

COMMISSION OF THE EUROPEAN COMMUNITIES

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Commission Report to the Council and the European Parliament

on the Implementation 1987-88 of the Sixth Council Directive

on Aid to Shipbuilding

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(Issued end February 1989)

I. Background

According to Article 12(2) of Council Directive of 26 January 1987 on Aid to Shipbuilding (87/167/EEC- called the Sixth Directive) the Commission shall, after two years of implementation of the Directive, which applies from 1 January 1987 to 31 December 1990, report to the European Parliament and the Council, on its application and propose any necessary adjustments.

II. Objectives of the Sixth Directive

The principal objectives of the aid policy pursued by the Sixth Directive as expressed in the Commission's orientation paper on aid strategy for shipbuilding 1986(COM(86)924/3) transmitted to the Council at end July 1986 and in the preamble of the Directive are the following:

- 1) to safeguard a vital Community industry during a continuing world crisis;
- 2) to intensify and direct a structural adjustment which, in the longer term, could lead to a healthy and competitive shipbuilding industry;
- 3) to ensure that intra-Community competition is carried out on an equal basis in respect of all Community yards.

The main means of attaining these objectives are on the one hand to make all kinds of operating aid to shipbuilding and ship

conversion subject to a periodically revisable maximum aid ceiling

- which has to be set taking due account of the differences between the cost structures of the most competitive Community yards and the prices charged by their main international competitors with particular regard to the market segments in which the Community yards remain relatively most competitive;

- which has to encompass all kinds of aid, including indirect aid, in support of shipbuilding;

- which is common for all Member States,

and on the other hand to make restructuring aid available to yards without any specific limits provided that the restructuring objectives for Community shipbuilding are being pursued.

Spain and, under certain conditions, Portugal as new Member States are not subject to the aid ceiling for operating aid for a 4 year transitional period during which a higher level of operating aid can be granted if the Governments concerned adopt a restructuring plan for the industry which will enable their respective shipbuilding industries to compete on equal terms with yards in other Member States by the end of that period.

III Aid schemes notified

During the first two years of application of the Sixth Directive the common maximum aid ceiling for shipbuilding and ship conversion inside the Community was set by the Commission at a constant level of 28% of contract value before aid. Being a function of the prevailing difference between the costs of the most efficient Community yards and world market prices for the more sophisticated range of ships, the principle that the ceiling should be progressively reduced, as laid down in the Directive, was maintained by the fact that the unaltered ceiling had, during the second year of application of the Directive, to be viewed in

relation to a cost/price gap which had widened considerably to the disadvantage of Community yards, mainly due to exchange rate developments. From 1 January 1989 the Commission set the new ceiling at 26%. The setting of the ceiling has every year been based on a detailed comparative study of shipbuilding costs and prices in the EEC and Far East commissioned to an expert consultancy by the Commission.

The attached tables (Annex 1) gives a survey of the shipbuilding aid schemes notified by the various Member States and approved by the Commission during the period under review¹.

These tables show the variety of means employed by the different Member States in providing aid support to shipbuilding. There are some Member States, Denmark and Belgium for example, where operating aid for shipbuilding is not granted directly to the sector itself but aid is instead given exclusively to yard customers, whether professional or lay, investing in newbuilding of ships. Other Member States however use a mixture of direct and indirect aid schemes.

The need for full aid transparency and the necessity for placing all kinds of aid for shipbuilding, whether direct in the form of payments or indirect, through tax incentives, on the same footing by counting it fully inside the common maximum aid ceiling, as laid down in Article 3(2) and 4(4) of the Directive, has been clearly proven.

The tables also show that all shipbuilding Member States having notified aid schemes have, with the exception of Belgium², made it possible to grant aid up to the maximum aid ceiling for operating aid of 26% prevailing during 1987 and 1988, either by single schemes allowing that level of aid to be granted (UK, France, Italy) or by the cumulative use of several operating aid

1. The Spanish and Italian schemes had not been approved by the editing date of this report (February 1989).

2. The accumulated aid intensity of the two Belgium operating aid schemes for shipbuilders has been calculated at 21%.

schemes.

Where, by such accumulation, it would be possible for the 28% ceiling to be exceeded, the Member States concerned have given clear undertakings that they would in no circumstances apply the various schemes in any way which would cause the ceiling to be breached.

By the same token, the Commission has in accordance with the provisions of Article 4(2) received engagements from all Member States concerned that they will not apply the notified schemes in such a way that aid for small ships costing less than 6 MECU would exceed 20%³.

The Commission has advised Member States that from 1 January 1989 it will not allow aid for this latter category of ships to exceed 16%.

IV Level of Aid granted

It is, of course, important to stress that the common maximum aid ceiling, referred to in Article 4(1) and 5(1) of the Directive, is an upper limit set for any kind of operating aid for shipbuilding within the Community, related both to individual contracts and to operating losses in general. It does not therefore necessarily need to represent the aid level actually applied.

The Commission's monitoring of the application of the aid schemes, under the provisions of Article 11(1) of the Directive, has established that a level of aid considerably lower than the ceiling has in reality been applied in most Member States.

³ See the declaration of the Commission to the Council Meeting of 22 December 1986 relating to Article 4(2) of the Directive (Council Doc 4352/87).

As Member States in general have been slow in complying with their reporting obligations as set out in Article 11 of the Directive, it has, at the time of drawing up this report, only been possible to establish a complete picture of aid payments for 1987⁴.

The tables of Annex IIA show the average level of aid applied in each Member State on all reported contracts concluded in 1987, categorising contracts as to ships costing more than 6 MECU, those costing less than 6 MECU and fishing vessels. It should be noted that no Member State except Greece has reported the value of unaided contracts concluded. This is regrettable because it would have allowed the Commission to establish the overall level of aid paid in respect of shipbuilding contracts, instead of as at present only being able to report the average level of aid paid to aided contracts.

Taking into account other operating aid under Article 5 of the Directive, the level of production aid paid in the individual Member States is as follows:

Belgium: The average level of contract related aid paid in support of aided contracts in shipbuilding in 1987 was 20.4%, all granted to shipowners.

1988 reports reveal an average aid level of 21% in respect of aided contracts. In February 1988 the Commission additionally approved a contribution to the yard Boelwerf in the form of two low interest loans and the release of a guarantee deposited by the yard. The grant equivalent of the support was BF 66,5 m in 1987, BF 64 m in 1988 and BF 21.6 m for 1989. In accordance with the provisions of Article 5 of the Directive, the possibilities of granting contract related production aid was correspondingly reduced.

⁴ Only a few Member States had at that time submitted reports on shipbuilding contracts entered into in 1988.

Based on the turnover in merchant shipbuilding for the yard in 1987 this capital injection reduced the possibilities of granting contract related operating aid in that year by 2.6%.

Denmark: The average level of contract related aid paid in support of aided shipbuilding contracts in 1987 was: 19.8%

France: The average level of contract related aid paid directly or indirectly to aided shipbuilding contracts in France in 1987 was: 26.3%

Germany: The average level of contract related aid paid directly or indirectly to yards for aided shipbuilding contracts in 1987 was: 15.4%

Additionally in 1987, the Commission approved rescue aid to the yard Lindenau which, based on the principles in Article 5 of the Directive, amounted to an operating aid of 20.5% during the first half of 1987 and 21% for the subsequent year and a half, correspondingly reducing the yard's possibilities of receiving contract-related aid during that period. Also during 1988 the Commission approved some operating aid to German yards which was not contract related. Howaldtswerke Deutsche Werft following heavy losses received a capital injection of DM 112,35 m supplied by the federal Government through the state owned shareholding company Salzgitter AG. This, added to contract related aid, raised the total of operating aid received by this yard in 1988 to 27.7%. The small Hamburg yard Pohl & Jozwick received rescue aid which reduced its possibilities of receiving contract related production aid during 1988 and 1989 by 18.5%.

Italy: No reports on new shipbuilding contracts have been submitted during the first two years of the Directive, as no new aided

contracts have been concluded in that period according to information from the Italian Government. The shipbuilding activities of Italian shipyards have been based, during these two years, on orders taken before the entry into force of the Sixth Directive, and in particular during December 1986, when a large concentration of orders followed the introduction of the "Finmare" law dealing with aid for renewal of the state-owned Italian merchant fleet.

In fact in 1987, on the basis of the Fifth Council Directive on Aid to Shipbuilding, the Commission approved LIT 600 bn for the refinancing of the budget for large yards under "Law No 111" concerning production aid to shipyards, against further reduction in shipbuilding capacity in these yards.

A similar need for refinancing of LIT 93.5 bn has also been approved for small and medium yards after agreements had been reached on strict limits as to aided tonnages during the 1987-88 period.

In 1987, the Commission, however took a negative decision under the Fifth Directive on an Italian plan to introduce supplementary aid to shipbuilding in the form of financial support for stockholding⁵.

Consequently the shipbuilding activities in Italy during 1987 and 1988, made up of the orders entered into in the period preceding the Sixth Directive, have been carried out on the basis of the aid level approved under the Fifth Directive, i.e., a maximum of direct production aid for large yards of 25% of contract price (30% in the Mezzogiorno). There exists also the additional possibility of granting newbuilding aid to shipowners, either under law No 361/82, allowing half-yearly subsidies on new built ships

⁵ OJ L 119 of 7 May 1988, p. 33

over 12 years, which amounts to a discounted grant equivalent of close to 25%, or under the Finmare law allowing for subsidies equivalent to the depreciation of new built ships during the first five years of their lifetime (approx 30% grant equivalent). Aid to shipowners was of course not directly subject to the Fifth Directive.

Netherlands: The average level of contract related aid granted in support of aided shipbuilding contracts during 1987 was:

12.2%

Portugal: Before the expiry of the 29 February 1988 deadline laid down in Article 9(3) of the Directive, Portugal informed the Commission that its main shipyard Setenave would take up the option of the special 4 year transition system in relation to operating aid set out in Article 9(3).

As regards its other yards, however, Portugal chose to become fully subject to the operating aid rules of Chapter II of the Sixth Directive.

Portugal has reported 4 newbuilding contracts for 1987 with an average aid level of: 10.7%

It appears that these contracts have nevertheless suffered further substantial losses.

At the end of 1988 the Portuguese Government submitted the broad outline of a new restructuring programme for Setenave involving an aid amount which is still not known, to cover the past and future losses of this yard.

Spain: According to Article 9(2) of the Directive, Spain is subject to a transitional arrangement for 4 years which allows operating aid to exceed the ceiling on condition that a restructuring of the sector is accomplished, through

gradually reduced aids, making it capable of competing with other Community yards at the end of that period on equal terms.

For 1987, Spain has reported shipbuilding contracts with an average aid level, subject to Commission approval of the aid schemes on which they are based, of 20.3%

In addition as regards the public yards, losses for the 1987 and 1988 period totalling Ptas 77.4 bn net of expected aid under notified schemes (i.e. another 40% aid, measured on turnover before aid) have been notified for aid compensation in connection with the submission of the 1987-90 restructuring plan at the end of 1988 for Commission approval.

UK: The average contract-related aid level paid in support of aided shipbuilding contracts in 1987 was: 9.1%

At the end of 1988, in connection with the UK Government's notification of aid for the winding up of the activities of its public shipbuilding enterprise, British Shipbuilders - partly through privatisation and partly through major closures - the Commission approved operating aid for compensation of the £80m losses suffered by this company during 1987 and 1988, bringing the total operating aid, including contract related aid, up to 28%.

The overall EEC level of aid paid in the Community to aided shipbuilding and ship conversion contracts in 1987 was around 18.5%, see Annex IIB.

The table at Annex IIB table gives a breakdown by ship type of the newbuilding and conversion contracts reported by Member States in 1987.

It demonstrates that the selective market policy embodied in the aid provisions of the Sixth Directive, intended to steer the Community's shipbuilding activities towards the construction of technologically advanced, less labour intensive ships and smaller specialized vessels has succeeded.

For example, standardized ships such as tankers and bulk carriers count for less than 12.5% of the value of the aided contracts entered into, despite an upturn of the tanker market in 1987, while high technology ships such as ferries and cruise liners constitute close to 25% thereof and fishing vessels and other non-cargo vessels another 18%.

V Intra-Community Competition

In view of the target of moving towards the completion of the internal market by end 1992, the Directive's objective in improving competition conditions between Member States in shipbuilding is particularly important. Besides the introduction of one single production aid ceiling which includes all types of shipbuilding aid and which is common for all Member States, (apart from the two latest members, Spain and Portugal) an important means of achieving that objective is Article 4(5) which stipulates that Member States may, in cases of competition between yards in different Member States for a particular contract, request the Commission to intervene in order to ensure that the planned aid does not affect trading conditions to an extent contrary to the common interest.

In its declaration to the minutes of the Council meeting of 22 December 1986 (Council document 4352/87) the Commission made it clear that it will use its powers under this provision to ensure that the lowest aid level proposed in support of the competing bids prevails unless a higher level is proven necessary in order to ensure that the contract remains within the Community.

Member States have made use of this clause in 23 cases during 1987 and 1988, (see the attached table III).

In the great majority of these cases the Commission's involvement in the matter has resulted, with the mutual consent of the Member States involved, in an alignment downwards to the lowest aid level proposed. In three cases the Commission has accepted the higher level of aid, without exceeding the 28% ceiling, after having received substantiated evidence of competing offers from third countries.

Only in one case has the Commission had to impose its policy by way of a negative decision taken against a Member State⁶. In another two cases, one of which principally concerns the special problem relating to aid for the building of fishing vessels, (see Section VI below), the procedure under Article 93(2) of the EEC Treaty remains at the time of writing this report, open against the higher aid proposals of a Member State involved.

The frequency with which the clause has been used by Member States, the large number of voluntary settlements successfully achieved by the Commission, and the Commission's proven determination to pursue its policy to its limits underlines the progress made in respect of this important objective.

VI Specific problems regarding construction of fishing vessels

The Community fishery policy as set out in Council Regulation No 4028/86 on fishery structures⁷, which was adopted virtually at the same time as the Council's Directive on aid to shipbuilding, and as also set out in the related Guidelines for the examination of state aids in the fisheries sector⁸, makes allowance for

6 Brittany Ferries case, OJ L211 of 24.8.1988

7 Council Regulation No 4028/86 of 18 December 1986, OJ L376, 31.12.1986

8 OJ C313, 8.12.1988

national aids exceeding the prevailing production aid ceiling of the Sixth Directive for the construction or conversion of fishing vessels under the multiannual guidance programmes approved by the Commission, while at the same time excluding the possibility of any aid at all for the construction and conversion of fishing vessels not being part of such programmes.

In order to create compatibility between the Community's shipbuilding and fishery policies the Commission sent a circular letter to all Member States on 26 May 1988 advising them that it will interpret the rules of the Sixth Directive as requiring that aids under that Directive for the construction or conversion of fishing vessels of not less than 100 gt to be built for the Community fleet must comply with the aid provisions of Council Regulation No 4028/86 and the Guidelines for the examination of state aids in the fisheries sector in order to be regarded as compatible with the common market.

In one of the Article 4(5) cases listed in Annex III concerning aid proposed at different levels by two Member States in support of their national yards for the construction of an Irish trawler, the Commission used this interpretation according to which no aid could be granted in support of the construction of the vessel and initiated the Article 93(2) procedure against both Member States.

VII Shipbuilding aid as development assistance to developing countries

The Community participates in the OECD Understanding on Export Credit for Ships and the practice followed as regards shipbuilding aid granted as development assistance to developing countries. Under these rules shipbuilding aid may be granted provided that the genuine development character of the aid is demonstrated through a number of limiting criteria, one of these being that the gift element must exceed a certain minimum level.

Being in principle therefore incompatible with the restrictions on aid laid down in the Sixth Directive, Article 4(7) of the Directive exempts such aid from the ceiling for production aid, but makes it subject to full transparency by introducing an obligation of prior notification of each individual case to the Commission.

During 1987 and 1988, 17 such cases have been notified to and approved by the Commission, comprising 2 UK cases and 15 German cases. (see table IV).

The degree of transparency thus provided by these cases has revealed that competition considerations and the aid policy of the Directive have not been sufficiently well served by the practice hitherto followed, which simply referred to the OECD Development Aid Committee (DAC) List of developing countries.

In interpreting the development context of aid to be approved under Article 4(7) of the Directive, the Commission therefore decided to further define the provisions of Article 4(7). Thus the Commission will allow only the granting of development assistance to ACP countries, countries and territories associated with the Community and those countries which are not appearing in the OECD DAC-list as upper middle income countries (UMIC).

Subsequently the Commission established a list of the countries concerned which will be regularly updated. This list was circulated to Member States by letter of 3 January 1989 and will thus be applied in future (Annex V).

Development aid in favour of shipbuilding may be granted to countries not normally eligible for development assistance, if Member States are able to prove that a third country participant to the OECD Understanding is planning to grant development assistance to that country for a particular shipbuilding contract.

VIII Restructuring position

In view of the existing world wide excess capacities in shipbuilding, the present level of demand and forecast level of future demand, the overall increase in productivity and the Community policy of concentrating on the more technologically sophisticated segments of the market, it is an essential objective of the Sixth Directive further to reduce shipbuilding capacity to a smaller number of yards which, through increased specialisation, work distribution and a higher rate of utilization of their installations can more effectively engage in competition with our international competitors and by a return to normal market conditions will be able to operate without the support of state aid.

In its 1987 paper to the Council on the social and regional measures accompanying the Sixth Directive⁹, the Commission estimated that in order to be better equipped structurally to meet world market competition, Community shipbuilding capacity would have to be cut by approximately one-third during the 1987-89 period.

During 1987 and 1988 this goal of specialization, diversification and structural adjustment was pursued all over the Community. Shipbuilding capacities have been subject to substantial reductions in most Member States.

The development of employment levels constitutes a practical yardstick for reflecting change in shipbuilding capacity. According to AWES statistics, employment in merchant newbuilding has evolved as follows within the Member States between end 1986 and mid 1988:

⁹ Com (87) 275 final of 20 July 1987.

	BEL	DK	F ¹	D	UK	GR	IT ²	3	NL ³	PT	ES
end 86	2995	7000	13700	18184	12500	1709	11570	5400	5087	18000	
end 87	2548	7000	8940	12875	11500	1621	9500	3600	5020	17300	

reduction	447	0	4760	5309	1000	88	2070	1800	67	700
%	15	0	35	29	8	5	18	33	1	4

(Table compiled from national sources)

1. The figure for 1986 and 1987 covers jobs in new shipbuilding and naval and para-naval building (conversion, naval vessels and off-shore vessels).
2. 2780 unemployed should be added to this figure; of these 2000 represent a structural overcapacity for whom no new jobs can be found.
3. Estimated

In France the closing down of merchant shipbuilding at the three shipbuilding sites of the shipbuilding group Chantiers du Nord et de la Méditerranée in Dunkerque, La Ciotat and La Seyne, has left the country with only one large shipyard, the Saint-Nazaire yard of les Chantiers de l'Atlantique belonging to the Alsthom group. As is shown in Schedule C of Annex 1, the Commission approved substantial aid, totalling FF 4000 m, in support of this closure, mainly linked to the accompanying social plan. In addition the establishment of an enterprise zone in the affected regions, Dunkerque, Toulon-La Seyne and La Ciotat-Aubagne was authorized by the Commission.

In the UK continuing structural difficulties in the public shipbuilding sector led to the selling off in mid 1988 of one of British Shipbuilders' major yards, Govan Shipbuilders, to private owners, who intend to develop the yards for the construction of a specific type of high-technology ship. This was followed by a decision at the end of 1988 to wind up the remaining part of British Shipbuilders by the selling off of two smaller yards and the marine engine manufacturing unit and the closure of North East Shipbuilders' two remaining construction

sites, Pallon and Southwick. These measures were supported by an aid package approved by the Commission which involved compensation for losses and restructuring aid totalling roughly £210m. Here too the establishment of an enterprise zone in Sunderland has been authorized by the Commission.

In the wake of the bankruptcies which affected a number of small and medium yards, the German shipbuilding industry has, with the support of a budgeted DM 300m restructuring scheme for shipbuilding in the Coastal Länder (see Schedule D, Annex 1), worked on its structural adjustment and diversification policy. DM 117m of this budget has been deployed in the structural adaptations of the Bremer yards. This restructuring is represented by the creation around the shipbuilding company Bremer Vulkan of the "Bremer alliance", incorporating the other Bremer yards (Seebeck, SUAC, Lloyd and Jade) by merger and involving division of labour and specialization. Financial support by public authorities in creating this alliance, through the city of Bremen and the publicly owned regional company for industrial participation, HIBEG, is presently being examined by the Commission under the state aid provisions of the Sixth Directive.

In Denmark the structural adaptation has involved concentrating the merchant newbuilding activities of the Danyard group at the Frederikshavn yard while correspondingly ceasing newbuilding at the Aalborg yard.

In the Netherlands significant rationalization measures have been put into operation resulting in substantially reduced employment throughout the sector.

Italy and Spain seem to be the two major shipbuilding Member States to have been least affected by the Directive's impetus for structural adaptations. As mentioned previously (see page

7) Italy, has not carried out any shipbuilding activities under the Sixth Directive during the first two years of its currency.

Spain entered the Community at the final stage of a restructuring period for shipbuilding covering 1984-86, which represented its first major attempt to face up to the need to restructure its shipbuilding capacity in relation to world demand. However the obligation to draw up plans to continue these restructuring measures as requested under the 4 year transitional period allowed by the Sixth Directive caused serious labour unrest. The 1987-90 restructuring plan which must result in the Spanish shipbuilding industry becoming competitive by the end of 1990 on the same terms as those prevailing for other Member States (see page 9), was therefore not finalized for notification to the Commission until the end of 1988. Thus the necessary measures will need to be effected within a much shorter period.

In its preamble the Sixth Directive states that additional measures should be adopted in order to alleviate the social and regional consequences of the restructuring of the shipbuilding sector.

Accordingly a Community programme, the "Renaval programme", with a budget of 200 m ECU, to support reconversion measures in regions most affected by a reduction in shipbuilding activities, was adopted by the Council on 26 July 1988¹⁰. A supplementary Commission proposal concerning social measures, with a total budget of 71.5 m ECU, has not at this time been adopted by the Council.

10 OJ L 255 of 15.08.1988, p. 24

It is important that the Council decides in the near future the proposed social Programme¹¹, in order to alleviate the social consequences of the restructuring of the shipbuilding industry.

IX Present state of the Community Shipbuilding Industry

1. The shipbuilding market remained at a depressed level of demand during 1987 and 1988. The world order intake which in 1986 reached the lowest level since the beginning of the crisis, 9.48 m cgt, hardly picked up in 1987 (9.74 m cgt) and in 1988 touched a new bottom of 6.8m cgt during the first three quarters.

There are no signs of an immediate end to the crisis. According to the latest forecasts by the European shipbuilding industry a notable pick up in demand cannot be expected to occur until the early nineties with a peak, representing approximately a doubling of the 1988 level, being reached in 1998.

In spite of the downward trend in new world orders, the Community has, during 1987 and 1988, been able to improve its market share of new orders slightly, from 16.7% (based on cgt) in 1986 to 20.2% in 1987, thereby regaining its 1976 share, and to 23.5% in 1988 (first three quarters). On the positive side, the evolution in order intake has been particularly marked in Spain, Denmark and Germany while by contrast the saturation of the Italian order books at the end of 1986 and the absence of aid support schemes during 1987 and 1988 has curbed the Italian order intake during that period. In Spain orders from an exceptional low level of 205 000 cgt in 1986 increased to exceed 500 000 cgt in both 1987 and 1988. In Denmark, after a 33% drop in 1987, the order level rose in 1988 to roughly 450 000 cgt

11 OJ C 249 of 23.09.1988, p. 5.

compared to the 1986 level of 270 000 cgt. The German order intake has shown a steady increase from the 1986 level of 435 000 cgt to 510 000 cgt in 1987 and 650 000 cgt in 1988.

2. Newbuilding prices increased during 1987 and 1988 and has in US dollar terms, depending on vessel type and tonnage, have increased by between 27 and 55% in the period mid 1986 to October 1988. However, the currencies of the main shipbuilding nations have at the same time shown strong increases in value in relation to the US dollar (DM +21%, WON +23%, YEN +28% since mid 1986). At the same time the costs of the major components of production costs have all increased. The yards of the leading shipbuilding nations have not, therefore, benefitted greatly from this upswing in prices.

Nevertheless, at the end of 1988 the Commission reduced the production aid ceiling by two percentage points from 28% to 26% for the Community while at the same time the maximum aid level acceptable for small ships costing less than 6 MECU was reduced from 20% to 16%.

Prices are still insufficient to cover full production costs in the leading shipbuilding countries. The steep rise in the value of the yen, taking the currency closer to a level corresponding to Japan's economic strength and competitive power in international trade, has meant that few Japanese shipyards, if any, have been operating profitably at prevailing prices in 1987 and 1988. The Japanese Government reacted to this recession by the introduction in 1987 of a structural reform programme which, by April 1988, had resulted in a reduction in the number of shipyards capable of building ships of more than 5000 gt from 59 to 39 and the number of docks or berths from 73 to 47, thereby reducing the Japanese total shipbuilding capacity from 6 million gt to 4.6 million gt, a 23.6% reduction.

South Korean shipyards are in the same lossmaking situation, partly because of the steep rise in the value of the won during 1988, partly due to a change in the yards' cost structure resulting from large increases in wages, following serious labour unrest in most yards. At the same time two of the major yards are experiencing serious financial difficulties, stemming from extensive financial charges from increasing debts caused by pricing below full cost.

Against that background and in accordance both with its own declaration of intent when proposing the Sixth Directive to the Council and with the Parliament's resolution of 12 December 1986 on the Sixth Directive, the Commission will continue to work with its Far Eastern competitors for a normalization of the world market, as stated at the Tokyo meeting of the OECD Working Party No 6 in November 1988. As aids given in the Member States are a direct consequence of the selling of ships by Far Eastern countries at prices that do not cover costs, the Commission will focus its efforts on an overall elimination of abnormal pricing and distortions, and on the establishment of a healthy market. These efforts will have as their ultimate goal the gradual removal of any need for future state aids to the sector.

CONCLUSION

It can be concluded that, during its first two years of implementation, the Sixth Directive has, all things considered, lived up to the objectives set for it at its adoption.

It has defended the position of Community shipbuilding on the world market.

It has spurred the increased concentration of its newbuilding activities in the high value and high-technology category of ships.

It has reanimated intra-Community competition in shipbuilding and

reduced the level of aid support in such cases.

It has supported the structural adjustment of the sector through elimination of excess capacities, diversifications, specialization, innovation and research and development.

It has accomplished the equal treatment of production aid to shipbuilding, regardless of the form in which it is granted and its immediate addressee, thereby creating aid transparency.

There seems no particular need for adjustments to the Directive, as the necessary steps, such as in the case of construction of fishing vessels for the Community fleet and development assistance, have been taken by way of interpretations during the course of the Directive.

It should, however, not be left without mention that there have been some flaws in the implementation of the rules of the Directive during the first two years.

Firstly it must be regretted that three Member States have, to a large extent not been subject to the provisions of the Sixth Directive during its first two years of validity. Italy has operated under the Fifth Directive based on a large order intake during the last period of validity of that Directive. Spain, and to a certain extent Portugal, have experienced considerable delays in drawing up their restructuring plans, leaving them only the last two years of the Directive's life to reach a level of competitiveness equal to that of other Member States.

Secondly, it is both unacceptable and inexplicable that, this far into the life of the Directive, most Member States are still not capable of fulfilling their reporting obligations under Article 11 of the Directive. These obligations were taken by Member States when adopting the Directive and are an essential part of it. The reporting system enables the Commission to monitor closely that a strict compliance with the rules is being observed and that the objective of full transparency is achieved. There is therefore every reason for criticism when in spite of clear and detailed instructions

on how reports should be made and repeated reminders, the majority of Member States have not even managed to submit the current reports on new shipbuilding and shipconversion contracts, in accordance with the fairly simple schedule 1 table annexed to the Directive, on a regular basis. Thus at this point the Commission has only been able to draw up a detailed picture of aid payments for the year 1987, and even this imprecise in certain respects as indicated in the tables.

Continued non-observance or incomplete observance of the reporting obligations of Article 11 could jeopardise the implementation of the aid policy embodied in the Sixth Directive. If this situation is not very quickly regularised, the Commission will have to consider taking proceedings against Member States.

Aid schemes notified during the validity of the Sixth Directive

February 1989

- A. Belgium
- B. Denmark
- C. France
- D. Germany
- E. Greece¹
- F. Italy²
- G. Netherlands
- H. Portugal
- I. Spain²
- J. United Kingdom

1 No aid schemes have been notified by this Member State.

2 Aid schemes have been notified. The Commission's assessment of the schemes, however, has not been terminated.

A. Belgium

I. Operating aid

- a. Aid to shipowners in the form of loans for newbuilding and conversion bearing an interest rate of 4 to 5% and a duration of 15 years with the possibility of a two year grace period.
- b. State guarantees for commercial loans to shipowners.

The soft loans granted by the State and the loans for which the guarantees are granted can cover a maximum of 85% of the contract value.

II. Restructuring aid

- a. Investment aids for yards covering 3% of two thirds of the investment costs over four years or 4% of three quarters of the investment costs over five years.
- b. Aid to yards covering up to 50% of research and development costs for prototypes reimbursable in the case of commercial utilisation of the prototypes.

B. Denmark

1. Operating aid

- a. Aid scheme for shipowners offering up to end 1988, for deliveries at latest by end 1990, credit facilities for 80% of contract price with a duration of 14 years (4 year grace period) at either 2.5% p.a. or 4% p.a. interest and combined with an inflation guarantee linked to the net consumer price index beyond 3% p.a. (for 2.5%) or beyond 1.5% (for 4%). For contracts concluded over the period from 1989 to 1992 the Danish Government has notified a gradual reduction of the grant element of the scheme. Thus, the part of the 80% covered by the indexed loans will be progressively reduced leaving at the end of the period only loans on OECD export credit terms. The time schedule is the following:

<i>Contract concluded before</i>	<i>Delivery before</i>	<i>Indexed loan coverage</i>	<i>OECD loan coverage</i>
31.12.1988	31.12.1990	80%	-
31.12.1989	31.12.1991	60%	20%
31.12.1990	31.12.1992	45%	35%
1.1.1991	31.12.1993	30%	50%
FROM 1.1.1992	-	-	80%

- b. State guarantee for shipowners free of charge to cover second mortgage level, typically 30% of contract price, for small cargo vessels.
- c. Specific tax concession for shipowners or third parties providing for accelerated advanced depreciation at 50% for the two-year period 1987-88 for investments in ships (against 30% for investments in other capital goods). Valid until end 1987.

- d. *Exchange risk guarantee for shipowners at 0.5% p.a. for credit granted in foreign currencies. This scheme has expired.*

- e. *With effect from 1989 until end 1992 the Danish Government has notified a scheme providing for guarantees to yards for shipbuilding contracts covering up to 75% of the final loan in the Ship Credit Fund of Denmark with a budget of DKR 1 thousand million. The granting of the guarantee is conditional on the fact that the Board of the beneficiary yard has made a final and irrevocable decision to close the yard.*

C France

1. Operating aid

a. 0 - 15% grants of contract value to shipowners for investment in ships.

b. Grants to yards up to 28% of contract value before aid.

For ships costing less than 6 MECU grants up to 20% of contract value before aid.

3. Restructuring aid

a. Nord-Méditerranée in liquidation (7 000 employees) benefits from a social plan with two alternatives:

- a lump sum of FF 200 000 in case of redundancy;
- payment of allowances during two years of vocational training.

b. Seven small yards benefit from similar social schemes, involving around 3 000 employees.

c. A number of closure aids for a significant partial closure of the six sites of the former repair yard ARNO.

d. Aid for research and development projects within a range of 30 to 50% of costs.

D Germany

I. Operating aid

- a. *Conditionally reimbursable interest-free loans to shipowners representing 0.7% of the purchase price plus the linear book value of the ship reimbursable six years after payment of the last instalment of loan with the possibility of remission when reinvested in building or conversion up to 30% of investment costs. Loans granted for ships before 1 January 1988 cannot be remitted in excess of the prevailing maximum ceiling. Loans granted for ships purchased after 1 January 1988 cannot be remitted if reinvested in building or conversion.*
- b. *Specific tax concession providing for accelerated advanced depreciation at 40% of the production costs in the year of procurement or production of the ship and for the following four years. Deduction of losses in taxable income of up to 150% of the owner's deposit. Where the company is dissolved or where the shareholder withdraws from the company, the proceeds are only subject to half the taxation rate.*
- c. *Export Credit schemes in form of indirect production aid for new building and conversion through credit facilities for German and foreign shipowners at 80% of ship costs at an interest rate of 8% over 8 1/2 years.*
- d. *Interest subsidies granted as development assistance to developing countries in accordance with the OECD Arrangement on Export Credits.*
- e. *Competition aid in the form of grants to yards of up to 20% of the contract value to meet aided competition from other Member States and third countries.*
- f. *Guarantees of 80-100% for new building and conversion in the*

Coastal Länder for second mortgages on ships under construction.

II. Restructuring aid

a. Coastal Länder:

1) Investments

- Investments for rationalization and modernization are eligible for support up to a level of 30% of costs;
- costs of conversion into activities other than shipbuilding are eligible for support at the prevailing maximum regional aid rate plus 5 percentage points.

2) Closures

Support of up to 50% of costs.

b. Aid in the form of grants to yards in Hamburg for diversification purposes.

- 1) up to 50% of costs relating to applied R&D investments and up to 30% of costs for the purchase of know-how and market studies and for creation and testing of prototypes.
- 2) up to 20% of investment costs related to the industrial application and commercial exploitation of the project, through alterations in existing installations and construction of new installations.

c. Aid for research and development with up to 50% of project costs.

F. Italy

I. Operating aid

- 1 *Aid to shipyards in the form of a grant equal to the maximum ceiling established annually by the Commission. The grant may be available in proportion to the construction progress or up to 75% of the grant at the beginning of construction.*

This aid can also be given to yards which build a ship of their own. In those cases the grant is calculated on the price declared by the yard and eventually corrected by the real final cost.

Budget forecast 349.6 bn Lit.

- 2 *Aid to shipowners in the form of bi-annual grants bridging the difference between the grant equivalent of a loan calculated on OECD terms and the Italian market rate.*

Where the vessel is maintained under the Italian flag, the contribution will be calculated on the basis of the reference rate plus two points.

The contribution may be granted as a once-off payment.

II. Restructuring aid

1 Investment aid

Modernisation of yards without increasing capacity is covered by loans of up to 40% of the investment (80% for shiprepair docks).

2 Aid for reconversion

Yards reducing their capacity may receive loans covering 50% (70% in the Mezzogiorno) of the costs of specific actions such as:

retraining of workers to other activities than shipbuilding; investments made in the creation of activities in the field of the sea environment (fishing, tourism, oceanic research, anti-pollution etc.

3 Aid to research and development

The government will cover up to 90% of the cost of two three year programmes in research for ship design and for ship propulsion. The budget forecasts for these two programmes are respectively of 20.2 and 21.2 billion Lira covering the three year period. For applied research a contribution of up to 50% of the cost of prototypes may be given to shipyards. A budget of Lira 12 billion is forecast in 1988 for this.

G NETHERLANDS

1. Operating aid

a. General aid for the building of new sea-going ships 1987-89.

The scheme involves contract-related production aid granted to shipyards. Under the scheme as originally notified to the Commission, the Dutch Government made a total of HFL 197.2 m available divided into respective amounts for each of the years 87, 88 and 89 of HFL 62.2 m, 67.5 , and 67.5 m. Individual aid percentage limits were established for different levels of contract value, ranging from 3% to 14%. These percentages were raised for an experimental period to a range of 5% to 19%. The Dutch Government subsequently notified the consolidation of the experimental percentages into the scheme within a range of 10% to 19%. At the same time, the scheme was prolonged for 1 year until the end of 1990 and the overall budget was raised to HFL 380m for the four years 1987-1990. Individual budgetary allocations for each year were 1987 : HFL 30.3m; 1988 : HFL 134.7m; 1989 : HFL 100m; 1990 : HFL 95m.

b. Investment Premium Regulation on Sea-going Shipping 1987.

The premium is a tax benefit to shipowners and as originally notified amounted to 5 annual instalments of 5% of investment costs. The effect of the premium is to lower the annual depreciation amount over the attributed life of the ship and it is available in respect of investment in sea-going ships during the period 14 May 1987 to 1 January 1990. For the year 1989 the level of the annual instalments has been reduced to 2.5%.

c. *Regulation on the Interest Subsidy for the Shipbuilding Industry 1987.*

The Regulation is based on the terms of the OECD Understanding on Export Credits for Ships. The subsidy percentage amounts to the difference between the market interest rate and a threshold of 8% up to a maximum of 2% where the recipient has a financing agreement covering a maximum of 80% of the final price and for a period of no more than 8.5 years. In view of the level of interest rates current in 1987, the Dutch Government did not set aside any funds for the Regulation in that year. The Dutch Government has now notified to the Commission that it intends to replace this Regulation with an extension to shipbuilding of the Stimulating Export Activity Regulation 1988.

H Portugal

I. Operating aid Law 345 of 2.9.1980

- a. A cost guarantee to shipyards which cannot exceed 25% of the total cost of works on the date of their completion.
- b. A "direct contribution to project" which cannot exceed 5% of the costs upon completion.
- c. A contribution to training which cannot exceed 2% of the costs upon completion.
- d. Loans up to 80% of the overall costs, with a duration of four years and an interest relief grant that cannot exceed what is foreseen by the OECD Understanding.

These aids (a-d) when combined may in no circumstances exceed 25% of the costs upon completion.

- e. Loans to national shipowners covering 80% of the contract price with a duration of 14 years, a 4 year grace period with and an interest rate lower than that provided by the OECD Understanding.

II. Aid to Setenave

- a. grant Esq. 500 m) to help cover
- b. loan Esq. 100 m) conditions) cost of
- c. loan Esq. 270 m) unknown) restructuring

- d. loan Esq. 1,000 m) conditions) to help cover cost
- e. loan Esq. 300 m) unknown) of reducing
employment

I. SpainI. Operating aidA. Decree concerning aid to shipowners (measures to promote demand)

i) It applies to national shipowners for new building and ship conversions;

ii) For building: loans of up to 85% of basic value, duration 12-14 years, grace period up to 2 years, interest rate 8%.

For conversion: loans of up to 75% of the works value. Duration 8 years grace period 2 years maximum, interest rate 8%.

B) Decree concerning shipbuilding premiumsa) Operating premiums

i) basic value less than 6 MECU : aid 14% of basic value

ii) " " between 6 and 10 MECU: " 18% " " "

iii) " " " 10 and 14 MECU: " 20% " " "

iv) " " of 14 MECU and over: " 23% " " "

- ship conversion = aid 20% of basic value

b) special premiums: from 0-5% of basic value to promote contracts contributing to the achievement of the competitive objectives for the shipbuilding industry.

C) Loss coverage for the state owned shipyards: Ptas 107,188m or ECU 812m for the period 1987-1990

11. Restructuring aid

A fund will be constituted from the Government budget representing 5% of the basic value of contracts signed.

J. United Kingdom

I. Operating aid

a. Shipbuilding Intervention Fund

Contract-related production aid to yards in the form of grants within a sliding ceiling up to 28% of building costs, i.e. for ships costing £10 million the normal maximum will be 20%. This will fall by three quarters of one percentage point for each £ 1 million reduction in the cost of building below 10 million.

b. Shipbuilders Relief

Grants amounting to 2% of the contract price covering reimbursement of duties applicable to hydrocarbon oil and vehicle excise licenses, where such costs enter into the costs of constructing, fitting out and equipping the vessel.

c. Loss compensation to Harland & Wolff, as necessary.

d. Home Credit and Export Credit Guarantee Schemes

Indirect production aid through credit facilities for UK and foreign shipowners at 80% of ship costs at 7.5% over 8 1/2 years.

II. Restructuring aid

a. Regional Development Grants

Non-specific regional aid scheme allowing grants of up to 15% of eligible expenditure, also available for investments in shipbuilding, ship conversion and ship repair.

b. Research and Development Aid Schemes

Grants of up to 100% may be provided for specific R&D projects undertaken mainly at British Maritime Technology Ltd., a

limited company by guarantee whose members are drawn from shipbuilders, shipowners, oil and gas industries, civil authorities and defence and other industries.

c. Closure Aid

A scheme allows for aid to British Shipbuilders Enterprises Ltd., a 100% subsidiary of British Shipbuilders, for the re-employment of 3,500 former B.S. employees whose redundancy was decided in May 1986.

A similar scheme is being made available for Harland & Wolff Enterprises Ltd., to provide assistance for workers to be made redundant from this shipbuilding company in Northern Ireland.

List of average contract-related production aids paid to shipbuilding by the various Member States in 1987

- A. BELGIUM
- B. DENMARK
- C. FRANCE
- D. GERMANY
- E. GREECE
- F. NETHERLANDS
- G. PORTUGAL ..
- H. SPAIN
- I. UNITED KINGDOM

N.B. Italy has reported that no contracts were taken under the Sixth Directive during 1987

A - BELGIUM

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	2	2	BF : 3,180,000,000 ECU : 73,883,041	BF : 2,640,500,000 ECU : 61,348,481	BF 649,050,000 ECU 15,079,807	20.4
BELOW 6 MECU	0	0	-	-	-	-
FISHING VESSELS	0	0	-	-	-	-
CONVERSIONS	2	2	BF : 80,656,283 ECU : 1,862,490	BF : 62,816,210 ECU : 1,450,533	BF 15,543,581 ECU 361,134	19.3

- otes: 1. Total aid includes loans and guarantees at full reported value.
 2. In calculating the grant equivalent of total aid, interest reductions on loans have been discounted to reach a grant equivalent, state guarantees are taken as 10% of the guaranteed amount and, in accordance with the terms of Article 4(6) of the Sixth Directive, credit facilities meeting the terms of the OECD Understanding are not translated into a grant equivalent.

J = DKK 7.88472

RG/sd

B - DENMARK

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
HIPBUILDING						
BOVE 6 MECU	13	5	DKK : 4,036,300,000 ECU : 511,914,180	DKK : 1,381,565,000 ECU : 175,220,550	DKK 986,547,500 ECU 125,121,437	24.4
ELOW 6 MECU	1	1	DKK : 18,800,000 ECU : 2,384,359	DKK : 15,040,000 ECU : 1,907,487	DKK 3,102,000 ECU 393,419	16.5
ISHING VESSELS	18	10	DKK : 509,494,740 ECU : 64,617,987	DKK : 308,968,098 ECU : 39,185,678	DKK 93,676,974 ECU 11,880,824	18.4
TOTALS	3	-	DKK : 4,564,594,740 ECU : 578,916,526	DKK : 1,705,573,098 ECU : 216,313,715	-	19.8
CONVERSIONS	3	2	DKK : 24,397,000 ECU : 3,094,213	DKK : 6,099,250 ECU : 773,532	DKK 3,513,165 ECU 445,566	14.4

ote : 1. Total aid includes loans and guarantees at full nominal reported or calculated value.

2. In calculating the grant equivalent of total aid, interest reductions on loans have been discounted to reach a grant equivalent, state guarantees are taken as 10% of the guaranteed amount and, in accordance with the terms of Article 4(6) of the Sixth Directive, credit facilities meeting the terms of the OECD Understanding are not translated into a grant equivalent.

C - FRANCE

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	4	2	FF : 2,428,250,000 ECU : 350,442,330	FF : 883,000,000 ECU : 127,443,570	FF 663,521,000 ECU 95,758,612	27.3
BELOW 6 MECU	0	0	-	-	-	
FISHING VESSELS	4	3	FF : 234,181,800 ECU : 33,796,856	FF : 60,000,000 ECU : 8,659,133	FF 59,309,000 ECU 8,559,400	25.3
TOTALS	8	-	FF : 2,662,431,800 ECU : 384,239,186	FF : 943,000,000 ECU : 136,102,703	-	26.3
CONVERSIONS	4	1	FF : 97,000,000 ECU : 13,998,932	FF : 24,000,000 ECU : 3,463,653	FF 21,736,000 ECU 3,136,915	22.4

otes: 1 The contract value given for fishing vessels is only approximate, being based in part on calculated values.

2 For the grant equivalent of total aid, interest reductions on loans have been discounted to reach a grant equivalent, state guarantees are taken as 10% of the guaranteed amount and, in accordance with the terms of Article 4(6) of the Sixth Directive, credit facilities meeting the terms of the OECD Understanding are not translated into a grant equivalent.

D - GERMANY

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	14	6	DM : 728,781,000 ECU : 351,808,080	DM : 280,354,000 ECU : 135,336,680	DM 114,704,040 ECU 55,371,653	15.7
BELOW 6 MECU	4	3	DM : 16,855,500 ECU : 8,136,740	DM : 3,727,500 ECU : 1,799,395	DM 2,256,027 ECU 1,089,063	13.4
FISHING VESSELS	8	5	DM : 74,037,000 ECU : 35,740,249	DM : 13,327,850 ECU : 6,433,819	DM 12,708,510 ECU 6,134,842	17.2
TOTALS	26	-	DM : 819,673,500 ECU : 395,684,830	DM : 297,409,350 ECU : 143,569,890	-	15.4
CONVERSIONS	18	8	DM : 116,710,240 ECU : 56,340,115	DM : 49,236,600 ECU : 23,768,229	DM 25,011,253 ECU 12,073,807	21.4

- Notes : 1. Reported contract losses - Above 6 MECU : DM 64,250,000 (ECU : 31,015,722) - Below 6 MECU : DM 35,000 (ECU : 16,896); Fishing vessels : DM 733,648 (ECU : 354,158); conversions : DM 12,742,100 (ECU : 6,151,057)
- This analysis includes orders where the contract date has not been provided. Therefore the values may include some 1986 contracts. Excluded are contracts which the German authorities have indicated probably fall outside the scope of the 6th Directive.
 - The total contract values are only approximate, being based on a mixture of contract prices and building costs, depending on which has been reported in respect of individual contracts.
 - Development aid contracts are excluded.
 - Total aid includes loans and guarantees at full reported value.
 - In calculating the grant equivalent of total aid, interest reductions on loans have been discounted to reach a grant equivalent, state guarantees are taken as 10% of the guaranteed amount and, in accordance with the terms of Article 4(6) of the Sixth Directive, credit facilities meeting the terms of the OECD Understanding are not translated into a grant equivalent.

E- GREECE

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	0	0	-	-	-	
BELOW 6 MECU	0	0	-	-	-	
FISHING VESSELS	0	0	-	-	-	
TOTALS	0	-	-	-	-	
DIVERSION*	8	1	DRA : 49,800,000 ECU : 318,683	- -	- -	

* only 1 1987 report has been received from 1 yard

F NETHERLANDS

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid(%)
UNDERBUILDING						
MOVIE & MECU	7	5	HFL : 167,721,000 ECU : 71,854,355	HFL : 60,304,480 ECU : 25,835,402	HFL 38,415,595 ECU 16,457,854	22.9
BLOW & MECU	14	number not supplied	HFL : 137,704,970 ECU : 58,995,008	HFL : 9,498,065 ECU : 4,069,123	HFL 9,082,085 ECU 3,890,910	6.6
FISHING VESSELS	13	4	HFL : 118,634,100 ECU : 50,824,743	HFL : 9,186,700 ECU : 3,935,729	HFL 8,378,283 ECU 3,589,390	7.1
STALS	34	-	HFL : 424,060,070 ECU : 181,674,100	HFL : 78,989,245 ECU : 33,840,254	-	12.2
CONVERSIONS	0	0	-	-	-	

- Notes: 1. Total aid includes loans and guarantees at full reported value
 2. In calculating the grant equivalent of total aid, interest reductions on loans have been discounted to reach a grant equivalent, state guarantees are taken as 10% of the guaranteed amount and, in accordance with the terms of Article 4(6) of the Sixth Directive, credit facilities meeting the terms of the OECD Understanding are not translated into a grant equivalent

G PORTUGAL

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	0	0	-	-		
BELOW 6 MECU	3	2	ESC : 1,088,992,000 ECU : 6,696,709	ESC : 128,939,000 ECU : 792,905	ESC 114,483,972 ECU 704,014	10.5
FISHING VESSELS	1	1	ESC : 620,000,000 ECU : 3,812,663	ESC : 75,402,000 ECU : 463,681	ESC 66,960,000 ECU 411,768	10.8
CONVERSIONS	4	-	ESC : 1,095,688,700 ECU : 10,509,372	ESC : 214,742,000 ECU : 1,320,546	-	10.7
CONVERSIONS	1	1	ESC : 182,000,000 ECU : 1,119,201	ESC : 17,283,000 ECU : 106,281	ESC 15,834,000 ECU 97,370	8.7

Notes : 1. reported contract losses total ESC : 139,340,000 (ECU : 856,865) below 6 MECU : ESC 79,598,000 (ECU : 489,484) fishing vessels; ESC 28,217,000 (ECU 173,519) conversions.

2. Some of the reports submitted by the Portuguese authorities regarding aid to shipowners have not provided sufficient detail to be able to identify the amount of aid granted or the contract to which the aid is applied. These have not therefore been included in the above analysis.

RG/sd -

H SPAIN

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	14	3	Ptas : 47,966,843,000 ECU : 337,402,610	Ptas : 36,867,617,000 ECU : 259,329,770	Ptas 12,373,548,230 ECU 87,036,530	25.8
BELOW 6 MECU	1	1	Ptas : 71,383,000 ECU : 502,114	Ptas : 64,948,000 ECU : 456,849	Ptas 10,493,301 ECU 73,811	14.7
FISHING VESSELS	0	0	-	-	-	-
TOTALS	15	-	Ptas : 48,038,226,000 ECU : 354,851,924	Ptas : 36,932,565,000 ECU : 259,786,620	-	20.3
CONVERSIONS	-	-	-	-	-	-

- Notes :
1. Reported contract prices are in terms of contract value before aid. Contract price is calculated from this.
 2. Spain are probably the biggest builders of fishing vessels in the EEC, according to Lloyds Register. None have been reported.
 3. Total aid includes loans and guarantees at full reported value.
 4. In calculating the grant equivalent of total aid, interest reductions on loans have been discounted to reach a grant equivalent, state guarantees are taken as 10% of the guaranteed amount and, in accordance with the terms of Article 4(6) of the Sixth Directive, credit facilities meeting the terms of the OECD Understanding are not translated into a grant equivalent.

I UNITED KINGDOM

1 9 8 7	SHIPS	YARDS	TOTAL CONTRACT VALUES (approx. values)	TOTAL AID	Grant equiv. of Total aid	Average grant equiv. based on contract value before aid (%)
SHIPBUILDING						
ABOVE 6 MECU	5	4	£ : 60,935,956 ECU : 86,486,608	£ : 40,330,365 ECU : 57,241,023	£ 2,571,960 ECU 3,650,392	4.2
BELOW 6 MECU	4	3	£ : 6,644,000 ECU : 9,429,852	£ : 1,053,947 ECU : 1,495,870	£ 1,253,750 ECU 1,779,452	18.9
FISHING VESSELS	10	7	£ : 7,357,348 ECU : 10,442,304	£ : 4,294,474 ECU : 6,095,161	£ 309,150 ECU 438,778	4.2
TOTALS	19	-	£ : 74,955,301 ECU : 106,358,760	£ : 45,678,736 ECU : 65,832,056	-	9.1
CONVERSIONS	0	0	-	-		

Notes : 1. The number of 1987 contracts is approximate. In most cases no contract date is supplied. Month of aid granting is therefore used as a guide to year of contact.

2. This analysis excludes 1 passenger vessel and 4 fishing vessels, all unaided, where no contract price is given.

3. Development aid contracts (2 container vessels) are excluded.

EEC - SUMMARY BY TYPE OF VESSEL 1987 - NEWBUILDING AND CONVERSION - AIDED CONTRACTS

TYPE (OECD Categories)	N°	TONNAGE : a. dwt b. gt c. cgt	TOTAL VALUE OF CONTRACTS (ECU)	TOTAL VALUE OF AID GRANTED (ECU)	AVERAGE GRANT EQUIVALENT BASED ON CONTRACT VALUE BEFORE AID (%)
TANKERS	7	a. 301,293 b. 161,364	109,813,959	96,863,034	18.6
PRODUCT AND CHEMICAL CARRIERS	11	a. 217,150 b. 132,860	239,511,630	107,549,759	19.3
BULK CARRIERS	8	a. 57,600 b. 54,200 c. 73,168	149,428,220	53,015,467	26.2
COMBINED CARRIERS	4	b. 63,668	61,017,701	21,385,159	19.5
GENERAL CARGO	11	incomplete information	45,622,285	7,590,427	13.8
REEFERS	6	incomplete information	14,382,057	2,426,508	17.3
CONTAINER SHIPS	12	c. 222,244	491,049,810	121,532,018	19
RO-RO VESSELS	8	incomplete information	44,868,396	20,397,847	10.6
LPG CARRIERS	1	a. 19,200 b. 19,500 c. 22,425	44,840,965	38,114,820	21
LNG CARRIERS	2	incomplete information	10,281,983	1,571,353	6.7

EEC - SUMMARY BY TYPE OF VESSELS 1987 (cont.)

TYPE (OCDE Categories)	N°	TONNAGE : a. dwt b. gt c. cgt	TOTAL VALUE OF CONTRACTS (ECU)	TOTAL VALUE OF AID GRANTED (ECU)	AVERAGE GRANT EQUIVALENT BASED ON CONTRACT VALUE BEFORE AID (%)
FERRIES	6	incomplete information	221,443,600	101,372,235	14.3
PASSENGER SHIPS	18	incomplete information	285,643,215	166,420,110	14.9
FISHING VESSELS	55	incomplete information	200,455,921	64,336,854	13.8
OTHER NON-CARGO VESSELS	27	incomplete information	181,605,973	96,889,049	16.3
TOTAL	176	incomplete information	2,099,965,715	899,464,640	18.5

- Notes :
1. ECU exchange rate used is the 1987 average in each Member State
 2. Ship type descriptions as provided by Member States are sometimes ambiguous as to the OECD category. The breakdown by type of vessel is therefore only approximate.
 3. The total value of contracts is only approximate being based in part on a calculated value or best information otherwise available when no contract price has been supplied.
 4. As a consequence of 3, the calculated grant equivalents in terms of contract value before aid are also only approximate in several categories.
 5. The number of vessels in each category is only approximate for 1987. Some contracts signed in 1986 and 1988 may be included.
 6. This analysis includes the unaided conversion contracts shown at Annex IIaE.

Shipbuilding - Sixth Directive

Application of Article 4(5) 1987/1986

No. No.	Aid No.	Vessel / Owner / Country	Plaint M.S.	M.S. concerned	Opened date	Closed date	Remarks
1	186/87	Ferry / Brittany Ferries / France	UK, NL	F, NL, UK	20.01.1987	27.07.1987	Procedure opened against F, UK applying higher aid level than NL. Closure of procedure against UK adjusting its aid level. Negative decision against F (02 L 311 of 20.9.88)
2		Oil tanker / Senara / F	NL	F	20.01.1987	17.03.1987	No competition
3		2 Ferries / North Sea Ferries / NL	NL	D	20.01.1987	7.04.1987	Under 6th Directive
4	246/87	Ferry / SNCM / F	NL	D, F	26.02.1987	26.03.1988	F higher level of aid approved considering third country competition
5	244/87	Ferry / Langøland-Eilat Linton / DK	NL	DK	10.03.1987	3.06.1987	Under 6th Directive
6	238/87	Fishing vessels / Iranian / Iran	D	NL	24.03.1987	26.11.1987	No aid
7	193/87	Ferry / BBR / BBR	D	DK	16.03.1987	11.06.1987	DK higher level of aid approved considering third country competition
8	243/87	3-4 cargo vessels / Arklow Shipping / Ireland	NL	D	2.04.1987	25.10.1987	No aid
9	237/87	2 tugs / Switzer / DK	NL	DK, UK	0.04.1987	10.11.1987	No aid
10		2 ferries / BSB / DK	DK	D	20.04.1987	0.06.1987	No aid
11	230/87	Chemical tanker / Bredro B.V. /	D	NL	10.05.87	10.05.1988	NL higher level of aid approved considering third country competition
12		Fishing vessels / - / Iceland	D	DK, NL, UK	2.07.1987	1.06.1987	Less than 100 Gt. Confirmation re aid

No. No.	Aid No.	Vessel / Owner / Country	Plaint M.S.	M.S. concerned	Opened date	Closed date	Remarks
13	241/87	Tug / Rafiner / Norway	ML	UK	3.06.1987	13.01.1988	No aid
14	240/87	Winetanker / Paul Nise / B	ML	0	24.06.1987	24.11.1987	No aid
15		Tug / Progenor / F	F	ML	11.06.1987	20.07.1987	No aid
16	200/87	Ferry / OSB / DK	DK	0	22.08.1987	0.01.1988	No aid
17	200/87	Ferry / Boekhor / NL	ML	0	0.10.1987	0.02.1988	No distortion of competition. Similar aid granted by MS
18	1/88	Ferry / OSB / DK	DK	0	4.01.1988	26.01.1988	No aid
19	05/88	Fishing vessel / Soberty / IRL	ML	0, UK	0.02.1988	11.05.1988	Procedure opened against B. ML as no aid allowed under fishery guidelines
20	138/88	0-0 containers / Peter Soble / 0	ML	0	24.03.1988	16.08.1988	Procedure opened against 0 applying higher aid level than ML. Procedure closed in February 1988 due to withdrawal of aid.
21	202/88	Refrigerated vessel / Seetrade / -	ML	1	24.06.1988	22.07.1988	No competition
22	231/88 on 208/87	Winetanker / Paul Nise / B	ML	0	24.06.1987	26.07.1988	Procedure opened against 0 applying higher aid level than ML
23	445/88	0 container ships/American	DK	0, ML	16.11.1988		No decision yet

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DEVELOPMENT AID TO SHIPBUILDING (ARTICLE 4(7))
NOTIFIED 1987/88

MS	Constructing Yard	Ship Type	Beneficiary	Credit Facilities	Grant Element	Time of appr.
D	Jos. L. Meyer GmbH & Co.	Cargo/passenger	Indonesia	100%, 18(3), 3.5%	39.11%	28.7.87
D	Klöckner-Industrieanlagen	2 refrigerated trawlers	Morocco	90%, 15(3), 3.75%	34.67%	21.4.87
D	Klöckner-Industrieanlagen	4 refrigerated trawlers	Morocco	90%, 12(3), 3.25%	33.85%	4.3.88
D	Schiffswerft Gemersheim	Special purpose ferry	Senegal	100%, 15(1), 3.375%	33.4%	9.3.88
D	Howaldtswerke Deutsche-Werft	2 container ships	Singapore	USD 45%, 8(2), 3.5% DM 45% 12(6), 3%	28.65%	30.3.88
D	Karl Sarstedt OHG Schiffswerft	Anti-pollution vessel	Turkey	90%, 12(2), 3.4%	31.26%	23.7.87
D	Schiffswerft und Maschinenfabrik Cassens	Freight/passenger carrier	Cap Verde	Gift	100%	28.7.87
D	J.J. Sietas KG Schiffswerft	2 container ships. New building and conversion	Cayman Islands	100%, 15(3), 3.75%	34.67%	21.4.87
D	Howaldtswerke Deutsche-Werft	2-4 container ships	China	100%, 15(3), 3.75%	34.67%	15.4.87
UK	Govan shipbuilders Ltd.	2-3 container ships	China	100%, 15(5), 5%	29.74%	16.7.87

MS	Constructing Yard	Ship Type	Contract Price	Beneficiary	Credit Facilities	Grant Element	Time of appr.
D	:Gebr. Schlömer Schiffswerft :	:2 fishing :vessels	:	:Ghana :	100%, 10(1), 3.625%	: 25.4%	: 11.3.87
UK	:Hall Russell Ltd. :	:Passenger/cargo :vessel	:	:St Helena :	Gift	: 100%	: 8.6.88
D	:Sieghold-Werft Bremerhaven :	:5 shrimp :trawlers	:	:Mauritania :	100%, 10(1), 2.5%	: 30.06%	: 16.6.88
D	:Howaldtswerke Deutsche-Werft :Bremer Vulkan :	:4 container :ships: 2 for :each yard	:	:Israel :	USD100%, 10(1), 3.625%	: 25.4%	: 22.7.88
D	:Neue Jadewerft :	:6 refrigerated :fishing vessels	:	:Morocco :	90%, 12(3), 3.25%	: 33.85%	: 7.9.88
D	:Orenstein & Koppel :	:Dredger :	:	:Venezuela :	95%, 15(3), 3.75%	: 34.7%	: 27.9.88
D	:Lindenau Schiffswerft :	:Products tanker :	:	:Ethiopia :	90%, 15(3), 3.75%	: 34.67%	: 4.10.1988

**LIST OF COUNTRIES ELIGIBLE FOR AID UNDER ARTICLE 4 (7)
OF COUNCIL DIRECTIVE 87/187/EEC OF 26.1.87 ON
AID TO SHIPBUILDING**

- . ACP States(1)
- . Overseas Countries and Territories(2)

- . AFGHANISTAN (LLDC)
- . BANGLADESH (LLDC)
- . BHUTAN (LLDC)
- . BOLIVIA (LIC)
- . BURMA (LLDC)
- . CHINA (LIC)
- . COOK ISLAND (LMIC)
- . COSTA RICA (LMIC)
- . CUBA (LMIC)
- . DOMINICAN REPUBLIC (LMIC)
- . ECUADOR (LMIC)
- . EGYPT (LIC)
- . EL SALVADOR (LMIC)
- . GUATEMALA (LMIC)
- . HAITI (LLDC)
- . HONDURAS (LIC)
- . INDIA (LIC)
- . INDONESIA (LIC)
- . NORTH KOREA (LMIC)
- . KAMPUCHEA (LIC)
- . LAOS (LLDC)
- . LEBANON (LMIC)
- . MALDIVES (LLDC)
- . MONGOLIA (LIC)
- . MOROCCO (LMIC)
- . NEPAL (LLDC)
- . NICARAGUA (LIC)
- . PAKISTAN (LIC)
- . PARAGUAY (LMIC)
- . PERU (LMIC)
- . PHILIPPINES (LMIC)
- . SRI LANKA (LIC)
- . THAILAND (LMIC)
- . TUNISIA (LMIC)
- . TURKEY (LMIC)
- . VIET NAM (LIC)
- . YEMEN, DEM. (LLDC)
- . YEMEN (LLDC)

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- (1) See decision of the Council and the Commission of 24 March on the conclusion of the third ACP-EEC Convention, Official Journal L86 of 31.3.1986
- (2) See Council Decision 86/283/EEC of 30 June 1986 on the association of the overseas countries and territories with the European Economic Community, Official Journal L 175 of 1.7.1986, page 48

ANNEX V

FLAGS OF CONVENIENCE

- . ANTIGUA
- . BAHAMAS
- . BERMUDA
- . CAYMAN ISLES
- . CYPRUS
- . GIBRALTAR
- . LEBANON
- . LIBERIA
- . MALTA
- . PANAMA
- . ST. VINCENT
- . VANUATU

These countries appear on the OECD list of countries maintaining an open register.