

Shipbuilding: new rules for aid

1997/0249(CNS) - 02/05/2001 - Follow-up document

Under Council Regulation 1540/98/EC, the European Commission is obliged to provide regular reports on the state of play within the global shipbuilding industry. Specifically, the reports address market size and price fluctuations in order to assess unfair and anti-competitive practices. This is the fourth report on the situation in world shipbuilding and builds upon the findings of three previous reports. A separate report examining alleged South Korean subsidisation of shipbuilders is to be completed at the end of May. The Commission report notes the following: - That global orders for new ships have increased by 56% on the year 1999. - South Korean shipbuilders have benefited most from this increase. With South Korean shipbuilders accounting for more than 35% of the global market they are the undisputed leaders in this activity. - The European shipbuilding industry too has benefited from the global increase in shipbuilding and now has an estimated global market share of 18%. This figure needs to be viewed cautiously since a large part of this percentage covers the building of cruise liners for which future orders look uncertain. Taking the cruise liner market away Europe accounts for only 10% of the global market in shipbuilding. In terms of price fluctuations, the Report notes that various sources indicate price rises for new ships in 2000 indicating a recovery from the lows of 1997 when the Far East was suffering from the Asian crisis. Evidence of increases, widely touted by South Korean shipbuilders, are largely based on independent statistics reported in "Clarkeson World Shipyard Monitor". The Commission however remains sceptical of these findings. Instead, it relies on its own findings based on contract by contract investigations. For the Fourth Report on the situation in world shipbuilding the Commission investigated seven new South Korean orders. The findings of these report suggest: - That contrary to current suggestions, prices have not recovered from their 1997 low. - That South Korean shipyards are in need of a high turnover to benefit from economies of scale. - That, for a large part, their pricing policies take neither debt repayments, nor inflation into account. - As a result South Korean yards are not economically viable. Indeed according to Commission contract by contract calculation certain South Korean shipyards show losses running at, on average, 14%. The report concludes by confirming that the Commission, in line with its obligations, will continue to monitor global markets and prices in shipbuilding.