

Shipbuilding: new rules for aid

1997/0249(CNS) - 01/10/1997 - Legislative proposal

OBJECTIVE: to establish new rules on aid to shipbuilding to be applied from 1999, even if the OECD Agreement has not yet entered into force. **CONTENT:** the European Commission proposes a new, stricter regime to replace the seventh directive on aid to shipbuilding by the end of 1998 or, preferably, before then. The main points of the regulation are as follows: - operating aid is allowed up to a maximum ceiling of 9% of the contract value, and will be prohibited from 31 December 2000; contract-related aid granted as development assistance to a developing country is still allowed, but under stricter rules; - closure aid is still allowed on condition that the resulting capacity reduction is of a genuine and irreversible nature; the closed facilities must remain closed for a period of ten years, with no possibility for review after the first five years; - as far as restructuring aid is concerned, the proposal includes specific rules in the new regime based on the Community guidelines on such aid; the Commission proposes that the principle of non-renewal be applied very strictly, together with a more rigorous evaluation and monitoring of recovery programmes. In order to ensure that capacity reductions are genuine, the Commission proposes to base its decision on the level of actual production over the preceding five years rather than on the theoretical capacity of the shipyard; - regional investment will only be allowed if it is intended to improve the productivity of existing installations; because European shipyards are lagging behind technologically, investment aid for innovation will be allowed up to a maximum aid intensity of 10%; - research and development aid will continue to be allowed if it is in compliance with the rules laid down in the relevant Community framework; the same is true for environmental protection aid. As this proposal involves important changes, it is planned to apply the regulation for a period of five years, until the end of 2003, to allow time for the new strategy to produce a structural effect on the sector.