Delegations will find attached an information note on the abovementioned subject which will be dealt with under Other Business at the Competitiveness Council on 25 May 2010.
The shipbuilding industry is highly important in Europe. In economic terms, it generates EUR 50 million a year in revenue. Shipyards form the nucleus of this activity, with other maritime industrial clusters gravitating around them, together providing quality employment for two million people.

This work is located in coastal areas, where shipbuilding is often the main economic activity, so that the employment it generates takes on fundamental social and regional significance.

But the sector is important not only for those European countries regarded as maritime countries. Approximately 60 % of the value of vessels built in the European Union is provided by the equipment on board, which comes from very diverse industrial sectors and is manufactured largely by firms spread throughout Europe.

The shipbuilding industry can make a major contribution to environmental sustainability in Europe, offering clean and safe transport options that can relieve other modes. Some 90 % of imports to the European Union enter by sea, largely managed by European shipping agencies which control 50 % of international maritime traffic.

At the same time, the shipbuilding industry has certain characteristics which render it particularly vulnerable. It is a highly globalised industry in terms of both supply and demand, is highly sensitive to the economic cycle, which lags somewhat behind that of other industrial sectors, and suffers from a virtually permanent worldwide capacity surplus.
The existence of sources of vulnerability together with the importance of the sector for Europe has meant that Member States' governments and the Commission have traditionally monitored the situation in the shipbuilding industry very closely.

In particular, the Member States, the Commission, the industry and other stakeholders in the sector agreed to establish a joint strategy setting out the measures required to improve the competitiveness of shipbuilding and secure its future. This strategy was formulated in the LeaderSHIP 2015 initiative, which was drawn up in 2003. The initiative defined eight main axes on which any future activities to improve the competitiveness of the shipbuilding sector should turn.

Alongside this initiative, the European Commission gave the industry a new instrument, the European Framework for state aid to shipbuilding, for carrying out the necessary research and development, innovation, productive improvements and worker training, *inter alia*.

Both instruments, LeaderSHIP and the state aid Framework, provided suitable conditions for the development and transformation of the European maritime industry, increasing the value of its orders, significantly raising productivity and promoting quality employment.

At the last meeting of the High Level Group that is the follow-up to LeaderSHIP, on 11 September 2009 in Bremen (Germany), the Commission drew up a final document (IP/09/1307) recognising the need to take additional measures in the short term, in response to the current global economic and financial crisis, in order to preserve critical mass in a sector considered strategic for Europe.
On 8 April 2010 the Community institutions were presented with a Joint Declaration by the 33 European maritime regions with shipbuilding interests. These regions account for a total population of 60 million. The declaration asks for efforts to promote demand, improve European financing mechanisms, bring about fair international competition and stimulate research and innovation. In addition the European institutions are asked to adopt an emergency programme to encourage orders in the market for new safe, environmentally-friendly ships.

On 21 April 2010 the European LeaderSHIP Conference 2015 was held in Bilbao, Spain. The conclusions of the conference highlight the importance of the shipbuilding sector for Europe and the difficulties it is currently experiencing. Particular attention was drawn to the sharp fall in demand (-80 % in 2009) and the severe reduction in employment. Both were attributable both to the economic and financial crisis and to market distortions caused by the disproportionate increase in capacity in the countries of the Far East.

The main conclusions of the conference are as follows:

- LeaderSHIP remains an ideal instrument for developing an appropriate and coherent industrial policy for the shipbuilding sector. However, at this time this initiative needs to be supplemented with urgent measures to deal with the crisis.
- The measures agreed in the HLG in Bremen in September 2009 need to be implemented.
- A fleet renovation programme needs to be developed in line with the Community guidelines for environmental aid.
- National financing instruments need to be strengthened, and in addition a European system of complementary financing must finally be developed.
- The present Temporary Framework for state aid must be extended beyond its current term (end of 2010), at least in the shipbuilding sector.
- The present Framework for aid to shipbuilding must be extended beyond 2011, and its instruments strengthened in the light of past experience.
- The practical application of solutions is the responsibility of the Member States.
  The European Commission and the Member States must create the proper climate for the development of LeaderSHIP.
It should also be stated that the "Opinion on the European shipbuilding industry dealing with the current crisis", issued by the European Economic and Social Committee on 29 April 2010, adopts conclusions in line with those reached by the LeaderSHIP High Level Goup and with the conclusions of the Bilbao Conference.