

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 465/77

Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

on the proposal from the Commission of the European Communities to the
Council (Doc. 391/77) for a Directive on aid to shipbuilding

Rapporteur: Mr J. PRESCOTT

By letter of 16 November 1977 the President of the Council of the European Communities optionally requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a Directive on aid to shipbuilding.

The President of the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs on 25 November 1977.

On 24 November 1977 the Committee on Economic and Monetary Affairs confirmed Mr Prescott as rapporteur.

The committee considered the proposal at its meetings of 1 and 21 December 1977. At the last meeting it adopted the motion for a resolution by 15 votes for, 1 against and 3 abstentions.

Present: Mr Glinne, chairman; Mr Notenboom, vice-chairman; Sir Brandon Rhys Williams, vice-chairman; Mr Leonardi, vice-chairman; Mr Prescott, rapporteur; Lord Ardwick, Mr Brugha, Mr Cifarelli, Mr Cousté, Mrs Dahlerup, Mr Deschamps, Mr Müller-Hermann, Mr Normanton, Mr Nyborg, Mr Ripamonti, Mr Schwabe (deputizing for Mr Patijn), Mr Schwörer, Mr Starke and Mr Stetter.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a directive on aid to shipbuilding

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹;
 - having been optionally consulted by the Council (Doc. 391/77);
 - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 465/77);
1. Reiterates that it is urgent and important for the Community to develop an industrial policy embracing the interdependent sectors of shipping, shipbuilding, ship repairing and commercial trade policy²;
 2. Repeats its call² to the Commission to convene, at the earliest possible opportunity, a Community conference of all concerned, including representatives from the European Parliament, to discuss the inter-relationships and interdependence of these sectors, though this must not be allowed to cause any unnecessary delay;
 3. Is still of the opinion that the provisions relating to aid granted by the Member States to the shipbuilding industry should be considered part of a structural policy³;
 4. Stresses the need to conclude international agreements under the aegis of the OECD and/or through bilateral agreements between the Community and the major shipbuilding countries, to ensure the survival of a shipbuilding industry within the Community;
 5. Notes that the recent economic difficulties have contributed to the failure to meet the objectives of the current directive on shipbuilding, and that the number and extent of individual national aid arrangements within the Community have even increased;
 6. Regrets, moreover, that the proposal from the Commission takes no account of the previous opinions delivered by the European Parliament on these matters;

¹OJ No. C 294 of 7.12.1977, p.4

²OJ No. C 57 of 7.3.1977, p.57

³OJ No. C 76 of 3.7.1974, p.41

7. Considers that harmonization of the aid arrangements in the Member States is even more necessary in the present situation than it was previously; the Commission must ensure that ceilings are observed in order to prevent undesirable competition developing in aid policy;
8. Notes, in this connection, the significance it ascribes to certain provisions of the proposal for a directive (Article 4(1), Article 5 and Article 6(2), stipulating that the Commission must approve certain aid measures in advance; however, without an agreed industrial policy and with the exemptions allowed, it is difficult to accept that the directive will be sufficiently effective;
9. Stresses the importance of ensuring maximum openness about the substance and scope of aid arrangements; the Commission should therefore report annually to the Council and the European Parliament on its experience with the application of the directive;
10. Calls on the Commission to insert the term 'European units of account' (EUA) in Article 4(2) in place of 'units of account' (u.a.);
11. Calls upon the Commission to discuss the matter again with the competent committee of the European Parliament if adoption of the proposed directive is long delayed, or if the Commission has to make substantial amendments to its proposal to obtain the approval of the Council.

EXPLANATORY STATEMENTI. Introduction

1. In the course of discussions held by the Committee on Economic and Monetary Affairs in 1974 on the drawing up of a Third Directive on aid to the shipbuilding industry it clearly emerged that the problem in the Community's shipbuilding industry could not be solved by establishing limits for national aid arrangements and then gradually harmonizing the latter. Industrial, trade and social policy considerations had also to be taken into account. The committee's original view was that the Commission's proposal for a Third Directive should be rejected and that the rules governing state aid ought to be incorporated in a structural directive having broader scope that would increase the competitiveness and productivity of the European shipbuilding industry.

It deferred however to the Commission's wish that the Third Directive be adopted so that some progress could be made with laying down rules for the gradual harmonization and partial abolition of aid arrangements for the production and sale of ships as proposed by the Commission, and so that the Commission could have some control over Member State's aid to new investments in the shipbuilding industry.

2. It therefore reached a compromise with the Commission: the European Parliament would approve the Commission's proposal, but it should remain in force only until 31 December 1975; in return the Commission should 'submit, after full consultation with both sides of industry in the sector concerned and in adjacent sectors, a proposal for a structural directive on the shipbuilding sector'¹.
3. Without consulting the European Parliament, the Council adopted (in July 1975) a directive which, in the view of the Committee on Economic and Monetary Affairs, differed on essential points from the proposal on which the European Parliament had delivered an opinion.
4. Discussions in the European Parliament² revealed that there was still disagreement between Parliament and the Commission. The Commission continued to oppose the drawing up of a structural directive, arguing that by submitting such a proposal to the Council, it would be divesting itself of the powers it enjoyed under Article 93 of the EEC Treaty.

¹OJ No. C 76, 3.7.74, p.41, points 5 and 6

²See Debates of the European Parliament, 13.6.1974

It is true that in many cases the Commission has influenced the drawing up of national aid arrangements. Nevertheless, especially in recent years, there has been a noticeable increase in the number and scope of national aid arrangements, and Member States would even seem to have vied with each other in this respect in some areas. The Commission, with its limited powers, has been unable to alter this trend.

This confirms the view of the Committee on Economic and Monetary Affairs that the Commission's powers have in practice been limited as a result of adoption of the Third Directive.

5. In 1976 the Committee on Economic and Monetary Affairs considered a report on the Community shipping industry (Doc. 479/76) on the basis of which the European Parliament¹ stressed the urgency and importance for the Community to develop an industrial policy embracing the interdependent sectors of shipping, shipbuilding and ship-repairing and called on the Commission to call, urgently, a conference of all concerned to discuss the interrelationships and interdependence of these sectors. It also requested that within one year (before February 1978) the Commission should 'report to Parliament on the progress it has made in dealing with these problems and the development of a coherent industrial policy'. The Committee still expects the Commission to fulfil this request.
6. At the meeting of the Committee on Economic and Monetary Affairs on 24 November 1977, Mr Davignon, Commission Member, proposed that before such a conference be arranged, the Commission and the European Parliament were first of all to discuss in detail the industrial objects to be attained.
7. The Commission has therefore still not complied with the European Parliament's wish that it draw up a structural directive for the shipbuilding sector. It has, however, just drawn up a communication to the Council on problems in the sector and submitted a proposal for a Council decision². The Committee expects to be informed of this proposal.

¹OJ No. C 57, 7.3.1977, see Annex 1

²COM(77) 542

II. General comments on the Commission's proposal

8. As in 1974 the Committee on Economic and Monetary Affairs takes the view that the factor of greatest importance for the competitiveness and productivity of the Community's shipbuilding industry is the conclusion of international agreements and the implementation of a structural directive.

9. The committee regrets to note that the third directive on aid to the shipbuilding industry has not brought about the harmonization of aid arrangements in the Member States, nor a gradual reduction in such aid. The differences between the various national aid schemes have not decreased and some Member States have brought in new aid arrangements. The committee therefore finds recital No. 9 in the draft directive misleading to say the least.

10. In its proposal the Commission emphasises that the draft directive must not only 'be considered as a simple legal framework designed to limit the granting of assistance; it represents an essential factor in the approach to the industry'¹.

The Committee on Economic and Monetary Affairs regrets that it had to discuss the draft directive outside the context of the Commission's view on an industrial policy for the Community shipbuilding industry. In the committee's view it is patently obvious that if the production capacity of the shipbuilding industry is to be cut back by a figure in the region of 40% and with the separate States wishing to protect their national shipbuilding industries from the serious consequences arising from the general over-capacity in this sector for the economic, social and employment situation, the position as regards competition could easily deteriorate into chaos. The only way of avoiding chaos is to conclude binding international agreements and for the parties concerned to frame a policy such as will ensure that these agreements are observed.

In the light of the foregoing it has to be regretted that neither on the internal nor the external front has the Community been able to draw up an effective strategy. The Community could have strengthened its negotiating position with the outside world precisely through the drawing-up of a common internal strategy.

11. The European Parliament therefore has to give its opinion on the present proposal for a directive within an extremely short time-limit:

¹See point 1.4 in the Commission's Introduction.

- without the Commission having made a single reference or the slightest allowance for the European Parliament's previous opinion on this subject;
- without any knowledge of the Commission's strategy in international negotiations;
- without any knowledge of the Commission's thoughts as to the objectives and resources for implementing a common sectoral structural policy for the shipbuilding industry, shipping etc.

12. At the same time, the Committee on Economic and Monetary Affairs concedes that there are some arguments for revising the current rules governing aid provided by the Member States to the shipbuilding industry, without waiting for agreement on the formulation of structural policy. Given the difficulties prevailing on the world market, the Community must attempt to harmonise the number and extent of national aid arrangements given within the Community shipbuilding industry. The Committee's comments set out below on the individual provisions of the draft directive should be seen in this light.

13. The Committee wishes to stress at the outset, however, that it considers the following as fundamental preconditions for the policy of granting aid:

- the long-term objective is to maintain a Community shipbuilding industry, in which international agreements will play a crucial role;
- such a policy is required to take account of the aids given by non-Community governments to their shipbuilding industry;
- that aid ought to be of such a nature that it does not unnecessarily delay adaptation to new structures but, on the contrary, stimulates the necessary sectoral and regional restructuring;
- the restructuring of the industry will inevitably effect the different Community nations' shipbuilding industries in different ways;
- that aid should, more so than in the past, be related to the nature and qualities of investment in the shipbuilding industry;

14. There are many other matters that should be considered in the policy of granting aid, which are referred to in the Committee's report on the Community shipping industry (Doc. 479/76). This clearly involves considering the possibility and desirability of exercising 'Community preference' by requiring Community shipowners to purchase a certain proportion of their ships in Community shipyards.

III. Comments on the separate articles of the Commission's proposal

Re article 2

15. This article corresponds to article 3 in the current directive although in certain cases it also encompasses the conversion of small ships.

The provisions concerning aid and interventions in the form of credit facilities in respect of sales or conversions of vessels refer, like the directive currently in force, to the conditions set out in the OECD Council's resolution of 18 July 1974. It should be further noted that, when the Commission's first proposal for the existing directive was drawn up, this was done in the light of the OECD agreement of 1970, according to which aid arrangements were to be phased out completely by 1 November 1975. The renewal of the OECD agreement in July 1974 did not, however, fulfil this expectation, as is shown by the following comparison:

	OECD resolution of	
	16.12.1970	18.7.1974
Interest	7.5%	8%
Down payment	20%	30%
Duration	8 years	7 years

16. The continued existence of aid arrangements in third countries has, in the absence of a common strategy in the Community, naturally meant that the separate Member States have felt compelled to remedy the most serious consequences of such arrangements for national shipbuilders, especially as regards the employment situation. To a certain extent, therefore, new forms of aid have been introduced or more frequent use has been made than previously of established aid measures.

One example of this is that some Member States (West Germany, Holland and, in one case, Denmark too)¹ have used development aid programmes to procure orders for national shipbuilders. The subsidy thus provided has in the majority of cases been in the region of 25-30%, but there are examples of subsidies of 65% and 67%.²

Re article 4

17. In this article the Commission proposes:

- a Member State which intends to grant aid, in application of any aid system whatsoever, to an individual investment project in a shipyard, which would have the effect of increasing the yard's existing production capacity shall notify this plan to the Commission, pursuant to the provisions of Article 93(3) of the Treaty. Such plans cannot be put into effect before the Commission has given its agreement;
- that, as in the past, Member States must in all cases (i.e. including cases where investments do not increase the production capacity of the shipyard in question) notify the Commission twice yearly of cases where aid has been provided to investment projects exceeding 5 million u.a.

The Commission's proposal means, therefore, an extension of their power in that they must be notified in advance of such investments and their judgment expressed as to their validity under the directive (though only in those cases where investment projects would result in an increase in the production capacity of a given shipyard).

In its original proposal for the directive currently in force the Commission suggested that all aid measures to investment projects exceeding 4 million u.a. should be subject to prior approval by the Commission. This proved unacceptable to the Council. The Committee on Economic and Monetary Affairs doubts whether the Council's attitude in this matter has changed. If the committee is correct in this presumption, the most important new provision in the Commission's proposal falls.

18. During the period from the adoption of the existing directive until the end of 1976 state aid was granted to the following investment projects in the shipbuilding industry:

United Kingdom	£44 million
West Germany	DM47 million
France	FF4.5 million
Ireland	£4.5 million

¹ Some third countries i.e. Norway, have also made extensive use of this method

² See Annex 2

The aid provided by the United Kingdom has generally been in the region of 20-22%, that provided by France and Ireland 25% and by West Germany between 3 and 12.5%. For the sake of completeness it should be added that the investment aid schemes of West Germany, France and Ireland all relate to the first half of 1976 whereas the United Kingdom provided investment aid throughout the entire period. Major new aid projects are currently being planned in some Member States.

19. Investment aid thus has a quite significant effect on the competitive position as between shipbuilders and, in the long term, cannot but influence trade within the Community.

20. At the same time, it needs to be emphasized that reducing production capacity (and the ensuing structural rationalization and modernization) requires substantial investment if the Community shipbuilding industry is to become and/or remain competitive. These investments will not, however, be made without state aid or without a common strategy being worked out capable of giving the efficient shipbuilders in the Member States new confidence in the future.

21. The Committee on Economic and Monetary Affairs has therefore had to weigh against each other the need to ensure fair competition and the need for investment grants. In the long term it feels able to defend investment grants only insofar as they are a means of translating a common strategy into reality.

In its proposal the Commission states that, in assessing aid to investments designed to increase capacity, it will take 'particular account of any reductions in capacity in other yards in the same Member State which offset this increase and of the regional context of the investments.'¹

The Committee on Economic and Monetary Affairs regards these as somewhat vague criteria. The Commission seems to assume that the cutback in capacity can be divided more or less equally between the individual Member States. The committee would here point out that in Belgium, for example, there are no more than two major modernly equipped shipyards. What would the criteria be in reducing capacity in such shipyards? The task of the Member States and of the Community must be to formulate an industrial strategy relevant to a future European shipbuilding industry.

¹ See article 4(1) of the proposal

22. The Committee on Economic and Monetary Affairs is therefore convinced that not until the Council has reached agreement on the formulation of a common strategy specifying structural and regional objectives, criteria and resources will it be possible to attain agreement in the Council on restoring to the Commission the powers referred to in article 4(1) whereby the Commission may also in practice ensure that the form taken by national aid systems and the implementation of national strategies do not run counter to the achievement of the common strategy.

Thus the chances of obtaining the Council's approval for the proposed version of article 4 are closely linked to the existence of a common strategy.

23. The committee also calls on the Commission to ensure that the public is informed as fully as possible of the scope and nature of the various grants provided. Shipbuilders in the different Member States ought to know what grants have been provided in other Member States since this information is of decisive importance for investment decisions by individual shipbuilders.

Re article 5

24. This article concerns the rules governing temporary measures taken by the Member States for the 'rescue of an undertaking' where such 'is warranted by acute social problems'. In the present situation the Member States would presumably be able to invoke this provision as much as they wished. Apart from the reference to 'acute social problems', the wording of the article conforms with that of the provisions currently in force (see article 5 of the third directive).

Re article 6

25. Production aids and interventions are as a general rule prohibited. Aid measures of this nature are, however, permitted if they 'are granted in order to alleviate ... (a) serious crisis'. In principle such aid must be progressively reduced and help to bring about sectoral restructuring. In conformity with the seventh recital of the draft directive, such aids to production may, however, be extended 'in the event of a worsening crisis'.

In the directive currently in force (see article 2), aid schemes of this nature were forbidden as from 31 December 1975 though rules were introduced exempting the schemes operating in Ireland, Italy, France and subsequently in the United Kingdom too.

Such schemes are in fact widely applied in Italy and the United Kingdom, and France and Ireland also provide a certain amount of production aid. Furthermore, Denmark and the United Kingdom provide aid for the purchase of ship equipment and France, Italy, the United Kingdom and Holland make varying use of price guarantees.

26. This brings the Committee on Economic and Monetary Affairs to the conclusion that the third directive has not in practice led to the harmonization and progressive abolition of such aid measures. The opposite is in fact the case. This being so, the committee fears that the wording employed in the proposal for a fourth directive must in reality be regarded as giving the Member States carte blanche in the matter of production aid, despite the formal powers which the proposal confers upon the Commission. The Committee recognises that this will inevitably happen without a proper industrial policy for the Community shipbuilding industry.

The committee feels this to be particularly regrettable as this particular aid measure only stimulates to a very minor extent the necessary restructuring. Aid to production is the most 'structurally conservative' of the various forms of aid.

Re articles 7 and 8

27. By way of an innovation this draft directive mentions aid to shipowners. The Committee on Economic and Monetary Affairs deems it right to include this form of aid in the directive's field of application and can endorse the principle of seeking to avoid discrimination against shipbuilders in other Member States.

The last paragraph of article 7 together with article 8 underline furthermore the correlation between the provisions of this directive and the drawing up of a common strategy.

The Resolution adopted by the European Parliament on 10 February 1977
on the Community shipping industry¹

The European Parliament.

- having regard to the motion for a resolution on the Community's shipping policy (Doc. 268/75),
 - having regard to the interim report of the Committee on Economic and Monetary Affairs (Doc. 479/76),
1. Stresses the urgency and importance for the Community to develop an industrial policy embracing the interdependent sectors of shipping, shipbuilding and ship-repairing, including the construction of naval vessels, and commercial trade policy;
 2. Calls on the Commission to call, urgently, a conference of all concerned, including representatives from the European Parliament, to discuss the interrelationships and interdependence of these sectors;
 3. Emphasizes that, in preparation for this conference, it will be essential to define an industrial policy considering inter alia the following:
 - (a) an assessment of the various schemes proposed to solve problems arising from over-capacity in shipbuilding and ship-repairing including the plans to regulate the tanker market,
 - (b) an investigation of the possibility and desirability of exercising 'Community preference' by requiring Community shipowners to purchase a certain proportion of their ships in Community shipyards,
 - (c) a study of the fiscal aspects of the problems faced by shipping and shipbuilding and ship-repairing sectors,
 - (d) the scope for a Community harmonization Regulation dealing with working conditions and, ultimately, wages in Community ships to eliminate the unfair competitive advantage enjoyed by some Member States;
 4. Asks the Commission to take the initiative in formulating a Community policy in regard to the problems posed by the UNCTAD Convention on liner conferences;

¹OJ No. C 57, 7 March 1977, p. 57

5. Expects the Commission to pursue discussions with Japan with a view to resolving the Community problems in shipbuilding and assessing the possible consequences for trade relations between Japan and the Community;
6. Calls on the Commission to assess the threat posed to Community ship-owners by the practices of Comecon and other State-trading countries, and to consider the possibility of action in this field by including a Community shipping clause in any trade agreements;
7. Urges the Commission to investigate the problems caused by flags of convenience, including the economic advantages which they confer, which enable ships flying these flags to compete unfairly with EEC-registered ships, the proportion of Community-owned shipping using flags of convenience, and the safety hazards caused by their less strict regulations; to consider the use of port state control to investigate unsafe and inadequate working standards on board such vessels;
8. Requests that within one year the Commission shall report to Parliament on the progress it has made in dealing with these problems and the development of a coherent industrial policy;
9. Regards this only as an interim report and resolves that its committees concerned should take immediate steps to draw up a set of proposals for dealing with problems in this industry;
10. Instructs its President to forward this resolution and the report of its committee to the Council and Commission and to the Governments and Parliaments of the Member States.

ANNEX II

Aid granted in support of Community shipbuilding (July 1975 - December 1976)

I. Production aid
July-December 1975

	number of cases	grt	Financial effect as a percentage of the contract price
Fed. Rep. of Germany	-	-	-
Belgium	2	970	2%
Denmark	-	-	-
France	12	15,200	basic aid 0.5%; price guarantee, threshold 6.5%
Ireland	-	-	-
Italy	41	307,816	bet. 5.14 and 7.94%
UK	61	363,027	approx. 0.5%
Netherlands	-	-	-

January-June 1976

	number of cases	grt	Financial effect as a percentage of the contract price
Fed. Rep. of Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	3	4,300	Price guarantee, threshold 6.5%
Ireland	-	-	-
Italy	26	536,398	bet. 5.56 and 6.62%
UK	78	986,826	approx. 0.5%
Netherlands	-	-	-

July-December 1976

	number of cases	grt	Financial effect as a percentage of the contract price
Fed. Rep. of Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	3	3,000	Price guarantee threshold 6.5% financial effect, 10%
Ireland	1	6,000	cover for losses incurred, 8% ¹
Italy	28	176,576	bet. 4.63 and 6.62%
UK	53	730,494	for 47 ships 0.5% for 6 ships price guarantee
Netherlands	-	-	-

¹ This ceiling has been lowered to 7% from 8 October 1976 in accordance with the provisions of the directive.

II. Investment aid to shipyards in the Community

	amount of investments	nature of aid	financial effect
<u>July-December 1975</u>			
UK	£6.9 million	loan £6.9 million at 10%	5.4%
	£3.84 million	subsidies £0.37 million	
		subsidies £0.8 million	20.8%
<u>January-June 1976</u>			
Fed. Rep. of Germany	DM 20 million	subsidies DM 2.5 million	12.5%
	DM 27 million	subsidies DM 0.8 million	3 %
France	FF 4.5 million	subsidies FF 1.1 million	25 %
UK	£10.9 million	subsidies £2.2 million	20.5%
	£2.2 million	subsidies £0.46 million	20.5%
	£5.5 million	subsidies £1.2 million	21.9%
Ireland	£4.5 million	subsidies £1.3 million	25 %
<u>July-December 1976</u>			
UK	£7.04 million	subsidies £1.52 million	21.62%
	£3.86 million	subsidies £0.84 million	21.83%
	£4.07 million	subsidies £0.86 million	21.27%

Aids and intervention on behalf of shipbuilding
and ship-repairing yards

(a) Aid to shipbuilding

	Form of aid	Extent of intervention	Comments
France	- direct aid to small shipbuilding yards	Max. 10% of contract price	Applicable to orders received in 1977
	- direct aid to shipbuilding	Max. 24% of contract price	Scheme announced 15.9.77
Ireland	- compensation for losses incurred	Max. 7% of price	This measure applicable until 1977 inclusive
Italy	- direct aid to shipbuilding	4% in 1976	A new scheme has been announced by the Italian Government
		3.80% in 1977	
U.K.	- flat-rate refund of certain taxes (shipbuilders' relief)	2% of vessel's price	The proportion not comprising a refund is calculated at 0.5%
	- intervention fund of £65 million	Max. 30% of contract price	Applicable to orders received between now and March 1978
Netherlands	- compensation for losses incurred on orders up to a maximum of 30%	75% of the loss (half in the form of subsidies and half in the form of credit)	

(b) Aid to repairing and conversion

Italy	- direct aid	- 1976 5% of value - 1977 4.80% of value	
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(c) Credit facilities for sales

	Form of aid	Operations involved	Extent of intervention	
Germany	- interest subsidies	all sales ¹	- interest subsidies max. 2% (OECD limit) ²	special scheme
Belgium	- interest subsidies	sales to other Member States and third countries	- interest subsidies max. 2% (OECD limit)	general scheme
Denmark	- preferential credit	all sales	- OECD provisions	special scheme
France	- preferential credit	sales to other Member States and third countries	- " "	general scheme
Ireland	- preferential credit	all sales	- " "	special scheme
Italy	- preferential credit	all sales	- 2% of sale price (OECD limit)	special scheme
Netherlands	- interest subsidies	all sales	- interest subsidies max. 2% (3.5% for small vessels) (OECD limit)	special scheme
U.K.	- preferential credit	sales to other Member States and third countries	- OECD provisions	general scheme

¹ Only 60% of the ships satisfying the conditions laid down can benefit from the aid

² Duration 7 years, rate 8%, down payment 30%

(d) Credit facilities for purchases comprising aid to shipbuilding

	Form of aid	Extent of intervention	
Denmark	- credit facilities for Danish shipowners for orders placed with a Community yard	- credit at 8% on 80% of the contract price, for 10 years	The application of this scheme may not lead to conditions more favourable than those contained in the OECD scheme
U.K.	- credit facilities for British shipowners for orders placed with a national yard (home credit scheme)	- OECD resolution of 18.7.74 - in addition, a subsidy scheme was put into operation under Section 25 of the Industry Act of 1975	

(e) Price guarantee mechanisms

France	- to cover price increases between order and delivery in the case of sales to shipowners in third countries at prices subject to alteration - annual premium of 0.5% is payable when threshold is not exceeded	- intervention covers 80% of price for price increases of more than 7.5%, 2 years' duration	
U.K.	- to cover price increase between order and delivery, in the case of sales to both third-country and to national shipowners at prices subject to alteration - a premium of 1% of the amount covered (per annum) may be charged	For credit sales, the variable component (70% of the price) between 7% and 17% is covered. For immediate-payment sales, the margin is 15%. Possibility of choosing intervention threshold of between 7 and 15% of price increase	

	Form of aid	Extent of intervention	
Italy	<ul style="list-style-type: none"> - to cover increase in price between order and delivery - premium between 0.10 - 1.25% of price of vessel - this system applies solely to exports 	<ul style="list-style-type: none"> - intervention covers annual increase over 5% and below 15% of price 	This system has not been applied to shipbuilding

(f) Investment aid

Italy	<ul style="list-style-type: none"> - preferential credit for investments in shipbuilding and repair yards and for undertakings 80% of whose turnover is obtained from activities in this sector 	<ul style="list-style-type: none"> - 70% of the amount invested can benefit from a 15-year loan with an interest subsidy of 5% 	
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(g) Aid to developing countries (development aid)

Germany	<ul style="list-style-type: none"> - fund of DM 130 million to subsidize sale of ships to developing countries 	<ul style="list-style-type: none"> - the subsidy-equivalent must exceed 20% of the contract price in accordance with clause 6 of the OECD agreement 	
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AID IN THE FORM OF AID TO DEVELOPING COUNTRIES

Shipbuilding country	Date	Country of registration	VESSELS		CONDITIONS			Subsidy-equivalent %
			number, type	Tonnage	Period credit available	Deferred repayment	Interest %	
Denmark	7/77	Vietnam	1 multipurpose cargo-liner	12,800 dwt	10	3	4.0	31.0
Germany	11/74	Tunisia	1 Ro-Ro	1,700	30	10	2.0	67.0
"	5/77	"	1 ferry-boat	11,800 grt	30		4.0	28.5
"	5/77	Indonesia	2 patrol & rescue vessels	2 x 150 grt	20		5.0	25.0
"	5/77	Togo	1 tug	3,000 HP	30		3.5	27.0
"	5/77	"	2 special cargo ships	2 x 11,000 dwt	30		4.0	25.0
"	7/77	Argentine R.	1 fishery research vessel	2,000 grt	20	5	4.5	36.49
"	8/77	Philippines	1 seagoing suction hopper dredger	3,200 HP	30	10	4.0	25.00
"			1 motorboat with echo sounder	140 HP	30	10	4.0	25.00
Netherlands	6/77	Egypt	(5 general cargoes	5 x 12,000 dwt				(25.00
"	"	"	(4-6 tugs	2 x 1,700 HP				(
"	6/77	Kenya	1 deep-sea fishing boat	40 metres				25.00
"	7/76	India	1 pipe-laying barge		30	8	2.5	65.00