

Shipbuilding: new rules for aid

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PURPOSE : to present the second report from the Commission on the situation in world shipbuilding.

CONTENT : this report by the European Commission on the situation in the world shipbuilding market is the second of a series and it presents a follow-up and extension of the first report which was submitted to the European Council of Ministers on 9 November 1999. The initial report responded to Council Regulation 1540/98/EC establishing new rules on aid to shipbuilding which requires the European Commission to present to the Council a report on the market situation and appraise whether European yards are affected by anti-competitive practices. If it established that anti-competitive practices of any kind are causing injury to industry, the European Commission is, where appropriate, to propose to the Council of Ministers measures to address the problem. The second report is based on the approach and the findings of the first report. Therefore certain elements of the first report are not repeated. These references cover the longer term supply and demand analysis, general remarks on the nature of shipbuilding contracts and on the underlying study works, the analysis of the financial sector in South Korea, details of certain investigated shipyards and the description of the applied methodology. However, the information contained in the first report is updated where appropriate. This concerns in particular the detailed cost investigations for shipbuilding orders awarded to Asian yards as the underlying cost model is re-run each time new or better information is obtained. The key findings of the the first report relate to the following issues: - significant over-capacities in the shipbuilding market - South Korean capacity expansion; - plummeting ship prices, bringing forward demand and shifting market shares to Korean yards; - the shipbuilding monitoring study; - unacceptable behaviour by two Korean yards; - the opaque financial system in South Korea. Furthermore, this second report extends the price investigations to shipyards in the People's Republic of China which have achieved a significant increase in market shares in 1999.