

**COUNCIL DIRECTIVE**  
**of 20 July 1972**  
**on aid to shipbuilding**  
(72/273/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Articles 92 and 113 thereof;

Having regard to the proposal from the Commission;

Whereas the Council Directive of 28 July 1969<sup>1</sup> on the grant of aids to shipbuilding to offset distortions in competition on the world market has effectively helped to reduce and harmonize aids granted to shipbuilding in the Community;

Whereas that Directive should be reviewed in the light of the changes which have occurred in the world shipbuilding market since its adoption;

Whereas distortions in competition on the world shipbuilding market have recently been reduced, principally through a series of understandings concluded by the main shipbuilding countries within the framework of the OECD with the object of harmonizing export credit conditions for ships;

Whereas the Governments of many shipbuilding countries are increasingly convinced that the shipbuilding industry must ultimately operate without aid;

Whereas, furthermore, shipbuilding in the Community has shown a relative improvement following an increase in demand and the first results of the restructuring of shipyards;

Whereas the Directive of 28 July 1969 should therefore be revised so as to provide for a reduction in the aids granted to shipbuilding;

Whereas aids designed to improve export credit conditions for ships are still granted in some shipbuilding countries, the aim of existing OECD understandings being solely to lay down for international transactions maximum credit levels above which aid may not be granted; whereas there are forms of aid other than those relating to export credit for ships which cause distortions in competition on the world market;

Whereas in these circumstances it is in the common interest that aid to shipbuilding within the Community be maintained at a reduced level;

Whereas such aid will, furthermore, facilitate certain restructuring operations which have yet to be carried out within the Community shipbuilding industry; whereas these operations have been hindered by the deterioration of the financial position of numerous shipyards as a result of distortions in competition on the world market;

Whereas aids granted to shipbuilding should nevertheless not affect trading conditions in a way contrary to the common interest;

Whereas it is in the interest of the Community to find a solution both to the problem of any excess production capacity that may arise in the shipbuilding industry and to the problem of aid and intervention significantly affecting, whether directly or indirectly, conditions of competition and trade on the shipbuilding and ship conversion market;

Whereas the Commission should without delay undertake, with the assistance of the Member States, a study of the various factors responsible for the imbalance of supply and demand on that market—account being taken also of studies made by international organizations—and of all existing aids and interventions, in order to determine the effect of such aids and interventions on the conditions of competition and trade; whereas the Commission will, on the basis of the results of this study, submit

<sup>1</sup> OJ No L 206, 15.8.1969, p. 25.

proposals to the Council for action to prevent supply from developing in such a way as might jeopardize the required balance—without thereby prejudicing any decisions which the Council may choose to take in the field of industrial policy—and will also submit a draft for a new directive designed to coordinate in the common interest all aids and intervention in respect of shipbuilding and ship conversion; whereas the Council should act on the proposals from the Commission as soon as possible and in any event not later than 31 December 1973;

HAS ADOPTED THIS DIRECTIVE:

#### *Article 1*

Aids and interventions to assist shipbuilding may be considered compatible with the common market in so far as they satisfy the conditions set out in Articles 2 and 3.

#### *Article 2*

Grants of aid and interventions may be made for the following purposes:

- (a) the building, in a shipyard of the Community, of metal-hulled sea-going vessels being any of the following:
  - merchant vessels for the carriage of cargo and/or passengers of not less than 150 gross registered tons;
  - fishing vessels of not less than 150 gross registered tons;
  - dredgers of not less than 150 gross registered tons;
  - tugs of not less than 500 hp;
- (b) the conversion, in a shipyard of the Community, of metal-hulled sea-going vessels of not less than 5000 gross registered tons, on condition that conversion operations entail radical alterations to the cargo plan, the hull or the main propulsion system of such vessels.

#### *Article 3*

1. Aid or intervention for the building or conversion of ships falling within Article 2 may consist of:

- (a) export credit facilities in respect of ships, provided that such facilities satisfy the conditions laid down in the understanding on Export Credit for Ships contained in the Resolution of the Council of the OECD of 16 December 1970;

- (b) other credit facilities for sales and conversions of ships provided that the conditions referred to in (a) are satisfied;
- (c) any form of aid or intervention coming within Article 1, other than those specified under (a) and (b), the amount of which, subject to exemption, does not exceed 5% of the relevant contract price in 1972 and 4% of the contract price in 1973.

2. Grants exceeding the aforementioned ceilings shall in the following cases be treated as exemptions for the purposes of paragraph 1 (c)

- where the excess is due to the operation of a scheme of insurance against exceptional rises in costs;
- where the grant is to the Italian shipbuilding industry, provided that such grants are progressively reduced at a rate at least equal to that indicated under (c), and there is at the same time put into operation a programme for the rationalization of Italian shipbuilding industry designed to make the industry properly competitive at the European level not later than the end of 1976;
- where the excess is the result of indirect aid or intervention for the building or conversion of ships.

3. The contract price means the sale price fixed by contract, taking account of any price revision clause.

4. The Council, acting by a qualified majority on a proposal from the Commission, shall modify this Article as and when appropriate.

#### *Article 4*

The Member States shall communicate to the Commission, in so far as is necessary, particulars of their rules governing aid and intervention for shipbuilding and ship conversion and of their procedures for applying such rules.

These rules and procedures must make it clear whether the conditions laid down in Articles 2 and 3 have been complied with.

#### *Article 5*

The Member States shall refrain from any discriminatory practice calculated to favour within their national territories the building or conversion of ships or the manufacture of products intended to form part of such ships.

*Article 6*

On the entry into force of the Treaty concerning the Accession of the Kingdom of Denmark, Ireland, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland to the European Economic Community and the European Atomic Energy Community:

(a) the following temporary exceptions to subparagraph (a) of Article 2 shall apply:

— the minimum tonnage level for aid and intervention in the United Kingdom of Great Britain and Northern Ireland in respect of the aforementioned shipbuilding operations shall be 100 gross registered tons;

— the minimum tonnage level for aid and intervention in the Kingdom of Norway in respect of the construction of fishing vessels shall be 50 gross registered tons;

(b) the following indent shall be added to Article 3 (2):

'where the grant is to the Irish shipbuilding industry.'

*Article 7*

1. This Directive shall apply until 31 December 1973.

2. The Commission shall as soon as possible undertake a study of trends in supply and demand on the world shipbuilding market and of the overall effect of aids and interventions significantly affecting, whether directly or indirectly, the conditions of competition and trade on that market within the Community. It shall submit to the Council proposals based on the results of this study. The Council shall act on these proposals, immediately if possible, but in any event not later than the end of 1973.

*Article 8*

This Directive is addressed to the Member States.

Done at Brussels, 20 July 1972.

*For the Council*

*The President*

T. WESTERTERP