandum of Understanding;
2. the inspection procedures laid down in the Manual for Surveyors adopted by the Port State Control Committee are strictly applied;
3. adequate resources, both financial and manpower, are provided to ensure a full implementation of their obligations under the Memorandum of Understanding on Port State Control.

The Commission requests Member States to inform it within twelve months of the adoption of the Recommendation of the measures they have taken in this field.

Proposal for a
COUNCIL REGULATION
on a common definition of a Community shipowner

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 84 (2) thereof,

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the development of the single market makes it desirable to affirm the identity of the Community also in the field of sea transport services;

Whereas to an increasing degree Community legislation refers to Community shipowners and there should be a common view on the identity of such a shipowner;

Whereas it is desirable to distinguish between companies owned by nationals of a third country or the majority of whose board consists of nationals of such a country and those which are owned or managed by Community nationals, taking into account that the former may themselves have acquired the same status as companies of the Member States by their establishment in a Member State;

Whereas such a distinction can be achieved by defining as Community shipowners those nationals of a Member State who have a significant economic link with a Member State;

HAS ADOPTED THIS REGULATION:

Article 1

This Regulation lays down criteria establishing a common definition of a Community shipowner.

Article 2

Unless otherwise stated, all references to "Community shipowner", in regulations, directives and decisions of the Council are to be interpreted in accordance with Articles 3 and 4.

Article 3

For the purpose of this Regulation "a shipowner" means:
a natural or legal person providing a liner or tramp service in the field of maritime transport of passengers or goods by one or more sea-going vessels which he or it owns or has chartered on the basis of a bare-boat charter, time charter or voyage charter.

Article 4

The following shipowners are regarded as Community shipowners

- 1a a national of a Member State, who has his domicile or usual residence in a Member State;
- 1b a shipping company or firm which is formed in accordance with the law of a Member State and which complies with the following requirements:
 - i) the principal place of business is situated and the effective control exercised in a Member State and
 - ii) the executive board consists of persons the majority of whom are nationals of a Member State or the majority of the shares are owned by nationals of a Member State having their domicile or usual residence in a Member State.
- 2a a national of a Member State who has his domicile or usual residence outside the Community if his vessels are registered in that Member State in accordance with its legislation;
- 2b a shipping company or firm established outside the Community and controlled by nationals of a Member State if its vessels are registered in that Member State in accordance with its legislation.

Article 5

This Regulation shall enter into force on 1 January 1990.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 1989

For the Council
The President

Proposal for a
COUNCIL REGULATION

applying the principle of freedom to provide services to maritime
transport within Member States

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic
Community, and in particular Article 84 (2) thereof,

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the principle of freedom to provide services does not yet apply
to maritime transport within the Member States;

Whereas it is important to adopt measures with the aim of progressively
establishing the internal market over a period expiring on 31 December
1992; whereas the internal market shall comprise an area without
internal frontiers in which the free movement of goods, persons,
services and capital is ensured;

Whereas in accordance with Article 61¹ of the Treaty freedom to provide
services in the field of maritime transport is to be governed by the
provisions of the Title relating to transport;

Whereas the abolition of restrictions on the provision of maritime transport
services within Member States is necessary for the establishment of the
single market;

Whereas therefore the principle of freedom to provide services should
be applied to maritime transport within Member States;

Whereas this freedom should be subject to conditions in respect of the
vessels used to provide the services, so as to ensure a degree of
approximation of operating conditions among the persons and companies
providing such services;

Whereas such conditions are fulfilled by ships registered in the
Community ship register established by Council Regulation (EEC) No ...
and used in short-sea trades;

HAS ADOPTED THIS REGULATION:

Article 1

1. Restrictions on freedom to provide maritime transport services within Member States shall be abolished in respect of Community shipowners who are established in a Member State of the Community other than that of the person for whom the services are intended when using vessels registered in the Community ship register and not exceeding 6000 grt.
2. The provisions of this Regulation shall also apply to nationals of the Member States established outside the Community and to shipping companies established outside the Community and controlled by nationals of a Member State, if their vessels are registered in that Member State in accordance with its legislation and in the Community ship register and not exceeding 6000 grt.
3. For the purposes of this Regulation, services shall be considered as "maritime transport services" where they are normally provided for remuneration and shall in particular include:
 - (a) the carriage of passengers or goods by sea between ports in any one Member State, including overseas departments of that State (cabotage);
 - (b) the carriage of passengers or goods by sea between any port in a Member State and installations or structures on the continental shelf of that Member State (off-shore supply services).
4. The Member State between whose ports the maritime transport services are provided may require that the vessels used for these services are manned with nationals of the Member States to the same degree as is required in respect of the vessels flying its own flag which are used for these services.

Article 2

1. Notwithstanding Article 1(1) and (2), a Member State may, where necessary in order to maintain sufficient maritime transport services in the case of cabotage between the mainland and its islands and between its islands, impose public service obligations as a condition for the right to provide the service.
2. For the purpose of this Regulation the law, regulations or administrative conditions imposed by Member States aiming to guarantee the continuity, regularity and efficiency of the services, and the provision of goods of fundamental importance for the economic wellbeing of such territories shall be considered as public service obligations.

Article 3

Articles 55 to 58 and 62 of the Treaty shall apply to the matters covered by this Regulation.

Article 4

Without prejudice to the provisions of the Treaty relating to the right of establishment, a person providing a maritime transport service may, in order to do so, temporarily pursue his activity in the Member State where the service is provided, under the same conditions as are imposed by that State on its own nationals.

Article 5

Member States shall, before adopting laws, regulations or administrative provisions in implementation of Article 2 consult the Commission. They shall send to the latter any such measures so adopted.

Article 6

This Regulation shall be reviewed before 1 January 1993.

Article 7

This Regulation shall enter into force on 1 January 1991.

This regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

MANNING COSTS

The following table presents the results of a calculation of the relative importance of manning costs as part of total operating costs, provided in "A Social Survey in Maritime Transport" (MERC-1987) for a 1500 TEU container vessel.

Manning costs include basic wages, overtime, leave pay, social security contributions, retirement provisions, crew rotation, travel and victualling.

Operating costs consist of manning, repair and maintenance, stores, lubrication oil, insurance and overhead.

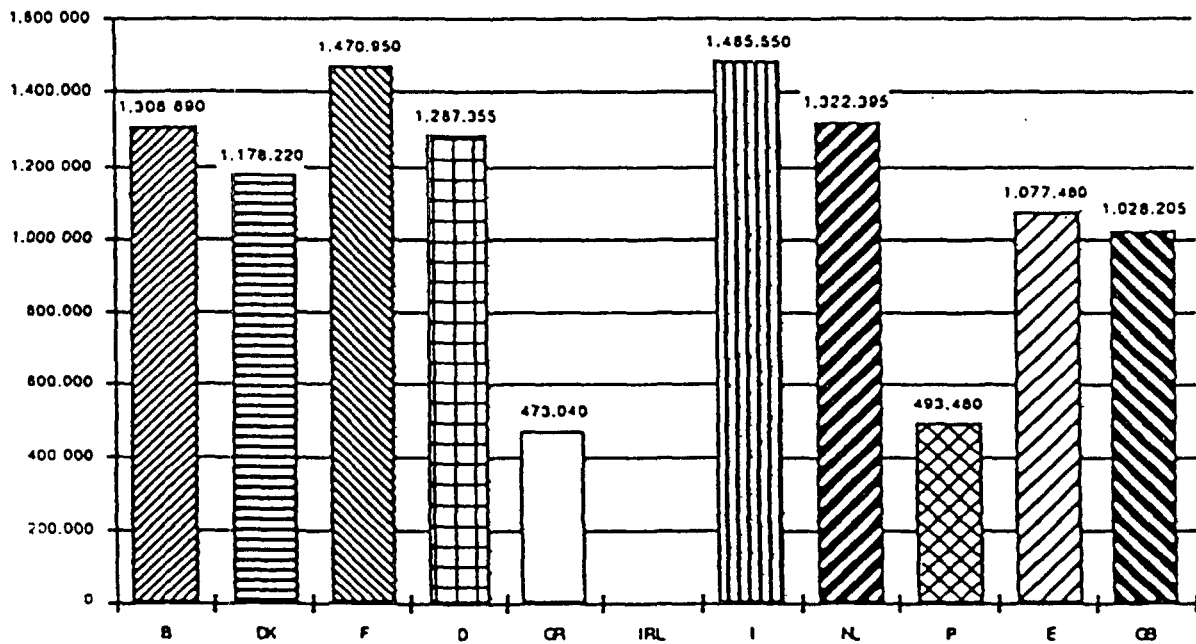
Daily manning and operating cost compared (in USD)
(1500 TEU VESSEL - October 1986)

Country	Cost Item	Crew Size	Manning cost (1)	Operating cost (2)	1/2 (%)
Belgium		22	3586	6654	54%
Denmark		21	3228	6414	50%
France		23	4030	7177	56%
W. Germany		21	3527	6679	53%
Greece		21	1296	4034	32%
Ireland		NA	NA	NA	NA
Italy		21	4070	7113	57%
Netherlands		24	3623	6715	54%
Portugal		30	1352	4056	33%
Spain		25	2952	5913	50%
UK		24	2817	5741	49%

SOURCE: "A Social Survey in Maritime Transport" by MERC - 1987

The significant differences in manning costs within the Community are illustrated in the following graph which translates the relevant data of the above table into annual manning costs.

MANNING COSTS
US \$ / YEAR



The following table from the "Social Survey" illustrates the relative weight of manning costs and other cost components in the overall cost, as calculated in 1986 for a newly built Dutch 1500 TEU container vessel.

Manning costs in the overall cost environment
(Dutch 1500 TEU container vessel, newly built)

Cost Item	USD (mln)	%
Manning	1.286	21.1
R&M	0.424	6.9
Stores	0.098	1.6
Lub. Oil	0.108	1.8
Insurance	0.251	4.1
Overhead	0.217	3.6
Fuel	1.196	19.6
Capital	2.519	41.3
Total	6.097	100%

S T A T I S T I C A L A N N E X

<u>Table 1</u>	Merchant fleet of the world 1970-1988
<u>Table 2</u>	Development of world seaborne trade 1975-1988
<u>Graph 1</u>	Cargo carried by world fleet 1965-1988
<u>Graph 2</u>	Ton-miles performed by world fleet 1965-1988
<u>Table 3</u>	Merchant fleets - analysis by Community ship register
<u>Table 4</u>	Development of EEC national fleets and EEC owned fleets under the flag of open register countries between 1981 and 1987
<u>Table 5</u>	Distribution of World merchant fleets by category of vessels and flag - 1988
<u>Table 6</u>	
<u>Table 7</u>	Development of world container fleets - 1981 and 1987
<u>Table 8</u>	Merchant fleets: Age comparison by percentage share of total dwt - 1986
<u>Table 9</u>	Personnel employed in Member States' fleets: by nationality (1980, 1986-1988)
<u>Table 10</u>	Structure of costs for selected vessels

TABLE 1 : MERCHANT FLEET OF THE WORLD 1970-1988 (1)

YEARS	(1)	(2)		(3)		(4)		out of which:							
	WORLD	O E C D (incl. EEC)		E E C		OPEN REGISTRY COUNTRIES		COMECON		OTHERS		NICs (5)		China(PR), Israel South Africa	
	MGRT	MGRT	%	MGRT	%	MGRT	%	MGRT	%	MGRT	%	MGRT	%	MGRT	%
1970	211.9	141.4	66.7	68.5	32.3	40.2	19.0	13.0	6.1	17.3	8.2				
5	325.6	193.8	59.5	100.4	30.8	84.2	25.9	17.7	5.5	29.9	9.2	7.0	2.1	3.6	1.1
9	393.0	208.5	53.0	116.6	29.7	107.7	27.4	22.7	5.8	54.1	13.8	14.8	3.8	7.2	1.8
1980	398.8	210.5	52.8	117.2	29.4	108.0	27.1	23.2	5.8	57.1	14.3	15.2	3.8	7.6	1.9
1	399.7	209.4	52.4	116.1	29.0	104.8	26.2	25.5	6.4	60.0	15.0	15.9	4.0	8.5	2.1
2	403.0	205.3	50.9	110.6	27.4	106.3	26.4	23.9	5.9	67.5	16.7	17.8	4.4	9.0	2.2
3	400.0	193.0	48.3	101.4	25.4	108.1	27.0	24.7	6.2	74.2	18.6	20.0	5.0	9.7	2.4
4	396.0	180.4	45.6	92.7	23.4	111.3	28.1	24.9	6.3	79.4	20.0	22.3	5.6	10.1	2.6
5	392.9	169.5	43.1	84.5	21.5	114.2	29.1	25.4	6.5	83.8	21.3	24.1	6.1	11.2	2.9
6	381.4	150.5	39.5	74.0	19.4	116.5	30.5	25.8	6.7	88.6	23.2	25.1	6.6	12.1	3.2
7	379.6	133.7	35.2	63.2	16.6	126.9	33.4	26.2	6.9	92.8	24.5	26.1	6.9	12.8	3.4
8	378.9	128.1	33.8	58.5	15.4	132.5	35.0	26.3	6.9	92.0	24.3	25.8	6.8	13.3	3.5

SOURCE: EUROSTAT Statistical Yearbook - Transport, Communications, Tourism and Lloyds Statistical Tables

. MGRT: million gross registered tons - all ships of 100 GRT and over

. % : percentage of world total

- (1) Merchant fleet: excluding the fishing fleet, tugs, dredgers, icebreakers, research ships, supply ships and tenders, miscellaneous
- (2) Figures for EEC are for the "12". UK, DK, IRL joined EEC in 1973, GR in 1981, E and P in 1986, but the tonnage figures have been included from 1970 onwards for statistical reasons
- (3) Antigua, Bahamas, Bermuda, Cayman Isles, Cyprus, Gibraltar, Lebanon, Liberia, Malta, Panama, St. Vincent, Vanuatu. (Figures for the years to 1983 provided in COM(85)90 are not directly comparable as a result of reclassification of a number of countries)
- (4) Socialist countries of Eastern Europe: Albania, Bulgaria, Czechoslovakia, DRG, Hungary, Poland, Romania, USSR.
- (5) Newly Industrialised Countries of the Far East: Rep. of China, Hong Kong, Singapore and South Korea.

TABLE 2 : WORLD SEABORNE TRADE, 1977-1988

in million tonnes						
	TOTAL TRADE ESTIMATE	CRUDE OIL	OIL PRODUCTS	IRON ORE	COAL	GRAIN OTHERS ESTIMATE
1977	3 399	1 451	273	276	132	147 1 120
1978	3 466	1 432	270	278	127	169 1 190
1979	3 714	1 497	279	327	159	182 1 270
1980	3 606	1 320	276	314	188	198 1 310
1981	3 461	1 170	267	303	210	206 1 305
1982	3 199	993	285	273	208	200 1 240
1983	3 090	930	282	257	197	199 1 225
1984	3 292	930	297	306	232	207 1 320
1985	3 293	871	288	321	272	181 1 360
1986	3 385	958	305	311	276	165 1 370
1987	3 457	970	309	309	283	186 1 390
1988 (estimate)	3 666	1 050	315	345	298	188 1 470

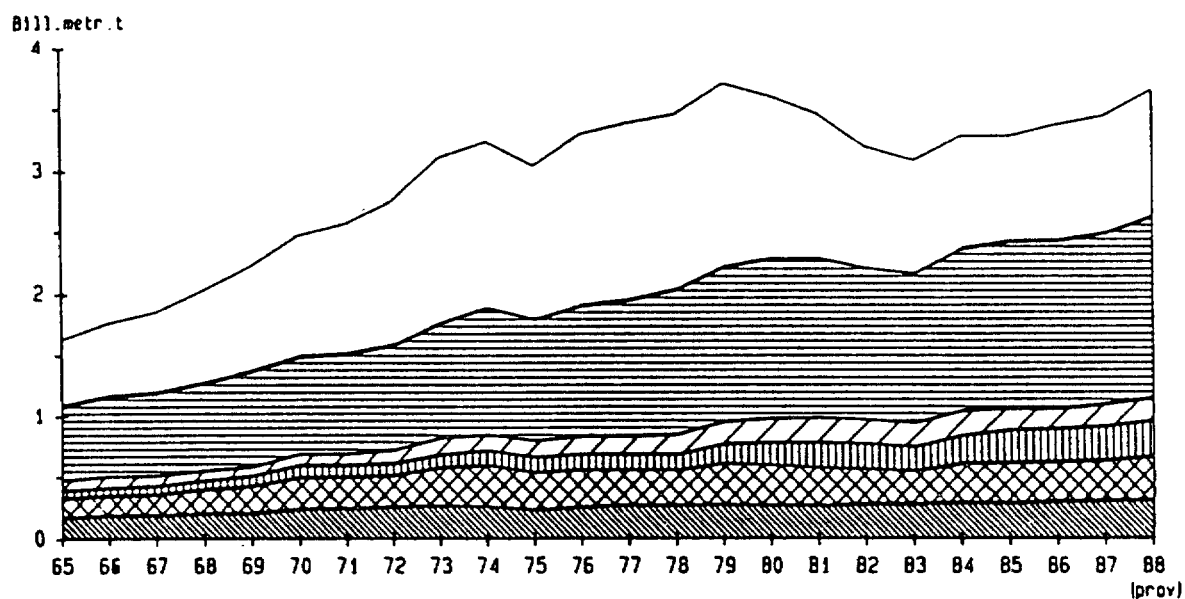
in thousand million tonne-miles						
	TOTAL TRADE ESTIMATE	CRUDE OIL	OIL PRODUCTS	IRON ORE	COAL	GRAIN OTHERS ESTIMATE
1977	17 453	10 408	995	1 386	643	801 3 220
1978	16 934	9 561	985	1 384	604	945 3 455
1979	17 513	9 452	1 045	1 599	786	1 026 3 605
1980	16 611	8 219	1 020	1 613	952	1 087 3 720
1981	15 662	7 193	1 000	1 508	1 120	1 131 3 710
1982	13 499	5 212	1 070	1 443	1 094	1 120 3 560
1983	12 580	4 478	1 080	1 320	1 057	1 135 3 510
1984	13 426	4 508	1 140	1 631	1 270	1 157 3 720
1985	13 065	4 007	1 150	1 675	1 479	1 004 3 750
1986	13 856	4 640	1 265	1 671	1 586	914 3 780
1987	14 273	4 671	1 320	1 728	1 653	1 061 3 840
1988 (estimate)	15 170	5 080	1 350	1 870	1 740	1 070 4 060

NOTE: Attention is drawn to the figures for grain which include sorghum and soya beans (in addition to wheat, maize, barley, oats and rye) for the entire period.

SOURCE: Fearnleys, Oslo, Review 1988

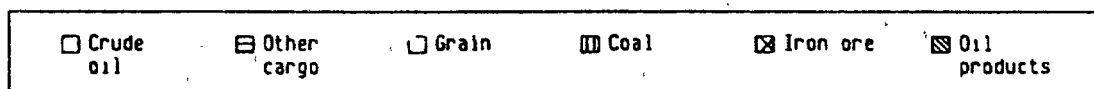
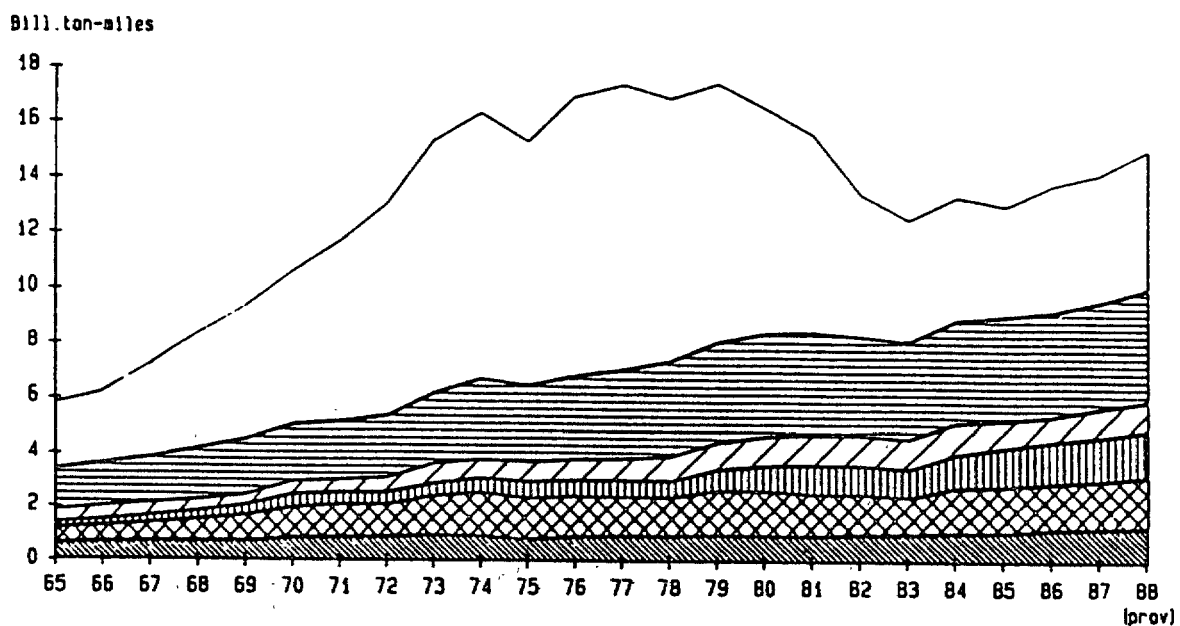
GRAPH 1 :

Cargo carried by world fleet 1965-1988



GRAPH 2 :

Ton-miles performed by world fleet 1965-1988



Source: ISL Bremen, based on data from Fearnleys Review

TABLE 3 : MERCHANT FLEETS (1) - ANALYSIS BY COMMUNITY SHIP REGISTERS (2)

FLAG	1975		1980		1984		1985		1986		1987		1988	
	N° of ships	MGRT	N° of ships	MGRT	N° of ships	MGRT	N° of ships	MGRT	N° of ships	MGRT	N° of ships	MGRT	N° of ships	MGRT
B.	99	1.3	105	1.7	125	2.3	124	2.3	117	2.3	112	2.1	103	1.9
DK	950	4.3	746	5.2	643	5.1	607	4.8	575	4.5	588	4.6	549	4.2
FR	562	10.4	465	11.6	405	8.6	381	7.9	415	5.6	315	4.1	291	4.2
FRG.	1578	8.2	1492	8.0	1424	6.0	1447	5.9	1410	5.3	1099	4.1	923	3.7
GR.	2561	22.4	3634	39.4	2673	34.9	2353	30.9	1995	28.3	1679	23.4	1584	21.8
IRL.	51	0.2	63	0.2	69	0.2	67	0.2	69	0.1	64	0.1	66	0.1
IT.	1222	9.9	1154	10.9	978	9.0	956	8.6	947	7.6	943	7.6	930	7.4
NL.	802	5.4	690	5.3	635	4.0	630	3.7	644	3.8	620	3.4	565	3.2
PORT.	169	1.1	121	1.2	109	1.4	112	1.3	100	1.0	77	0.9	76	0.9
SP.	804	4.8	817	7.5	765	6.4	740	5.6	674	4.9	609	4.4	554	3.8
UK.	2246	32.2	1931	26.1	1216	14.9	1135	13.3	1026	10.6	916	7.5	871	7.2
EEC-11	11044	100.2	11218	117.1	9042	92.8	8552	84.5	7972	74.0	7022	63.2	6512	58.5

Source : Lloyd's Register of Shipping, Statistical Tables

- (1) : Merchant fleet excluding fishing vessels, tugs, dredgers, ice-breakers, research vessels, supply ships, tenders and miscellaneous. Vessels 100 GRT and over.
- (2) : These figures include various "second" registers e.g. the Isle of Man and Kerguelen Islands

TABLE 4

DEVELOPMENT OF EEC NATIONAL FLAG FLEETS AND EEC OWNED FLEETS UNDER THE FLAG OF OPEN REGISTRY COUNTRIES BETWEEN 1981 AND 1987 (Vessels of 500 t.DWT and over)

M.S.	NATIONAL FLAG National Flag - 1000 DWT								OPEN REGISTRY FLEET Beneficial ownership - 1000 DWT							
	TANKERS		BULK CARRIERS		OTHERS		TOTAL		TANKERS		BULK CARRIERS		OTHERS		TOTAL	
	1981	1987	1981	1987	1981	1987	1981	1987	1981	1987	1981	1987	1981	1987	1981	1987
B.	500	382	1581	2508	867	764	2948	3654	-	-	19	101	26	123	45	224
DK	4851	4554	883	456	2244	1951	7978	6961	8	81	593	285	123	504	724	870
FRG	5146	569	2671	618	4592	4472	12409	5659	2398	2150	1518	2655	1858	2535	5774	7340
FR	14684	4844	2695	1493	2730	2070	20112	8407	884	1231	219	88	147	450	1258	1768
GR	26976	18540	31122	19287	15425	4949	73513	42776	14845	19245	4875	19614	2866	6296	22586	45155
IRL	23	27	239	-	76	136	342	163	-	-	-	-	10	28	10	28
IT	8221	4765	6778	4954	-	2459	17429	12178	987	192	917	166	291	345	2195	703
NL	4410	1278	963	551	3226	3294	8599	5123	1529	623	51	513	902	869	2483	2004
PORT	1449	1005	193	477	539	221	2181	1703	33	32	54	89	20	90	107	211
SP	9303	4352	2168	1958	1630	2077	13101	8387	0	6	76	143	90	113	166	262
UK	22848	5083	11036	2675	7388	3918	41272	11676	1906	2731	451	1723	786	1222	3140	5676
EEC	98414	45399	60329	34997	41141	26311	199884	106687	22590	26292	8773	25375	7122	12577	38485	64244
WORLD	335464	245492	199452	231802	162272	163470	697188	640764	111510	93787	56558	77782	29629	44973	197697	216382

Sources: OECD and UNCTAD

TABLE 5 : DISTRIBUTION OF WORLD MERCHANT FLEETS BY CATEGORY OF VESSEL AND FLAG - 1988 (1)

	WORLD MGRT	of which:				(2)		(3)		OTHERS MGRT %	
		O E C D		E E C		OR		COMECON			
		MGRT	%	MGRT	%	MGRT	%	MGRT	%		
Oil & oil/chemical & miscellaneous tankers	127.9	45.5	35.6	21.3	16.6	55.4	43.3	5.5	4.3	21.5	16.8
Chemical tankers	3.5	1.4	39.5	0.5	14.2	1.4	39.2	0.0	0.6	0.7	20.0
Liquified gas carriers	9.8	4.9	50.5	1.0	10.2	2.5	25.4	0.2	2.0	2.2	22.4
<u>TOTAL TANKERS</u>	<u>141.2</u>	<u>51.8</u>	<u>36.7</u>	<u>22.8</u>	<u>16.1</u>	<u>59.3</u>	<u>42.0</u>	<u>5.7</u>	<u>4.0</u>	<u>24.4</u>	<u>17.2</u>
Ore/Bulk/oil carriers	20.0	5.2	26.0	2.8	14.0	10.0	49.8	0.9	4.4	3.9	19.5
Ore & bulk carriers	109.6	31.9	29.1	15.1	13.7	37.6	34.3	7.2	6.6	32.9	30.0
<u>TOTAL BULK CARRIERS</u>	<u>129.6</u>	<u>37.1</u>	<u>28.6</u>	<u>17.9</u>	<u>13.8</u>	<u>47.6</u>	<u>36.7</u>	<u>8.1</u>	<u>6.3</u>	<u>36.8</u>	<u>28.3</u>
General cargo	71.9	19.8	27.6	8.6	11.9	17.8	24.8	11.3	15.7	23.0	31.9
Containers (Fully Cellular)	22.1	11.4	51.5	5.9	26.7	4.3	19.6	0.9	4.0	5.5	24.8
Passenger, ferries, vehicle carriers & other merchant vessels	14.2	7.9	55.9	3.2	22.5	3.6	25.4	0.8	5.6	1.9	13.4
<u>TOTAL GENERAL CARGO AND OTHER MERCHANT VESSELS</u>	<u>108.2</u>	<u>39.1</u>	<u>36.1</u>	<u>17.7</u>	<u>16.3</u>	<u>25.7</u>	<u>23.8</u>	<u>13.0</u>	<u>12.0</u>	<u>30.4</u>	<u>28.0</u>
<u>TOTAL ALL SHIPS</u>	<u>378.9</u>	<u>128.1</u>	<u>33.8</u>	<u>58.5</u>	<u>15.4</u>	<u>132.5</u>	<u>35.0</u>	<u>26.7</u>	<u>7.0</u>	<u>91.6</u>	<u>24.2</u>

Source: Lloyd's Register of shipping - Statistical Tables 1988

. MGRT: million gross registered tons - all ships of 100 GRT and over

. % : percentage of world total

- (1) Merchant fleet: excluding the fishing fleet, tugs, dredgers, icebreakers, research ships, supply ships and tenders, miscellaneous
- (2) Open registry countries: Antigua, Bahamas, Bermuda, Cayman Isles, Cyprus, Gibraltar, Lebanon, Liberia, Malta, Panama, St Vincent, Vanuatu
- (3) Socialist countries of Eastern Europe: Albania, Bulgaria, Czechoslovakia, DRG, Hungary, Poland, Romania, USSR.

WORLD MERCHANT FLEET;
GROUP OF FLAGS: EEC

Ships of 100 gross tonnage and upward
by principal types
In 1000 gross tonnage

FLAG & YEAR	GRAND TOTAL	OIL TANKERS	OIL/CHEMICAL TANKERS	CHEMICAL TANKERS	LIQUEFIED GAS CARRIERS	BULK/OIL CARRIERS	ORE & BULK CARRIERS	TOTAL TANKERS & BULK	GENERAL CARGO SHIPS	CONTAINER SHIPS	PASSENGER FERRIES & OTHER	TOTAL GENERAL CARGO & PASSENGER
	1 (8+12)	2	3 (*)	4	5	6	7	8 (2 to 7)	9	10	11(**)	12 (9 to 11)
BELGIUM 1970	974	305	:	-	-	-	318	623	351	-	-	351
75	1296	367	:	-	-	-	547	914	302	31	49	382
80	1696	294	:	76	78	-	767	1215	323	111	47	481
85	2251	108	124	76	140	208	1157	1813	162	227	49	438
86	2253	115	151	4	158	208	1207	1843	139	228	43	410
87	2097	117	107	4	157	295	1055	1735	134	176	51	362
88	1928	118	134	6	150	293	872	1573	108	200	47	355
DENMARK 1970	3012	1340	:	7	17	-	445	1809	1187	16	-	1203
75	4332	2161	:	5	30	-	552	2748	1169	179	236	1584
80	5210	2807	:	5	50	-	639	3501	973	492	244	1709
85	4766	2048	150	8	142	-	423	2771	754	986	255	1995
86	4464	1830	214	2	144	-	290	2480	680	1030	274	1984
87	4612	1740	427	7	98	251	2523	725	1044	320	2089	
88	4229	1576	478	11	94	-	163	2322	566	1007	334	1907
FRANCE 1970	5907	3477	:	5	86	77	655	4300	1397	27	183	1607
75	10390	6938	:	62	241	638	768	8647	1392	139	212	1743
80	11557	7777	:	50	322	609	931	9689	1279	410	179	1868
85	7886	4332	14	52	271	388	1012	6069	960	673	184	1817
86	5633	2589	14	24	258	132	826	3843	880	708	202	1790
87	5063	2451	23	24	227	132	726	3583	668	634	178	1479
88	4204	1934	25	14	184	-	698	2855	617	560	172	1349
GERMANY 1970	7519	1643	:	10	6	54	1441	3154	4099	162	104	4365
75	8230	2725	:	9	23	123	2078	4958	2485	638	149	3272
80	8007	2757	:	18	30	42	1638	4485	2121	1227	174	3522
85	5925	1241	152	76	197	90	678	2434	1759	1551	181	3491
86	5339	593	157	72	216	90	469	1597	1798	1757	187	3742
87	4112	155	161	46	141	90	312	905	1300	1713	195	3307
88	3726	105	161	40	125	168	176	775	1100	1652	199	2951
GREECE 1970	10638	3872	:	-	8	152	2032	6064	4451	-	123	4574
75	22449	8295	:	1	17	1215	5957	15485	6321	35	608	6964
80	39376	11780	:	8	33	2741	13614	28176	10433	38	729	11200
85	30895	9276	90	3	66	2149	13175	24759	5416	103	617	6136
86	28256	10235	24	3	63	1423	11779	23527	3974	142	613	4729
87	23403	9125	143	3	63	1016	9540	19890	2755	169	588	3512
88	21815	8380	134	5	62	983	9077	18641	2287	201	687	3175
IRELAND 1970	152	3	:	-	-	-	82	85	66	1	-	67
75	198	6	:	1	-	-	148	155	16	7	20	43
80	188	7	:	3	-	-	101	111	42	5	30	77
85	167	5	4	-	-	-	57	66	40	18	43	101
86	121	4	4	-	-	-	-	8	52	18	43	113
87	123	4	15	-	-	-	-	19	52	18	33	104
88	129	3	19	-	-	-	-	22	59	15	33	107
ITALY 1970	7023	2721	:	40	116	492	1597	4966	1471	-	586	2057
75	9928	4061	:	25	148	1554	2006	7794	1144	97	893	2134
80	10861	4685	:	70	204	1612	2302	8873	1056	208	724	1988
85	8588	3579	22	94	175	905	2136	6911	814	269	594	1677
86	7631	2513	48	111	187	932	2127	5918	889	247	577	1713
87	7516	2732	93	110	192	980	1813	5754	960	252	594	1806
88	7395	2587	99	120	187	1017	1543	5553	975	251	616	1842
NETHERL 1970	4989	1985	:	18	23	45	437	2508	2358	9	114	2481
75	5414	2637	:	13	58	-	508	3216	1868	154	176	2198
80	5341	2503	:	20	64	-	654	3241	1584	380	136	2100
85	3650	553	192	43	61	-	699	1548	1356	574	172	2102
86	3820	667	264	74	62	-	524	1591	1486	547	196	2229
87	3388	499	277	66	43	-	318	1203	1425	527	232	2184
88	3195	369	248	58	28	-	295	998	1380	579	238	2197
PORTUGAL 1970	721	248	:	-	4	-	11	263	373	-	85	458
75	1054	516	:	5	4	-	73	598	392	6	58	456
80	1208	775	:	6	4	-	73	858	329	6	15	350
85	1291	860	-	6	2	-	158	1026	238	9	18	265
86	967	533	-	1	2	-	231	767	188	3	8	200
87	917	533	-	1	2	-	236	823	189	7	7	94
88	855	486	-	6	-	-	267	759	58	7	31	96
SPAIN 1970	2864	1423	:	2	67	-	270	1762	1054	9	39	1102
75	4846	2556	:	2	52	261	792	3663	977	32	174	1183
80	7495	4818	:	35	56	256	993	6158	1141	39	157	1337
85	5688	2874	32	92	69	128	1193	4388	1002	139	159	1300
86	4862	2350	21	91	69	117	1058	3706	886	117	153	1156
87	4364	2083	32	96	69	117	943	3339	781	104	141	1025
88	3778	1601	26	90	74	117	988	2896	659	91	132	882
UK 1970	24690	12032	:	55	97	365	3485	16034	7524	377	755	8656
75	32162	16096	:	170	703	2918	5189	25076	4886	1347	853	7086
80	26103	13230	:	165	1052	2349	3872	20668	3030	1672	733	5435
85	13362	5790	147	140	717	870	2144	9808	1339	1522	693	3554
86	10596	4303	92	133	708	514	1636	7386	1125	1419	666	3210
87	7516	2732	92	130	144	312	1181	4592	864	1354	705	2924
88	7235	2764	71	120	144	242	1043	4384	814	1335	702	2851

(*) includes miscellaneous tankers

(**) includes passenger/cargo ships; vehicle carriers, ferries and passenger vessels; and livestock carriers

TABLE 7**Percentage shares in the world's container fleet
in 1981 and 1987**

	1981	1987
OECD	71.2	55.3
Open registry	7.5	17.5
Eastern Bloc	2.8	3.8
Market economy developing countries	14.6	18.1
Others (PRC, Taiwan, Bermuda, Gibraltar, Israel, South Africa)	3.9	5.3

**Development of the container fleets of Hong Kong and
Taiwan**

	1981		1987	
	No.	GRT	No.	GRT
HONG KONG				
- own flag	21	380.000	21	437.000
- open registry			51	1.000.000
TAIWAN				
- own flag	13	296.000	57	1.405.000
- open registry			39	1.115.000

TABLE 8 : MERCHANT FLEETS : AGE COMPARISON BY PERCENTAGE SHARE OF TOTAL DWT - 1986
(Ships of 300 grt/gt and over)

	0-4 YEARS	5-9 YEARS	10-14 YEARS	15-19 YEARS	20-24 YEARS	25 and above
OECD	17.3	23.1	38.0	13.7	3.6	4.3
EEC	14.0	20.2	43.1	15.3	4.3	3.0
Denmark	23.9	20.8	48.4	5.0	1.5	5.0
France	11.2	15.7	67.7	4.0	1.1	0.3
Germany FR	38.3	33.2	14.4	11.2	2.1	0.8
Greece	11.3	15.3	43.0	21.3	5.3	3.8
Italy	4.8	12.5	46.7	19.9	7.0	9.1
Spain	8.2	25.5	50.0	13.3	1.6	1.5
UK	6.2	27.6	47.3	11.3	6.1	1.6
COMECON	13.0	24.6	25.4	15.4	15.6	6.0
Developing countries	18.0	20.9	35.2	17.3	5.1	3.6
Open registry	14.1	16.1	47.4	17.4	3.6	1.4

SOURCE: ISL Bremen and Lloyds Register of Shipping

TABLE 9: PERSONNEL EMPLOYED IN M.S. FLEETS : BY NATIONALITY (1980, 1986, 1988)

Member State	OWN NATIONALS				OTHER OECD				OTHER				TOTAL			
	1980	1986	1987	1988	1980	1986	1987	1988	1980	1986	1987	1988	1980	1986	1987	1988
B.	2526	2332	2162	2016	636	474	457	428	142	122	101	95	3304	2928	2720	2539
DK	11975	8846	8028	7214	670	305	243	277	2037	628	538	419	14682	9779	8809	7940
FR	14947+	6695	6038	..	4 +	2	1	..	203+	110	84	..	15154+	6807	6123	..
GER.	20894	16301	13284	11816	3750	4169 *	3389*	3261*	2397	4169 *	3389*	3261*	27041	20470	16673	15077
GR.	52518	28791**	..	..	1074 (1)	3143***	..	..	25867	3143***	..	..	79459	31934***	..	..
IRL.	1990	794	861	..	10	249	105	..	2	34	14	..	2002	1077	980	..
IT.	54700**	29753	25959	25237	-	-	-	-	-	-	-	-	** 54700	29753	25959	25237
NL.	6139	10071	8099	7098	1863	4147 *	3063*	2582*	1910	4147 *	3063*	2582*	9912	14218	11162	9680
PORT.	5856+	2913+	2201	1790	-	-	-	-	-	-	-	-	5856+	2113	2201	1790
SP.	22928	19873	14701	12977	-	-	-	-	-	-	-	-	22928	19873	14701	12977
UK.	58650+	28980+	24808	..	13411**	5211**	5434*	..	13411*	5211**	5434*	..	72061+	30019	28772	..

Source : OECD

* all non-nationals together

+ previous year's figures

.. no information available

(1) Portuguese only

** estimate (ISL, Shipping statistics yearbook 1988)

*** As at 20th September 1986

TABLE 10: STRUCTURE OF COSTS FOR SELECTED VESSELS

Country	Vessel	Age (Year)	<u>Total Costs (Percentages)</u>								
			Net salary	Taxes on wages	Depreciation	Interest	Fuel	Insurance	Repairs/ Maintenance	Overheads	Others
UK	Container	1	7.0	2.3	58.3	17.6	9.6	1.4	1.1	1.4	1.4
"	"	5	11.7	3.8	30.9	20.3	16.1	2.4	10.1	2.4	2.4
Norway	Bulker	1	24.2	5.1	37.0	9.9	11.1	0.9	3.6	3.8	4.4
"	"	5	27.5	5.8	13.3	21.7	12.6	1.0	8.6	3.8	5.6
"	"	12	37.9	8.0	2.5	4.6	17.3	1.4	15.3	6.0	7.0
<u>Operational Costs only</u>											
Ireland	Container		23.8	14.4	-	-	39.8	5.9	4.7	5.8	5.8
Italy	Bulker		41.5	13.7	-	-	20.9	1.7	6.8	7.2	8.4

Source: KPMG Peat Marwick Treuhand GmbH