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Press Information • Press Information

Restructuring must guarantee a future for the Croatian shipbuilding sector and its workforce!

Today, the President of the Croatian metalworkers' union, SMH (Sindikat Metalaca Hrvatske), Ivo Marjanović and members of the EMF secretariat met cabinet members of EU Competition Policy Commissioner Kroes and Enlargement Commissioner Rehn to discuss the trade union demands in relation to the imminent restructuring of the Croatian shipbuilding industry.

The meeting took place just a day before the meeting between representatives of the Croatian government and Commissioner Kroes to discuss the tender for the privatisation of the 5 state owned shipyards 3. Maj Brodogradilište, Brodogradilište Kraljevica, Brodotrogir Brodogradilište, Brodosplit Brodogradilište and Uljanik Brodogradilište.

The Croatian metalworkers' union has deep concerns that if the conditions set by the European Commission for the privatisation process are enforced in the tender this will have severe implications for the Croatian economy and employment. Shipbuilding accounts for 10-15% of national exports and employs directly and indirectly 46,000 workers. It represents 50% of metal sector employment in Croatia.

In particular, the Croatian metalworkers are concerned that the required capacity reductions will lead to the closure of at least 3 of the 5 yards in question and about 4000 job losses. The trade unions also demand that during the privatisation process the Croatian government retains 25% of ownership in order to ensure that the restructuring process will be carried out smoothly and without negative social consequences.

In today's meeting Ivo Marjanovic confirmed the support of his union to a restructuring process that will guarantee a future for the Croatian shipbuilding sector and its workers. He stated that the Croatian metalworkers' union will assume its responsibilities in the restructuring process, but that they would never support privatisation that severely reduces shipbuilding activities that are such a vital part of the Croatian economy and the coastal region where they are located. He sees a real danger that this could lead to a serious setback for the support of Croatian shipyard workers and the Croatian public for the EU accession process. "We support a process of restructuring that is necessary for a viable and sustainable shipbuilding industry but not at any price!"

EMF General Secretary, Peter Scherrer, states that the Commission is well advised to work with all stakeholders for a viable and socially responsible solution. This solution should be based on the consensus that has already been reached between the Croatian government and the Croatian social partners and that forms part of the tender proposed by the Croatian government. He adds that Commissioner Kroes must be aware of the social and economic consequences of blindly enforcing EU competition law. The Commission should instead follow a comprehensive and balanced approach that gives a future to the Croatian shipbuilding industry and its workforce.

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The EMF is the representative body defending the interests of workers in the European metal industry. The EMF has a mandate for the external representation and coordination of the metalworkers' unions and a mandate to engage in bargaining at European level.

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- Attached document : -

Declaration of SMH on the shipbuilding restructuring process in Croatia

METALWORKERS TRADE UNION OF CROATIA (SMH)

Zagreb, 19 November 2008

**- Member of EU Commission -
DG-COMPETITION
Ms. Neelie Kroes**

Restructuring of Croatian shipbuilding industry based on Chapter 8 “Competition Policy” within the process of Croatia’s accession to the European Union

Brief overview of the Croatian shipbuilding industry

1. Shipbuilding industry is traditionally incorporated into the development of Croatia as a country, and especially in its Southern region whose situation reflects economic, political, regional and social circumstances in the country. Even today, the shipbuilding industry represents the irreplaceable source of economic activity and existence of one part of Croatia with a large influence on the whole country.
2. Croatian shipbuilding is an activity which directly employs:
 - about 14,000 workers in all shipyards, out of which 10,400 workers work in five shipyards to be restructured;
 - 6,500 subcontractors on a daily basis;
 - 1,800 small and medium enterprises produce components for shipbuilding industry with 10 to 70 percent of their capacities;
 - about 26,000 workers are employed in those 1,800 SMEs;
 - in total, there are about 45,000 workers working directly or indirectly in the shipbuilding and for the shipbuilding which represents 50 percent of the total number of the employed in the metal sector;
 - according to the most recent data, more than 60 percent of the domestic products is built into in our ships;
 - more than 90 percent of the ships are exported - Croatian shipbuilding makes 12 to 15 percent of the national export;
 - order books are full in all shipyards (except for one) for the next three years;
 - capacity of the Croatian shipbuilding is meaningless in European terms, and especially in global terms. Croatia can produce maximum 22 ships a year and in the order books for the next three years there are 49 ships which is 1.5 percent of the world’s ship production and only 7 percent of the European ship production.
3. Current situation in Croatian shipbuilding industry, as a consequence of the years-long technological underdevelopment (also due to the war), unsolved ownership structure (majority state ownership), accumulated losses, led to the necessary process of restructuring of Croatian shipyards, in conditions recommended by the EU (without state subsidies, state guarantees and other types of state influence).
4. After the recommendations of the European Commission, and considering the large expenses of the restructuring of five large shipyards, the Croatian Government reached the decision on privatising all five shipyards under special conditions, and the privatisation model was agreed with trade union as a social partner.

The basis of the model is:

- the price depends on the amount of debt taken over by the strategic partner in which case the price could be only 1 kuna;
- the Croatian Government can take over the debt accumulated in the years-long period and in agreement with the strategic partner transfer a part of the debt to the strategic partner with the modification of the price;
- to keep all the employed, and to provide for the possible redundancies in agreement with the social partner, either through relocation or severance pay;
- to keep the core activity – shipbuilding, with the possible extension of the activity, but in agreement with the social partner;
- to enable the relocation of shipyards from the present area;
- the state should keep a control package of 25+1 percent of shares in its ownership which would then, after the restructuring process is completed, be sold to workers or at the free market.

These criteria are agreed upon with trade union and presented to the European Commission.

5. After receiving the following information from the European Commission:

- reduce capacities for 40 percent;
- enable the investor to dismiss workers freely;
- enable the investor to change the core activity freely;
- disable any kind of state control mechanisms in the restructuring process by keeping 25+1 percent of shares.

The above-stated conditions are unacceptable for Croatian workers in the shipbuilding industry, especially today when the liberal neo-capitalism is on the verge of collapsing and when all countries are trying to save their ruined companies, even through taking them over.

It is unacceptable to demand the reduction of capacities for 40 percent by stating the example of the restructuring of German shipbuilding in 1992 and 1993, because German shipbuilding is insignificant in relation to the total German industrial potential, whereas this reduction would be of extreme significance for Croatia. It is possible to reduce capacities in Croatia for only 20 percent. Moreover, Croatian shipbuilding capacity, due to its size (only 22 ships a year), does not endanger anybody in the world, even in Europe.

The liberal change of core activity is not acceptable because of the structure of the employed, i.e. their traditional occupations, as well as the social moment.

We feel that the state-owned control package of shares is especially important now in the time of crisis.

I remain at your disposal, dear colleagues and friends, in case there are any questions.

Thank you for your attention and especially for your support, if you decide to support us.

Ivo Marjanović
SMH President