EMEC’s contribution to
Call for public views on the review of EIB’s lending policy in support of a sustainable transport sector

The European Marine Equipment Council (EMEC) welcomes the consultation on the upcoming review of EIB’s lending policy in support of a sustainable transport sector and is pleased to submit its comments on behalf of the marine equipment industry.

1. Introduction: EMEC and the marine equipment sector

EMEC is the voice of the European marine equipment sector at the EU and international level. Through its members (14 National Associations in 13 different countries) EMEC represents more than 1500 companies in the European marine equipment sector. Leading companies are also directly involved, through the EMECnet platform, in EMEC’s activities.

The whole industry accounts for 7,300 undertakings in Europe, involved in the manufacturing of marine equipment. Their market share is around 45% of the total global market. 46% of the products manufactured by European industries are exported. The sector is diversified and is largely made up of SMEs (approximately 75% of the total).

Direct employment in the maritime equipment sector is estimated at more than 287,000 units, whilst indirect employment amounts to about 436,000.

Marine equipment comprises all products and services supplied for the building, conversion and maintenance of ships (seagoing and inland) and maritime structures. This includes technical services in the field of engineering, installation and commissioning, as well as ship maintenance (including repair). The sector plays a large part in the shipbuilding process directed at the larger (mainly sea-going) vessels, intended for merchant/commercial purposes, but also military vessels.

Suppliers contribute, through their activity, to increase the sustainability and environmental efficiency of maritime transport. Improvements in the environmental performance of a vessel can be made through the introduction, aboard of new buildings as well as on reconditioned ships, of several technical solutions. These include, for instance, high efficiency propulsion systems and engines, navigation systems integrating ICT solutions in the management of the vessel as well as devices for the treatment of exhaust gasses (scrubbers for the reduction of NOx and SOx).

Thus, the marine equipment industry fully shares the objectives of the EU transport policy and, through its members, it pursues those objectives, with its constant effort to foster the sustainability of maritime transport through the progressive reduction of all externalities.
2. The marine equipment industry and EIB loans: structural issues

Against this background, it should be pointed out that the economics of the shipbuilding industry make it extremely difficult, for marine equipment suppliers, to bridge the gap between the research and development of innovative equipment (material, products, systems and services) and their introduction on the market.

The commercial exploitation of innovations in marine equipment requires, *inter alia*, that suppliers be granted with access to financing based on fair and workable terms. Thus, European suppliers consider as strategically relevant the possibility of obtaining funds through EIB loans.

Yet, it appears that for many of the companies in the sector, applications for intermediate loans result in a complicated and often unsuccessful process. At present, EMEC is not in the position for providing a complete set of information to explain the difficulties that the industry meets. However, the following elements should be taken into account:

0. Marine equipment suppliers are, in most cases, SMEs. This may make access to credit difficult not only with the private sector, but also with public institutions such as the EIB, when it acts through intermediary institutes;

1. The possibility of re-defining the role of the latter through the introduction of clearer and more transparent substantive criteria and procedural rules should be considered. EMEC understands that market criteria should be followed by the intermediary institutes in the evaluation of a loan application. However, policy considerations should be integrated in the evaluation process and have a specific weight in the decision on whether a company should have access to loans or not;

2. In the same vein, the possibility of allowing the revision of negative decisions from the intermediary banks should be considered. The current system presents risks that competition be distorted between companies located in different regions of the internal market and between companies of different sizes. These risks should be reduced through coordination between intermediate institutes and the in depth supervision from the EIB;

3. In addition to the difficulties SMEs encounter when applying to intermediate institutes, obstacles in the selection for direct loans from the EIB should be mentioned. The threshold (EUR 25 million) is too high for SMEs to apply for these loans. As a consequence an obstacle to access to funds is created, which we deem should be removed.

The structural problems that the European marine equipment sector is facing, with regard to access to EIB loans, appear to be reflected in the table on lending statistics, published on the EIB consultation document (page 7). Maritime transport ranks 5th in 2007, 6th in 2008 and 4th in 2009 for the amount of loans signed by the EIB or its intermediary institutes. Shipbuilding does not even appear in the statistics, while automotive and, to a smaller extent, aeronautics do. In EMEC’s view, the reasons behind the gaps between the different transport modes and manufacturing sectors highlighted in the table should be
thoroughly investigated and analysed, since it could reveal important information as to the reasons why shipping and shipbuilding have limited access to (when they are not excluded from) EIB loans.

3. Better targeting policy objectives

EMEC substantially agrees with the policy directions set forth by the EIB in the consultation document (page 5). Marine equipment suppliers welcome, in particular, the reference to the “Greater exploitation of the opportunities posed by intra-European short sea shipping, the “Motorways of the Sea”, greening of the fleet”.

In EMEC’s view, the promotion of the Motorways of the Sea and the development on intra-EU maritime transport services, exploited by highly efficient vessels, would be beneficial to society as a whole (reduction of externalities), to the transport sector (reduction of congestion), to the shipping industry (increase in maritime transport) and to the shipbuilding sector (renewal of the fleet through new buildings or retrofitting).

Yet, EMEC deems important that more specific directions are adopted in order to stimulate investments in new buildings or in retrofitting for environmental purposes and to facilitate access to loans for shipowners, yards or equipment suppliers whose projects or activities would fall within the scope of the lending policy.

We consider that references to maritime transport could be better and more thoroughly developed in order to provide guidelines to the interested parties and to attract application for processes.

A stronger participation to the lending programmes by the maritime industry would be coherent with the purpose of promoting greener and more efficient transport in Europe and would determine a more balanced distribution of resources between transport modes.

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EMEC remain available to further expand on the arguments developed in this contribution and thanks the EIB for the opportunity of submitting comments.