

COMMISSION OF THE EUROPEAN COMMUNITIES

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Luxembourg, 15th December 1976

COMMUNICATION FROM THE COMMISSION

concerning the balanced distribution of
orders in the shipbuilding sector.

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EXPLANATORY MEMORANDUM ON AN OECD ARRANGEMENT
CONCERNING THE PREVENTION OF IMBALANCES IN THE REGIONAL
DISTRIBUTION OF NEW ORDERS IN THE SHIPBUILDING SECTOR

The signatories of the "general guidelines" have acknowledged that the consequences of the crisis in the shipbuilding sector should be shared out equitably. Furthermore, the objectives set out in those guidelines require consistency between the adaptation of production capacities for the 1980's perspective and the workload of the shipyards as a result of the trend in the order books.

As market mechanisms alone cannot be relied on to achieve those two conditions, it is imperative to apply a system of discipline aimed at achieving a balance which combines these conditions in the regional distribution of new orders. Such a solution becomes essential as a short term emergency measure in order not to prejudice the results of the process of orderly and equitable adjustment of capacities.

Considering that such discipline is, at present, only possible among the signatories, the relative position of these signatories can only be assessed on the basis of the share of the market which they represent together. An attempt will be made to achieve the proposed balance by an equitable regional distribution of new orders; the creation of a suitable information system should enable a constant watch to be kept on the trend in their relative shares.

The parties to an agreement on such a system of discipline must strive to ensure its effectiveness; this implies that they must try to find solutions in every field concerned. Thus, the fact that the conditions are an important factor in the achievement of the desired balance means that terms and conditions of sale must be monitored as closely as possible.

OECD ARRANGEMENT CONCERNING THE PREVENTION
OF IMBALANCES IN THE REGIONAL DISTRIBUTION OF
NEW ORDERS IN THE SHIPBUILDING SECTOR

1. The participating governments confirm their intention to implement a policy designed to achieve an equitable distribution of new orders placed in the countries adhering to the "general guidelines" during the acute stage of the crisis in order to retain the possibility of adapting production capacities in an efficient, orderly and equitable way to future conditions on the shipbuilding market.
2. They therefore acknowledge that this objective could be attained if the regional distribution of new orders were to follow production distribution during recent years.
3. In view of the fact that the various parties are faced with problems similar within each area, this objective could be attained by assessing the distribution between the two geographical areas represented by Japan on the one hand and the countries whose industries belong to the AWES on the other.
4. As regards the production distribution mentioned in § 2, the participants note that the proportions recorded in cgrt (1), for those two areas are practically the same and that equity could therefore be achieved by an equal distribution of the orders on the same basis (1) placed during the period of validity of this Arrangement.
5. The parties therefore undertake to do everything within their power to ensure that the industries in their respective areas adhere to the objective in question. To this end they acknowledge the need for co-operation between the AWES and the Japanese associations, in the achievement of certain aspects of this Arrangement within the limitations imposed by the rules of competition.

6. The achievement of these objectives requires the rapid and adequate mutual exchange of information on the trend in the placing of new orders. The parties therefore agree to adapt the information system on new orders introduced earlier within the framework of the application of the "general guidelines".

7. Each party to the Arrangement undertakes to submit monthly to the Secretariat of the OECD lists of the new orders recorded by its shipbuilding industry for commercial seagoing vessels of 100 grt or more, giving the following details:

- country of construction
- category of vessel (1)
- information in the case of each category of tonnage on : the dead weight, gross register tonnage and compensated gross register tonnage (1)
- year of delivery
- country of registration or, failing this, country placing the order

This communication shall be made ultimately on the 20th of the month following the one to which the list refers.

8. The parties also undertake to indicate - with the same details - the volume of orders cancelled and, where appropriate, the number of orders placed by the same contractor to compensate for such cancellations.

9. In the light of this information, the respective parties belonging to each of the areas undertake to make a monthly comparison for their area of the volume of orders placed with its industry during the previous twelve months and the total volume of orders placed within all areas. If it becomes clear that the balance defined in point 4 above has not been achieved, the parties belonging to the area where orders exceed their proportion undertake to do everything within their power to restore that balance and to inform the other parties of the measures adopted.

(1) Using rates to be established in OECD frame

10. The parties agree to carry out a quarterly joint examination to ensure that the principles set out above have been applied. Within this context an assessment could be made of the effect on the balance in question of cancellations and substitutions in orders. However, if a party considers that its industry has severely suffered because of the non-observance of the above-mentioned principles, it is entitled to request that a session of a special ad hoc working group be convened within a fortnight. This working group will investigate the complaint and the possible conditions which will enable the balance to be restored.

 11. This Arrangement shall enter into force on 1st January 1977 and, in the absence of a unanimous decision to the contrary, it shall remain in force for all orders placed up to 31 December 1978. For the application of § 9 the parties agree that the monthly lists to be communicated in the course of 1977 will include also the corresponding lists for the period of the year 1976 required by the same paragraph.
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