

# Shipbuilding: new rules for aid

1997/0249(CNS) - 29/06/1998 - Final act

**OBJECTIVE:** To establish new rules on aid to shipbuilding to be applied from 1999, even if the OECD Agreement on normal competitive conditions in the commercial shipbuilding and repair industry has not yet entered into force. **COMMUNITY MEASURE:** Council Regulation (EC) 1540/98 establishing new rules on aid to shipbuilding. **SUBSTANCE:** The Council regulation establishes a new, stricter regime to replace the seventh directive (90/684/EEC) on aid to shipbuilding, by the end of 1998. The main points of the regulation are as follows: - contract-related 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 not less than ten years; - restructuring aid may be allowed exceptionally, provided that it complies with the Community guidelines on such aid; when assessing whether the capacity reduction is genuine, the Commission will base its decision not only on the theoretical capacity of the shipyards, but also on the level of actual production over the preceding five years; it will seek the views of Member States in all such cases where the aid is in excess of ECU 10 million; - investment aid for innovation may be allowed up to a maximum aid intensity of 10% gross, provided that it relates to the industrial application of innovative products and processes that are genuinely and substantially new; - regional investment aid may be allowed under certain conditions if it is intended to improve the productivity of existing installations; - 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. The Commission will regularly submit a report to the Council on the market situation and appraise whether European yards are affected by anti-competitive practices. **ENTRY INTO FORCE:** The regulation is to enter into force on 01/01/1999. It will apply for a period of five years, until 31/12/2003, to allow time for the new strategy to produce a structural effect on the sector.