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REPORT

FROM THE COMMISSION TO THE COUNCIL

on the State of the shipbuilding industry
in the Community

(situation at the beginning of 1983)

COM 483

CONTENTS

Summary

This document is the fifth report of the Commission to the Council on the development of the crisis in the shipbuilding sector.

The situation of the sector worsened in 1983. Sea transport declined world-wide, mainly as a result of the bad general state of the world economy. This decline had the effect of extending the overcapacity of fleets virtually throughout the market, and created additional overcapacity in large bulk carriers for both liquids and solids, where it was already apparent at the beginning of the year. In these circumstances, the demand for new ships fell by 19% in 1982, this fall aggravated competition among shipyards, and under the influence of Far Eastern yards, led to a price drop of 30% on average for new ships of standard types. Production of ships, still affected by the previous level of orders, remained stagnant.

It does not seem that shipyards can expect an improvement in the situation in the near future: the fleets already with surplus capacity can meet the foreseeable needs, even if these grow, and the drop in new orders for ships will make itself felt in production. At the same time, in view of the increased capacity of certain third countries on the shipbuilding market, the situation may become extremely painful in areas where the industry is most vulnerable, in particular in Europe.

In the Community, the drop of 19% in new orders in 1982 was already accompanied by a fall of 7% in production. It is likely that production will fall further in the short term, since work programmes for a number of yards are lacking from the autumn of 1983, and layoffs of workers are announced.

This development of the situation will require the extension and reinforcement of efforts by the Community industry to adapt to market conditions, mainly by directing actions towards the improvement of competitivity, and a modification of public aid measures in this direction. The Commission has dealt with these aspects in its report entitled "Policy Guidelines for Restructuring the Shipbuilding Industry".

REPORT ON THE STATE OF THE SHIPBUILDING INDUSTRY IN THE COMMUNITY

Situation at the beginning of 1983

1. Introduction

The Council Resolution of 19 September 1978 (*) called on the Commission to submit periodic reports on the state of the shipbuilding industry. This is the Commission's fifth such report. Like the previous ones (**), it seeks to outline the current situation, and prospects on the shipbuilding market.

Statements that the shipbuilding industry is in the grip of a crisis are now commonplace. Nonetheless the industry is passing through highly critical times: despite the tangible efforts which the majority of shipbuilders have been making to adapt - including drastic cutbacks in production, workforce and capacity - the storm clouds have been gathering since mid-1982.

The root of the problem lies in the further contraction of demand for new vessels, depressed not only by the recession and the general stagnation in shipping, but also by the persistent, and indeed growing over-capacity in the sea transport sector. It will take time before this is absorbed by the revival in trade generated by the general economic recovery, which has yet to make itself felt and cannot be expected to put an end to the problems from which the shipbuilding industry is suffering.

World demand for vessels fell by 19% in 1982. In contrast, the yards managed to increase their output by about 4%. However, this signals no upturn, but merely that the slightly higher orders booked in 1981 were completed. Generally no more jobs were shed. This relative stabilization might suggest that the crisis is now bottoming out. On the other hand the weakening of the market in 1982 led to the announcement of further redundancies at short notice in Europe. At any event, it is becoming increasingly clear that the industry is likely to remain short of orders for serveral more years before the situation improves and that 1983 will be a particularly critical year.

(*) OJ C 229, 79.9.1978

(**) Supplement 7/79 to the Bulletin of the European Communities;
COM (80) 443 final; COM (81) 432 final; COM (82) 564 final.

In addition to the factors affecting overall demand, a number of others - many of them outside the control of the industry - play their part in determining what share of world demand rival shipyards take. The main external considerations are the expansion of production capacity in certain third countries, notably South Korea, the differing interest rates, fluctuation in exchange rates and the impact of national policies, especially of those incorporating aid schemes. The interplay between these factors adds to the uncertainty of the individual governments and shipbuilders concerned. Since this process so often puts European yards at a disadvantage, further support has been needed - despite the growing desire to cut down aid to the shipbuilding industry - in order to avert grave disruption of the shipbuilders' activities. This has delayed the reorganization, in some cases substantially.

The Commission decided to reassess its policy guidelines for restructuring the industry, in the light of these latest developments. The resultant report published in March 1983 (1) recommended, inter alia, stepping up the efforts to help the industry adjust and, above all, recover. This was to be achieved by implementing, or reinforcing a programme of qualitative adjustments to consolidate the results to the earlier restructuring, principally by means of more extensive consultation and coordination of resources. To avoid repetition, this report leaves aside the topics discussed in the March report, such as competitiveness, structures and shipbuilding policy.

2. General economic background

The extremely gloomy economic situation of 1981 deteriorated further in 1982, when GDP in the OECD shrank by 0.5% in volume terms following increases of only 1% in each of the two previous years. Production volume followed much the same pattern, while world trade fell by 0.9% in 1982. Generally, developments over the second half of the year were even more negative than the average for the year as a whole.

According to the latest Commission forecasts, economic activity could pick up slightly in 1983 (compared with 1982) though the upturn will remain extremely modest and fragile. GDP is expected to grow by 1.7% in the OECD in 1983; the world evolution would be of the same magnitude with world trade, based on imports, expanding by 0.5%. Very limited (0.5%) growth in GDP and in industrial output is forecast for the Community in 1983.

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(1) COM (83) final.

In view of the general gloom at the start of 1983, the international shipping community which handles the lion's share of world trade has been showing no sign of optimism either.

3. Trends in the sea transport sector

The deterioration which began in virtually all branches of the sea transport market in 1981 continued in 1982, with the situation dominated entirely by the combined impact of the over-capacity on supply side and of the weak demand for shipping services. The gross tonnage carried at sea slipped back by 8.5% in 1982 and the fleet utilization rate in tonne-miles by 10%. This was on top of the 1981 losses of 4% and 6% respectively. These losses were paralleled by stagnation in the fleet, though not even this was enough to prevent further weakening of the market throughout 1982. The tension was heightened by the manifest, growing, over-capacity. This imbalance had a disatrous effect on freight rates, where the collapse which started in 1981 continued, sparing virtually no sector of the market.

The table below gives an idea of the main trends.

TABLE 1 WORLD SEABORNE TRADE AND CARGO-CARRYING FLEET

	Crude oil and oil products				Other cargo			
	Seaborne trade		Fleet*		Seaborne trade		Fleet	
	'000 million tonne-miles	%	million dwt	%	'000 million tonne-miles	%	million dwt	%
1973	10217	100	234.3	100	5187	100	205.6	100
1975	9730	95	313.0	134	5636	109	230.7	112
1977	11467	112	356.1	152	6050	117	268.5	131
1978	10646	105	352.9	151	6388	123	279.8	136
1979	10659	107	350.9	150	7016	135	287.0	14(
1980	9405	92	348.4	149	7372	142	292.9	142
1981	8371	82	342.4	146	7469	144	305.9	149
1982 p	6965	68	328.5	140	7225	139	318.8	155

* As at end of year p = provisional Source: Fernleys Oslo

These figures also show how much the trend varied from one sector of the market to another. For instance, the oil-tanker fleet carried 17% less, in tonne-mile terms, in 1982 to bring its total loss of trade over the last five years up to 40%. The main reasons for this predicament are the further 9% or so reduction in oil consumption and the increase in supplies from the fields closest to the centres of consumption, which has shortened the usual voyages. Despite the fact that there was surplus tanker tonnage even at the start of 1981, the fleet has shed only 4% of its capacity - too little to stop the severe slump in tonnage carried from inflicting considerable damage on the market. The increase in the number of vessels withdrawn from the freight market in 1982, as compared with 1981, is clear evidence of the depth of the depression. Tanker sales to breakers doubled whilst the laid-up tanker tonnage almost trebled. Some experts put the surplus tanker capacity at almost 50%, part of it due to less efficient use of the vessels, and in particular to slow steaming and low load factors.

All concerned broadly agree that the over-capacity in the tanker fleet will persist for several more years, with oil movements expected to remain stagnant in the short, and possibly even medium, term. The largest tankers are the hardest hit.

Although statistics cannot tell the full story, the Table below sets out some of the figures behind these developments.

TABLE 2
TONNAGE WITHDRAWN (IN'000 GRT/DWT)

Tonnage laid up					Tonnage broken up				Tonnage used for storage			
	Month	No	GRT	DWT		No	GRT	DWT	Month		No	DWT
1978	VII	765	29.651	55.289								
	X	737	25.486	47.507	1978	1.088	12.840	21.703				
1979	I	595	16.678	30.290					1979	I	40	7.856
	VII	417	11.206	20.063						VII	37	6.668
	X	353	7.490	12.518	1979	904	6.997	11.137		X	37	6.672
1980	I	298	6.204	10.603					1980	I	39	7.112
	VII	268	6.767	12.249						VII	45	9.199
	X	233	5.371	9.512	1980	887	9.184	15.940		X	67	14.266
1981	I	229	4.840	8.288					1981	I	74	16.866
	VII	246	8.618	15.562						VII	77	15.668
	X	287	10.399	19.014	1981	824	9.789	17.517		X	149	35.950
1982	I	353	14.111	26.391					1982	I	120	28.757
	VII	624	25.437	49.122						VII	79	18.295
	X	1071	35.293	67.260	1982	1.082	17.685	32.590		X	64	13.860
1983	I	1292	40.657	77.168					1983	I	58	11.812
										III	68	15.172

Sources: Institute of shipping Economics Bremen; Howard Houlder Chartering Ltd.

This all points to an unproductive wait-and-see attitude on the part of the parties concerned. However, there is no denying that resolute action could help remedy the situation. Since a large proportion of the surplus 150 million dwt is destined for the breakers' yard sooner or later, moves to speed up the process would help restore the balance on the market sooner.

Traffic in the dry bulk sector fell by almost 4% in 1982. This sector has taken a sharp turn for the worse, which is only to be expected as the vessels ordered were recently brought on to the market - against the dictates of the market which indicated a downturn in transport requirements - to swell the over-capacity which has beset the fleet since the end of 1981. Almost 20% of the fleet is now surplus to requirements, absorbed mainly in the form of laid-up vessels and by a far lower fleet utilization rate.

As for the chief comodities in the dry bulk sector, the decline in iron-ore shipments continued, coal failed to live up to its promise and there was a general, and in some cases considerable, slump in the other raw materials. Only grain transport approached the 1981 level. No improvement is expected in 1983; at best the status quo will be maintained.

The over-capacity in the bulk-carrier fleet is unlikely to be absorbed in the short term, least of all while newly-built vessels continue to add to the fleet and shipowners such as the Japanese persist in placing massive orders for this class of vessel, at the risk of delaying the improvement in freight rates.

The deterioration which struck the more specialized sectors and the liner trade in 1981 gained pace considerably in 1982. The incipient over-capacity in most fleets, including the LPG, roll-on/roll-off, container and cargo fleets, is growing and the recession is paralysing further development. However, these fleets do not appear to be as over-tonnaged as the oil-tanker and bulk-carrier fleets and it should be possible to absorb the surplus capacity in the short term, with a few exceptions, once the general economic climate improves and provided orders for new vessels remain realistic.

The five-year decline in the fleet flying the flags of the Community's Member States gained pace, though the world fleet, and the fleet of most shipping nations, remained stable or even grew slightly in 1982. The Community's fleet had the highest proportion of vessels laid up or broken up in relation to the fleet on the seas. Although the average age of the Community's fleet is relatively modest, many of the Community's shipowners have suffered.

Above all, those running tankers and bulk carriers have been confronted with freight rates which fail even to cover their operating costs, and which, therefore, have made it harder for them to balance their books. Many of them, having exhausted their limited scope for diversification, had no alternative but to reduce the size of their fleet in order to survive in an industry where capital-coefficient and indebtedness are generally high and the margin for manoeuvre small. No comprehensive surveys of movements by the Member States' fleets are available, but the statistics below amply illustrate how much the fleet has been trimmed.

TABLE 3 - WORLD AND COMMUNITY FLEETS

A. Fleet as at 1 July (in million grt)

	1960	1970	1975	1977	1978	1979	1980	1981	1982
World	129,8	227,5	342,2	393,7	406,0	413,0	419,9	420,8	424,7
EEC	48,1	68,3	96,8	105,9	110,9	110,4	111,1	109,9	104,5
EEC as % of world figures	37,1	30,0	28,3	26,9	27,3	26,7	26,5	26,1	24,6

B. Member States' fleet (in '000 grt) by flag

	Fleet as at 1 July		Broken up		Laid up	
	1981	1982	1981	1982	1981	1982
Germany	7708	7707	143	185	..	760
Belgium	1917	2271	..	..	..	..
Denmark	5048	5214	110	144	290	1128
France	11455	10771	397	479	..	776
Greece	42005	40035	1691	2027	7950	11521
Ireland	268	239	...	...	..	..
Italy	10641	10375	210	259	230	1908
Netherlands	5468	5393	65	548	596	..
United Kingdom	25419	22505	1026	1110	1449	3377

Sources : Existing fleet: Lloyd's Register of Shipping.
Other data: Institute of Shipping Economics, Bremen.

It is clear from the figures that the deterioration has been less severe in certain Member States, generally in those with an aid scheme of one form or another for shipowners. In any event, the erosion of the community-based shipowners' position reduces their capacity to order new vessels, which in turn has an adverse impact on the Community's shipyards, their leading suppliers.

4. Situation of the shipbuilding industry (1)

4.1 General trends

The general level of both activity and demand indicate that the crisis in the shipbuilding industry has deepened with no sign of improvement over the next two years.

This is the result of the world-wide shipping crisis (see above) which has brought in its wake an inadequate rate of utilisation of production capacity in terms of both quantity and quality. Besides this, to a certain extent Europe's and Japan's efforts to adjust have been thwarted by the enormous growth in capacity in countries which are newcomers to shipbuilding.

The new order intake was far worse in 1982, with an 19% fall world-wide compared with 1981. Likewise, 1983 has got off to a bad start. The danger is that this depression might cast its shadow over the next few years, since there is little chance of economic growth absorbing quickly the current over-capacity in the world fleets.

Europe has decided to press on with its efforts to adapt to the changed position of the market. Pressure from Japanese yards has not been as great as had been feared following relaxation of the recommended production quotas in 1981. What is more, the Japanese authorities seem to have come round to a more realistic approach, and, since the start of 1983, have once again been advocating limited utilisation of capacity, though no further adjustment. Nevertheless by artificially drumming up a rush of orders for a limited period the Japanese yards brought about a trend to anticipate requirements to a certain extent. This is one of the factors responsible for the current contraction of demand which hits European and Japanese yards alike.

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(1) See the Appendix to this report for a guide to understanding and interpreting the units and sources of information used in this section. Note in particular that the observations made are based on the cgrt figures supplied by Lloyd's Register of Shipping (LRS). Greece is included in the Community figures for 1981 and after, though not in those provided by the OECD, which has no data for that country.

Japanese shipyard's pricing practice has also made an impact even though it failed to spare Japanese yards problems in finding orders in 1982. They cut their contract prices in line with their rivals on the market, most of whom enjoy substantially lower labour costs. Since Japanese yards control over 40% of the market their moves triggered a world-wide collapse in prices, by an average of 25% to 30% in 1982. A number of Japanese yards probably even charged rates which failed to cover their costs. The Japanese authorities' recent recommendations concerning voluntary limitation of supply could exercise a salutary effect on prices, but their excesses of 1982 only aggravated the financial difficulties experienced by many European yards.

Another of the main factors which destabilized the market in 1982 was the relentless rapid rise of a number of newcomers to the shipbuilding market, led by South Korea. As a result the relative share of the world market taken by non-Japanese and non-European yards rose from 26% in 1981 to 32% in 1982, with Korean yards alone pushing their share up from 6% to 9%. This surge fueled by generally more competitive prices and steady progress towards more sophisticated vessels- results in slowing down the efforts to redress the balance between supply and demand.

Alternatives to shipbuilding, such as the construction of off-shore structures and repair work, also suffered setbacks in 1982 and no longer offer a means of softening the impact of the loss of shipbuilding activity. On the contrary, they could even turn into another headache for the shipyards.

4.2 Situation dans la Communauté

4.2.1 Production

In 1982 Community production fell by roughly 7% compared with 1981 to reach 2.5 million cgrt. This was 51% less than in 1976. Italy suffered the heaviest losses. Output fell sharply in France and Germany too, though since it had been extremely high in 1981 compared with previous years the underlying contraction in both these countries was no higher than the Community average.

Production is running higher than the new order intake in almost every Member State, posing the danger of further reductions in future. Generally the situation is worse in yards specializing in large vessels.

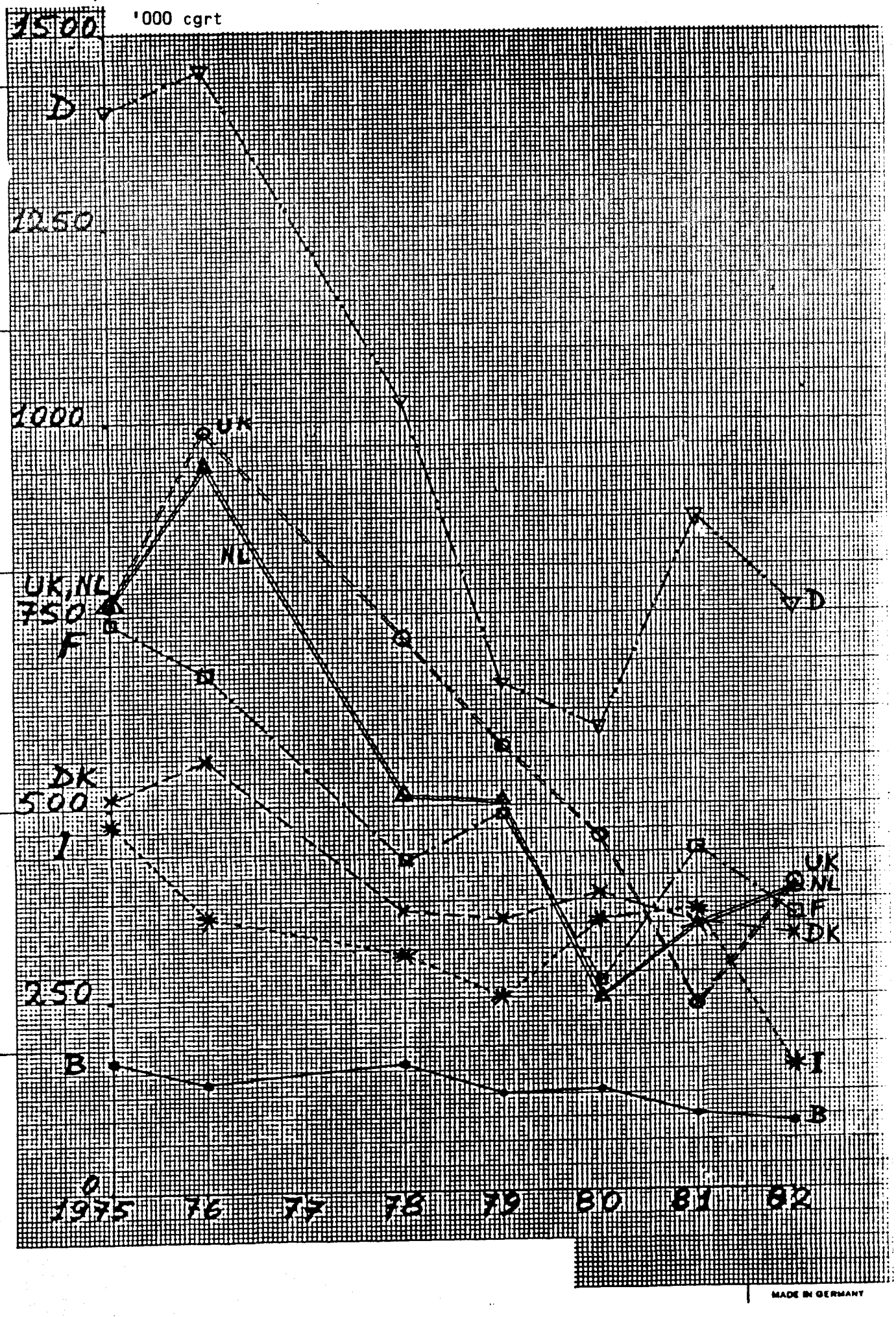
TABLE 4 - PRODUCTION (COMPLETIONS) IN '000 CGRT

	1976		1978		1980		1981		1982	
	LRS (AWES coeff.)	OECD (1967 coeff. 1967	LRS (new coeff.	OECD (new coeff.)	LRS (new coeff.)	OECD (new coeff)	LRS (new coeff.)	OECD (new coeff)	LRS (new coeff.)	OECD (new coeff.)
Germany	1468,0	1630,0	1029,1	1059,6	596,2	618,5	870,1	922,0	757,3	763,5
Belgium	139,8	141,0	165,2	154,8	129,6	126,7	95,4	95,8	83,0	85,5
Denmark	560,6	425,0	362,5	378,7	382,4	267,9	343,6	363,1	329,2	313,3
France	672,4	1117,0	430,6	440,2	267,8	301,8	443,1	401,9	353,3	319,0
Greece	.xx	.xx	.xx	.xx	.xx	.xx	5,0	.xx	61,8	.
Ireland	20,3	14,0	5,0	-	3,0	-	17,0	17,0	-	-
Italy *)	353,9	314,0	305,2	283,1	345,5	287,4	359,1	298,2	156,2	176,6
Netherlands	940,0	507,0	513,9	455,0	249,5	239,6	341,5	255,3	390,0	366,0
United Kingdom	985,1	824,0	718,4	708,9	458,6	513,2	243,0	254,0	394,0	420,8
EEC	5140,1	4972,0	3529,9	3480,3	2432,7	2355,1	2717,8	2607,3	2524,8	2444,7

* The OECD figures for 1976 and 1978 cover only the main yards. The 1980 figure includes 253 000 cgrt for those yards.

** Not available.

PRODUCTION TRENDS (COMPLETIONS) IN THE MEMBER STATES



4.2.2. New orders

New orders for a total of 2.1 million cgrt were placed in the Community in 1982, well down (19%) on the 1981 figure reflecting a comparable reduction worldwide.
All Member States suffered losses, except Italy where an aid scheme was reintroduced. Losses were above average in France and the United Kingdom, which together with the Netherlands, suffered the heaviest losses, in terms of the average volume of orders since 1980. The trend of new orders held steady in Germany and Denmark.

The reasons are highly complex and hard to assess one by one; they include such diverse factors as the product range, productivity improvements, sales financing terms, currency factors, different aid schemes and so forth.

Only in Italy was the flow of new orders sufficient to maintain the 1982 rate of production. Many yards still lie idle for much of the second half of 1983.

TABLE 5 - NEW ORDERS (In '000 CGRT)

	1976		1978		1980		1981		1982	
	LRS (AWES coeff.)	OECD ('67 coeff.)	LRS (new coeff.)	OECD (new coeff.)	LRS (new coeff.)	OECD (new coeff.)	LRS (new coeff.)	OECD (new coeff.)	LRS (new coeff.)	OECD (new coeff.)
Germany	726.1	511.0	535.8	448.6	613.0	619.0	871.1	872.4	716.7	844.3
Belgium	75.0	54.0	59.4	40.9	53.8	138.0	81.4	47.9	43.3	56.2
Denmark	317.1	220.0	263.8	306.6	284.6	349.0	296.4	329.3	250.6	265.8
France	63.6	37.0	214.1	175.6	556.4	353.0	332.9	402.9	175.9	180.6
Greece	.xx	.xx	.xx	.xx	.xx	.xx	4.5	.xx	10.3	.xx
Ireland	19.2	.	3,0	-	1.3	-	18.2	17.7	1.3	-
Italy *	301.5	281.0	330.0	265.6	231.2	285.0	144.7	99.1	243.2	218.8
Netherl.	264.4	259.0	376.5	311.9	373.3	323.0	365.2	345.7	309.0	296.8
United Kingdom	627.6	421.0	230.2	338.5	350.2	384.0	410.8	382.9	301.5	282.2
EEC total	2756.6	1783.0	2012.6	1887.7	2463.8	2451.0	2525.2	2497.9	2051.8	2144.7

* The OECD figures for 1976 and 1978 cover only the main yards; the 1980 figure includes 214 000 cgrt for these yards.

** Not available

In 1982 Community shipyards' share of all new orders placed throughout the world remained relatively stable, in contrast to the appreciable losses suffered by other countries in Western Europe, where, on the whole, there was greater disinvestment in the shipbuilding industry. Japan's share of the market remained close to the lower end of the bracket within which the Japanese have been operating since the onset of the crisis.

However, this has not been enough to allay the fears raised at the Community's shipyards partly by the uncertainty concerning prices and partly by the further aggravation of the competitive position as Korea, and perhaps even other newcomers, exert increasing pressure on a stagnant and very flat market.

TABLE 6 - TREND IN THE MARKET SHARE OF THE MAJOR SHIPBUILDING REGIONS

	1976		1978		1980		1981		1982	
	'000 cgrt	%	'000 cgrt	%	'000 cgrt	%	'000 cgrt	%	'000 cgrt	%
Production										
EC*	5140.1	23.3	3529.9	21.3	2432.7	19.2	2717.8	19.6	2524.8	17.3
Rest of AWES**	3145.7	14.2	2303.1	13.9	1499.0	11.9	1733.6	12.5	1760.2	12.1
Total f.all Western Europe	8285.8	37.5	5832.9	35.2	3931.8	31.1	4451.4	32.2	4285.0	29.4
Japan	8348.8	37.8	6120.5	37.0	5207.2	41.2	5580.8	40.3	5811.1	39.8
Rest of world of which	5444.4	24.7	4593.4	27.8	3496.3	27.7	3808.7	27.5	4491.7	30.8
E rn bloc	2755.4	12.5	2132.3	12.9	1213.5	9.6	1394.9	10.1	1678.4	11.5
South Korea	-		-		445.7	3.5	512.2	3.7	880.3	6.0
Total	22078.2	100	16546.7	100	12635.2	100	13840.9	100	14587.8	100
New order intake										
EC	2756.6	17.2	2012.6	18.6	2463.8	17.2	2525.2	18.0	2051.8	17.8
Rest of AWES **	1903.0	11.9	1367.8	12.7	2049.5	14.3	2000.9	14.2	913.7	7.9
Total for all Western Europe	4659.6	29.1	3380.6	31.3	4513.3	31.5	4526.1	32.2	2965.5	25.7
Japan	7337.5	45.9	4333.9	40.1	6708.3	46.7	5823.1	41.4	4859.4	42.0
Rest of the world of which	3985.3	25.0	3081.8	28.6	3136.1	21.8	3703.9	26.4	3708.3	32.0
Eastern bloc	1896.9	11.9	1146.8	10.6	467.9	3.3	1058.0	7.5	1069.0	9.3
South Korea	-		-		939.3	6.5	893.2	6.4	1002.5	8.7
Total	15982.4	100	10796.1	100	14357.5	100	14053.1	100	11533.2	100

Source : Lloyd's Register of Shipping.

* The 1976,1978 and 1980 figures do not include Greece.

** AWES : Association of West European Shipbuilders. Members from outside the European Community include the shipbuilder's associations of Finland, Sweden, Norway, Spain and Portugal.

In 1982 the Community's shipowners placed 78% of their orders with shipyards in the Community. However, the tonnage ordered remained the same as in the previous year 1 500 000 cgrt. Consequently, the increase of 58 to 78% reflects, above all, a reduction in the exceptionally high level of orders which Greek shipowners placed with non-Community countries in 1981. In the vast majority of Member States shipowners placed between 80% and 90% of their orders with shipyards in the Community, the only exceptions being the United Kingdom (52%) and Greece (5%). These figures do not include orders placed by the shipowners non-Community subsidiaries, for whom no reliable statistics are available.

At the same time the Community's shipyards suffered a drastic slump in their export orders, from virtually 1 million cgrt in 1981 to around 500 000 cgrt in 1982 or, as a proportion of the total volume ordered, from 38% in 1981 to 26% in 1982. As competition on the market has gained in intensity the Community's shipbuilding industry has lost many of its outlets abroad.

TABLE 7 - BREAKDOWN OF ORDERS BY FLAG

	1976			1978 (x)		1980			1981			1982		
'000 cgrt	National market	Other EC countries	Non-EC countries	EC total *	Non-EC countries	National market	Other EC countries	Non-EC countries	National market	Other EC countries	Non-EC countries	National Market	Other EC countries	Non-EC countries
Orders placed by Community shipowners	64 %	5%	31%	80%	20%	63%	7%	30%	53%	5%	42%	77%	1%	22%
TOTAL	3027			2063		2381			2665			1876		
Orders received by Community shipyards	70%	5%	25%	74%	26%	61%	7%	32%	56%	6%	38%	73%	1%	26%
TOTAL	2756			2233		2476			2511			1988		

Source : LRS
* No breakdown within the Community is available for 1978.

Note : Greece is included in the Community figures for 1981 and onwards; there can be slight differences in the totals in comparison to similar data in other tables.

The tendency for each Member States yards to receive remarkably few orders from owners in the other Member States was even more pronounced in 1982. Community-based shipowners thus almost always turn either to one of the shipyards in their own country or else to one in a non-Community country. The fact that the Community's shipowners placed a mere 1% of their orders with yards in other Community countries is clear evidence of the lack of a common shipbuilding market.

On a world scale the most prominent features of the demand for the individual types of vessel were the continuing decline in orders for oil tankers and the first signs of a slump in orders for bulk carriers. Today's level of orders for bulk carriers must be considered inflated since virtually no new vessels of this class are needed.

Table 8 : TREND OF NEW ORDERS BY SHIP TYPE

'000 CGRT	oil tankers	Bulk carriers	Cargo ships	Non-cargo vessels	TOTAL (including non-specified (%)
1977 World	790.6	1.783.2	8.497.3	2.969.8	14.040.9
EC	30.9 (3.9)	75.1 (4.2)	1.764.4 (20.8)	670.5 (22.6)	2.540.9 (18.1)
1978 World	1.185.4	534.8	6.163,8	2.912.7	10.796.7
EC	56.2 (4.7)	23.6 (4,4)	1.341.3 (21.8)	591.5 (20.3)	2.012.6 (18.6)
1979 World	3.364.8	2.744.9	5.148.4	2.949.8	14.207.9
EC	168.1 (5.0)	466.5 (17)	1.172.6 (22.8)	747.6 (25.3)	2.554.8 (18.0)
1980 World	2.960.2	4.325.3	4.780.1	2.291.9	14,357.5
EC	273.7 (9.2)	425.9 (9.8)	1.023.4 (21.4)	740.8 (32.3)	2.463.8 (17.2)
1981 World	1.166.7	4.934.9	4.967.9	2.433.0	14.053.1
EC	75.1 (6.4)	487.9 (9.9)	1.342.7 (27.0)	606.4 (24.9)	2.525.2 (18.0)
1982 World	662.6	2.335.3	5.679.9	2.135.4	10.813.2
EC	70.3 (10.6)	197.5 (8.5)	1.093.2 (22.0)	628.0 (29.4)	1.989.0 (18.4)

SOURCE : LRS

Within the Community the trend in the types of vessels ordered was the mirror image of that in 1981, though the movement does not point to any fundamental change in the quality of the Community's output, where the bias is still towards sophisticated vessels.

4.2.3 Orders books

The slower flow of new orders thinned out the order books, albeit less abruptly thanks to the simultaneous cutbacks in production.

TABLE 9 - ORDER BOOKS

'000 cgrt	At 31.12.78		At 31.12.80		At 31.12.81		At 31.12.82	
	LRS	OECD	LRS	OECD	LRS	OECD	LRS	OECD
EC	5087,2	4870	4911,9	4799,6	5075,2	4738,7	4738,3	43
Rest of AWES	3957,2	3834	4398,1	3975,1	4450,5	4213,0	3474,3	3185,7
Western Europe	(9044,4)	(8704)	(9310,0)	(8774,7)	(9525,7)	8951,7	(8212,6)	7543,9
Japan	5464,6	4938	7297,8	6541,0	7457,7	7225,5	6640,2	6622,6
Eastern bloc	2121,7		1964,9		2360,5		2206,2	
South Korea							1854,9	
Other regions	6787,9		7019,5		7019,5		4817,6	
Total	23418,6		25592,2		26363,4		23731,5	

In relation to the annual rate of production (see Table 6), the Community's order book, like that of Western Europe in general, appears somewhat better filled than Japan's. This is a constant feature of the order book situation, but it is purely superficial. It results, in fact, from the types of vessel on the order books : since those most commonly built in Europe are more sophisticated, construction takes longer. This in turn means that the vessels concerned stay on the order books longer than less sophisticated vessels and that a large proportion of the work which appears to be in hand has in fact already been completed. What is more, the orders are entered earlier in Europe, where they are recorded as soon as contracts are concluded, than in Japan, where entry is delayed until official authorization has been granted. Above all, Japanese yards often build the vessels in the year that the order was received, since the types of vessels which they build and their capacity lend themselves to this approach better than European yards, where this practice is extremely rare. This means that the entries concerning orders to be delivered in the short term show no more than part of the actual level of activity in Japan, whereas they include work already partly completed in the case of Europe.

TABLE 10- ORDER BOOKS IN THE EUROPEAN COMMUNITY (In '000 CGRT)

	LRS					OECD				
	Completi-tions in 1982	Total order book at 31.12.82	For delivery in 1983	1984	1985	Completi-tions in 1982	Total order book at 31.12.82	For 1983	deliverey in 1984	1985
Germany	757,3	990,1	946,5	23,8	19,8	763,5	1.132,9	953,8	155,3	23,8
Belgium	83,0	261,1	188,3	72,8	-	85,5	228,2	-	228,2	-
Denmark	329,2	603,9	376,1	107,8	120,0	313,1	748,5	423,5	190,5	134,5
France	353,3	978,5	608,4	370,1	-	319,0	790,5	456,4	334,1	-
Greece	61,8	191,4	127,3	34,9	29,3	.	.	.	.	.
Ireland	-	20,0	18,0	2,1	-	-	17,7	17,7	-	-
Italy	156,2	480,4	286,5	193,9	-	176,6	354 8	172,9	168,3	13,6
Netherlands	390,0	498,8	399,0	99,8	-	366,0	467,9	382,6	77,1	8,2
United Kingdom	394,0	714,1	551,8	162,2	-	420,8	617,7	467,8	135,4	14,5
Community	2.524,8	4.738,3	3.501,9	1.067,4	169,1	2.444,7	4.358,2	2.874,7	1.288,8	194,6

The thinning-out of the order books in 1982 was most radical in Belgium, where one of the two largest yards virtually ceased operations because of bankruptcy Italy's order books were somewhat fuller for the reasons outlined above, all of which encouraged new orders. The figures set out in Table 10 seem to indicate a higher level of activity in 1983 than in 1982. However, as explained in the previous paragraph, the delivery forecasts do not correspond to the actual volume of work carried out. In view of the weak market a further decline in activity is likely in 1983, as the gaps in the work schedules of some yards from autumn 1983 onwards suggested. Completions totalling around 2 400 000 cgrt are therefore to be expected in 1983.

4.2.4. Employment

After the return to stability in 1981, the numbers employed in the Community's shipyards fell slightly in 1982 - by 2,3%, i.e. by less than output. These cutbacks were due, almost exclusively, to the contraction of the workforce in Belgium, where jobs were lost as a result of the bankruptcy of one of the largest yards, and in Italy, where 2000 men were temporarily redeployed to build military vessels. For the second successive year more men were taken on in Germany.

TABLE 11 : EMPLOYMENT IN SHIPBUILDING IN THE COMMUNITY (NEWBUILDING)

(at the end of the year)

	1975	1978	1979	1980	1981	1982
Belgium *)	7467	6614	6258	6523	6119	5.031
Denmark	16630	12000	9900	11400	11350	11.800
France	32500	25300	23000	22200	22200	21.600
Germany	46839	31113	27369	24784	26521	27.600
Greece	.	.	.	.	3393	3.696
Ireland	869	840	750	750	762	882
Italy	25000	20000	19000	18000	16.500	13.750
Netherlands	22662	17540	14540	13100	13100	13.100
United Kingd.	54550	41050	31200	24800	25345	25.000
Sub-total (without Greece)	206517	154457	132017	121551	121897	118.763
Total					125290 **)	122.459

(Table compiled from national sources)

*) Revised series.

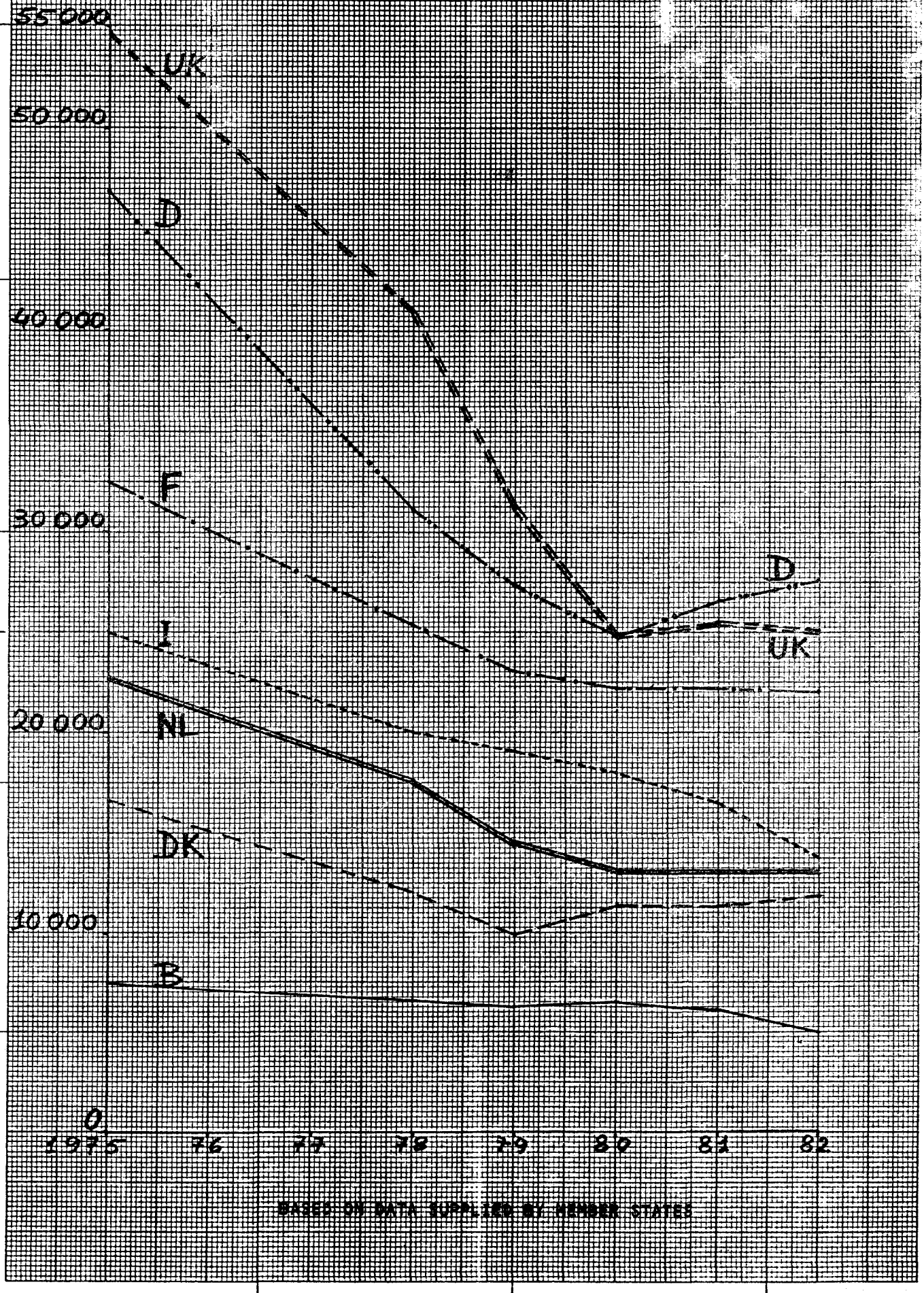
**) The figures for 1981 and onwards include Greece, the data being based on the estimates made by the Greek industry itself. According to them, the Greek workforce numbered 2316 in 1975 and 2616 in 1980.

Thus, employment in the Community's shipbuilding industry has fallen by 43% since the start of the crisis, though production has contracted by as much as 51%. This difference is due mainly to the fact that shedding jobs is not the only means of adjusting the level of employment; another method used has been to cancel overtime, which is commonly worked in times of full employment. What is more, shipyards must keep on a minimum number of workers, irrespective of how much work there is for them, in order to remain operational; this in turn ensures that the level of employment falls less sharply than the level of activity.

However, by the end of 1982 the employment situation was showing signs of deterioration not apparent from the statistics set out above. Involuntary short-time working had increased considerably at many yards since autumn 1982, with 25% of Germany's shipbuilding workforce, for example, affected. Similarly, at the end of 1982 many more redundancy notices were served for 1983, particularly in Germany and the United Kingdom.

SHIPBUILDING (MERCHANT SHIPPING)

WORKFORCE



BASED ON DATA SUPPLIED BY MEMBER STATES

Redeployment of the workforce towards related activities such as the construction of offshore structures or repair work slowed down sharply in 1982, with the repair sector suffering from the general decline in shipping and the offshore sector from the slump in demand for oil.

Details of the aid paid out by the European Regional Development Fund and by the Social Fund were set out in the Commission's recent report entitled "policy guidelines for restructuring the ship-building industry" (1). As regards the Social Fund, the new regulation resulting from the re-examination of the texts governing the objectives and the working of the Fund, recently approved by the Council(2), will be in force from 1984.

4.3. Market prospects and conclusions

The uncertain prospects for the beginning of a revival in world trade in 1983 and the fragile hope of a slight improvement in the economy as a whole are still being greeted with extreme scepticism on the part of most economic operators engaged in the sea transport market. Come what may, the over-capacity of the fleets is bound to continue to depress the market.

In 1982 European and Japanese trade organizations announced the revised market forecast which they made, taking into account the weakering of the market. The Table below sums up the forecasts made by the Association of West European Shipbuilders (AWES).

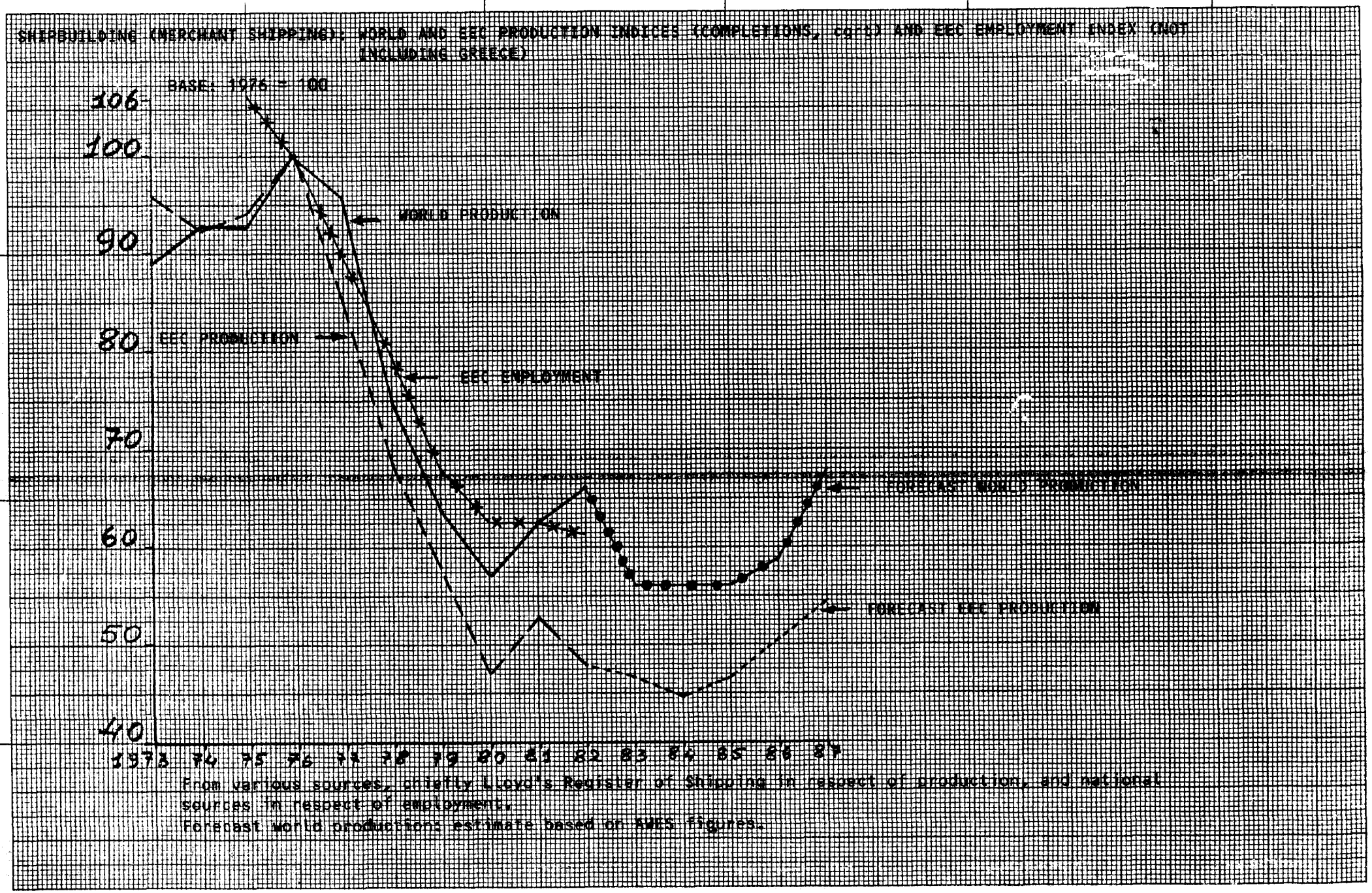
TABLE 12 - FORECASTS OF WORLD SHIPPING REQUIREMENTS
(AWES Study in 1982, taking the average assumption)

million cgrt	NEW TONNAGE REQUIREMENTS for delivery during			CONTRACTING REQUIREMENTS for delivery during
	1982 - mid-1985	mid -1985- mid- 1990	1982 - mid - 1990	1982 - mid - 1985
Oil tankers	7,5	7,5	15,0	3,0
Bulk carriers	8,6	9,0	17,6	0,0
Cargo ships	22,7	46,3	69,0	13,8
Non-cargo carrying vessels	10.9	20,2	31,1	6.1
Total	49,7	83,0	132,7	22.9
Annual average	14,2	16,6		11,5
Annual average taking the low assumption	9,9	12,6		2,1
Annual averag in AWES study 1980	15,2	21.9		14,1

NB . New tonnage requirements have already been partly covered by orders placed.
Contracting requirements represent orders yet to be placed.

(1) COM (83) 65 final.
(2) when this report was issued, the texts concerning these decisions were not yet published in the O.S.

SHIPBUILDING (MERCHANT SHIPPING): WORLD AND EEC PRODUCTION INDICES (COMPLETIONS, cgrt) AND EEC EMPLOYMENT INDEX (NOT INCLUDING GREECE)



From various sources, chiefly Lloyd's Register of Shipping in respect of production, and national sources in respect of employment.
Forecast world productions estimate based on AWES figures.

The economic growth scenarios on which these data were based have been revised downwards slightly since they were first established. But despite the radical reduction of the earlier forecasts, it is generally acknowledged that the real prospects are even lower than forecast. But no more than a limited recovery in the annual average production level is forecast, remaining 25% below the pre-crisis peak even at the end of the decade. Requirements for classes such as oil tankers, bulk carriers and LNG carriers are expected to remain close to zero for years to come.

Against these forecasts, the ambitious development targets which some countries have set for their shipbuilding industry are incompatible with restoring the level of activity in the countries which have cut back their industry in line with the market over the last six years. There is a genuine danger that the latter will find it hardest to join in the slow recovery expected over the second half of the decade. In other words, there is a serious risk that the general developments will lag well behind the world forecasts in those countries, including the Community. There is reason to think that shipbuilding activity in these countries has not yet bottomed out at a level where it can be expected to remain for the next three to five years.

For the Community, in view of the trends indicated by the the forecasts of AWES, and on the assumption that the Community's shipyards manage to maintain their share of the world market, the annual average tonnage of new ships built during this period would be about 2.4 million CGRT. However for the reasons cited above, there is a serious risk that these conditions will not in fact be fullfiled, and as recent developments in new orders indicate, the tonnage built might prove to be closer to 2 million CGRT. Based on the most plausible scenario - no significant change in the share on the Community market taken by the shipbuilding industry in each individual Member-State over recent years - one can make the following medium-term production forecast for each Member State.

TABLE 13 - AVERAGE ANNUAL PRODUCTION IN THE COMMUNITY

	1976 - 1982		1979 - 1982		1983 - 1985	
	1000 cgrt	%	1000 cgrt	%	1000 cgrt	%
Germany	964	28,1	721	26,7	550 to 660	27,4
Belgien	117	3,4	108	4,0	75 to 90	3,7
Denmark	403	11,7	351	13,0	250 to 300	12,4
France	467	13,6	389	14,4	280 to 340	14,0
Greece	60	1,7	50	1,9	35 to 45	1,8
Ireland	12	0,3	10	0,4	10	0,4
Italy	319	9,3	277	10,3	200 to 240	9,8
Netherland	499	14,5	372	13,8	300 to 340	14,1
United Kingdom	594	17,4	419	15,5	320 to 400	16,4
Community	3435	100	2697	100	2010 to 2425	100

Source : for past figures : LRS

In view of the prolonged crisis, the Commission has brought up to date its policy guidelines for the sector at the Community level (1). The Commission is endeavouring, in cooperation with the parties concerned, to bring about the actions indicated by these guidelines and in particular those enabling the industry to improve competitivity. In particular it will be desirable to try to avoid a situation where aids are used systematically to keep all existing yards alive at all costs, and rather to use resources on the one hand on the supply side, to encourage investments to improve productivity, and on the other hand on the demand side, in order to improve the degree of utilisation of the yards, for example, by encouraging shipowners in the Community to place more of their orders in Community yards. The Commission will report to the Council the results of its work in this direction which is to be considered as part of the conclusions of this report.

As for external policy, it must be added that the Commission still feels that one of the most important aspects is that all countries whose industry influences the market must undertake to avoid all action likely to disturb the situation and in particular exacerbate their partners' problems.

With this aim the Commission has been, and will continue, fostering international cooperation in this field under the auspices of the OECD and will seek solutions outside that framework if necessary, along with the non-OECD countries who, with their growing shipbuilding industries, now share responsibility for the situation.

1) COM (83) 65 final.

APPENDIX

1. The tables giving the trend of completions, new order intake and order books in the Member States' shipyards are taken from two different sources, in the OECD and Lloyd's Register of Shipping (LRS).

   Where the Member States are concerned, the OECD statistics constitute an official source but provide a more limited range of data, there are sometimes differences of approach as regards the moment when an order can be considered being booked and as regards the classification of vessels, they contain breaks in the coefficients used for conversions into cgrt and do not permit worldwide comparisons to be made.

   The figures produced by LRS are not infallible either. However, given that they present a wider range of data and that - over a period of time - the figures in cgrt are more comparable, it has been considered preferable to use this source for commentaries as the objective is to present homogeneous references and, moreover, they are being used worldwide by those concerned with these matters. The discrepancies between the two sources originate mainly from different thinking about the moment when an order is regarded as being definite, in the classification of vessels and in the coefficients for conversion into cgrt concerning the years 1976 and 1977. Despite certain differences which can sometimes arise from this, the two sets of data show trends which generally point in the same direction. Since the divergences between the two sources are only random, and the present report is essentially concerned with indicating the main trends, the reference to only one source is generally of no consequence.

2. cgrt = compensated gross registered ton, a measurement which takes account of the volume of work that goes into building a vessel, calculated on the basis of the grt and of special coefficients for different vessel types and sizes (grt x coefficient = cgrt). New coefficients for cgrt calculations were agreed upon by the OECD in 1977. The LRS figures for 1976 are based on AWES coefficients, which were the basis for the new OECD figures for 1976 are however based on OECD 1967 coefficients, which diverge markedly from the new coefficients for certain types of ship. This explains why certain 1976 OECD values are not at all comparable with the other series.