



R O M A N I A

CONSILIUL CONCURENTEI

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Decision no. 152/14.05.2004

**Prohibiting the state aid for SC STOFE BUHUSI SA as part of the existing
state aid represented by Governmental Emergency Ordinance no 40/2002**

The President of the Competition Council,

On the base of:

1. The decree no 57/17.02.2004 regarding the appointment of 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 April 30, 1996, with further modifications and completions;
3. The provisions of the Law no 143/1999 on state aid, published in the Official Journal no 370/03.08.1999, Part I, with further modifications and completions;
4. The Regulation on organization, functioning and procedures of the Competition Council, published in the Official Journal, Part I, no 288/01.04.2004;
5. The Regulation on state aid for rescue and restructuring firms in difficulty, published in the Official Journal no 470/02.07.2002, Part I;
6. The notification of the state aid for SC BUHISI SA, submitted by the Ministry of Public Finance through the address no 107.699/25.03.2004, registered to the Competition Council under the no RS-AS 32/29.03.2004 and become effective on 3rd May, 2004.
7. The Note of the Directorate for State aid Authorization on the notified state aid.

On the grounds of the following reasons:

1. SC Stofe Buhusi SA was set up on the base of Governmental Decree no 1254/1990 by taking over the patrimony of thick cloth Enterprise Buhusi. On 31.12.2003, the equity capital of SC “Stofe Buhusi” SA was of 49 646 825 000 ROL and had the following structure of shareholders: the Association “Stofe Buhusi” (51%), SIF Moldova (16.23%) and other shareholders (32.77%).
2. The main object of activity of the undertaking is represented by the production of wool cloths or type wool (in mixture with chemical fibers) of carded and combed fibers on an integrated classic technology (spinning – weaving – finishing).
3. The notified state aid represents a state aid specific allocation within the existing state aid scheme contained by GEO no 40/2002 for the recovery of budgetary arrears.
4. The value of the notified state aid is of 164 716 161 030 ROL and it is consisting in exemption from the payment of the interests and penalties for the delay in payment of the obligations to the budget calculated till 8th April, 2004 for the remaining debits at 30th December, 2001 and of penalties calculated for the period 09.04.2002 – 31.10.2003.
5. SC Stofe Buhusi SA benefited in the last 3 years of state aid in value of 19 533 million ROL representing the exemption from the payment of the interests and penalties for the delay in payment of the obligations to the budget on the base of GEO no 40/2002 in conformity with the conventions no ET/6830/2003 (concluded with National Health Insurance House) respectively no 189RU/2003 (conclude with the Ministry of Labor and Social Solidarity).
6. The object of the state aid is represented by the restructuring of SC Stofe Buhusi SA in the period 2004-2008.
7. The market affected through the granting of the state aid is the market of carded and combed fibers. SC “Stofe Buhusi” SA is marketing its products both on domestic and external market. The main competitors of SC “Stofe Buhusi” SA are: Dorobantu Ploiesti, Postavaria Romana Bucuresti, Carpatex Brasov, Libertatea Sibiu, Pobac Bacau, Argeseana Pitesti. The market share of the undertaking on the wool cloths or type wool cloths is of 12%.
8. The analysis of the notified measure was made on the base of the granting criteria of the state aid stated in the *Regulation on state aid for rescuing and restructuring firms in difficulty*. SC “Stofe Buhusi” SA is a firm in difficulty facing a lot of problems that have negatively influenced its economic and

financial activity. The undertaking is in difficulty due to the following reasons: it is registering losses, its turnover is descending, the stocks have an upward trend, the total debts are rising, the regulatory capital is going down, the fixed assets have an important weight in total assets.

The analysis in dynamic of the main economic and financial indicators in the period 2001-2003 points out that:

- the rate of general liquidity is unfavorable showing the reduced capacity to cover the debts;
- the rate of immediate liquidity emphasizes the fact that the undertaking does not possess sufficient liquidity to cover the current debts;
- the indicator financial autonomy is decreasing continuously due to the negative influences of the result reported over the regulatory capital which is diminished;
- a decrease of the financial solvability from 20% in 2001 to 7% in 2003;
- the rate of profitability is registering negative values reflecting the influence of the debts successively accumulated that have affected the financial exercises in the assessed period.

9. The undertaking will implement in the period 2004-2008 a restructuring plan containing organizational and managerial measures as well as technical, technological and financial measures, as follows:

MEASURE	Term	Costs (mil. ROL)	Own sources (mil. ROL)	State Aid (mil. ROL)	EFFECTS	
					Diminishing the costs (mil. ROL)	Growing the incomes (mil. ROL)
I. Organizational measures		5060	5060	-	5018	
1. Restriction of the production space	Quarter VI 2006	500	500	-	1600	-
2. Removing the finishing department	Quarter VI 2006	4500	4500	-	2200	
3. The introduction of automatic evidence of the production departments	Quarter III 2004	60	60	-	318	
4. Rationalization of administrative staff	Quarter III 2006	-	-	-	900	
II. Technical and technological measures		560	560	-	7800	
1. The capitalization with high efficiency the raw materials in order to reduce the specific consumptions	Quarter IV 2006	-	-	-	800	

per unity of product						
2. the utilization of the secondary raw materials from the combed spinning mill in the production of carded fibers	Quarter II 2004	-	-	-	900	
3. Diversification of the range of fibers and fabrics produced and the assimilation of new assortments	Quarter III 2005	60	60		2100	
4. The acquisition of a thermal station and its assembly in the production field	Quarter I 2004	500	500		4000	
III. Managerial measures		200	200			11628
The reduction of stocks and of finished products	Quarter IV 2006	200	200	-	-	11628
IV. Financial measures		184.929	680	184249	184249	17850
1. Recovery of the debts	Quarter IV 2006	200	200			3000
2. Assets sale	Quarter IV 2008	300	300			10500
3. Recovery of the whole ferrous material and its capitalization	Quarter IV 2004	30	30			3000
4. Cassation and capitalization of the outfits over fulfilled	Quarter IV 2006	150	150			1350
5. State aid	Quarter I 2004	164.716	-	164.716	164.716	-
6. State aid	2003	19.533	-	19.533	19.533	-
Total I + II + III + IV		190.929	6.500	184.249	197.067	29.478

10. The restructuring costs is of 190 929 million ROL of which the financial restructuring holds 96.48%. The beneficiary's contribution to financing the restructuring plan is of 6 500 million ROL, representing only 3.52% of the total restructuring cost. Thus, the provisions of the art. 14 of the *Regulation on state aid for rescue and restructuring firms in difficulty* are not observed. These provisions state that "the beneficiaries of the state aid must significantly contribute to the restructuring plan through own financial resources".

11. SC Stofe Bufusi SA does not receive any other restructuring state aid. Thus, the provisions of the art. 18 of the *Regulation on state aid for rescue and restructuring firms in difficulty*, stipulating that the restructuring aid must be granted only once, are observed.

DECIDES

Art. 1. On the grounds of art. 12 (1) and (2) d) of the *Law no 143/1999 on state aid*, with further modifications and completions, the granting of the state aid for SC Stofe Buhusi SA is prohibited due to the fact that the provisions of the *Regulation on state aid for rescue and restructuring firms in difficulty*, related to the beneficiary's contribution to the implementation of the restructuring plan, are not observed.

Art. 2. The present Decision becomes applicable on the date of its communication.

Art. 3. According to the provisions of the art. 29 of the *Law no 143/1999 on state aid*, with further modifications and completions, the present Decision may be appealed by the interested parties in the Court of Appeal Bucharest, Contentious Administrative Department.

Art. 4. The present Decision shall be communicated by the General Secretariat of the Competition Council to:

- the Ministry of Public Finance, Str. Apolodor nr. 17, sector 1, Bucharest;
- SC Stofe Buhusi SA, Str. Libertatii nr. 36, Buhusi, Bacau.

Art. 5. The General Secretariat and the State Aid Authorization Directorate within the Competition Council shall pursue the fulfillment of the present Decision.

PRESIDENT,

MIHAI BERINDE