



R O M A N I A

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**DECISION NO. 171
of 02.06.2004**

**on the State aid authorisation granted to
S.C. NAVOL S.A. Oltenita**

PRESIDENT OF THE COMPETITION COUNCIL,

Based on:

1. Decree no. 57/2004 regarding the appointment of the Competition Council's members;
2. The provisions of the Competition Law no 21/1996, published in the Official Gazette no 88 – Part I, of April 30, 1996, with subsequent amendments and completions;
3. The provisions of the Law no 143/1999 on State aid, published in the Official Gazette no 370/03.08.1999, Part I, with subsequent amendments and completions;
4. The Regulation on organization, functioning and procedures of the Competition Council, published in the Official Gazette, 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 Gazette no.125, Part I of 24.03.2000;
6. Regulation on State aid for rescue and restructuring firms in difficulty, published in the Official Gazette, Part I, no. 470/02.07.2002;
7. The notification of the State aid to be granted to SC Navol SA Oltenita, submitted by the Ministry of public Finances under Note

no.107.755/31.03.2004, registered at the Competition Council as no. RS-AS 33/05.04.2004. The notification became effective on 28.04.2004;

8. The Note of the Department for State aid Authorisation on the notified State aid.

Based on the following grounds:

1. S.C. NAVOL S.A. Oltenita is a stock company, with private registered capital in value of ROL 157,312,896,300 and a total turnover registered in 2003 in value of ROL 229,604,770 thousands.

2. The main activity object of S.C. NAVOL S.A Oltenita consists mainly of shipbuilding and repair of ships. Among the secondary activities undertaken by the company there are: metallic and industrial constructions, different equipments and spare parts and sub-assemblies of ships.

The Shipyard Oltenia can build any type of ship with a loading capacity of 5.000 tdw at most.

3. The notified aid representing State aid specific allocation within the existing scheme contained by the provisions of the GEO no. 40/2002 for the recovery of the budgetary arrears, with subsequent amendments and completions, consists of 75% reduction of the payment of interests and delay penalties, afferent to budgetary obligations owed to the social insurance budget and unemployment insurance budget, in total value of ROL 88,091,215,592, of which:

? ROL 81,183,475,940 interests and delay penalties, afferent to budgetary obligations owed to the social insurance budget,

? ROL 6,907,739,652 interests and delay penalties, afferent to budgetary obligations owed to the unemployment insurance budget.

5. The scope of granting the State aid represents the restructuring of S.C. Navol S.A. the State aid will allow the company to implement the Restructuring Plan, during 2004-2008, ensuring thus its maintenance in activity and the economic and financial recovery.

6. The markets affected by the granting of the State aid are markets of shipbuilding and repair of ships. S.C. Navol S.A. Oltenita has a 7% quota on the market of shipbuilding and 0.5% on the market of repair of ships.

7. The analysis of the notified measure has been carried out in accordance with the granting criteria contained by the *Regulation on State aid for rescue and restructuring firms in difficulty*. S.C. Navol S.A. Oltenita is a firm in difficulty, with several problems that influenced negatively its economic and financial activity.

The company is in difficulty due to the following: registers losses, the stocks have the highest weight in total assets, the debts are increasingly in the structure of liability. The dynamic analysis of the company's patrimony during 2000-2002 shows the following:

- a non-favourable rate of general liquidity (cash), showing that the company cannot pay its short-time debts;
- a negative net treasury showing that the company faces a deficit of liquidity;
- an increase of the duration of the inventory turnover;
- a two time increase of the necessary working capital, indicating that the need of capital for the financing cycle has been doubled.

8. The Restructuring Plan contains measures as follows: developing of welding activities, implementation of welding technology for aluminium structures, modernisation of oxygen storage and transport installation, specific training of labour force qualified in shipbuilding, developing the processing technology for metallic surfaces with equipment using compressed air, implementation of new special painting technologies of ships, modernization of automatic station for sand blasting iron plates and profiles, special fittings for technological waste and industrial waters, implementation of new cutting, chamfering, curving and welding technologies.

9. The measures of the Restructuring Plan aim at a profitable functioning in relation with the actual absorption possibility of the market. The Restructuring Plan foresaw a net profit of USD 1180.3 thousands at the end of the restructuring period.

10. The total restructuring cost is of ROL 117,491 million, the Restructuring Program being financed by its own resources (25%), capital injection from

stockholders in value of ROL 1,082 mil. and re-invested profit in value of ROL 28,318 mil.

11. The implementation of the Restructuring Plan will lead to the diversification of the ships for the market sector – ships with elements of aluminium supra-structure; diversification of ships with anti-corrosive protection; reduction of energetic consumption; reduction of stationary period in anchoring place (working quay) between their launch and delivery, with direct effect on costs, increase the quality of sand blasting work; reduction of oxygen losses and risks of accidents and increase the labour productivity.

12. The requested State aid will allow the company to remain on the market by its recovery, being thus maintained the competitive environment on the relevant market, without creating supplementary financial resources that might lead to competition distortion on national level.

13. The State aid is limited to the minimum necessary and will be used only for the company's economic and financial restore, not allowing the beneficiary, during the application of the Restructuring Plan, to increase the production capacity, aiming at an intensive utilisation of the existing production capacities and not their increase. Thus, the provisions of art. 14 of the *Regulation on State aid for rescue and restructuring firms in difficulty* are observed.

13. By Decision no. 487/06.11.2001 Competition Council authorised a State aid in value of ROL 96,357,453,963, for S.C. Navol S.A. Oltenita, having as objective the maintenance of the jobs. Since the conditions and terms under which the payment facilities were approved, were not observed, the State aid has been annulled. Thus, S.C. Navol S.A. did not benefit from restructuring State aid any longer, being thus observed the provisions of art. 18 of the *Regulation on State aid for rescue and restructuring firms in difficulty*, stipulating that the restructuring aid should be granted only once.

14. The information presented in the notification submitted to the Competition Council lead to the conclusion that the State aid to be granted to S.C. Navol S.A. does not distort significantly the competitive environment and neither breach the appropriate application of international treaties to which Romania is party.

15. Within the meaning of art. 13 par. 1 of the Law no. 143/1999 on state aid with subsequent amendments and completions, the Competition Council shall permanently survey all the existing aid. If State aid granted to S.C. Navol S.A. Oltenita turns out to significantly distort the normal competitive environment and the application of international agreements to which Romania is party, the Competition Council shall require the state aid grantor to take appropriate measures in order to eliminate its incompatibility with the Law no. 143/1999 on state aid, with subsequent amendments and completions.

DECIDES

Art.1. Within the meaning of art.12 para.(2) let.b) read in conjunction with art.14 para.(1) let.e) of the Law no. 143/1999 on State aid, with subsequent completions, Competition Council authorizes the State aid to be granted to S.C. Navol S.A. Oltenita, as restructuring State aid.

Art.2. The total value of the State aid to be granted to S.C. Navol S.A. Oltenita is of ROL 88,091,215,592.

Art.3. The present Decision becomes effective at the date of its communication.

Art. 4. According to the provisions of art. 24 of the *Law no. 143/1999 on state aid, with subsequent amendments and completions*, the Ministry –State aid grantor shall submit to the Competition Council information on the authorized State aids, for their inventorying and monitoring as well as annual reports on the implementation of the Restructuring Plan. The first report shall be submitted to the Competition Council within 6 months as of the date the decision was issued.

Art. 5. According to the provisions of art. 29 of the *Law no. 143/1999 on state aid, with subsequent amendments and completions*, the present Decision can be appealed by concerned persons before the Bucharest Court of Appeal, Division Contentious Administrative, within 30 days as of the date of its communication.

Art. 6. The present Decision shall be communicated by the Secretariat General of the Competition Council to:

- the Ministry of Public Finances, 17, Apolodor Street, sector 1 Bucharest;
- S.C. Navol S.A., 45-46, Soseaua Portului Street, City of Oltenita, Calarasi County.

Art.7. The Secretariat General and the Directorate of State Aid Authorization of the Competition Council shall pursue the fulfillment of the present Decision

PRESIDENT

MHAI BERINDE