

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 684 final

Brussels, 15 November 1982

Proposal for a  
COUNCIL DIRECTIVE

amending Directive 81/363/EEC on aid to shipbuilding

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(submitted to the Council by the Commission)

COM(82) 684 final

EXPLANATORY MEMORANDUM

1. The Fifth Directive on aid to shipbuilding adopted by the Council on 28 April 1981 will expire on 31 December 1982. The Directive contains a Community code for state aids to the shipbuilding industry based on Articles 92(3)(d) and 113 of the EEC Treaty and designed to help the industry out of its severe crisis and to assist its restructuring. As there has been no let-up in the crisis and it is necessary to support the efforts of Community shipbuilders to stabilize and consolidate their position and to limit the social and economic consequences of the restructuring, the subsidies code needs to be kept in force.
2. The market upturn has unfortunately not lived up to the forecasts made in 1980. Although there was a slight increase in output in 1981, the signs of livelier ordering discerned in the first six months of 1981 were short-lived and in 1982 orders have fallen off sharply (1). The medium-term outlook for new orders is not at all promising. Estimates of shipbuilding capacity and output in 1982 show substantial excess capacity both within the Community and in the world at large :
 

World :	capacity estimated at	21 million cgrt
	output	" 14 million cgrt
EEC :	capacity estimated ad	3,5 million cgrt
	output	" 2,7 million cgrt
3. Between 1976 and 1981, and particularly under the Fourth Directive (78/338/EEC), the emphasis was on reducing overcapacity. Over this period capacity was cut by around 30 % and employment by 40 % whilst output fell by 48 %.

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(1) Cf. Report on the State of the shipbuilding industry in the Community (COM(82)564).

Since then, more weight has gradually come to be attached in restructuring plans to modernization measures, shipyard rationalization and productivity improvements, aimed at consolidating the restructuring carried out in the preceding years and allowing it to bear fruit, on the ground that it will take time for the effects of the previous round of cuts to work through to produce a healthier and more competitive industry.

This approach is reflected in the seventh recital to the Fifth Directive, which states that "the restructuring effort is not confined to reduction of production, employment and production capacity, but includes all other measures enabling the shipbuilding industry to become competitive; .... in assessing the reduction of production capacity it is appropriate to take account of the effort already made".

4. Hence, in a number of cases involving production aids, the Commission has accepted consolidation without further capacity reductions as coming within restructuring for the purposes of Article 6, subject to the following conditions, among others :
- (a) that the consolidation was preceded by restructuring involving substantial capacity reductions in the form of closure of the least viable yards and resulting in proper utilization of the remaining capacity;
  - (b) that it is of relatively short duration;
  - (c) that the subsidies proposed would be sharply degressive.

5. In its scrutiny of aid notifications, the Commission has also borne in mind that the fact that the restructuring process was proceeding at different rates and according to different timetables in different Member States. In a persistently depressed economic environment, it has concentrated on ensuring that the aid schemes were genuinely degressive and linked to the underlying economic objective, which is rationalization of the industry.

The control of aids thus responds positively to the economic and social environment and backs up in a consistent manner Community policies in the whole maritime sector : shipping, ports, fisheries, and shipbuilding and ship-repairing.

6. In view of what has been achieved under the Fifth Directive and of the present state of the Community industry, the Commission proposes that the Fifth Directive be extended for three years until 31 December 1985. To avoid uncertainty among operators should the aid again fall under the general regime of Article 92 when the Fifth Directive expires, it is desirable that the Council accept this proposal before 31 December 1982.

The Commission affirms its intention of tightening up and improving the control of shipbuilding subsidies. To this end it intends to increase consultation with the Member States by holding more regular meetings with the national experts during which all aid notifications, and in particular those involving indirect aid, would be scrutinized more thoroughly, by enforcing the Directive more strictly, with greater insistence on the prior notification requirement, and by improving the layout and quality of the half-yearly reports drawn up under Article 10 of the Directive.

With regard to the ship-repairing industry, which is in an extremely worrying situation, the Commission reaffirms the statement which it asked to be inserted in the Council's minutes when the Fifth Directive was adopted on 28 April 1981 :

"The situation in the ship-repair sector, however, appears to be of a certain degree of urgency in some Member States and aid for restructuring the sector should therefore be examined sympathetically, taking account of subsidized competition from shipyards outside the Community".

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Articles 92(3) (d) and 113 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas the Council adopted on 28 April 1982 Directive 81/363/CEE<sup>1</sup>  
which embodies a code for State aids with a view to promoting streamlining  
and restructuring of the shipbuilding industry in a crisis situation;

Whereas the state of the shipbuilding industry, both worldwide and in the Com-  
munity, has deteriorated during the period of application of the said Direc-  
tive;

Whereas the said Directive expires on 31 December 1982;

Whereas a competitive shipbuilding industry is of vital interest to the Com-  
munity and contributes to its economic and social wellbeing by providing a  
substantial market for a whole range of industries including those using ad-  
vanced technology and also contributes to the maintenance of employment in a  
number of regions including some which are already suffering a high rate of  
unemployment;

Whereas the application by the Commission of Directive 81/363/EEC allows for  
restructuring and consolidating schemes so as to enhance the competitiveness  
of the European industry by preventing escalation of aids, while maintaining a  
number of jobs;

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<sup>1</sup>OJ No L 137, 23.5.1981, p. 39

- 2 -

Whereas in the present continuing economic crisis Member States do not foresee in the medium term, that is not within three years, a genuine recovery in maritime industries either at world or at Community levels and whereas consequently the streamlining of the Community's shipbuilding industry must be pursued in order to obtain a lasting improvement of its competitiveness through adaptation to market conditions;

Whereas in view of the severe social and regional repercussions of the continuing crisis and in view of the efforts and sacrifices demanded by the streamlining of this sector in this particular respect, it does not appear possible immediately to abolish the aids granted by Member States to the shipbuilding industry, whether directly or indirectly;

Whereas it is therefore necessary to extend for a period of three years the control of such aids as instituted by the Directive 81/363/EEC,

HAS ADOPTED THIS DIRECTIVE :

#### Article 1

In Article 11 of Directive 81/363/EEC "31 December 1982" is hereby replaced by "31 December 1985".

#### Article 2

This Directive is addressed to the Member States.