

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 918 final

Brussels, 9th January 1981

STATE AIDS TO SHIPBUILDING

(Report from the Commission to the Council)

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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. The report for the second half of 1979 is attached as Annex 1.

3. Also attached (Annex 2) is a schedule of current aid schemes in favour of shipbuilding.

AID GRANTED TO SHIPBUILDING IN THE EEC

1. Production aid : Articles 6 + 7 of the 4th Directive on aid to shipbuilding.

Period July - December 1979

Member- State	Number of Cases	grt	Estimated proportion of contract price
FR. Germany ⁽¹⁾	83	392,180	3 % to 20 %
Belgium	-	-	
Denmark	-	-	
France	18	274,750 (cgrt)	10% to 30 %
Ireland	-	-	
Italy	4	2199	10.2% to 18.5%
Nether- lands	9	133,344 +17,830 hp	2.9% to 28.6 %
United Kingdom	1	1599	24 % (2)(3) (In addition Shipbuilder's Relief 2%

(1) the figures given relate to the whole year 1979, all decisions having been taken in the second half of the year. 31 ships were not aided, although they met the aid requirements.

(2) cost escalation insurance was not applied in this case.

(3) corrigendum to report for period January-June 1979 (average weighted by ton): for "29.2 %" read "28.4 %".

2. Aid to investment : Article 4 of the 4th Directive on aid to Shipbuilding

Period July - December 1979

Member-State	Amount of investment	Nature of aid	Effect on production capacity
R.F. Germany	DM 50 mio ⁽¹⁾	10% of investment amount (max. DM 5 Mio)	In shipbuilding construction decrease of production hours from 1,4 Mio to 0,8 Mio. Increase in repair sector and in non-shipbuilding production.
Belgium	-	-	
Denmark	-	-	
France	-	-	
Ireland	-	-	
Italy	-	-	
Netherlands	-	-	
United Kingdom	-	-	

(1) Part of the Hamburg yards' restructuring programme.

3. Aid to shipowners : art. 8 of the 4th Directive on aids to shipbuilding. 41.

a) Volume of contracts

A : Contracts aided. B : contracts refused. C : Total volume of contracts.
 Period July - December 1979.

		Total volume		For buildings in national yards		For building in other EEC countries		For buildings in third country yards.	
		GRT	national currency	GRT	national currency	GRT	national currency	GRT	national currency
F.R.Germany(1)	A	445.207	1602.496M	445.207	1602.496M				
	B	146.236	244.458M	146.236	244.458M				
	C	591.443	1846.954M	591.443	1846.954M				
Belgium(2)	A	209.000	4673.0 M	209.000	4673.0 M				
	B	-	-	-	-				
	C	209.000	4673.0 M	209.000	4673.0 M				
Denmark	A	106.800	1.900M	106.800	1.900M				
	B	-	-	-	-				
	C	106.800	1.900M	106.800	1.900M				
France	A	3.800	72.120M	3.800	72.120M				
	B	-	-	-	-				
	C	3.800	72.120M	3.800	72.120M				
Ireland	A	-	-	-	-				
	B	-	-	-	-				
	C	-	-	-	-				
Italy	A	142.469	2759 M	142.469	2759 M			295	2,979 M
	B	-	-	-	-				
	C	142.469	2759 M	142.469	2759 M			295	2,979 M
Netherlands	A	2.360	17.800M	2.360	17.800M				
	B	4.862	38.200M	4.862	38.200M				
	C	7.222	56.000M	7.222	56.000M				
United Kingdom(3)	A	21.109	73.079M	21.109	73.079M				
	B	-	-	-	-				
	C	21.109	73.079M	21.109	73.079M				

- 1) The figures given relate to the whole year of 1979 (all decisions on shipowners' aid are taken in the second half of the year in question).
- 2) Corrigendum to report on period January-June 1979. For "86.571 grt" read "157.714 grt" and for "3416Mio" (national currency) read "8483mio".
- 3) The British scheme relates to British owners who place an order with a British yard. OECD conditions.

b) Average effect of aid per contract (Full year 1979 - Yearly communication)

5.

Member - State	Total Average	For building in nat.yards	For building in other EEC countries	For building in third country yards
R.F.A.	11,35 %	11,35 %	-	-
Belgium(1)				
Denmark	5,7 %	5,7 %		
France	13,94 %	13,94 %		
Ireland (2)	-	-		
Italy (3)				
Netherlands	5 x 1,1%	5 x 1,1 %		
U.K. (2)	-	-		

(1) Information not supplied.

(2) No special scheme for shipowners.

(3) The information provided by the Italian authorities is based on different criteria than those used by the other Member States and is not comparable.

List of aids and interventions for shipbuilding

Annex 2

July 1980

a) Aids to shipbuilding

Description	Level of intervention	Remarks
<p>Germany</p> <p>1) National - direct aid for building fund of DM 660 m</p> <p>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 (1975-1983)</p> <p>3) Lower-Saxony - subsidies up to DM 3m</p>	<p>Max.20 % of contract price (average 10%) (after 1.1.1981 max. 15%, average 75%)</p>	<p>For orders taken between 1.12.78 and 31.12.1981</p> <p>DM 31 m for investment on publicly-owned land DM 4 m for investments on private land.</p>
<p>Ireland - compensation of losses incurred</p>	<p>Max.30% of contract price</p>	<p>For diversification measures (out of shipbuilding)</p>
<p>France - direct aid for construction</p>	<p>Max.25% of contract price</p>	<p>This measure lasts until the end of 1980.</p>
<p>Netherlands - compensation of losses incurred on orders</p>	<p>75 % of losses incurred with limit of 30 % of contract price</p>	<p>For orders taken in 1979 and 1980.</p>
<p>United Kingdom - single refund of certain taxes (shipbuilders' relief)</p>	<p>2 % of the construction cost</p>	<p>To end of 1980.</p>
<p>- Direct aid for construction. Fund of £ 120m for British Shipbuilders and £ 25m for Harland and Wolff (Northern Ireland)</p>	<p>Max.25% of contract price (including shipbuilders' relief)</p>	<p>Financial years 1979/80 and 80/81.</p>
<p>Italy - direct aid for construction :budgetary allocation Lit. 110 bio.</p>	<p>Maximum 30 % of contract price</p>	<p>For contracts taken in 1979 and 1980. The Commission opened the Art. 93(2) EEC procedure against this scheme on 28.3.80.</p>

b) Credit facilities for sales

	Description of aid	Qualifying transactions	Level of intervention	Remarks
Germany	- interest rebate	All sales	- maximum interest rebate 2% (Limit OECD conditions) (1)	special scheme for ships
Belgium	- interest rebate	Sales to other Member States and third countries	- OECD conditions	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	- OECD conditions	special scheme for ships
Netherlands	- interest rebate	All sales	- maximum interest rebate 2% (3,5% for small ships) limit OECD Conditions	special scheme for ships
United Kingdom	- preferential credit	Export sales	- OECD conditions	general scheme

(1) Repayment period 8 1/2 years, interest rate 8 %, down payment 20 %.

c) 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 favorable than those contained in the OECD understanding</p>

d) 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. 	<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"> - a premium of 0,5% per year is paid when the threshold is not exceeded - 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. 	<p>This scheme has now been terminated (1980).</p>

	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.	Available, but never used for shipbuilding to date.