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# *EFTA SURVEILLANCE AUTHORITY*

Doc. No. 98-3439-I  
Dec. No. 136/98/COL  
Ref. No. SAM030.98.003

## EFTA SURVEILLANCE AUTHORITY DECISION

of 20 May 1998

on regional investment aid to the shipyard  
*Moen Eiendommer A/S*

(Norway)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area<sup>1</sup>, in particular to Articles 61 to 63 of the Agreement,

Having regard to the Act referred to in point 1b of Annex XV to the EEA Agreement on aid to shipbuilding (Council Directive No 90/684/EEC as amended by Council Directive No 93/115/EC and Council Directive No 94/73/EC)<sup>2</sup>,

Having regard to the Act referred to in point 1c of Annex XV to the EEA Agreement (Council Regulation (EC) No 3094/95 on aid to shipbuilding, as amended by Council Regulation (EC) No 1904/96<sup>3</sup> and Council Regulation (EC) No 2600/97<sup>4</sup>),

Having regard to the Agreement between the EFTA States on the establishment of a Surveillance Authority and a Court of Justice<sup>5</sup>, in particular Article 1 of Protocol 3 thereof,

WHEREAS:

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<sup>1</sup> Hereinafter referred to as the EEA Agreement.

<sup>2</sup> These Council Directives, as adapted for the purpose of the EEA Agreement by decisions of the EEA Joint Committee No 21/95, 16/96, 58/96 and 19/98, will hereinafter be referred to as the Shipbuilding Directive.

<sup>3</sup> Council Regulations (EC) No 3094/95 and 1904/96 were incorporated into the EEA Agreement by Decision of the EEA Joint Committee No 85/97 of 12 November 1997.

<sup>4</sup> This Regulation was included in the EEA Agreement by EEA Joint Committee Decision No 19/98 of 6 March 1998.

<sup>5</sup> Hereinafter referred to as the Surveillance and Court Agreement.

## I. FACTS

### I.1 The notification

By telefax of 4 February 1998 (Doc. No. 98-697-A), confirmed by letter received on 12 February 1998 (Doc. No. 98-888-A), the Mission of Norway to the European Union submitted to the Authority a notification, pursuant to Article 11 of the Shipbuilding Directive, of plans by the Norwegian authorities to award aid in support of certain investments by the shipyard *Moen Eiendommer A/S*.

By letter of 4 March 1998 (Doc. No. 98-1293-D), the EFTA Surveillance Authority requested certain additional information on the aid proposal, to which the Norwegian authorities responded by telefax of 1 April 1998 (Doc. No. 98-2146-A) from the Royal Ministry of Trade and Industry.

### I.2 Substance

#### I.2.1 *Moen Eiendommer AS / Moen Slip AS*

The prospective recipient of the aid is *Moen Eiendommer A/S* (ME), which is a holding company for sole ownership of the shipyard company *Moen Slip A/S* (MS). These enterprises are located in *Kolvereid* which belongs to the municipality of *Nærøy* in the county of *Nord-Trøndelag*.

ME has no employee, and had a turnover of approx. NOK 3,1 million in 1996. Its last balance sheet total was approx. NOK 18,6 million. The company is owned by two families.

MS is an operating enterprise fully owned by ME. It uses the production facilities owned by ME and will use the investments which the planned aid is intended to finance. At the end of 1996, MS had 71 employees, its turnover in 1996 was approx. NOK 99,9 million, and the most recent balance sheet total was approx. NOK 32,5 million.

MS builds tugs, fishing vessels and ferries. It also handles repair and maintenance work on ships. The shipyard has capacity to build metal-hulled ships above 100 GT in size.

#### I.2.2 The aid project

The planned project consists of investments in equipment for CNC-controlled cutting of steel sheets, including the necessary training of employees operating the equipment.

The investment amounts to NOK 1.117.875, and covers the following costs:

Cutting machine	NOK	609.990
Cutting table	NOK	220.000
Electrical installations	NOK	70.000
Software	NOK	126.000
PC	NOK	23.885
Training	NOK	68.000
Total	NOK	1.117.875

The purpose of the investments is to modernise production methods in the shipyard, particularly as concerns material handling, and thus to achieve increased efficiency and contribute to its future viability. The notification states that the planned investments will not lead to an expansion of the shipyard's capacity, neither in terms of size, nor the number of ships the shipyard can build or repair.

To support financing the investment, the Norwegian Industrial and Regional Development Fund ('*Statens nærings- og distriktsudviklingsfond*', SND) plans to provide a grant of NOK 280.000, under its Regional Investment Grant Scheme (State Aid No. 93-143).

## **II. APPRECIATION**

### II.1 The presence of State aid and notification formalities

The proposed grant by the SND to support the financing of the project constitutes State aid within the meaning of Article 61(1) of the EEA Agreement.

It is to be awarded under an existing State aid scheme, the SND Regional investment grants, of which the Authority has been informed as a State aid scheme existing at the time of entry into force of the EEA Agreement (State Aid No. 93-143).

By submitting a notification for the planned aid, the Norwegian authorities have complied with the specific notification requirement for aid to shipyards set out in Article 11 of the Shipbuilding Directive.

### II.2 Application of the relevant State aid rules

The aid beneficiary is a company whose activity in the shipbuilding sector, in particular its construction and repair of metal hulled sea-going vessels of not less than 100 GRT, is covered by the Shipbuilding Directive (cf. Article 1(c) of the Directive). Hence, the Shipbuilding Directive constitutes relevant rules for assessment in this case. As the aid has the character of regional investment aid, it must also be assessed under the rules on regional aid.

### Regional aid rules

*Moen Eiendommer A/S* (ME) and *Moen Slip A/S* (MS) are located in *Kolvereid* in the municipality of *Nærøy*, *Nord-Trøndelag* county. According to the map of assisted areas in Norway, which was authorised by the EFTA Surveillance Authority Decision No. 110/98/COL of 28 April 1998, the municipality of *Nærøy* belongs to Target zone B, implying that enterprises located in that municipality are eligible for regional investment aid. In Target zone B, the maximum regional investment aid is 25%, in net grant equivalent (NGE) terms, of the eligible costs, and a supplement of 5% (gross) is allowed for small and medium-sized enterprises (SMEs).

In considering the size of the aid recipient, it is appropriate in the present case to look at the two companies as a whole. According to the information cited above, the total workforce of the two companies is 71 employees, their combined turnover in 1996 was NOK 103 million (approx. ECU 12,5 million) and their combined balance sheet total at the end of 1996 was NOK 51,1 million (approx. ECU 6,2 million). ME, which is the sole owner of MS, is owned by two families. The companies are therefore independent from bigger companies. This information therefore confirms that as a group the two companies qualify as a small and medium-sized enterprise (SME) within the meaning of the SME-definition in Chapter 10 of the State Aid Guidelines. The relevant aid ceiling is therefore 25% NGE plus a supplement of 5% gross.

With reference to the above information on the breakdown of the project costs, they all relate to costs in fixed production assets, with the exception of NOK 68.000 to cover external training assistance. However, these training costs are directly related to the investment. The eligible investment costs are therefore NOK 1.117.875. To contribute to financing these costs, the SND proposes to offer an investment grant of NOK 280.000, which corresponds to an aid intensity of 25%. The proposed grant is therefore within the relevant maximum aid ceiling.

### Relevant provisions of the Shipbuilding directive

As regards investment aid to shipyards, Article 6(1) of the Shipbuilding Directive provides that such aid may not be granted for the creation of new shipyards or for investment in existing yards unless it is linked to a restructuring plan which does not involve any increase in the shipbuilding capacity of the yard or unless it is directly linked to a corresponding irreversible reduction in the capacity of other yards in the same EEA State over the same period.

As for ship repair yards such aid may not be granted unless linked to a restructuring plan which results in a reduction in the overall ship repair capacity in the EEA country concerned. In this context the EFTA Surveillance Authority may take into account capacity reductions carried out in the immediately preceding years.

Article 6(3) establishes that the amount and intensity of aid must be justified by the extent of the restructuring involved and that the aid must be limited to supporting expenditure directly related to the investment.

Article 6(4) states that when examining the aid, the Authority shall take account of the extent of the contribution of the investment programme concerned to such common objectives for the sector as innovation, specialization, working conditions, health, safety and the environment.

The investment project concerned is aimed at modernising the shipyard and making it more efficient, particularly by implementing a comprehensive reorganisation of the yard's material handling process. The investment consists of a new cutting machine for steel templates which is CNC controlled. The new equipment will replace an optical controlled cutting process which included a costly and demanding process of drawing all details of the steel material in manually produced templates. The investment will make the cutting operation more in line with the equipment and production process already in use by the shipyard. The planned investment will restructure the enterprise in the area of material handling, and this will result in a significant reduction of material and labour costs. The reduced waste of steel is also favourable in an environmental context.

Although the shipyard engages to a limited extent in ship repairs, the planned investments relate predominantly to its newbuilding activity. The yard's physical capacity is limited by the size of the dock, which will not be influenced by the investments. The investments will not lead to an expansion of the yard's capacity, neither in terms of size, nor the number of ships the shipyard can build or repair.

With reference to the above information and considerations, the investment to be supported by aid is considered to be linked to a restructuring plan for the shipyard which does not involve any increase in its shipbuilding capacity.

As to the question whether the proposed amount and intensity of the aid is proportional, it is firstly observed that the most recent financial performance of the two companies has been relatively poor (e.g. overall operating loss of 2,1% of turnover in 1997). However, the Norwegian authorities underline that there is a clear need for upgrading of the yard's material handling facilities. Given that the financial situation of the companies is relatively weak, the support of the SND is considered necessary for carrying out the investments. The aid to be granted will be limited to support only expenditure directly related to the investment project. The new investments are considered to be financially prudent and profitable. It can therefore be expected that the project will make an important contribution to securing the company's future viability and to safeguarding employment in a remote region with scarce employment opportunities and limited development potential. For these reasons the amount and intensity of the aid is considered to be justified by the extent of the restructuring involved.

Besides the reasons reviewed above, the Norwegian authorities have indicated other motivations for their support to the project, *inter alia* that due to the particularly long coastline of Norway, there is a need to secure an adequate distribution of shipyards

along the coast to serve the local fishing fleet, ferries and other regional transport vessels.

For the above reasons the conditions set out in Article 6 of the Shipbuilding Directive are considered to be fulfilled. As concluded above, the aid also meets the general conditions for regional aid, as embodied in the map of assisted areas for Norway.

With reference to the above considerations, it is concluded that the proposed aid to *Moen Eiendommer A/S* qualifies for exemption under Article 61(3)(c) of the EEA Agreement as aid to facilitate the development of certain economic areas, without adversely affecting trading conditions to an extent contrary to the common interest.

**HAS ADOPTED THIS DECISION:**

1. The EFTA Surveillance Authority has decided not to raise objections to the proposed regional investment aid to the shipyard *Moen Eiendommer A/S*, as notified by the Norwegian authorities by telefaxes of 4 February 1998 (Doc. No. 98-697-A) and 1 April 1998 (Doc. No. 98-2146-A).

Done at Brussels, 20 May 1998.

For the EFTA Surveillance Authority

Knut Almestad  
President

Bernd Hammermann  
College Member