

Condensed results of the meeting

Meeting: WG Meeting of the Shipbuilding SSDC Working Groups

Date: 02 February 2010

Place: Borschette Center, EC, Brussels

Present: See table below

1. Opening and introduction

- Jenny Braat welcomed the participants

- The new Chairwoman emphasized the importance of good participation and active contributions. The SSDC should build on the good cooperation developed over the past years and constructive social dialog is needed at all levels as the shipowners pay increasing attention to this aspect when placing new orders.

2. Minutes of the SSDC WG on 26 November 2009 – adopted without further comments

3. Policy Work Group

- Market situation is very difficult: new orders are dramatically low and production in Europe is decreasing; CESA's estimated demand and supply imbalance has materialized; increased scrapping activity in 2009 is not sufficient to correct the market situation; the downward trend on shipbuilding prices continues; the gap in steel prices between Europe and Asia is now very narrow but the monitoring of steel price developments by the SSDC should nevertheless continue
- The crisis impact is strong: low capacity utilization, bankruptcies, employment losses, impact on suppliers (e.g. Wärtsilä announced reduction of 1400 jobs)
- Policy developments: the CCMI hearing in Vigo on the crisis in shipbuilding was a good exercise to highlight the situation in shipbuilding; CESA will push for an inventory of state interventions at the next meeting of the OECD shipbuilding working party (WP6) in April; CESA tried unsuccessfully to motivate MEPs to ask questions on shipbuilding during the hearings on candidate Commissioners – this shows that more must be done to bring visibility to the problems of the sector;
- LeaderSHIP: CESA is organizing joint declarations by European shipbuilding regions to be submitted to the President of the European Parliament. President Buzek is supporting a conference in the EP and EMF has requested the support of MEP Schulz; a Leadership shipbuilding conference will be held in Bilbao on 13 April;
- LeaderSHIP action items: the EP has initiated a pilot project on assessment of environmental benefits of the fleet renewal program. CESA is organizing a workshop in search of demand stimulation and growth opportunities in cooperation with the European Wind Energy Association; level playing field for competition: CESA is investigating the costs of a ferry contract between Daewoo and the Attica group that is assumed to be 16% below break-even costs – the Attica group had applied an EIB loan to finance the contract; DG ENTR has launched a study on ship financing.

- **Comments:**
 - o Increased scrapping levels in 2009 are due to low scrapping activities of previous years. The Commission study “ship mates” found that under current conditions ship scrapping in Europe has no future since ship owners expect to be paid for scrapping and not to pay for it
 - o The CCMI opinion puts forward a balanced view of the groups the European Economic and Social Committee represents and it will be useful to highlight the urgency of the situation in shipbuilding

- **Presentation by Heino Bade on social impact of the crisis (enclosed)**
 - o EMF shares the perception and concerns about the decreasing order books
 - o The few new orders are placed in Asia and there is a need to call on the industrial responsibility of European ship owners, particularly in the context of ship owners’ current demands for state support
 - o Social developments are already worrying but the full impact on employment is time delayed and is yet to come; the EMF has documented current social developments in an overview; large scale redundancies among direct and sub-contracted and temporary agency workers are worrying
 - o Joint action is needed on financing, ship owner behavior, employment, the need for training to avoid losing know-how, price developments and dumping

- **Comments:**
 - o It must be avoided that state aid to ship owners finances shipbuilding in Asia
 - o At present the shipbuilding sector is in need of short-term support measures but in the long run the focus must be on advanced products and new markets. The question of maintaining high skill levels is therefore paramount.

- **Presentation by Fabrice Terrac (DG Enterprise) on LeaderSHIP 2015 follow-up**
 - o The priority areas identified by the LeaderSHIP 2015 High-level Group meeting in Bremerhaven in 2009 were discussed at a Sherpa meeting in December 2009:
 - o Demand stimulation: all Member States were concerned about the situation; at EU level no additional funding will be available due to budget austerity; the shift to greener vessels must be promoted on the basis of regulation and financial incentives at Member State level
 - o RDI investment and ship financing: a dialogue with the EIB is needed about the imbalanced support given to transport sectors within the EIB “Clean Transport Facility”; the Commission is working on a proposal for Member States regarding a European pre-delivery financing scheme
 - o Greener ships: in the context of the EU 2020 strategy DG ENTR will prepare a paper on possible innovations towards greener transport, including the contribution of shipbuilding
 - o Level playing field: at OECD level the Commission is pushing for an inventory of state support instruments
 - o Employment: use should be made of the ESF to avoid losing skills in the short-term; in the longer term the sector should focus on acquiring ‘green skills’ to help the transition to greener ships; an inter-service group made up of DG Enterprise and DG Employment is currently discussing new skills requirements in shipbuilding

- In 2011 there will be a Commission Communication on shipbuilding that will be linked to the EU 2020 strategy

- **Comments and Answers:**

- the impact of the crisis on suppliers and SMEs must also be considered
- there should be more stringent environmental rules for ships but the application of existing regulations (e.g. port state control) should also be improved
- the Commission will enter into a dialogue with Member States to explore how national financial incentives can help to promote demand for greener ships

4. Presentation by Isabelle Prodzynski, DG EMPL on the EGF (enclosed)

- The EGF (created in 2006 to help workers made redundant as a result of globalization) was adapted to allow the use of the funds for workers made redundant as a result of the crisis
- The application for funding must be made by Member States; EGF can finance 65% of the total cost of active labour market measures to support job search, training, up-skilling, support for start-up companies
- Individual payments to workers are not allowed with the exception of allowances while labour market measures are being applied
- The threshold for EGF eligibility: at least 500 redundancies per company or on cumulative basis with the downstream suppliers or producers.
- So far no applications have been received from the shipbuilding sector
- Member States can start the implementation of measures from the date of application for funding; early contact and consultation with the Commission to ensure that measures are of a high quality and are eligible is therefore vital

5. Presentation by Dominique Bé, DG EMPL on the ESF (enclosed)

- ESF finances instruments linked to the labour market (especially vocational training and occupational mobility)
- ESF is based on co-financing but the financial contribution of Member States from more advanced regions is higher (linked to the aim of social cohesion); normally there is no transfer of funds to the Member States but the ESF functions as a credit line for Member States' contributions to the EU budget
- ESF is also based on co-management of the funds (often on the basis of national tripartite partnerships)
- ESF has been adapted to deal with the crisis: increase in advances; extension of eligibility periods; 100% EU funding of measures; simplification of financing rules; quick adjustment of measures to meet new needs (e.g. funding short-time work)
- ESF finances anticipatory measures (i.e. before redundancies occur) whilst the EGF is used as a remedy following redundancies
- ESF can be used as an instrument to finance training measures for workers during downturns: ESF can finance the training measures and the compensation for wage losses

6. Report on DG EMPL Restructuring Forum 'New skills for new jobs' by Ruud van den Bergh and Jenny Braat

- Ruud van den Bergh informed about the joint presentation delivered by himself and Ruud Schouten at the Forum that focuses on: the need to secure skills; the need to cooperate as social partners; the need to cooperate with education institutions; the need to attract young people; the need for active Commission support at the European level; the need for exchanges at the European level on good national practices; the important role of image and good social standards
- Jenny Braat suggested to invite a Commission representative to the next meeting of the SSDC to present the idea of sector skills councils
- CESA suggested considering the inclusion of equipment suppliers when discussing skills in the SSDC. It was agreed that this should be discussed further with the EMF.

7. Future priorities of the SSDC work groups

- The EMF proposed to focus activities in 2010 on the policy group (that will be dealing with the crisis impact and policy responses) as well as on the social standards work group. EMF requests that CESA names a member for the select group that will prepare the discussions in the social standards work group.
- This focus was agreed. It was also decided to keep the question of skills on the agenda, especially to monitor the sector skills council developments. The involvement of equipment suppliers in these discussions will be considered.
- It was agreed that the Steering Group should meet to prepare activities and discussions.

Andrea Husen-Bradley, 11 March 2010