

Basic information	
1997/0249(CNS) CNS - Consultation procedure Regulation	Procedure completed
Shipbuilding: new rules for aid Subject 2.60.03 State aids and interventions 3.40.04 Shipbuilding, nautical industry	

Key players			
European Parliament	Committee responsible		Rapporteur
	ECON Economic and Monetary Affairs, Industrial Policy		
	Committee for opinion		Rapporteur for opinion
	RELA External Economic Relations		SAINJON André (ARE)
			01/12/1997
	TRAN Transport and Tourism		
Council of the European Union	Council configuration	Meetings	Date
	General Affairs	2111	1998-06-29
	Industry	2043	1997-11-13
	Industry	2091	1998-05-07

Key events			
Date	Event	Reference	Summary
01/10/1997	Legislative proposal published	COM(1997)0469 	Summary
20/10/1997	Committee referral announced in Parliament		
13/11/1997	Debate in Council		
18/03/1998	Committee report tabled for plenary, 1st reading/single reading	A4-0101/1998	
31/03/1998	Debate in Parliament		
29/06/1998	Act adopted by Council after consultation of Parliament		

29/06/1998	End of procedure in Parliament		
18/07/1998	Final act published in Official Journal		

Technical information	
Procedure reference	1997/0249(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (before Amsterdam) E 092-p3 EC Treaty (before Amsterdam) E 113 EC Treaty (before Amsterdam) E 094
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/09411

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A4-0101/1998 OJ C 138 04.05.1998, p. 0005	18/03/1998	
Text adopted by Parliament, 1st reading/single reading		T4-0197/1998 OJ C 138 04.05.1998, p. 0078-0104	01/04/1998	Summary
European Commission				
Document type	Reference		Date	Summary
Legislative proposal	COM(1997)0469 		01/10/1997	Summary
Follow-up document	COM(2000)0263 		03/05/2000	Summary
Follow-up document	COM(2000)0730 		15/11/2000	Summary
Follow-up document	COM(2001)0219 		02/05/2001	Summary
Follow-up document	COM(2002)0205 		30/04/2002	Summary
Follow-up document	COM(2002)0622 		13/11/2002	Summary
Other institutions and bodies				
Institution/body	Document type	Reference	Date	Summary

EESC	Economic and Social Committee: opinion, report	CES0284/1998 OJ C 129 27.04.1998, p. 0019	25/02/1998	
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Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Regulation 1998/1540 OJ L 202 18.07.1998, p. 0001	Summary

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.

Shipbuilding: new rules for aid

1997/0249(CNS) - 30/04/2002 - Follow-up document

The Commission has already presented to the Council four previous reports on the situation in world shipbuilding, outlining the serious difficulties the shipbuilding sector is facing and providing detailed information on the unfair commercial practices of Far East competitors. In its conclusion, the report states that the world shipbuilding market continues to face serious difficulties, due to an imbalance of supply and demand. Past expansion of shipyards, mainly in Korea, but now increasingly also in China, has led to price depression which became particularly pronounced after the Asian crisis of 1997/98. Although a number of Korean yards went bankrupt, capacity was not reduced and companies were allowed to continue their operations. Thanks to a historically high level of ordering in 2000, prices recovered to some extent, but the significant drop in orders in 2001 has led to a new reduction in prices. The year 2001 has been very problematic for the maritime industries world-wide: The recession in the US and the terrorist attacks of 11 September have decreased the demand for sea trade and cruises, respectively. Consequently ship owners have been very reluctant to invest in new tonnage and yards basically live from orders placed before 2001. The decline in ordering affected the sectors of containerships and cruiseships most, leading to a drop in overall market shares for Korea and the EU which are particularly strong in these segments. Only the segment of LNG carriers saw an increase in absolute order volume. However, this is still a niche market, representing only ca.8% of world orders in cgt. Korean yards took most of the orders for LNG carriers. They hold 65% of the world orderbook for LNG carriers and 79% of the new orders placed in 2001 went to Korean yards, despite the fact that Korea is a relative newcomer in the field and the building yards do not hold patents on the key technologies. Market analysis suggests that Korean yards made inroads in this area due to very low offer prices, as has been the case before in certain tanker segments and for containerships. Their ability to supply a large number of vessels at an early delivery date may have been important in getting a large amount of orders also. The detailed cost investigations undertaken by the Commission show that certain Korean yards continue to price ships below cost while others are trying to improve their bottom line. Most major Korean yards managed to show a profit for 2001, thanks to the high sales volumes and the related advance payments received, although in some instances, certain one-off measures aimed to improve the yards' financial situation also played a role. Despite various rounds of talks with Korea, the Commission did not manage to convince Korean authorities and yards to fully implement market principles and allow a shake-out of non-viable companies. An improvement in the market situation is therefore not likely and consequently the Commission has proposed countermeasures to the Council. The present report basically confirms the findings from the previous four Commission

reports in relation to the general market situation, the price trends and the detailed cost investigations. The Commission will continue with its market monitoring in line with the requirements laid down in Article 12 of Regulation 1540/98/EC.

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.

Shipbuilding: new rules for aid

1997/0249(CNS) - 13/11/2002 - Follow-up document

This sixth report from the Commission on shipbuilding highlights serious market downturn and continuing market distortion. The serious difficulties in world shipbuilding are increasing, as evidenced by a slump in orders for new vessels in the major shipbuilding regions in the first six months of 2002, says the European Commission in its sixth report on the situation of the world shipbuilding market. The report notes that, due to past over-supply, slowing economies around the world and the effects of 11 September, orders have fallen significantly. As a result, shipyards are running out of work and a number of bankruptcies and lay-offs have already occurred, mainly in Europe. In this shrinking market European shipyards are also threatened by unfair pricing by certain competitors. This report demonstrates the important slowdown that has occurred in the industry over the last two years and confirms once more that EU shipyards are exposed to unfair trading practices. In a deteriorating market, their situation has become very critical. It stresses that the Commission has already taken action to defend the EU shipbuilding industry against unfair competition, and will be working closely with the industry to identify the policies needed to further improve its competitiveness. The report shows that in the first half of 2002, world-wide orders for new ships was down by almost two thirds compared to average quarterly figures in 2000. In the EU, the situation is even worse, with orders being down by almost four fifths compared to 2000. Most affected are container ships and cruise ships, but demand is also lower for crude oil tankers and LNG carriers. Demand has remained comparatively stable only in the product tanker segment, due to replacement needs stemming from new EU maritime safety legislation, and in the bulk carrier segment, in which EU yards are no longer active. Prices for new ships have declined further and are now at the lowest level for more than a decade. Yards in South Korea have further lowered offer prices despite increases in all major cost factors and the appreciation of the Korean currency, in order to trigger fresh demand. A number of Korean yards may find it difficult to meet their financial obligations if orders do not pick up soon. The Commission's detailed cost investigations for orders placed with South Korean yards confirm the findings from previous reports, namely that ships are offered at prices which do not cover the full costs of production. The investigations show that the gap between offer prices and calculated normal price is again widening. The Commission will continue its market monitoring and cost investigations and report again to the Council in 2003. On 27 June 2002, the Council decided that the Commission should make a final effort to solve the problems stemming from certain business practices by Korean yards and achieve an amicable agreement with South Korea by 30 September 2002 at the latest. Should the Commission report the failure of these talks, it would be authorised to request a dispute settlement at the WTO. At the same time a temporary defensive mechanism should be authorised for certain market segments and for a limited period only. In August and September 2002, two rounds of talks with Korean government and shipyard representatives were conducted by the Commission, but positions could not be reconciled and the talks therefore failed. In the absence of a negotiated solution, the Commission has now initiated WTO action as decided by the Council last June and re-confirmed at its end of September meeting. The Commission's Decision on WTO action has been published in the Official Journal of October 19. The request for bilateral Consultations with the Republic of Korea was introduced on 21 October. A first Consultation meeting will take place before the end of November 2002.

Shipbuilding: new rules for aid

1997/0249(CNS) - 01/04/1998 - Text adopted by Parliament, 1st reading/single reading

In adopting the report by Mr Niels SINDAL (PSE, DK) Parliament approved the Commission proposal while stressing that the policy of aid to shipbuilding should not lead to distortion of competition in the Community. Considering that the proposed aid scheme was too generous, Parliament introduced amendments stating that the new aid instruments proposed by the Commission could not be used to extend the capacity of European shipyards. Other amendments provided that in the event of reopening of closed yards, the shipyards must pay back the aid granted to them for definitive closure. One year before 31 December 2000 the Commission should monitor the market situation and ascertain whether European yards were being affected by anti-competitive practices. If it was established that the industry was not being harmed by such practices, including injurious

prices, operating aid would cease on 31 December 2000. Parliament also considered that there was a need to undertake a study into the effects of the economic crisis in Asia and the potential consequences of any discriminatory measures to assist Asian shipyards. In the event of discriminatory measures the Commission and the Council should take the necessary steps to defend the interests of the European shipbuilding industry.

Shipbuilding: new rules for aid

1997/0249(CNS) - 02/05/2001 - Follow-up document

Under Council Regulation 1540/98/EC, the European Commission is obliged to provide regular reports on the state of play within the global shipbuilding industry. Specifically, the reports address market size and price fluctuations in order to assess unfair and anti-competitive practices. This is the fourth report on the situation in world shipbuilding and builds upon the findings of three previous reports. A separate report examining alleged South Korean subsidisation of shipbuilders is to be completed at the end of May. The Commission report notes the following: - That global orders for new ships have increased by 56% on the year 1999. - South Korean shipbuilders have benefited most from this increase. With South Korean shipbuilders accounting for more than 35% of the global market they are the undisputed leaders in this activity. - The European shipbuilding industry too has benefited from the global increase in shipbuilding and now has an estimated global market share of 18%. This figure needs to be viewed cautiously since a large part of this percentage covers the building of cruise liners for which future orders look uncertain. Taking the cruise liner market away Europe accounts for only 10% of the global market in shipbuilding. In terms of price fluctuations, the Report notes that various sources indicate price rises for new ships in 2000 indicating a recovery from the lows of 1997 when the Far East was suffering from the Asian crisis. Evidence of increases, widely touted by South Korean shipbuilders, are largely based on independent statistics reported in "Clarkeson World Shipyard Monitor". The Commission however remains sceptical of these findings. Instead, it relies on its own findings based on contract by contract investigations. For the Fourth Report on the situation in world shipbuilding the Commission investigated seven new South Korean orders. The findings of these report suggest: - That contrary to current suggestions, prices have not recovered from their 1997 low. - That South Korean shipyards are in need of a high turnover to benefit from economies of scale. - That, for a large part, their pricing policies take neither debt repayments, nor inflation into account. - As a result South Korean yards are not economically viable. Indeed according to Commission contract by contract calculation certain South Korean shipyards show losses running at, on average, 14%. The report concludes by confirming that the Commission, in line with its obligations, will continue to monitor global markets and prices in shipbuilding.

Shipbuilding: new rules for aid

1997/0249(CNS) - 15/11/2000 - Follow-up document

This document presents the third report in a series of reports relating to the situation in the world shipbuilding market. It analyses the latest developments in the worldship building market and assesses the results from the actions undertaken in response to the Council's requests. The report notes that the worldship building market continues to face serious difficulties. Supply still outstrips demand and there are few indications that this situation may improve. Nevertheless, South Korea is now the biggest shipbuilder in the world. Its shipyards took more than 40% of all new orders in the first 8 months of the year 2000 (Japan: 25%, EU + Norway: 16%, Rest of the World: 19%) in terms of cgt (compensated gross tonnes). Nearly all market segments are targeted by Korean yards, leaving mainly smaller domestic orders and highly specialised tonnage to EU yards. Therefore, this third report by the European Commission on the situation in the world shipbuilding market confirms the findings from the Commission's first and second reports. Thus, it is proposed: - that the Commission continues with its monitoring of the market situation; - that the Commission examines industry's complaint under the TBR as rapidly as possible, and, if accepted, to pursue this rigorously with a view to a possible WTO action; - in parallel, that the Commission remains open to eventual proposals from Korea that would meet the EU's concerns; - that the Commission and the Member States pursue efforts to establish a level international playing field for the shipbuilding industry in the OECD; - that the Commission and the Member States continue to encourage the IMF to ensure that the restructuring of Korean shipyards is closely monitored and assessed; - that the Commission continue its work closely with the industry on competitiveness issues; - that the Commission shall as soon as possible examine the possibilities to propose measures to address the problem.

Shipbuilding: new rules for aid

1997/0249(CNS) - 03/05/2000 - Follow-up document

PURPOSE : to present the second report from the Commission on the situation in world shipbuilding. CONTENT : this report by the European Commission on the situation in the world shipbuilding market is the second of a series and it presents a follow-up and extension of the first report which was submitted to the European Council of Ministers on 9 November 1999. The initial report responded to Council Regulation 1540/98/EC establishing new rules on aid to shipbuilding which requires the European Commission to present to the Council a report on the market situation and appraise whether European yards are affected by anti-competitive practices. If it established that anti-competitive practices of any kind are causing injury to industry, the European Commission is, where appropriate, to propose to the Council of Ministers measures to address the problem. The second report is based on the approach and the findings of the first report. Therefore certain elements of the first report are not repeated. These references cover the longer term supply and demand analysis, general remarks on the nature of shipbuilding contracts and on the underlying study works, the analysis of the financial sector in South Korea, details of certain investigated shipyards and the description of the applied methodology. However, the information contained in the first report is updated where appropriate. This concerns in particular the detailed cost investigations for shipbuilding orders awarded to Asian yards as the underlying cost model is re-run each time new or better information is obtained. The key findings of the the first report relate to the following issues: - significant over-capacities in the shipbuilding market - South Korean capacity expansion; - plummeting ship prices, bringing forward demand and shifting market shares to Korean yards; - the shipbuilding monitoring study; - unacceptable behaviour by two Korean yards; - the opaque financial system in South Korea. Furthermore, this second report extends the price investigations to shipyards in the People's Republic of China which have achieved a significant increase in market shares in 1999.