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NOTE

From: Commission
To: Delegations

Subject: LeaderShip 2020 – A new initiative of the stakeholders for the European Maritime
Technology Industries

Delegations will find, in annex, an information note from the Commission on the above-mentioned topic with a view to the AOB item at the Competitiveness Council on 29 May 2013.

Competitiveness Council on 29 May 2013

Information Note

**LeaderShip 2020 – A new initiative of the stakeholders for the European Maritime
Technology Industries**

Context

On 5 December 2011 the Commission informed about the very difficult situation of the European shipbuilding industry and described main areas of further work and potential action. Many Member States supported the proposal to revise the existing LeaderShip 2015 initiative¹ with the aim to increase competitiveness, especially by means of innovation. This orientation is in line with the '*Limassol Declaration*² on a marine and maritime agenda on growth and jobs' adopted by the ministers in charge of the Integrated Maritime Policy and the European Commission on 8 October 2012.

Situation of the industry

The pronounced crisis on the global shipbuilding market continues while chances for an early recovery remain remote. The main problem is the huge overcapacity on all major cargo shipping markets caused by massive speculative ordering during the boom period and slow growth of transport demand in recent years.

¹ See LeaderSHIP 2015, Defining the Future of the European Shipbuilding and Repair Industry – Competitiveness through Excellence, COM (2003) 717 of 21.11.2003 and LeaderShip 2015 Progress Report, Staff Working Document, COM (2007) 220 of 25.4.2007.

² http://ec.europa.eu/maritimeaffairs/policy/documents/limassol_en.pdf

The more specialised segments of shipbuilding (cruise ships, offshore support vessels, etc.) which are a mainstay of EU shipbuilding are not directly affected by overcapacity in the cargo shipping fleet. However, the current financial crisis has meant that new orders in these segments have also diminished. The European orderbook has shrunk to 30% of the pre-crisis level at the end of 2012. A major problem is that Asian mass producers of steel intensive vessels are increasingly entering the relatively small niche markets for specialized ships, in some cases supported by their governments. Thus the relocation of simpler manufacturing processes from Europe to Asia risks to be followed by the relocation of the more high-tech elements of the supply chain, including engineering services such as ship design. The Commission has launched a study to examine the repercussions of the crisis on the European marine equipment industry.

Until 2012 more than 50.000 workplaces have been affected in Europe and more are at risk. However, at the same time some enterprises are severely impeded in their development by the lack of skilled and younger personnel. This shows that new markets, mainly related to off-shore and marine energy, are emerging with interesting opportunities for growth and employment.

The new LeaderShip 2020 report

Process

Following the meeting of the Competitiveness Council at the end of 2011 the Commission services invited all relevant stakeholders to participate in a review of the LeaderShip 2015 initiative, which had originally been launched in 2002/03 by the shipbuilding industry. The process for the review was guided by a "Coordination Group" with representation from Member States, coastal regions, industry (ship and equipment manufacturers, shipping, dredging, off-shore wind, classification societies) and an environmental NGO. Regular contact with the European Parliament was maintained³.

³ For details on the process and results of the various meetings see:
<http://ec.europa.eu/enterprise/sectors/maritime/shipbuilding/leadership2015>

Building on the LeaderSHIP 2015 strategy and taking into account the main challenges and opportunities that occurred following the crisis, the Coordination Group had the general objective to develop a vision for the further development of a competitive EU shipbuilding industry which contributes to sustainable, secure and safe sea-borne transport and advances into marine resource use and energy generation.

The main results of the intensive discussions in the period from March 2012 to January 2013 are presented in the report "LeaderShip 2020 – The Sea, New Opportunities of the Future" which was endorsed by all participating stakeholders at the launch of the new initiative on 20 February 2013⁴. While the document is not a Commission document a summary of the conclusions of the group is outlined below.

Main findings and recommendations

In its analysis the report highlights the continuing impact of the economic crisis on the maritime technology industries resulting in huge overcapacity (too many ships), credit crunch and drop in new orders. At the same time, it points out new opportunities that are emerging notably in the field of harvesting offshore resources, such as marine renewable energies.

Acknowledging the continued validity of the orientation of LeaderShip 2015, the strategic vision for the industry has been reviewed and updated. While endorsing the importance of international competitiveness by innovation and specialisation, the new vision stresses the need for the greening of shipping, energy efficiency and the diversification into new maritime markets, such as off-shore wind power and marine energy.

The report from the group identifies four key areas and recommends action in the short and medium term to safeguard and generate sustainable growth and high-value employment:

⁴ The full report is available on the website of DG Enterprise and Industry (link see footnote 3)

Employment and Skills

- Anticipation and management of change: systematic consultation and coordination at EU, national and local level should become common practice in order to soften the social impact of adjustment of employment and unemployment.
- Effectively communicating the long term potential of the maritime industries, in order to attract talented and young people to the industry.
- A systematic approach at EU level to map the available skills and to address skills and training needs that are key to the future of the industry through the use of available EU programmes.
- Member States and Regions should explore with the European Commission how the ‘Poles of Excellence’ could foster regional networks.

Improving market access and fair market conditions

- The role of the OECD Working Party on shipbuilding needs to be redefined, in order to consider new ways to address market distortions. This should include monitoring of government interventions and price developments. New ways to reduce capacity and overhaul common rules should also be explored.
- The European maritime technology industry supports the continuation of work on bilateral and multilateral free trade agreements. Where relevant these should include specific provisions on the maritime industries.

Access to finance

- Stakeholders agreed on the need of making best use of the EIB funding opportunities, primarily for projects related to green shipping, offshore renewable energy, and retrofitting.
- In the context of eventual EU action on long-term financing⁵, the opportunity of a potential measure for long term ship financing should be explored.
- The industry, where necessary in cooperation with the European Commission, Member States or Regions should fully explore the possibility of a ‘Blue PPP’⁶ in the light of the European industry structure and respecting state aid rules.

Research, development and innovation (RDI)

- The European maritime technology industry has indicated its intention to develop a comprehensive roadmap, setting ambitious targets providing the justification for a public private partnership (PPP) at EU level. The PPP will aim on focussing maritime research towards zero emission and energy efficient vessels and towards zero technical accident vessels and emerging market opportunities.
- In view of the expiry of the existing Shipbuilding Framework at the end of 2013, the European Commission envisages including the existing provisions on innovation aid for the shipbuilding industry in the Community Framework for State aid for research and development and innovation.

⁵ Compare the considerations in the Green Paper on the Long Term financing of the European Economy, COM (2013) of 25.3.2013.

⁶ A “Blue PPP” model consists of a joint venture between a private enterprise and a public entity which engage for a defined period of time into the acquisition of maritime hardware (vessels, systems, infrastructure elements etc.). Such a concept has been successfully used in Japan (JRJT scheme, see <http://www.jrjt.go.jp/11English/pdf/AboutJrjt06.pdf>)

- Finally stakeholder suggest that Member States and coastal regions should investigate the possibility of allocating structural funds for the diversification of the maritime technology industry into new maritime market sectors, especially in the context of regional strategies for smart specialisation.

Conclusion and Way Forward

The report on the Leadership2020 initiative provides a very useful sectoral application of the principles of the Limassol Declaration and the Communication “A Stronger European Industry for Growth and Economic Recovery”. The new initiative proves that the maritime industry can harness the important growth potential if all actors along the supply chain and covering the emerging market segments work together. It also shows the need for complementary and where necessary joint action by the Regions, the Member States and the EU.
