

DECISION No . 8/ 09.01.2004

regarding the notification of the Ministry of Economy and Commerce upon the financial support to be granted to S.C. MINBUCOVINA S.A for the restoring of “Uzina de saruri “ Iacobenii

The Competition Council's Plenum ,

Based on :

1. Decree no.1075/2001 on the appointment of the members of the Competition Council;
2. The provisions of the Competition Law no.21/ 1996, published in the Official Gazette 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 Gazette 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 Gazette no.50 bis, Part I of 25.03.1997, with subsequent amendments and completions ;
5. The Regulation on the form, content and other details of the state aid notification, published in the Official Gazette no.125, Part I of 24.03.2000;
- 6 .Notification of the intention of granting the state aid, submitted by the Ministry of Economy and Commerce under address no. 181835/03.11.2003, registered at the Competition Council as RS-AS 61/03.11.2003. The notification became effective on 14.12.2003;
7. The Note of the State aid Department on notified State aid.

Based on the following:

- 1.The financial support required by S.C.MINBUCOVINA S.A ,Vatra Dornei, represents budgetary allocations as state participation with capital, with a view to achieve investments to restore “Uzina de saruri “ Iacobenii. The financial support is to be granted within three years period (2004 - 2006), time to achieve the investments.
2. The aim of the financial support which is to be granted to S.C. MINBUCOVINA S.A Vatra Dornei, represents the re-introduction in the

national economic circuit of “Uzina de saruri “Iacobeni, under preservation since 1993.

3. The financing of the investments objective “The restoring of Uzina de saruri Iacobeni “, in total value of ROL 119,679,916,000, will be done through budgetary allocations in value of ROL 116,149,916,000, the balance of ROL 3,500,000,000 being assured from its own resources, through the redemption of the fixed assets and the turning to account of assets from the suspended sectors activity. Thus, the financial support to be granted to S.C.MINBUCOVINA S.A Vatra Dornei will be in value of ROL 16,149,916,000.

4. S.C .MINBUCOVINA S.A was previously beneficiary of State Aids as follows :

- according to G.O. 1527/2002 , a State Aid in value of ROL 10 billions was granted for investments objectives in the company in 2003;
- subsidies for the basic production between 01.09.2002 – 31.12.2002, in value of ROL 84,890,147,000, respectively between 01.01.2003 – 30.06.2003, in value of ROL 124,351,814,000 (regulated by GO 943/2002 for 2002, respectively GO 1527/2002, GO 1053/2003 and G.O. 1350/2003). The above mentioned State Aids have no connection to the investments objective “The restoring of “Uzina de saruri Iacobeni”.

5. The relevant market which may be affected by granting financial support is the market of processing the manganese salts. There is no domestic competition on this market.

6. The basic activity of S.C. MINBUCOVINA S.A, Vatra Dornei is the extraction and the processing of ores, presently carried out based on budgetary subsidies. Once the restoration was achieved, a totally unsubsidized activity will be created, based upon raw materials from S.C. MINBUCOVINA S.A, Vatra Dornei.

7.The reintroduction in the economic circuit of “Uzina de saruri “ Iacobeni, answers to many requests of the state and private sectors, gives the possibility to export, having in view the existence of potential Romanian and foreign customers that immediate need manganese salts or other products which may be produced by it.

In this way, the imports will be significantly reduced and the Romanian currency effort will be diminished.

8. The manganese chemical compounds, which are presently imported, are widely used and important in various fields of activity, such as: animal breeding, ceramic and porcelain, electrotechnical industry, pharmaceutical industry, paints and varnishes industry, chemical fertilizers, pesticides, welding electrodes, passivating solutions for rolling mills, chemical and bacteriological cleaning, pigments, potassium permanganate a.s.o.

9. The achievement of this investments objective is important for whole economy, since many other undertakings, using as raw materials the manganese salts, will be reintroduced in the economic circuit.

10. It contributes to the turning to account of the internal mineral resources, as the raw and auxiliary materials used for processing manganese salts may be integrally obtained from the country, with lower extraction and transport costs than the imported ones, following to import only the raw materials for special products.

11. Other internal raw materials will be absorbed by the economic circuit as a result of the restoring of other undertakings with reduced or suspended activity.

12. The restoring of “Uzina de saruri” Iacobeni is in line with the Romanian Strategy for the Mining Industry, to cut out the subsidies granted to this sector until 2007.

Once the investment will be put into operation and will reach the projected parameters, S.C. MINBUCOVINA S.A will financially support all extraction and processing activities, in the present subsidized by the state, by its own net profit obtained through the extraction and selling activities.

13. The analysis of the economic – financial indicators shows, starting from the first year of operating, a steady increase of both production and profit, together with the decreasing of the costs at ROL 1000 goods production. The report incomes/ costs calculated for 2004-2008, as well as the internal profitability ratio, lead to the conclusion that the investment will be profitable. The increase of the efficiency of the investment is also due to its beneficial location, near the access ways to the manganese basins (it is lodged on the national way Cluj –Vatra Dornei – Suceava , it has railway in the factory and the raw material lies at 3 km far from it) .

It can be noted that the state resources are efficiently invested, the recovery of the investments being made in a relatively short time (it will be finished in 2006 and fully recovered until 2009). Thus, the State operates as private investor.

14. S.C.MINBUCOVINA S.A Vatra Dornei will be the sole manganese salts producer in Romania .

15. The State Aid to be granted to S.C.MINBUCOVINA S.A Vatra Dornei, will not create any distortion of competition on the relevant market and will not affect the proper application of the International Agreements to which Romania is a part.

D E C I D E S

Art.1 Within the meaning of art .8(2), corroborated with art.12(2) let.a) of the Law no. 143/1999 on State Aid, with subsequent completions and modifications, the financial support to be granted to S.C. MINBUCOVINA S.A Vatra Dornei, with a view to restore “Uzina de Saruri “ Iacobenii, does not constitute State Aid . The competition on the relevant market will not be distorted by granting the financial support to S.C.MINBUCOVINA S.A, as it will be the sole Romanian producer of manganese salts. The State, as unique share-holder, operates in accordance with the principle of a private investor, using its own resources to obtain profit.

Art.2 The present Decision becomes effective at the date of its communication.

Art.3 The present Decision shall be communicated by the Secretariat General of the Competition Council to :

- the Ministry of Economy and Commerce, Mendeleev Street. No. 36-38, Bucharest ,1;
- S.C.MINBUCOVINA S.A, Mihai Eminescu Str. No. 1 ,Vatra Dornei, Suceava County.

Art.4 According to the provisions of art.29 of the Law no. 143/1999 on State Aid with subsequent modifications and completions, the present decision can be appealed within 30 days from its communication before the Bucharest Court of Appeal.

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

PRESIDENT

THEODOR VALENTIN PURCAREA