

Shipbuilding: new rules for aid

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The Commission has already presented to the Council four previous reports on the situation in world shipbuilding, outlining the serious difficulties the shipbuilding sector is facing and providing detailed information on the unfair commercial practices of Far East competitors. In its conclusion, the report states that the world shipbuilding market continues to face serious difficulties, due to an imbalance of supply and demand. Past expansion of shipyards, mainly in Korea, but now increasingly also in China, has led to price depression which became particularly pronounced after the Asian crisis of 1997/98. Although a number of Korean yards went bankrupt, capacity was not reduced and companies were allowed to continue their operations. Thanks to a historically high level of ordering in 2000, prices recovered to some extent, but the significant drop in orders in 2001 has led to a new reduction in prices. The year 2001 has been very problematic for the maritime industries world-wide: The recession in the US and the terrorist attacks of 11 September have decreased the demand for sea trade and cruises, respectively. Consequently ship owners have been very reluctant to invest in new tonnage and yards basically live from orders placed before 2001. The decline in ordering affected the sectors of containerships and cruiseships most, leading to a drop in overall market shares for Korea and the EU which are particularly strong in these segments. Only the segment of LNG carriers saw an increase in absolute order volume. However, this is still a niche market, representing only ca.8% of world orders in cgt. Korean yards took most of the orders for LNG carriers. They hold 65% of the world orderbook for LNG carriers and 79% of the new orders placed in 2001 went to Korean yards, despite the fact that Korea is a relative newcomer in the field and the building yards do not hold patents on the key technologies. Market analysis suggests that Korean yards made inroads in this area due to very low offer prices, as has been the case before in certain tanker segments and for containerships. Their ability to supply a large number of vessels at an early delivery date may have been important in getting a large amount of orders also. The detailed cost investigations undertaken by the Commission show that certain Korean yards continue to price ships below cost while others are trying to improve their bottom line. Most major Korean yards managed to show a profit for 2001, thanks to the high sales volumes and the related advance payments received, although in some instances, certain one-off measures aimed to improve the yards' financial situation also played a role. Despite various rounds of talks with Korea, the Commission did not manage to convince Korean authorities and yards to fully implement market principles and allow a shake-out of non-viable companies. An improvement in the market situation is therefore not likely and consequently the Commission has proposed countermeasures to the Council. The present report basically confirms the findings from the previous four Commission reports in relation to the general market situation, the price trends and the detailed cost investigations. The Commission will continue with its market monitoring in line with the requirements laid down in Article 12 of Regulation 1540/98/EC.