

State aid: Commission opens investigation into investment aid to German shipyards Rolandwerft and Volkswerft Stralsund

The European Commission has launched a formal investigation under EC Treaty state aid rules into proposed regional investment aid of around €5.8 million to two German shipyards, Rolandwerft and Volkswerft Stralsund. The Commission needs to verify that the aid is limited to the modernisation and upgrading of existing installations, as required by the rules governing state aid to shipbuilding, and that there will not be capacity increases in a sector cyclically suffering from over-capacity. The opening of a formal investigation will give interested parties an occasion to comment on the measures. It does not prejudice the outcome of the procedure.

Volkswerft Stralsund is a shipyard located in Stralsund, Mecklenburg-Vorpommern, an assisted area where the standard of living is below average and there is serious unemployment, where state aid may be authorised under Article 87(3)(a) of the EC Treaty. The proposed aid would be for investment to enable the yard to build larger ships (so-called panamax vessels – i.e. of the maximum dimensions that will fit through the locks of the Panama Canal – typically with a displacement of 65000 tonnes). Investment costs amount to €18.7 million. Germany intends to support the project with €4.2 million, which corresponds to an aid intensity of 22.5%.

Rolandwerft is a shipyard located in Berne, Niedersachsen, an assisted area where state aid may be authorised to facilitate the development of certain economic activities or of certain economic areas under Article 87(3)(c) of the EC Treaty. The proposed aid would be for the modernisation and rationalisation of certain parts of the yard and the construction of a quay. Project costs amount to €13 million, out of which Germany intends to finance €1.56 million, equal to an aid intensity of 12%.

The shipbuilding sector is a very cyclical market with regular periods of over-capacity and depressed prices. Because of the sector's high sensitivity, state aid to shipbuilding is governed by a special set of rules, the Framework on State aid to Shipbuilding. This framework is more restrictive than the general rules on regional investment aid as it allows aid for investments into upgrading and modernisation only to improve existing installations. The objective of this restriction is to exclude a capacity increase through state support.

At this stage, the Commission cannot exclude that the projects would concern both new and existing installations. This could lead to capacity increases of the respective yards. Although the shipbuilding sector is currently healthy, several forecasts predict growing over-capacities, mainly as a result of investments in Asia, and a gradual decline in demand in the course of the coming years. Aid granted to support the building of new installations in a market which may suffer from over-capacity in the near future would not be in the common interest.