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COMMUNICATION
FROM THE COMMISSION TO THE COUNCIL
ON
SHIPBUILDING

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0. INTRODUCTION

Taking as its basis the nature of the situation facing the Community shipbuilding sector and prospective developments, the Commission in 1972 pointed to the coming danger of surplus capacity, and in 1973 submitted proposals to the Council to accelerate the improvement of the industry's competitivity before the situation deteriorates without aggravating the impending imbalance.

Since the events of late 1973 in the oil sector, and their repercussions on economic activity, the latent imbalance between supply and demand has rapidly developed and assumed considerable proportions. The threatened problems have, therefore, been acutely realised.

To adapt to the effects of the crisis in the short term, the problem of overcapacity must be resolved, and, perhaps, problems connected with the allocation of orders. In the long term, apart from the sheer reduction in capacity, the Community's capacity will have to be considerably restructured.

The analysis of the crisis facing the sector demonstrates inter alia the Community's interest in supporting resolutely and, if need be, promoting any method of obtaining a solution by means of international collaboration.

1. THE CRISIS IN THE SHIPBUILDING SECTOR

Although the shipbuilding sector is still maintaining a satisfactory level of activity as a result of work on orders received before 1975, it is faced with a serious worldwide crises characterized by a structural surplus of production capacity compared with current and foreseeable orders. This imbalance is at present reflected in a decline in new orders accompanied by a wave of cancellations of earlier commitments and a fall of prices.

1.1 Production trend

During the last fifteen years, world ship production has increased rapidly, at an average rate of around 10 % per year, rising from 7.9 million grt in 1960 to 34.8 million grt in 1975. This trend has led not only to the appearance of new shipbuilding countries, in particular the developing countries and Southern Europe, but also to a considerable difference between the Japanese rate of expansion and that of most of the other shipbuilding countries. Shipbuilding capacity has been developed most intensively in Japan, where production rose from 1.7 million grt in 1960 to 17 million grt in 1975, whereas during the same period in the Community countries it increased only from 4 million to 7.8 million grt.

The difference between these expansion rates has brought about a great change in the relative share of the industries of those countries in world production: during this period the Community's share fell from 51 % to 22 % whilst Japan's rose from 22 % to 50 %.

SHIPBUILDING - Breakdown of world production [1]

	million grt [2]				% of world total			
	1960	1970	1974	1975	1960	1970	1974	1975
OCDE	7,234	20,705	31,867	31,419	92,1	91,4	91,0	90,2
of which Community	3,996	6,305	8,032	7,754	50,9	27,8	22,9	22,3
Japan	1,687	10,539	17,720	17,173	21,6	46,5	50,6	49,4
Sweden	0,727	1,678	2,102	2,178	9,3	7,4	6,0	6,3
Spain	0,170	0,826	1,761	1,508	2,2	3,6	5,0	4,3
Norway	0,238	0,654	0,917	1,021	3,0	2,9	2,6	2,9
United States	0,338	0,442	0,928	0,950	4,3	2,0	2,6	2,7
Yugoslavia	0,182	0,669	0,672	0,623	2,3	3,0	1,9	1,8
South Korea	-	0,005	0,320	0,420	.	0	0,9	1,2
Brazil	0,012	0,056	0,297	0,346	0,2	0,2	0,8	1,0
World	7,858	22,643	35,766	34,766	100,0	100,0	100,0	100,0

Source: Lloyd's Register of Shipping

1) $\text{Production} = \frac{\text{ships commenced} + \text{ships delivered}}{2}$

2) million grt = million gross registered tons (see Annex I for the definition of the units used).

This trend was accompanied by a tendency for production to become more specialized. This was caused mainly by the need to rationalize in order to deal with a demand which was growing both in respect of quantity and quality. Thus a number of undertakings in Japan and the western European countries adapted their production facilities to concentrate on the building of certain types of vessels, in particular large tankers. In addition, shipyards specially designed for constructing such vessels were created, particularly in Japan. The production of tankers currently plays an important part in the shipbuilding sector throughout the world.

Breakdown of world total of ships delivered, by type of vessel in thousand grt and %

Year	Tankers		Bulk carriers		Others		Total	
	grt	%	grt	%			grt	%
1970	10 033	47.8	5 373	25.6	5 575	26.6	20 981	100
1974	20 854	62.2	7 458	22.2	5 229	15.6	33 541	100
1975	22 725	66.4	6 248	18.3	5 230	15.3	34 203	100

(1) Further details in Annex II

1.2 Situation of the merchant fleet

The trend described above can be explained by the spectacular increase in oil transport requirements which began in the 1960's and led to a more marked demand for tankers and large combination carriers[1] compared with that for other types of vessels. Despite the fact that signs of excess transport capacity began to appear as early as 1972-73, many shipowners pursued a feverish buying policy, encouraged by the considerable expansion in public and private credit, thus leading the shipyards in their turn to increase capacity considerably.

Following the events of 1973 in the energy sector, the growth of the trade in oil was halted, indeed, abruptly and the demand for its transport declined. In the medium term, any revival of such requirements

(1) Bulk carriers capable of carrying both dry bulk cargoes and oil.

will be influenced by new developments in the trade in energy of the industrialized countries, such as, a relative decline in consumption due to more rational utilization, the tendency to shorten transport routes e.g. by the opening and probable widening of the Suez Canal, the working of new sources, especially in the North Sea, and the development of pipelines, etc. Although the energy policies of the oil-producing and -consuming countries cannot yet be fully appreciated, the medium-term forecasts are for a less sustained development of oil transport by sea than here before.

There is currently estimated to be an excess of 1/3 in tanker capacity, which, taking into account vessels under construction and in spite of forced modification of production plans (cancellations and conversions) is expected to last at least until 1980 (Annex III).

In parallel with these structural changes in oil transport, the recent economic recession has led to a general decline in trade, and, therefore, an overall reduction in the growth of shipping.

1.3 Features of the crisis in the shipbuilding sector

The crisis on the oil transport market has had serious repercussions on the shipbuilding industry.

For those shipyards specializing in the construction of large tankers, the immediate consequences have been:

- large-scale cancellations of orders and the amendment of some to other types of vessel;
- an almost total absence of new orders since the end of 1974; a situation expected to endure for several years.

Nevertheless, the remaining orders for tankers will ensure satisfactory levels of employment until 1977; this type of shipyard is then in danger of being completely without work in its speciality until at least 1980.

For other types of shipyard, the consequences of the crisis in the oil transport market will mainly arise from the attempts of big shipyards spezializing in large tankers to put their equipment to use in these other market sectors.

However, the construction of dry bulk carriers, as sub-sector of the industry which is technically closest to the construction of large tankers, could in turn be affected by surplus tonnage. Several factors could cause a decline in activity:

- the conversion of orders for tankers into bulk carriers ;
- the use of combination vessels, previously used for oil, for the transport of dry bulk ;
- the excess capacity resulting from advance orders placed in 1975 on account of very low prices ruling in Japan.

It must therefore be expected that the current level of orders for this type of vessel cannot be maintained during the worst of the crisis in tanker construction. Shipyards specializing in tankers will therefore not be able to switch to building bulk carriers, without damage to the level of the activities of shipyards operating in this latter sector.

The activity of shipyards operating in the market for other types of ships (freighters, specialized and miscellaneous vessels) will probably only suffer a temporary setback caused by general slowing down of the economy. Nevertheless, a crisis could arise if shipyards specializing in the fields affected by the structural changes in transport requirements enter their market. Even if the economy should pick up immediately, the resulting demand would not provide sufficient volume to be shared with shipyards not traditionally operating in these markets.

It is difficult to make a quantitative estimate of the worldwide surplus production capacity in shipyards. According to available estimates, for the period 1976 to 1980 measured in grt, it amounts to an average of 40 % for the whole industry, and to about 60 % for tankers, especially the large and very large. Expressed in terms of employment levels, and bearing in mind that the labour requirement varies considerably according to the technical features of the various types of ships built, this surplus capacity is about 20 % for the industry as a whole and about 60 % for tanker construction (Annexes IV and V).

With regard to market prospects for the shipbuilding industry as a whole after 1980, the generally-accepted estimates tend to show that demand will pick up again slowly. However, this recovery will not be sufficient to enable current available capacity to be utilized; the crisis is therefore of a structural nature.

1.4 Community aspects

The ability of individual yards to tackle such an extensive and exceptionally long-lasting crisis varies greatly. The struggle for survival will undoubtedly be extremely hard.

Japanese shipyards, which enjoy comparatively substantial advantages, above all because, often forming part of industrial and trade conglomerate companies, that are financially stronger than their opposite numbers in the Community, will be better equipped to deal with the crisis. This is already evident; Japanese shipyards are now obtaining the majority of new orders

by offering prices which would not allow Community shipyards to maintain their activities. A number of Community shipyards are therefore in danger of being forced to close and this would further strengthen the Japanese industry's dominance of a market which will stabilize at a lower level.

The shipbuilding industry is extremely important to the Community (see Annex VI). It directly employs more than 400.000 people and also provides work for a further 1.000.000 odd in various supply industries, whose deliveries of goods or services represent about 60 % of shipyard turnover. The industry is also extremely important for regional policy, as it is often located in regions where the structure of industry is scarcely diversified (see Annex VII).

In addition, in the light of the Community's export trade and the fact that more than 80 % is carried by sea, the Community has a right to retain some degree of independance, in the building of the shipping essential for its trade and thus to contribute to the maintainance of international competition. In this connection, it should be noted that shipping under Member states' flags accounts for 22 % of the world merchant fleet. In the past, Community ship owners purchased about two-thirds of new tonnage from Community shipyards (Annexes VIII A + B). These shipyards sold about one-third of their production on the world market.

For the Community to be in a position to maintain a share of the shipbuilding market commensurate with its interests, it must devote more effort than in the past to re-establishing the competitivity of this sector during the period in which capacity will have to be reduced. This requires that the means of reconversion and restructuring in this sector must be implemented and coordinated at a Community level.

But this restructuring can only be achieved in the long term. It is necessary to mount in the short term measures sufficient to deal with the serious employment and regional problems likely to arise as the unfavorable market situation develops.

1.5 Conclusions

This analysis highlights the severity of the crisis facing shipbuilding throughout the world.

The many assessments of others confirm this situation, and the observations made by the OECD are telling: they said that recent analyses "... clearly show the seriousness of the problems to be resolved: on the one hand a substantial surplus of tanker tonnage in the short and medium term, and on the other, a very large surplus in shipyard capacity in the short and long run."

In view of all the factors mentioned, we must accept that the Community cannot escape the consequences of the crisis in this industry. Bearing in mind the political, economic and social interests involved and the features peculiar to this industry where traditional protective measures are ineffectual (see 2.1), Community action must be planned to help keep the harmful consequences of this crisis to a minimum, and eliminate the Community industry's handicaps in relation to its competitors.

2. POSSIBILITY OF SOLVING THE PROBLEMS OF EXCESS PRODUCTION CAPACITY IN THE SHIPBUILDING SECTOR THROUGH INTERNATIONAL COOPERATION

2.1 International cooperation

Conventional market defence measures such as import controls or the introduction of customs duties are difficult to apply in the shipbuilding sector, particularly as shipowners can resort to the use of flags of convenience.

Furthermore, both the crisis in the shipbuilding sector and the market it serves are worldwide. It is therefore to be feared that uncoordinated measures by individual countries would be ineffective and, because of their protectionist effect, lead only to disruption of competition and a partitioning of the market.

It is to oppose a development of this kind that the most important shipbuilding nations have subscribed to the OECD arrangements on aids to shipbuilding and export credits for vessels*). Furthermore the Communities Third Council Directive of 10 July 1975 on aids to shipbuilding (N° 75/432/EEC) stems from the same concern.

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*) "General arrangement on the gradual elimination of obstacles to normal conditions of competition in the shipbuilding industry" which has been in effect since 1972 and which concernes particularly the gradual dismantling of direct aids and the "Arrangement on export credits for vessels" which has been in effect since 1969.

These factors show that the most suitable vehicle for re-establishing a satisfactory equilibrium between production capacity and demand is that of international cooperation. The aim of such cooperation should be to achieve an adequate and orderly reduction in production[1] and thereby a fair distribution of the economic and social burden involved. This will prevent the bidding up of costly financial aids and safeguard the freedom of trade.

This approach is consonant with the Community's commercial policy principles and interests. All possible efforts must therefore be made to prevent the emergence of new barriers. It should be noted that the Community, as such, has 26 % by value of the world's foreign trade, and that this together with intra Community exchanges amounts to 40 % of world trade.

2.2 Framework for cooperation

Numerous initiatives have already been taken by public authorities and interested circles to solve through international cooperation the world-wide problems of gradually adjusting the shipbuilding industry to actual needs. It should be noted here that, at the level of the industry, the Association of West European Shipbuilders (AWES) and the Shipbuilders Association of Japan (SAJ) are studying the possibilities of establishing jointly the bases for voluntary restraint in the industry. These negotiations have, however, not produced any obvious results up to now.

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(1) The expression "reduction of capacities" used in this document covers various measures such a reduction of production, abolition of capacities by converting them to other activities or other forms of withdrawal of investment.

The most noteworthy efforts made by public authorities have been undertaken within the OECD. As 90 % of world ship production comes from countries represented in this Organization and its work has already produced a valid basis from which to develop acceptable solutions. The OECD's seems the most appropriate forum in which to work out a system of international cooperation.

The fact that some countries do not belong to this Organization (notably Yugoslavia, South Korea and Brazil), or do not participate in these activities as is the case with some members (notably the United States and Greece), does not invalidate this conclusion. Indeed, though their production capacity is not negligible, it is not such as to constitute a major threat to the effective application of a system of international cooperation.

2.3 Progress made within the OECD

At its meeting on 30 and 31 March 1976 the OECD Council's Working Group n° 6 on shipbuilding reached agreement on the "General Guidelines for government policies in the shipbuilding industry" (Annex IX); they have been adopted by the OECD Council on 4 May 1976.

According to these "General Guidelines" which are based on the principle of solidarity, fairness and international responsibility, each member government of the Working Group n° 6 (*) (although not bound to do so) should:

(a) set itself as first priority the objective of a suitable reduction in its shipbuilding capacity, taking into account the regional and social problems which the pursuit of this objective will create;

(b) refrain from taking any measures or granting any aid likely to upset the process of adaptation within the industry in question;

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*) The "General Guidelines" have been adopted by all producer countries in the Community and by the following countries: Spain, Finland, Japan, Norway and Sweden.

(c) ensure that practices, particularly for pricing, remain within the limits of fair competition;

(d) abstain from taking any measures which might lead to the creation of new construction capacity.

Under these "General Guidelines" it was also agreed to investigate the exchange of information, particularly about developments in national policies, trends in production capacity and the order book of each producer country.

It should also be noted that, although these "General Guidelines" have been accepted by those Member States which are shipbuilders, several have expressed reserves, based on their own particular circumstances, about the very principle of reducing production capacity.

The Community stated in a declaration that the "General Guidelines" were an initial step which should be followed before the end of the current year by positive measures to re-establish a balance between supply and demand (Annex X).

2.4 Implementation of the OECD's "General Guidelines"

Since these "General Guidelines" impose no obligation, they are in fact recommandations to the signatory countries. Furthermore, the principles which they lay down are of a very general nature and if implemented without coordination risk failing to achieve the objective of re-establishing a structural balance between production capacity and demand.

2.4.1 Reduction of production capacity

In the light of this, the Community must be ready to go further, should the OECD Guidlines fail to achieve their objectives (reduction of capacity, allocation of new orders) and try and negotiate a convention or gentlemen's agreement with its main partners within this organization.

But straight away the Community should affirm unquivocally its willingness to pursue the realization of these objectives on the basis of the "General Guidelines". In particular, it should declare its readiness to play its part in the reduction of global production capacity for the purposes of re-establishing a balance between supply and demand.

In this connection, the "General Guidelines" allow each participating country to decide for itself, the extent, rate and means of achieving the reduction of its capacity.

It is for consideration whether Community criteria and mechanisms should be established for the coherent application of these "Guidelines" within the Community and to enable the Community to play its part as such, thus avoiding disjointed action by its Member States.

The Community has an interest in maintaining a shipbuilding industry which is competitive on the world market and best able to supply Community's own needs. This objective may best be secured by the selective reduction of the Community's production capacity.

To act on its commitment and mindful of the above mentioned Community priorities, the Commission will consult the Member States and other parties concerned and then present proposals for Community action particularly on the extent of the criteria, means and timescale for the reduction envisaged for the Community. On the specific point of how the reduction will be borne by the different Member States, the Commission proposes to adopt the following criteria:

- capacity should in the main be reduced in those Member States in which shipyards usually building the types of ship affected by the crisis are located, and should be in direct proportion to the relative volume of such capacity in each Member State;
- each Member State will decide for itself where the cuts will be made within its own shipbuilding industry. It would indeed be economically wrong to close the most up-to-date and efficient yards which are often those fitted out to build big tankers. This freedem of manouvre will make it possible for the cuts to bear mainly on the less efficiant yards, to the extent that this does not create social problems, and provided that there is an actual reduction in tanker production capacity;
- reductions in capacity will be defined in compensated gross registered tons (Annex I). Shipbuilding is generally a labour intensive operation, but the labour requirement can vary widely depending on the type of vessel built; the use of cgrt will allow for these differences when considering how the reductions should be shared.

The feasibility of this approach - it must meet the requirements of both employment and competitivity - will largely hinge on the extent to which agreement can be reached between the two sides of the industry. The Commission will consider whether the means could not be provided to allow this concensus to be reached together at the Community level.

2.4.2 Allocation of new orders

For the allocation of new orders, the OECD's "General Guidelines" envisage, at the present, a systematic exchange of information about the state of order books.

But it must be borne in mind that the reduction of capacity, even if agreed and orderly, would be brought to nought by the concentration of orders in certain countries or shipyards. Market forces alone may well not bring about an equitable distribution of the consequences of the crisis. One can therefore consider that, in the framework of a cooperative international policy, a necessary complement to the reduction of capacity will be a temporary agreement about new orders. In this connection, Japanese public authorities and industry have both asserted that their shipyard's pricing policies are economically justified. Nonetheless it remains the fact that these policies pose real problems for the Community's shipbuilding industry. A consequence of their considerably lower level of prices is likely to be that the majority of new orders will continue to go to Japanese yards.

The Community should therefore, without waiting, prepare proposals which could be put in good time to its OECD partners, should the exchange of information envisaged by the "General Guidelines" prove inadequate to ensure a fair distribution of new orders.

This problem is so complex that only detailed study will allow the main lines of such proposals to be defined. We shall, however, have to depart from the assumption that the participants will accept shares based upon the proportion of world orders that they obtained in 1974-1975, subdivided by category of vessel yet to be defined.

2.5 Restructuring existing capacity

The Community shipbuilding industry can be better equiped to meet future market requirements if it uses this time of crisis to overcome once and for all the competitivity handicap which makes it so vulnerable today. This requires a decisive effort to reorganize and modernize shipyards throughout the Community before, if at all possible, the end of the present crisis. To this end it is necessary to concert existing and prospective national measure together with any possible Community action.

2.6 Measures concerning employment

Decisions taken to reduce capacity and to restructure existing capacity will directly affect employment and could cause problems in certain regions where industry is little diversified. This calls for the preparation of programmes that will ensure that any adjustments in employment will be made with due consideration for the interests of employees with particular emphasis on their redeployment should they have to be made redundant. The Commission will propose support for national action in this field via the European Regional Fund and the European Social Fund, and particularly under Article 4 of the Council Decision of 1.2.1971. The Commission has already laid an appropriate proposal before the Council (COM(73)1788 final Add. dated 14.1.74).

2.7 Conclusion

Even successful international cooperation will not solve for the Community the basic problem facing its shipbuilding sector, i.e. seeking and establishing a degree of competitivity comparable to that achieved by its world partners, particularly Japan. There is no reason why this objective should not be attained, especially if Community shipbuilders resolve to take advantage of all the "potential" offered by the Community dimension It follows that this restructuring is the main problem to be tackled, as the Commission has on more than one occassion sought to bring the Member States to realise. It cannot be relied upon alone, however, since it would bring no results in the short term, even if set in hand immediately.

3. POSSIBLE ACTION IF COORDINATION OF SOLUTIONS AT INTERNATIONAL LEVEL PROVES IMPOSSIBLE

3.1 Need to safeguard Community shipbuilding

Should the OECD be unable to offer a satisfactory solution, the Community should seek, with Japan, an agreement, open to subscription by any other OECD member. In view of its economic social and strategic importance, the Community cannot see its shipbuilding industry eliminated, if the efforts being made to achieve an internationally coordinated reduction of capacity and allocation of new orders should fail. This would require it to take any necessary step to preserve a sufficient shipbuilding capacity to protect its vital interest.

But the Community will be obliged to hasten even more the unavoidable process of reducing capacity and improving that considered indispensable in the event of a complete failure of all attempts at international cooperation. In doing this, solutions will have to be founded on those same principles of intra-Community coordination as were specified for a possible international agreement in sub-paragraphs 2.4.1, 2.5, 2.6 and 2.7 above; and should be sought, to the greatest extent possible, with the agreement of both sides of industry. But anyway, if this happens it will not be possible to undertake any orderly reorganization of production facilities unless they are accompanied by immediate steps to ensure the survival of that capacity that needs to be retained.

3.2 Need for coordinated action at Community level

It is to be feared that the failure of efforts at international cooperation will give rise to a proliferation of unilateral national measures, in support of the industry both by the Member States of the Community and other shipbuilding nations. This would threaten a general prolongation and aggravation of the crisis.

From the Community's shipbuilding industries' point of view, the proliferation of national measures would imperil not only Community solidarity but also, as a consequence of enfeebling internal competition weaken its external competitivity. The coordination of the steps that would then have to be taken within the Community must therefore be arranged. This need is demonstrated by the fact that the direct and indirect national support for the industry heretobe has not enabled it to be competitive with third countries shipyards, particularly those in Japan.

3.3 Possible actions

In view of the above, maintaining at least the essential core of a Comminity shipbuilding industry requires:

- continuous Community coordination; to be effective this must cover all fields of action considered.

- joint recourse to all those measures necessary to maintain the activities of at least the essential core of the industry, and protect it against the measures of third countries; among these measures one can rule out neither financial support for shipowners or yards, nor any appropriate action in the field of maritime or commercial policy.

What is more, to obtain maximum results, the use of such measures in combination cannot be excluded.

3.4 Need for a thorough examination

The extent of such measures, their costs and modalities, should be examined further, in the light of future developments affecting the resolution of the sector's problems.

In any case such measures would involve a more serious political committment than these in consequence of an international agreement, since the Community would then have to act in a climate of hostility.

4. CONCLUSIONS AND PROPOSALS

The Commission is of the opinion that, to obtain best results, the serious world-wide crisis in shipbuilding calls for immediate Community action, in advance of any possible fruition of the unavoidable steps for re-structuring the industry in the longer term. It believes that among such possible community initiatives, the best way of achieving a satisfactory and orderly balance between supply and demand - and hence a fair distribution of the ensuing economic and social consequences - is to seek solutions through international cooperation. This cooperation would also avoid recourse to autonomous safeguard measures with its ensuing disadvantages.

Accordingly the Commission considered it appropriate that the Community should at this stage take constructive action following the initiative shown by the OECD, and which has found practical expression in the acceptance of the "General Guidelines for government policies in the shipbuilding industry".

To this end the Commission recommends that the Council should decide on the need for the Community to: -

(i) negotiate on the basis of a common position any measures necessary, within the framework of the OECD, for the implementation of the "General Guidelines".

(ii) commit itself, within that context, to play its part in bringing about the reduction in production capacity which is necessary on a world wide scale in order to restore the balance between supply and demand.

(iii) define at the appropriate moment the extent of the Community's share in this rundown as well its timing.

The Commission will inform the OECD that the above action is the Community's contribution to the gradual application of the principle of solidarity, of international responsibility and fairness which is the basis of this Organization's initiative.

For its part the Commission will not fail to forward to the Council, suitable proposals with a view to implementing the above action, based on the guidelines contained in its Communication.

ANNEX I

Explanatory note on the units used in the document

Gross registered tonnage (grt.). The gross tonnage of a ship is a measure of volume and is expressed in tons: the value of a ton is 100 cubic feet or 2.83 m^3.

Deadweight tonnage (dwt), calculated in metric tonnes, is a measurement of the total weight of cargo, fuel, and supplies etc. carried on board ship.

Remark: Theoretically these two units are not comparable since they refer to different concepts. A fixed ratio exists only for a specific ship. However, for similar types of vessel, it is sometimes permissible to make an approximate conversion; this factor may vary from 0.85 to 2.0; in the case of oil tankers it varies from 1.5 to 2.0.

It is impossible always to use the same unit of measurement. Both are used in the text according to the nature of the data available.

Compensated gross register tonnage (cgrt) is a measure for the expression of the amount of labour required to build a ship; it takes account of the fact that the activity measured in number of hours per grt varies considerably according to on the dimensions and type of ship. 5 000 cgrt is defined as the equivalent of the amount of labour required to build a general cargo vessel of 5 000 dwt.

Tonne.mile is a measure of transport capacity the unit for which represents the carriage of a weight of one metric tonne over one nautical mile (1.852 m).

SHIPS COMPLETED (in thousand grt)

(Source: Lloyd's Annual Summaries of Merchant Ships completed – table 3)

Type of vessel	Germany	Belgium	Denmark	France	Ireland	Italy	Nether-lands	United Kingdom	Community	Japan	Rest of World	World
1974												
1. Tankers	1 154.8	119.8	785.6	691.2	–	586.3	819.1	457.3	4 914.1	11 710.8	4 229.1	20 854.
2. Bulk carriers	428.9	129.4	213.1	76.4	–	291.8	–	446.3	1 585.9	3 505.9	2 366.6	7 458
3. General cargo	90.5	–	41.4	55.2	–	27.0	39.7	200.6	454.4	780.1	1 531.0	2 765
4. Specialized cargo	22.9	–	–	181.7	–	25.9	20.5	25.2	276.2	484.6	224.6	985
5. Miscellaneous	145.8	6.9	36.5	41.7	0.4	22.2	62.6	67.0	383.1	412.6	682.2	1 477
Total	2 142.9	256.1	1 076.6	1 046.2	0.4	953.2	941.9	1 196.4	7 613.7	16 894.0	9 033.5	33.541.
1. 1975												
1. Tankers	1 749.5	18.9	648.5	638.6	–	497.4	871.3	584.4	5 008.6	12 646.7	6 070.1	22 725.
2. Bulk carries	311.3	112.6	202.3	–	28.1	226.8	15.3	380.8	1 277.2	2.918.2	5 052.6	6 248.0
3. General cargo	195.8	–	85.0	60.2	2.4	36.3	41.5	166.3	587.4	981.8	1 207.3	2.77.5
4. Specialized cargo	145.9	50.9	–	396.3	–	4.0	17.2	6.0	620.3	161.6	290.5	1 072.4
5. Miscellaneous	96.0	18.2	33.5	54.6	–	27.0	83.2	32 2	344.7	283.2	752.4	1.380.3
Total	2 498.6	200.6	969.2	1 149.7	30.5	791.5	1 028.5	1 169 5	7 838.2	16 991.2	9.373.1	34.202.

ANNEX II

ANNEX III

Demand for Oil carrying capacity

(estimate)

	WORLD 1974	1980	1985
1. Oil transport by sea in 10^6 tonnes	1 624	1 450	1 661 *)
2. Carrying capacity requirements in 10^{12} tonne-miles	10.90	11.16	13.02
3. Theoretical demand for oil tankers in 10^6 dwt	234	from 240 to 255	280
4. Theoretical carrying capacity available (Fleet + deliveries) in 10^6 dwt	280	340	

*) Based on an assessment of the development of future oil requirements by the OECD on the assumption of a price of $ 6 per barrel.

The oil tanker fleet was estimated at 310 million tdw as at 1 January 1976, of which more than one third was surplus.

Merchant Fleets of the world

(ships of 100 grt and upwards)
in 1000 grt at the 1st July of each year

	1960	1970	1975
Tankers	41 465	86 140	156 057
Bulk carriers	88 365	46 652	85 548
General cargo		72 396	70 399
Specialized cargo		6 699	19 189
Miscellaneous	-	15 603	16 969
Total	129 770	227 490	342 162
of which Community	43 621	57 370	74 282

Source: Statistical Tables of Lloyd's Register of Shipping

ANNEX IV

Comparison of world supply and demand

(Estimate)

	Annual capacity 1975	Production 1975	1976 - 1980				1980-1985
			Orders		Forecast annual production		Theoretical annual (1) requirements
10^6 grt			existing (up to 31.12.75)	expected	1976-77	1978-80	
Oil tankers	26.82	22.54	46.34	3.0	23.17	1.0	9.30
Bulk carriers	6.55	6.06	19.54	8.6	5.63		6.62
Others	5.84	4.96	16.47	16.50	6.59		6.04
Total	39.21	33.56	82.35	28.10	22.10		21.96
10^6 SMH (*)							
Oil tankers	280	221	455	29	227	10	91
Bulk carriers	109	82	265	117	76		90
Others	300	287	846	848	339		310
Total	689	590	1 566	994	512		491

(1) Based on the initial estimates drawn up by the AWES

(*) Standard man Hours

ANNEX V

ORDER BOOKS (in 10^3 grt)

Type of vessel	F.R. Germany	Belgium	Denmark	France	Ireland	Italy	Nether-lands	United Kingdom	Community	Japan	Rest of the world	World total
as at 31.12.1974												
Oil tankers	5 113	44	2 408	3 607	-	1 961	1 418	3 923	18 474	42 820	25 409	86 703
Bulk carriers (all types)	951	480	564	-	95	968	80	1 411	4 549	6 962	5 891	17 402
Other vessels	1 615	213	261	2 947	5	281	394	800	6 516	2 737	7 345	16 598
Total	7 679	734	3 233	6 554	100	3 210	1 892	6 134	29 539	52 519	38 645	120 703
as at 31.12.1975												
Oil tankers	1 601	44	1 340	2 162	-	1 219	552	3 237	10 155	18 716	17 466	46 337
Bulk carriers (all types)	713	416	449	-	67	816	66	1 036	3 563	9 881	6 099	19 543
Other vessels	1 888	165	213	2 696	2	262	326	656	6 208	2 766	7 492	16 466
Total	4 202	625	2 002	4 858	69	2 297	944	4 929	19 926	31 363	31 057	82 346

CANCELLATIONS : Between 31 December 1974 and 31 December 1975 **the cancellation of orders for oil tankers amounted to 40 million** tdw_p which corresponds to more than 18 million grt;

NB.: **This annex shows** the considerable reduction in orders due mainly to three factors:
- the high rate of production
- cancellations
- the lack of new orders for large oil tankers.

ANNEX VI

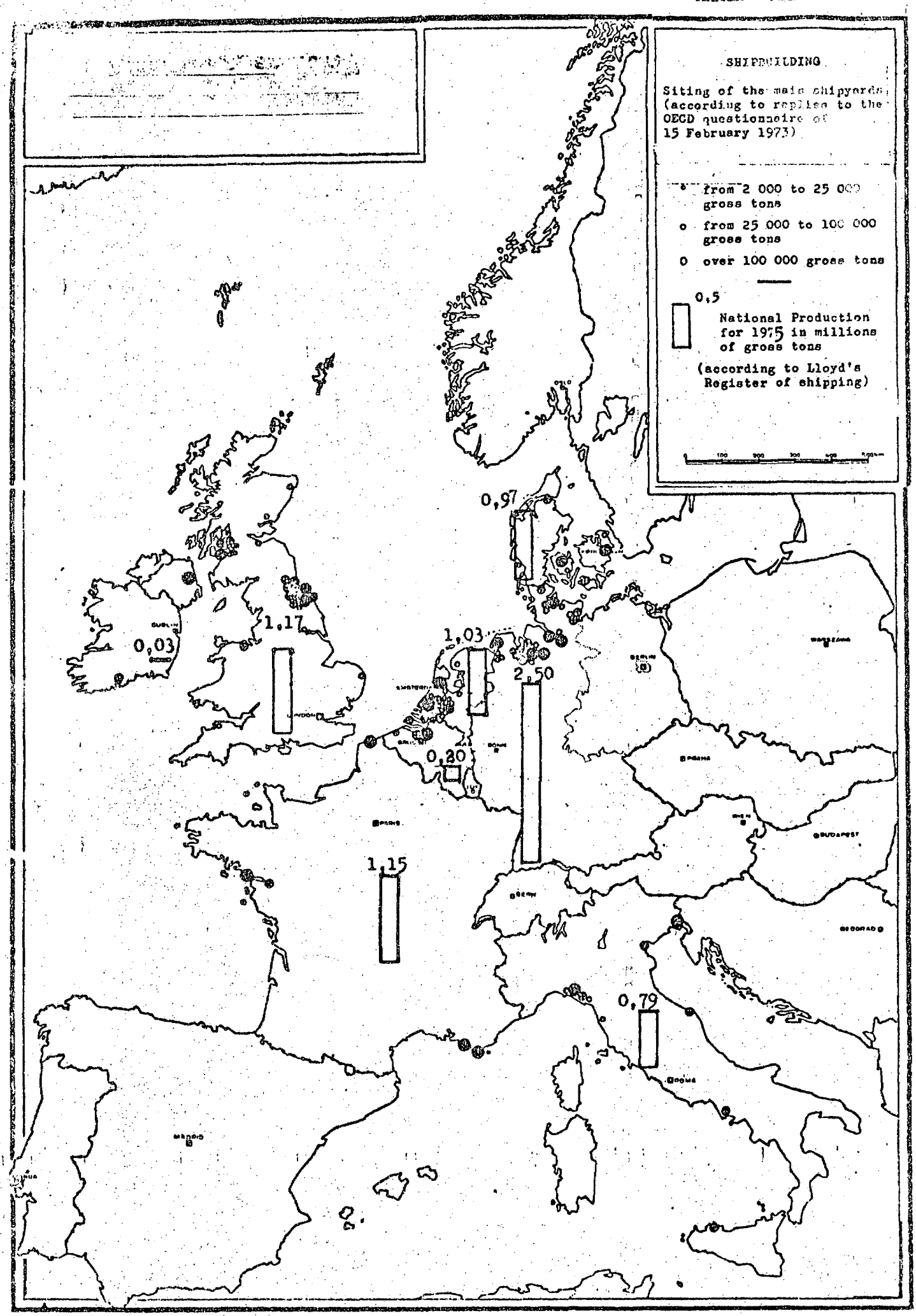
Data showing the size of the sector in 1972

Country	Total numbers employed	Numbers employed in the major ship yards *)	Total numbers employed as a percentage of the active population	Share of the sector in the GDP
Germany	65 700	45 000	0.25 %	0.32 %
France	44 500	15 800	0.20 %	0.20 %
Italy	42 000	15 800	0.22 %	0.17 %
Netherlands	49 300	17 400	1.10 %	1.40 %
Belgium	12 500	.	0.32 %	.
United Kingdom	173 000	40 000	0.65 %	0.69 %
Ireland	1 780	.	0.17 %	0.23 %
Denmark	22 300	5 100	0.90 %	0.64 %
Community	411 080	(139 100)	0.40 %	0.35 % (average for 7 countries)
Japan	265.800	(70 000)	0.51 %	
Sweden	31 500		0.79 %	

*) capable of constructing vessels with a capacity of at least 150 000 tdw

N.B. The data given above include related activities, especially in the engineering sector, insofar as they are carried out by undertakings in which the main activity is the construction and repair of vessels.

These data are based mainly on national industrial statistics, the figures for the different countries are not necessarily comparable because of gaps or differences of definition.


SHIPBUILDING
Siting of the main shipyards (according to replies to the OECD questionnaire of 15 February 1973)
from 2 000 to 25 000 gross tons
from 25 000 to 100 000 gross tons
over 100 000 gross tons
0,5
National Production for 1975 in millions of gross tons
(according to Lloyd's Register of shipping)
0,97
1,17
0,03
1,03
2,50
0,20
1,15
0,79

DELIVERIES TO COMMUNITY SHIPOWNERS IN 1974, BY COUNTRY OF BUILD

Purchasing country	Country of build							
(for registration in)	Country of registration		Other EC countries		Total EC countries		Non-member countries	
	grt	%	grt	%	grt	%	grt	%
United Kingdom	954.428	25.0	1.104 326	29.0	2 058 754	54.0	1 754 608	46,0
Belgium	-	-	132	0.1	132	0.1	186 044	99.9
Denmark	428 734	67.5	49.623	7.8	478 357	75.3	156 921	24.7
France	514 024	31,2	43.699	2.7	557 723	33.9	1.089 349	66.1
F.R. Germany	1.291 786	96.2	5 486	0.4	1.297 272	96;6	44 992	3.4
Ireland	-	-	220	13.7	220	13.7	1 385	86.3
Italy	887.424	99;97	245	0.03	887.669	100.0	-	-
Netherlands	39 641	15.7	149 141	59.3	188 782	75.0	62 902	25.0
Total EC	4.116.037	47.0	1.352 872	15.4	5.468.909	62.4	3 296 201	37.6
	Japan		Other countries					
Japan	2.849 282	100.0	304	-				

Source: Lloyd's Annual Summary 1974 (Table 4 - Registration of all ships completed during 1974)

DELIVERIES TO COMMUNITY SHIPOWNERS IN 1975, BY COUNTRY OF BUILD

Purchasing country (for registration in)	Country of construction							
	Country of registration		Other EC countries		Total EC countries		Non-member countries	
	grt	%	grt	%	grt	%	grt	%
United Kingdom	820.907	27.7	1.025 365	34.6	1.846.272	62,3	1.115.609	37.7
Belgium	-	-	1 330	0;9	1.330	0.9	142 318	99.1
Denmark	253 110	44.3	178 676	31.3	431 786	75.6	139.306	24.4
France	510.808	49.6	84.376	8:2	595.184	57,8	434.897	42.2
F.R. Germany	815 923	89,4	20 838	2;3	836.761	91,7	75.791	8.3
Ireland	-	-	235	8.6	235	8.6	2 503	91.4
Italy	782.106	92;3	-	-	782.106	92.3	65 356	7,7
Netherlands	365 561	75.6	12 110	2.5	377 671	78.1	105 991	21.9
Total EC	3 548 415	51.0	1 322 930	19.0	4 871 345	70.0	2 081 771	30.0
	Japan		Other countries					
Japan	3 066 083	100.0	0					

Source: Lloyd's Annual Summary 1975 (Table 4 - Registration of all ships completed during 1975)

Paris, 12th May, 1976
C(76)53(Final)
Scale 3

COUNCIL

RESOLUTION OF THE COUNCIL

CONCERNING GENERAL GUIDELINES FOR GOVERNMENT POLICIES IN THE SHIPBUILDING INDUSTRY

(Adopted by the Council at its 417th meeting on 4th May, 1976*)

The Council,

Having regard to the aims of the Organisation for Economic Cooperation and Development;

Having regard to the Resolution of the Council of 24th May, 1966 concerning the Terms of Reference of an ad hoc Working Party on Shipbuilding, as amended [C(66)57, C(67)104(Final), C(70)165(Final)];

Having regard to the Recommendation of the Council of 30th May, 1969, concerning Government Assistance to the Shipbuilding Industry [C(69)73];

Having regard to the Understanding of Export Credits for Ships, as amendmended [C(69)60(Final), C(70)204(Final), C(74)88(Final), C(75)162(Final)];

Having regard to the Resolution of the Council of 20th and 24th October, 1972, concerning a General Arrangement for the Progressive Removal of Obstacles to Normal Competitive Conditions in the Shipbuilding Industry [C(72)166(Final)];

Having regard to the report by Working Party No 6 of the Council on Shipbuilding [C(75)215] and to the request of the Council to the Working Party to intensify its efforts in order to imporve the situation affecting this industry as soon as possible [C/M(76)1, Item 10].

NOTES that the following countries, Members of Working Party No 6 of the Council on Shipbuilding (Germany, Belgium, Denmark, Spain, Finland, France, Ireland, Italy, Japan, Norway, the Netherlands, United Kingdom and Sweden) have decided to adopt the general guidelines for government policies in the shipbuilding industry set out in the Annex to this Resolution.

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*) The Delegates for Greece and Turkey abstained.

ANNEX

GENERAL GUIDELINES FOR GOVERNMENT POLICIES IN THE SHIPBUILDING INDUSTRY

1. Working Party No. 6 of the Council on Shipbuilding was instructed by the Council " ....to keep the supply and demand situation under close review and to suggest any action required to avoid developments that could lead to strong pressures for a reversion to competition-distorting assistance to shipbuilding ...." [C(72)166(Final), Section IV]. In accordance with these terms of reference the Working Party considered, at its 28th, 29th and 30th sessions, possible ways of remedying the present and expected imbalance in the shipbuilding industry.

2. The Council at its 409th meeting on 20th January, 1976, taking note of the Report C(75)215 by Working Party No. 6, expressed its great concern at the serious problems facing the shipbuilding industry, and urged the Working Party to intensify its efforts in order to improve the situation affecting this industry as soon as possible [C/M(76)1, Item 1b].

3. After examining and assessing the present and future prospects for supply and demand in shipbuilding, Working Party No. 6 of the Council considers that the results of its analysis clearly show the seriousness of the problems to be resolved: on the one hand a substantial surplus of tanker tonnage in the short and medium term, and on the other, a very large surplus in shipyard capacity in the short and the long run.

4. The Member countries of the Working Party agree that in order to remedy the serious structural disequilibrium existing in this industry, efforts are needed in all shipbuilding countries in order that the inevitable reduction in world shipbuilding capacity may be achieved in the least damaging and most equitable way possible.

5. The Member countries of the Working Party consider that the seriousness of the existing and expected situation makes it essential that the international maritime community, governments and the industry in particular, should seek every means of restoring normal and balanced conditions of competition and market within the shortest possible time.

6. The Member countries of the Working Party reaffirm their adherence, in the spirit of the Ministerial Declaration of 30th May, 1974 to the arrangements concluded in the framework of Working Party No. 6 of the Council, in particular the General Arrangement for the progressive removal of obstacles to normal competitive conditions in the shipbuilding industry, and the Understanding on Export Credits for Ships.

7. The Member countries of Working Party No. 6 on Shipbuilding accept the principle of solidarity, fairness and international responsibility implying that each shipbuilding country plays an appropriate part in resolving the difficulties.

8. The Member countries of the Working Party agree that appropriate national policies should be devised to deal with the problems of adaptation that arise in each shipbuilding country, and stress that in virtue of the principle of solidarity, fairness and responsibility, international co-operation is needed to facilitate the pursuit of these policies and avoid unilateral action.

9. In the spirit of the principles agreed upon in the above paragraphs, the Member countries of the Working Party are agreed on the following general guidelines, which might guide government action in the adaptation process of the shipbuilding industry and facilitate subsequent national and international discussion.

10. Each government, Member of the Working Party No. 6 should :

(1) endeavour to ensure that a priority aim in the adaptation of its shipbuilding industry, is, taking into account the imbalance of the market, reduction, as appropriate, of the production capacity, recognising the regional and employment problems that arise in pursuing that aim;

(2) not to take any measure or give any aid to its shipbuilding industry which would disturb in the short or in the longer term, the necessary adaptation process of the industry;

(3) watch in that connection that practices in its industry remain, in particular in the field of prices, in a framework of fair competition;

(4) refrain from taking measures which would help to create new shipbuilding capacity and aggravate the worldwide structural imbalance in the shipbuilding industry.

11. These general guidelines are addressed to governments. Compliance with them is not obligatory and does not limit the right of Member countries to take measures connected with the shipbuilding industry in accordance with international agreements already concluded, in particular in the framework of OECD.

12. The Member governments of Working Party No. 6 of the Council of Shipbuilding, having agreed on these guidelines, decide :

(1) to keep each other informed over six months, within Working Party No. 6, on the progress of their national policies;

(2) that a special session of the Working Party may be convened at the request of one or more participating countries whenever this is necessary;

(3) that the sub-Group on supply and demand shall inform it regularly of progress towards a restoration of market equilibrium, and, in particular, of the trend of shipbuilding capacities;

(4) that the sub-Group will, as quickly as possible, set up a system of reciprocal information which would, each quarter, allow knowledge of the volume of new orders taken by each producing country.

13. Member governments of Working Party No. 6 are aware that these general guidelines mentioned in the preceding paragraphs provide a general framework for governmental policies. They agree that practical solutions which would allow a return to a normal and balanced working of the market, must continue to be sought by governments at an accelerated pace within the framework of the guidelines.

ANNEX X

Declaration by the European Economic Community

on the OECD's "General Guidelines" proposal presented at the meeting of the OECD's Working Party No 6 (Shipbuilding) in Paris on 30 March 1976

The Community has noted the initiative taken in the OECD for the purpose of defining the framework for the consideration of the serious problems facing the shipbuilding industry; the Community feels that the present and foreseeable developments in this industry must be the treated as worrying and that the major imbalance between supply capacity and demand is structural in nature and likely to persist for a long time.

The Community considers that this document can constitute a valuable starting-point making it possible, in particular, to verify each partner's disposition to contribute towards the finding of solutions answering to the present ciris.

However, this can only be an initial step and must be followed quickly by more practical mesures aimed at an effective restoration of the balance between supply and demand.

Indeed, the Community considers that, in view of the gravity of the situation and the consequences thereof a joint effort must be made to arrive at results which can be translated into practice before the end of this year.

The Community emphasises that, in the formulation of the Community solution for the situation in its own shipbuilding industry, account will be taken of those practical achievements deriving from the OECD initiative that tend to stabilize the market.