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# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 676 final

Brussels, 21 November 1983

Report of the Commission to the Council

AID GRANTED TO SHIPBUILDING IN THE EEC

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COM(83) 676 final

Report of the Commission to the Council

1. In approving Directive 81/363/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 3, 6, 7 and 8 of the Directive).
2. The report for the **second half of 1982** is attached as Annex I.
3. Also attached (Annex II) is a schedule of current aid schemes in favour of shipbuilding.

## FOREWORD

The data in this report highlight four facts:

- the continuation of the slump in the shipbuilding industry and its corollary of a large amount of underutilized capacity;
- x - the paucity of investment in the industry, attested by the fact that relatively little aid is being given for investment intended to rationalize and modernize yards;
- the scale of direct production aid in four Member States (averaging between 15 and 23% at a tonnage-weighted rate) and of aid to shipowners, practically always linked to orders placed with national yards (Community average around 10% of the ship's price);
- the difficulty of obtaining an overall picture of the scale and impact of aid because of the lack of certain data on financing, payments to public-sector yards to cover losses, etc.

The discussion of this report with the national experts in accordance with Article 10 of the Fifth Directive should start from the following questions which are prompted by these data. First, in view of the scale of the aid being granted by the governments in various forms, has the progress of the Community shipbuilding industry towards real international competitiveness been significant over the period covered by this report and have the restructuring measures been sufficient to achieve their objective?

Further, why is the Community shipbuilding market still fairly strictly compartmentalized into national segments, and what, if any, is the connection between this situation and the aid granted?

Finally, without wishing to attach overriding importance to one particular factor among the many contributing to the industry's situation, should not also the macro-economic necessity of controlling and obtaining value-for-money from public expenditure lead to a detailed reappraisal of the aid policy towards shipbuilding in the Community and of the cost of that aid?

1. Aid to investment: Article 3 of the 5th Directive on aid to shipbuilding.

Period: July-December 1982

Member State	Amount of investment	Nature of aid	Effect on production capacity	Type of aid scheme applied
FR Germany (1)	1)DM 45.25 Mio	Loan of DM 21.0 Mio	No effect on capacity Modernization of equipment in shipbuilding sector	General aid scheme investment credits 1981/82
	2)DM 13.75 Mio	Grant (Max. 8.75% of investment)	No effect on capacity Modernization of equipment	Regional aid scheme for improvement of structures
	3)DM 44.50 Mio	Grant (Max. 8.75% of investment)	Diversification out of shipbuilding	Regional aid scheme for improvement of structures
Belgium	-	-	-	-
Denmark	-	-	-	-
France	-	-	-	-
Greece	-	-	-	-
Ireland	-	-	-	-
Italy	1)Lit 8065 Mio	10% of investment	Reduction of capacity in shiprepair sector	Law No 94 of March 1980
	2)Lit 9595 Mio	10% of investment	Merger of two shipyards No effect on capacity shipbuilding sector Reduction of capacity in shiprepair sector	Law No 94 of March 1980
Netherlands	HFL 5.23 Mio	Grant of 2% of investment (estimated net effect: 13%)	No effect on capacity in shipbuilding sector. Efficiency measures	Aid scheme for shipbuilding Regional investment scheme (IPR)
United Kingdom	-	-	-	-

(1) Correction: period January-June 1982: Investment amount for project 2: DM 45.25 Mio.

2. Production aid: Articles 6 and 7 of the 5th Directive on aid to shipbuilding.

Period: July-December 1982

Member State	Nr. of aided cases	grt	Nr. of non-aided cases	grt	Estimated proportion of contract price	Estimated average weighted by tonne
FR Germany	-	-	-	-		
Belgium	-	-	-	-		
Denmark	-	-	-	-		
France	10	60,850 (cgrt)	1	800 (cgrt)	5% to 30% (1-2)	22.9%
Greece	-	-	-	-		
Ireland	-	-	-	-		
Italy	30	251 800	-	-	15.2% to 25%	21.7%
Netherlands	16	47,755	-	-	3.1% to 17.5%	14.3%
United Kingdom	4 (3)	39,912	-	-	14.98% to 17.98% (4)	16.8%

- (1) The maximum rate applied was 16%; the level of 30% was exceptionally used for the order for a containership of 35.400 cgrt  
(2) Plus price guarantee.  
(3) Excl. an order for 4 ships (tonnage 20.000 grt; estimated aid level of 15 to 18%), for which final negotiations are in progress.  
(4) Plus shipbuilders' Relief, 2%.

3. Aid to shipowners : Article 8 of the 5th Directive on aids to shipbuildinga) Volume of contracts

A : Contracts aided. B : Contracts refused. C : Total volume of contracts.

Period : July - December 1982

		Total volume		For building in national yards		For building in other EEC countries		For building in third country yards	
		GRT	national currency (millions)	GRT	national currency (millions)	GRT	national currency (millions)	GRT	national currency (millions)
R.F. Germany <sup>1</sup>	A	331 949	2033.1	331 949	2033.1			-	-
	B	274 808	645.5	262 209	592.2			12 599	53.3
	C	606 757	2678.6	594 158	2625.3			12 599	53.3
Belgium	A	67 101	7164	67 101	7164				
	B		300		300				
	C	67 101	7464	67 101	7464				
Denmark	A	14 300	600	14 300	600				
	B	-	-						
	C	14 300	600	14 300	600				
France	A	74 541	627.9	55 391	193.2			19 150	134.7
	B								
	C	74 541	627.9	55 391	193.2			19 150	134.7
Greece	A	-	-	-					
	B	-	-	-					
	C	-	-	-					
Ireland	A	-	-	-					
	B	-	-	-					
	C	-	-	-					
Italy	A	196 500	206 000	189 000	201 000	3 000	1 600	4 500	3 400
	B	-	-	-	-				
	C	196 500	206 000	189 000	201 000	3 000	1 600	4 500	3 400
Netherlands	A	37 767	367.6	37 767	367.6				
	B	3 111	16.9	3 111	16.9				
	C	40 878	384.5	40 878	384.5				
United Kingdom <sup>2</sup>	A	86 001	117.8	86 001	117.8				
	B	-	-	-	-				
	C	86 001	117.8	86 001	117.8				

<sup>1</sup>All decisions on shipowners' aids are taken in the second half of the year.<sup>2</sup>The British scheme applies only to British owner, who place orders in a national shipyard - OECD conditions.



b) Average effect of aid per contract (Full year 1982 - Yearly communication)

Member State	Total Average	For building in nat. yards	For building in other EEC countries	For building in third country yards
FR Germany	15.8%	15.8%	-	-
Belgium (1)				
Denmark	12.6%	12.6%		
France	12.93%	12.43%	14.99%	14%
Greece	-	-		
Ireland (2)				
Italy (3)				
Netherlands	5 x 2.3%	5 x 2.3%	5 x 2.3%	5 x 2.3%
UK	8 - 15.2%	8 - 15.2%		

(1) Information not supplied.

(2) No special scheme for shipowners.

(3) The information provided by the Italian authorities is based on different criteria than those used by the other Member States and is not comparable.

## LIST OF AIDS AND INTERVENTIONS FOR SHIPBUILDING

a) Aids to shipbuilding

May 1983

	Description	Level of intervention	Remarks
FR Germany	1) Hamburg - allocation of DM 35 m for investment in the port of Hamburg and conversion of the shipbuilding sector to shiprepair and other sectors (1978 - 1983)		DM 31 m for investment on publicly-owned land. DM 4 m for investments on private land
	2) Lower-Saxony - subsidies up to DM 3 m		For diversification measures (out of shipbuilding)
France	- direct aid for construction	23% of contract price (incl. cost escalation) Forecast for 1983/84: 20% (excl. cost escalation)	The aid scheme for the period 1983/84 has been notified on 4.7.1983
Ireland	- direct aid for construction	24.5% of contract price	Max. intervention level authorized for 1981. Aid to shipbuilding for the years 1982 and 1983 has not been planned
Italy	- direct aid for construction (budget allocation: Lit 560 M. 1981-1983)	25% of contract price (30% for the Mezzogiorno region)	The Commission has authorized this scheme in 1983 under restrictive conditions
Netherlands	- direct aid for construction	10.5% of contract price 20% for exceptional cases	Max. intervention level authorized for 1982 (budget allocation 157 Mio HFL) Prolongation of this scheme for 1983-1984 has been notified to the Commission
United Kingdom	- single refund of certain taxes (shipbuilders' relief) - direct aid for construction 5th tranche of Intervention Fund of UKL 50 Mio (July 1982-July 1983)	2% of the construction cost Max. 17% of contract price (incl. shipbuilders' relief) Northern Ireland: 18% of contract price (excl. shipbuilders' relief)	July 1982-July 1983

## 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	special 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% 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
FR Germany	Financing facilities for investments by German owners on purchase of ships in a Community yard or in third countries	Grant of 12.5% of contract price (special grants: max. 5% of contract price)	
Belgium	Credit facilities for Belgian owners on purchase of ships in a Community yard or in third countries	Credit at 4 or 5% for 15 years (with one year moratorium on repayment) on 80% of contract price (Law of 23.4.1948)	
Denmark	Credit facilities for Danish owners on purchase of ships in a Community yard	Credit at 8% for 12 years (with 2 years moratorium on repayment) on 80% of contract price	
France	Financing facilities for investments by French owners on purchase of ships in a Community yard or in third countries	Grant of max. 7.5% of contract price	The total amount of the aid must not exceed FF 30 mio
United Kingdom	Credit facilities for the purchase of ships by British owners in British yards (Home Credit Scheme)	- OECD conditions of 18.7.1979, - 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 favourable than those contained in the OECD Understanding
Netherlands	Financing facilities for investments by Dutch owners on purchase of ships in a Community yard or in third countries	- grant of 12% of contract price - investment premium of 2.3% during 5 years	

d) Price guarantee mechanism

	Description of aid	Level of intervention	Remarks
France	- Government takes responsibility for increase in cost between ordering and delivery	Intervention relates to 80% of the cost for an increase in excess of 6.5% and since July 1982 amounts to a max. 1%	The Commission has not authorized the application of the price guarantee foreseen by Law 598 for the period 1981 to 1983
Italy	- A grant of 0.5% per year is paid when the threshold is not exceeded		

2. Produktiesteun. Artikelen 6 en 7 van de vijfde richtlijn betreffende steun aan de scheepsbouw.

Periode : juli - december 1982.

Lid-Staat	Aantal gesteunde contracten	BRT	Aantal niet gesteunde contracten	BRT	Geschat aandeel van de contractprijs	Gemiddeld aandeel van de contractprijs (wegingsfactor tonnage)
Bondsrepubliek Duitsland	-	-	-	-		
België	-	-	-	-		
Denemarken	-	-	-	-		
Frankrijk	10	63.850 (cbrt)	1	800 (cbrt)	5 % à 30 % (1 - 2)	22,9 %
Griekenland	-	-	-	-		
Ierland	-	-	-	-		
Italië	30	251.820	-	-	15,2 % à 25 %	21,7 %
Nederland	16	47.755	-	-	3,1 % à 17,5 %	14,3 %
Verenigd Koninkrijk	4 (3)	39.912	-	-	14,98 % à 17,98 % (4)	16,8 %

- (1) Max. toegekend aandeel van de contractprijs : 16 %; 30 % werd bij uitzondering toegepast voor de bouw van een containership (35.400 cbrt).
- (2) Bovendien toepassing van het prijsgarantiemechanisme.
- (3) Excl. een opdracht van 4 schepen (tonnage 20.000 brt - geschat steunniveau 15 à 18 %), waarvoor de onderhandelingen nog niet afgesloten waren.
- (4) Boven toepassing van Shipbuilder's Relief van 2 %.