



European Economic and Social Committee

CCMI/152
LeaderSHIP strategy

OPINION

European Economic and Social Committee

The LeaderSHIP 2020 strategy as a vision for the maritime technology industry: towards an innovative, sustainable and competitive maritime industry in 2020
(own-initiative opinion)

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1. Conclusions and recommendations

- 1.1 The EESC recommends that all Commission services step up their efforts to assume responsibility for the completion of the LeaderSHIP 2020 strategy (LS 2020) and for the preparation and implementation of the next strategy for the sector (LeaderSHIP 2030), in cooperation with stakeholders.
- 1.2 As it was adopted in 2013, the conclusions and recommendations of LeaderSHIP 2020 have been determined by the consequences of the economic crisis of 2008. However, many changes have taken place in recent years, with serious challenges and new opportunities emerging for the maritime industries in Europe. The EESC therefore calls on the Commission to provide stronger support for the maritime industries in coping with its challenges and opportunities.
- 1.3 With the publication of the LS 2020 strategy, the Commission and stakeholders agreed on 19 recommendations, aimed at putting the strategy into practice. At the hearing, stakeholders from the sector completed a survey evaluating the extent to which these recommendations had been implemented. The survey's findings are discussed in section 3.
 - 1.3.1 The EESC notes that, four years after the strategy was published, progress towards implementing all recommendations has been uneven – the average implementation rate is only 25%. Recommendations relating to the RDI pillar have been implemented relatively well. Rather less successful, but still effective, has been the implementation of recommendations under the "employment and skills" pillar, with the exception of informal learning. This is followed by the roll-out of measures on "improving market access and fair competition". Progress on such measures is rated at only 20%. The pillar with the weakest level of implementation (an average of 15%) is "access to finance", with the exception of measures to promote EIB financing. The EESC calls on the Commission and stakeholders to step up the strategy's roll-out and to carry over key, outstanding recommendations to the sector's new strategy (LeaderSHIP 2030) which has been proposed by stakeholders.
- 1.4 The hearing highlighted that the European maritime technology (MT) sector is a key strategic sector for Europe, and that it is in relatively good shape, despite the many difficulties the sector had been confronted with, especially after the economic crisis. In contrast, Asian shipyards are suffering a lot, inter alia as a result of vigorous state aid policies. However, due to their current problems, Asian competitors, and particularly China, will increase pressure on Europe. The EESC recommends that the European Commission adopt a framework that would enable a genuine global level playing field for the European MT sector.
- 1.5 The Chinese government and banks will provide all financial support to their state-owned companies in order to implement the recently announced strategy to take over Europe's position as a leader in building high end ships, such as cruise ships, and high tech maritime equipment. Against this backdrop, the EESC recommends that the European Commission adopt a strong industrial and manufacturing policy, based on reciprocity, enabling the European maritime technology industry to survive competition.

- 1.6 The maritime industries are currently challenged by regulatory and societal pressures. On the regulatory side, this sector is pressured to improve its environmental, safety and security performance. On the societal side, digitalisation, automation, cybersecurity or the Internet of Things are potentially disruptive technologies which may fundamentally change the future of the maritime sector. At the same time, these challenges create interesting opportunities for the European MT sector. The EESC therefore recommends that the European Commission stimulate investments of the European MT sector in RDI – for instance through a PPP – to cope with the sector's needs. RDI is key for the European MT sector to stay ahead of global competitors.
- 1.7 The European MT sector has an increasing interest in exploiting the economic potential of seas and oceans in a sustainable manner. Offshore wind, ocean energies or aquaculture are only few examples. To fully exploit this potential and to open up new opportunities (e.g. energy storage at sea), the EESC recommends that the European Commission support the European maritime technology sector with a Blue PPP.
- 1.8 Contrary to Asian competitors, access to finance is a significant problem for European shipyards and European maritime equipment manufacturers. Existing European financial tools are either insufficiently known or not fit for use in such a capital-intensive sector at all. The EESC therefore calls on the European Commission to launch a dedicated financial instrument that would enhance investment in a capital risk intensive sector, such as the European MT industry.
- 1.9 The EESC believes that the navy sub-sector has a very important role to play in maintaining the "critical mass" of the entire European shipbuilding sector and is, additionally, a driving force behind research and innovation in the MT sector and beyond. The EESC therefore calls on the Commission to ensure that the maritime defence industry forms one of the pillars of the follow-up to the LeaderSHIP strategy.
- 1.10 To remain competitive and innovative, the European MT sector needs to implement new technologies and to have the rightly skilled and trained workforce. The EESC advises the Commission to provide strong support to the social partners from the shipbuilding sector to continue with their work at the European Skills Council for the Maritime Technology Sector. The EESC brings to the attention of the EC the need to promote industry-led initiatives and expertise to solve the skills mismatches in the sector.
- 1.11 The EESC has taken note of the findings of the report on *New trends in the shipbuilding and marine supply industries*¹ and calls upon the European Commission to cooperate with SEA Europe and IndustriALL and other stakeholders to implement the recommendations made in this report.

¹ "New trends in the shipbuilding and marine supply industries".

2. Background to the opinion

Current status of the European maritime technology industry

- 2.1 The European maritime technology industry covers all businesses involved in the design, construction, maintenance and repair of vessels and other maritime structures, including the entire supply chain of systems, equipment and services, supported by research and educational institutions. European firms are innovation leaders and produce around half of the world's marine equipment each year.
- 2.2 European shipyards are successful in the building, repairing, maintenance and conversion of very complex and technologically advanced civil and naval ship types, such as cruise ships, ferries, offshore vessels and installations, frigates, submarines, etc. They also produce and deliver technologies associated with the development of "blue growth" (offshore energies, aquaculture, seabed mining, etc.). They create an annual turnover of approximately EUR 31 billion, directly employing over 200 000 people, and there are currently around 300 shipyards in Europe².
- 2.3 Producers and suppliers of marine equipment from the EU are global market leaders. They comprise around 22 000 large, small and medium-sized companies which deliver various materials, systems, technologies and equipment or provide engineering and consultancy services. They generate an annual turnover of approximately EUR 60 billion, and they directly employ over 350 000 people. Their share of the global market is about 50%.
- 2.4 The European maritime technology sector invests 9% of its profits from sales in research, development and innovation – the highest rate of investment in RDI to be found in Europe.
- 2.5 The global shipbuilding industry is facing one of its most serious crises in years with 2016 being the worst year so far but worse is expected to come in the coming two to three years. Reduced demand for goods transport in Asia caused order books to shrink dramatically. Europe is unique in that it has been able to keep orders growing since 2012, without financial support or subsidies. At the same time, European maritime equipment manufacturers are facing the negative consequences of the dramatic shrinkage of Asian order books.
- 2.6 In 2016, European shipyards' new orders were worth more than the units already delivered. European contracts for new vessels were worth USD 14.7 billion, representing 55% of the value of new orders across the globe.
- 2.7 The competitiveness of East Asian countries is largely based on national protectionist policies, including subsidies, other financial support, local content requirements, etc. Moreover, contrary to Europe, these countries consistently order their new buildings at their own shipyards. In contrast, European shipowners have shifted their orders for the building of cargo vessels as well as offshore support vessels from Europe to shipyards in Asia. Hence, the European order book has changed over the last decade, towards the building of sophisticated vessel types with higher

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SEA Europe - The Voice of Maritime Civil & Naval Industries in Europe, 2017 newsletter.

added value. Interestingly, this evolution took place at a time that the European shipping industry itself benefited from financial or fiscal support schemes.

Context of the LeaderSHIP 2020 strategy

- 2.8 The LeaderSHIP 2020 strategy³ has its origins in the LeaderSHIP 2015 initiative, launched in 2003 with the aim of ensuring a coordinated response to the challenges faced by the European shipbuilding industry. The main emphasis was on knowledge-based activities and the need for a better return on investment in shipyards in terms of research, development and innovation.
- 2.9 In 2008, the European shipbuilding sector was hit by the global economic crisis. The crisis is still having an effect on the sector to this day. A strong response was therefore needed, in the form of the new LeaderSHIP 2020 strategy (LS 2020).
- 2.10 The 2013 document detailing the LS 2020 strategy was developed by a broad group of stakeholders headed by industry representatives, the European Commission, Parliament and the social partners (SEA Europe and IndustriALL).
- 2.11 The strategy pinpoints the attributes of this industry: innovative, "green", specialised in high-tech markets, energy efficient, and capable of expanding into new markets.
- 2.12 The report presenting the LS 2020 strategy identifies the following four pillars:
 - Employment and skills
 - Improving market access and fair market conditions
 - Access to finance
 - Research, development and innovation (RDI).

3. Evaluation of progress towards implementing the LS 2020 strategy recommendations

- 3.1 The assessment of the extent to which the LS 2020 strategy's recommendations have been implemented was carried out on the basis of a survey completed by participants at a public hearing. The findings of the survey are set out below.
- 3.2 There has been moderate progress on measures under the "employment and skills" pillar of LS 2020. The recommendations implemented most effectively were "to create a MT sector sub-group within the ESCO system" and "to promote the TM sector", with a score of 30%. Plans for a study on informal learning were viewed as poor, with a score of 0. The remaining recommendations in this group received a score of 15-20%.
- 3.3 Implementation of recommendations under the second pillar, on "improving market access and fair competition", was viewed as rather limited. Three measures are underway: the OECD Working Party on Shipbuilding; closer cooperation between industry and the EC on issues relating to the protection of intellectual property and compliance with IMO regulations; and

³ http://ec.europa.eu/growth/sectors/maritime/shipbuilding/ec-support_en.

making use of various trade policy instruments and supporting efforts to conclude free trade agreements. Around 20% of these measures are considered to have been implemented. The implementation of the other measures in this group is negligible.

3.4 As regards the pillar on access to finance, stakeholders noted progress on one point only: "explore and promote EIB financing opportunities and possibilities for broadening the lending it provides", which got a score of 20-30%. Implementation of the recommendation to "examine the possibility of a 'blue PPP'" is rated at 15% and the recommendation on the evaluation of "opportunities for long-term financing by the Commission" has hardly been put into practice at all (5%).

3.5 The recommendations on RDI provide grounds for mild optimism. Three of the recommendations are halfway – or even more than halfway – to being fully implemented. The assessment of this group of recommendations is as follows:

- examine the feasibility of PPP projects in the field of RDI for the maritime technology sector — 50%,
- the Commission's incorporation of provisions covering RDI into EU regulations in view of the expiry of the Framework on State Aid to Shipbuilding — 60%,
- examine the possibility of allocating structural funds to diversify the MT sector, especially in the context of regional strategies for smart specialisation — 45%,
- development by the MT industry of a comprehensive PPP at EU level to focus maritime research on, among other things, zero-emissions and energy-efficient ships — 30%.

4. **General and specific comments on the implementation of the priorities of the LeaderSHIP 2020 strategy**

Employment and skills

4.1 There is a strong need to rectify skills shortages, to upskill workers and to provide relevant training and retraining with the aim of maintaining a critical mass of expertise and know-how in the European MT industry. Thus, it is important to support and continue the work initiated by the social partners with the Skills Council project⁴. Moreover, it is essential that the social partners are involved and consulted by the European institutions in the policy making process and about any EU initiative affecting the sector and that the professional organisations representing employers and employees continue to be involved in dialogue, including in the context of the social dialogue.

4.2 Workers must have appropriate training to be able to cope with the challenges of Industry 4.0 and future technological change (e.g. digitalisation). Future workers in the maritime technology industry will need to have skills enabling them to handle the opportunities and challenges of the blue economy.

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Sectoral council on skills.

- 4.3 Efforts to improve the attractiveness of the sector need to be stepped up. Various career paths for workers in this sector need to be identified and brought together, and the mobility of students (i.e. Erasmus for the maritime technology sector) needs to be increased. The European Commission should continue to fully support the activities of SEA Europe and IndustriALL at European level within the framework of the social dialogue committee.

Improving market access and fair competition conditions

- 4.4 European industry is still confronted by unfair competition from third countries, both in the shipbuilding industry and – increasingly – in the marine equipment sector. The crisis in Asia, caused by production overcapacity, mainly as a result of massive state subsidies, means that the public authorities of these countries wish to support local shipyards as well as local marine equipment manufacturers, which means increasing exports and thus additional competitive pressure on European shipyards and marine equipment manufacturers.
- 4.5 Asian shipyards are now focusing their attention on the successful European markets for more advanced types of vessel, such as cruise ships and passenger ships. Furthermore, in its recent "Made in China 2025" and "China Manufacturing 2025" official documents, China announced that it is aiming to become the world's leading producer of high end ships, including cruise ships, and high tech marine equipment, meaning that it will be directly competing with successful European markets. This policy receives full governmental support through state aid. It also poses a threat to the European maritime technology industry.
- 4.6 The US market remains closed due to the Jones Act. If this law were to be loosened and the US market opened up, the European shipbuilding industry would gain some interesting opportunities. The EU should push for this, despite the fact that the current political climate in the United States is more inclined towards protectionism.
- 4.7 Like China, the United States, Japan and South Korea, European and Member States' decision-makers should realise that the European shipbuilding industry and marine equipment manufacturing are strategic sectors of the European economy that call for special attention and a dedicated approach, for both commercial and naval purposes.
- 4.8 The European Commission should endeavour to conclude a comprehensive OECD agreement (including China) setting out rules on subsidies and – potentially – pricing discipline, and should support efforts in this direction.
- 4.9 Reciprocity between Europe and third countries is essential and should therefore be a guiding principle in both bilateral and multilateral trade negotiations, and issues linked to market access. It is the cornerstone to making the European industry, including the MT sector, more competitive towards its global competitors. Hence if European businesses encounter protectionist measures in a third country, the EU should take the same steps with companies from those countries wishing to trade with Europe. Only in this way would there be fairer competition for European shipyards and the European maritime equipment industry.

Access to finance

- 4.10 The Commission frequently presents the EFSI – a financial tool in the Juncker plan – as a (financial) instrument for industry, but its scope and benefits are not fully known (it is mainly oriented towards SMEs). This tool, and its benefits for the maritime technology industry, should be better explained and disseminated.
- 4.11 The shipbuilding industry requires large amounts of capital, but European shipyards have recently been finding it harder to access financing. Meanwhile, foreign shipyards benefit from significant financial incentives, including state aid. The Commission should therefore consider creating a specific system to make it easier for the capital-intensive European shipbuilding industry to access financing.
- 4.12 Use should be made of financial incentives (e.g. through European financing programmes, like the Connecting Europe Facility, incentives for shipowners to invest in environmentally friendly vessels, equipment or technology), with a return on investment in Europe.
- 4.13 The adoption of a dedicated sector-specific regime, which would provide for incentives that would enhance the global competitiveness of the European MT sector, whilst avoiding situations generating tension amongst EU Member States, should be explored. In this respect, best practice examples from other sectors, in particular from the shipping sector, can to some extent serve as a source of inspiration.
- 4.14 The EU, together with Norway, should consider establishing a specific programme to stimulate environmentally friendly and energy efficient short sea shipping by means of the European shipbuilding industry and marine equipment sector. The EESC calls for use to be made of the Committee's exploratory opinion, drawn up for the Maltese Presidency, on "Nautical and maritime tourism diversification strategies"⁵.
- 4.15 Consideration should also be given to setting up a financing programme to enable European recycling facilities to scrap larger ship types.
- 4.16 For the high-tech TM sector in the EU, financial instruments supporting public procurement for the navy are a powerful driver and provide a key contribution to retaining a "critical mass" of production for the entire EU shipbuilding sector, while at the same time promoting research and innovation throughout the sector and related areas. In this context, the EESC welcomes the positive role played by the European Defence Action Plan, drawn up recently by the Commission.

Research, development and innovation

- 4.17 The European Commission should establish a contractual public-private partnership for the maritime industry to allow the sector to further invest in meeting the shipping industry's regulatory and societal challenges and in untapping the economic potential of Blue growth

⁵ EESC opinion, [OJ C 209, 30.6.2017, p. 1](#).

activities. A specific (European) innovation support programme should promote European innovations.

- 4.18 Europe should furnish financial support for European research and development. Similarly, European innovations should be appropriately protected in terms of intellectual property rights. The European Patent Office should effectively monitor European patents, including in the European MT sector, and impose penalties in the event of infringements.
- 4.19 The future (9th) Framework Programme should provide sufficient (financial) support to the maritime industry to enable it to cope with major future (International or European) regulatory or societal challenges, such as the greening of shipping⁶, digitalisation, breakthrough technologies, and connected or automated shipping.
- 4.20 The EESC believes that the future 9th Framework Programme should also include a chapter on the financial support of European industry to enable it to make full use of the economic potential of the blue economy in Europe.

Brussels, 19 April 2018

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The president of the European Economic and Social Committee

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As an international industry competing on a global level, the shipping and maritime technology industries prefer international solutions – through the International Maritime Organisation in London – with regard to the greening of shipping.