

STRATEGIC MARITIME TECHNOLOGY INDUSTRY IN URGENT NEED FOR SPECIFIC EU MEASURES

In the light of COVID-19, SEA Europe calls for urgent, tailor-made sectoral support to safeguard the survival of Europe's strategic maritime technology industry

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"If the EU fails to adopt tailor-made sectoral policies and financial support beyond its horizontal industrial policies, Europe risks to lose its strategic maritime technology sector to Asia, whilst European shipyards and maritime equipment manufacturers are key for the European Green Deal, for Europe's Blue Economy and mobility, for Europe's defence, security and autonomy and for Europe's access to seas and trade of goods and passengers", says Kjersti Kleven, SEA Europe's chairwoman. "Such a loss would make Europe entirely dependent on Asia for the design, building, repair, retrofitting, and equipment of civilian ships, with devastating effects for Europe's autonomy, defence and security, maritime economy and workforce.

Like other sectors, the COVID-19 outbreak has hit Europe's maritime technology sector very hard: production has been reduced or stopped, supply chain activities are disrupted, workforce is in temporary unemployment, and many companies face serious liquidity problems or are in need of bank credit, which is a very serious problem for an industry that is – by nature – highly capital-intensive. In addition, orders for newbuilt ships or ship repair and retrofitting are postponed, declared force majeure or cancelled, because all shipowners, including cruise and ferry operators, are in serious difficulties. However, these economic consequences will last much longer than for many other sectors, due to the specificities of the sector, and come on top of existing severe competitive distortions from Asia. To monitor the local situation in Member States weekly and assess the impact for our companies, employees and supply chain, SEA Europe set up an internal task force", says Christophe Tytgat, SEA Europe's Secretary General.

SEA Europe welcomes the recent horizontal initiatives from the European Commission in response to the COVID-19 outbreak, as they try to minimize the impact of this crisis for all European industries. However, **SEA Europe urges the European Commission to complement these initiatives with sectoral policies and financial support – tailored to the specific needs and challenges of Europe's shipyards and maritime equipment industry (known as "the maritime technology sector")**. Such sectoral policies and financial support should not only enable the sector to cope with the severe consequences of the COVID-19 outbreak but also aim at safeguarding the survival of this strategic sector for Europe. This position is fully in line with SEA Europe's response to the recently released and much welcomed new Industrial Strategy for Europe and was elaborated in SEA Europe's *White Paper "Maritime Technology in Europe: A Strategic Solution Provider for Major Societal Challenges"*, issued in October 2019 (available [here](#)).

Like other industries, Europe's maritime technology sector has been hit very hard by the COVID-19 outbreak. But, unlike other industries, Europe's maritime technology sector will feel the real negative consequences from the COVID-19 outbreak more acutely in the medium and long-term. This is because shipbuilding and maritime equipment manufacturing are export-oriented businesses and very much depend on global macro-economic trends, trade volumes, and market sentiments. Moreover, shipbuilding is characterized by very long lead production times, with a 2-3 years' time laps between the ship's contracting and delivery on average, and heavily depends on a well-functioning supply chain, as 70-80% of the ship's value derives from the supply chain.

SEA Europe expects that COVID-19 will particularly negatively impact those markets in which Europe's shipyards currently are global leaders, notably the markets of complex ship types, such as ferries and cruise vessels, dredgers, advanced fishing vessels and vessels for offshore operations. In concrete, the sector expects that many orders for newbuilt cruise ships will be cancelled since cruise operators are heavily suffering from the financial consequences of travel restrictions and health issues

onboard such ships. Hence, production of and demand for cruise ships and related maritime equipment will not restore before shipowners will be confident about better market conditions and passengers about better financial and sanitary circumstances. Only thereafter, shipowners may start placing new orders again. Another example is Europe's offshore building sector, particularly of offshore oil and gas platforms and related ships. This sector will suffer heavily from a drop in oil prices, whilst in fact it has not yet fully recovered from the previous oil crisis. For both segments, however, experts forecast a considerable slowdown in growth of global trade for goods and raw materials as well as for demand for cruise ships and ferries. Hence, it will take time before shipyards will be able to recover from this sanitary crisis on international trade, tourism and mobility patterns. Last but not least, naval shipyards are also experiencing issues in performing and respecting the delivery for their ongoing projects. In this respect, SEA Europe urges the EU to regard the naval defence industry as critical for the EU's future security and defence needs and continue – and where possible even reinforce – the implementation of scheduled projects and programs [such as the EDF] as means to ensure that the EU's industrial capabilities are kept intact.

SEA Europe also expects that Europe's maritime equipment industry will suffer heavily from the consequences of COVID-19, with their 50% global market share. The survival of this part of the maritime technology sector is crucial to maintain the competence and innovation needed for the green and digital transitions in European and international shipping in Europe.

The impact of COVID-19 comes on top of the global and competitive challenges that Europe's maritime technology sector was already confronted with. The global trading environment in which most maritime technology companies are operating, is already heavily impacted by growing trade protectionism, trade tensions, market imbalances and aggressive state-led competitive distortions, mainly from Asia. *"Made in China 2025"* directly targets Europe's global leadership in both complex shipbuilding and advanced maritime equipment manufacturing. In this respect, it is worth referring to a *European Commission study on Europe's maritime technology sector*, issued in October 2017, which had already then concluded that the next decade will determine whether Europe's shipyards and maritime equipment manufacturers will continue to grow and survive or decline and eventually disappear.

If the EU fails to adopt tailored-made sectoral policies and financial measures, including state aid, in support of Europe's maritime technology sector, there is a big risk for Europe to lose the remaining part of its strategic maritime technology sector to Asia. Such loss of a critical competence would have many devastating effects for Europe, notably:

- More than 1 million jobs in maritime technology companies would be lost.
- About €120 billion of added value, created by the maritime technology sector, would be lost.
- Europe would lose its innovation and technological global leadership in complex ship types (e.g. offshore, dredging, and cruise ships).
- Without its own shipyards, Europe will become entirely dependent on foreign (mainly Asian) countries for the building, repair, retrofitting, maintenance and conversion of civilian ships and on foreign ships for access to seas, transport for goods and passengers and Blue economy activities. A loss of shipyards in Europe will also lead to serious losses in Europe's supply chain.
- Without shipyards in Europe, the business of Europe's maritime equipment companies will become entirely dependent on foreign (mainly Asian) markets, where already today they face more business obstacles and trade protectionism.
- Without its own shipyards and maritime equipment companies, Europe will be entirely dependent on foreign (mainly Asian) nations for realizing its Green Deal targets, aiming at transforming waterborne transport into a climate-neutral mode of transport, or for implementing its Blue economy activities, e.g. offshore renewable energy or aquaculture.

The COVID-19 outbreak has already clearly demonstrated the disastrous and dangerous effects of Europe being entirely dependent on foreign nations (e.g. in the field of medical equipment). Such

example should not be replicated in Europe's maritime technology sector, especially in times of increasing international political tensions and growing trade protectionism or in times of high political ambitions such as the European Green Deal. Without its own shipyards and maritime equipment companies, Europe will become entirely dependent on foreign nations. Such risk is in fact recognised in the European Commission's recommendation to Member States to be very vigilant and use all EU and national tools, including the application of the Foreign Direct Investment Screening Regulation, to avoid that the COVID-19 crisis leads to a loss of critical assets and technology. To avoid such risk, **SEA Europe urges EU – and national – decision-makers to act in support of the needs, challenges, threats and opportunities of Europe's maritime technology sector and adopt** tailor-made sectoral policies and financial support for the sector. Only then will Europe's shipyards and maritime equipment companies be able to recover and continue to play their key role as strategic sector and solution provider for Europe. Inspiration for such policies and support can be found in SEA Europe's *White Paper "Maritime Technology in Europe: A Strategic Solution Provider for Major Societal Challenges"*, issued in October 2019.

Background Note: *SEA Europe represents close to 100% of the European shipbuilding industry in 16 nations, encompassing the production, maintenance, repair and conversion of all types of ships and floating structures, commercial as well as naval, including the full supply chain with the various producers of maritime systems, equipment material, and services.*

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