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COUNCIL

Council

**DRAFT RESOLUTION OF THE COUNCIL REVISING THE MANDATE OF THE COUNCIL
WORKING PARTY ON SHIPBUILDING (WP6)**

(Note by the Secretary-General)

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Background

1. The current mandate of the Council Working Party on Shipbuilding (WP6) expires on 31 December 2013 [[C\(2008\)121](#)]. The WP6 was created in 1966 and was reconstituted as a Part II Programme in 2006 [[C/M\(2006\)7/PROV](#)], when multilateral negotiations on a shipbuilding agreement were paused. The proposed agreement was the primary vehicle for the WP6 to meet its key objective “to work towards the identification and progressive reduction of the factors that distort normal competitive conditions in the shipbuilding industry”. The mandate remained unchanged until 2008, when it was reviewed in accordance with the sunset clause agreed by Council [[C\(2004\)37/REV1](#) and [C\(2004\)37/REV1/CORR1](#); [C/M\(2004\)5/PROV](#), Item 75]. At that time, the text was modernised to meet OECD guidelines on mandates for subsidiary bodies, but the key objective remained largely untouched [[C/WP6/M\(2008\)1](#), Item 5]. When multilateral negotiations on a shipbuilding agreement were abandoned at the end of 2010, the WP6 had to explore new ways to fulfil its mandate and hence added some new activities to its work programme, but considered it unnecessary to revise the mandate itself [[C/WP6/M\(2011\)1/REV1](#), Item 4].

WP6 mandate development

2. The WP6 began discussing the renewal of its mandate at its November 2012 session [[C/WP6\(2012\)20](#); [C/WP6/M\(2012\)2/REV1](#)]. It considered a draft text circulated in April 2013 [[C/WP6\(2013\)3](#)] and developed a final draft at its 17-18 June 2013 session [[C/WP6\(2013\)9](#); [C/WP6/M\(2013\)1](#)].

3. Throughout the mandate development process, there was near-unanimous support for the WP6 to continue beyond 2013. Delegations regarded the WP6 as a useful international forum to discuss and share information on the global shipbuilding industry, particularly in the wake of the global financial crisis and recession, which significantly affected the sector. There was wide support for the current mandate’s focus on identifying and reducing factors distorting the shipbuilding market. However, Delegations also advocated reflecting some recent policy challenges in the mandate, e.g. environmental issues, globalisation and the rise of Partner (i.e. non-Member) economies in the shipbuilding industry.

4. As a result of the Committee review, the mandate text was revised, with the main substantive changes being as follows:

- Acknowledging the termination of negotiations on a shipbuilding agreement, to bring the mandate up to date with the current situation (see Preamble);
- Clearly articulating the WP6’s interest in issues stemming from the global nature of the shipbuilding industry and related trends affecting policy development, to clarify members’ interests and send a more transparent signal to potential Partners on the work of the WP6 (see Preamble);
- Stating that the WP6’s main objective of fostering normal competitive conditions in the market will take into consideration the evolving global environment, to reflect the policy needs of members following the economic downturn and broader market developments (see paragraph 3);
- Strengthening the WP6’s focus on issues such as the environment, industry adjustment, globalisation and the business climate, to align the WP6 mandate more closely with the OECD’s strategic objective to promote sustainable economic growth, financial stability and structural adjustment (see paragraphs 2 and 3);

- Emphasising the WP6's intention to actively engage with Partners and relevant stakeholders from the shipbuilding and wider maritime industry, as appropriate, to reflect the OECD and WP6's awareness of the importance of ensuring wider participation to enhance the relevance and influence of OECD work (see paragraphs 3 and 4).

5. The revised mandate also includes provisions describing participation in the WP6 (paragraph 5) and the calculation of the WP6 budget contributions (paragraphs 6 to 8). These calculations are those agreed at the time the WP6 was established as a Part II programme in 2006 and subsequently applied [[C\(2006\)43](#) for the period 1 July 2006 to 31 December 2008; [C\(2008\)131](#) for 2009-2010; [C\(2010\)144](#) for 2011-2012 and [C\(2012\)145/PARTII/ADD3](#) for 2013-2014]. They derogate from the OECD scale of contributions generally applied to Part II programmes,* and reflect the relative importance of shipbuilding to different members.

6. The final draft mandate was approved by the WP6 by written procedure on 13 September 2013 [[C/WP6\(2013\)9/REV2](#)], as set out in Annex I.

Evaluation of the substructure

7. In accordance with Rule 21 c) of the OECD Rules of Procedure, the WP6 also evaluated its substructure, namely the Informal Expert Group on the Sector Understanding on Export Credits for Ships (the IEG). Following an initial discussion and gathering of views [[C/WP6/M\(2012\)2/REV1](#)], the WP6 considered an evaluation of its substructure, which was circulated in April 2013 [[C/WP6\(2013\)3](#)].

8. The general view was that the IEG was relevant and that its mandate should be renewed, although the IEG's operation would be subject to progress in other international efforts regarding multilateral export credit agreements for ships. However, there was a strong sense that the IEG has not been as successful as would be desired, due to the absence of Partner participation and a lack of clear commitment to results. There was also a debate about the appropriate governance structure for the group.

9. The WP6 agreed to modify the IEG mandate to clarify its objectives and underline participants' commitment to the process. The revised mandate and working arrangements were approved by the WP6 by written procedure on 20 September 2013 [[C/WP6\(2013\)11/REV1](#)]. The report on the evaluation of the substructure is set out in Annex II.

Proposal for mandate renewal

10. It is proposed that the revised WP6 mandate, as set out in the draft Resolution in Annex I hereto, should remain in force for a period of five years, until 31 December 2018. The draft Resolution would supersede all previous provisions concerning the mandate of the WP6. The WP6 would return to the Council to propose a revision to its mandate should there be any major developments that warrant such a change.

* See revised principles and rules for determining the scales for contributions by members other than for Part I of the Budget of the Organisation [[C\(2008\)144/REV1](#)].

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Proposed Action

11. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

THE COUNCIL

- a) noted document [C\(2013\)83](#);
- b) adopted the draft Resolution of the Council revising the mandate of the Council Working Party on Shipbuilding (WP6) as set out in Annex I to document [C\(2013\)83](#), which will enter into force on 1 January 2014.

ANNEX I

DRAFT RESOLUTION OF THE COUNCIL REVISING THE MANDATE OF THE COUNCIL WORKING PARTY ON SHIPBUILDING (WP6)

THE COUNCIL,

HAVING REGARD to the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Rules of Procedure of the Organisation;

HAVING REGARD to the Financial Regulations of the Organisation;

HAVING REGARD to the Resolution of the Council on Partnerships in OECD Bodies [[C\(2012\)100/FINAL](#)];

HAVING REGARD to the Resolution of the Council establishing a Council Working Party on Shipbuilding (WP6) [C(66)57], as amended, and the last renewal of the mandate on 18 September 2008 [[C\(2008\)121](#) and [C/M\(2008\)16/PROV](#)];

NOTING that negotiations on a multilateral agreement on shipbuilding were terminated in 2010, but that the WP6 currently represents the sole international platform bringing together OECD Members and Partners, as well as business/industry, trade unions and other stakeholders, to exchange views on economic and policy developments in shipbuilding and closely related sectors;

NOTING that the Participants to the Sector Understanding on Export Credits for Ships (which has been incorporated as an Annex to the Arrangement on Officially Supported Export Credits) retain responsibility through the WP6 for that Understanding, in co-operation with the Participants to the Arrangement on Officially Supported Export Credits;

CONSIDERING that the shipbuilding industry has a strongly global nature and that among the trends shaping policy development in this area are:

- Ongoing cyclicity in the industry giving rise to unfair practices (subsidies and other support measures provided by governments to their industries, and other market distorting practices) that may prevent the market from functioning normally;
- The success of emerging economies in increasing their share of the global shipbuilding market;
- The need for adjustment and restructuring in some economies following the global economic and financial crisis and in response to broader market developments;

- Increasing international linkages and the evolution of global value chains, as well as the increasing interdependence of shipbuilding and related industries in the wider maritime sector; and
- Challenges of climate change and environmental protection;

HAVING REGARD to the proposed revision of the mandate of the Council Working Party on Shipbuilding (WP6) [[C\(2013\)83](#)];

DECIDES:

A. The Council Working Party on Shipbuilding (WP6) is renewed with the following revised mandate:

I. Objectives

1. The overall objective of the WP6 is to work towards and assist governments in the reduction of factors that distort normal competitive conditions in the shipbuilding industry and designing and implementing policies that foster normal competitive conditions. This is to contribute to a wider OECD strategic objective of promoting sustainable economic growth, financial stability and structural adjustment.
2. The intermediate objectives of the WP6 are to:
 - Increase transparency and improve the understanding of the shipbuilding market, including supply and demand, economy-level policy settings, and international and inter-industry linkages;
 - Contribute to a business climate that enables growth and innovation in the shipbuilding industry.
3. In order to achieve these objectives, while taking into account the evolving global environment for shipbuilding, including the potential for market distortions, the growing role of Partner economies, the need for industry adjustment in some economies, the increasing international and cross-industry linkages, and the long term challenges posed by climate change and environmental concerns, the WP6 will:
 - Keep the shipbuilding industry under review;
 - Consider the economic, social, environmental and other relevant conditions that impact on the global shipbuilding industry;
 - Develop policies that assist in the reduction of market distortions, and which account for globalisation and enable structural change; and
 - Seek to foster the active participation of major Partner shipbuilding economies in the work of the WP6.

II. Co-ordination arrangements

4. In the course of its work, the WP6 will:

- Maintain close working relationships with other relevant bodies of the Organisation to complement and support WP6 work, in particular including those working on export credit issues;
- Co-operate with other relevant international organisations such as the International Maritime Organization (IMO) and the World Trade Organization (WTO);
- Engage actively and increasingly with Partners with significant shipbuilding sectors; and
- Consult with the shipbuilding industry, including national and regional shipbuilder associations, relevant actors in the wider maritime industry, and trade unions and public interest groups, where appropriate.

III. Participation

5. WP6 membership is open to all OECD Members. Partners with an interest in the shipbuilding industry may also join the WP6, in line with the global relations strategy of the programme.

IV. Budget

6. The expenditure of the WP6 shall be charged against the appropriations authorised for it under Part II of the Budget of the Organisation.

7. Contributions to the Budget of the WP6 to be paid annually by its members reflect the relative importance of shipbuilding to different members. Contributions are the sum of two components, as follows:

- A flat fee, which equates to 30% of the Budget to be shared equally among WP6 members.
- A member-specific fee, which equates to 70% of the Budget to be shared among WP6 members according to their share of WP6 shipbuilding output, measured by the average level of shipbuilding output* for each member over the most recent three-year period for which data are available.

8. A cap of 25% is placed on contributions, so that no member contributes more than 25% of the overall Budget.

B. The mandate of the WP6 shall remain in force until 31 December 2018.

* Output measured by completions in compensated gross tonnes (CGT), as published in IHS Fairplay “World Fleet Statistics”, completions during the year by country of build.

ANNEX II

EVALUATION OF THE SUBSTRUCTURE OF THE COUNCIL WORKING PARTY ON SHIPBUILDING

1. The OECD Rules of Procedure require Committees to undertake an evaluation of the continuing relevance of their own substructure and to submit the results to Council at the same time as proposing renewal of their mandate (Rule 21 c). The synthesis of a Committee's discussion is expected to provide Council with the basis for the Committee's appreciation of the need and appropriateness of the continued existence of its working parties and the relevance of their mandates.

2. The Council Working Party on Shipbuilding (WP6) has only one subsidiary body – the Informal Expert Group on the Sector Understanding on Export Credits for Ships (the IEG). This body brings together technical experts to discuss issues associated with the Sector Understanding (the SSU) and operates in co-operation with the Participants to the Arrangement on Officially Supported Export Credits. The evaluation of the IEG aimed to assess its past performance and the rationale for its continued existence.

3. To assess the IEG, the Secretariat invited feedback from Delegations, both through the WP6 and through a questionnaire sent to IEG delegates themselves [[C/WP6\(2012\)20](#)]. The general view was that the IEG is relevant and its mandate should be renewed. Delegates noted the importance of financing issues for the industry and the increased activity of export credit agencies, including in Partner economies (particularly China). However, there was a strong sense that the group had not been as successful as would be desired and that its working methods could be improved. Some Delegations also questioned the appropriateness of current governance arrangements. The main underlying concern was the lack of progress:

- While agreement has been reached on some issues, this is not yet reflected in the SSU, as the IEG has recommended (and the WP6 has so far agreed) that changes to the SSU be introduced as a package.
- Several Delegations felt the IEG was not providing policy-relevant outputs and was not proceeding with the necessary speed. Two main constraints to IEG success were identified, namely the absence of major Partner economies (particularly China) and the lack of clear commitment from parties to achieve results. The IEG's work is the subject of divergent goals and priorities amongst IEG and WP6 members and these divergences are seen as a stumbling block.
- While the IEG mandate was generally seen as clear and relevant, several Delegations suggested giving more explicit guidance on goals to be achieved and timeframes to follow.
- Some Delegations also advocated shifting the oversight of the IEG to the OECD's Export Credit Secretariat, with the aim of finding new approaches to progress negotiations and taking greater

advantage of the experience of that Secretariat and its delegates in developing export credit agreements.

4. The review led to a revision of the IEG mandate to clarify the group's objectives and strengthen commitment to the process [[C/WP6\(2013\)11/REV1](#)]. The main change is the establishment of an explicit priority list for work items and a broad timetable, with the overall objective of working towards a modern export credit agreement for shipbuilding. Operation of the IEG will be subject to progress in other international efforts regarding multilateral negotiations on export credits for ships. Oversight of the group has been retained by the WP6, but the on-going involvement of the Export Credit Secretariat, to provide technical support, is viewed as crucial. The two Secretariats worked closely together to revise the IEG mandate and will continue to co-operate in support of the group.