



R O M A N I A

CONSILIUL CONCURENTEI

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Calea 13 Septembrie, nr.1, sector 5
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**?
Cabinet Presedinte
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**DECISION NO 119
of 07.04.2004**

**regarding the authorization of the State Aid to be granted to
S.C. AUTOMOBILE DACIA S.A. PITESTI**

THE PRESIDENT OF THE COMPETITION COUNCIL,

On the base of:

1. Decree no. 57/2004 for appointing the Competition Council's members;
2. The provisions of the Competition Law no. 21/1996, published in the Official Journal no. 88, Part I, of 30.04.1996, with subsequent amendments and completions;
3. The provisions of the Law no. 143/1999 on state aid, published in the Official Journal no. 370, Part I, of 03.08.1999, with subsequent amendments and completions;
4. The Regulation regarding the organization, functioning and procedure of the Competition Council, published in the Official Journal no. 288, Part I of 01.04.2004;
5. The Regulation on the form, content and other details of the state aid notification, published in Official Journal no.125, Part I of 24.03.2000;
6. The Regulation on regional state aid and state aid for SMEs, published in the Official Journal, Part I, no. 470/02.07.2002;
7. The Multisectoral Regulation on regional state aid for large investment projects, published in the Official Journal, Part I, no. 165/17.03.2003;
8. The notification of the intention to grant a state aid to S.C. AUTOMOBILE DACIA S.A. Pitesti, submitted by the Ministry of Public Finances by letter no. 107.383/16.02.2004, registered at the

Competition Council with no. RS-AS 13/17.02.2004, that became effective on the date of registration;

9. The Notice of the Directorate for Authorizing State Aids regarding the notified State Aid.

On the basis of the following grounds:

1. The notified State Aid consists of the exemption from the profit tax payment until 1 October 2007, according to the provisions of art. 38 (9) of the Fiscal Code, approved by Law no. 571/2003. According to the estimations from the business plan, S.C. AUTOMOBILE DACIA S.A. Pitesti shall record profit beginning with 2005.

2. Granting state aid will allow the AUTOMOBILE DACIA S.A. Pitesti to achieve the investments program for 2003-2007. The investments necessary is imposed by the trends of the automobiles market, by the volume of the forecasted works and by the technical requests imposed by the beneficiaries.

3. By Decision no. 428/03.10.2003, the Competition Council authorized a state aid granted to S.C. AUTOMOBILE DACIA S.A Pitesti as a state aid for regional development and environmental protection. The total value of the authorized state aid is 2,301,454.956¹ million ROL and consists of exemption of the interests afferent to the non-payment in due time of the overdue obligations (roads taxes), according to the GEO no. 40/2002 regarding the recovery of budgetary arrears, facilities granted according to Governmental Decision (GD) no. 445/1999 on facilities granting and the conditions for achieving the investments at S.C. AUTOMOBILE DACIA S.A and GD no. 898/1999 for amending the Annex no. 1 of GD no. 445/1999, as well as funds allocations for the Development Program of S.C. AUTOMOBILE DACIA S.A. Pitesti, in the basis of GD no. 794/1999.

4. The relevant markets of the products affected by the state aid granting are the market of the new motor-vehicles and the market of the Dacia spare parts, and the relevant geographical market is represented by the entire territory of Romania.

¹ It is included also the value of the mentioned state aid in the Decision of the Competition Council no. 203/1999 for authorizing the economic concentration, achieved by purchase by RENAULT of the majority shares of SC AUTOMOBILE DACIA SA.

5. By achieving the objectives provided in the investment project established for 2003-2007, SC AUTOMOBILE DACIA SA shall introduce in fabrication a complete new vehicle with a price lower than 5,000 Euro and the first Diesel motorization for a vehicle for persons, which to offer European standards, based on a viable technology. Thus, it is fulfilled the criteria provided at art. 20 para. (2) of the *Multisectoral Regulation on regional state aid for large investment projects* according to which, if the beneficiary of the state aid creates a new product on the market, the criteria established at art. 20 para. (1) letter a) and b) do not apply and the state aid can be authorized.

6. The state aid is granted for carrying out a large investment project in motor-vehicle sector, project that represents an initial investment destined to the company re-technology. The total value of the investments that will be achieved by S.C. AUTOMOBILE DACIA S.A Pitesti according to the investment plan is of 628.58 million Euro, respectively 25,175,257.580 million ROL². Thus, there are met all the conditions provided by art. 2 and art. 5 of the *Regulation on regional state aid and state aid for SMEs* and by art. 7 of the *Multisectoral Regulation on regional aid for large investment projects*.

7. The eligible costs, determined in accordance with the *Regulation on regional state aid and state aid for SMEs*, are in quantum of 619.72 million Euro, respectively 24,820,405.720 million ROL.

8. The total value of the eligible costs for investments to be carried out until 2007 is of 24,820,405.720 million ROL, while the state aid value is of 1,393,954 million ROL. Taking into account that S.C. AUTOMOBILE DACIA S.A Pitesti benefited in the past of a state aid having the same objective, in total value of 2,301,454.956 million ROL, following the calculations, it resulted an intensity of 14.88%. Thus, it is observed the regional ceiling for large investment projects in motor-vehicle sector (30% of the regional aid ceiling) provided by art. 28 (1) let.a) of the *Multisectoral Regulation on regional aid for large investment projects*.

9. The investment plan will be carried out with the beneficiary contribution of 85.3%, being thus observed the provision of art. 8 the *Regulation on regional state aid and state aid for SMEs*, which stipulates that the beneficiary contribution must be at least 25%. The investments will be financed through contribution of the majority shareholder capital - Group RENAULT to the capital.

² For the conversion, it was used the exchange rate ROL/Euro of National Bank of Romania of 24.03.2004, respectively 1 Euro=40,051 ROL

10. Having in view both the investment categories as well the period for their achievement, the condition provided at art. 11 of the *Regulation on regional state aid and state aid for SMEs*, according to which the aid for initial investment is conditioned by the maintenance of the investment for a period of minimum 5 years, is thus fulfilled.

11. The information presented in the notification submitted to the Competition Council, leads to the conclusion that the state aid to be granted to S.C. AUTOMOBILE DACIA S.A. Pitesti does not distort significantly the normal competitive environment and does not infringe the appropriate application of the Treaties to which Romania is part.

12. Within the meaning of art. 13 para. (1) of Law no. 143/1999 on state aid, Competition Council shall permanently survey all the existing state aids. If it will be found that, by granting the state aid, the normal competitive environment is significantly distorted as well the correct application of the Treaties to which Romania is part, Competition Council will request the state aid granter to take appropriate measures for eliminating its incompatibility with the Law no. 143/1999 on state aid and the relevant international treaties.

DECIDES

Art.1. Within the meaning of art. 12 para. (2) let. b) corroborated with art. 14 para. (1) let. f) and i) of Law no. 143/1999 on state aid, with subsequent completions and amendments, it is authorized the state aid granted to S.C. AUTOMOBILE DACIA S.A. Pitesti as regional state aid for large investment projects in motor-vehicle sector.

Art. 2. The total state aid value is 1,393,954 million **ROL** and represents exemption from the payment of profit tax until October 1, 2007, exemption granted in accordance with art. 38 (9) of the Fiscal Code.

Art.3. The present Decision becomes effective on its communication date.

Art.4. In accordance with the provisions of art.29 of the Law no.143/1999 on state aid, with subsequent amendments and completions, the present Decision may be appealed to the Bucharest Court of Appeal, division Contentious Administrative, in 30 days from its communication date.

Art.5. The present Decision will be communicated by the General Secretariat of the Competition Council to:

- Ministry of Public Finances, 17, Apolodor Street, sector 1, Bucharest;
- S.C. AUTOMOBILE DACIA S.A., 1, Uzinei Street, Mioveni, Arges County.

Art.6. The General Secretariat and the Department for State Aid Authorisation of the Competition Council shall pursue the fulfilment of this Decision.

PRESIDENT

MIHAI BERINDE