



Brussels,
D(2011)

Opinion

Title

DG COMP - Impact Assessment on a proposal for new state aid rules for shipbuilding

(draft version of 28 September 2011)

(A) Context

Since the 1970s, state aid to shipbuilding has been regulated through specific rules, first initiated by the European Council and then by the European Commission with the entry into force of the current Shipbuilding Framework on 1 January 2004. The Shipbuilding Framework is a mix of stricter and more lenient provisions than general state aid rules. Having been reviewed and prolonged already twice, it is set to expire at the end of 2011. The Commission is therefore considering whether this sector-specific Framework should be further prolonged, modified or allowed to expire. Shipbuilding is currently the last industrial sector with a separate set of specific state aid rules (the general state aid framework, however, does contain some sector-specific rules).

(B) Overall assessment

The report provides the necessary analysis to support action in this area but should be further improved in some respects. The analysis should clarify the role played by the framework for state aid to shipbuilding by providing more information on the policy context and on how the justifications for sector-specific rules have evolved over time. The report should also improve the presentation of the options by better explaining the rationale for their selection and for their aggregation in alternative policy packages. The option analysis should also explicitly include the package submitted to the latest round of Member State consultations. Finally, the report should improve the analysis of the impacts, discussing in greater depth the need for preserving sector-specific provisions and explicitly comparing alternative policy packages in terms of their effectiveness, efficiency and coherence.

In its written communication with the Board, DG COMP agreed to revise the report in line with the recommendations in this opinion.

(C) Main recommendations for improvements

(1) Clarify the policy context. The report should better illustrate the role played by the shipbuilding state aid framework within the overall set of policy tools available to address the challenges faced by the EU shipbuilding industry. In order to do so, the report should provide greater information on trends in the total amount of state aid granted to the

shipbuilding sector under either the general or specific framework (transparently indicating where information is lacking). The report should also provide examples of cases where such state aid is known to have had material effects and mention the special state aid provisions included in bilateral trade agreements. The report should also explain in greater detail the justifications for the existence of a specific framework and analyse how they have evolved over time. The reasons why special provisions for closure aid were never used should also be discussed, more extensively contrasting them with other available instruments pursuing the same objectives. Finally, the report should clarify whether the framework refers to shipbuilding activities or to shipbuilding companies. Clarification on all of the points above should allow a strengthened assessment of whether preserving (and modifying) sector-specific state aid rules is warranted or not.

(2) Strengthen the presentation of the options. The report should explain the rationale underlying the two packages of individual options that modify the framework. In so doing, the report should justify why both of these packages envisage an extension of the scope of the Framework. The set of policy alternatives under consideration should also be extended, or modified, to include the package submitted to Member States for consultation in September 2011. As for individual options, the report should clarify why it does not analyse in detail some of options suggested by the external consultants and/or stakeholders, including those concerning revised closure aid provisions and environmental top-ups to innovation aid. Finally, the report should better explain the difference between the provisions concerning innovation aid under the sectoral and general Frameworks.

(3) Improve the analysis of the options. Relying on a strengthened analysis of the factors that have so far justified a special framework for shipbuilding, the report should discuss in greater depth the pros and cons of extending its product scope to inland waterway vessels and/or offshore structures as well as of preserving more stringent provisions for regional state aid. Finally, the report should explicitly assess and compare the aggregate impact of the proposed packages of options in terms of their effectiveness, efficiency and coherence. In so doing, the report should discuss more explicitly overall impacts (including social ones) on stakeholders and on the competitiveness of the EU shipbuilding industry.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation.

The detailed chronology of the impact assessment process in §2.1.2 should be deleted or appropriately shortened as it largely relates to internal procedures. The executive summary should follow the structure of the main text more explicitly and should include a summary of the issues related to the framework's product scope.

(E) IAB scrutiny process

Reference number	2010/COMP/010
External expertise used	No
Date of Board Meeting	Written procedure