

BILBAO LEADERSHIP CONFERENCE
CONCLUSIONS BY THE CONFERENCE CHAIRMAN

I. Introduction

1. Shipbuilding is a high tech sector providing thousands of high skilled jobs at shipyards countless suppliers of equipment and services to the yards. Shipbuilding forms a keystone in many regional economies across Europe.
2. Shipbuilding has been severely affected by the global economic crisis in combination with global structural imbalances and market distortions. Demand for new ships has collapsed world wide since summer 2008. The crisis impact threatens to be particularly damaging to the European Industry mainly due to its structure and due to state interventions by competing nations.
3. Due to long production lead-times, shipbuilding is a late-cycle industry. The impact of the demand collapse on employment is felt with an 18 months delay. At the end of 2009 on average about 20% of the jobs at shipyards were affected. This figure could dramatically increase in 2010. Without new contracts in the coming months, an employment crisis with half the jobs at stake could be unavoidable.

II. Considerations

4. The global shipbuilding crisis is of temporary nature. Seaborne trade has already returned to robust growth and many niche markets have fared well during the crisis including passenger and cruise shipping.
5. Shipbuilding and various maritime operations have strong growth potential in established as well as new markets such as off-shore wind energy.
6. Global market distortions and the lack of effective global trade rules applicable to the sector remain a key concern. The decision by the OECD Working Party on Shipbuilding last week to re-launch the negotiations on a new shipbuilding agreement are an encouraging sign towards normal competitive conditions. The key parties now have to demonstrate their will to tackle all problems areas, including in particular injurious pricing, in a constructive and effective way and to come up with result swiftly. The European Union should proceed, in parallel, to raise specific concerns related to injurious pricing cases bilaterally in order to ensure the sincereness of the trade partners in addressing the most urgent concern.
7. Due to speculation-driven expansion, the global shipbuilding industry is faced with a serious supply and demand imbalance. Europe's policy approach over the past decades provided substantial contributions to reducing over-supply. Unfortunately, other trading partners have not

followed a similarly prudent approach and build up massive production capacities. Europe's decreased market share leaves today no more room to continue in this direction.

8. The current market situation questions the survival of significant parts of the industry. The threat of short-term structural damage could deeply impact also the medium-term competitiveness of the surviving enterprises. The loss of vital infrastructure in the divers network of equipment, service and knowledge provides including research and education facilitates is a realistic scenario, if critical mass can not be retained. Consequently, Europe faces the serious concern of loosing in a medium-term perspective the capabilities to develop and construct complex maritime structures.
9. Shipbuilding capabilities are of strategic importance to Europe with regard to waterborne transport, naval defence, as well as progress towards environment friendly maritime operations. The sector drives technological progress with relevance to many other sectors. In addition, is of considerable importance with respect to regional cohesion.

III. Conclusions

10. The LeaderSHIP framework has proven to be an ideal platform to develop comprehensive industrial policy for the sector. Much of the action items identified within the initiative remain valid and will be continuously pursued. However, in view of the changed market environment, temporary short-term action must be amended.
11. The crisis response measures proposed at the LeaderSHIP High Level Meeting in September 2009 including fleet investment stimulus, financing means, level playing field and expanded and accelerated research and innovation efforts, should be pushed forward without delay.
12. The stakeholders consider the stimulation of new orders for markets, which are in need for new, safe and clean ships as a key element. A targeted fleet renewal programme is expected to boost industrial activity as well as regional investments, improve the infrastructure, reduce significantly dangerous emissions from ships and thus contribute to a healthy environment. The Community Guidelines on State Aid for Environmental Protection and other existing EU provisions offer a sufficient basis for swift definition and implementation of effective programmes.
13. Shipfinancing instruments at national level should be further strengthened. Particular attention must be given to the Temporary Framework. As the crisis conditions for the shipbuilding sector will not disappear by the end of the year, the provisions of the Temporary Framework should continue to apply to the shipbuilding sector. In addition, a European shipfinancing scheme should be developed to complement national programmes and to contribute to improved transparency.

14. The shipbuilding framework should be prolonged as soon as possible in order to provide stable and reliable conditions in particular with regard to support for innovation. The experience of the past years should be used to improve the practical conditions of use of the instrument.
15. Only the Member States have the means for a swift implementation of effective instruments. Decisive action at national level is therefore a precondition. At the same time, it is more and more evident that separate national solution will not deliver sustainable results as the question of critical mass can no longer be successfully addressed by any Member State alone.
16. Trustful and sound action coordination within the EU can safeguard fair competition, accelerate action implementation and reduce legal uncertainties.
17. The Competitiveness Council is requested to ensure in its next meeting in May 2010 an appropriate coverage of the situation in the shipbuilding sector. The European Commission is requested to ensure appropriate input for the Council to enable the necessary decisions without delay.

Basque Maritime Forum, Bilbao, 21 April 2010