



SEA EUROPE VIEWS ON THE COMPENSATED GROSS TONNAGE (CGT) CALCULATION SYSTEM REVISION

Briefing Note ahead of upcoming OECD WP6 meeting (18-19 April 2017)

EXECUTIVE SUMMARY

As the association representing the European Shipyards and Maritime Equipment Manufacturers, SEA Europe welcomes the opportunity to express its position regarding the Compensated Gross Tonnage (CGT) system in the context of the ongoing discussions on a possible revision of the current Model.

While considering that there is no need to establish a new system, SEA Europe is of the view that the current CGT system needs to be updated.

More specifically, SEA Europe believes that the existing CGT system should be refined to ensure that the importance and complexity of specialized ship types (cruise ships, pleasure crafts and offshore) is adequately captured and reflected in the model.

SEA Europe would also like to underline the importance of keeping a consistent application of the CGT model.

1. BACKGROUND

SEA Europe has been contributing to the discussions on the CGT System's update process since 2014, particularly within the framework of the International Shipbuilding Forecasting Experts Meetings (ISFEM). Within the ISFEM context, SEA Europe tried to seek consensus around the need to focus the update process **solely on the parts of the CGT system that apply to cruise ships, offshore and pleasure craft**, since it was considered this would be easier to agree upon at an international level. It must be indeed stressed that **international support both at the political and industry level** is essential for a successful update process.

SEA Europe, more recently, shared the several concerns raised at the last OECD WP6 meeting about the proposals to use data based on second-hand market sale prices, and then adjust them taking into account the ship type differences (age, fuel, etc.). SEA Europe would like to reiterate that such an approach would not reflect the shipbuilding capacity which is the main purpose of the CGT system nor would it allow to compare the work content between different ship types.

2. USE OF CGT SYSTEM

In February 2017, the OECD issued an Electronic Questionnaire seeking views on the different uses made by countries, shipbuilding associations and shipyards of the CGT. Since the requested information was to a large extent based on current national practices, SEA Europe invited its National Associations to respond to the Consultation's Questionnaire.

Feedback provided by SEA Europe's Members indicated that in most European countries CGT is used to discuss shipbuilding capacity in the elaboration of national policies and in relevant policy documents.

Former EU state aid rules as defined by the Shipbuilding Framework (2003/C 317/06) also made reference to the CGT value of a ship with regard to aid for innovative prototype vessels providing a maximum ceiling of permitted aid. Since 2014 the EU no longer upholds sectoral state aid rules for Shipbuilding. The horizontal rules for Research and innovation do not refer to the CGT system.

The most important purpose for which Governments currently use CGT, however, is to evaluate individual vessel types with regard to their work content. **CGT is thus used as indicator of the complexity of ships built in the country.**

3. SEA EUROPE POSITION

The CGT System is a macro-economic measurement tool. It lacks precision to measure individual ships accurately. However, by means of aggregation it does provide valuable information when comparing national economies, in particular with regard to comparing supply and demand.

In the light of the above, converting output numbers of shipyards into CGT allows SEA Europe members to show to national Governments and other stakeholders how the industry measures up against the output of competing shipbuilding countries and regions.

European shipyards are concentrated on high-end ships, such as cruise, superyachts, offshore ships, dredgers, and workboats (falling under the category of Non-Cargo Carrying Vessels, NCCV). In this respect, SEA Europe would like to draw attention to the fact that **the current single CGT coefficient is too limited to sufficiently cover the variety and (increasingly evolving) complexity of ships within the afore-mentioned category.**

It is worth noting that Dutch government, for instance, is already making a distinction between different types of vessels under the NCCV category (including but not limited to dredgers and superyachts) in the application process for innovation support.

SEA Europe is therefore of the view that the **present model should be refined and extended** as the CGT categories do not fit the current modern ship types and are underestimating the complexity of some ship types such as yachts and several other types in the NCCV category.

SEA Europe and its Member Associations look forward to contributing to this process and participating in a Working Group preparing a possible revision of the CGT System.

About SEA Europe:

SEA Europe, the European Ships and Maritime Equipment Association, is the voice of the European maritime technology industry. SEA Europe promotes and supports European business enterprises which are involved in the building, construction, maintenance and repair of all types of ships and other relevant maritime structures, including the complete supply chain of systems, equipment and services.

Contact: info@seaeurope.eu

www.seaeurope.eu