Opinion of German Shipbuilding and Ocean Industries Association on Consultation Process of European Investment Bank

General information

The German Shipbuilding and Ocean Industries Association welcomes the opportunity to present the opinions of the German shipbuilding industry as part of the current consultation process of the European Investment Bank (EIB).

We are convinced that EIB can make worthy contributions to the development of environmentally-friendly maritime transport chains as part of the trans-European transport networks (TEN-T) and to the development of maritime infrastructure for the production of energy.

We would therefore like to offer the following views on the afore-mentioned consultation process:

Raise environmental protection and safety standards - promote innovation

The success of the German shipbuilding industry (both shipyards and suppliers) has always been based on intensive research, development and innovation activities, which has led directly to German firms assuming leading technological roles in many different areas. What is more, owing to international legislation there has thankfully been a visible rise in the importance of products and processes that are greener and more energy efficient.

However, what is also clear is that customers tend to require only the minimum in environmental and safety standards as set forth by current legislation. This trend results in the delayed market launch of the latest in ship technology and shipbuilding techniques, even though further progress ought to be made in the fields of “climate protection”, “lower emissions” and “energy efficiency”.

Steinhöft 11 (Slomanhaus) D-20459 Hamburg
Telephone (+49) 40/28 01 52-0 Fax (+49) 40/ 28 01 52-30 Internet http://www.vsm.de eMail info@vsm.de
Creating stronger links between funding from the EIB and high environmental protection and safety standards could help to buck this trend. In this context the EIB could become a key driving force, encouraging improvements in efficiency, safety and sustainability in marine transport. Attractive financing models for environmentally-friendly ships could represent a good financial incentive for customers to opt even for higher-priced ships made by German or European suppliers. One other knock-on effect would be that this could help innovations from our shipbuilding industry break into the market that are currently not a requirement under national or international regulations.

Avoid credit squeeze - enable construction financing

"Ship financing" is still experiencing difficulties as a direct consequence of the financial market crisis. The restrictive lending policies pursued in this sector by European and German private banks have clearly lowered the chances of obtaining credit. This is all the harder to take given that Europe and Germany in particular used to be leaders in shipping finance, which also had a positive impact on German shipbuilding companies. What we notice is that the banks tend to be more reluctant the more customised a shipbuilding project is. This trend obviously runs counter to the efforts made by the shipyards to acquire new contracts for special-purpose shipbuilding in particular.

What is also clear is that Chinese banks are increasingly pressing forward to fill the vacuum created after the withdrawal of German and European private banks. Now that the country has risen to become the world's largest shipbuilding nation it is a declared goal of the Chinese government to become market leader in the services segments too, such as ship financing for example. Recent experience has already demonstrated that Chinese shipyards have been able to win various contracts to build special-purpose ships based on attractive financing packages provided by state-owned Chinese banks.

Against this background, stronger commitment from the EIB in the field of German and European shipbuilding would be beneficial to compensate for the withdrawal of European banks on the one hand, and to help bring special types of ship to the market by providing appropriate financing models on the other.

In addition to the end-financing of ships, shipyards are also having problems with construction financing under the current market conditions. German shipyards for example have lost contracts because they were unable to find banks that were willing to help by providing guarantees. In this context we would like to push for a situation where the EIB is able to become involved in construction financing.
Improve public relations work

Inquiries among our members and their customers have shown that the financing options offered by the EIB are not as well known as they could be. In this respect we suggest that the EIB put a campaign together to inform German and European shipbuilding companies of the various opportunities, and here the Association will gladly participate as a liaison partner.

Prevent distortions of competition

In the past we have seen that the EIB has participated in financing ships that were built outside of Europe. In principle there would be no concerns about such commitments, but for this the competition on the international shipbuilding market would have to be fair and transparent. However, we have to concede that competitive conditions – especially in the current shipbuilding and shipping crisis – have altered radically. In China and South Korea for example we have observed massive state subsidies being provided as part of a strategy to develop the shipbuilding industry. What is more, representatives of Korean shipyards have previously announced at OECD meetings that they will adopt a "low-price offensive" to break into market segments previously dominated by European suppliers, such as ferries and passenger ships for example.

Of course, especially in times of crisis it makes perfect business sense for companies to focus on new market segments. This is a change that European and German shipyards have successfully pulled off in the past. However, the current pricing policies of Asian competitors in particular lead us to conclude and fear that they wish to achieve their objectives with the aid of unfair competitive conditions and by suppressing potential European rivals.

Since there will be no international agreement under the aegis of the OECD in the medium term regarding fair conditions in the shipbuilding market, due in no small part to resistance from Korea and China, then in view of the German shipbuilding industry the EIB should not co-finance contracts which evidently cannot cover costs and which therefore give rise to the suspicion of predatory pricing by means of dumping practices. For this purpose the market conduct of suppliers should also be taken into account during credit checks carried out by the EIB.

Do not hesitate to contact us if you have any questions.

Yours sincerely,

GERMAN SHIPBUILDING AND OCEAN INDUSTRIES ASSOCIATION

[signature] [signature]
Werner Lundt Dr. Alexander Geisler