

## REPORT

### **on monitoring state aids granted to beneficiaries in the motor vehicle sector which are operating in Free Zones and Deprived Areas**

According to the provisions of point 4 -The competition policy - from the ANNEX VII at the Treaty regarding the accession to the European Union of The Republic of Bulgaria and Romania, approved by the Law no.157/2005<sup>1</sup>, Romania must send the European Commission half-yearly reports regarding monitoring state aids granted to beneficiaries in the vehicle sector which operate in Deprived Areas and Free Zones.

As mentioned in the previous reports, according to the grantor's communication, respectively the Ministry of Economy and Finance, **in the free zones, there have not been identified economic agents that are benefiting from state aids and that are active in the autovehicle sector, according to Anex C at**

---

<sup>1</sup> The law no.157/24 may 2005 for the ratification Treaty between The Kingdom of Belgium, The Czech Republic, The Kingdom of Denmark, The Federal Republic of Germany, The Republic of Estonia, The Hellenic Republic, The Kingdom of Spain, The French Republic, Ireland, The Italian Republic, The Republic of Cyprus, The Republic of Latvia, The Republic of Lithuania, The Grand Duchy of Luxembourg, The Republic of Hungary, The Republic of Malta, The Kingdom of Netherlands, The Republic of Austria, The Republic of Poland, The Portuguese Republic, The Republic of Slovenia, The Slovak Republic, The Republic of Finland, The Kingdom of Sweden, The United Kingdom of Great Britain and Northern Ireland (UE state members), and The Republic of Bulgaria and Romania regarding The Republic of Bulgaria and Romania accessing the UE, signed by Romania at Luxembourg on the 25<sup>th</sup> of April 2005, published on the 1<sup>st</sup> of July 2005 in the Official Gazette no. 465.

**the Commission's Communication – the multisectorial framework on regional aids for large investment projects<sup>2</sup>.**

As concerning the **deprived areas**, the Ministry of Economy and Finance as grantor of state aids, periodically communicates data about the **2 undertakings, whose object of activity is NACE code 3430 (in present 2932 – the new NACE code), corresponding to the production of pieces and accesories for autovehicles and autovehicle engines.**

As it is known, the legal framework of granting the facilities in the deprived areas has been established in 1998, through the adoption of the Government Emergency Ordinance no. 24/1998 regarding the regime in deprived areas.

As mentioned in the previous monitoring reports, the GEO no.24/1998 regarding the regime in deprived areas has suffered a string of modifications and amendaments through the following acts: G.E.O. no.75/2000, the Law no.621 for approving G.E.O. no.75/2000, the Law no.345/2002 on Value Aid Tax, the Law no.414/2002 on profit tax, the Law no.678/2002 for modifying art.6(1)b) from G.E.O. no.24/1998, the Law no.571/2003 on Fiscal Code, subsequently modified and amended, the Law no.239/2004 completing G.E.O. no.24/1998, the Law no.507/2004 for approving G.O. no.94/2004 on regulating some financial measures.

According to the legal provisions mentioned above, only undertakings which have their headquarters and develop their activities strictly in the deprived area, and those which have obtained the investment certificate prior to the 1<sup>st</sup> of July 2003, can benefit from regional state aids.

Following the subsequent modifications and completions brought to the G.E.O. no.24/1998, commencing with March 2005, the only fiscal facility that could be granted to **undertakings with an investment certificate in the deprived area** (during the period of existence of the deprived area) is **the exemption from profit tax corresponding to new investments**, within the maximum admissible level of the state aid intensity.

Also, for the determination of the state aid intensity, it is taken into account the **value of the state aid received by the undertakings starting with the 2<sup>nd</sup> of**

---

<sup>2</sup> The Multisectorial Framework on regional state aid for large investment projects (JO C70, 19.03.2002, p 8), communicate in such a way as it was last time changed and published in JO C 263, 1.11.2003, p3.

**January 2003, and the eligible costs corresponding to the investments made until the 15<sup>th</sup> of September 2004.**

According to the Treaty regarding the accession of The Republic of Bulgaria and Romania to the EU “Romania may continue to grant tax free on profit following the G.E.O. no.24/1998 regarding the regime in deprived areas...within the following **conditions**:

- the state aid is granted for regional investments;
- the net intensity of such a regional aid can't exceed the level of 50% of the net aid equivalent. This ceiling can be raised with 15 percent for the small and middle-sized enterprises, provided that the total aid intensity does not exceed 75%;
- if the enterprise activates in the motor vehicle sector<sup>3</sup>, **the total aid can't exceed a maximum 30% of the eligible investment costs...**”.

Besides the specific pieces of information concerning the activity of monitoring state aids, there have been recorded additional data and information about the total number of employees, the recorded turnover, valuable data which is required in order to establish the dimension or the category of the undertaking checked.

Taking into consideration the elements mentioned above, which were the starting point for the analysis made, the situation concerning the 2 undertakings reported by the Ministry of Economy and Finance is the following:

- **S.C. STAR TRANSMISSION S.R.L.** has its headquarters in the Alba County, in the **deprived area of Cugir** and is defined as a large company. The activity of the company consists in producing sprocket wheels, chain stretching devices, axles, gears and camshafts for different types of motor vehicles. The investment made until the 15<sup>th</sup> of September 2004 and maintained until the date of the reporting, rises to the amount of 57,654,743 lei, while the state aid granted as exemption from the payment of the profit tax is 5,436,485 lei. Thus, from the data submitted by the grantor, it results that the enterprise may further benefit of state aid, because its level of intensity is 9.43%.

---

<sup>3</sup> Within the meaning of Annex C of the Commission Communication – Multisectorial framework on regional aid for large investment projects (OJ C 70, 19.03.2002, p.8). Communication as last amended and published in OJ C 263, 1.11.2003, p.3)

- **S.C. KEY SAFETY SYSTEMS RO S.R.L.** has its headquarters in the Hunedoara County, in the **deprived area of Brad** and is defined as a large company. The activity of the company consists in producing wheels and safety belts for different types of autovehicles. The investment made until the 15<sup>th</sup> of September 2004 rises to the amount of 19,090,181 lei. The undertaking has not benefited from any kind of state aid up to now.

The data presented above indicates that the 2 presented undertakings are in line with the maximal admissible limits provided by the guidelines in the Treaty, and these 2 undertakings will be further monitored.

Also, we mention that the existing deadline for the above mentioned deprived areas, where the 2 undertakings activate, is the end of 2010 for the Cugir deprived area and the end of 2008 for the Brad deprived area.

DIRECTOR

DANIEL DIACONESCU

ELABORATED BY:

CONSTANTA DUMITRESCU