

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 of Bulgaria Republic and Romania approved by the Law no.157/2005¹, Romania must send to 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.

According to the grantor's communication, respectively The Ministry of Economy and Finance and statements mentioned in the previous monitoring reports of the state aids granted in the free zones, elaborated by the Competition Council, **in free zones hasn't been identified undertakings who benefit from state aid and act in the vehicle sector, according to annex C at the Commission's communication – The multisectorial framework on regional aid for large investment projects².**

¹ The law no.157/24 may 2005 for the ratification Treaty between Belgium Kingdom, Czech Republic, Denmark kingdom, Germany Federal Republic, Estonian Republic, Greece Republic, Spain Kingdom, France Republic, Ireland, Italy Republic, Cyprus Republic, Latvia Republic, Lithuanian Republic, Luxembourg, Hungary Republic, Malta Republic, Benelux Kingdome, Austria Republic, Poland Republic, Portugal Republic, Slovenian Republic, Slovak Republic, Finland Republic, Sweden Kingdome, United Kingdome of the Great Britain and North Ireland (UE state members), and Bulgarian Republic and Romania regarding Bulgarian Republic and Romania accessing at UE, signed of Romania at Luxembourg on 25.apr.2005, published at 1'th July 2005 in Official Gazette no. 465.

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

As concerns the **deprived areas**, The Ministry of Economy and Finance, as grantor of state aid, communicated us, data about **2 undertakings which object of activity is NACE 3430 code, suitable for pieces and accessories production for vehicles and motor vehicle.**

The legal framework of the facilities granted in deprived zones was established in 1998, through Government Emergency Ordinance no. 24/1998 regarding deprived areas regime.

As it was specified in the previous monitoring reports, GEO no. 24/1998 regarding deprived zones regime has been changed and amended through the following: GEO no.75/2000, the Law no.621 for approving GEO 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 GEO no.24/1998, the Law no.571/2003 on Fiscal Code, subsequently modified and amended, the Law no.239/2004 completing GEO no.24/1998, the Law no.507/2004 for approving G.O no.94/2004 on regulating some financial measures.

According to legal provisions, only the undertakings which have the registration in the deprived area and develop their activity, and obtained the investment certificate before 1st of July 2003, benefit for regional state aid.

Following the subsequent changes and completions for GEO no.24/1998, starting with March 2005, the only finance facility which **could be granted to undertakings with investment certificate in deprived area** (on the whole period of existence of the deprived area) is **the exemption from profit tax corresponding to new investments**, following the maximum admissible level of the state aid intensity.

At the same time, for the state aid intensity determination it we'll consider **the value of the state aid received by the undertakings from 2nd of January 2003 and the corresponding costs for the investments made until September, 15, 2004.**

According to the Treaty regarding the accession of Bulgaria Republic and Romania to UE "...Romania may continue to grant tax free on profit following the G.E.O. no. 24/1998 regarding deprived areas regime ... using the following **terms**:

- the state aid is granted for the regional investments;

- the net intensity of such regional aid shall not exceed the rate of 50 % Net Grant Equivalent. This ceiling may be raised for small and medium-sized enterprises by 15 percentage points, provided that the total net aid intensity does not exceed 75 %;

- if the undertaking is active in the motor vehicle sector³, **the total aid shall not exceed a maximum of 30 % of the eligible investment costs.**

Besides the specific information of monitoring state aid, were been registered additional data and information regarding the main activity of the undertaking checked, total number of staff, registered turnover, dates necessary for establishing the type/category of undertaking checked.

According to the elements above mentioned, which represent the base of the analysis made in the case of the 2 undertaking communicated by the Ministry of Finance and Economy, the situation is:

- **SC Star Transmission S.R.L** has the registration in Alba District, Cugir deprived area and it is defined as a large company. Its activity consists in producing sprocket wheels, chain stretching devices, axles, gears and camshafts for different type of motor vehicles. The investment achieved until date of September 15, 2004, is in total amount of RON 60,336,251 and the stat aid granted as exemption from the payment of the profit tax is in total amount of RON 4,134,248.

From the data transmitted by the grantor it results that the undertaking may further benefit state aid, because the state aid intensity is 6, 9%.

- **SC Key Safety Systems Ro S.R.L** has the registration in Hunedoara District, Brad deprived area and it's defined as a large company. Its activity consists in producing wheels and safety belts for different type of motor vehicles. The investments achieved until date of September 15, 2004, is in total amount of RON 19,090,980.6.

This undertaking **hasn't benefit** for state aid until now.

[³] Within the meaning of Annex C of Commission Communication - Multisectorial framework on regional aid for large investment projects (OJ C 70, 19.3.2002, p. 8). Communication as last amended and published in OJ C 263, 1.11.2003, p. 3.

The data above mentioned show that the analyzed undertakings are in line with the maximal admissible limits provided by the guidelines in force, and these undertakings will be further monitored.

Also, we mention that the existing dead line for the 2 declared deprived area, in which the undertakings spread their activity, is the end of 2010 for Cugir area and the end of 2008 for Brad area.

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