Questionnaire - Maritime State Aid Review
Comments by the Norwegian Government

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   A.2 Does any of the exceptions foreseen in Article 4 of Regulation 1049/2001 of the European
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       European Parliament, Council and Commission documents apply to your response? If
       so, please indicate clearly which parts should not be divulged, justify the need for
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Questionnaire - Maritime State Aid Review
Comments by the Norwegian Government

A. ABOUT YOU

Please describe the main activities of your company/organization/association. Please provide your contact details below.

Name
The Norwegian Government
Attn: The Norwegian Ministry of Government Administration, Reform and Church Affairs

Location (country)
Norway

E-mail address
postmottak@fad.dep.no

A.1 Do you object to the disclosure of your identity?
No

A.2 Does any of the exceptions foreseen in Article 4 of Regulation 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents apply to your response? If so, please indicate clearly which parts should not be divulged, justify the need for such confidential treatment and provide also a non-confidential version of your response for publication on our website.

No

B. GENERAL QUESTIONS

General remarks

Norway is a major shipping nation. The Norwegian government has formulated a vision in the national maritime strategy “Steady as she goes” from 2007 that Norway shall be a world leading maritime nation. Norwegian maritime industry will supply the most innovative and environmentally friendly solutions for the future. A special tax system for shipping companies and a maritime employment scheme have been put in place in Norway and is adopted in accordance with the provisions of the current maritime state aid guidelines as a central part of the national maritime strategy “Steady as she goes” from 2007.
The Norwegian authorities recognise that the Maritime guidelines have been the basis for a stable fiscal environment for European seafarers and shipping companies. Furthermore through the Maritime Guidelines, net subsidies to EU/EEA shipping are prohibited. As elaborated on in the answers to the questionnaire, there has been a general positive trend in the Norwegian shipping since 2004, despite the difficulties related to the economic downturn following the financial crisis in 2008/09. This applies to the number of seafarers and training positions, and the fleet including the use of national registers. There has also been a positive trend in other maritime industries, as well as in the Norwegian economy in general.

The Norwegian Government will contribute to an international co-operation against subsidies and tax competition within the shipping industry, and will invite the EU to a joint initiative towards appropriate organisations like the OECD and WTO.

The Norwegian Government remarks that it is of importance that the wording of the guidelines is updated. The scope of the guidelines should include the activities of specialised ships, including ships providing offshore services, in accordance with the current practice of the European Commission.

B.1. Assessment of the market/regulatory developments

B.1.1. Based on your knowledge and information at your disposal, what are the main developments in the maritime industry since 2004 with respect to

(a) world’s seaborne trade\(^1\), the number of containers transported\(^2\), the overall tonnage of the world fleet\(^3\); what were the effects of the global crisis and are there already signs of recovery? If possible, please provide the same data per country, per company and for the years since 1989.

It is generally assumed the growth of seaborne trade is strongly correlated with the world economic growth rate. As the world economic growth rate was high from 2004 to 2008, the seaborne trade growth was stronger than the growth of the world GPD. Freight rates in most segments were record high in this period and ship-owners placed a very significant number of new building orders in 2005-2008 at the world’s shipyards, for ships delivered through the years 2008-2011. The tonnage of the world fleet has almost doubled from 2004 to 2011 increasing from 757 mill. dwt in 2004 to 134 mill.dwt in 2011 (growth 82%). The number of ships in the world fleet grew by 54 % (UNCTAD).

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\(^1\) Measured in tonnes and tonne-kilometres.
\(^2\) Measured in 20 Foot Equivalent Unit (TEUs).
\(^3\) Measured in Deadweight tonnage or gross tonnage.
From the financial crisis in 2008 freight rates in major shipping markets plummeted as a result of turbulence in the world economy as well as overcapacity on the supply side bringing down the revenues leading to temporary lay-ups, recycling of ships as well as lower ship values and new building prices. The crisis also had severe impact in the specialised segments where Norwegian shipping companies hold a particular strong position such as carriage of petroleum products, chemicals, gas, paper, car and vehicles and to some extent the specialized offshore supply and services market.

At the moment, there seems to be signs of recovery in many segments where Norwegian ship-owners are engaged, for instance in the offshore shipping segment. However, the outlook is uncertain and high supply-side capacity is expected to mark most segments in the coming years.

(b) market position of the EU maritime industry (EU controlled and EU flagged ships?) How would you describe the current competitive situation of the various EU companies in the maritime sector in comparison with non-EU companies and the rest of the world? Where available, please provide the relevant data on, for instance, leading players, market shares, market share evolution in relevant markets, etc.

According to the UNCTAD Review of Maritime Transport, the Norwegian controlled fleet increased by 20 % in number between 2004 and 2011, whereas the tonnage (dwt) decreased by 17 %. Norway’s share of the world total fleet declined from 6,6 % to 3,4 % in tonnage terms. This is mainly due to a shift in the Norwegian Fleet towards a smaller, high value specialised offshore service ships and offshore supply ships.

The development of the Norwegian controlled fleet is showed in the table below.

<table>
<thead>
<tr>
<th>RMT</th>
<th>NO Flag ships</th>
<th>Foreign Flag ships</th>
<th>Total Fleet ships</th>
<th>NO dwt (1000)</th>
<th>Foreign dwt (1000)</th>
<th>total dwt (1000)</th>
<th>% world total</th>
<th>World rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>840</td>
<td>813</td>
<td>1 653</td>
<td>21 828</td>
<td>29 926</td>
<td>51 755</td>
<td>6,66</td>
<td>3</td>
</tr>
<tr>
<td>2007</td>
<td>768</td>
<td>1 042</td>
<td>1 810</td>
<td>13 907</td>
<td>48 697</td>
<td>42 978</td>
<td>4,98</td>
<td>5</td>
</tr>
<tr>
<td>2011</td>
<td>818</td>
<td>1 166</td>
<td>1 984</td>
<td>14 851</td>
<td>28 127</td>
<td>42 978</td>
<td>3,43</td>
<td>7</td>
</tr>
<tr>
<td>Development 2004-2011</td>
<td>331</td>
<td></td>
<td></td>
<td>-8 777</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage development 2004-2011</td>
<td>20 %</td>
<td></td>
<td></td>
<td>-17 %</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Measured by different indicators, such as: number of EU controlled and EU registered fleets, fleet capacity (existing ships and new buildings), container shipping and other types of shipping activities, nationality of best performing companies, etc.
Over the same period of time, the world fleet has increased by 53% in number of ships and by 82% in tonnage terms.

<table>
<thead>
<tr>
<th>Year</th>
<th>National Flag</th>
<th>Foreign Flag</th>
<th>Total Fleet</th>
<th>National dwt (1000)</th>
<th>Foreign dwt (1000)t</th>
<th>Total dwt (1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>14 840</td>
<td>14 951</td>
<td>29 791</td>
<td>276 167</td>
<td>500 565</td>
<td>757 217</td>
</tr>
<tr>
<td>2007</td>
<td>16 407</td>
<td>18 515</td>
<td>34 822</td>
<td>329 259</td>
<td>649 298</td>
<td>978 557</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td>45 662</td>
<td></td>
<td></td>
<td>1 378 231</td>
</tr>
<tr>
<td>Development 2001-2011</td>
<td>15 871</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>621 014</td>
</tr>
<tr>
<td>Percentage development 2004-2011</td>
<td>53 %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>82 %</td>
</tr>
</tbody>
</table>


The structure of the Norwegian controlled\(^5\) fleet is closely monitored by the Norwegian Ship-owners Association. Over the last decades the Norwegian fleet has become ever more focused on specialized industrial shipping segments such as carriage of chemicals, ro-ro/vehicles, gas, and paper. This development has continued during the years from 2004 to 2011. In particular, there has been a strong growth in the specialised offshore fleet which increased from being 22% of the fleet in 2004, to being 30,1 % of the fleet in 2011. At the same time, the tonnage also increased from 2,2 % of the fleet in 2004 to 5,1 % of the tonnage in 2011. All other segments have declined in number of ships and tonnage, although the tonnage of gas tankers and oil tankers (except shuttle and storage tankers) has increased.

The graph below shows the development of the split in shipping segments of the Norwegian controlled fleet.

\(^5\) Vessels owned and operated by Norwegian companies
The Norwegian specialised offshore service fleet is the world’s most modern and advanced and active worldwide, ranging from Brazil, Australia, Indonesia, the Gulf of Mexico and in the High North, in addition to the North Sea.

The value added from the Norwegian offshore fleet grew by 209 % from 2004 to 2009. In the same period, the value from the ship equipment manufacturers grew by 162 % and shipyards by 161 %.

(c) number of passengers transported and passenger–km performed; the overall capacity of the fleet of passenger vessels, split by different type of vessels;

Roughly 8.2 million passengers were transported domestically by passenger vessels, increasing to closely 8.7 million passengers in 2010. There were 112 ferries in operation in 2004 increasing to 129 ferries in 2010. The number of passenger –km declined in the period, although the fleet utilisation remained unchanged.

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Shipping is a global industry, and the basis of national and international regulations involving safety for ships, protection of the environment and working and living conditions for seafarers is a series of international conventions agreed at the International Maritime Organisation (IMO) and the International Labour Organisation (ILO). International conventions and standards that regulate shipping are important in order to avoid inefficiencies through technical barriers to trade and a “race to the bottom” in terms of safety, environmental and social standards.

The IMO and the ILO have adopted a number of global conventions to improve safety at sea and the working and living conditions for seafarers as well as improving the protection of the marine environment from the negative impacts of shipping. The ILO’s Maritime Labour Convention 2006 (MLC 2006) consolidates and updates over 65 international labour standards related to seafarers in order to secure the right of all seafarers to decent employment. It is widely expected that the MLC 2006 will enter into force in 2013, at which time it will become the "fourth pillar" of the international regulatory regime for quality shipping, along with three other key maritime conventions adopted by the IMO: the International Convention for the Safety of Life at Sea (SOLAS 1974), the International Convention for the Prevention of Pollution from Ships (MARPOL 1973/78) and the Convention on Standards for Training, Certification and Watch keeping for Seafarers (STCW 1978). The requirements in the three latter conventions are under continuous revision, and have resulted in the inter alia the International Management Code for the Safe Operation of Ships and Pollution Prevention 1993 (ISM-Code) and the International Ship and Port Facility Security Code (ISPS-Code) 2002.

In recent years, the EU has played a more active part in implementation of international legislation by adopting it as community law. The EU has especially focused on areas relating to safety and protection of the marine environment. As an EEA-member, Norway is obliged to implement EU legislation which is considered to be EEA relevant.

(d) regulatory changes (at national, EU and international levels) concerning, for example, security and safety standards, on board and on shore working standards, training requirements, flag share requirements, international agreements, transport and competition with other modes of transport, tourism, tax policies, successive EU enlargements in 2004 and 2007;

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2007</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers (1 000 passengers)</td>
<td>8 176</td>
<td>8 720</td>
<td>8 664</td>
</tr>
<tr>
<td>Passenger-km (1 000 km)</td>
<td>312 908</td>
<td>220 314</td>
<td>253 755</td>
</tr>
<tr>
<td>Capacity (1000 seat-km)</td>
<td>1 186 342</td>
<td>925 742</td>
<td>964 712</td>
</tr>
<tr>
<td>Utilisation (per cent)</td>
<td>26</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>Ferries and ships</td>
<td>106</td>
<td>112</td>
<td>129</td>
</tr>
</tbody>
</table>

Source: Statistics Norway
In this respect there is no difference in the legislative status in Norway compared to other EU-member states as regards shipping.

With effect as from 2007, the Norwegian special tax system for shipping was amended. The previous system offered eligible companies a postponed taxation of profits derived from operation of ships, until distribution of untaxed dividends to shareholders or exit of the company from the special tax system. Since the regime was introduced in 1996, a number of other European countries have introduced low-tax regimes for shipping. These regimes generally give a final exemption from taxation of shipping profits. Consequently, the Norwegian regime was no longer adequate in order to ensure new shipping investments in Norway. In the new Norwegian system, shipping income is tax exempt on a permanent basis. Tonnage tax is calculated by reference to the net tonnage of each of the ships of a participating company.

(e) main technological, regulatory, etc. developments since the introduction of the Guidelines which have impacted on labour conditions and more specifically, on labour costs. What are the likely developments in the future?

We refer to our answer in (d). ILO’s Maritime Labour Convention 2006 provides comprehensive rights and protection for the seafarers.

(f) flagging of vessels: proportion (and its change over time) of a Member State’s controlled/owned fleet registered under its flag, under other Member States’ flag and under non-EU flag; extent of switching over time between Member States’ flags and between EU flags and non-EU flags (and possible reasons for such switching). In particular, are you aware of sources containing statistics related to the flagging history of the EU fleet (e.g. movements of vessels among EU registers, or between EU and non-EU registers)? What are in your view the driving forces behind the evolution of EU flags over time (in terms of number of vessels and/or tonnage). Please distinguish between factors related to measures falling under the scope of the current guidelines or other State Aid measures and exogenous factors (e.g. related to technological developments, demand for maritime transport services, non-EU countries’ policies, etc);

The Norwegian flagged vessels as a share of the total Norwegian controlled fleet has declined from 59% in 2004 to 45% in 2011. The EU flagged vessels (non-Norwegian) as a share of the total Norwegian controlled fleet have increased from 9% in 2004 to 15% in 2011. The non-EEA flagged vessels as a share of the total Norwegian controlled fleet has increased from 32% in 2004 to 40% in 2011.
Flag shares of the total Norwegian controlled fleet:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO/fleet</td>
<td>59 %</td>
<td>51 %</td>
<td>45 %</td>
</tr>
<tr>
<td>EU/fleet</td>
<td>9 %</td>
<td>8 %</td>
<td>15 %</td>
</tr>
<tr>
<td>Non EU / fleet</td>
<td>32 %</td>
<td>42 %</td>
<td>40 %</td>
</tr>
</tbody>
</table>

Flag of Norwegian Controlled Fleet in numbers of vessels:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2007</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO fleet</td>
<td>963</td>
<td>896</td>
<td>795</td>
</tr>
<tr>
<td>EU flag</td>
<td>148</td>
<td>139</td>
<td>271</td>
</tr>
<tr>
<td>Non EU flag</td>
<td>521</td>
<td>739</td>
<td>703</td>
</tr>
<tr>
<td>No Fleet</td>
<td>1 632</td>
<td>1 774</td>
<td>1 769</td>
</tr>
</tbody>
</table>

Source: Norwegian Ship-owners association

The relative and absolute growth of Norwegian controlled vessels under non-EEA flag may to some extent be explained by the growing specialised offshore fleet, partly engaged in market with cabotage (flag) requirements. However, it may also be assumed that some shipping companies considered it commercially more attractive to operate under other flags/tax jurisdictions.

(g) employment by EU and non-EU registered ship-owners on board of both EU and non-EU citizens;

No comprehensive statistics are available of on board employment on vessels controlled by Norwegian shipping companies. Norwegian public registers have data on employment of seafarers where there is a requirement for shipping companies to pay social security contributions. These registers give an accurate number of Norwegian and other EEA-nationals employed by Norwegian shipping companies on Norwegian registered ships. However, the number of non-EU employees is inaccurate.

The Norwegian Ship-owners Association (NSA) has conducted a member survey of employees that reports a higher number of non-Norwegians than recorded in the public register. However, the NSA does not have a record of nationality.
The table below gives data for 2004, 2007 and 2009:

<table>
<thead>
<tr>
<th>Public register</th>
<th>2004</th>
<th>2007</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwegians</td>
<td>15 954</td>
<td>18 836</td>
<td>18 158</td>
</tr>
<tr>
<td>Non - Norwegians</td>
<td>13 285</td>
<td>18 205</td>
<td>19 001</td>
</tr>
<tr>
<td>EU</td>
<td>2709</td>
<td>3453</td>
<td>3341</td>
</tr>
<tr>
<td>Non EU</td>
<td>10 576</td>
<td>14 752</td>
<td>15 660</td>
</tr>
<tr>
<td>Total employees on board</td>
<td>29 239</td>
<td>37 041</td>
<td>37 159</td>
</tr>
<tr>
<td>Norwegian Ship-owners Association</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non – Norwegians</td>
<td>42 905</td>
<td>38 400</td>
<td>42 880</td>
</tr>
</tbody>
</table>

(h) employment by EU and non-EU registered ship-owners on shore of both EU and non-EU citizens; and

On-Shore employment by Norwegian ship-owners amounted to roughly 15 500 in 2009. One third is employed in Norway, and about two thirds of the total employment is Non-Norwegian citizens.

On-Shore employment |
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwegians</td>
</tr>
<tr>
<td>Norway</td>
</tr>
<tr>
<td>Other countries</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Norwegian Ship-owners Association 2009

i) employment of EU and non-EU citizens in maritime clusters

Employees in the Norwegian Maritime industries 2004-2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep sea shipping</td>
<td>8 743</td>
<td>6 809</td>
<td>7 031</td>
<td>-20 %</td>
</tr>
<tr>
<td>Short sea shipping</td>
<td>9 951</td>
<td>12 113</td>
<td>11 328</td>
<td>14 %</td>
</tr>
<tr>
<td>Offshore shipping</td>
<td>6 661</td>
<td>9 794</td>
<td>10 659</td>
<td>60 %</td>
</tr>
<tr>
<td>Financial and legal services</td>
<td>1 139</td>
<td>1 549</td>
<td>1 724</td>
<td>51 %</td>
</tr>
<tr>
<td>Trade</td>
<td>3 377</td>
<td>4 343</td>
<td>4 203</td>
<td>24 %</td>
</tr>
<tr>
<td>Ports and logistics</td>
<td>3 336</td>
<td>5 380</td>
<td>5 633</td>
<td>69 %</td>
</tr>
<tr>
<td>Technological services</td>
<td>13 456</td>
<td>15 361</td>
<td>16 202</td>
<td>20 %</td>
</tr>
<tr>
<td>Maritime equipment suppliers</td>
<td>12 134</td>
<td>16 442</td>
<td>17 276</td>
<td>42 %</td>
</tr>
<tr>
<td>Shipyards</td>
<td>8 495</td>
<td>11 364</td>
<td>11 919</td>
<td>40 %</td>
</tr>
<tr>
<td>Rig and FPSO companies</td>
<td>5747</td>
<td>6881</td>
<td>6170</td>
<td>7 %</td>
</tr>
<tr>
<td>Total</td>
<td>73 039</td>
<td>90 036</td>
<td>92 145</td>
<td>26 %</td>
</tr>
</tbody>
</table>

Source: Menon Business Economics
Development in the Norwegian maritime industries 2004-2010

Menon Business Economics showed in a report from 2011\(^7\) that the maritime industry’s share of Norway’s GDP has increased steadily from 4.3 to 6.1% between 2005 and 2009. This share declined in 2010 due to the falling oil prices and amounted to 5.6%.

The value added in the maritime sector in 2004 were NOK 68 billions. In 2010 the maritime industries created NOK 124 billion NOK value added which represent an increase in value added from the cluster of 82%. During this period the contribution from maritime equipment suppliers has increased from 12% to 18%, while the contribution from the shipping companies to the value added from maritime cluster has declines from 56% to 43%. At the same time the number of ships and tonnage of the Norwegian deep sea fleet has declined, while there has been a significant growth in fleet and tonnage of the offshore service vessels. In Norwegian ship yards, 75% of the orders are related to Norwegian customers (mainly advanced offshore vessels).

### Value added in Maritime industries 2004 and 2010, mill.euro*  

<table>
<thead>
<tr>
<th>Maritime segments</th>
<th>2004</th>
<th>2010</th>
<th>Development 04/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping companies</td>
<td>4 578</td>
<td>6 714</td>
<td>40 %</td>
</tr>
<tr>
<td>Maritime services</td>
<td>1 657</td>
<td>3 164</td>
<td>83 %</td>
</tr>
<tr>
<td>Maritime equipment suppliers</td>
<td>986</td>
<td>2 704</td>
<td>162 %</td>
</tr>
<tr>
<td>Shipyards</td>
<td>458</td>
<td>1 250</td>
<td>161 %</td>
</tr>
<tr>
<td>Rig and FPSO companies</td>
<td>468</td>
<td>1 683</td>
<td>244 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8 147</strong></td>
<td><strong>15 516</strong></td>
<td><strong>82 %</strong></td>
</tr>
</tbody>
</table>

* Conversion to euro is based on the Norwegian Central Bank’s historical exchange rates NOK-EUR\(^8\)

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Menon Business Economics showed in a report from 2011\(^9\) that the maritime industry’s share of Norway’s GDP has increased steadily from 4.3 to 6.1 % between 2005 and 2009. This share fell in 2010 due to the falling oil prices, leading to declining demand for offshore shipping services.

**B.1.2. To what extent these developments could be attributed to State aid measures as opposed to other exogenous factors? Please specify and provide relevant data, if available.**

The employment schemes reduces the cost difference of Norwegian/EEA seafarers to that of seafarers from typical low-cost third-countries. The employment schemes for seafarers has strongly influenced the number of Norwegian and EEA seafarers employed on board vessels registered in Norway.

Looking isolated on domestic/EEA job market for Norwegian/EEA seafarers, there is a clear positive impact on employment opportunities for all levels of seafarers (both with

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and without maritime certificates). This is confirmed in a study\textsuperscript{10} from 2010 on the Norwegian employment schemes for seafarers, (for more details see the answer to question B.3.3). The employment scheme for seafarers is mainly related to the NOR register, reflecting that the competitiveness of the NOR register to a large extent depends on this scheme. Without the scheme the alternative for the shipping companies would be to use other registers. In addition to this, the special tax system makes it more likely for shipping companies to have their operations based in Norway.

B.1.3. How have maritime companies’ business models evolved since the adoption of the Maritime Guidelines? Please describe the main differences, if any, between the business models of European based ship-owners and non-European ones?

This is mainly a question for the industry and shipping companies to answer.

However, the general trend in Norway has been a continued development towards increased importance of specialised industrial shipping. In recent years, we have in particular seen a dynamic development towards advanced and specialised offshore related shipping which employs advanced and specialised vessels with high values and income potentials. The growth in offshore related shipping to a large extent takes place outside Europe, all though the activities in the North Sea are still important. The more traditional deep sea shipping activity has however declined in relative terms.

B.1.4. Which are, in your view, the factors determining European ship-owners’ choice of the country where they flag their ships and the country where they pay their taxes? Do you expect that these factors will change in the future?

This is mainly a question for the industry and shipping companies to answer.

However, the Norwegian Government considers the choices of the industry with respect to flag, location and employment as an important factor in our maritime strategy.

Apart from the state aid issues, the choice of register or flag might also be seen as choice of;

a) the quality and enforcement capacity of maritime administrations,  
b) cost level related to national rules for manning, wages and social conditions  
c) the costs of registration initially and annually  
d) requirements from the investor(s) in a ship/shipping company, banks and institutions which finance the vessel and cargo owners/customers

\textsuperscript{10} Evaluation report 2010-023 on the Norwegian employment schemes for seafarers
e) flag based advantages or restrictions related to market access, for instance if a ship will have access to cabotage trades.

In Norway, like in most countries, the shipping companies are free to choose among the registers available internationally.

**a) to which extent the choice is determined by State aid aspects?**

In Norway we operate two registers with different cost levels. The NOR register has a requirement that the full crew are remunerated according to wages negotiated between Norwegian trade unions and employers associations. NIS ships may have lower Manning costs as international crew and wage level is allowed. In the NIS register the state aid measures for national/EEA seafarers are limited and allows for employment of foreign seafarers according to their domestic wage level. To compensate for the higher crew cost in the NOR register, the state aid measures related to national/EEA seafarers are more comprehensive (net wage scheme).

Of a total employment of 15 000 seafarers in the NIS fleet, the share of Norwegian national and other EEA national seafarers is 39 %. In the NOR fleet, of a total employment of 17 000 seafarers, the equivalent share is 98 %.

**b) to what extent the choice is determined by other factors (for example, better, quicker and/or cheaper administrative services, favourable labour law or the way it is implemented, etc. Please substantiate your view with concrete data and examples**

As mentioned above, there are many factors which will influence and determine the choice of register. Those mentioned here; service level, fee level and labour law will be relevant factors.

**c) which countries are considered the best in the EU/in the world for ship-flagging and paying taxes and why?**

We consider also this to be a question which should mainly be left to the shipping companies to answer.

However the ambition of the Norwegian government as formulated in the Maritime Strategy of 2007 "Steady as she goes", is to offer a competitive choice for location of maritime activities, and that Norway should be a world leading maritime nation.
B.1.5. What are the legal, technical or administrative barriers to registering a ship or to moving the head offices of a company from one country to another?

In Norway there are not any barriers connected to national rules and regulations which constitute a legal, technical or administrative hurdle for shipping companies for changing registration of a vessel or relocating the head office, with two exemptions related to the state aid guidelines, see below.

Norwegian shipping companies are free to establish subsidiaries or other companies abroad in order to conduct business. A shipping company will also have the possibility to separate, or outsource various activities, e.g. various commercial and technical operations, to companies abroad based on various commercial and economic considerations.

However, we have implemented two rules reflecting requirements in the state aid guidelines which to some extent will limit the movement of vessels to other registers.

This relates to the rule on flag requirements which limit the choice of registers for shipping companies that use our special tax system. Furthermore we have implemented a requirement imposed by the EFTA Surveillance Authority based on practice established by the European Commission for special tax systems, obliging companies in the special tax system to stay within the scheme for a period of 10 years.

Except for these requirements, Norway has a flag neutral special tax scheme and leaves it to the shipping companies to choose flag. In light of the current EU guidelines for state aid to maritime transport, this provides for a competitive tax system for shipping compared to available options abroad. It also contributes to direct activity in the Norwegian shipping companies and their operational departments and headquarter in Norway. Furthermore a company opting for the tonnage special tax scheme must be incorporated in EEA. The state aid scheme for seafarers in accordance with the state aid guidelines applies only for seafarers working on vessels registered in Norway.

B.1.6. To what extent did the Maritime Guidelines contribute to / hamper this evolution?

The Maritime Guidelines have been a factor in stabilizing the number of ships under Norwegian/EEA flag.

In general the Maritime Guidelines and the measures we have put in place in Norway in accordance with the guidelines have contributed to maintaining shipping activities in Norway including location of head offices and the use of the Norwegian registers.
The Norwegian government has however argued against explicit provisions on a flag share requirement for special tax systems as part of the state aid guidelines. This requirement reduces the attractiveness of special tax system by limiting and restricting the flexibility for commercial choices of the shipping companies. We advise against introducing new or expanded requirements connected to EU/EEA flagging or manning as part of the fiscal treatment of shipping companies in the Maritime Guidelines.

B.1.7. What characteristics are making the maritime sector unique from the perspective of State aid control? Please provide a list of substantive sectoral State aid rules which you judge necessary in view of these characteristics? Please clarify which aspects of the maritime transport sector could be satisfactorily addressed by horizontal State aid rules. Please be as specific as possible in your reply indicating also the expected economic, social and environmental impact of the sectoral rules.

The shipping sector is characterised by mobility of the means of production (i.e. ships), capital and employment. The purpose of the state aid measures to the maritime sector in Norway is to maintain, stimulate and develop employment, fleet development and shipping companies and their operational departments and headquarter in Norway.

The maritime transport industry is subject to rules and standards developed in international organisations like IMO and ILO for safety, security, and environment and manning and social conditions. The implementation and control of these rules are conducted by the flag states and port states.

In this perspective we do not see a need for particular control mechanisms related to state aid measures related to the standard of vessels and crew.

B.2. Objectives of the Maritime Guidelines and current challenges for the maritime sector

The general objectives of the Maritime Guidelines are contained in Section 2.2 thereof.

B.2.1. Which are, in your view, the likely developments and where do you see the major challenges for the maritime sector in the short (during the next year) and medium term (in the next 3 years) future. Do you see possible implications regarding the Maritime Guidelines?

The world fleet is expected to grow as the order book counted 20.56 % of the existing fleet in December 2010. The freight rates are low in several segments and will probably remain low until the overcapacity in the commodity shipping markets is absorbed. Asia will remain the overall focus for the main markets in the years to come, as the expected growth rate is significant.
B.2.2. Do you consider that the Maritime Guidelines laid down the basis for a satisfactory State aid policy in the maritime sector today?

See general remarks.

B.2.3. Do you consider that the objectives indicated in the Maritime Guidelines are still valid? Should they be modified and, if yes, how? Do you consider that they should be ranked and weighted and, if yes, in what way? Please provide justification of your opinion and be specific as possible, providing data and narrative explanations.

See general remarks.

B.2.4. Which are in your opinion the market failures present in (or, more generally, the objectives of common interest related to) the maritime transport industry, which have been successfully addressed by the current State aid measures and which are the ones that have not been addressed successfully? In the latter case, do you find insufficient the general provisions of the Guidelines or their implementation by Member States? What is in your view the most effective way to address the market failures present in the maritime transport industry?

B.2.5. Do you think that there are positive or negative externalities associated with flagging-in vessels under EU flags? Please explain. How important are they? Please substantiate with data, if available.

The size of the registered fleet is relevant for influence and negotiation on rules and regulation in international maritime transport forums like IMO. A substantial fleet flying the national flag is considered important to sustain a competent maritime administration.

For the shipping companies, it is considered useful to be related to a quality register in relation to business opportunities, financing, insurance etc. It also gives access to the support and services from the flag state when operating abroad.

At the same time we acknowledge the need for flexibility for shipping companies to use foreign register for various commercial reasons.

We have not introduced flag requirements in our special tax system besides those contained in the State aid guidelines, and would advice against any tightening of the flag requirement.

The employment schemes for seafarers are linked to the use of the national registers and the payment of tax and social security contributions in Norway. This is also in
accordance with the requirements of the state aid guidelines. We consider this as a necessary and logical requirement and support the continuation of such provision on a link between state aid to labour related cost and vessels registered in Europe in the guidelines.

**B.2.6. Do you consider that State aid measures are necessary to allow Member States to impose stricter requirements on the industry as regards working conditions and environmental aspects without prompting delocalization?**

The shipping industry requires, due to its global characteristics, international rules and regulations for safety, security, environmental aspects as well as working conditions. Such rules are developed in international organisations like IMO and ILO and apply to all vessels regardless of register or flag.

**B.3. Application of the Maritime Guidelines**

*Information requested from public authorities*

Did you grant State aid under the Maritime Guidelines since 2004?

Yes

If yes:

**B.3.1. Please indicate the total amount of aid (in million €) granted by your authorities (region/Member State) between 2004 and December 2011, on a yearly basis, under the Guidelines. Please specify the aid amounts under each specific provision of the Guidelines, and, if possible, distinguish whether the aid was given under an approved State aid scheme or as individual aid:**

- **Fiscal aid in the form of tonnage tax and other fiscal measures**[^11]

<table>
<thead>
<tr>
<th>Year</th>
<th>NOK mill.</th>
<th>Euro mill.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>740</td>
<td>88,03</td>
</tr>
<tr>
<td>2005</td>
<td>790</td>
<td>95,80</td>
</tr>
<tr>
<td>2006</td>
<td>840</td>
<td>105,51</td>
</tr>
<tr>
<td>2007</td>
<td>2230</td>
<td>271,21</td>
</tr>
<tr>
<td>2008</td>
<td>2080</td>
<td>252,93</td>
</tr>
<tr>
<td>2009</td>
<td>1920</td>
<td>219,99</td>
</tr>
<tr>
<td>2010</td>
<td>240</td>
<td>29,98[^12]</td>
</tr>
<tr>
<td>2011</td>
<td>280</td>
<td>13</td>
</tr>
</tbody>
</table>

[^11]: Dynamic effects are not considered when estimating the tax expenses.

[^12]: Dropp from 2009 to 2010 is due to a considerable fall from shipping activities.
- Coverage of labour related costs for seafarers – reduction/exemption from social contributions and reduction/exemption from income tax

The table below shows the total reimbursement given under the Norwegian employment schemes (refund of income tax and social contributions) for seafarers notified under the Maritime Guidelines. For future deliberations on this, we use the reference Norwegian employment schemes or just employment schemes.

<table>
<thead>
<tr>
<th>Aid under the Guidelines</th>
<th>Total reimbursement in NOK</th>
<th>in EUR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>954 663 415</td>
<td>114 057 756</td>
</tr>
<tr>
<td>2005</td>
<td>1 096 784 595</td>
<td>136 926 916</td>
</tr>
<tr>
<td>2006</td>
<td>1 208 688 716</td>
<td>150 147 667</td>
</tr>
<tr>
<td>2007</td>
<td>1 606 218 867</td>
<td>200 276 667</td>
</tr>
<tr>
<td>2008</td>
<td>1 825 951 811</td>
<td>222 135 257</td>
</tr>
<tr>
<td>2009</td>
<td>1 632 445 072</td>
<td>186 992 563</td>
</tr>
<tr>
<td>2010</td>
<td>1 519 206 728</td>
<td>189 663 761</td>
</tr>
<tr>
<td>2011</td>
<td>1 494 387 116</td>
<td>191 834 033</td>
</tr>
</tbody>
</table>

* Conversion to euro is based on the Norwegian Central Bank’s historical exchange rates NOK-EUR

- Crew relief aid
  N.A. No crew relief aid is granted.

- Investment aid
  N.A. No investment aid is granted.

- Regional aid
  N.A. No regional aid is granted.

- Training aid

As a part of the employment schemes for seafarers, a support scheme involving grants to training and competence development of seafarers on board vessels is administered by the Norwegian Maritime Competence Foundation. The foundation is a non-profit organization established by the industry as part of an agreement between the Norwegian Ministry of Trade and Industry and the trade unions and business

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13 Amount still not converted (this is done by the EFTA Surveillance Authority).

organizations within the maritime sector. The foundation give financial grants to shipping companies for training positions and other recruitment and competence development initiatives. Only shipping companies that offer training positions are eligible for grants from the Fund. The Fund is financed by the shipping companies that are included in the Net Wage Scheme for Seafarers who have to pay an amount of NOK 500 per seafarer per month to the Fund.

The table below shows the development in the number of training positions on board Norwegian flagged vessels.

<table>
<thead>
<tr>
<th>Year</th>
<th>Coastal Service Bergen-Kirkenes. Aid granted by the state</th>
<th>Car-ferry lines. Aid granted by the state</th>
<th>Car-ferry lines. Aid granted by the counties</th>
<th>Regular passenger lines (non car-transportsing). Aid granted by the counties</th>
<th>Total amount of aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>195.8</td>
<td>1162.4</td>
<td>222.5</td>
<td>511.1</td>
<td>2091.8</td>
</tr>
<tr>
<td>2005</td>
<td>222.2</td>
<td>1221.3</td>
<td>242.0</td>
<td>693.7</td>
<td>2379.2</td>
</tr>
<tr>
<td>2006</td>
<td>246.8</td>
<td>1346.1</td>
<td>256.5</td>
<td>597.3</td>
<td>2446.7</td>
</tr>
<tr>
<td>2007</td>
<td>257.5</td>
<td>1442.8</td>
<td>277.9</td>
<td>697.0</td>
<td>2675.2</td>
</tr>
<tr>
<td>2008</td>
<td>412.1</td>
<td>1710.1</td>
<td>304.7</td>
<td>722.6</td>
<td>3149.5</td>
</tr>
</tbody>
</table>

- **Restructuring aid**
  N.A. No restructuring aid is granted.

- **Aid for short sea shipping**
  N.A. No aid for short sea shipping is granted under these guidelines.

- **Compensations paid for imposed Public Service Obligations and signed Public Service Contracts**
  Amounts in mill. Norwegian crowns (nominal values)
Questionnaire - Maritime State Aid Review
Comments by the Norwegian Government

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>315.5</td>
<td>293.0</td>
<td>289.3</td>
</tr>
<tr>
<td></td>
<td>1611.9</td>
<td>418.6</td>
<td>459.3</td>
</tr>
<tr>
<td></td>
<td>332.5</td>
<td>1604.9</td>
<td>1711.0</td>
</tr>
<tr>
<td></td>
<td>976.8</td>
<td>1086.5</td>
<td>1034.8</td>
</tr>
<tr>
<td></td>
<td>3236.7</td>
<td>3403.0</td>
<td>3494.4</td>
</tr>
</tbody>
</table>

B.3.2. Please indicate the total number of beneficiaries that received aid under the Guidelines during the period indicated above. Please distinguish, if the beneficiaries were (a) ship-owners or (b) any other entities.

Fiscal aid in the form of tonnage tax and other fiscal measures

<table>
<thead>
<tr>
<th>Aid under the Guidelines</th>
<th>Number of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>431</td>
</tr>
<tr>
<td>2005</td>
<td>447</td>
</tr>
<tr>
<td>2006</td>
<td>454</td>
</tr>
<tr>
<td>2007</td>
<td>465</td>
</tr>
<tr>
<td>2008</td>
<td>491</td>
</tr>
<tr>
<td>2009</td>
<td>545</td>
</tr>
<tr>
<td>2010</td>
<td>613</td>
</tr>
</tbody>
</table>

Numbers from 2011 are still not available.

Coverage of labour related costs for seafarers

Eligible ship-owning companies are reimbursed for income and social taxes payable for EEA-seafarers taxable in Norway. In the table below we have summarized the yearly average of beneficiaries in terms of number of ship owners, ships and seafarers.

<table>
<thead>
<tr>
<th>Aid under the Guidelines</th>
<th>Number of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship owners</td>
<td>Ships</td>
</tr>
<tr>
<td>2004</td>
<td>171</td>
</tr>
<tr>
<td>2005</td>
<td>155</td>
</tr>
<tr>
<td>2006</td>
<td>152</td>
</tr>
<tr>
<td>2007</td>
<td>155</td>
</tr>
<tr>
<td>2008</td>
<td>157</td>
</tr>
<tr>
<td>2009</td>
<td>148</td>
</tr>
<tr>
<td>2010</td>
<td>145</td>
</tr>
<tr>
<td>2011</td>
<td>136</td>
</tr>
</tbody>
</table>
Information requested from public authorities and enterprises

B.3.3. In general terms, what is your experience with the application of the Guidelines? Do you consider that the guidelines have had an impact on the EU flag (preventing out-flagging to third countries) and on EU employment of seafarers or various types of investments (training, communication on board, etc.)? Please provide relevant data, if available.

Concerning the impact of the Norwegian special tax system, a relevant measure would be the development of tonnage and number of vessels controlled by Norwegian shipping companies. We refer to our response given in section B.1.1 which shows a positive development. As indicated in the section B.1.1. (b), the Norwegian controlled fleet (in number of vessels) increased by 20% between 2004 and 2011.

The national employment schemes for seafarers undoubtedly have an effect on the Norwegian flag. A study conducted in 2010\(^\text{15}\) by the management consulting firm Econ Pöyry showed that the employment schemes are economically inefficient in the long run. The schemes contribute to – with various outcomes in different sectors – an improved operational margin for the companies benefiting from the schemes. The discontinuation of the employment schemes would accordingly lower the profitability of the ship-owners, thus probably necessitating severe measures including change of flag, replacement of the Norwegian/EEA seafarers with low cost personnel from third-countries, or a downgrading of the operations (e.g. disposing of the less profitable ships causing a general reduction in the number of seafarers).

The employment schemes for seafarers have a positive effect on the employment of seafarers. Econ Pöyry’s study also concluded that Norway would have had fewer Norwegian seafarers today without the presence of the employment schemes and that the growth concerning in the number of Norwegian seafarers has come in those segments that is subject to the Net Wage Scheme, with the other segments experiencing a reduction of Norwegian seafarers. It has to be pointed out, though, that the relevant segments here have been influenced by a boom in the offshore market.

Econ Pöyry estimated that around 20% of the total number of seafarers in the employment schemes would lose their jobs in a relatively short time after the termination of the schemes. Norwegian Government expect that the medium and long term effects would be considerable higher. This would primarily affect subordinate positions without certificate requirements and less specialized officers/senior seafarers. The higher the positions, the lower the relative cost differences are between Norwegian seafarers and foreign personnel. In the long run, though, The Econ Pöyry study

\(^{15}\) Evaluation report 2010-023 on the Norwegian employment schemes for seafarers.
expects that 70% of the laid-off seafarers would find alternative, relevant jobs. Very few would be shut out from the labour market. As mentioned above, the schemes are economically inefficient in the long run.

In addition to having direct effects on the employment of seafarers, the schemes have positive effects on the recruitment and training of seafarers. With the requirements for ship owners to offer on-board training and to contributing to the Fund, the number of recruitment positions on-board Norwegian vessels have increased significantly in the period, from 1 000 in beginning of 2004 to just above 2 800 in the end of 2011, thus indicating a strong positive effect on competence and knowledge development.

With the employment scheme as positive stimuli to investments in training and competence development both on board and on shore, the discontinuation will consequently implicate a negative effect on the investments made in this case.

The employment scheme covered approximately 430 ships in the third quarter of 2009. Econ Pöyry assumes that a maximum of 370 of those (i.e. 86%) might be flagged out if the scheme is abolished.

The conclusions of the Econ Pöyry study is based on a one-sided Norwegian termination of the employments schemes. The impact of a discontinuation of the current EU policy on state aid to sea transport, is not discussed in the study.

B.3.4. What are the positive/negative impacts of this aid? When answering the questions (a) to (h) below, please be as specific as possible, providing concrete data and narrative detailed explanations, please try to quantify each impact.

(a) What impact does it have on the global economic position of the EU maritime industry (in terms of market share, turnover, size and capacity of controlled and/or registered fleet, etc.)?

(b) Does it have an impact on employment levels in the shipping industry, for example in terms of numbers and quality of overall jobs created or lost?

The employment scheme have positive impact on employment in the shipping industry.

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16 Each ship-owner within the scheme is committed to contribute to the Competence fund with an amount of NOK 500 per seaman per month. The fund is administered by a foundation with members from trade unions and employers’ organizations. The fund grants fiscal support mainly to training positions onboard Norwegian vessels.
As discussed in both section B.3.3, the maritime employment schemes positively influence the level of employment of Norwegian seafarers. A one-sided Norwegian termination of the schemes would imply that Norwegian ship-owners would decrease the number of Norwegian seafarers on board their ships due to the negative cost difference between Norwegian seafarers and seafarers from third-countries such as the Philippines and India.

After the introduction of the employment schemes, there has been a significant increase in the number of training positions on board ships, and in the recruitment to maritime education and training. In this case, the Norwegian net wage scheme has been effective with regard to its stated objective of increasing recruitment levels and strengthening the competence. Also, positive side-effects have occurred concerning maritime education; several recruitment- and competence development projects have been started and successfully completed (ref. the Norwegian Maritime Expertise Foundation).

(c) What is the impact on jobs created for seafarers in general and seafarers with EU/EEA nationality, in particular?

The Norwegian aid given to the employment of seafarers strongly influence the number of Norwegian and EEA-seafarers domiciled in Norway employed on board Norwegian vessels.

(d) What is the impact on jobs created in the on-shore maritime activities of shipping companies?

(e) What is the impact on jobs created in the maritime cluster as a whole?

(f) Does it promote better qualifications of workers, better environmental conditions/products?

(g) Does it have positive or negative direct or indirect effects on other aspects of Member States’ economic activity (regional, wider maritime cluster, etc)?

B.3.5. Do you consider that the Guidelines should be revised in light of the developments in the industry? Alternatively, do you consider the Guidelines (i) should not be modified or (ii) should be abolished so that the general rules on State aid should apply? Which other actions do you consider appropriate?

See general remarks.
B.3.6. In case you consider that the Maritime Guidelines should be revised, what changes, in terms of structure and substantive points, on the one hand, and other minor points, on the other hand, would you recommend and why?

See general remarks.

B.4. Aid granted to maritime transport companies under other State aid instruments - information requested from public authorities

Companies carrying out maritime transport are eligible for aid under the horizontal State aid instruments.

B.4.1. If public authorities in your Member State have granted State aid for shipping companies under State aid instruments other that the Maritime Guidelines:

(a) Please indicate the total amount of aid (in million €) granted for shipping companies under horizontal State aid instruments, specifying the legal basis and objective, between 2004 –December 2011, on a yearly basis.

(b) Please indicate the percentage of aid granted respectively for shipping companies under the Maritime Guidelines and under horizontal State aid instruments, specifying the legal basis, between 2004 –December 2011, on a yearly basis.

**Aid granted from Innovation Norway**

Aid prior to 2011 was granted upon notification under a number of the horizontal guidelines for state aid. In December 2010 all aid schemes were notified under the General Block Exemption Regulation (GBER) and granted accordingly.

<table>
<thead>
<tr>
<th>Year</th>
<th>Scheme/objective</th>
<th>Aid to shipping companies*</th>
<th>Total amount of aid*</th>
<th>Percentage granted to shipping companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>SMB</td>
<td>30 937</td>
<td>10 446 906</td>
<td>0,3</td>
</tr>
<tr>
<td></td>
<td>RD&amp;I</td>
<td>193 838</td>
<td>87 071 178</td>
<td>0,22</td>
</tr>
<tr>
<td></td>
<td>Investment</td>
<td>359 435</td>
<td>27 838 813</td>
<td>1,29</td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td></td>
<td>15 631 564</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td></td>
<td>5 807 202</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>584 211</td>
<td>146 795 663</td>
<td>0,4</td>
</tr>
<tr>
<td>2010</td>
<td>SMB</td>
<td>21 286</td>
<td>11 142 716</td>
<td>0,19</td>
</tr>
<tr>
<td></td>
<td>R&amp;D</td>
<td>1 011 236</td>
<td>73 759 762</td>
<td>1,37</td>
</tr>
<tr>
<td></td>
<td>Investment</td>
<td>49 938</td>
<td>31 119 181</td>
<td>0,16</td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td></td>
<td>15 948 140</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td></td>
<td>8 444 444</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>1 082 459</td>
<td>140 414 243</td>
<td>0,77</td>
</tr>
</tbody>
</table>
**Questionnaire - Maritime State Aid Review**

**Comments by the Norwegian Government**

<table>
<thead>
<tr>
<th>Year</th>
<th>SME</th>
<th>R&amp;D</th>
<th>Investment</th>
<th>Training</th>
<th>Environment</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>14 064 755</td>
<td>70 564 378</td>
<td>41 411 768</td>
<td>9 544 978</td>
<td>0</td>
<td><strong>455 253</strong></td>
</tr>
<tr>
<td>2008</td>
<td>133 731</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td><strong>828 864</strong></td>
</tr>
<tr>
<td>2007</td>
<td>17 194</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
<td><strong>17 194</strong></td>
</tr>
<tr>
<td>2006</td>
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<tr>
<td>2005</td>
<td>9 988</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
<td><strong>207 715</strong></td>
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*Conversion to euro is based on the Norwegian Central Bank's historical exchange rates NOK-EUR*

Aid granted from the Research Council of Norway

The aid was granted upon notification under the horizontal guidelines for state aid to research, development and innovation.

**BIP:** User Directed Innovation Programs  
**IPN:** Innovation Projects for the Industrial Sector

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BIP + IPN

<table>
<thead>
<tr>
<th>Year</th>
<th>Total budget of aid scheme, EUR*</th>
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<td>2010</td>
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<td>2011</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Total amount of aid, EUR*</th>
<th>%</th>
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<tr>
<td>2011</td>
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<td>1,00 %</td>
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</tbody>
</table>

* Conversion to euro is based on the Norwegian Central Bank's historical exchange rates NOK-EUR\(^{18}\)

B.5. Undue distortion of competition within the EU

B.5.1. Do you consider that there are competition distortions in the EU maritime industry related to misinterpretation/wrong application of the Guidelines or the Commission’s decisions? Please substantiate your view with concrete examples and data.

We are not aware of competitive distortions due to “misinterpretation/wrong application of the Guidelines or the Commission’s decisions”.

B.5.2. How do you appreciate the potential scope for subsidy races among Member States?

See general remarks.

B.5.3. Are there any national provisions in the EU within the remits of the Guidelines (such as tonnage tax and reductions or exemptions from social protection contributions and from income tax) which render a particular national State aid scheme more advantageous than the other existing schemes in the EU? What are the particular provisions/conditions which render this scheme more advantageous?

We are aware that the EEA member states to a various degree have used the scope of the guidelines for adoption of national state aid measures. However, we do not have

information on particular national provisions that are considered more advantageous than the other schemes in Europe

**B.6. Scope of the Maritime Guidelines and eligible activities**

**B.6.1. Do you consider that the inclusion in the scope of the Maritime Guidelines of tugboats and dredgers is appropriate? If yes, is the 50 % rule adequate? Should the percentage be increased or decreased? What are the current national rules/administrative practices with respect to such types of vessels?**

See general remarks.

*Current national practice on tugboats and dredgers*

Under Norwegian law EEA seafarers working on board tugboats and dredgers are taxed (income tax and social contributions for the social protection of Community seafarers) according to the general taxation rules. Once the conditions for applying the aid on labour-related costs are met the taxes are refunded to the vessel owner up to the ceiling referred to above. In accordance with the Commission’s decision of 19 June 2002 there is a general condition for invoking the aid that more than 50 % of towage activity carried out constitutes ”maritime transport”, cf. regulation of 21 December 2005 no. 1720 concerning the administration of grants for the employment of Norwegian seafarers section 7 first paragraph, letter d. by ”maritime transport” is understood towage activities outside the seaport sea port or inland waterways. The 50 % rule is interpreted in accordance with the Maritime Guidelines which means that waiting time is proportionally assimilated to activities that constitute maritime transport and activities which do not constitute maritime transport. Moreover, tugboats only qualify for refund for time actually used to provide services covered by the Maritime Guidelines, i.e. waiting time and towage operations inside the port will not qualify for aid under the net wages scheme.

Tugboats are eligible for the Norwegian special tax system for shipping if more than 50 % of towage activity carried out constitutes ”maritime transport”. Waiting time is proportionally distributed to activities that constitute maritime transport and activities which do not constitute maritime transport. Dredgers are not eligible for the special tax system.

**B.6.2. Do you consider that the inclusion in the scope of the Maritime Guidelines of cable layers, pipeline layers and research vessels is appropriate? If yes, should a similar to the 50 % rule applied to tugboats and dredgers be introduced? What are the current national rules/administrative practices with respect to such types of vessels?**

See general remarks.
Current national practice concerning labour related aid
With respect to aid on labour-related costs Norway has implemented a lower ceiling for aid on labour-related costs than that which follows from the Maritime Guidelines. Under Norwegian law the ceiling is NOK 198,000 per EEA seafarer per year.\(^\text{19}\)

In accordance with sections 7 and 8 of regulation of 21 December 2005 no. 1720 concerning the administration of grants for the employment of Norwegian seafarers, only cargo, ships, passenger ships, tugboats and ships employed in offshore activities are eligible to qualify for state aid. Cable layers, pipeline layers and research vessels will not qualify as cargo ships, passenger ships or tugboats. In order to qualify as ships employed in offshore activities the company is required to document contractual employment with an offshore oil company and that the operation is connected to a specific offshore oil installation, cf. section 8. By offshore oil installation is understood any offshore installation on the surface or submerged on the sea bed. Subject to the operation being connected to a specific offshore installation, e.g. an offshore wellhead, cable layers and pipeline layers may therefore qualify for state aid under the Norwegian regulation. Cable layers and pipeline layers are at present time not considered to qualify for state aid regardless of whether they meet the requirements of section 8 or not.

Current national practice concerning tax

Cable layers will normally qualify for the Norwegian special tax system for shipping, when the ship is in motion during the operation. Pipeline layers qualify for the special tax system, although a company within the special tax system may not operate such vessels in petroleum related activities on the Norwegian continental shelf. Research vessels do not qualify for the Norwegian special tax system for shipping.

\(^{19}\) Cf. regulation of 21 December 2005 no. 1720 concerning the administration of grants for the employment of Norwegian seafarers, section 3 third paragraph cf. guidelines of 2012 concerning the net wage scheme for vessels registered in the Norwegian Ordinary Ship Registry.
B.6.3. Do you consider that other activities carried out at sea should be also eligible for State aid under the Maritime Guideline, such as, but not limited to derrick barges, cable repair vessels, diving support vessels, oil well stimulation vessels, pilot vessels, survey vessels, hydrographical surveying and construction in a marine environment, vessels providing offshore services, mobile platforms, etc.? If yes, should a similar 50% rule as to the one for tugboats and dredgers be applied? What are the current national rules/administrative practices with respect to such types of vessels?

See general remarks.

Current national practice concerning labour related aid
In accordance with sections 7 and 8 of regulation of 21 December 2005 no. 1720 concerning the administration of grants for the employment of Norwegian seafarers, only cargo, ships, passenger ships, tug boats and ships employed in offshore activities are eligible to qualify for state aid.

Subject to the operation being connected to a specific offshore installation, e.g. an offshore wellhead, Cable repair vessels, diving support vessels, oil well stimulation vessels, pilot vessels, survey vessels, hydrographical surveying and construction in a marine environment, vessels providing off shore services may qualify for state aid under the Norwegian regulation, cf. regulation concerning the administration of grants for the employment of Norwegian seafarers section 8. Derrick barges and mobile platforms do not qualify.

Current national tax rules/administrative practices:
- Crane vessels for use in petroleum related activities may qualify for the special tax system, although a company within the special tax system may not operate such vessels in petroleum related activities on the Norwegian continental shelf
- Cable repair vessels has not been considered by Norwegian Tax Authorities. In general, vessels may qualify when the activity constitutes maritime transport and/or is operated in petroleum related activities
- Diving support vessels may qualify for the special tax system when operated in petroleum related activities
- Seismic vessels qualify for the special tax scheme
- Hydrographical surveying and construction in a marine environment: has not been considered by Norwegian Tax Authorities. In general, vessels may qualify when the activity constitutes maritime transport and/or is operated in petroleum related activities

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20 This vessel, similar to crane vessel, is used for offshore drilling platform construction and is suitable for work in rough seas.
21 Pilot vessels are used for ensuring boarding of pilots on bigger ships.
• Vessels providing off shore services may qualify when the activity constitutes maritime transport and/or is operated in petroleum related activities
• Mobile platforms do not qualify when operated in core activities related to petroleum production

B.6.4. In your view, should cruise services be eligible for State aid under the Maritime Guidelines? To what extent national laws/ administrative practices already now allow granting aid with respect to cruise ship operation? To what extent the activities on-board such ships (casino, spa, entertaining services, hotel services while staying in ports, etc.) are ancillary to the transportation of passengers or constitute the main revenues of such ships? To what extent such services are billed separately and to what extent they are priced as a package together? To what extent the personnel on board and on shore in this industry comply with qualifications requirements identical or similar to "typical" maritime transport? Does the industry face competitiveness constraints from outside the EU?

See general remarks.

Cruise vessels are eligible for the Norwegian special tax system for shipping, when they are engaged in international traffic. Income from the sale of goods and services closely connected to the passenger transport may be taxed under the special system.

Cruise vessels and employees on board are eligible for the Norwegian support measures (net wage scheme and company tax exemption). However income from activities not directly linked to the operation of the vessel are not eligible for tonnage tax.
B.6.5. In your opinion, should ancillary activities related to transportation of cargo and passengers be eligible for State aid under the Maritime Guidelines? If yes, what types of activities? Do you find the Commission’s differentiation established so far between eligible and non-eligible activities adequate? What should be the definition of ancillary activities for the purpose of the application of the Maritime Guidelines?

See general remarks.

B.6.6. Do you consider that it would be appropriate to include in the Maritime Guidelines provisions allowing for State aid to reimburse ship-owners for the costs related to the use by seafarers for their own purpose of internet facilities on board the ship with the aim of improving living conditions on board?

See general remarks.

B.6.7. Do you have any other comments concerning the scope of the Maritime Guidelines?

See general remarks.

C. TONNAGE TAX AND OTHER FISCAL MEASURES

Section 3.1 of the Maritime Guidelines deals with fiscal treatment of ship-owners. In particular, they give as examples the following fiscal measures which constitute aid, which could be compatible under certain conditions: (i) tonnage tax, (ii) accelerated depreciation on investment in ships or (iii) the right to reserve profits made on the sale of

22 The eligibility of activities on board passenger vessels has been limited to the consumption on board of goods and services inherent in a voyage at sea as well as revenues derived from the rent of advertising billboards on board. On this basis, the Commission refused to consider profits derived from gambling, casinos, the sale of luxury goods and excursions for passengers as eligible. Similarly, the following profits have been considered as eligible for tonnage tax: renting out of containers, self-handling of cargo or costs of handling loading and unloading of cargo, storage and customs clearance, operation of ticketing facilities and passenger terminals, and operation of office facilities in relation to shipping activities subject to tonnage tax. Finally, for both freight and passenger transport shipowners’ revenues from bank accounts, insurance and currency hedging have been accepted as eligible for tonnage tax.

23 The system of replacing the normal corporate tax system by a tonnage tax so that the ship-owner pays an amount of tax linked directly to the tonnage operated and irrespective of the company’s actual profits or losses.
ships for a number of years on a tax-free basis, provided that these profits are reinvested in ships.

C.1.2 As a public authority, have you ever applied and do you still apply such measures? Ref. B.1.1 d).

C.1.9 As a public authority, how do you verify at a company/group level compliance with this requirement?
The verification is based on tax forms sent in by the tax payers, and control measures by the tax authorities through the ordinary tax audit system.

C.1.11
N/A

C.1.16 As a public authority, have you applied special tax system to such types of activities and if yes, under what conditions? Please provide a copy of the relevant national legislation.
Income from strategic and commercial management, including daily technical operations and maintenance, and other secondary activities is tax exempt under the special tax system for shipping. A company within the special tax system can perform strategic and commercial management, including daily technical operations and maintenance, for vessels owned or chartered in by the company itself, and vessels owned or chartered in by associated limited companies, associated partnerships and associated CFCs.

This applies regardless of whether the associated company is taxed under the special tax system. Further, a company can perform such management for vessels in shipping pool companies, provided that either the company itself or an associated company is one of the partners.

Companies that only provide various kinds of services to ship owners, i.e. ship management companies, are not eligible for the special tax system.


24 The legal text can be found at: http://www.lovdata.no/for/si/fd/fd-19991119-1158.html
C.1.18 As a public authority, have you applied a special tax system to such types of activities? If yes, under what conditions? Could you also provide the relevant national legal provisions on bare-boat chartering out?

Bareboat chartering out activities are allowed under the Norwegian special tax system for shipping. No special conditions apply. Management activities can be provided for vessels owned or chartered in by the company (both time-charter and bare-boat). There is no rule regarding the proportion of tonnage/ships where the company ensures either both the crew and technical management or the commercial management, compared to the tonnage/ships where the company ensures together the crew, technical and commercial management.

C.1.20 As a public authority, have you ever applied tonnage tax to pool managers and if yes, under what conditions?

Pool management is included in the Norwegian special tax system for shipping, provided that either the company itself or an associated company is one of the partners.

C.1.23 To what extent and under what conditions should the capital gains from shipping-related assets be covered by TT and why? Is there differentiation in the rules for assets bought before and after company's/ship's entry into TT?

Ref. the answer to questions B.6 and C.1.24.

C.1.24 Are there any transitional measures applied by your authorities when companies switch from corporate tax into tonnage tax, in particular when they have accumulated so-called hidden tax liabilities before switching to the special tax system (for instance because they have been using accelerated depreciation or other tax advantages in the context of corporate tax)? If yes, please explain in details these measures.

All accumulated, hidden reserves are settled and taxed upon entry into the Norwegian special tax system for shipping. The income from the settlement is distributed over a number of income years, according to a 20% declining balance method.

C.1.25 Do the present national rules provide for the differentiation in rules for assets bought before and after entry into TT?

No. Within the special tax system, all capital gains on vessels are exempt from tax. See however, the answer to question C.1.24.

C.1.26 Please provide copies of the relevant legislation governing the above issues and explain in details the applicable procedure.

The legal text can be found at: http://www.lovdata.no/all/tl-19990326-014-038.html

C.1.27 Please describe the ring-fencing measures, if any, applied by your authorities with reference to their legal basis and provide a copy of the legal text(s) where such measures are contained.
The special tax system is intended to apply only to qualifying ships carrying on qualifying activities. In order to be eligible for the scheme, a company has to either own a ship qualifying under the scheme or own shares or interests in limited companies, partnerships or Norwegian controlled foreign companies, which own such ships. No non-shipping-related assets may be owned by companies under the special tax system.

As interest payments have a tax value for a company within the scheme only to the extent that they offset taxable financial income, the scheme involves an incentive for such companies to be “overcapitalised” and for debt and interest payments to be shifted to related companies subject to ordinary taxation. Thus, a minimum amount of debt is stipulated, equal to 30% of the company’s total capital. If a company has less debt than 30%, the difference between the actual debt and the minimum debt, multiplied with a regulated interest rate, is treated as taxable income.

The special tax regime can give companies incentives to opt into the regime for income years with a profit, and opt out for income years with a deficit. Consequently, a profit will be tax-free, and a deficit will be tax deductible. To counteract such adaptations companies which exit the special tax system are not entitled to receive group contributions for tax purposes in the exit year, and the two following years, i.e. a group contribution is not deductible for the contributor and cannot be entered as taxable income for the receiver.

For companies within the special tax system, group contributions will not be deductible for the contributor and will not be treated as taxable income for the receiver. The decision to opt for the special tax system shall be taken at the level of the group of companies. Companies that opt for the tonnage tax regime commit to remain under the favourable tax regime for a ten year period. Should they exit the regime before the expiry of the ten year period, they will not be authorised to re-enter the tonnage tax regime before the expiry of the ten year period.

C.1.28 In your view are these ring-fencing measures sufficient to prevent spill over of State aid from eligible to non-eligible activities? Please justify your reply.

The general provision in Norwegian tax legislation which imposes an arm's length principle will apply to transactions between associated companies and persons. Norwegian authorities have not identified any spill over problems in connection with the Norwegian special tax system for shipping.

C.1.29 Do you face any administrative difficulties in applying these measures?

No particular administrative difficulties have been identified by Norwegian authorities.
C.1.30 What sanctions do you apply to prevent abuses of the TT system? Companies in breach of the necessary requirements for shipping taxation, will be forced to exit the special tax system, and will not be authorised to re-enter the special tax regime before the expiry of the ten year period (see the answer to question C.1.27).

D. LABOUR RELATED COSTS

Section 3.2 of the Maritime Guidelines provides for two measures: (i) reduced rates of contributions for the social protection of EU seafarers employed on board EU registered ships; and (ii) reduced rates of income tax for EU seafarers on board EU registered ships.

D.1.1. Do you consider that the two measures described above are still necessary? Please justify your reply for each of the two measures.

See general remarks.

D.1.2. In your view are the eligibility conditions for seafarers and ships (to be registered in the EU) contained in this section sufficient and ensure compliance with the objectives of the Maritime Guidelines?

D.1.3. Have you applied (in case of a public authority) or benefited from (in case of a company) aid to employment on the basis of the General Block Exemption Regulation (GBER)\(^\text{25}\)? If yes, what was the amount of the aid, types of beneficiaries and eligible activities?

N.A.

D.1.4. In your view to what extent this measure contributes to the employment of seafarers and, in particular, of EU seafarers and/or to increasing the competitiveness of European ship-owners? Please justify your reply with the support of data, examples and narrative explanation.

D.1.5. Do you believe that State aid measures should be targeted at a particular labour-force category (e.g. highly qualified officers)?

The Norwegian Government has chosen not to target a particular labour-force category in the state aid guidelines.

**E. CREW RELIEF**

Chapter 4 of the Maritime Guidelines provides for payment or reimbursement by the Member State of the costs of repatriation of EU seafarers working on board EU registered ships (crew relief).

**E.1.1.** In view of the fact that this provision has been hardly used, do you consider that it is still necessary? Would you agree if it is removed from the text? Please justify your reply.

N.A.

The crew relief costs scheme is the only permitted state aid that is subsidy that is not directly linked to taxation and social security contribution.

**F. TRAINING AID**

Chapter 7 of the Maritime Guidelines allows for training aid for seafarers in addition to Article 39 of the GBER.<sup>26</sup>

**F.1.1.** Can you please provide a list of cases in which Art 39 (2) GBER, Art 4(6) Training Aid BER and/or Chapter 7 of the Maritime Guidelines were applied to maritime training aid, and the estimated aid amounts?

**F.1.2.** In your opinion, is this provision of the Maritime Guidelines still necessary or do you consider that the GBER rules would suffice?

**F.1.3.** If it is kept, would you consider that modifications are necessary?

**G. SHORT SEA SHIPPING**

Chapter 10 of the Maritime Guidelines allows for start-up aid to new or improved short sea shipping<sup>27</sup> services under certain conditions.

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<sup>27</sup> This is to be understood as “the movement of cargo and passenger by sea between ports situated in geographical Europe or between those ports and ports situated in non-European countries having a coastline on the enclosed seas bordering Europe”.
G.1.1 – G1.4
Norway has contributed to the Marco Polo Programmes established under the existing guideline chapter 10 on aid to short sea shipping. Norway acknowledge the EU transport policy goal to shift cargo transportation growth from road to sea in order to decongest roads and to reduce the negative externalities of transport.

G.1.1. In view of the fact that this provision has been used only once, do you consider that it is still necessary? Would you agree if it is removed? Please justify your reply.

G.1.2. Do you consider that Member States should have the possibility to grant start up aid to short sea shipping or Motorways of the Sea services, even when these services have not and will not apply for EU funding under the Marco Polo II programme or the TEN-T? Please justify your reply providing data on identified market failures.

G.1.3. Motorways of the Sea represent the maritime dimension of the trans-European Transport Networks. According to the present regime28, Member States are allowed to grant to Motorways of the Sea services complementary State aid of higher intensity and longer duration than otherwise provided in the Maritime Guidelines. Do you consider that this possibility should be maintained or modified in the future?

G.1.4. Do you consider that short sea shipping routes to non-EU countries should be eligible for start-up aid in certain cases, such as for routes towards outermost regions?

H. APPLICATION OF THE AID CEILING - INFORMATION REQUESTED FROM PUBLIC AUTHORITIES

Chapter 11 of the Maritime Guidelines sets a general ceiling to the aid that can be granted under chapters 3 to 6 of the Guidelines.

28 In compliance with the Communication from the Commission providing guidance on State aid complementary to Community funding for the launching of the motorways of the sea (2008/C 317/08 of 12.12.2008).
H.1.1. Do you consider that the aid ceiling is appropriate?

See general remarks.

H.1.2. Should the aid ceiling be defined in a different way? What would be your suggestions for such an aid ceiling?

See general remarks.

H.1.3. Please provide copy of the applicable national rules in respect to the control of the aid ceiling.

Norway does not have any national rules that explicitly set up criteria for control that the aid ceiling has not been exceeded.

The reason Norway has not put in place other control procedures is that Norway only has two schemes that are granted and can be combined under section 3-6 in the Maritime Guidelines. Norway’s special tax system and reimbursement/net wage scheme for seafarers are granted according to section 3. The Norwegian schemes do not provide a reduction to zero of corporate taxation or full reimbursement of wages for seafarers.

The Norwegian Tax Authorities administers and controls the application of Norway’s special tax system. The Norwegian Ministry of Finance has the overall responsibility for the scheme.

Furthermore in section 7 of regulation 21 December 2005 No 1720 on the administration of state aid for maritime transport it is stated that “ships that receive any other state aid or is eligible to receive aid under any such measures” do not come within the scope of the Norwegian reimbursement/net wage scheme for seafarers. The Norwegian Maritime Authority controls that provision is upheld upon application for inclusion in the reimbursement/net wage scheme.

Norway does not provide state aid under section 4, 5 or 6 of the Maritime Guidelines.
H.1.4. Please provide details how you calculate the ceiling. Inter alia, please explain how do you apply aid ceiling in case of investment aid measures: do you count the whole amount of aid in the year when the asset is acquired or you spread the aid amount over the life-time of the asset? How do you treat for aid ceiling purposes (if at all) relief measures related to previously over-depreciated ships being transferred to TT (in particular relief measures related to hidden tax liabilities stemming from the previous over-depreciation)? Why? What treatment would you propose for the above types of measures (including the calculation aspect) in the context of possible clarification of rules in the context of the review of the Guidelines?

Norway does not have any investments aid schemes that fall within the scope of the guidelines. As explained under H.1.3 the Norwegian Maritime Authority controls that aid ceiling is not surpassed when applying the reimbursement/net wage scheme and the Norwegian Tax Authority administers the special tax system.

H.1.5. Do you calculate the aid ceiling at individual company level (or a group level if the whole group is eligible for tonnage tax) or at whole industry level?

In Norway the aid ceiling is never reached. Both in relation to the reimbursement/net wage scheme and the tax exemption companies pay more to the authorities (including employees’ tax deduction) than what they get back or are afforded in tax relief. In regards to the special tax system the aid ceiling is calculated at individual company level. Other types of aid are calculated per ship.

H.1.6. To what extent is the aid ceiling fixed by the Guidelines is used in practice in your Member State (i.e. is the maximum aid intensity granted or less)?

N.A.

H.1.7. What types of administrative difficulties do you face in applying the ceiling?

Norway does not face any particular administrative difficulties when applying the ceiling.

H.1.8. What other types of clarifications, if any, you deem necessary regarding the application of the aid ceiling?

None.

I. NOTIFICATION AND REPORTING OBLIGATIONS – ASSESSMENT REQUESTED FROM PUBLIC AUTHORITIES

Chapter 12 of the Maritime Guidelines sets out specific notification and reporting obligations:
I.1.1. What is your experience in complying with these provisions?

I.1.2. In your view, are there alternative measures for ensuring compliance with the provisions of the Maritime Guidelines?