

The OECD Council Working Party on Shipbuilding

Role, activities and challenges addressed

Why shipbuilding in the OECD?

The OECD Council Working Party on Shipbuilding (WP6) provides an international platform for the exchange of information as well as the elaboration of economic and policy analysis on several aspects of the shipbuilding sector. Under its mandate, the WP6 aims to establish normal competitive conditions in the shipbuilding industry, notably by encouraging transparency and consulting with both non-OECD economies and relevant industry groups.

The WP6 has placed a high priority on encouraging policy dialogues, and on establishing close working relationships with non-OECD economies. In particular, these economies were invited to participate on an equal footing with OECD members in the negotiations on a shipbuilding agreement that ran from 2002 until 2005, and Brazil, the People's Republic of China, Croatia, the Philippines, Romania, the Russian Federation, Chinese Taipei and Ukraine participated in those negotiations. Although the negotiations were eventually halted, a close working relationship has continued with all of these economies.

The Working Party is chaired by Ambassador Elin Østebø Johansen, Permanent Representative of Norway to the OECD. Participating OECD members are: Denmark, Finland, Germany, Italy, Japan, Korea, Netherlands, Norway, Poland, Portugal, Sweden and Turkey. Croatia and Romania are full participants in the Working Party, and the Russian Federation participates as an observer. The European Commission, representing the European Union, also participates in WP6 meetings.

What does the WP6 do?

The work of the WP6 covers areas such as:

- the compilation and analysis of subsidies and other support measures provided to the shipbuilding sector through an Inventory in which a number of non-OECD economies also participate
- analysing the nature and effect of factors that can distort the shipbuilding market
- country-level peer reviews of domestic shipbuilding industry and related government policies
- analysing supply and demand, and the extent of excess supply and capacity in the global shipbuilding industry
- studies on policies encouraging the production and operation of greener ships.

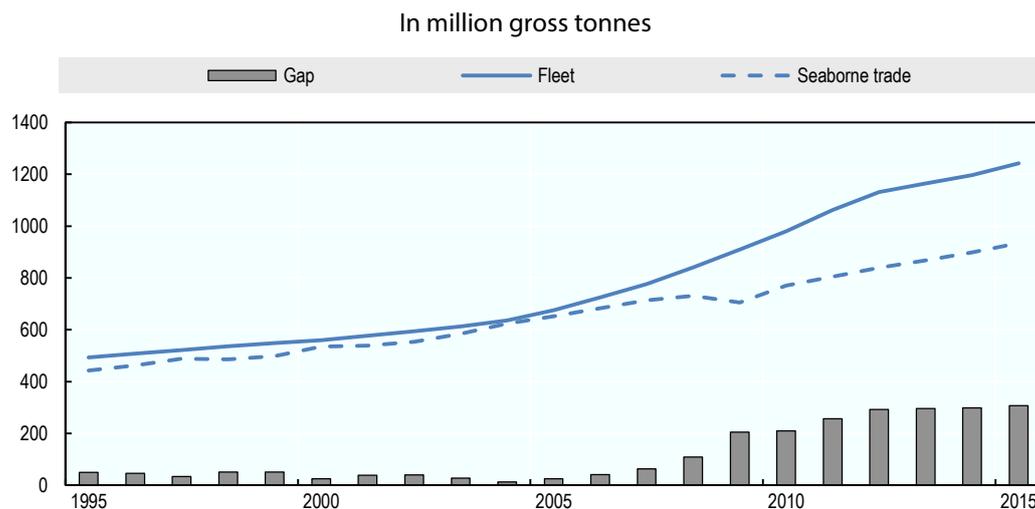
The WP6 organises regular workshops aimed at facilitating the exchange of information on policy and industry developments, and as well as the economies already mentioned, other participants have come from India, and Indonesia, amongst others. The WP6 has also worked closely with industry groups representing shipbuilders, ship owners, ship operators and trade union interests, so that a wide range of perspectives can be taken into account by WP6 members during their formulation of policy responses to address issues and challenges faced by the global shipbuilding sector.

Current challenges addressed: Focus on excess capacity and excess supply

While the world's shipbuilding industry has been through a period of record production, it was severely affected by the 2008 global financial crisis, and recent years have seen very low levels of new orders received by virtually all shipyards. The global industry now faces a number of challenges, most notably global excess capacity, which will place the economic viability of the industry under pressure in some parts of the world.

Internal research results show that the global ship market has accumulated massive excess vessel supply (see Figure 1). Ship completions decreased sharply after 2012 but insufficiently to rebalance the market. Today, the extent of oversupply corresponds to around 307 million gt representing almost one quarter of the world fleet in 2015.

Figure 1. Global merchant fleet and seaborne trade



Source: OECD, based on Clarkson Research (2016) and IHS Maritime & Trade (2016).

Until 2035, total new building requirements are expected to reach around 1 230 million gt: 420 million gt for tankers, 550 million gt for bulkers and 264 million gt for containers. On the basis of these results, future vessel requirements are only expected to equal the peak of completions of the boom year 2011 in 2035.

The global shipbuilding industry faces historically low capacity utilisation rates of yards of about 57% in 2015 down from its peak of 85% in 2008. Subsidies help governments to keep their strategically important, national shipbuilding industry competitive and maintain employment. Such government support, however, stimulates vessel supply, exacerbating the oversupply situation further.

Persistent worldwide overcapacity may encourage governments to provide support through subsidies and other measures, as well as spur other market distorting practices, which can create major structural problems even in the most efficient shipbuilding industries. But potential market distortions can be addressed through close co-operation among economies with significant shipbuilding sectors and the active involvement of industry.

Further reading

Clarkson Research (2016), "World Fleet Register" (dataset), <https://www.clarksons.net/wfr2/fleet> (accessed 1 September 2016).

IHS Maritime & Trade (2016), "IHS Sea-web" (dataset), <http://maritime.ihs.com/Areas/Seaweb/> (accessed 3 September 2016).

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<http://www.oecd.org/sti/ind/shipbuilding.htm> - shipbuilding@oecd.org -  @OECDInnovation - <http://oe.cd/stinews>