

COMPETITION COUNCIL  
DIRECTORATE FOR  
STATE AID REPORTING,  
MONITORING AND CONTROL  
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APPROVED  
PRESIDENT

GHEORGHE OPRESCU

**REPORT**  
**on the monitoring**  
**of state aids granted to beneficiaries in the motor vehicle sector**  
**which are acting within Free Areas and Deprived Areas**

Accordingly to point 4 – Competition Policy – in the ANNEX VII at the Treaty concerning the Accession of the Republic of Bulgaria and Romania to the European Union, approved by Law no. 157/2005<sup>1</sup>, Romania shall supply to the European Commission half-yearly reports on monitoring of state aid given to the beneficiaries in the motor vehicle sector which are acting within Free Areas and within Deprived Areas.

As already mentioned in the previous reports, proceeding from the communication of the grantor, namely the Ministry of Economy and Finance, **within the free areas has been identified no undertaking benefiting by state aid and acting in the motor vehicle sector, within the meaning of Annex C of Commission Communication – Multisectoral Framework on Regional Aid for Large Investment Projects<sup>2</sup>.**

As concerns **the deprived areas**, the Ministry of Economy and Finance, as state aid grantor, is periodically transmitting data on the **two undertakings whose (activity) object had registered the CAEN Code 3430 (at present 2932 – the new CAEN Code), corresponding to the production of components and appurtenances for motor vehicles and of engines for motor vehicles.**

As known, the legal framework of awarding facilities within deprived areas was established in 1998, by the adoption of the Government Emergency Ordinance no. 24/1998 on Deprived Areas Regime, with subsequent amendments and completions.

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<sup>1</sup> Law no. 157/24 May 2005 for ratifying of the 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 the 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 (Member States of the European Union) and the Republic of Bulgaria and Romania, concerning the accession of the Republic of Bulgaria and Romania to the European Union, signed by Romania on 25 April 2005, published in the Official Gazette no. 465/01.06.2005

<sup>2</sup> Multisectoral 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.

In accordance with provisions of this normative act, potential beneficiaries of regional state aid shall be only those undertakings which have got their headquarters and are carrying out their activity within the deprived area, and which were given the investor certificate in that area before 1 July 2003.

As a result of subsequent amendments and completions of the GEO no. 24/1998, since March 2005 the single fiscal facility allowed for **undertakings having an investor certificate in the deprived area** (over the existence period of the deprived area) is that in the form of **exemption from the profit tax due to the new investment**, up to the maximum allowed level of state aid intensity.

At the same time, when calculating the state aid intensity, both **the amount of state aid received by undertakings since 2 January 2003, and the eligible costs due to the investment performed until 15 September 2004** shall be taken into consideration.

Accordingly to the provisions of the Treaty concerning the Accession of the Republic of Bulgaria and Romania to the European Union, "... Romania may continue awarding of corporate tax exemptions on the basis of GEO no. 24/1998 on Deprived Areas Regime ... under the following **conditions**:

- the state aid is granted for regional investment;
- the net intensity of such regional aid shall not exceed the rate of 50% of the Net Grant Equivalent. This ceiling may be raised by 15 percentage points for the SMEs, provided that the total net aid intensity does not exceed 75%;
- if the undertaking is acting within the motor vehicle sector<sup>3</sup>, **the total aid shall not exceed 30% of the eligible investment costs; .....**"

Besides the information specific to the activity of state aid monitoring, there have been registered additional data and information concerning the total number of employees and the registered turnover, all these data being necessary for the establishing of the size or of the wage-class of the verified undertaking.

Having in view the above shown elements, which lied at the basis of the performed analysis, the situation of the two undertakings mentioned by the MEF is the following:

- **SC STAR TRANSMISSION SRL** has got its headquarters in Alba County, within **the Cugir Deprived Area**, being included into the large enterprises category. The undertaking activity consists in production of cogged wheels, chain-stretching devices, axes, gears and camshafts for different types of motor vehicles. The amount of the investment achieved until 15 September 2004 and maintained until the

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<sup>3</sup> Within the meaning of Annex C of Commission Communication - Multisectoral 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.

reporting date is up to 57,654,743 lei, and the state aid granted in the form of exemption from payment of the profit tax is of 5,436,486 lei.

Thus, it results from the data sent by the grantor that the undertaking can receive more state aid, as it had registered a 9.43% state aid intensity.

- **SC Key Safety Systems Ro SRL** has got its headquarters in Hunedoara County, within **the Brad Deprived Area**, being included within the large enterprises category. Its activity consists in production of wheels and belly bands for different types of motor vehicles. The value of the investment achieved until 15 September 2004 was up to 19,090,181 lei.  
So far, the undertaking has not benefited of state aid.

The above shown data prove that the analyzed undertakings have observed the maximum allowed limit stipulated in the Treaty; they shall be further monitored.

We are mentioning that the time limit for the existence of the two areas avowed as deprived zones wherein the respective undertakings are carrying out their activity is the **end of 2010 for the Cugir Area and the end of 2008 for the Brad Area**.

**DIRECTOR**

**DANIEL DIACONESCU**