



EFTA SURVEILLANCE AUTHORITY

Doc. No. 95-4978-I
Dec. No. 94/95/COL
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EFTA SURVEILLANCE AUTHORITY DECISION

OF 27 SEPTEMBER 1995

ON EXISTING STATE AID TO THE SHIPBUILDING INDUSTRY

(NORWAY)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area¹, 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)²,

Having regard to the Agreement between the EFTA States on the establishment of a Surveillance Authority and a Court of Justice³, in particular Article 1 of Protocol 3 thereof,

WHEREAS:

I. FACIS

The notification

By letter of 8 May 1995 (Doc. no. 95-2737D) the EFTA Surveillance Authority drew the attention of the Norwegian authorities to the notification

¹ Hereinafter referred to as the EEA Agreement.

² These Council Directives, as adapted for the purpose of the EEA Agreement by the EEA Joint Committee Decision No. 21 of 5 April 1995, will hereinafter be referred to as the Shipbuilding Directive, or for short as the Directive.

³ Hereinafter referred to as the Surveillance and Court Agreement.

provisions in Article 11 of the Shipbuilding Directive and requested them to submit notifications of existing aid schemes covered by the Directive.

By letter dated 30 May 1995, registered by the EFTA Surveillance Authority on 31 May 1995 (Doc. no. 95-3307-A), the Norwegian authorities notified, pursuant to Article 11 of the Shipbuilding Directive, their existing aid scheme, "Grants for shipbuilding, newbuildings and conversions".

By letter of 16 June 1995 (Doc. no. 95-3580-D) the EFTA Surveillance Authority requested certain additional information, i.a. relating to state guarantees to facilitate the financing of shipbuilding contracts. The Norwegian authorities responded to this request by letter dated 27 July 1995, registered by the Authority on 28 July 1995 (Doc. no. 95-4449-A).

Information on the operations of the Guarantee Institute for Export Credits (GIEK) as well as the Export Credit Financing Scheme (administered by A/S Eksportfinans) had also been submitted by the Norwegian authorities by letter of 24 March 1994 ((Doc. no. 94-5324-A) as part of the information on existing state aid at the time of entry into force of the EEA Agreement. Further information on credit guarantees and credit facilities in general has been informally communicated to the Authority.

Grants for shipbuilding, newbuildings and conversions

The aid is based on directions by the Ministry of Industry and Energy of 28 December 1994 ("Føresegner for statleg støtte ved kontrahering av skip"), as amended by directions from the Ministry of 18 January 1995. The authorisation to issue such directions was granted by a decision of the Norwegian Parliament of 18 December 1992 ("Stortingsvedtak av 18. desember 1992, jf. St. prp. nr. 1 Tillegg nr. 11 (1992-93) vedtak XV").

According to the notification the overall objective of the aid is to promote construction contracts to be placed with Norwegian shipyards.

The aid scheme covers shipbuilding projects carried out in Norway, and in individual cases possibly also projects carried out abroad by Norwegian enterprises. The scheme covers export and domestic deliveries of new constructions of vessels with a tonnage of at least 100 GT as well as major conversions of vessels of at least 1000 GT.

Certain specialised semi-submergible vessels, e.g. for drilling explorations, service and repair work (hotel-, crane- and workshop platforms, etc.) are not eligible for aid under the scheme. The same applies to barges of all sizes without a propelling engine.

The grant scheme does not encompass newbuilding and conversion of fishing vessels which fall under the law on registration and marking of fishing vessels (i.e. domestic deliveries). A special scheme administered by "Statens Fiskarbank" applies to such vessels.

Although the scheme applies in principle to export deliveries of fishing vessels built by Norwegian shipyards, fishing vessels to be exported to States parties to the EEA Agreement will normally not be eligible for aid under the scheme. The Ministry of Industry and Energy can grant an exemption when such aid would not constitute an infringement of the EEA Agreement.

Contracts between shipyards and public authorities (state, county or municipality) fall outside the rules of the aid scheme. The same applies to ships purchased by private enterprises which receive direct public aid from the state, county or municipality for the operation of the ships. Ships to be used for scheduled local traffic, subsidised by the state via county municipalities, are nevertheless covered by the scheme. The same applies to ships for certain other coastal routes ("hurtigruteskip").

The directions laying down the rules and conditions under which aid is granted give i.a. the following definitions:

The term 'net contract value' normally corresponds to the price which the buyer pays to the shipyard for completing the contract. For conversions only the value of the conversion work shall be counted towards the net contract value. If part of the project is performed by foreign yards (e.g. propeller or propeller components), the contract value of such work or equipment shall not count towards the net contract value. Guarantee premiums (e.g. to the GIEK) shall not be included in the net contract value.

Expenditure which does not stem from real construction costs cannot form part of the net contract value. The Ministry reserves the right to reduce the grant if the contract value has been fixed artificially high in order to obtain a higher grant, e.g. when there is a cross-ownership relationship between the yard and the buyer.

The term 'major conversion', used in the directions, means conversion which according to the nature and the scale of the work is sufficiently extensive to qualify as such. When evaluating this, particular attention is paid to whether the characteristics or functions of the ship are altered. Repairs, replacement of used equipment, etc. shall not be regarded as conversion. For mixed contracts involving both repair and conversion, the cost of repair work shall be deducted from the contract price before calculating the grant. Conversion work amounting to less than NOK 2,5 million shall not be considered to be 'major conversion'.

The aid is in the form of an outright grant and is paid in a single instalment when delivery has taken place.

The basis for calculating the grant is the net contract value, as defined above, plus the grant itself. The following percentages are then applied to this basis:

Vessels whose contract value is ECU 10 million or more	9,0%
Vessels whose contract value is lower than ECU 10 million	4,5%
Major conversions	4,5%

The scheme is administered by "Norsk Skibs Hypothekbank A/S", which deals with grants for domestic buyers, whereas "A/S Eksportfinans" administers all applications related to export deliveries. The aid recipient is obliged to report the grant as taxable income.

In section 5.3 of the directions it is stated that the Ministry reserves the right to initiate the necessary surveillance to ensure that the grants are used in compliance with the rules of the scheme.

Section 5.4 provides that if aid under the scheme is proven to have been awarded on the basis of false or misleading information, or if there is reason to suspect such abuse of the scheme, aid payments can be suspended. Shipyards can also be ordered to pay back aid which they have received under false pretence.

According to the notification projects supported under the scheme are not explicitly excluded from receiving aid from other sources. However, the directions provide that if it turns out that higher aid is awarded than allowed under the applicable EEA rules or aid which otherwise infringes these rules the recipients can be ordered to pay back such aid. Shipyards and shipowners are therefore obliged to inform the aid awarding authority of all other public support which may be given to the yard or the shipowner in respect of the contract concerned.

The directions also note that in cases where there is competition between yards in different States within the territory covered by the EEA Agreement, the EFTA Surveillance Authority can fix a ceiling which ensures that the aid does not affect trading conditions within the territory covered by the EEA Agreement to an extent contrary to the common interest.

According to section 6 of the directions the calculation of the grant under the scheme assumes that the share of direct and indirect import from countries not parties to the EEA Agreement does not exceed 25% of the net contract value. When this share is higher the net contract value shall be adjusted downwards, according to a formula given in the directions, so that the import share becomes 25%.

For 1995 the budget expenditure under the scheme is estimated at NOK 1064 million. This amount relates to commitments for grants in 1995. It excludes grants for domestic deliveries of fishing vessels as well as costs related to contracts entered into before 1 January 1990 under a different aid scheme.

The directions on which the scheme is based apply for contracts signed from 1 January 1995 onwards, under the assumption that delivery takes place within three years from the signature of the contract. Following questions from the EFTA Surveillance Authority concerning the expiry of the scheme, it is however explained in the Norwegian authorities' letter of 28 July 1995 that the Norwegian Parliament has approved the grant scheme only for contracts entered into during 1995. In the same letter it is underlined that it is clearly laid down in the Ministry's directions that they will have to be in accordance with the Shipbuilding Directive. It is furthermore explained that the Norwegian Government has signed the OECD Agreement respecting normal competitive conditions in the commercial shipbuilding and repair industry, which is expected to enter into force as from 1 January 1996, and that the Government has presented a motion to the Parliament for ratification of the agreement. The present grant scheme would have to be abolished when the OECD Agreement enters into force.

Export credit guarantees for ships

The Guarantee Institute for Export Credits (GIEK) is an independent government agency ("forvaltningsbedrift") operating state guarantee schemes to promote Norwegian exports of goods and services, particularly those of small and medium-sized enterprises, by covering the exporters' commercial and political credit risk.

GIEK's general guarantee scheme had a ceiling of 16 billion NOK at the beginning of 1995, but this ceiling was extended by the Parliament to 30 billion NOK in June 1995. GIEK does not receive any funding from the authorities for this scheme. Drawing rights and loans are available, but withdrawals have to be repaid with commercial interests.

The granting of guarantees is organised in two separate profit centres. Short term guarantees are dealt with by the Commercial Section, which has the financial aim of balance in the accounts in the short term. Long term guarantee commitments are organised in the Public Section, which shall break even in the long run.

According to the information given by the Norwegian authorities GIEK offers guarantees against political and commercial risks in accordance with the rules of the OECD Arrangement on Guidelines for Officially Supported Export Credits ("Consensus") and the Bern Union Understanding.

Guarantees for exports of ships are handled under the normal GIEK guarantee schemes and no special conditions are offered to exports of ships. The information from the Norwegian authorities states that premiums charged to the beneficiaries are risk based and should cover expected losses and administrative costs, i.e. that there is no ex ante subsidy, and that the export credit guarantee activities should break even.

For the fiscal year 1994 GIEK reports, according to the cash principle, a positive financial result of total operations of 186.2 million NOK.

Export credits for ships secured by guarantees from GIEK do not exceed 80% of the contract price and shall be paid back within eight and a half years. GIEK has typically guaranteed for 90% of these credits, and in exceptional cases up to 95%. GIEK has recently started to re-introduce pro rata conditions to its guarantees, which means that the guarantee risk is shared in fixed proportions between GIEK and another guarantor (bank or other credit institution).

The guarantees may be lodged as security with banks to facilitate financing, or furnished directly to banks or other financial institutions. Norway does not have any officially supported direct export credits. Loans to finance export of ships are i.a. granted by A/S Eksportfinans, which is an independent enterprise fully owned by the Norwegian commercial banks, but other parties also offer loans for the same purpose. The loans by A/S Eksportfinans for export of ships are granted on commercial terms, which however reflect that A/S Eksportfinans enjoys the best international credit rating (AAA), i.a. by virtue of the loans as a main rule being guaranteed by GIEK. In general the lending rates are close to the Commercial Interest Reference Rates (CIRRs), fixed according to the OECD Arrangement on officially supported export credits, but the rates are determined on a case-by-case basis depending on various factors concerning each contract and credit transaction.

The guarantee scheme for ship construction

The guarantee scheme for ship construction is organized by the Ministry of Foreign Affairs. The guarantee limit in 1995 is NOK 1400 million. For the time being there are no outstanding liabilities. The contracts supported by the scheme since 1975 amount to a total value of NOK 17 billion. Total losses (compensation payments) for the Government in the same period are NOK 240 million.

The Government guarantees for 50% of the credits on pro rata conditions with a finance institution. Exceptionally, the Government may give a 75% guarantee if it is considered necessary for the accomplishment of the project.

The Government guarantees are as a general rule secured by means of mortgage in ships or drilling vessels under construction. Government guarantees are not given unless the long-term financing is settled. The premium is currently 1 % of the part of the loan that has been utilized. The Government has the right of recourse against the shipyard in the event of any possible loss under the guarantee. In the case of bankruptcy, the Government is entitled to a dividend on the whole recourse claim in the estates of the shipyard.

II. APPRECIATION

Grants for shipbuilding, newbuildings and conversions

The proposed aid, which will be granted through the State Budget, will relieve the recipient enterprises from part of their normal costs for the production of goods extensively traded within the EEA as well as on world markets. It therefore clearly constitutes state aid in the meaning of Article 61(1) of the EEA Agreement.

Furthermore, the main objective of the aid being simply to subsidise the production costs of Norwegian shipyards in order to consolidate their orderbooks, the only relevant derogation under which such aid may possibly qualify for exemption from the general prohibition of state aid in Article 61(1) would be Article 61(3)(d). In particular, it is relevant to examine the aid scheme in relation to the provisions of the Act referred to in point 1 b of Annex XV to the EEA Agreement (Seventh Council Directive on aid to shipbuilding), which was introduced into the Agreement by the EEA Joint Committee Decision No. 21/95.

The aid scheme under consideration applies to the construction for domestic and export deliveries by Norwegian enterprises of vessels with a tonnage of at least 100 GT as well as to major conversions of vessels of at least 1000 GT. The definition given in the directions on the scheme of 'major conversion' i.a. excludes normal repair and replacement work and is deemed to be compatible with 'ship conversion' as defined in Article 1(b) of the Directive. Drilling platforms and certain other vessels specialised for work at sea are excluded from the scheme. The same applies to barges without a propelling engine. Ships built for public authorities (state, county or municipality) also fall outside the scope of the aid scheme. On this basis it can be concluded that the activity eligible for aid under the scheme falls within the definitions of 'shipbuilding' and 'ship conversion' as set out in Article 1 of the Directive.

The aid scheme does not contain provisions which make the aid conditional upon discriminatory practices as to products originating in EC Member States or other EFTA States. It is therefore found to comply with Article 2 of the Directive.

Article 4(1) of the Shipbuilding Directive provides that production aid in favour of shipbuilding and ship conversion may be considered compatible with the functioning of the EEA Agreement provided that the total amount of aid granted in support of any individual contract does not exceed a common maximum ceiling expressed as a percentage of the contract value before aid.

Pursuant to Article 4(2) and (3) of the Directive the EFTA Surveillance Authority has, by Decision No. 82/95/COL of 20 July 1995, set the common maximum ceiling for operating aid to shipbuilding at 9% of the contract value before aid, for the period 1 May 1995 to 31 December 1995. At the same time, observing the provisions of Article 4(2), second sub-paragraph, of the Directive, the Authority decided to set the maximum level of aid permissible for the construction of small ships of a contract value of less than ECU 10 million as well as for all ship conversions covered by the Directive at 4.5% for the same period.

Article 1(e) of the Shipbuilding Directive defines the term 'contract value before aid', to which the above percentage ceilings refer, as the price laid down in the contract plus any aid granted directly to the shipyard. The basis for calculating the grant under the present scheme corresponds to this term, except that under certain circumstances it is foreseen that certain costs shall be deducted from the contract value. In other words the eligible costs can under certain circumstances be lower, but never higher than the 'contract value before aid' defined in the Directive.

The grants under the scheme are calculated as follows in relation to the eligible contract value:

Vessels whose contract value is ECU 10 million or more	9,0%
Vessels whose contract value is lower than ECU 10 million	4,5%
Major conversions	4,5%

These grants correspond to the ceilings fixed by the EFTA Surveillance Authority Decision No. 82/95/COL, referred to above. It can therefore be concluded that the scheme respects the applicable ceilings under the Shipbuilding Directive.

Section 1 of the Ministry's directions provides that they do not apply to the building and conversion of fishing vessels for the Norwegian fleet. Such vessels are covered by a scheme administered by "Statens Fiskarbank". According to section 3.3 of the directions export deliveries of fishing vessels to States parties to the EEA Agreement will normally not receive aid under the scheme, but the Ministry of Industry and Energy can grant an exemption from this ban provided that such aid will not infringe the EEA Agreement. It follows from this that export deliveries of fishing vessels to countries which are not parties to the EEA Agreement can receive aid under the scheme.

The Shipbuilding Directive applies i.a. to fishing vessels of not less than 100 GRT. However, within the Community, while aid for the construction of fishing vessels for third countries is ruled in full by the Shipbuilding Directive, aid for the construction of fishing vessels for the Community fleet also comes under the relevant Community legislation on the structural policy in the fisheries sector (i.a. Council Regulation (EC) No. 3699/93). According to the Commission's interpretation concerning the coexistence of these different structural policies, "the availability of aid at all and the intensity of such aid is ruled by the Fisheries Regulation, while all other competition provisions of the Shipbuilding Directive apply for such vessels beyond 100 GT"⁴.

For reasons of homogeneity, the Shipbuilding Directive cannot, in the context of the EEA Agreement, be given a wider scope than in the Community. Accordingly, insofar as eligibility for operating aid and aid intensity are concerned, the Directive cannot be applied to the construction in Norway of fishing vessels for the EEA fleet. Instead this is to be assessed according to the substantive and procedural rules derived from Article 4 of Protocol 9 of the EEA Agreement. It shall be noted, however, that according to the directions of the Ministry of Industry and Energy, which form the legal basis for the scheme under consideration, the main rule is that aid will not be awarded for the construction and conversion of fishing vessels for foreign shipowners within the EEA. The Ministry may decide on such aid awards by way of exception, but only when such aid would not constitute an infringement of the EEA Agreement.

For the above reasons the EFTA Surveillance Authority has no reason to raise objections to the proposed aid scheme.

Export credit guarantees for ships

Article 4(6) of the Shipbuilding Directive provides that aid, for the building or conversion of vessels, in the form of credit facilities complying with the OECD Understanding on Export Credits for Ships (OECD Council resolution of 3 August 1981) shall not be counted within the ceiling on contract-related production aid. Such aid may be considered compatible with the functioning of the EEA Agreement provided that it complies with the above mentioned OECD Understanding.

The OECD Understanding on Export Credits for Ships provides that the participants to the Understanding agree to abolish existing official facilities and to introduce no new official facilities for export credits on terms providing:

- i) a maximum duration exceeding eight and a half years from delivery and repayment other than by equal instalments at regular intervals of normally six months and a maximum of twelve months;

⁴Commission's letter to the EC Member States of 19.3.1992.

- ii) payment by delivery of less than 20 per cent of the contract price;
- iii) an interest rate of less than 8 per cent, net of all charges.

The guarantees for export credits for ships offered by the GIEK do not run beyond eight and a half years. The export credits for ships normally cover 80% of the contract price and GIEK typically guarantees for 90% of this credit (i.e. 72% of the contract value), and up to 95% in exceptional circumstances (76% of the contract value). It can therefore be concluded that the terms of GIEK's guarantees are within the limits of the OECD Understanding as concerns duration and coverage of the guarantee.

As for the minimum interest rate stipulated in the OECD Understanding it shall be noted that the GIEK scheme is a guarantee scheme. The minimum interest rate is therefore not directly relevant. The primary consideration in this context must be whether or not the premium rates charged are adequate to cover the long term losses of the scheme and its operating costs.

According to the information from the Norwegian authorities GIEK is under the explicit instruction to break even and to charge risk based premiums, which should cover expected losses and administrative costs. GIEK does not receive any funding from the authorities for its general scheme, which i.a. is applied to export credits for ships. Drawing rights and loans are available, but withdrawals have to be repaid with commercial interests. As from 1 January 1994 GIEK is organized as government enterprise ("forvaltningsbedrift") under the responsibility of a board of directors appointed mostly from the business community, as opposed to its earlier less independent status as a government authority ("forvaltningsorgan"). GIEK has recently re-introduced the pro rata principle into its activity, which means that the exposure of GIEK is reduced, as the risk evaluation is shared with other financial institutions. According to the cash principle GIEK reports a positive financial result in 1994. This evidence strongly suggests that the export credit guarantees for ships offered by GIEK will in the long run be self financing.

An alternative way of assessing the possible aid element involved would be to evaluate whether the effect of the guarantee on the terms of loans which it supports are such as to bring the interest rate, net of the premium paid for the guarantee, below the minimum rate. The difficulty here is that the 8% minimum interest rate, which is the same for all currencies and was fixed in 1981, at a time when interest rates were generally considerably higher than they currently are, can under the present circumstances not be regarded as representative - especially not for all currencies - of commercial lending rates available to highly creditworthy companies. A possible substitute would be the Commercial Interest Reference Rates (CIRRs) defined under the OECD

Arrangement for Officially Supported Export Credits (OECD Consensus)⁵. It must be underlined, however, that the parties to the OECD Understanding on Export Credits for Ships are not bound by the CIRR rates for this purpose. It is cited here only for the purpose of comparison. The CIRRs are fixed for each currency used by participants in the Consensus. The rates are reviewed monthly. They are the minimum interest rates admissible under the OECD Consensus.

As stated above the export credits for ships offered by A/S Eksportfinans are on commercial terms ("Lån til markedsvilkår"), which however reflect the strong credit rating of the company. The precise terms are determined case-by-case depending on various factors, but as a general rule the lending rates are close to the CIRR rates.

One factor which may give rise to a difference between market rates and the CIRR rates is that whereas the CIRR rates are fixed month-by-month and the interest rate of individual credits based on the CIRR terms can be fixed up to four months in advance of the contract (in which case 20 basis points shall be added to the CIRR rates), the rates on commercial loans are constantly changing and normally not fixed in advance of the contract. This difference can be in either direction depending on the trend of the market. In a declining market there may thus be legitimate reasons for interest rates on commercial loans by A/S Eksportfinans to be below the relevant CIRR rate. However, in the absence of major market fluctuations, this difference is likely to be insignificant.

When taking into account that beneficiaries of GIEK's export credit guarantees for ships pay risk based premiums, the total cost of the credit will in all likelihood always be above that of direct credit under the terms of the OECD Consensus.

For the reasons stated above it is concluded that the export credit guarantees for ships offered by GIEK do not contravene the principles laid down in the OECD Understanding on Export Credits for Ships and, therefore, can be considered compatible with the functioning of the EEA Agreement.

The guarantee scheme for ship construction

This is a short term guarantee used only during the construction period, and the guarantee is not given unless the long-term financing is secured. The limit of eight and a half years duration is therefore not relevant and, anyway, can be expected not to be exceeded. The coverage of the Government guarantee is for 50% of the credits on pro rata conditions with a finance institution and exceptionally 75%, which is in compliance with the OECD Understanding.

⁵The OECD Agreement respecting normal competitive conditions in the commercial shipbuilding and repair industries, which is expected to enter into force on 1 January 1996, includes a new Understanding on export credits for ships, according to which the 8% minimum interest rate will be replaced by the CIRR rates.

Beneficiaries of the guarantee currently pay a premium of 1% of the part of the loan that has been utilized. The terms of the guarantee are also otherwise relatively strict, e.g. as it is secured by means of mortgage in the ships, the guarantee cannot be called upon on demand and the Government has a strong right of recourse against the shipyard in the event of loss under the guarantee.

Account should also be taken of the fact that losses experienced under the scheme have been modest, and evidence suggests that the operation of the scheme has been guided by prudent financial considerations.

For the above reasons it is concluded that the terms of the guarantee scheme for ship construction are such that it does not involve state aid to be counted under the ceiling for contract-related production aid. Furthermore, the terms do not contravene the principles laid down in the OECD Understanding on Export Credits for Ships and, therefore, can be considered compatible with the functioning of the EEA Agreement.

Other aid to shipbuilding

The notification does not make reference to aid being provided to shipyards under schemes other than those referred to above nor does it indicate whether or not aid related to shipbuilding and ship conversions is provided as development assistance to developing countries. However, it can be recalled that in addition to the general notification obligations in Article 1 of Protocol 3 to the Surveillance and Court Agreement, the Norwegian authorities are obliged under Articles 4(7) and 11 of the Shipbuilding Directive to notify in advance aid related to shipbuilding granted as development aid as well as any decision to apply any general or regional aid scheme to the undertakings covered by the Directive. Such aid to shipbuilding outside the scope of the three schemes which have been assessed above is therefore subject to prior notification to and approval by the EFTA Surveillance Authority.

HAS ADOPTED THIS DECISION:

1. The EFTA Surveillance Authority has decided not to raise objections to:
 - the existing aid scheme on grants for shipbuilding, newbuildings and conversions, as notified by the Norwegian authorities' letters of 30 May 1995 (Doc. no. 95-3307-A) and 27 July 1995 (Doc. no. 95-4449-A);
 - the existing guarantee scheme of the Guarantee Institute for Export Credits (GIEK), as notified by letter of 27 July 1995 (Doc. no. 95-4449-A) and also earlier described in the Norwegian authorities' information on existing state aid at the time of entry into force of the EEA Agreement

(letter dated 24 March 1994, doc. no. 94-5324-A), insofar as its application to the shipbuilding industry is concerned; and

- the guarantee scheme for ship construction, as notified by letter of 27 July 1995 (Doc. no. 95-4449-A).

2. The Norwegian Government is reminded of the obligations under Articles 4(7) and 11 of the Act referred to in point 1b of Annex XV to the EEA Agreement (the Shipbuilding Directive), in particular that;

- aid related to shipbuilding and ship conversion to be granted as development assistance to a developing country, as well as

- any decision to apply any general or regional aid scheme to the undertakings covered by the Directive,

shall be notified to the EFTA Surveillance Authority in advance and authorized by it before they are put into effect.

3. The Norwegian Government is also reminded of its obligation to submit to the EFTA Surveillance Authority the relevant reports listed in Article 12 of the Shipbuilding Directive.

Done at Brussels, 27 September 1995.

For the EFTA Surveillance Authority

Knut Almestad
President

Björn Friðfinnsson
College Member

Questions:

Definition of ships covered: (i) not mentioned that need to be metal-hulled; (ii) instead of saying "merchant ships..., fishing vessels, dredgers., tugs ...", the scheme says all ships above 100 GT and conversions above 1000 GT, except

Minimum of Ecu 10 million contract for full 9% grant - acc. to the scheme the grant shall be added to the contract value when determining this - not in line with Commission rules.

Supplementary contracts ...