COMMISSION

COMMISSION DECISION
of 13 May 2003
on the State aid which Belgium plans to grant to Volvo Cars NV in Gent

(notified under document number C(2003) 1485)

(Only the French and Dutch texts are authentic)

(Text with EEA relevance)

(2003/665/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular the first subparagraph of Article 88(2) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof,

Having called on interested parties to submit their comments pursuant to the provisions cited above [1],

Whereas:

PROCEDURE

(1) The planned aid was notified to the Commission by letter dated 15 May 2002. The Commission requested further information by letters dated 25 June 2002 and 20 August 2002, to which Belgium replied on 23 July 2002 and 18 September 2002.

(2) The Commission decided on 27 November 2002 to initiate proceedings pursuant to Article 88(2) of the Treaty (decision to open the formal investigation procedure), as it had doubts as to the compatibility of the aid with the common market. Belgium submitted its comments in response to the opening of proceedings by letter dated 28 January 2003.

(3) The Commission decision to initiate proceedings was published in the *Official Journal of the European Communities* [2], with an invitation to interested parties to submit their comments on the aid. However, no comments from interested parties were received.

DETAILED DESCRIPTION OF THE AID

(4) The beneficiary of the aid would be Volvo Cars NV, which is located in Gent and is owned by Ford Motor Company. The Volvo Gent plant currently assembles the Volvo S60 and S 70 models. As of 2003, Volvo intends to produce the new Volvo V40 and S40 models in the plant. Volvo intends to spend around EUR 27,58 million on training existing and 1 400 newly-employed staff in the period 2002 to 2004.

(5) The eligible training cost, taking into account that the trainees' personnel costs may not exceed the total of the other eligible costs, amounts to EUR 15 180 393. According to Belgium, the eligible investment includes elements of specific training amounting to EUR 4 294 532. The general training cost amounts to EUR 10 885 861.

(6) Belgium proposes to grant training aid of around EUR 6,51 million (net present value EUR 5,88 million) over a period of three years, from 2003 to 2005. The proposed aid is to be granted as ad hoc aid from the Vlaamse Gemeenschap for specific training (approximately EUR 1,07 million) and general training (approximately EUR 5,44 million).

(7) With a view to the new investment in the plant, the major departments at Volvo Cars — the welding plant, the paint shop, the final assembly plant, the logistics department and the engineering department — drew up a project aimed at improving the skills both of new employees and of employees already working for the company. The training scheme can be divided into 11 training sub-units: knowledge of machines, knowledge specific to posts or tasks, PC training (MS Office etc.), technical knowledge (electricity, electronics, mechanics, robotics etc.), quality (ISO, auditing, etc.), costs, maintenance tools, improvement tools (six sigma, TPM, etc.), safety, personal skills, environment.

[1] OJ C 2, 7.1.2003, p. 2.
[2] See footnote 1.

GROUNDS FOR INITIATING THE PROCEDURE

(8) In its decision of 27 November 2002 to initiate proceedings, the Commission expressed doubts about the way the Belgian authorities interpreted the definition of general versus specific training. It could not be ruled out that an excessively broad definition of general training had been applied to the project.

(9) The Commission considered that simply because a module includes a general training component does not prevent the chief aim of the module from being to provide specific training. The Commission had too little information on the precise content of certain training modules to determine their general training character. On the basis of the data submitted to the Commission it was not possible to separate the specific from the general training components within the eleven training modules. The Commission needed more specific information on the training modules providing general and specific training. Information was also required on which of the eleven training modules is recognised, certified or validated by public authorities.

COMMENTS FROM BELGIUM

(10) In its comments of 28 January 2003 on the initiation of proceedings, Belgium provided detailed information on each of the eleven training modules of the project. This additional information includes data on the content, purpose, participants and length of the main individual training courses. Belgium also clarified that training for employees in the paint shop contains both general and specific training. The specific training costs in this area had not been taken into account as these data were not available at the time of the notification.

(11) In addition, Belgium provided documents from several public training bodies (e.g. Katholieke Hogeschool Sint Lieven, Hoger Technisch Instituut Sint Antonius, Edugo Campus Glorieux), explicitly confirming the general training character of a number of courses, in particular with regard to the training modules 'knowledge of machines' and 'technical knowledge (electricity, mechanics, robotics, etc.)'.

ASSESSMENT OF THE AID

(12) According to Article 87(1) of the EC Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market. Pursuant to the established case law of the Court of Justice of the European Communities, the criterion of trade being affected is met if the recipient firm carries out an economic activity involving trade between Member States.

(13) The Commission notes that the notified training aid is granted through State resources to an individual company and favours it by reducing the costs it would normally have to bear for its employees to acquire new skills through the notified training programme. Moreover, the aid recipient, Volvo Cars NV, is a company that designs, manufactures and sells motor vehicles, which is an economic activity involving trade between Member States. The training aid in question is therefore covered by Article 87(1) of the EC Treaty.

(14) Commission Regulation (EC) No 68/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid [1] (the Regulation), which applies to training aid in all sectors, provides that aid fulfilling all the conditions is considered compatible with the common market and is exempt from the notification requirement of Article 88(3) EC, provided that the measure contains an express reference to the Regulation.

(15) Article 5 of the Regulation provides that the notification requirement continues to apply if the amount of aid granted to one enterprise for a single training project exceeds EUR 1 million. The Commission notes that the notified aid in this case amounts to approximately EUR 6,51 million, that it is to be paid to one firm, and that the training project is a single project. It also notes that the notification relates to an individual aid measure that is not granted under an approved scheme. It therefore considers that the notification requirement applies to the proposed aid and, in accordance with the fourth recital of the Regulation, that the notification must be assessed by the Commission, in particular in the light of the criteria set out in the Regulation.

(16) Under Article 3(1) of the Regulation, individual aid is compatible with the common market within the meaning of Article 87(3)(c) if it fulfils all of the conditions of the Regulation.

(17) The Commission notes that the distinction between specific training and general training is drawn under Article 4 of the Regulation. Specific training is defined in Article 2 as training involving tuition directly and principally applicable to the employee's present or future position in the assisted firm and providing qualifications which are not, or only to a limited extent, transferable to other firms or fields of work.

[1] OJ L 10, 13.1.2001, p. 20.

(18) General training is defined in Article 2 as training involving tuition which is not solely or principally applicable to the employees' present or future position in the assisted firm, but which provides qualifications that are largely transferable to other firms or fields of work and thereby substantially improve the employability of the employee. It is linked to the overall activities of the firm and provides qualifications which are largely transferable to other firms or to other fields of work. Training is regarded as general if, for example, it is jointly organised by different independent firms, or is available to the employees of different firms, or if it is recognised, certified or validated by public authorities or bodies or institutions on which a Member State or the Community has conferred the necessary powers.

(19) Eligible costs in a plan to grant training aid are listed in Article 4(7) of the Regulation. As regards trainees' personnel costs, Belgium confirmed that only the hours during which trainees actually participate in the training are taken into account. In accordance with Article 4(7)(f) of the Regulation, these were the only costs taken into account, up to the amount of the total of the other eligible costs referred to in Article 4(7)(a) to (e). On the basis of the information provided by Belgium, the Commission notes that the total eligible cost of the training programme amounts to EUR 15,18 million.

(20) Article 4(2) and (3) provides that training aid is compatible with the common market if it complies with the aid intensities set out therein, in relation to eligible costs. The Regulation specifies that the maximum aid intensities that can be authorised for the project in question, which is carried out by a large firm, are 25 % for specific training and 50 % for general training.

(21) In its decision to initiate proceedings, the Commission expressed doubts concerning the Belgian authorities' interpretation of the definition of general versus specific training. It was possible that an overly broad definition of general training had been applied to the project as the Commission had too little information on the exact content of certain courses to determine its general training character. Information was also required on which of the eleven training modules was recognised, certified or validated by the public authorities.

(22) In its comments of 28 January 2003 on the initiation of proceedings, Belgium provided detailed information on each of the eleven training modules. The additional information includes data on the content, purpose, participants and length of the main individual training courses. Belgium also clarified that training for employees in the paint shop contains both general and specific training. The specific training costs in this area had not been taken into account as these data were not available at the time of the notification.

(23) The additional documents supplied to the Commission enabled it to establish the general training character of the courses containing both specific and general training. The number of hours earmarked for general training amounts to 455 756 (71,71 % of the total). The hours earmarked for specific training amount to 179 762 (28,29 % of the total). The training is relevant not only to an employee's present or future position in the assisted firm but provides qualifications which are largely transferable to other firms or fields of work and thereby substantially improve the employability of the employee.

(24) In addition, Belgium provided documents from several public training bodies (e.g. Katholieke Hogeschool Sint Lieven, Hoger Technisch Instituut Sint Antonius, Edugo Campus Glorieux), explicitly confirming the general training character of a number of courses, in particular with regard to the training modules 'knowledge of machines' and 'technical knowledge (electricity, mechanics, robotics, etc.)'.

(25) On the basis of the documents provided by Belgium, the Commission concludes that the cost of general training amounts to EUR 10 885 861 and that of specific training to EUR 4 294 532. The applicable aid intensity ceiling for specific training is 25 % of the eligible costs and the applicable aid intensity ceiling for general training is 50 % of eligible costs.

(26) The eligible aid amounts to EUR 1 073 633 for specific training (25 % of eligible costs) and to EUR 5 442 930 for general training (50 % of eligible costs). The total allowable aid for the project is EUR 6 516 563 and will be paid in three equal, yearly instalments during the period 2003 to 2005.

(27) Under Article 6(2) of the Regulation, aid exempted by the Regulation cannot be cumulated with other State aid or with other Community funding in relation to the same eligible costs if such cumulation results in an aid intensity exceeding that fixed by the Regulation.

(28) The Commission notes that the Belgian authorities' explanation that Volvo Cars Gent submitted an application for aid totalling EUR 321 775 for training measures under the European Social Fund (Objective 3, Priority 4). In addition, 200 training vouchers (opleidingscheques) with a total value of EUR 6 000 were purchased from the Ministry of the Flemish Community for a total price of EUR 3 000. Belgium has assured the Commission that there will not in either case be any cumulation of aid in relation to the same eligible costs that would produce a higher aid intensity than that laid down in the Regulation.

CONCLUSION

(29) In view of the above, the training aid amounting to a nominal EUR 6 516 563, to be paid in three equal, yearly instalments in the period 2003 to 2005, is compatible with the common market pursuant to Article 87(3)(c) of the EC Treaty,

HAS ADOPTED THIS DECISION:

Article 1

The State aid for training amounting to a nominal EUR 6 516 563 which Belgium plans to grant to Volvo Cars NV to be paid in three equal, yearly instalments in the period 2003 to 2005, is compatible with the common market within the meaning of Article 87 of the Treaty.

Article 2

This Decision is addressed to Belgium.

Done at Brussels, 13 May 2003.

For the Commission

Mario MONTI

Member of the Commission