

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 438 final

Brussels, 10 September 1981

Commission report to the Council
on shipbuilding aids granted by Member States in the first half of
1980

COM(81) 438 final

Report of the Commission to the Council

1. In approving Directive 78/338/EEC on State aid to shipbuilding, the Council asked the Commission to lay before it regular reports on the aids given to this sector. (Articles 4, 6, 7 and 8 of the Directive)
2. The report for the first half of 1980 is attached as Annex 1.
3. Also attached (Annex 2) is a schedule of current aid schemes in favour of shipbuilding.

AID GRANTED TO SHIPBUILDING IN THE EEC

1. Production Aid : Articles 6 and 7 of the 4th Directive

Period : January - June 1980

Member State	Number of cases	grt	Estimated proportion of contract price
F.R. Germany	44	361,923	2.9 % to 20 %
Belgium	-	-	
Denmark	-	-	
France	13	101,600 (cgrt)	8 % to 25 % (1)
Ireland	-	-	
Italy	6	1860	10.4 % to 19.3 % (2)
Netherlands	8	17,670 + 30,140 hp	6.4 % to 12.5 %
United Kingdom	13	345,957	6.5% à 23% (3)

(1) Plus price guarantee, estimated at 3.4 %.

(2) In addition, a total of 57 cases under Italian law n° 231 of 1978 (amounting to some 720,000 grt) is under consideration by the Commission. In the majority of these cases, the aids were decided upon by the Italian Government in the first half of 1980.

(3) Plus Shipbuilder's Relief, 2 %.

2. Investment Aid : Article 4 of the 4th Directive

Period January - June 1980

Member State	Amount of investment	Nature of Aid	Effect on Production Capacity
F.R. Germany	-	-	-
Belgium	-	-	-
Denmark	-	-	-
France	-	-	-
Ireland	-	-	-
Italy	Lit 7560 m. (1)	Direct Aid, 10 %	No increase
Netherlands	Fl 24.9 m.	Direct Aid 15.7 % to 18.9 %	No increase
United Kingdom	-	-	-

(1) Paid in 1980, but investment completed in 1977.

4

3. Aid to shipowners (Article 8 of the 4th Directive)

Period January - June 1980

(A = Volume of contracts aided. B = Volume of contracts refused. C = Total volume)

		TOTAL VOLUME		For buildings in national yards		For building in other EEC yards		For building in third countries	
		TJB	National currency (millions)	TJB	National currency (millions)	TJB	National currency (millions)	TJB	National currency (millions)
F.R. GERMANY (1)	A								
	B								
	C								
BELGIUM	A	437 917	7144.3	437 917	7144.3				
	B	-	-	-	-				
	C	437 917	7144.3	437 917	7144.3				
DENMARK	A	66 800	1620	66 800	1620				
	B	-	-	-	-				
	C	66 800	1620	66 800	1620				
FRANCE	A	1530	18.1	1530	18.1				
	B	-	-	-	-				
	C	1530	18.1	1530	18.1				
IRELAND	A	-	-						
	B	-	-						
	C	-	-						
ITALY	A	252 705	125 994	252 705	125 994				
	B	-	-	-	-				
	C	252 705	125 994	252 705	125 994				
NETHERLANDS	A	135 900	391.1	14 800	155.3	1 600	15.8	119 500	220
	B	4 200	39.9	1400	19.4	-	-	2 800	20.5
	C	140 100	413	16 200	174.7	1 600	15.8	122 300	240.5
UNITED KINGDOM	A	245 210	158	245 210	158				
	B	-	-	-	-				
	C	245 210	158	245 210	158				

(1) All decisions on shipowners aid are taken in the second half of the year. The next report will give the figures for the whole of 1980.

List of aids and interventions for shipbuilding

Annex 2

March 1981

a) Aids to shipbuilding

Description	Level of intervention	Remarks
<p>Germany</p> <p>1) National - direct aid for building : fund of DM 660 M</p> <p>2) Hamburg - allocation of DM 35 m for investment in the port of Hamburg and conversion of the ship- building sector to ship- repair and other sectors (1978 - 1983)</p> <p>3) Lower- - subsidies up to DM 3 m Saxony</p> <p>Ireland Scheme in preparation</p> <p>France Scheme in preparation</p> <p>Netherlands - direct aid for construction</p> <p>United Kingdom - single refund of certain taxes (shipbuilder's relief) - Direct aid for construction. Intervention Fund of £ 33.75 m January - July 1981 £ 55 m July 1981 - July 1982</p> <p>Italy - direct aid for construction : budge- tary allocation Lit 110 billion</p>	<p>Max. 20 % of contract price (average 10 %) (after 1.1.1981 max. 15 %, average 7,5 %)</p> <p>15 % of contract price (20 % for exceptional cases)</p> <p>2 % of the construction cost</p> <p>Max. 25 % of contract price (including shipbuilder's relief) until July 1981 : thereafter 20 %.</p> <p>Maximum 30 % of contract price</p>	<p>For orders taken between 1.12.78 and 31.12.1981</p> <p>DM 31 m for investment on publicly-owned land DM 4 m for investments on private land.</p> <p>For diversification measures (out of shipbuilding)</p> <p>For contracts taken in 1980</p> <p>January 1981 - July 1982</p> <p>For contracts taken in 1979 and 1980. The Commission opened the Art. 93(2) EEC procedure against this scheme on 28.3.80.</p>

b) Credit facilities for sales

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

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

c) Credit facilities for purchase involving aid to shipbuilding

	Description of aid	Level of Intervention	Remarks
Belgium	- credit facilities for Belgian owners	- credit at 5 or 6 % for 15 years (with one year's grace period) on 90 % of contract price	
Denmark	- credit facilities for Danish owners on purchase of ships in a Community yard	- credit at 8 % for 14 years (with 4 years moratorium on repayment) on 80 % of contract price.	
United Kingdom	- credit facilities for the purchase of ships by British owners in British yards (home credit scheme)	- OECD conditions of 18.7.74 - in addition, a subvention scheme has been introduced under Section 25 of the Industry Act 1975	The application of this scheme must not result in conditions more favorable than those contained in the OECD understanding

d) Price guarantee mechanisms

France	<ul style="list-style-type: none"> - Government takes responsibility for increase in cost between ordering and delivery on fixed price sales to third country owners. - a premium of 0,5 % per year is paid when the threshold is not exceeded 	<ul style="list-style-type: none"> - intervention relates to 80 % of the cost for an increase in excess of 7,5 %. Duration 2 years. 	
--------	--	--	--

	Description of aid	Level of intervention	Remarks
Italy	<ul style="list-style-type: none">- Government takes responsibility for increase in cost between ordering and delivery.- the premium is within the band 0.1 to 1.25 % of the cost of the ship.- this scheme is applied only to exports.	<ul style="list-style-type: none">- intervention relates to an annual increase between 5 and 15 % of the cost.	Available, but never used for shipbuilding to date.