

COMMISSION OF THE EUROPEAN COMMUNITIES

REVISED VERSION

APPLIES TO ALL VERSIONS

COM(87) 275 final/2

Brussels, 10 December 1987

SHIPBUILDING

INDUSTRIAL, SOCIAL AND REGIONAL ASPECTS

(Second Communication from the Commission)

SUMMARY

1. This communication from the Commission follows the first communication of the same title and has been drafted after consulting the appropriate Member State authorities, the trades unions and the professional associations.

It is in three sections:

- (1) the present situation in the industry and its prospects from the industrial, social and regional points of view;
- (11) present and proposed Community action;
- (111) a budget summary for the period 1988-1990 .

2. The first section considers the size of the industry, with the Commission outlining the question of capacity reduction in the sector (against a background of the international situation) and discussing the reactivation of the internal market, research and development activities and cooperation in the subsidiary marine equipment sector.

Where the social aspect is concerned, the Commission considers that 14 000 of the total of 107 000 jobs held in shipbuilding at the beginning of 1986 will be in serious danger in 1987 and that 30 000 more are likely to be under threat in the period 1987-1989.

The Commission also considers that the question of several of the minimum international social standards relating to conditions at work should be raised in connection with cooperation with some of the newly industrialized countries.

On the regional aspect, the Commission points out that there are likely to be further job losses in areas in both the Community of the Ten and Spain and Portugal that are already covered by the non-quota ERDF measures and other actions.

3. In the second section the Commission describes existing measures and proposes two further financial measures, namely.

- (a) a Community programme under Council Regulation (EEC) No 1787/84; and
- (b) a specific Community programme of new accompanying social measures.

4. The total cost to the budget of the proposals included in the Commission's communication is 271.5 million ECU for the period 1988-1990, broken down as follows:

- Community programme under the ERDF	200 million ECU
- Specific Community programme of accompanying social measures	71.5 million ECU

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I. The context of Community shipbuilding

1. With this communication from the Commission the Community presents its response - in the form of the sixth Council Directive on aid to shipbuilding (87/167/EEC of 26 January 1987)¹ - to the present crisis in that industry.

The aim of the Directive is to support and intensify the kind of structural change likely to result in a healthy and competitive shipbuilding industry in the Community by focusing production and aid on those types of ships where the Community is least at a competitive disadvantage. Concentration on more technologically advanced ships will help to secure jobs in European shipyards, contribute to higher added value and lead to better employment conditions in the subcontracting sector.

The sixth Directive is introduced against a background of an alarming lack of workload and of potential orders for the world and Community shipyards and, within the Community, a sharp decline in employment in this sector.

2. The political background to the second Commission communication on shipbuilding is marked by two constraints :
 - the urgent need for the Community to respond to a serious sectoral crisis which is having a major social and regional impact;
 - the medium-term prospect of a reform of the Community's structural aid system following the adoption of the Single European Act (comprehensive proposal referred to in Article 130 D).

The Commission communication "Making a success of the Single Act - A new frontier for Europe" ² has shown that the achievement of the second objective assigned to the structural Funds -namely the conversion of declining industrial regions- will necessitate a "European presence" in depressed areas particularly affected by the decline of a dominant economic sector.

The Commission has stepped up its work in this field and has transmitted to COREPER a preliminary draft framework Regulation, Article 9 of which stipulates that account must be taken, in the regions concerned, of the "seriousness and changing pattern of the industrial problems and unemployment". It is further stated that the regional development plans submitted by the Member States will have to reflect "the degree of seriousness of the industrial and social problems".

The Community's response to the crisis in the shipbuilding industry must be seen against this background and has been prepared accordingly.

The social and regional aspects of the Community's support are based on two main financial measures :

- an ERDF programme (Renaval) based on Regulation (EEC) n° 1787/84;
- a specific Community programme of back-up measures in the social field to help shipbuilding workers, based on Article 235 of the EEC Treaty.

Pending the adoption of its proposals relating to the structural Funds, the Commission considers that their actual implementation must be anticipated as far as possible by applying these two innovative programmes.

As soon as the regional and social Community programmes for supporting conversion proposed here are adopted, the Commission thus intends to suggest to Member States that a dialogue be initiated on ways of implementing

those programmes in a coordinated fashion - ways which produce synergetic effects and so optimize their economic impact.

It also considers that these measures will have to be reviewed and, if necessary, amplified both from the viewpoint of their implementing procedures (Community support framework) and from that of the financial resources available to them in the light of the reform of the system under which the structural Funds provide assistance and of the increasing of the resources to be allocated to those Funds.

The Commission notes in this connection that, at the European Council meeting in Brussels on 29 and 30 June 1987, it was decided that a financial objective for appropriations to the Funds, to be reached in 1992, would be fixed rapidly in order to strike a balance between achieving the internal market and strengthening cohesion.

The Commission considers that, on the basis of the increasing of the appropriations of the structural Funds, it will be possible - besides implementing an ambitious policy for helping the less developed regions to catch up - to respond more satisfactorily than at present to the challenge of converting depressed areas affected by industrial decline.

- 3 This Communication sets out the Commission's analysis of and guidelines on the industrial, regional and social aspects of Community shipbuilding. It updates the previous Commission Communication³ following consultations with the appropriate Member State authorities, the unions and professional bodies and sets out a group of positive measures which the Commission proposes that the Council should adopt.

However, the Commission considers that it should examine further aspects of the problem posed by the crisis in the shipbuilding and sea transport sectors. It intends to transmit to the Council before the end of 1987 a communication on commercial policy and industrial restructuring measures in the Community shipbuilding industry.

II. The industrial outlook

II.A The shipbuilding crisis

4. The decline in the order intake of the world's shipbuilding industry, which set in with the first oil crisis of 1973, but did not show its effects on output before 1976 owing to the enormous amount of tonnage on order worldwide, has never halted since. The ensuing drop in prices and lack of work for the yards, followed by successive waves of capacity reductions in the traditional shipbuilding countries, have now assumed alarming proportions and there are, as yet, no signs of the situation improving in the shorter and medium term.

As Table 1 shows, the facts have given the lie to initial hopes that the situation would gradually improve during the eighties.

TABLE 1

1977	1980	1984	1985	1986
new orders worldwide (million cgt)				
14.0	14.4	12.3/11.7*	10.5	9.4
completions worldwide (million cgt)				
21.2	12.6	14.7/15*	14.2	11.8
total orderbook at the end of the year (million cgt)				
31.2	25.6	22.5/22.1*	18.6	16.00
*New OECD coefficients have been applicable since 1984.				

Even against the background of a general downward trend, the greater proportional decline of the Community's shipbuilding industry constitutes a matter of particular concern. In 1976-77 the Community still held an 18% to 19% share of the market (i.e. of new orders) but, after an initial gradual decline until 1983, a steep dip followed, leaving the Community's share at only 11% in a year during which new orders at world level showed a temporary improvement as a result of the massive (speculative) ordering of bulk carriers by East Asian shipowners. The Community's share has recovered somewhat since; it now hovers around 17% for the EC-12 (14% for the EC-10).

On 31 December 1986 the orderbook of the EC-12 shipyards comprised only 3.1 million cgt, which is less than the present annual production capacity, estimated to be some 3.3 million cgt. The current annual production level (average for 1985 and the first half of 1986) is 2.2 million cgt, whereas the present rate of order intake is so low (less than 1.6 million cgt p.a.) that many Community shipyards will soon be completely out of work.

5. Since the onset of the crisis in shipbuilding, a recovery in demand and a corresponding improvement of new building prices have been generally expected. Most forecasts predicted that there would be an upturn five years from the date in question but warned that during

these years a further deepening of the crisis had still to be endured. In fact the situation deteriorated further than predicted. The most recent forecasts and updates predict a return to a production level of some 18 million cgt in 1992 and an increase to 20 million by 1994, which would correspond to the output of the world's shipbuilding industry at the beginning of the eighties.

The medium-term trend seems to be even worse than was expected only two years ago, when it was considered that 1987 and 1988 would represent the trough, with world production lying between 10.5 million cgt (AWES, for 1987) and 14 million cgt (SAJ, for 1988), and that this would be followed by a fairly steep and durable increase in orders and production.

6. However, recent developments suggest that genuine market needs do not allow for more than 7 million cgt of new orders in 1988. This corresponds to less than 40% of the present world capacity and less than five months of aggregate shipyard activity at full capacity.

Naturally, the level of production will not depend entirely on new orders but also on the level of uncompleted and expected orders.

Given the recent and present rate of new orders and the shape of the orderbooks, non-completed earlier orders must not be expected to add up to more than 1 million cgt in 1988.

The volume of expected orders is by definition unpredictable, but could only contribute significantly to the volume of production if the yards apply a systematic and considerable below-cost pricing policy - thereby attracting speculative orders which do not correspond to actual market needs.

II.B The shipping industry crisis

7. In this connection the Commission wishes to underline that the situation in the world's shipbuilding industry cannot be considered in isolation from the world's shipping industry whose problems are clearly due to excess merchant fleet capacity in virtually every sector of the shipping market, a state of affairs which set in with the general economic crisis in the late seventies.

Speculative ordering of tonnage for which there was no immediate need, as well as early replacement of non-obsolete vessels by owners who sought to modernise their fleets at bargain prices at a time when

newbuilding prices were far below the intrinsic value of the ship, helped perpetuate the overcapacity in shipping.

Anticipative ordering should not be rejected per se, as it tends to balance the volume of activity on the supply side against the fluctuations in demand which are sometimes wild. But it does assume that a low in demand will be followed by a genuine and substantial increase.

Yet, when the anticipated date comes round, this practice will mean that actual demand for new tonnage is lower than the earlier estimates made on the basis of transport requirements. It is important to realise that much of the anticipative ordering, viz. the speculative part, is based upon the expectation of a growing demand in the future.

8. Coming to the question of medium and longer-term demand, the Commission considers that the structural changes in the general pattern of maritime transport, due to changes in world trading and manufacturing structures, are the major reasons for the repeated over-estimates of future demand for new ships.

An entirely new feature of essential importance is that the upturn which the world economy has taken during the last few years has not been accompanied by an equivalent increase in seaborne cargo volumes. Despite a slight rise in world seaborne trade in 1984, the general trend has been downward since 1979 and, indeed, world seaborne trade decreased by some 12% between 1979 and 1984, whilst over the same period the tonne-miles performance of the world fleet even dropped by 25%.

9. Any evaluation of the development of shipping activity and, as a derived magnitude, of shipbuilding activity, must take account of this "decoupling" of the trend in seaborne transport from the general economic development, even if the causal factors of this phenomenon can only be clearly identified ex post, and can hardly be quantified for the future.

Changes in trade patterns are causing the level of growth of seaborne transport bound for and from industrialized countries to drop astern in an otherwise expanding world economy. Examples are the decrease of the average voyage distances for some of the main bulk commodities (e.g. North Sea, Mexican and Alaska oil), but also the production facilities for industrial products that have been established in newly-industrialized countries and heavy industries set up in low-development countries in the vicinity of the raw material sources.

10. Where the main bulk commodities such as oil, iron ore and other minerals are concerned, the nature of technical and economic change also means that the volumes required are actually decreasing because more fuel is now being saved in installations and machinery, more electricity is nuclear-based, raw materials are being used more efficiently, man-made products are being substituted for natural raw materials and some regions are increasingly self-sufficient in agricultural products, particularly cereals.

Less apparent, but in the longer term perhaps even more important, is a growing trend in the industrialized countries towards "dematerialization" of the economy, i.e. new information technology, data transmission systems and electronic applications will make a number of manufactured goods redundant. This will have its effects in particular in the liner trades. Miniaturization will further lead to lighter and more performing parts and finished products, which will often disappear as an item for seaborne transport and be mailed by air.

11. It must be feared therefore that towards the middle of the nineties the effective requirements of the market could be satisfied by a much lower worldwide shipyard production than hitherto predicted. Instead of the forecast of about 18 to 20 million cgt mentioned earlier, the Commission expects that in the course of the nineties, the genuine demand of the shipbuilding market could be satisfied by a world production of substantially less than estimated up to now. Nevertheless, it is to be noted that the programme for the restructuring of the Japanese shipbuilding industry seems to be based on an assumption of a world production level of around 12 million cgt by the mid-nineties (for vessels of over 2 500 t).

II.C Objectives

12. The aim of the policy on the shipbuilding sector is to restructure an industry in the throes of a crisis. No balance can be achieved unless supply matches demand, and an industry whose main feature remains a large surplus capacity will always suffer from excessively low prices, accumulate losses and therefore largely depend on state aid to survive. It will lose economic credibility, there will be redundancies and the remaining jobs will always be under threat.

If Community shipbuilding is to revive and its workers are again to enjoy job security, we must reduce the surplus capacity that has weighed on the industry for years. Any move in this direction must take into account the trend in demand for new ships. As maritime transport is also burdened with large excess capacity and, as explained in II.B, demand in this industry is set to shrink even further, future demand for new ships will be very low. There will therefore have to be a substantial reduction in shipbuilding capacity.

II.C.1 Capacity reduction and the international context

13. According to estimates of the OECD and the Association of West European Shipbuilders, world production capacity has dropped by about 20% since the onset of the shipbuilding slump in 1976, falling from about 22 million crt to nearly 18 million crt at present. This fall is not uniformly spread among the different production zones. In the Community production has slumped by over 45%, and in Japan, the leading producer, it is down about a third (the figure varies between 27% and 37%, depending on the source), while in Eastern Europe it has remained stable. The new arrivals on the world market (South Korea, Taiwan and the People's Republic of China) have boosted their capacity substantially, particularly South Korea.

World production capacity still substantially exceeds future demand, however, not only in the medium but also the longer term.

The resulting overcapacity is something that has to be dealt with at international level. The scale of capacity cutbacks in the Community can be determined only in relation to the restructuring being carried out by the other leading shipbuilding countries.

Scope of external commercial policy measures

14. Offensive action by the Community on the trade front could take the form of providing the instruments the industry needs for survival or expansion on the world market, defensive action would involve protection against the unfair competitive practices and policies of some non-member countries. In view of the specific characteristics of the shipbuilding sector, however, commercial policy offers little scope for action. There also remains the possibility of consultations, something that has already been tried with disappointing results.

Specific characteristics of the sector

15. Protection of the shipbuilding industry by means of commercial defence measures, even if well-founded, would raise ship prices considerably for Community shipowners and put them in an untenable position competitively, unless national authorities were willing to cover the whole cost difference between Community shipyards and international ones through subsidies. Freedom of transport in the shipping sector and the fact that most countries no longer have ships flying their own flag underlines the special nature of ships compared with other products. Nor would protection of the shipbuilding industry offer a permanent solution to its difficulties and it would be a fatal blow for Community shipowners, who are already facing cutthroat competition from shipping interests in other countries. This competition has already seriously affected the Community fleet, which has shrunk by two fifths from its high point in 1980, while the Community's share of world tonnage fell

from 29% to 19% between 1980 and 1986. It should be emphasized that the decline of the Community fleet, accelerated by the abandonment of national registration, has been of major social and economic consequence for the Community as a whole. A policy of protection for the shipbuilding industry would require a simultaneous dividing up of the world shipping market, something that is impracticable since most of the countries advocating freedom of navigation and access to cargoes would not take part.

Since it is impossible to achieve a normal state of competition in the shipping sector at international level, protectionist measures at frontiers would lead to a considerable increase in the number of Community ships registered under open-registry flags. This is why the Community has had to allow all ocean-going ships built in non-member countries to enter duty free. Because of this exemption, ships naturally do not benefit from the system of generalized preferences. The danger of switches to open-registry flags also explains the absence of any quantitative restrictions and would make any refusal of import licences inoperable.

In practice, therefore, commercial policy instruments are not applicable to shipbuilding since ocean-going ships are not articles for use within the Community. Ocean-going ships engage in transport activities outside the Community customs territory where they are constantly subject to competition from ships of other countries.

Measures to help the shipbuilding industry

16. As regards tariffs, the Community has suspended the levying of customs duties on all products imported from non-member countries for use in shipbuilding. No quantitative restrictions are applied to imports of products for shipbuilding.

The shipbuilding industry has access to export credits. Because of the OECD Arrangement for this sector there is no possibility of giving ships any more favourable treatment. As to boosting ship sales through aid credits, there might well be a slight rise in sales but, given the impact of other aids too, it would be extremely costly and would not fail to provoke other countries to do the same.

Defensive measures

17. The difficulties involved in taking defensive action are highlighted in the case of anti-dumping and anti-subsidy measures. In theory, these measures could counter the competition suffered by the Community industry on the Community market; in practice they would hit buyers of ships established in the Community.

Regardless of the usual conditions for the success of such action, this step would make sense only if it led to the imposition of anti-dumping or countervailing duties on imports. However, "dumped" or "subsidized" ships are not necessarily "imported", namely registered in the Community's customs territory. Community shipowners often register their ships outside the Community's customs territory and can use flags that will allow them to escape application of national and Community legislation in force in the Member States. This measure would not be effective in protecting the Community shipbuilding industry on the Community market unless Community shipowners were obliged to register their ships in the Community customs territory and fly a flag that would allow the effective application of anti-dumping or countervailing duties.

The compulsory registration of ships in a Community country might raise operating costs unless it was offset by corresponding advantages for shipowners (e.g. taxation, the cost of seamen's wages). For this purpose a Community flag could be introduced, linked with trade advantages, and carrying the obligation to transport certain imports and exports on Community ships.

It should also be noted that the much lower prices of some countries are often not the result of dumping but rather of an efficient and cheap labour force, cheaper raw materials (steel, for instance) and, above all, healthier order books than Community shipyards (A yard that builds 20 ships, often identical, obviously has much lower costs than a Community yard building only two). In fact, the state aids given to some shipyards in the Far East are generally not as substantial as those given to Community shipyards.

18. The competition facing the Community shipbuilding industry could be dealt with under the "new commercial policy instrument" (Regulation (EEC) 2641/84).

One of the essential conditions for use of this instrument is that the prices of competitors are the result of illicit trade practices or infringe Community rights.

To prove illicit practice, it must be established that the prices of competitors are the result of "practices incompatible with international law or with the generally accepted rules" (Article 2(1)). Therefore, to take action it must be established that a third country is giving its shipbuilding industry either export subsidies as set out in the illustrative list annexed to the GATT code on subsidies or domestic subsidies incompatible with this code. In view of the scale of aid given in the Community, the chances of success here are nil.

Infringement of a Community right would, in practice, mean that the prices of the shipbuilding industry of a non-member country are the result of practices by the country in question that would give rise to proceedings under Article XXIII of the GATT.

The very act of initiating proceedings under the new commercial policy instrument could well have a dissuasive effect. However, the Council could not adopt counter-measures under the instrument, on the basis of a Commission proposal, until a disputes procedure had been gone through (in practice proceedings under Article XXIII of the GATT) in accordance with the explicit provisions of Regulation 2641/84 setting up the new instrument.

Dissuasive action by means of measures in other areas of commercial policy is not easily undertaken if not just one product, in this case ships, but a number of products or sectors are the subject of dispute. Some of these sectors may be as important as shipbuilding, or may represent new industries. South Korea, for example, is posing a problem not only as regards shipbuilding, but also steel, electronics, textiles, etc. The case of Japan is even more worrying. Attempts to retaliate against other South Korean or Japanese industries would come under GATT rules and would have to comply with these rules.

Action under the generalized preferences scheme (GSP) would be limited in scope since it would not hurt Japan, which accounts for 45% of world shipbuilding. GSP measures against South Korea, however, might be worth considering.

Efforts to achieve cooperation

19. The Community has, through a number of initiatives, always shown its willingness to take part in coordination, whether multilateral or bilateral, in particular with South Korea and Japan. It will continue its efforts even though it is aware that the chances of achieving significant results are limited.

Starting with the basic advantage of its low-cost labour force, South Korea has now overtaken the Community to become the world's second-largest shipbuilder and, with the aid of the industrialized countries, is investing heavily in its iron and steel industry so as to be able eventually to produce more ship plate than any other country in the world. These and other investments are intended to make South Korea even more competitive in the shipbuilding sector. South Korea has not made the slightest effort to reduce its shipbuilding capacity and, at the same time, has pursued such an aggressive price policy that all its shipbuilders are suffering losses despite enjoying by far the lowest costs.

Furthermore, South Korea's completions in 1986 (more than 3 million cgt according to various sources) far outstripped the quantitative targets the country set itself early that year (2.1 million cgt).

- 20 In repeated contacts over recent years, the Commission has indicated its readiness to discuss matters with the South Korean Government with a view to mapping out some form of cooperation in this sector. No response in the form of industrial policy measures in this sector or measures relating to the South Korean restrictions on imports of marine equipment has been forthcoming.

More recently, the problem was discussed at bilateral meetings in June 1986 and April this year, but these produced no specific results. Discussions will have to be taken up again in the near future and the Community will have to be even more insistent in this area.

At multilateral level, the South Korean authorities have considered cooperation with OECD members as being purely a matter of exchanging factual information. The Commission intends to make a further bilateral approach so that it might be possible for talks between experts in the sector to go beyond a mere exchange of information and produce a detailed and constructive discussion of the matter.

Nevertheless, the Commission would stress that, if normal market conditions are to be restored, the South Korean industry must without delay relinquish its current erratic pricing policy and adopt for newbuildings a supply policy which takes account of real costs.

The overall conclusion is that there is little chance of consultations being able to achieve a reduction in South Korean shipbuilding output.

21. Although the situation with Japan is different, it is not certain whether the decline in its industrial activity in sectors such as iron and steel and indeed the new industries will lead Japan, a country characterized by a very specific economic structure, to be more realistic in its appreciation of the difficulties facing shipbuilding.

In view of the fact that current Japanese output still accounts for nearly 45% of the world total, the Commission believes that it is up to the Japanese industry to make the greatest effort to restore a proper balance between supply and demand in shipbuilding, even though the present disastrous level of prices is largely due to the pricing policy pursued by South Korean shipyards.

22. The Japanese restructuring programme for the next two years provides for an additional 20% reduction in capacity and for the remaining capacity to be used up to the 60% level during the period of restructuring, thus bringing Japan's market share down to approximately 35% of world production. However, Japan intends to take its market share back up to 40% (or approximately 4.8 million cgt) in the 1990s. This future target for Japan's shipbuilders can only be a cause of serious concern for the Community since it will pose a threat of overcapacity on the market of about 2 million cgt, thus cancelling out any efforts to bring market prices to their normal level.

The Commission's numerous initiatives to seek coordinated action at both multilateral and bilateral level on problems such as overcapacity and standardization have not as yet led to anything more than an exchange of information on policies and decisions adopted by both sides.

For its part, when establishing in 1986 the restructuring programme mentioned above, Japan rejected any suggestion that it should first discuss policy with the Community.

23. The Commission is of the opinion that the Japanese programme overestimates the market opportunities for the Japanese shipbuilding industry in the 1990s since it does not allow for the additional presence on the market of the competition that must be expected from new or expanding shipbuilding industries in the developing countries. The Japanese target for its longer-term market share would only be realistic if the Community's shipbuilding industries were to withdraw completely from the world market. The Commission is certainly not prepared to accept such an assumption.

Given that the problem of overcapacity can be resolved only by a change in attitude by South Korea and Japan, the Community will have to increase its pressure on these two countries so as to bring them to terms. However, action against the Far Eastern countries principally responsible for the current stagnation of the Community's shipbuilding industry, possibly followed by concrete action on the part of those countries, will not in itself be enough to resolve all the difficulties facing shipbuilding unless an even more ruthless restructuring of the industry is carried out.

24. As the problem facing shipbuilding and sea transport is on a world scale, any joint action will have to involve all the world's shipbuilding countries if it is to succeed.

The Commission departments are currently examining what concrete measures might be envisaged in the area of the external commercial policy and also whether a greater concentration of shipyards would be appropriate in Europe.

The Commission intends to produce a report on the findings of this examination by the end of this year.

II.C.11 Stabilization of demand

25. The Commission has examined the various measures the Community could take to reduce surplus capacity in maritime transport, particularly measures to encourage scrapping. These are.

- aids for scrapping,
- a scrap and build policy,
- a guarantee fund to promote scrapping, and
- setting up scrap yards.

26. It has emerged that the last two, particularly the guarantee fund, merit closer attention.

Mortgages on ships were identified as the major factor preventing owners from putting their vessels up for scrapping. Recently (September 1986) Japan conducted an experiment with this type of fund and the Commission's investigations take account of the results. No decision has yet been made but the departments concerned are pursuing the matter.

27. Community action on maritime transport could also help stabilize the Community's merchant fleet which has decreased by two-fifths since 1980.

In this connection some recent Council Regulations (22 December 1986)⁴ should be mentioned. They relate to maritime transport and their aims are described below. It is hoped that they will help the Community's industry to deal with third country restrictions on access to cargo, and other restrictive practices.

They form a corpus of Community law aimed at putting the above policy into practice whilst at the same time implementing the basic provisions of the EEC Treaty on competition and the freedom to provide services.

28. For a transitional period Regulation (EEC) No 4055/86, applying the principle of freedom to provide services to maritime transport between Member States and between Member States and third countries, abolishes existing restrictions on Community shipping companies, whether imposed by unilateral measures or bilateral cargo-sharing arrangements, and prohibits cargo-sharing arrangements in any future agreements with non-Community countries other than in the specific exceptional circumstances of the liner trades.

Regulation (EEC) No 4058/86 concerning coordinated action to safeguard free access to cargoes in ocean trades allows the Community to introduce counter-measures where non-Community countries prevent shipping companies of the Member States, or ships registered in a Member State, from gaining free access to cargoes. Counter-measures of this type may be coordinated with OECD member countries with which reciprocal arrangements have been agreed.

Regulation (EEC) No 4056/86 laying down detailed rules for the application of Articles 85 and 86 of the Treaty to international maritime transport operations from or to one or more Community ports aims to ensure that competition is not unduly distorted by restrictive practices, but to do so without resorting to excessive market regulation. As the "Brussels Package" (Regulation (EEC) No 954/79 of 15 May 1979 on the Code of Conduct for Liner Conferences⁵) presaged, the conferences are granted a block exemption from the general prohibition on agreements as defined by the EEC Treaty, subject to certain conditions and obligations and subject to the conferences concerned being open. Where competition is precluded from the outset in the sense that there are barriers to the activities of non-conference companies - for instance, as a result of measures taken by non-Community countries - this means that a basic condition is no longer fulfilled and the block exemption must be withdrawn.

Although both conferences and non-conference companies are subject to the competition rules, only the conference companies are subject to additional obligations since they benefit from the block exemption. Nevertheless, competition between all the parties, whether operating in conferences or as independent shipping lines, has to be fair. Regulation 4057/86 on unfair pricing practices in maritime transport permits redressive duties to be levied on foreign shipping companies which benefit from non-commercial advantages granted by non-Community countries and regularly offer freight rates far below the level that has to be charged by companies operating on a commercial basis.

29. Taken as a whole, these Regulations represent the Community's determination to maintain free and undiscriminating access to cargoes, fair competition on a commercial basis in trades from or to places in the Community and conditions which take into account the interests of shippers and ports.

It is hoped that the Regulations will discourage the restrictive and unfair practices of non-Community countries and foreign shipping companies or that, where such practices do occur, the Regulations will help in the search for effective negotiated solutions.

Where this proves not to be the case, the Regulations provide a basis for defensive action aimed at counteracting such measures and practices.

The Commission has also undertaken to prepare for the Council proposals aimed at reducing the existing disparity between the operating conditions and costs of the Community's fleets taken on a single entity and those of its foreign competitors.

30. To conclude, if the present ratio between the size of the Community's merchant fleet and that of the world fleet is maintained, the effect on the level of orders placed with Community shipbuilders should be positive in the long term.

II.C.111 Reviving the internal market

31. Prior to the 1976 crisis, when supply in the shipbuilding industry broadly matched demand and when subsidies to the industry were still at a reasonable level and had only limited effects on competition within the Community, deliveries to other Member States accounted for some 20-25% of total production.

After the onset of the crisis, the mismatch between supply and demand promoted more systematic recourse to both direct and indirect aids for shipbuilding. The upshot was an immediate, far-reaching and enduring compartmentalization of the Community market. Since 1976, deliveries within the Community have contracted appreciably, to around 5% of total production.

32. The Council's provisions for reorganizing industrial aids and policies, by guaranteeing selectivity in favour of the most competitive yards and greater transparency of aids, are apt instruments for achieving the objectives - consistently pursued by the Community - of developing a common market on which all operators in the Community will be treated on the same competitive footing.

This aim is backed up by the provisions of Article 4 of the sixth Directive on aid to shipbuilding which states that, "where there is competition between yards in different Member States for a particular contract, the Commission shall require prior notification of the relevant aid proposals at the request of any Member State". The purpose of the Commission Decision authorizing aid, without which the proposed aid may not be paid, is to ensure that "the planned aid does not affect trading conditions to an extent contrary to the common interest".

II.C.iv R&D activities

33. A policy for shipbuilding must take in all the factors having a bearing on the situation in the industry, including therefore R&D activities. While research cannot resolve the problems currently facing the industry, it will help to improve competitiveness in the longer term.

According to a study carried out by the Commission, priority in the R&D field should, where the shipbuilding industry proper is concerned, go to introducing new production technologies such as CAD/CAM systems, robotics and automation. However, since a significant proportion of the cost of building a ship is accounted for by equipment (depending on the type of ship, this proportion may vary between 50% and 65%), it is evident that R&D in this area can make an important contribution to boosting competitiveness. In point of fact, research into production technologies is more important for equipment manufacturers than for the yards themselves.

34. Yet, the R&D needs of the shipbuilding industry and the various marine equipment manufacturers taken together and of the subcontracting and fitting-out firms - many of which also work directly with the shipowners - can hardly be accommodated by a specific sectoral approach. In any event, such an approach was abandoned by the Community some years ago.
35. Nevertheless, closer coordination is desirable, not only within the shipbuilding industry and within the marine equipment industry, but also between the two.

Accordingly, the Commission has called on both parties to identify their joint R&D priorities.

36. Such an approach would be a twofold improvement on the present situation, where research is undertaken in a disjointed manner by individual firms and where there may or may not be any financial contribution from the national authorities.

For one thing, there would be less duplication of work, a state of affairs that exists not for reasons to do with competition or industrial property, but simply because not enough information is swapped. At a time when large sections of the industry are finding it difficult to provide adequate funding for R&D activities, better use of available resources would already be a step in the right direction.

37. Furthermore, this approach would make for more effective incorporation of projects into the Community's multidisciplinary programmes such as BRITE (Basic Research in Industrial Technology for Europe) and ESPRIT (European Strategic Programme of Research and Development in Information Technology). Contracts have already been signed as part of the first tranche of the BRITE programme for four projects involving new welding technologies that are expected to be of major importance for the shipbuilding industry. A fifth project concerns methods of assessing the viability of offshore installations and other marine structures at the project-development stage and during the operational stage. Clearly, a multiplier effect could be generated if such projects were at the same time a link in the chain leading towards a common objective.

The ESPRIT programme is likely to accommodate projects relating to advanced telecommunications and information technologies for modern ships. In this way, a link could be established between equipment manufacturers and the shipping business as part of a navigational and operational R&D programme for ships.

38. In addition, the Commission has proposed that a chapter on transport containing a section on marine transport be included in its R&D framework programme. Research into such matters as advanced ship types and advanced ship systems could be dealt with in this section.
39. Lastly, there is scope for direct support for R&D activities under the programme of support for technological development in the hydrocarbon sector, which is concerned primarily with offshore activities. This programme was extended in 1985 with a new allocation of 140 million ECU for the period up to 31 December 1989, with the result that technological innovations, which may qualify for a Community contribution of up to 40% of their cost, can be adopted.

With the Commission according priority to projects submitted by SMEs, small shipyards and equipment manufacturers building support ships for the offshore industry might qualify for aid under this programme.

II.C.v Cooperation between marine equipment industries

40. The future position and competitiveness of the Community's shipyards on the world market will, to a considerable extent, also depend on the presence of a modern and efficient industry of marine equipment manufacturers within the Community. Owing to the fact that these industries form a vast and heterogeneous range, including specialized manufacturers of distinct shipboard items as well as producers of articles not specifically ship-related and covering various other sectors, very few of the Member States have an organized, comprehensive marine equipment manufacturers' association.

It is therefore very difficult to obtain reliable statistical information on the relative importance of this sector, or regarding sub-groups of related industries, particularly data on production and turnover at Community level.

This state of affairs has hitherto not only prevented the Commission from preparing specific action in favour of the sector as a whole, but also seriously limited the possibility of enhancing cooperation between these industries and the shipbuilding and shiprepairing industries.

41. In view of this situation, the Commission initiated informal discussions with representatives of various industries operating in these fields as well as with the few existing organizations within the Community in order to determine whether a more structured form for considering common action could be set up. The talks have so far resulted in two Member States in the industries concerned deciding to create a national marine equipment manufacturers' organization similar to those already in existence in four Member States and in the industry in a seventh Member State exploring the possibility of a common structure.

During the discussions, a number of problem areas were identified in respect of which Community-level action and the most appropriate form of cooperation should be considered. Existing organizations and those now being formed will consult their members on the issues and inform the Commission of their conclusions.

42. Basically four fields of interest are being considered for possible action, i.e.

- Development of common product standards and standardization

In the shipbuilding industry there has been very little progress in this direction. Yet it is felt that if there was more standardization in the marine equipment sector, the results would be more promising than if this approach were pursued only within the shipbuilding industry. Moreover, shipbuilding would benefit directly from any progress made in the equipment sector.

- Research and development

The marine equipment manufacturing industries would benefit greatly from greater efforts to apply new technologies to their products as soon as they become available. This means more product development work but, because the industries are so widely

dispersed, common research programmes are difficult to conceive. Efforts should therefore be concentrated on grouped research objectives.

- Common marketing

Although this may not be of the same interest to all groups of marine equipment manufacturers, or sometimes impossible for reasons of industrial competition, the Commission can, and indeed has, supported trade missions or representations at international trade fairs where the industries concerned set up suitable working arrangements with a view to effective common marketing.

- Import restraints in non-Community countries

Community action might comprise political intervention from the Commission in favour of industries that encounter protection, quota or tariff obstacles in their exports to third countries.

III. The social outlook

III.A Reduction in employment

43. Over the past ten years, total employment in Community shipyards has fallen by over 50%, with 59% reductions in new merchant shipbuilding and 33% in repairs.

As regards the reduction in employment in new merchant shipbuilding, Table 2 shows the considerable variation between Member States, the average overall reduction being some 10% per year.

TABLE 2

	1975	1978	1979	1980	1981	1982	1983	1984	1985
Belgium(a)	7 467	6 614	6 258	6 523	6 347	4 680	4 104	4 060	3 923
Denmark	16 630	12 000	9 900	11 400	11 350	11 800	11 200	10 300	10 200
Germany	46 839	31 113	27 369	24 784	25 521	27 600	25 966	22 189	22 260
Greece(b)	2 316	-	-	2 672	3 393	2 900	2 812	2 000	2 000
Spain(c)	-	-	-	-	-	-	-	-	18 000
France	32 500	25 300	23 000	22 200	22 200	21 600	21 000	16 940	15 058
Ireland	869	840	750	750	762	882	550	-	-
Italy(d)	25 000	20 000	19 000	18 000	16 500	13 750	12 800	12 800	12 000
Netherlands(e)	22 662	17 540	14 540	13 100	13 100	12 800	11 250	10 330	6236
Portugal(b)	-	-	-	-	-	-	-	-	5370
United Kingdom(f)	54 550	41 050	31 200	24 800	25 345	25 000	20 486	14 655	10 200
T O T A L	208 833	154 457	132 017	124 229	125 518	121 012	110 168	93 274	105 247

(Table compiled from national sources)

- (a) Revised series.
- (b) Figures for the years 1978 and 1979 not included.
- (c) Figures for the period 1975-84 not included.
- (d) The 1985 figure has been estimated.
- (e) Including the building of naval vessels, for which the estimates are as follows 1975 - 1 800 1978 and 1979. 3 200; 1980: 3 400; 1981 and 1982: 3 200, 1983 and 1984. 2 800.
- (f) Not including the jobs at Harland & Wolff in Northern Ireland (some 4 000 in 1985).

44. In view of the above estimates of foreseeable levels of activity and the need to reduce capacity, it is probable that, for the Community as a whole, capacity reductions and redundancies accounted for the loss of 12 000 jobs in 1986 whilst 14 000 will be under serious threat in 1987 and a further 30 000 at risk during the period 1987-1989.

III.B Minimum social standards

45. Not only is failure to comply with minimum social standards contrary to the objectives of economic and social progress pursued by the Community in its policy on development cooperation; it also constitutes a form of social dumping.

The Commission plans to take into account the basic elements of several minimum international social standards which are regarded as being of fundamental importance and concern working hours in industry, non-discrimination in respect of employment and occupation, employment of children and young people, fixing of minimum wages and health and safety in the working environment. The Commission will evaluate the possibilities of examining these matters within the framework of cooperation with a number of newly-industrialized countries.

IV. The regional outlook

46. When analysing the regional impact of industrial restructuring of this type, the Commission has followed the principle that sectoral difficulties must be looked at in the light of the importance of the sector for the area's economy and the overall socio-economic situation of the wider region.

The sixth Directive on aid to shipbuilding is designed to induce Community shipyards to adapt to market needs and to change their production patterns accordingly. In view of the continuing decline in demand, a substantial capacity reduction, involving the restructuring or closure of a number of shipyards, will be necessary.

47. The areas which are and will remain the worst affected are those with the larger shipyards since they are furthest down the Community league in adapting production capacity to market conditions and because, earlier, they benefited from measures compensating them for commercial losses.

As far as EC-10 is concerned, the results of this regional assessment point to further job losses and possible yard closures in a number of the zones already covered by the ERDF non-quota measures.

In addition, other shipyards in areas that have not been eligible for non-quota aid are also likely to be affected. The Commission will apply the above principle in examining the question of what effects restructuring these yards will have on their respective regions.

48. As far as Spain and Portugal are concerned, the new Directive foresees a transitional period of intensified and accelerated restructuring, after which these countries will have to conform with the new rules. However, the decline in demand for new ships is likely to result in particularly high rates of employment decline in the areas depending heavily on the shipbuilding industry which will exacerbate their weak socio-economic structures.

49. The need for further restructuring in the shipbuilding industry will have a rather limited - though perhaps increasing - impact on employment in the supply industries. Possible job losses in the equipment supply industry have not been taken into account in the regional analysis. The supply industry, which is in a relatively healthy competitive position, serves a wide range of sectors worldwide.

V. Community action

V.A Instruments

50. In Decision 86/667/EEC of 22 December 1986⁶ based on a Commission proposal the Council adopted the annual report on the economic situation in the Community and laid down economic policy guidelines for 1987. This report underlines that an economic environment conducive to a development of the employment trend is an important element in resolving the employment problems in the industries being restructured.

The Commission has also proposed measures to promote the development of local employment initiatives⁷ and to combat longterm unemployment⁸ and, through the European Social Fund, is helping to finance measures taken in these areas by Member States.

On 22 December 1986, the Council adopted a Resolution on an action programme on employment growth,⁹ which contains a batch of proposals for promoting new businesses and boosting employment, making labour markets more efficient, improving training for young people and adults, and providing more help for the longterm unemployed.

51. The crisis in shipbuilding means that the yards still operating will have to undertake modernization, make new investments and introduce sophisticated technologies if they are to become more competitive. An increase in competitiveness can also be achieved by introducing new forms of business management and work organization, by providing training for workers and by involving them actively in the modernization process. The European Social Fund, which helps finance the training and retraining of workers, and the ERDF, which provides several back-up

measures - mainly in the investment field - to assist reconversion actions in the most affected areas, are the main instruments of positive Community action. However, in view of the apparently unavoidable and substantial reduction in unemployment in the industry in the near future, the Commission feels that a major expansion of the existing Funds and new financial approaches and proposals are needed.

In particular, the Commission considers that new back-up measures must be adopted in the social field to contend with the immediate consequences of this new and necessary restructuring, the specific problems arising on the labour market in regions where shipbuilding is important and unemployment already high, and with the period that elapses between the immediate total or partial closure of certain yards and the time when the beneficial longer-term effects of industrial measures taken in the most profitable yards (increase in capacity utilisation) and of measures taken under employment policy and regional policy work through.

V.B European Regional Development Fund

52. ERDF assistance in the areas affected by the restructuring of declining industrial sectors is mainly provided to help create alternative economic activities in those areas.

The ERDF already provides assistance in most areas affected by the crisis by financing projects and, more specifically, through special programmes coming under its former non-quota section¹⁰ for which 71 million ECU have been set aside.

Taking into account the worsening of the situation, the Commission considers that the reconversion effort must be stepped up.

- On the one hand, the areas most affected by the latest wave of restructuring have generally been in a state of crisis for many years and the steady increase in the number of jobs lost makes any attempt at regional reconversion all the more difficult. Whilst providing a stimulus for latent endogenous investment may be a fairly satisfactory response initially to the need to create alternative employment, the continuing crisis now calls for stronger incentives to promote entirely new activities. Also, in some areas a critical level has already been reached in the process of dismantling shipyard capacity such that related industries and subcontractors are now going out of business. A large part of the basic industrial tissue is therefore disappearing and to recreate anything like it is extremely difficult and costly.

- On the other hand, in the course of implementing the present special regional development programmes it has become clear that the refurbishing of old industrial sites and other infrastructures related to job creation is still very important. It should also be emphasized

that the high cost of maintaining these essential infrastructures must be deducted from the appropriations set aside specifically for businesses and the actual creation of jobs.

53. Hence, if the Community really wishes to help in the regional reconversion effort it will have to make a more significant contribution. The Member States concerned are therefore asked to apply to the ERDF for joint Community financing by submitting multi-annual programmes or projects for the worst affected areas.

For its part, the Commission will be taking the earliest opportunity to propose a Community programme within the meaning of Article 7 of Council Regulation (EEC) No 1787/84 of 19 June 1984, on the ERDF, in order to facilitate conversion and especially the creation of alternative employment in areas experiencing particularly serious restructuring problems, as seen from the point of view of the Community as a whole. When adopted this programme should permit:

- full participation by Spain and Portugal in the Community's regional reconversion effort on terms comparable to those already enjoyed by the other Member States;
- reinforcement of the Member States' own regional reconversion efforts in so far as any restructuring programmes due for completion by the end of 1989 entail a deterioration in the socio-economic situation.

The measures proposed in this Community programme focus on developing the endogenous potential since it has emerged that this is the most appropriate approach to renewing the economic tissue and mobilising the forces of the areas concerned. The programme represents a group of measures which combine improvement of the physical and social environment in the areas concerned with the development of small and medium-sized undertakings and involve business advisory services, better management, common services, innovation, access to venture capital, sectoral studies and investment aid, inter alia.

V.C European Social Fund

54. The European Social Fund assists in the retraining of workers for new skills. The main provision under which such aid is granted is point 4.3. of the Guidelines for the Management of the Fund (selection criteria). This gives priority to vocational training linked to the restructuring of firms where the scale of restructuring is substantial, both in terms of the number of workers involved and the degree of retraining necessary. Training is available for workers in need of new skills to equip them for a job elsewhere within the firm or for

those who become surplus to requirements and are obliged to seek employment elsewhere. The volume of aid approved for such activities in the shipbuilding sector in 1986 was some 9.71 million ECU for an estimated 5 700 - 11 000 workers and 15.29 million ECU for an estimated 11 000 - 21 000 workers in 1987.

55. The Commission estimates that during the period 1987-1989 a total of 45 300 workers could benefit from actions co-financed by the European Social Fund. Training will be available for workers in need of new skills to equip them for a job elsewhere in the shipbuilding industry and for those obliged to seek employment outside the industry.

The estimated budgetary cost of the ESF training measures would be as follows

	1987	1988	1989	TOTAL 1987-89
- Number of workers concerned	21 900	14 300	9 100	45 300
- Unit cost ¹¹ (ECU)	1 375	1 410	1 445	---
- Total cost without linear reduction (million ECU)	30 ¹²	20	13	63

The Guidelines provide for exemptions from the linear reduction in the case of measures particularly dependent on aid from the Fund. In the Commission's view, this ensures that priority measures falling into that category can be implemented.

V.D New accompanying social measures

56. When it adopted Directive 87/167/EEC¹ the Council considered that additional measures should be adopted to alleviate the social and regional consequences of restructuring in the shipbuilding industry. In accordance with / the guidelines set out in its first communication on the industrial, social and regional aspects of the shipbuilding industry³ the Commission considers that the employment situation is such as to call for the urgent adoption of a Community programme of new accompanying social measures for workers made redundant or threatened with redundancy in the shipbuilding industry. The aim of the measures is to

encourage the absorption into economic life, socio-occupational integration and geographical mobility of workers made redundant or threatened with redundancy and to ease the transition to permanent retirement from working life of elderly workers no longer regarded as seeking work. The measures are intended to complement operation eligible for aid from the European Social Fund and the European Regional Development Fund.

57. The provisions of the ESF and the ERDF do not fully cover the problems encountered by workers in the shipbuilding industry made redundant or threatened with redundancy since the range of actions eligible for aid from the European Social Fund and open to workers affected by restructuring is limited, in particular by the type of expenditure defined as eligible in Council Regulation (EEC) No 2950/83.¹³

Furthermore, actions supported by the ERDF, particularly those included in the special programmes coming under the former non-quota section¹⁰ and the new RENAVAL Community programme, apply solely to certain geographical areas - the aim being to create an environment suitable for the development of new economic activities, particularly by making use of the "software" measures introduced to benefit small and medium-sized undertakings. Moreover, workers affected by restructuring in the traditional industries find it difficult to adjust to the available jobs and respond to changes in the demand for labour.

58. The Commission considers that adopting a specific Community programme of new accompanying social measures of direct and immediate benefit to all shipbuilding workers made redundant or threatened with redundancy in the Community is the most appropriate way of solving this specific labour market problem. The Commission's proposals are therefore as follows

(a) Measures to encourage the absorption into economic life and socio-occupational integration

Any worker made redundant or threatened with redundancy who takes advantage of one or more of the eligible measures to encourage the absorption into economic life and socio-occupational integration may benefit from the Community programme's assistance for eligible expenditure up to a maximum of 2 500 ECU per worker, subject to the condition that the public authorities of the Member State concerned provide an equivalent financial contribution.

Assistance may be granted for expenditure in respect of the following:

- recruitment aid;
- income maintenance allowances (to compensate for the difference in wages between the old and the new job),
- subsidies to promote the setting up of new businesses or setting up in a self-employed capacity;
- assistance towards the cost of consultancy services,
- recruitment aid for schemes to provide work on community service projects,
- tide-over allowances (to supplement unemployment benefit).

(b) Measures to promote geographical mobility

Any worker made redundant or threatened with redundancy may benefit from a mobility premium, up to a maximum of 1 500 ECU per worker, to cover eligible expenditure on moving house, subject to the condition that the public authorities of the Member State concerned provide an equivalent financial contribution. This premium may be combined with vocational training operations or measures to encourage the absorption into economic life and socio-occupational integration.

(c) Measures to ease the transition to permanent retirement from working life

Any older worker who is made redundant and is no longer regarded as seeking employment under the provisions of the laws of his country, whether retiring early on a pension or receiving a tide-over allowance in the form of a bridging benefit designed to supplement unemployment benefit, may benefit from an allowance for the permanent retirement from working life amounting to a maximum 5 000 ECU per worker, subject to the condition that the public authorities of the Member State concerned provide an equivalent financial contribution.

VI. Budgetary consequences and conclusions

59. Where financing the measures is concerned, this communication from the Commission proposes two specific programmes:

- a Community programme coming under the ERDF which will benefit reconversion in shipbuilding areas and involve 200 million ECU during the period 1988-1990 (draft programme at Annex I);
- a specific Community programme of accompanying social measures which will benefit workers in the shipbuilding industry who have been made redundant or are threatened with redundancy and will involve 71.5 million ECU during the period 1988-1990 (draft programme at Annex II).

The cost to the budget of stepping up the Community's effort in favour of shipbuilding will therefore amount to 271.5 million ECU for the period 1988-1990.

60. Where the European Regional Development Fund is concerned, the proposed Community programme will require a contribution of 200 million ECU spread out as follows :

	1988	1989	1990	TOTAL 1988-90
Appropriations for commitments (million ECU)	55	70	75	200

61. The specific Community programme of new accompanying social measures is intended to assist shipbuilding workers made redundant or threatened with redundancy with effect from 1 January 1987 (when the sixth Council Directive on aid to shipbuilding comes into force). It is proposed that the programme should extend for three years from 1 January 1988. It takes into consideration expenditure incurred by the Member States starting from the twelfth month preceeding the date on which the Commission receives the application for aid.

62. The number of workers likely to benefit is as follows:

	1987	1988	1989	Total 1987-89
Permanent retirement from working life	4 000	3 000	2 000	9 000
Absorption into economic life and socio-occupational integration	2 000	3 000	2 000	7 000
Geographical mobility (combination with other allowances permitted)	3 000	2 000	1 000	6 000

The cost to the budget of these measures implies appropriations for commitment amounting to 71.5 million ECU to be used as appropriate during the year following that in which redundancy took place, i.e. according to the following timetable for the period 1988-1990

	1988	1989	1990	TOTAL 1988-90
Permanent retirement from working life	20	15	10	45
Absorption into economic life and socio-occupational integration	5	7,5	5	17,5
Geographical mobility (combination with other allowances permitted)	4,5	3	1,5	9
Commitments (million ECU)	29,5	25,5	16,5	71,5

- 1 OJ L 69, 12 March 1987, p. 55.
- 2 COM(87)100 final of 15 February 1987.
- 3 COM(86)553 final of 15 October 1986.
- 4 OJ L 378, 31 December 1986, pp. 1-23.
- 5 OJ L 121, 17 May 1979, p. 1.
- 6 OJ L 385, 31 December 1986, p. 1, (COM(86)530 final).
- 7 OJ C 70, 12 March 1984, p. 1, (COM(83)662 final).
- 8 OJ C 322, 3 December 1984, p. 1, (COM(84)484 final).
- 9 OJ C 340, 31 December 1986, p. 2.
- 10 Council Regulation (EEC) No 2617/80 of 7 October 1980 (OJ L 271, 15 October 1980), as amended by Council Regulation (EEC) No 217/84 of 18 January 1984 (OJ L 27, 31 January 1984) and Council Regulation (EEC) No 3635/85 of 17 December 1985 (OJ L 350, 27 December 1985).
- 11 The unit cost increase was calculated on the basis of an annual inflation rate of 2.5%.
- 12 15.29 million ECU after linear reduction.
- 13 OJ L 289 of 22 October 1983, p. 1.

Programme for the conversion of shipbuilding areas

Proposal for a Council Regulation
instituting a Community programme to assist
the conversion of shipbuilding areas,
(RENAVAL programme)

RENAVAL programme

EXPLANATORY MEMORANDUM

1. The attached proposal for a Community programme is based on Article 7 of the ERDF Regulation. The purpose of this type of programme is to help in solving serious problems affecting the socio-economic situation of the regions by providing "a better link between the Community's objectives for the structural development or conversion of regions and the objectives of other Community policies". The measure under consideration is intended to assist, in tandem with the social measures, the efforts being made to restructure the shipbuilding industry, by contributing to the development of new economic activities. It thus serves directly one of the major objectives of the Community's structural policies, as defined by the Commission in its communication to the Council entitled "Making a success of the Single Act; a new frontier for Europe", namely, the conversion of declining industrial areas.

2. In the case of shipbuilding, although progress has been made in the structural adaptation of the industry in the Community pursuant to Directive 81/363/EEC (Fifth Directive on aid to shipbuilding),² pressure on the world market has not abated and, as a result, further restructuring will be needed in terms of both capacity and jobs. Directive 87/167/EEC (Sixth Directive),³ which was recently adopted by the Council, will provide a framework for this adjustment process by introducing a differentiated aid regime for shipbuilding, while enabling the new Member States, where the restructuring process is less advanced, to comply with the regime gradually. The new adjustment measures could entail the loss of 30.000 jobs in the shipbuilding sector alone (thus excluding a corresponding job-loss in ship repairing) in the period 1987-1989, in addition to the loss of 12.000 jobs in this sector in 1986.

3. To alleviate the social and regional consequences of this process, the Commission has been considering various back-up measures. In its communication on the industrial, social and regional aspects of shipbuilding,⁴ it put forward a Community programme designed to facilitate conversion of the worst-hit shipbuilding areas in the Community.

¹ COM(87)100 final, 15.2.1987.

² OJ No L 137, 23.5.1981, p. 39.

³ OJ No L 69, 12.3.1987, p. 55.

⁴ COM(86)553 final, 15.10.1986.

4. The Community programme proposed is in two parts:

- first, it is designed to allow the new Member States, once the Council has adopted the corresponding regulation, to participate fully in the regional conversion effort under way at Community level under conditions comparable to those already enjoyed by the other Member States;
- second, it is designed to back up Member States' regional conversion efforts in cases where restructuring up to the end of 1989 entails a deterioration in the socio-economic situation in the main areas affected. This measure will make it possible to step up, by mobilizing additional resources, and at the same time to extend to 1992 special programmes which are at present being carried out with financial assistance from the ERDF under the former non-quota section and to which a total of 71 million ECU has been allocated.⁵

5. The measures put forward in this Community programme are focused on the development of indigenous potential, the approach best suited to renewing the economic fabric and exploiting the dynamism to be found in the regions and areas concerned. They correspond, in fact, to the various operations which combine improvement of the infrastructure and of the physical and social environment in the areas concerned with the development of small and medium-sized enterprises (SMEs), notably through the provision of business advisory services, improvements in management, the development of common services, the promotion of innovation, access to risk capital, the preparation of sectoral studies, and investment aid.

6. The financial allocations deemed necessary by the Commission for the attached proposal amount to 200 million ECU. This provisional amount, concentrated on the first three years of the programme, could be increased as a result of the reform of the structural Funds.

The financial breakdown for the first part of each programme concerns Spain and Portugal only, with the areas to benefit being specified in the relevant proposal. As for the second part, the breakdown by Member State will depend on the number of jobs lost in the shipbuilding industry up to the end of 1989. It will be determined as and when the Commission, at the request of the Member States concerned, adopts the decisions specifying the areas that will be assisted.

⁵ Council Regulation (EEC) No 2617/80, as amended by Regulation (EEC) No 217/84 and by Regulation (EEC) No 3635/85 (OJ No L 271 of 15 October 1980, p.16, OJ No L 27 of 31 January 1984, p.15 and OJ No L 350 of 27 December 1985, p.8).

The programme will cover the period 1988-92. The estimated schedule for commitments is as follows:

RENAVAL programme: schedule for commitments						
	1988	1989	1990	1991	1992	Total
Part one Spain	7	7	7	-	-	21
Portugal	3	3	3	-	-	9
Part two (all Member States)	45	60	65	:	:	170
Total	55	70	75	:	:	200

Programme for the conversion of shipbuilding areas

Proposal for a Council Regulation
instituting a Community programme to assist
the conversion of shipbuilding areas
(RENAVAL programme)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 1787/84 of 19 June 1984 on the European Regional Development Fund,¹ and in particular Article 7(4) thereof,

Having regard to the proposal from the Commission,²

Having regard to the opinion of the European Parliament,³

Having regard to the opinion of the Economic and Social Committee,⁴

Whereas Article 7 of Regulation (EEC) No 1787/84, hereinafter referred to as the Fund Regulation, provides for participation by the Fund in Community programmes the purpose of which is to help in solving serious problems affecting the socio-economic situation in one or more regions and which are designed to provide a better link between the Community's objectives for the structural development or conversion of regions and the objectives of other Community policies;

¹ OJ No L 169, 28.6.1984, p. 1.

²

³

⁴

Whereas, on 26 January 1987, the Council adopted Directive 87/167/EEC on aid to shipbuilding¹ and whereas that Directive has to be seen in the context of a further reduction in shipbuilding capacity in the Community and an even larger reduction in employment; whereas the foregoing considerations also apply to ship conversion and repair;

Whereas a number of areas in the Community which are highly dependent on shipbuilding and which have already suffered major job losses as a result of the decline in shipbuilding are likely to see a worsening of these adverse consequences;

Whereas, in adopting the said Directive, the Council also took the view that additional measures should be taken to alleviate the social and regional consequences of the restructuring of the shipbuilding industry; whereas, to that end, the Commission sent to the Council and to the European Parliament a communication on the industrial, social and regional aspects of shipbuilding;² whereas, in that communication, the Commission proposed in particular that a Community programme within the meaning of Article 7 of the Fund Regulation should be instituted for the conversion of the worst-hit areas in the Community;

Whereas, on 7 October 1980, the Council adopted Regulation (EEC) No 2617/80,³ as last amended by Regulation (EEC) No 3635/85,⁴ (EEC) No 3635/85 of 17 December 1985,⁵ which instituted a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the shipbuilding industry; whereas the areas in the new

¹OJ No L 69, 12.3.1987, p. 55.

²COM(86)553 final, 15.10.1986.

³OJ No L 271, 15.10.1980, p. 16.

⁴OJ No L 350, 27.12.1985, p. 8.

Member States adversely affected by the restructuring of shipbuilding should be allowed to benefit, in the form of a Community programme, from measures analogous to those introduced by the said Regulation;

Whereas, on account of the worsening difficulties faced by shipyards, it will also be necessary to introduce in other areas of the Community, in the form of a Community programme, measures analogous to those already taken in certain areas of the Community under Regulation (EEC) No 2617/80 as amended, and, where appropriate, to reinforce as part of the same programme the existing measures in those areas;

Whereas the Member States concerned have provided the Commission with the necessary information and whereas, pursuant to Article 11 of Directive 87/167/EEC, they are moreover required to supply the Commission with yearly reports on the attainment of the restructuring objectives;

Whereas, by assisting with the conversion of the declining industrial regions affected by restructuring of the shipbuilding industry, the Community programme contributes to the furtherance of both regional development objectives and the Community's objectives with regard to shipbuilding; whereas the level of Community participation must therefore be the maximum permissible under the Fund Regulation and whereas, at the same time, the programme is given priority in the management of Fund resources;

Whereas it is necessary to avoid combining aid granted under the specific Community measures instituted pursuant to former Regulation (EEC) No 724/75¹ or Regulation (EEC) No 3634/85² with aid granted under this Community programme;

¹OJ No L 73, 21.3.1975, p. 1.

²OJ No L 350, 27.12.1985, p. 6.

Whereas Community assistance must be provided in the form of multiannual programmes drawn up by the competent authorities in the Member States concerned; whereas, to ensure sound financial management of the Fund, the Member States must transmit those aid programmes to the Commission within a certain period after the areas to be covered by the Community programme have been determined; whereas it is for the Commission, in adopting those programmes, to ensure that the operations proposed therein are in keeping with this Regulation;

Whereas, in view of the reform of the Structural Funds under Article 130 D of the Treaty which is in prospect, the choice of regions in the present Community programme and the criteria on which this choice is based should be consistent with the approach to be followed in the above-mentioned reform,

HAS ADOPTED THIS REGULATION:

Article 1

A Community programme within the meaning of Article 7 of the Fund Regulation that contributes to the conversion of certain declining industrial regions in the Community adversely affected by restructuring of the shipbuilding industry is hereby established.

Article 2

The purpose of the Community programme shall be to contribute, in the areas concerned, to the removal of obstacles to the development of new, job creating economic activities. To this end, the programme shall provide for the implementation of a series of consistent, multiannual measures relating to improving the infrastructure and the physical and social environment in the areas concerned, as well as to the establishment of new activities, the growth of small and medium-sized enterprises and the development of innovation.

The Community programme shall thereby seek to provide a better link between the Community's objectives for the conversion of regions and the objectives of the Community's policy on shipbuilding, in particular within the framework of directives on aid.

Article 3

1. The Community programme shall apply to areas satisfying the following criteria:

- (a) a minimum number of jobs in shipbuilding;
- (b) industrial employment dependent, in large measure, on shipbuilding;
- (c) major job losses in shipbuilding;
- (d) the socio-economic situation in the region in which the area concerned is located characterized by particularly marked employment difficulties.

2. As soon as this Regulation has entered into force, the Community programme shall apply to the areas in Spain and Portugal which satisfy the criteria specified in paragraph 1, namely:

- in Spain, the provinces of La Coruña, Pontevedra and Cádiz, and the areas covered by a national regional aid scheme in the province of Vizcaya;
- in Portugal, the area of Setubal.

3. The Community programme shall apply, subject to a decision by the Commission, to areas in all Member States which satisfy the criteria specified in paragraph 1 and in which restructuring of the shipbuilding industry entails major job losses up to the end of 1989. In this respect, account shall be taken of the job losses over and above those taken into consideration when Regulation (EEC) No 2617/80 and the successive amendments thereto were adopted as well as those taken into account in defining the areas referred to in paragraph 2.

The Commission shall take its decision within not more than three months of the date on which the Member State concerned submits an application in respect of the areas eligible for the Community programme. Applications shall be sent to the Commission before 30 April 1990 and shall be supported by the requisite information, notably concerning job losses in the shipbuilding industry; such information shall be consistent with that supplied in the yearly reports on the attainment of the restructuring objectives which Member States are required to transmit to the Commission pursuant to Article 11 of Directive 87/167/EEC.

Article 4

The Fund may participate, under the Community programme, in operations such as those defined in Article 4 of Regulation (EEC) No 2617/80, as amended, with the exception of point 2. The latter provision is replaced by the following text: "2. Infrastructure contributing to the creation, the development and the adaptation of job-creating productive activities".

Article 5

1. The Community programme shall be financed jointly by the Member State concerned and the Community. Assistance from the Fund, which may not exceed 55% of the total public expenditure taken into account in the programme, shall be provided from the appropriations entered for this purpose in the general budget of the European Communities. The Community contribution for each type of operation shall not exceed the rate fixed in Article 5(1) of Regulation (EEC) No 2617/80, as amended (with the exception of point (b)). This latter provision is replaced by the following text: "for infrastructure operations provided for in Article 4.2: 50 % of public expenditure".

2. As regards the areas in Portugal, the level of the contribution from the Fund provided for in paragraph 1 shall be increased until 31 December 1990 by 20 percentage points, subject to a ceiling of 70%.

Article 6

1. All or part of the aid may be in the form of a capital grant or an interest subsidy.

2. The following shall be eligible for Fund assistance in respect of the operations referred to in Article 4: public authorities, local and regional authorities, other bodies, businesses, cooperatives or self-employed persons carrying on a productive activity.

3(a) Aid granted under the Community programme shall not be combined with aid granted for the same project under specific Community measures introduced pursuant to former Regulation (EEC) No 724/75 or to Regulation (EEC) No 3634/85;

(b) In addition, the aids referred to in Article 5(1)(c) and (e) of Regulation (EEC) No 2617/80 as amended, and, where it benefits businesses directly, the aid referred to in Article 5(1)(g) of the said Regulation, may not have the effect of reducing the share of expenditure met by recipient businesses to less than 20% of total expenditure.

Article 7

1. The programme of assistance drawn up by the competent authorities in the Member State concerned shall be sent to the Commission:

(a) in respect of the areas referred to in Article 3(2), within six months of the date of entry into force of this Regulation;

(b) in respect of the areas referred to in Article 3(3), within six months of the date of the Commission decision referred to in the said paragraph 3.

Where the Commission's decision relates to an area referred to in Article 3(2) or covered by a Commission decision within the meaning of Article 3(3), the programme of assistance shall be adapted accordingly.

2. The duration of the programme of assistance may not extend beyond 31 December 1992.

Article 8

The amount of Fund assistance may not exceed the amount laid down by the Commission when adopting the programme agreement referred to in Article 13(1) of the Fund Regulation.

Article 9

The present Regulation shall be re-examined and if necessary amended to accord with the revision of Regulation (EEC) N° 1787/84 provided for in Article 130 D of the Treaty.

Article 10

This Regulation shall enter into force on the day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the Council
The President

FINANCIAL RECORD

1. Relevant budget heading

Title V
Chapter 50
Article 505

2. Legal basis

Article 7 of Regulation (EEC) No 1787/84

3. Proposal for classification as non-compulsory expenditure

4. Description of the measure

The purpose of the measure is to set up a Community programme, within the meaning of Article 7 of the ERDF Regulation, that will contribute to the conversion of certain declining industrial regions in the Community adversely affected by restructuring of the shipbuilding industry. To this end, the programme provides for measures to promote new economic activities which will create alternative jobs to those lost in shipbuilding by improving the infrastructure and the physical and social environment of the areas and by developing small and medium-sized enterprises (SMEs). The measure will thus contribute both to conversion of declining industrial regions and to attainment of the Community's objectives for shipbuilding.

There are two parts to the measure (i) its immediate application in certain areas of Spain and Portugal which have suffered major job losses in recent years, and (ii) its subsequent application in all areas in the Community that suffer job losses as a result of further restructuring up to the end of 1989. The shipbuilding industry and ship-repair sectors taken together lost 30.000 jobs in 1984 and 1985, while further losses of 60.000 are expected in the period up to 1989. The total figure for job-losses to be taken into account is therefore 90.000, of which about three-quarters relate to areas already in an unfavourable socio-economic situation.

5. Financial implications

The total amount of the Fund's contribution is put at 30 million ECU for the first part of the measure and provisionally at 170 million ECU for the second, giving a total of 200 million ECU. This provisional amount, concentrated on the first three years of the programme, could be increased as a result of the reform of the structural Funds.

6. Expected cost of the first part of the Community programme (concerning areas in Spain)

(a) Indicative breakdown of the allocation, by operation:

Article 4 of Regulation 2617/80, as amended	Operation	million ECU
4(1)	Site improvement)	9
4(2)	Productive infrastructure)	
4(3)	Management and organization of SMEs, business advisory services)	6
4(4)	Common services)	
4(5)	Promotion of innovation)	
4(6)	Access to risk capital)	
4(7)	Sectoral analyses)	6
4(8)	Investment in SMEs)	
	Total	21

(b) Indicative schedule for commitment appropriations

Year	1988	1989	1990	1991	1992	Total
million ECU	7	7	7	-	-	21

(c) Payment appropriations

Article 30(2) of the Fund Regulation should make it possible each year to make payments not exceeding 80% of commitments, the balance being settled at a later date.

7. Expected cost of the first part of the Community programme (concerning areas in Portugal)

(a) Indicative breakdown of the allocation, by operation:

Article 4 of Regulation 2617/80, as amended	Operation	million ECU
4(1)	Site improvement)	5
4(2)	Productive infrastructure)	
4(3)	Management and organization of SMEs, business advisory services)	2
4(4)	Common services)	
4(5)	Promotion of innovation)	
4(6)	Access to risk capital)	
4(7)	Sectoral analyses)	2
4(8)	Investment in SMEs)	
	Total	9

(b) Indicative schedule for commitment appropriations

Year	1988	1989	1990	1991	1992	Total
million ECU	3	3	3	-	-	9

(c) Payment appropriations

Article 30(2) of the Fund Regulation should make it possible each year to make payments not exceeding 80% of commitments, the balance being settled at a later date.

8. Expected cost of the second part of the Community programme (that may concern areas throughout the Community)

(a) Indicative breakdown of the allocation, by operation:

Article 4 of Regulation 2617/80, as amended	Operation	million ECU
4(1)	Site improvement	:
4(2)	Productive infrastructure	:
4(3)	Management and organization of SMEs, business advisory services	:
4(4)	Common services	:
4(5)	Promotion of innovation	:
4(6)	Access to risk capital	:
4(7)	Sectoral analyses	:
4(8)	Investment in SMEs	:
	Total	170

(b) Indicative schedule for commitment appropriations

Year	1988	1989	1990	1991	1992	Total
million ECU	45	60	65	:	:	170

(c) Payment appropriations

Article 30(2) of the Fund Regulation should make it possible each year to make payments not exceeding 80% of commitments, the balance being settled at a later date.

9. Expected total amount of Community participation

(a) Indicative breakdown of the total allocation, by operation:

Article 4 of Regulation 2617/80, as amended	Operation	million ECU
4(1)	Site improvement	:
4(2)	Productive infrastructure	:
4(3)	Management and organization of SMEs, business advisory services	:
4(4)	Common services	:
4(5)	Promotion of innovation	:
4(6)	Access to risk capital	:
4(7)	Sectoral analyses	:
4(8)	Investment in SMEs	:
Total		200

(b) Indicative schedule for commitment appropriations

Year	1988	1989	1990	1991	1992	Total
million ECU	55	70	75	:	:	200

(c) Payment appropriations

Article 30(2) of the Fund Regulation should make it possible each year to make payments not exceeding 80% of commitments, the balance being settled at a later date.

Fiche d'impact en termes de compétitivité et d'emploi

1. Justification des actions

- Politiques poursuivies:

- a) politique régionale: correction des principaux déséquilibres régionaux dans la CE par une participation à la reconversion des zones affectées par la restructuration des chantiers navals (art. 3 règlement n° 1787/84)
- b) politiques sectorielles: accompagnement de la politique communautaire concernant les chantiers navals.

- Dimension communautaire:

renforcer les efforts de reconversion régionale entrepris par les Etats membres

- Sans intervention communautaire:

Les implications sociales et régionales des mesures communautaires prises dans le domaine de chantiers navals vont aggraver les disparités régionales et s'opposent donc aux objectifs généraux de cohésion économique et sociale.

2. Caractéristiques des entreprises concernées

- impact pour les entreprises: l'objectif est le développement d'activités créatrices d'emplois, par l'amélioration physique des sites dégradés, par le développement des PME et par l'encouragement de l'innovation.

- quelles entreprises: petites et moyennes entreprises industrielles, artisanales et de service.

En particulier:

(a) l'importance des PME

- l'objectif des actions est de favoriser la création et le développement de nouvelles activités économiques (donc en tout premier lieu la promotion de PME)

(b) les régions concernées

Les zones concernées sont en principe des zones bénéficiant d'aides d'Etat à finalité régionale

- effets concernant la concurrence: les actions visent la modernisation et la compétitivité des PME sans altérer les

conditions de concurrence d'une manière incompatible avec les dispositions du Traité

- les actions ne concernent que les principales zones de chantiers navals

3. Obligations directes pour les entreprises

Aucune, sinon fournir les éléments d'information permettant aux organismes publics chargés de la mise en oeuvre des programmes communautaires le transfert des ressources du FEDER.

4. Obligations indirectes pour les entreprises

a) lors de la présentation de leur demande de concours, les organismes chargés de la mise en oeuvre des programmes peuvent leur demander:

- de justifier leur demande
- et de respecter les obligations découlant des concours reçus

b) la mise en place des agents d'animation économique a comme objectif d'accompagner les entreprises lors de la mise en oeuvre de leurs initiatives économiques (contacts avec les administrations publiques).

5. Dispositions particulières pour les PME

La majeure partie des mesures proposées (à l'exception de l'aménagement des sites dégradés) s'adresse aux PME soit directement (aides aux investissements, innovation...) ou indirectement (mise en place d'un environnement favorable à la création et au développement des PME).

6. Effets

a) en termes de compétitivité: accrue par un meilleur conseil en matière de gestion et d'organisation, par le développement de services communs de plusieurs entreprises, par la promotion de l'innovation, par l'accès au capital à risque, par des analyses sectorielles, par des aides aux investissements lorsque les analyses sectorielles les justifient.

b) en termes d'emplois

- l'aménagement des sites dégradés ainsi que les aides aux investissements ont un impact direct sur l'emploi
- les autres mesures des programmes ont une répercussion indirecte sur l'emploi en permettant aux PME de s'adapter aux potentialités des marchés nationaux, communautaires et extérieurs.

7. Les organisations consultées

Les organisations (chambres de commerce et des métiers, comité économique et social...) consultées à propos d'autres actions spécifiques "hors quota" du Fonds régional mettant en oeuvre les mêmes types de mesures ont été particulièrement positives.

Specific Community programme of accompanying social measures

S H I P B U I L D I N G

Proposal for a

COUNCIL REGULATION (EEC)

instituting a specific Community programme
of accompanying social measures to assist workers in the shipbuilding
industry who are made redundant or threatened with redundancy

EXPLANATORY MEMORANDUM

1. The shipbuilding industry is suffering from a fundamental structural crisis. Industrial adjustment aimed at improving the competitiveness of the Community shipbuilding industry and reducing distortions in intra-Community trade will best be achieved by the concentration of orders on the most competitive of the Community's shipyards and on products with the greatest technological content. By adopting the Directive 87/167/EEC of 26 January 1987 on aid to shipbuilding¹, the Council has introduced a tighter and more selective aid policy designed to support the present trend in production towards ships with a higher technological content and ensure fair and uniform conditions for intra-Community competition; the said Directive provides particularly in Article 4 for the fixing of a common maximum ceiling for aid applicable not only to all forms of production aid - whether under sectoral, general or regional aid schemes - granted directly to the yards but also to aid to shipowners or to third parties where such aid is actually used for the building or conversion of ships in Community shipyards.
2. The situation of employment in the shipbuilding industry is one of quantitative and qualitative mismatch - over the past ten years, total employment has fallen by over 50% -. The imbalance in the field of employment is accentuated by the specific problems of the labour market in those declining industrial areas where shipbuilding is a major industry and unemployment has already reached very high levels; the said imbalance is also exacerbated by the time-lapse between immediate total or partial closures of certain yards and the longer-term beneficial effects of industrial measures on the most efficient shipyards and of measures taken in the context of employment and regional policies.
3. The structural changes upheld by Directive 87/167/EEC are such that a great number - some 30.000 between 1987 and 1989 - and a high proportion of shipbuilding workers will be or may be forced to change job, acquire new skills or move to another part of the Community, or, in the case of the more elderly workers, to retire early from working life.
4. When adopting the said Directive, the Council has also acknowledged that additional measures should be adopted in order to alleviate the social and regional consequences of the restructuring of the shipbuilding sector. In accordance with the guidelines set out in its first communication on the industrial, social and regional aspects of the shipbuilding industry², the Commission considers that the employment situation is such as to call for the urgent adoption of a Community programme of new accompanying social measures to assist shipbuilding workers who are made redundant or threatened with redundancy; the new specific measures must encourage the absorption into economic life, socio-occupational integration and geographical mobility of workers made redundant or threatened with redundancy, as well as facilitate the transition to permanent retirement from working life of elderly workers who are no longer considered as being in search of employment; they complement the measures qualifying for assistance under the European Social Fund and the European Regional Development Fund.

¹ OJ No L 69 of 12 March 1987.

² COM (86) 553 final of 15 October 1986.

5. The provisions relating to assistance from the European Social Fund and the European Regional Development Fund respond only in part to the specific problems of workers made redundant or threatened with redundancy in the shipbuilding industry. The range of measures qualifying for assistance from the European Social Fund which could be used to assist workers affected by restructuring is limited in particular by the terms of Article 1 of Council Regulation (EEC) No 2950/83³. For example it lays down that aid for recruitment or for employment in projects for the creation of additional jobs which fulfil a public need will be granted in respect of young people under 25 who are seeking employment and long-term unemployed persons; although consistent with the political objective pursued under the ESF reform of 1983, i.e. priority for measures aimed at young people, this does mean that assistance under the Fund for workers over 25 who are affected by restructuring is limited, for the most part, to vocational training operations. Furthermore, operations backed by the European Regional Development Fund, particularly those included in the special programmes coming under the former non-quota section⁴ and the new RENAVAL Community programme⁵, apply solely to certain geographical areas - the aim being to create an environment suitable for the development of new economic activities, particularly by making use of the "software" measures introduced to benefit small and medium-sized undertakings. Moreover, workers affected by restructuring in the traditional industries find it difficult to adjust to the available jobs and respond to changes in the demand for labour. The Commission considers that adopting new accompanying social measures of direct and immediate benefit to all shipbuilding workers made redundant or threatened with redundancy in the European Community is the most appropriate way of solving this specific labour market problem.

6. The Commission's proposals are as follows:

a) Measures to encourage the absorption into economic life and socio-occupational integration

Any worker made redundant or threatened with redundancy who takes advantage of one or more eligible measures to encourage the absorption into economic life and the socio-occupational integration, may benefit from the Community programme's assistance for eligible expenditure up to a maximum of 2 500 ECU per worker, subject to the condition that the public authorities of the Member State concerned provide an equivalent financial contribution.

Assistance may be granted for expenditure in respect of the following:

- recruitment aid;
- income maintenance allowances (to compensate for the difference in wages between the old and new job);
- subsidies to promote the setting up of new businesses or setting up in a self-employed capacity;
- assistance towards the cost of consultancy services;
- recruitment aid for schemes to provide work on community service projects;
- tide-over allowances (to supplement unemployment benefit).

³ OJ N° L 289 of 22 October 1983.

⁴ OJ N° L271 of 15 October 1980, OJ N° L27 of 31 January 1984 and OJ N° L350 of 27 December 1985.

⁵ OJ C

b) Measures to promote geographical mobility

Any worker made redundant or threatened with redundancy may benefit from a mobility premium, up to a maximum of 1 500 ECU per worker, to cover eligible expenditure on moving house, subject to the condition that the public authorities of the Member State concerned provide an equivalent financial contribution. This premium may be combined with vocational training operations or measures to encourage the absorption into economic life and the socio-occupational integration.

c) Measures to ease the transition to permanent retirement from working life

Any older worker who is made redundant and is no longer regarded as seeking employment under the provisions of the laws of his country, whether retiring early on a pension or receiving a tide-over allowance in the form of a bridging benefit designed to supplement unemployment benefit, may benefit from an allowance for the permanent retirement from working life amounting to a maximum 5 000 ECU per worker, subject to the condition that the public authorities of the Member State concerned provide an equivalent financial contribution.

These measures are not an innovation: they have been inspired by the provisions contained in the Council Decisions relating to ESF (old format) measures to assist persons employed in the textile industry⁶ and persons leaving agriculture⁷, in Article 56 of the ECSC Treaty, the social measures for steel⁸ and in the supplementary social back-up measures to the restructuring of the steel industry proposed for 1987; they apply the ESF (new format) methods of calculating assistance under the Community programme for eligible expenditure intended to cover the granting of aid for recruitment or employment⁹.

7. The number of workers likely to benefit is as follows:

	1987	1988	1989	Total 1987-1989
Permanent retirement from working life	4000	3000	2000	9000
Absorption into economic life and socio-occupational integration	2000	3000	2000	7000
Geographical mobility (combination with other allowances permitted)	3000	2000	1000	6000

The cost to the budget of these measures implies appropriations for commitment amounting to 71.5 million ECU to be used according to the following timetable for the period 1988-1990:

⁶ OJ N° L 291, 28 December 1972, OJ N° L 39, 14 February 1976 and OJ N° L 337, 27 December 1977.

⁷ OJ N° L 291, 28 December 1972 and OJ N° L 337, 27 December 1977.

⁸ OJ N° L 291, 8 November 1984.

⁹ Article 2 (2) of Council Regulation (EEC) N° 2950/83.

	1988	1989	1990	Total 1988-1990
Permanent retirement from working life	20	15	10	45
Absorption into economic life and socio-occupational integration	5	7,5	5	17,5
Geographical mobility (combination with other allowances permitted)	4,5	3	1,5	9
Commitments (million ECU)	29,5	25,5	16,5	71,5

8. By way of an experiment and in order to increase the impact of the measures, the Commission proposes that the new resources be used in the form of programmes. The Community programme has been drawn up in favour of shipbuilding workers made redundant or threatened with redundancy with effect from 1 January 1987 (date of entry into force of Directive 87/167/EEC). The duration of the Community programme in three years starting on 1 January 1988. One provision (identical to Article 25 of Regulation (EEC) No 1787/84 on the ERDF) stipulates that expenditure made by the Member States as from the twelfth month preceding the date on which the Commission receives the application for aid will be considered for aid under the Community programme.

 9. As regards the budget for the 1988 financial year, a p.m. entry will be made for the accompanying social measures in Chapter 62 of the Commission's preliminary draft budget. The Commission will make proposals to the budgetary authority in good time regarding the amount to be allocated to the budget heading in question.
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Specific Community programme of accompanying social measures

S H I P B U I L D I N G

Proposal for a
COUNCIL REGULATION (EEC)

instituting a specific Community-programme
of accompanying social measures to assist workers in the shipbuilding
industry who are made redundant or threatened with redundancy

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community and,
in particular, Article 235 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Having regard to the opinion of the Economic and Social Committee³,

Whereas the shipbuilding industry is suffering from a fundamental structural
crisis;

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Whereas structural change aimed at improving the competitiveness of the Community shipbuilding industry and reducing distortions in intra-Community trade will best be achieved by the concentration of orders on the most competitive of the Community's shipyards and on products with the greatest technological content;

Whereas by adopting the Directive 87/167/EEC of 26 January 1987 on aid to shipbuilding⁴, the Council has introduced a tighter and more selective aid policy designed to support the present trend in production towards ships with a higher technological content and ensure fair and uniform conditions for intra-Community competition; whereas the said Directive provides particularly in Article 4 for the fixing of a common maximum ceiling for aid applicable not only to all forms of production aid - whether under sectoral, general or regional aid schemes - granted directly to the yards but also to aid to shipowners or to third parties where such aid is actually used for the building or conversion of ships in Community shipyards;

Whereas the situation of employment in the shipbuilding industry is one of quantitative and qualitative mismatch; whereas the imbalance in the field of employment is accentuated by the specific problems of the labour market in those declining industrial areas where shipbuilding is a major industry and unemployment has already reached very high levels; whereas the said imbalance is also exacerbated by the time-lapse between immediate total or partial closures of certain yards and the longer-term beneficial effects of industrial measures on the most efficient shipyards and of measures taken in the context of employment and regional policies;

Whereas the structural changes upheld by Directive 87/167/EEC are such that a great number and a high proportion of shipbuilding workers will be or may be forced to change job, acquire new skills or move to another part of the Community, or, in the case of the more elderly workers, to retire early from working life;

Whereas, in view of the employment situation, it is imperative that a Community programme of new accompanying social measures be adopted to assist shipbuilding workers who are made redundant or threatened with redundancy;

⁴ OJ No L 69 of 12 March 1987.

whereas the said new specific measures must encourage the absorption into economic life, socio-occupational integration and geographical mobility of workers made redundant or threatened with redundancy, as well as facilitate the transition to permanent retirement from working life of elderly workers who are no longer considered as being in search of employment; whereas the said measures must complement the measures qualifying for assistance under the European Social Fund and the European Regional Development Fund;

Whereas when adopting the said Directive, the Council has also acknowledged that additional measures should be adopted in order to alleviate the social and regional consequences of the restructuring of the shipbuilding sector; for this purpose, the Commission has submitted to the Council and the European Parliament a communication on the industrial, social and regional aspects of shipbuilding⁵;

Whereas The Fund shall assist in the implementation of policies designed to equip the workforce with the skills required for stable employment and to generate employment opportunities; whereas the tasks of the European Social Fund are defined in Council Decision 83/516/EEC⁶ as amended by Decision 85/568/EEC⁷ and whereas the types and limits of expenditure which may qualify for assistance from the Fund are defined in Article 1 of Council Regulation (EEC) No 2950/83⁸, as last amended by Regulation (EEC) No 3824/85⁹;

Whereas the European Regional Development Fund contributes to the correction of the principal regional imbalances within the Community by participating in the development and structural adjustment of regions whose development is lagging behind, and in the conversion of declining industrial regions; whereas a specific Community regional development measure, contributing to overcoming constraints on the development of new economic activities in certain zones affected by restructuring of the shipbuilding industry, was instituted by means of Council Regulation (EEC) No 2617/80,¹⁰ as last amended by Council Regulation (EEC) No 3635/85¹¹; whereas the Commission has submitted a proposal to the Council for a Regulation instituting a Community programme for the redevelopment of shipbuilding areas⁶;

5 COM (86) 553 final of 15 October 1986.

6 OJ No L 289, 22.10.1983, p.38

7 OJ No L 370, 31.12.1985, p.40

8 OJ No L 289, 22.10.1983, p.1

9 OJ No L 370, 31.12.1985, p.25

10 OJ No L 271, 15.10.1980, p.16

11 OJ No L 350, 27.12.1985, p.8

Whereas, however, the provisions relating to assistance from the European Social Fund and the European Regional Development Fund respond only in part to the specific problems of workers made redundant or threatened with redundancy in the shipbuilding industry; whereas the range of measures qualifying for assistance from the European Social Fund which could be used to assist workers affected by restructuring is limited in particular by the terms of Article 1 of Regulation (EEC) No 2950/83; whereas the operations backed by the European Regional Development Fund which, mainly through software measures to assist small and medium-sized enterprises, are designed to create an environment favourable to the development of new economic activities, are limited to certain geographical areas; whereas, moreover, the workers affected by the restructuring of traditional industries have difficulty in moving to available jobs and in responding to changes in the demand for labour; whereas the adoption of new accompanying social measures of direct and immediate benefit to all shipbuilding workers made redundant or threatened with redundancy in the European Community is the most appropriate approach to solving this specific problem of the labour market;

Whereas the proposed new accompanying social measures comply with the guidelines contained in the Council Resolution of 22 December 1986 concerning an action programme for employment growth;

Whereas to improve the impact of assistance, it is necessary to ensure, on a trial basis, that the new resources are used in the form of programmes;

Whereas the Treaty does not provide the necessary specific powers,

HAS ADOPTED THIS REGULATION:

Article 1

A specific Community programme of accompanying social measures is hereby instituted to assist workers in the merchant shipbuilding and ship-repair yards of the Community who are made redundant or threatened with redundancy under a restructuring plan adopted by the firm, group of undertakings or

public authorities which entails the termination, reduction or conversion of the activities of the shipyards as a consequence of basic structural changes in demand.

Article 2

1. The Community programme shall encourage the absorption into economic life, socio-occupational integration and geographical mobility of workers made redundant or threatened with redundancy as well as facilitate the transition to permanent retirement from working life of elderly workers who, from the point of view of their national legislation, are no longer considered as being in search of employment.
2. The Community programme is intended to assist shipbuilding workers made redundant or threatened with redundancy with effect from 1st January 1987.
3. The duration of the Community programme shall be three years as from 1 January 1988.

Article 3

1. Assistance under the Community programme shall be granted for measures which form part of a programme which is defined at national level, is designed for the categories of workers, economic branch, groups of undertakings or geographical areas concerned and is intended to remedy the causes of the imbalances affecting employment and encourage social cohesion.
2. The implementation of the programme shall be the subject of a programme contract between the Commission and the Member State concerned.
3. The Member States shall be responsible for ensuring the proper implementation of the measures.

Article 4

1. Assistance under the Community programme may be granted for measures to encourage the absorption of workers into economic life and their socio-occupational integration which are designed to promote the recruitment by firms, particularly small and medium-sized undertakings and local employment initiatives, of workers made redundant or threatened with redundancy on condition that their new employment contract is of a duration of not less than one year.
2. Assistance under the Community programme may be granted for measures to encourage the absorption of workers into economic life and their socio-occupational integration which are designed to maintain their incomes by compensating for any wage difference between the old and new jobs of newly recruited workers on condition that the new employment contracts of such workers are of a duration of not less than one year.
3. Assistance under the Community programme may be granted for measures to encourage the absorption of workers into economic life and their socio-occupational integration which are designed to help workers made redundant or threatened with redundancy to set up a firm or create a new self-employed activity.
4. Assistance under the Community programme may be granted for measures to encourage the absorption of workers into economic life and their socio-occupational integration which are designed to promote the use by workers made redundant or threatened with redundancy of services offered directly to them by local counselling bodies whose tasks consist mainly in helping workers to set up a firm, create self-employed activities or take part in a local employment initiative.
5. Assistance under the Community programme may be granted for measures to encourage the absorption of workers into economic life and their socio-occupational integration which are designed to promote employment in projects fulfilling collective needs and entailing the creation of jobs of a minimum duration of one year.

6. Assistance under the Community programme may be granted for measures to encourage the absorption of workers into economic life and their socio-occupational integration which are designed to maintain, for a maximum period of twelve months, the same level of earnings for workers who have lost their job and are awaiting training or a new job.

Article 5

Assistance under the Community programme may be granted for measures to encourage geographical mobility intended to facilitate the movement of workers who are made redundant or threatened with redundancy and are obliged to change their place of residence to take up a new job or take part in a training course as well as of members of their family.

Article 6

Assistance under the Community programme may be granted for measures to facilitate the transition to permanent retirement from working life of elderly workers who are made redundant and, from the point of view of their national legislation, are no longer considered as being in search of employment.

Article 7

1. In the case of the measures defined in Article 4 (1), only expenditure intended to cover the granting of recruitment aid for a period of not more than twelve months per person shall qualify for assistance under the Community programme.
2. Assistance under the Community programme may be granted at a rate of 15% of the average gross wage of industrial workers in the Member State concerned. The amounts of assistance to be granted per person and per unit of time, for each Member State, shall be as determined by the Commission in the decision for the year in question taken in accordance with Article 2 (2) of Regulation (EEC) No 2950/83.

Article 8

1. In the case of the measures defined in Article 4 (2), only expenditure intended to cover the granting of an income maintenance allowance for a period of not more than twelve months per person shall qualify for assistance under the Community programme.
2. Within the meaning of this Article, "income maintenance" shall be understood as the maintenance of the gross wage and any payments necessary in order to retain any connected statutory and non-statutory entitlements enjoyed by the worker in question for a normal wage period in his former job.
3. Assistance under the Community programme shall be granted at a rate of 15% of the average gross wage of industrial workers in the Member State concerned. The amounts of assistance to be granted per person and per unit of time, for each Member State, shall be as determined by the Commission in the decision for the year in question taken in accordance with Article 2 (2) of Regulation (EEC) No 2950/83.

Article 9

In the case of the measures defined in Article 4 (3), only expenditure intended to cover, for a period of not more than twelve months per person, the administrative costs linked to the setting up of a firm and the creation of a new self-employed activity as well as rental costs but excluding other operating costs shall qualify for assistance under the Community programme.

Article 10

In the case of the measures defined in Article 4 (4), only expenditure intended to cover, for a period of not more than twelve months per person, the cost of services supplied directly to workers by counselling bodies shall qualify for assistance under the Community programme.

Article 11

1. In the case of the measures defined in Article 4 (5), only expenditure intended to cover, for a period of not more than twelve months per person, the granting of recruitment aid for projects aimed at the creation of jobs and fulfilling collective needs shall qualify for assistance under the Community programme; the said jobs must be stable or likely to provide additional training or experience with a vocational content giving access to the labour market and facilitating employment in a stable job.
2. Assistance under the Community programme shall be granted at a rate of 15% of the average gross wage of industrial workers in the Member State concerned. The amounts of assistance to be granted per person and per unit of time, for each Member State, shall be as determined by the Commission in the decision for the year in question taken in accordance with Article 2 (2) of Regulation (EEC) 2950/83.

Article 12

1. In the case of the measures defined in Article 4 (6), only expenditure intended to cover, for a maximum period of twelve months per person, of a tiding-over allowance designed to ensure the same level of earnings for redundant workers registered with an official employment office and calculated on the basis of the difference between unemployment benefit and the former level of earnings, shall be eligible for assistance under the community programme.
2. Within the meaning of this Article, "the same level of earnings" shall be understood as the maintenance of 80% of the gross wage plus any payments necessary in order to retain any connected statutory and non-statutory entitlements enjoyed by a worker in respect of a normal wage period in his former job.
3. Assistance under the Community programme shall be granted at a rate of 15% of the average gross wage of industrial workers in the Member State concerned. The amounts of assistance to be granted per person and per

unit of time, for each Member State, shall be as determined by the Commission in the decision for the year in question taking in accordance with Article 2 (2) of Regulation (EEC) No 2950/83.

Article 13

In the case of the measures defined in Article 5, only expenditure intended to cover the granting of a mobility premium intended to cover travel expenses, including those of dependents, and removal expenses shall be eligible for assistance under the Community programme on condition that the worker concerned can furnish proof of his new employment or participation in a training course and has made application for the said allowance within twelve months following the date of his redundancy or the end of his employment contract in shipbuilding.

Article 14

In the case of the measures defined in Article 6, only expenditure intended to cover the granting of an allowance for the permanent retirement from working life of elderly redundant workers who, from the point of view of their national legislation, are no longer in search of employment, regardless of whether they have entered early retirement, or are in receipt of a tidying-over allowance in the form of a bridging allowance supplementing unemployment benefit, shall qualify for assistance under the Community programme.

Article 15

1. Assistance under the Community programme towards eligible expenditure shall be calculated on the basis of an amount per worker.

The said amount may not exceed:

- 2 500 ECU per worker in the case of the measures defined in Article 4;
- 1 500 ECU per worker in the case of the measures defined in Article 5;
- 5 000 ECU per worker in the case of the measures defined in Article 6.

2. Assistance under the Community programme towards eligible expenditure in respect of the measures defined in Article 4 is limited to 2 500 ECU per worker regardless of whether the worker participates in one or more measures to encourage the absorption of workers into economic life and their socio-occupational integration.
3. Assistance under the Community programme towards eligible expenditure in respect of the measures defined in Article 5 may be added together with assistance under the programme towards eligible expenditure in respect of the measures defined in Article 4.
4. Assistance under the Community programme shall not be granted in respect of expenditure which may be classed as eligible and priority expenditure, for assistance from the European Social Fund.
5. Assistance under the Community programme to cover eligible expenditure may not exceed the amount of the financial contribution made by the public authorities of the Member State concerned.
6. For the purpose of granting assistance under the Community programme, the Commission shall give its consideration to expenditure made by the Member State within the twelve months preceding the date on which the application for assistance is received by the Commission.

Article 16

1. When assistance under the Community programme is not used in conformity with the conditions set out in the decision of approval, the Commission may suspend, reduce or withdraw the aid after having given the relevant Member State an opportunity to comment.
2. Sums paid which are not used in accordance with the conditions laid down in the decision of approval shall be refunded. The Member State concerned shall have secondary liability for the repayment of unwarranted payments. To the extent that a Member State repays to the Community sums owed by the bodies financially responsible for an operation, the Community's rights in the matter are transferred to the Member State.

Article 17

1. Without prejudice to any contracts carried out by the Member State, the Commission may make on-the-spot checks.
2. Checks on the content of a payment claim may be made by representative sampling. Where the sample check leads to a reduction, this shall be applied proportionally to the whole of the amount claimed, once the Member State has had an opportunity to submit its comments.
3. The Member State shall ensure that the Commission has access to the information necessary to enable it to appraise both the aims and content of applications and of claims, and the progress, financing and results of operations.
4. The relevant Member State shall provide the Commission with any assistance necessary to carry out checks. The Commission shall give the Member State due notice of checks. Representatives of the Member State may participate in such checks.
5. At the request of the Commission and with the agreement of the relevant Member State, checks may be carried out by the competent authorities of that State. Representatives of the Commission may participate in such checks.

Article 18

This Regulation shall enter into force on the day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at For the Council
The President

FICHE D'IMPACT SUR LA COMPETITIVITE ET L'EMPLOI

I. Justification principale de la mesure

Cette proposition s'inscrit dans une approche d'ensemble destinée à maîtriser l'ajustement industriel et la mutation de l'emploi dans la construction navale.

Ces nouvelles mesures complètent les possibilités d'intervention du FSE et du FEDER et visent à favoriser l'insertion dans l'activité économique, l'intégration socio-professionnelle et la mobilité géographique des travailleurs de la construction navale licenciés ou menacés de licenciement, ainsi qu'à faciliter la transition à la cessation définitive d'activité professionnelle des travailleurs âgés qui ne sont plus considérés comme demandeurs d'emploi. Ce programme communautaire spécifique est d'une durée de trois ans.

II. Caractéristiques des entreprises concernées.

- Nombre de PME concernées

Les chantiers navals de petite taille sont concernés, mais leur nombre n'est pas indiqué

- Concentration dans les régions.

Le programme s'adresse à l'ensemble des travailleurs de la construction navale licenciés ou menacés de licenciement. Certaines fermetures de chantiers pourraient avoir lieu dans des zones qui ne sont pas éligibles à un régime national d'aide à finalité régionale ou au FEDER.

III. Obligations imposées directement aux entreprises.

Néant.

IV. Obligations susceptibles d'être imposées indirectement aux entreprises via

Les autorités locales

Néant.

V. Mesures spéciales pour les PME.

Peuvent notamment bénéficier du concours du programme communautaire les actions destinées à :

- aider à l'embauche, dans les PME, des travailleurs licenciés ou menacés de licenciement, à condition que leur nouveau contrat de travail soit d'une durée minimale d'un an,
- aider les travailleurs licenciés ou menacés de licenciement à créer une entreprise ou une nouvelle activité indépendante.

VI. Effets prévisibles.

+ Sur la compétitivité des entreprises.

Le programme a également pour objectif de faciliter l'ajustement industriel (accompagnement social de la restructuration visant à concentrer les commandes sur les chantiers les plus compétitifs).

+ Sur l'emploi.

L'objectif de ce programme triennal est de compléter le dispositif actuel du FSE et FEDER en intervenant directement en faveur d'un nombre de travailleurs estimé à 9000 pour les actions facilitant la transition à la cessation définitive d'activité professionnelle et 7000 pour les actions favorisant l'insertion dans l'activité économique et l'intégration socio-professionnelle. La prime de mobilité, cumulable avec les actions de formation professionnelle et les actions favorisant l'insertion dans l'activité économique et l'intégration socio-professionnelle, concernerait 6000 personnes. La réduction des effectifs dans la construction de nouveaux navires marchands est estimée à 30.000 pour la période 1987-89.

VII. Consultation des partenaires sociaux.

Les partenaires sociaux du secteur ont été consultés sur la première communication sur les aspects industriels, sociaux et régionaux de la construction navale (COM/86/553) ainsi que sur la proposition de directive concernant les aides et ils ont donné leurs indications sur les éventuelles nouvelles mesures d'accompagnement social à proposer au niveau communautaire.
