

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 289 final

Brussels, 30th May 1980

AID GRANTED TO SHIPBUILDING IN THE EEC (PERIOD JULY/DECEMBER 1978)

(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. This report covers the periods 1.7.78 to 31.12.1978 and 1.1.79 to 30.6.79.

Aid granted to shipbuilding in the EEC

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

Period July - December 1978

Member State	Number of Cases	grt	Estimated proportion of contract price
F.R. Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	5	78,000 ⁽¹⁾	25%. In addition, cost escalation guarantee (threshold 6.5%, estimated proportion of contract price 3.4%)
Ireland	-	-	-
Italy	8	78,979	3.43 % to 7.72 %
Netherlands	6	14,225 ⁽²⁾ (+2400 hp)	8.7 % to 16.9 %
United Kingdom	4	69,400	Average (weighted by ton) 23.7%. In addition, Shipbuilders' Relief (2%)

(1) cgrt

(2) In two cases (tugs and pontoons) the grt is not available.

(3) Cost escalation insurance was not applied in these cases.

Period January-June 1979

F.R. Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	13	76,050 ⁽¹⁾	5% to 25%, in addition, in 10 cases, cost escalation insurance (threshold 6.5%, estimated proportion of contract price 3.8%)
Ireland	-	-	-
Italy	8	117,582	3.51% to 23.15%
Netherlands	1	1600	18.4 %
United Kingdom	8	101,137	Average (weighted by ton) 29.2%. In addition, Shipbuilders' Relief (2%) (2)

(1) cgrt

(2) Cost Escalation Insurance was not applied to these cases.

2. Aid to investment : Article 4 of the 4th Directive on Aid to Shipbuilding
Period July - December 1978

Member State	Amount of Investment	Nature of Aid	Effect on production capacity
F.R. Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	-	-	-
Ireland	-	-	-
Italy	Lit 7580 m	10% direct grant ⁽¹⁾	-
Netherlands	-	-	-
United Kingdom	-	-	-

(1) Paid in second half of 1978, but investment completed December 1975.

Period January - June 1979

F.R. Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	-	-	-
Ireland	-	-	-
Italy	Lit 5450 m	10% direct grant ⁽²⁾	-
Netherlands	-	-	-
United Kingdom	-	-	-

(2) Paid in first half of 1979, but investment completed in 1976.

3. Aid to shipowners : Article 8 of the 4th Directive on Aid to shipbuilding

(a) Volume of contracts

(1) Period July - December 1978

Member States	Total volume			For buildings in nat. yards		For buildings in other EEC countries	For buildings in third country yards
	grt	nat. currency	grt	nat. currency	grt	nat. currency	grt nat. currency
F.R. Germany (1)	A) contracts aided 354,076	1639,193 m	354,076	1639,193 m			
	B) contracts refused 7,153	151,065 m	7,153	151,065 m			
	C) total 361,229	1790,258 m	361,229	1790,258 m			
Belgium	A 53,872	2542,54 m	53,872	2542,53 m			
	B -	-	-	-			
	C 53,872	2542,34 m	53,872	2542,54 m			
Denmark	A 49,000	526 m	49,000	526 m			
	B -	-	-	-			
	C 49,000	526 m	49,000	526 m			
France	A 83,450	707,670 m	83,450	707,670 m			
	B -	-	-	-			
	C 83,450	707,670 m	83,450	707,670 m			./.

Member States	Total volume		For buildings in national yards		For buildings in other EEC countries		For buildings in third country yards	
	grt	nat. currency	grt	nat. currency	grt	nat. currency	grt	nat. currency
Ireland	A	-						
	B	-						
	C	-						
Italy	A	-						
	B	-						
	C	-						
Netherlands	A	-						
	B	-						
	C	-						
UK (2)	A	159,317	139,404 m	159,317	139,404 m			
	B	0	0	0	0			
	C	159,317	139,404 m	159,317	139,404 m			

(1) The figures given relate to the whole year 1978 (All decisions on shipowners' aid are taken in the second half of the year in question)

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

3. Aid to shipowners : Article 8 of the 4th Directive on aids to shipbuilding
(ii) Period January - June 1979

Member State	Total Volume		For buildings in national yards		For buildings in other EEC countries		For buildings in 3rd countries	
	grt	national currency	grt	nat. currency	grt	nat. currency	grt	nat. currency
F.R.Germany	a) - b) - c) -	- - -						
Belgium	a) 86,571 b) - c) 86,571	3,416m - 3,416m	86,571 - 86,571	3,416m 0 3,416m				
Denmark	a) 201,750 b) - c) 201,750	1,860m - 1,860m	201,750 - 201,750	1,860m 0 1,860m				
France	a) 14,000 b) - c) 14,000	267,7m - 267,7m	14,000 - 14,000	267,7m 0 267,7m				
Ireland	a) - b) - c) -	- - -						
Italy	a) 66,390 b) - c) 66,390	3443 m - 3443 m	63,248 - 63,248	3369,15m - 3369,15m	2,643 - 2,643	44,421 m - 44,421 m	499 - 499	29,426m - 29,426m
Netherlands	a) 7,900 b) - c) 7,900	24,45m - 24,45m	7,900 - 7,900	24,45m - 24,45m				
United Kingdom (1)	a) 46,748 b) - c) 46,748	62,839m - 62,839m	46,748 - 46,738	62,839m - 62,839m				

(1) See note (2) above

(b) Average effect of aid per contract (Full year 1978-Yearly Communication)

Member States	Total Average	For building in national yards	For building in other EEC countries	For building in third country yards.
F.R. Germany	16.4 %	16.4 %		
Belgium	0			
Denmark	2.45 %	2.45 %		
France	14.08 % ⁽¹⁾	14.09 %	0	10 %
Ireland	0	0	0	0
Italy	2 % interest rebate	2 % interest rebate	0	0
Holland	15.65 % (estim.)	15.65 % (estim.)		
UK	0			

(1) In three cases (1 for construction in a French yard, 2 for construction in third country yards) the aid granted was more than 10 % below the average level of aid granted for construction in French yards. There were no cases where the aid granted for construction in French yards was more than 10 % above the average level.

(2) Only OECD Understanding terms are offered under the UK Home Credit Scheme. These terms are also available in other Member States.

List of aids and interventions for shipbuilding and ship repair

Annex 2

a) Aids to shipbuilding

January 1980

Description	Level of intervention	Remarks
Germany 1) National - direct aid for building, Fund of DM 660 m	Max. 20% of contract price	For orders taken between 1.12.78 and 31.12.81, DM 31 m for investment on publicly-owned land, DM 4 m for investments on private land.
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.		
3) Lower-Saxony - subsidies up to DM 3m		
Ireland - compensation of losses incurred	Max. 30% of contract price	For diversification measures (out of shipbuilding) This measure lasts until the end of 1980.
France - direct aid for construction	15% to 30% of contract price, depending on ship type	For orders taken in 1979 and 1980, Currently subject of Article 93(2) EEC procedure.
Netherlands - 1) compensation of losses incurred on orders	Max. 30% of contract price	To end of 1980
2) acquisition of shares in certain undertakings (FL 80 m)	Equivalent to 43% of the capital	
aids to investment (FL 350 m)	Assistance for investment, up to 35 % of the amount of the investment	Yard groups I + II only
rescue aids (FL 180 m)	2 % of the construction cost	
United Kingdom - single refund of certain taxes (shipbuilders' relief)	Max. 25% of contract price	* The part which does not constitute a repayment is valued at 0.5% Financial years 1979/80 and 80/81.
- Direct aid for construction - Fund of £ 120m for British Shipbuilders and £ 25m for Harland and Wolff (Northern Ireland)		

(b) Aids to ship repair

Description	Level of intervention	Remarks
<p>Netherlands - Share acquisition of FL 14 m</p> <p>- special contribution of FL 25 m for restructuring</p> <p>- assistance of FL 12.6 m for investments to be carried out</p>	<p>Equivalent to 20 % of the capital</p> <p>30 % of the amount of the investments</p>	<p>))) for restructuring of) ship repair in the) port of Amsterdam))))))</p>

(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
2) Bremen, Hamburg, Lower Saxony, Schleswig-Holstein	- credit guarantees	Sales to other European countries	- OECD conditions (2)	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

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 	<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 	

	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	This scheme has not been applied to shipbuilding