

OECD WP6 Special Session on Market Distorting
Factors

International Shipbuilding Policy: The Shipowner's Perspective

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What is ICS?

- ➔ Principal international trade association for shipowners
- ➔ Represents all sectors and trades, 80% of world fleet
- ➔ Membership of national shipowners' associations from 36 nations

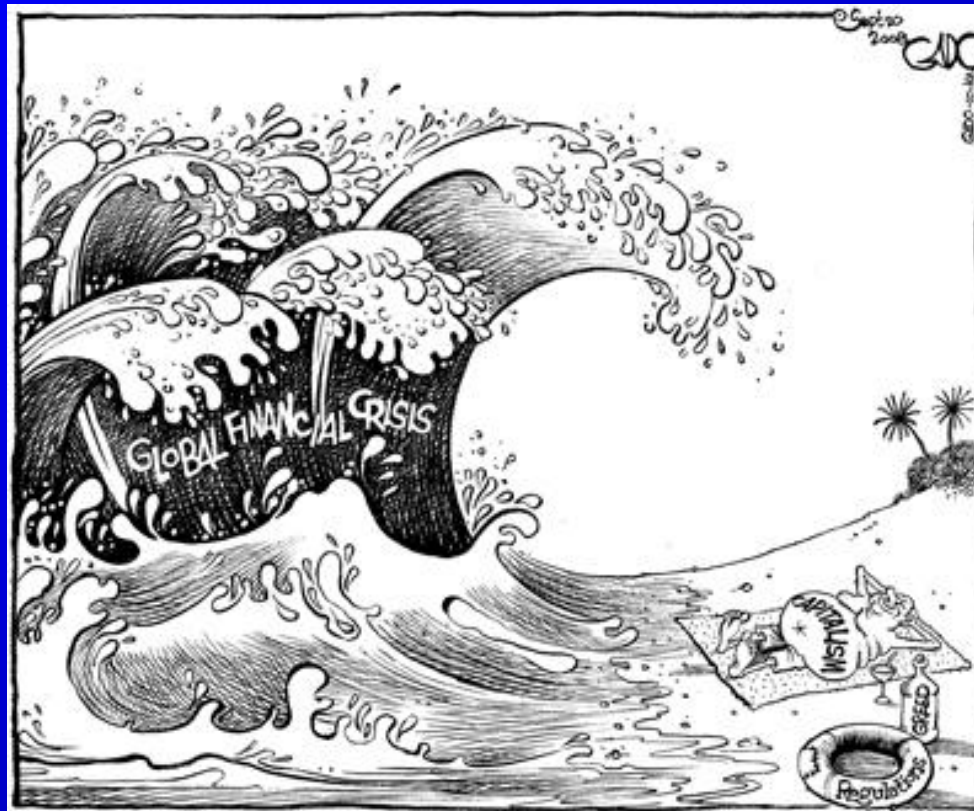


Purpose of ICS

- ➔ Concerned with all regulatory, legal, operational and trade policy issues
- ➔ Representing the global industry at international regulatory fora

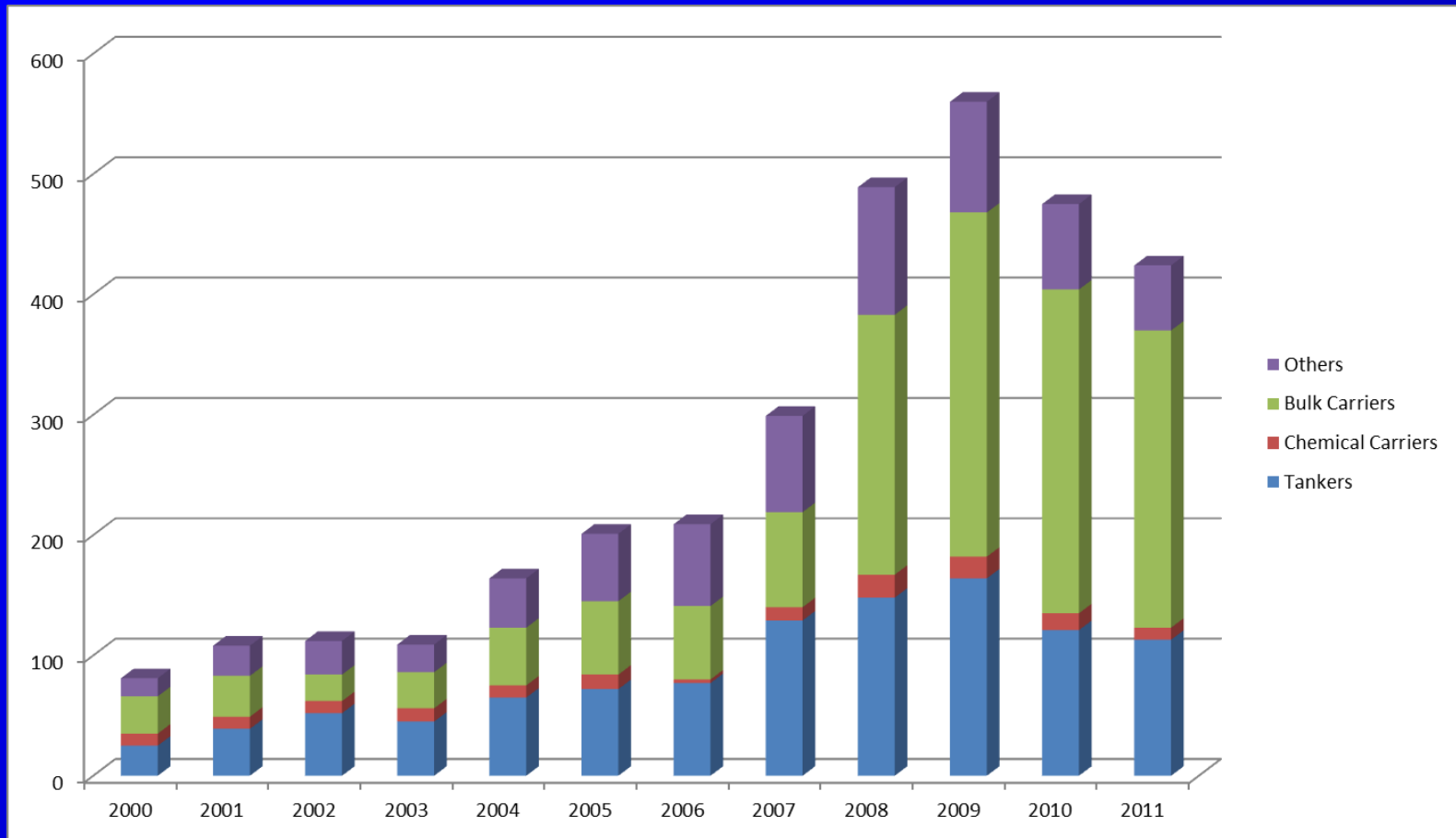


Global Financial Crisis



- ⇒ Little sustained recovery in rates
- ⇒ Continued cashflow problems
- ⇒ Drying up of credit lines – most sources of shipping finance in Europe
- ⇒ Exacerbated by over-ordering of ships which has led to prolonged oversupply
- ⇒ Knock on effect for Shipbuilding

World Order Book Development in Millions dwt



Source RS Platou Finans



Repeating mistakes of the past...

- ➔ Drastic cutting of prices by yards
- ➔ Encouraged by governments committed to maintaining market share at all costs
- ➔ Ships for which no real demand exists absorbed by artificial schemes
- ➔ = Continued overcapacity
- ➔ Current down turn now in its fifth year



Serious need to bring normal market disciplines to shipbuilding,

Negotiations for an OECD agreement on Shipbuilding should be restarted as soon as possible



Worldyards

‘shipyards are unable to individually or collectively distort market conditions in their favour... only governments are capable of influencing the price of the production factors or institute other measures to shift the competitive outcome in favour of its home industries... governments, unlike market players, can and do influence the demand/supply curve.’



Shipyard Economics

‘Global shipbuilding market is not a ‘domestic’ market that needs protection from dumping, subsidy control, competition policy and self regulation are more appropriate’

Difficult to determine ‘fair market pricing’



Looking to the future

- ➔ New environmental regulations mean there is some scope for 'green development'
- ➔ Important that real improvement is delivered
- ➔ Hong Kong Convention might provide a future use for un-needed shipyard capacity as recycling yards.



Conclusions:

- ➔ Government support measures, particularly subsidies are market distorting
- ➔ OECD Negotiations for a Shipbuilding Agreement should be re-opened as soon as possible.

Thank you for your attention!



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