

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORTS FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

State aids to shipbuilding

COM(79) 672 final

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Report of the Commission to the Council

1. In approving Directive 78/338/EEC on State aid to shipbuilding, the Council asked the Commission to lay before it regular reports on the aids given to this sector. (Articles 4, 6, 7 and 8 of the Directive)

2. This report covers the period from 1.1.1978 to 30.6.1978. The next report is in preparation and will cover the second half of 1978.

Aids granted to shipbuilding in the Community
(period: January-June 1978)

1. Aids to production granted to shipbuilding - Art. 6 and 7 of the 4th Directive on aid to shipbuilding.
Period : January-June 1978

Member State	Number of cases	grt	Estimated proportion of contract price
F.R.G. of Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	14	82.000	7 to 25%. In addition, in 10 cases of price guarantee, with 6,5% threshold, estimated proportion 3,4%
Ireland	-	-	-
Italy	16	171.435	3.43-6.35%
United Kingdom	7	123.500	7.5-25.2%. In addition, 2% Shipbuilders Relief(1)
Netherlands(2)	15	317.850(3) (+76.700hp)	6 to 27 %

(1) The "cost escalation scheme" was not applied in these cases.

(2) period 1.1.1978 - 1.11.1978

(3) cgrt

2. Aids to shipbuilding investment - Art. 4
(period : January - June 1978)

Member State	Amount of investment	Nature of aid	Proportion
F.R. of Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	-	-	-
Ireland	-	-	-
Italy	-	-	-
United Kingdom	-	-	-
Netherlands	-	-	-

3. Aids to shipowners - Art. 8 (period January-June 1978)

Volume of aided contracts

Member State		Total volume		For building in national yards		For building in other EEC yards		For building in third countries	
		grt	National currency	grt	National currency	grt	National currency	grt	National currency
F.R.G. of Germany (1)	volume of contracts aided	-	-	-	-	-	-	-	-
	(A)								
	volume of contracts turned down (B)	-	-	-	-	-	-	-	-
	total volume (C)	-	-	-	-	-	-	-	-
Belgium	A	4.050	550 mio	4.050	550 mio	-	-	-	-
	B	-	-	-	-	-	-	-	-
	C	4.050	550 mio	4.050	550 mio	-	-	-	-
Denmark	A	16.200	252 mio	16.200	252 mio	-	-	-	-
	B	-	-	-	-	-	-	-	-
	C	16.200	252 mio	16.200	252 mio	-	-	-	-
France	A	53.200	275,560 mio	3.200	113.200	-	-	50.000	162.360 mio
	B	12.000	215,000 mio	12.000	215.000 mio	-	-	-	-
	C	65.200	490,560 mio	15.200	328.200 mio	-	-	50.000	162.360 mio
Ireland	A	-	-	-	-	-	-	-	-
	B	-	-	-	-	-	-	-	-
	C	-	-	-	-	-	-	-	-
Italy	A	126.700	76,956 mio	126.700	76,956 mio	-	-	-	-
	B	-	-	-	-	-	-	-	-
	C	126.700	76,956 mio	126.700	76,956 mio	-	-	-	-
United Kingdom (2)	A	160.058	152,67 mio	160.058	152,67 mio	-	-	-	-
	B	-	-	-	-	-	-	-	-
	C	160.058	152,67 mio	160.058	152,67 mio	-	-	-	-
Netherlands	A	235.998	1.111,7 mio	155.510	892,9 mio	18.200	50,8 mio	62.288	168,0 mio
	B	69.248	136,2 mio	19.248	67,7 mio	-	-	50.000	68,5 mio
	C	305.246	1.247,9 mio	174.758	960,6 mio	18.200	50,8 mio	112.288	238,5 mio

(1) Period 1.1.1978-31.12.1978

(2) The British scheme relates only to British owners who place an order with a British shipyard, OECD conditions.

List of aids and interventions for shipbuilding and ship repair

(a) Aids to shipbuilding

		March 1979	
Description	Level of intervention	Remarks	
Germany	1) National - direct assistance for building. Fund of DM 660 m	Max. 20 % of contract price	Planned. Intended for orders taken between 1.12.78 and 31.12.81.
	2) Hamburg - allocation of DM 35 m for investment in the port of Hamburg and conversion of the shipbuilding sector to ship repair and other sectors		DM 31 m for investments on publicly-owned land. DM 4m for investments on private land.
	3) Lower-Saxony - subsidies up to DM 3m		For diversification measures (out of shipbuilding)
Ireland	- compensation of losses incurred	Max. 30 % of contract price	This measure lasts until the end of 1980.
Netherlands	1) compensation of losses incurred on orders	Max. 30 % of contract price	
	2) acquisition of shares in certain undertakings (fl 80 m)	Equivalent to 43 % of the capital	Planned.
	aids to investment (fl 375 m)	Assistance for investment, up to 30 % of the amount of the investment	
	rescue aids (fl 180 m)	2 % of the construction cost	The part which does not constitute a repayment is valued at 0.5 %
United Kingdom	- single refund of certain taxes (shipbuilders' relief)	Max. 30 % of contract price	Available for orders taken up to March 1980.
	- £ 15 m fund for Harland & Wolff (N. Ireland)		

(c) Credit facilities for sales

	Description of aid	Qualifying transactions	Level of intervention	Remarks
Germany 1) National	- interest rebate	All sales (1)	- maximum interest rebate 2 % (OECD limit)	special scheme for ships
1) Bremen, Hamburg, Lower Saxony,	- credit guarantees	Sales to other European countries	- OECD conditions	special scheme for ships. Planned
Belgium	- interest rebate	Sales to other Member States and third countries	- maximum interest rebate 2 % (OECD limit)	general scheme
Denmark	- preferential credit	All sales	- OECD conditions	special scheme for ships
France	- preferential credit	Sales to other Member States and third countries	- OECD conditions	general scheme
Ireland	- preferential credit	All sales	- OECD conditions	special scheme for ships
Italy	- preferential credit	All sales	- 2 % of selling price (OECD limit)	special scheme for ships
Netherlands	- interest rebate	All sales	- maximum interest rebate 2 % (3,5% for small ships) (OECD limit)	special scheme for ships

	Description of aid	Qualifying transactions	Level of intervention	Remarks
United Kingdom	- preferential credit	Sales to other Member States and third countries	- OECD conditions	general scheme

(1) Only 60 % of ships satisfying the conditions may obtain aid.

(2) Duration 7 years, rate 8 %, owners' contribution 30 %.

d) Credit facilities for purchase involving aid to shipbuilding

	Description of aid	Level of intervention	Remarks
Denmark	<ul style="list-style-type: none"> - credit facilities for Danish owners on purchase of ships in a Community yard 	<ul style="list-style-type: none"> - credit at 8 % for 14 years (with 4 years moratorium on repayment) on 80 % of contract price 	
United Kingdom	<ul style="list-style-type: none"> - credit facilities for the purchase of ships by British owners in British yards (home credit scheme) 	<ul style="list-style-type: none"> - OECD conditions of 18.7.74 - in addition, a subvention scheme has been introduced under Section 25 of the Industry Act 1975 	<p>The application of this scheme must not result in conditions more favourable than those contained in the OECD understanding</p>

e) Price guarantee mechanisms

France	<ul style="list-style-type: none"> - Government takes over responsibility for increase in cost between ordering and delivery on fixed price sales to third country owners - a premium of 0,5% per year is paid when the threshold is not exceeded 	<ul style="list-style-type: none"> - intervention relates to 80% of the cost for an increase in excess of 7,5 %. Duration 2 years 	
United Kingdom	<ul style="list-style-type: none"> - responsibility for increase in cost between ordering and delivery on fixed price sales to third country and home owners - a premium of 1 % per year on the amount covered is payable 	<ul style="list-style-type: none"> - for credit sales, the variable part of the cost (70%) in the band 7%-17% is covered. For cash sales, the limit is 15 %. It is possible to choose the starting-point for intervention, between 7 and 15% of the increase in cost 	

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	Description of aid	Level of intervention	Remarks
Italy	<ul style="list-style-type: none"> - responsibility for increase in cost between ordering and delivery - the premium is within the band 0,1 to 1,25% of the cost of the ship - this scheme is applied only to exports 	<ul style="list-style-type: none"> - intervention relates to an annual increase between 5 and 15 % of the cost 	<p>This scheme has not been applied to ship-building</p>