

**NON-CONFIDENTIAL VERSION**

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**SUBMISSION SINGLE MARKET – NEW COMPLEMENTARY TOOL TO STRENGTHEN  
COMPETITION BY EMISA****DATE: 07 September 2020****I. EMISA & MEMBERS**

**EMISA** is a non-profit organization, established in 2007, which represents the interests of independent manufacturers, suppliers, and service providers operating in the marine diesel engine and related equipment markets.

EMISA aims to give independent operators a voice, in order to achieve fair competition and a level playing field in the marine diesel engine and related equipment markets. In the past, policy makers tended to refer (regulatory) debates to (large) Original Equipment Manufacturers (OEMs), considering them as representatives of the market in which they operate. However, these OEMs are obviously no neutral experts. They are market players with their own commercial interests. In these debates, the many (smaller) independent parties were often not represented, which nowadays still results in rules and regulations that - implicitly - support and favour the position of OEMs.

EMISA represents approximately 80-90 members, mainly established in Europe but also in the Asia-Pacific (APAC) region and the Americas. Many members of EMISA are SMEs. Their business model largely depends on excellent customer relations, high levels of quality and service, and added value based on (technical) knowledge, flexibility, and innovation.

**II. EU DATA STRATEGY & MARINE TRANSPORT & MARINE DIESEL ENGINES**

It is hard to overestimate the importance of marine transport for the general economy in the EU. Approximately 90% of worldwide trade is carried by ship. The efficiency and reliability of this service affect all consumers in terms of costs, and reliable delivery times as well as in terms of the environmental impact. Marine diesel engines are used both for marine propulsion as well as for electrical power generation.

The total annual market turnover of the marine diesel engine aftermarket is at least \$3.0 billion per annum. Due to the long lifetime (up to approximately 40 years) of marine diesel engines (and the ship), the costs for repair and maintenance (R&M) services and spare parts have the greatest influence on the overall costs for the shipowner/end-user. Price is a decisive factor, but



## NON-CONFIDENTIAL VERSION

also quality, safety, and availability of the R&M services and spare parts are essential factors for shipowners/end-users.

The spare parts for one engine model are - in principle - not interchangeable with another engine model with the result that the spare parts aftermarket and the repair and maintenance and overhaul services for each engine model are separate. Under these circumstances, there is a severe threat that shipowners get locked-in within the brand-specific systems created by each engine-builder. This has been an issue for decennia, but digitalisation, enables engine builders to lock-in end-users completely. This is fundamentally threatening the very existence of the independent aftermarket.

In our opinion, shipowners/end-users should be in control and should be able to choose the R&M service and the spare parts they desire for their engine. In that context, it is essential that effective competition exists on the aftermarkets between OEMs (engine builders) and Independent operators. Of course, an actual choice is only possible if a genuine alternative offer is available on the market. Therefore, independent operators should be able to explore a sustainable business model (in a competitive environment) which can remain completely independent from the business model of engine builders.

Thus, in respect to end-user welfare, independent suppliers and service providers form an essential element in ensuring that:

- prices for spare parts and services are kept under competitive pressure;
- alternative spares and service are available (no-one stocks all items all the time / has engineers available all the time);
- Innovative ideas and developments are not stifled by vested interests and remain competitive (e.g. regarding the development of sustainable and environmentally friendly solutions).

Furthermore, due to **digitalization** and the rapidly increasing importance of the Internet of Things (IoT) OEMs are becoming gatekeepers - technically as well as commercially - to enable access to their brand-/model-/type-specific aftermarket. Through digital means, an engine can be foreclosed easily. Some examples are:

- access only with secret OEM-passwords;
- no access to data deriving from sensors in the engine (machine-generated data);
- no interoperability with software in the brand-specific engine enabled;
- delay in updates of software;
- no ability to create and develop independent software that enables independent diagnostics about the status of the engine and develop the best service at the lowest costs (hampering innovation),
- no interoperability that enables the creation of independent (innovative) software to run in the engine (e.g. to reduce emissions), etcetera.



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### III. CONCLUSION

With digital foreclosure, no independent offers are possible on the marine diesel engine aftermarkets, which means that independent market players will disappear. OEMs have no incentive to create interoperability in the designs of their engines, unless forced to do so. Shipyards who buy the engines are not the shipowners and are not confronted with the high costs for repair and maintenance.

Independent operators need access to data, need to be able to run independent software in a safe and secure way, in interaction with the engine/the ship and the crew/shipowner. This is essential to enable independent operators to make a genuine independent offer to *their* customers.

Moreover, it is essential for end-users (shipowners) to enable choice between genuine alternative offers for repair and maintenance during the long life-time of the engines in their ships. In the interests of end-user welfare (shipowners and ultimately consumers) effective independent competition needs to be enabled through the European Strategy for data.

Should you have any questions in this respect, please contact EMISA.

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