Procedure file

Basic information

CNS - Consultation procedure Regulation	1997/0249(CNS)	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	Appointed
	ECON Economic and Monetary Affairs, Industrial Policy		
	Committee for opinion	Rapporteur for opinion	Appointed
	RELA External Economic Relations	ARE SAINJON André	01/12/1997
	TRAN Transport and Tourism		
Council of the European Union	Council configuration	Meeting	Date
	General Affairs	2111	29/06/1998
	Industry	2091	07/05/1998
	Industry	2043	13/11/1997

Key events

01/10/1997	Legislative proposal published	COM(1997)0469	Summary
20/10/1997	Committee referral announced in Parliament		
13/11/1997	Debate in Council	2043	
18/03/1998	Committee report tabled for plenary, 1st reading/single reading	A4-0101/1998	
31/03/1998	Debate in Parliament		
01/04/1998	Decision by Parliament	T4-0197/1998	Summary
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 before Amsterdam E 094; EC before Amsterdam E 092-p3; EC before Amsterdam E 113
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/09411

Documentation gateway

Legislative proposal		COM(1997)0469	01/10/1997	EC	Summary
Economic and Social Committee: opinion, report		CES0284/1998 OJ C 129 27.04.1998, p. 0019	25/02/1998	ESC	
Committee report tabled for plenary, 1st reading/single reading		A4-0101/1998 OJ C 138 04.05.1998, p. 0005	18/03/1998	EP	
Text adopted by Parliament, 1st reading/single reading		T4-0197/1998 OJ C 138 04.05.1998, p. 0078-0104	01/04/1998	EP	Summary
Non-legislative basic document		COM(2000)0263	03/05/2000	EC	Summary
Follow-up document		COM(2000)0730	15/11/2000	EC	Summary
Follow-up document		COM(2001)0219	02/05/2001	EC	Summary
Follow-up document		COM(2002)0205	30/04/2002	EC	Summary
Non-legislative basic document		COM(2002)0622	13/11/2002	EC	Summary

Additional information

European Commission	EUR-Lex

Final act

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

Shipbuilding: new rules for aid

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

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

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 wether 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

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

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 seperate 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 accouning 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 larely based on independant 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 loses 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

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 12of Regulation 1540/98/EC.?