COUNCIL
WORKING PARTY ON SHIPBUILDING

SUMMARY RECORD OF THE 107TH SESSION

Meeting held at the OECD on 4 December 2008

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COUNCIL WORKING PARTY ON SHIPBUILDING (WP6)

SUMMARY RECORD OF THE 107TH SESSION

Paris 4 December 2008

Item 1. Election of Officers of the WP6

1. Mr. Marcos Bonturi from the Secretariat took the Chair for this item.

2. New Council procedures require that elections for officers should now be held at the last meeting of each year for the succeeding year. Therefore, these elections were for officers that would hold their posts during 2009.

3. After the election Mr. Bonturi announced that the following officers were elected for 2009:
   
   Chairman: Ambassador Harald Neple (Norway)
   
   Vice-Chairs: Dr. Sung Cheon Kang (Korea)
   Mr. Hideaki Saito (Japan)
   Dr. Stephan Hesselmann (Germany).

Item 2. Adoption of the Agenda [C/WP6/A(2008)2]

4. There were no substantive changes proposed for the Agenda, and this was adopted by Delegates.

Item 3. Approval of the Summary Record of the meeting held on 3-4 July 2008 [C/WP6/M(2008)1]

5. The Summary Record of the 106th Session was adopted without change.

Item 4. Sector Understanding on Export Credits for Ships (SSU)

6. The Chairman of the informal expert group on export credits for ships, Mr. Yang-Hyun Lim (Korea) presented a report of the meeting held on 2-3 December 2008 (a copy of Mr Lim’s statement is at Attachment A). In brief, Mr Lim advised that some useful progress had been made during this session on minimum premium benchmarks, where detailed information on policies and practices was collected and analysed. This detailed information collection will continue in the period leading up to the next meeting of the expert group.

7. Mr. Lim also noted that some useful progress was made with respect to the bringing of the Weighted Average Life (WAL) concept into the SSU, and it may be possible that this matter could be finalised before the next meeting of the expert group, in which case the Chairman of the WP6 would be advised in writing.

8. The next meeting of the informal expert group has been scheduled for 7-8 July 2009.
9. As the mandate of the expert group was due to expire at the end of December 2008, the Working
Party renewed that mandate until 31 December 2011.


10. Delegates discussed the possible resumption of the Shipbuilding Agreement negotiations and
briefly considered the next steps contained in document C/WP6(2008)17.

11. While there was acknowledgement that efforts should be made to seriously explore the
resumption of those negotiations, the Chairman also noted that an atmosphere of trust was needed amongst
parties that would enable them to enter into genuine negotiations, where concessions would be made by all
participants to arrive at an acceptable outcome. In order to create such trust, key players (including China)
should make every effort to consult, in order to better understand each other’s positions, and ascertain if
conditions were suitable for resuming the negotiations.

12. With respect to the issues raised in document C/WP6(2008)17, the following points were raised:

- The mandate needs some revision, and this might be a way of reducing the possibility of
future issues hindering the progress of the negotiations.
- The participation and role of significant non-OECD economies in the negotiations should be
stressed.
- In response to a question, the Chairman clarified that as Shipbuilding is a Programme
operating under Part II of the OECD Budget, there was no chance that funds would be
available from Part I, and the members of the WP6 would have to bear the cost of the
negotiations.
- The Secretariat stressed that the additional costs outlined in document C/WP6(2008)17 were
modest, as they did not represent any expansion of direct WP6 Secretariat resources, but
covered only costs associated with the negotiations; such as meeting rooms, interpretation,
legal and administrative costs, etc.
- Given the likely complexity of any new negotiations, there was support for setting a time
frame of two years from the date of approval by Council. The proposed negotiating schedule
contained in the document (assuming Council approval in the first part of 2009) was noted.

13. In closing this item, the Chairman noted that he would continue to consult with key players in an
effort to arrive at a conclusion regarding the possible restart of the negotiation, commencing with a
decision at the earliest opportunity of whether the meeting foreshadowed for 18 February 2009 to consider
this issue would go ahead.

Item 6. Issues related to the Workshop with non-OECD economies and industry

14. Delegates briefly considered this item, with the only issue of substance being a short briefing by
the Secretariat on participating non-OECD economies (that included China), and the strong representation
by groups representing the non-shipbuilding maritime sector. Labour interests would also be represented.

Item 7. Exchange of information on new policy developments

15. Finland advised the introduction of a €20 million innovation aid package provided to the
shipbuilding sector in accordance with European Union (EU) guidelines on such aid.
The EU advised that in keeping with the “LeaderShip 2015” programme, Intellectual Property Rights (IPRs) in the shipbuilding sector were becoming more important, and would be the focus of a series of Workshops in 2009. In this context, the shipbuilding industries of the EU and Japan raised at an IMO meeting that discussed goal-based construction standards, the potentially negative aspects of this approach on Intellectual Property in the shipbuilding sector.

The EU and Japan asked Korea to advise how its government intended to deal with the impact of the current economic and financial crisis on its shipbuilding sector, and whether there was any intention of providing them with support through subsidies. The Delegate from Korea advised that some recent media reports had indicated that there were a number of industry-wide structural problems in its shipbuilding sector. However, this was not the case and only a small number of minor yards – amounting to less than 5% of Korea’s production – had been affected. Korea does not have an assistance programme specifically for the shipbuilding sector, but does have a broadly-based programme intended for all small and medium sized businesses.

Item 8. Dates of next meetings

Delegates noted that the next meeting of the WP6 was scheduled for 9/10 July 2009, but that this was subject to future decisions on the possible resumption of the Shipbuilding Agreement negotiations.

Item 9. Other Business

There were two items of other business raised by the Secretariat.

The first was a brief report to Delegates of the status of the invitations issued to Romania and Croatia in 2007 to become full participants in the WP6. Recent unofficial correspondence from both Romania and Croatia indicated that a decision had been reached to accept the invitation for full participant status, and both economies were in the administrative process of finalising their letters of acceptance.

In the second item, WP6 Delegates agreed to the declassification of the following documents:

- C/WP6(2008)6 “The interaction between the ship repair/conversion and shipbuilding industries”.
ATTACHMENT A

INFORMAL EXPERT GROUP ON THE SECTOR UNDERSTANDING ON EXPORT CREDITS FOR SHIPS
Chairman’s Report to the WP6, 4 December 2008

Mr. Chairman, Delegates,

I am presenting a brief report covering the second meeting of the Informal Expert Group on the Sector Understanding on Export Credits for Ships.

The meeting was held on Tuesday and Wednesday - 2nd and 3rd of December, and was very well attended, as was the first Expert Group meeting, with 51 delegates registered from 15 delegations, including the European Commission.

While some useful progress was made on the issues referred to the Expert Group, so far I have no substantive outcomes to report.

However, please allow me to bring you up to date on progress with the specific issues referred to the Expert Group by the WP6.

On the issue of Minimum Premium Benchmarks, which is considered as relatively heavier than the other two issues, the Expert Group is in the process of collecting necessary information about the export credit policies and practices of the Participants to the Sector Understanding on Export Credits for Ships.

In the meeting, the Participants discussed a substantive report laying out the principal practices and policies of the participants. This information was collected through a Questionnaire which was designed by the Participants for the fact finding exercise.

Virtually all SSU Participants contributed to produce a very detailed report, and which provided a rich source of information for the consideration of the Expert Group.

In the course of considering that information, the Expert Group identified that some additional types of information were necessary, as well as the need to refine some of the questions in the Questionnaire. This work will be done by both the Secretariat and Participants, and some additional information will also be collected for further consideration at the next meeting of the Expert Group.
In addition, for the next meeting, one participant has offered to make a detailed presentation on its pricing system, and other participants will also be welcome to do so.

There are many quite complex aspects to this issue, and the spirited discussion of the last two-day-meeting indicates that some time will be required before moving forward.

Regarding the Weighted Average Life (WAL) concept, one participant proposed a specific proposal introducing the WAL concept into the SSU. This proposal received quite a positive response from participants, and a number of them are able to accept the proposal with some minor adjustment of the text to ensure consistency with the SSU.

Even if one delegation needs further consultation before taking a position on the proposal, there is a possibility that this issue could be resolved before the next meeting of the Expert Group. In that case, I would advise your Chairman of that outcome in writing for further consideration by the WP6.

No specific discussions took place on the issue of Project Finance, but participants were urged to make headway on the issue by making some specific, even if preliminary, proposals in order to make some progress.

Participants also considered a document submitted by Norway regarding the definition of lease transactions in the context of paragraph 5 c) of the SSU. While this is an issue that is peripheral to the main tasks set for the Expert Group by the WP6, participants had the view that consideration of issues such as this were valuable in the understanding of the operation of both the SSU and national export credit arrangements. As well as contributing indirectly to the consideration of work items referred to the expert group, such examinations by experts could also provide valuable insights for SSU Participants on the effective operation of the Understanding. This issue will also be considered further at the next meeting of the Expert Group.

For the next meeting, participants also foresaw a discussion on the impact of the current economic crisis on shipbuilding and export credit arrangements. This discussion would parallel a similar discussion at a recent meeting of the Participants to the Arrangement on Officially Supported Export Credits.

Finally, the Expert Group received a report from the Secretariat on efforts made to involve China and other significant non-OECD economies in this process of review of the Sector Understanding on Export Credit for Ships. Participants stressed the desirability of bringing China to the discussion table, and urged the Secretariat to continue its efforts.

The next meeting of the Expert Group has been set for 7-8 July 2009.

The Secretariat and I are available to answer any questions on the activities of the Expert Group.

Thank you, Mr Chairman.
ATTACHMENT B

Participants list for the Council Working Party on Shipbuilding (COUNCILWP6)/Liste des participants pour le Groupe de travail du Conseil sur la construction navale (CONSEILGT6)


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