COMMISSION DECISION  
of 22 September 2004  
on restructuring aid implemented by France for Compagnie Marseille Réparation (CMR) — State aid  
C34/03 (ex N 728/02)  
(notified under document number C(2004) 3350)  
(Only the French version is authentic)  
(Text with EEA relevance)  
(2005/314/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:

1. PROCEDURE

(1) By letter dated 18 November 2002 and registered as received on the same date (hereinafter referred to as the notification), France notified the Commission that it intended to provide financial support for the ship repair yard Compagnie Marseille Réparation (CMR). The case was registered under case number N 728/02.

(2) By letter dated 13 December 2002, the Commission asked France for further information. France replied by letter dated 6 March 2003, registered as received on 7 March 2003.

(3) By letter dated 13 May 2003, the Commission informed France that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the notified measures. The case was registered under case number C 34/03.

(4) The Commission decision to initiate the procedure was published in the Official Journal of the European Union (5). The Commission invited interested parties to submit their comments on the measures.

(5) France submitted its comments by letter dated 31 July 2003, registered as received on 4 August 2003. No comments from other interested parties were received.

(6) France submitted further information by letter dated 2 October 2003, registered as received on 3 October 2003 and by letter dated 10 October 2003, registered as received on the same date. The Commission addressed further supplementary questions to France by letter dated 21 November 2003, to which France replied by letter dated 29 December 2003, registered as received on 8 January 2004, and by letter dated 29 January 2004, registered as received on the same date. The Commission asked further questions by letter dated 10 May 2004, to which France replied by letter dated 29 June 2004, registered as received on the same date.

(5) See footnote 1 above.
II. DETAILED DESCRIPTION

A. The recipient

(7) The recipient of the financial support is CMR, a ship repair company situated in Marseille. CMR was founded on 20 June 2002 to take over the assets of the bankrupt ship repair yard Compagnie Marseillaise de Réparations (CMdR).

(8) Previously, ship repair activities in the port of Marseille had been carried out by three undertakings: Marine Technologie, Travofer and CMdR. These yards employed some 430 people in 1996 (310 at CMdR, 70 at Marine Technologie and 50 at Travofer). In 1996, CMdR ran into difficulties and had to file for bankruptcy. A social plan was implemented in the course of the bankruptcy proceedings, helping CMdR to pay for charges related to early retirement and retraining leave for some of its staff, pending a takeover offer. According to France, the plan was financed by the public authorities.

(9) In 1997, CMdR was taken over by the Italian company Marinvest, which later on, in July 2000, sold it to the British group Cammell Laird. At the same time, Cammell Laird also took over the other two Marseille ship repair yards, Marine Technologie and Travofer. Cammell Laird intended to reorganise the three companies within CMdR as a single undertaking and switch the activities from ship repair to ship conversion.

(10) Between July 2000 and July 2002, the workforce at CMdR had significantly decreased due to ‘asbestos departures’, i.e. the retirement of workers whose health had been affected by exposure to asbestos. In view of the objective of restructuring, these workers were not replaced. The activities of CMdR were reduced accordingly, yet CMdR continued to pursue ship repair until its bankruptcy.

(11) Following the bankruptcy of Cammell Laird in 2001, CMdR got into difficulties. On 31 July 2001, the commercial court of Marseille opened bankruptcy proceedings in respect of CMdR.

(12) CMR, a company set up on 20 June 2002, placed its takeover bid for CMdR at the commercial court of Marseille, which accepted the sale plan on 20 June 2002.

(13) Thus, in the context of the CMdR bankruptcy proceedings, CMR bought CMdR’s assets for a price of EUR 1 001 (consisting of one symbolic euro for the assets and EUR 1 000 for stocks). The information shown on CMR’s balance sheet indicates that CMR started its operation in 2002 without debts.

(14) France initially indicated that CMR also took over the work in progress.

(15) Moreover, in compliance with French social security legislation on the sale of business activities (Article L. 122-12, paragraph 2 of the Labour Code), CMR was obliged to take over all the labour contracts with unchanged conditions regarding skills, pay and seniority. Likewise, CMR had to take over, firstly, wage obligations entered into before the takeover in the amount of EUR 500 000 related to the departures of asbestos affected workers and, secondly, outstanding salaries (paid leave) in the amount of EUR 620 000, these two figures being those initially quantified by France.

(16) France informed the Commission that by March 2003 CMR employed 100 production workers as compared to the average of 184 in the five preceding years.

(17) CMR is owned by five shareholders, one of which acts as the managing director.

B. The business plan

(18) According to France, restoring the viability of ship repair activity in Marseille requires the implementation of a series of measures within CMR. To this end, a five-year business plan was drawn up.
CMR is said to have inherited from CMdR a number of charges ('asbestos departures', salaries (paid leave)) and difficulties such as loss of clientele seeking ship repair in the port of Marseille. This loss was attributed to Cammell Laird's policy of focusing on ship conversion to the detriment of ship repair. This is why France asserts that CMR is in need of restructuring. France recognises that the existence of a single ship repair undertaking in Marseille (i.e. CMR) is in line with the needs and potential of the ship repair market.

The business plan, which France designates as a restructuring plan, is intended to tackle the problems encountered by CMR by adopting a series of measures. Firstly, the previous strategy pursued by Cammell Laird of switching from ship repair to ship conversion will be reversed and CMR will resume its traditional activity of ship repair. In addition, CMR will undertake the following steps, as described by France: reduction of structural costs, computer-assisted design, giving the management and the executive personnel greater responsibility, strict management of subcontracting and the development of multi-task capacities. Finally, some investment will be carried out and special attention will be given to training and specialisation of the staff.

Once the company has repositioned itself on the market, it will also be able to seek to attract ship owners of more sophisticated vessels (such as cruise ships, passenger liners and gas tankers) who are not based in Marseille and for whom the price is not the only criterion for placing an order.

France submitted two versions of CMR's business plan. The notification was based on a plan involving a high operation hypothesis, with turnover amounting to EUR 30 million in 2006 (the high hypothesis). A second, more prudent, plan (the low hypothesis) was drawn up at the request of the commercial court of Marseille (turnover limited to EUR 20 million a year from the third year until the completion of the business plan). The estimate of the company's operation changed accordingly and Table 1 below reproduces these new estimates.

Table 1
Anticipated trend in CMR's operation (the low hypothesis) (*)

<table>
<thead>
<tr>
<th>Operation</th>
<th>2002 (6 months)</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Operating costs</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Purchases of goods</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Purchases from subcontracting</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Other purchases and external costs</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Paid holidays</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>'Asbestos departures'</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Total personnel costs</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>External assistance</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Total personnel charges and assistance</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Taxes</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Total operating costs</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Operating result</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Subsidy (1)</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
<tr>
<td>Net operating result</td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
<td><a href="*">...</a></td>
</tr>
</tbody>
</table>

(1) Subsidy from the local authorities (see Table 3).

(*) Parts of this text have been edited to ensure that confidential information is not disclosed; those parts are enclosed in square brackets and marked with an asterisk.

Table 1 does not correspond to the complete profit and loss account.
According to France, the business plan is based on the turnovers generated by the ship repair companies in Marseille before the Cammell Laird group experienced difficulties in 2000 and on the capacity of CMR to achieve similar levels within two years. France also stresses that the project takes account of the stagnation in the level of customers at the time of the takeover and that the approach adopted is even more prudent in the low hypothesis.

The costs of implementing the low hypothesis business plan, i.e., according to France, the costs of restructuring, are specified in Part 1 of Table 2 below.

France further claimed as restructuring costs charges related to ‘asbestos departures’ incurred before the takeover and outstanding salaries (paid leave) incurred before the takeover. These costs are outlined in Part 2 of Table 2 below, taking into account reviewed figures provided by France in its letter of 29 January 2004.

<table>
<thead>
<tr>
<th>Table 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claimed costs of restructuring CMR</strong> (in euro)</td>
</tr>
<tr>
<td>Item</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>Part 1</strong></td>
</tr>
<tr>
<td>Investment in restructuring and maintenance (2002 to 2006): Initial</td>
</tr>
<tr>
<td>Annual (4 × EUR 100 000)</td>
</tr>
<tr>
<td>Inventories</td>
</tr>
<tr>
<td>Training needs: 200 man/hours (¹)</td>
</tr>
<tr>
<td><strong>Subtotal 1</strong></td>
</tr>
<tr>
<td><strong>Part 2</strong></td>
</tr>
<tr>
<td>Costs for ‘asbestos departures’ incurred before the takeover</td>
</tr>
<tr>
<td>Paid leave due before the takeover</td>
</tr>
<tr>
<td><strong>Subtotal 2</strong></td>
</tr>
<tr>
<td><strong>Total (Subtotal 1 + Subtotal 2)</strong></td>
</tr>
</tbody>
</table>

(¹) 20 employees a year at CMR and 50 employees a year at subcontractors.

The total costs deemed necessary to launch CMR are thus EUR 3 649 494.

**C. The financial measures**

According to France, the EUR 3 649 494 required by CMR is to be financed by loans and grants provided from public and private sources as outlined in Table 3 below. France adopted a preliminary decision to grant public support to CMR on 3 May 2002, i.e. even before CMR was set up and before CMR took over the assets of CMdR. A legally binding decision to grant the support was issued on 26 June 2002.
Table 3
Financial measures related to the restructuring CMR

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (in euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part 1 — Public contributions</strong></td>
<td></td>
</tr>
<tr>
<td>French central government</td>
<td>1 600 000</td>
</tr>
<tr>
<td>Conseil régional of Provence Alpes-Côte d'Azur</td>
<td>630 000</td>
</tr>
<tr>
<td>Conseil général of Bouches-du-Rhône</td>
<td>630 000</td>
</tr>
<tr>
<td>City of Marseille</td>
<td>630 000</td>
</tr>
<tr>
<td><strong>Subtotal 1</strong></td>
<td>3 490 000</td>
</tr>
<tr>
<td><strong>Part 2 — Private contributions</strong></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ capital contribution</td>
<td>610 000</td>
</tr>
<tr>
<td>Bank loans</td>
<td>1 830 000</td>
</tr>
<tr>
<td><strong>Subtotal 2</strong></td>
<td>2 440 000</td>
</tr>
<tr>
<td><strong>Total (Subtotal 1 + Subtotal 2)</strong></td>
<td>5 930 000</td>
</tr>
</tbody>
</table>

(28) The French central government will provide CMR with EUR 1 600 000 in the form of an interest-free loan. France attributed to the loan a net grant equivalent (NGE) of EUR 404 640, which is based on the Commission’s reference rate for 2002, i.e. 5.06%. According to France, the conditions governing the payment of this loan can be represented as in Table 4. In September 2003, an amount of EUR 800 000 was paid to CMR.

Table 4
Conditions under which the loan to CMR is paid out and repaid

<table>
<thead>
<tr>
<th>Amount (in euro)</th>
<th>Year of payment</th>
<th>Year of repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>533 333</td>
<td>n</td>
<td>n+6</td>
</tr>
<tr>
<td>266 667</td>
<td>n</td>
<td>n+7</td>
</tr>
<tr>
<td>400 000</td>
<td>n+1</td>
<td>n+7</td>
</tr>
<tr>
<td>400 000</td>
<td>n+2</td>
<td>n+7</td>
</tr>
</tbody>
</table>

(29) The Conseil régional of Provence Alpes-Côte d'Azur, the Conseil général of Bouches-du-Rhône and the City of Marseille will provide CMR with EUR 630 000 in the form of a grant. As of September 2003, the totality of the contribution from local authorities (EUR 1 890 000) had been paid out and was used to cover the losses of the company in the first six months of its operation (2002).

(30) The private contributions are described as capital contributions of shareholders of CMR (EUR 610 000) and bank loans (EUR 1 830 000). The bank loans did not involve any request for special guarantees by the banks, except as regards the following aspects. A part of CMR's assets is financed by means of leasing, i.e. it remains in the ownership of the banks until the loan is paid back. Another part of CMR's assets is subject to mortgage, which means that CMR could lose ownership of them to the banks if the loan is not repaid under the conditions agreed. The bank that provided the loan is the cooperative bank of the Banque populaire group.
D. Market information

(31) According to France, the French ship repair sector has in the past twenty years been subject to restructuring due to the strong downturn within the market. In Marseille, ship repair companies ran into difficulties because they had not taken account of unfavourable developments on the market. France states that maintaining three ship repair companies in Marseille (Marine Technologie, Travofer and CMdR) until 2000 when they were taken over by Cammell Laird exceeded the capacity of the market. France argues, however, that the existence of a single ship repair company in Marseille is in line with market requirements.

(32) As regards CMR's workforce, CMR had 100 production workers in March 2003, compared with an average of 184 in the five preceding years. This reduction was also due to departures related to the protection of asbestos-affected workers (30 persons). France notes, however, that these workers will be replaced in line with CMR's recruitment requirements.

(33) According to France, a capacity reduction at CMR was nevertheless achieved by the closure of the former Marine Technologie site and the Travofer site, which have been returned to the port of Marseille and will no longer be used for ship repair.

E. The decision to initiate proceedings under Article 88(2) of the EC Treaty

(34) In the decision to initiate the formal investigation procedure (hereinafter referred to as the decision to initiate proceedings), the Commission took the view that the measures constituted state aid within the meaning of Article 87(1) of the EC Treaty. The measures were then assessed under Council Regulation (EC) No 1540/98 of 29 June 1998 establishing new rules on aid to shipbuilding (4) (hereinafter referred to as the Shipbuilding Regulation) as well as the Community Guidelines on State aid for rescuing and restructuring firms in difficulty (5) (hereinafter referred to as the Restructuring Guidelines).

(35) In the decision to initiate proceedings, the Commission expressed doubts whether the financial measures in question could be authorised as restructuring aid, considering, on the one hand, that CMR seemed to be a newly created firm emerging from the liquidation of CMdR and bearing in mind, on the other hand, point 7 of the Restructuring Guidelines, according to which a newly created firm is not eligible for rescue or restructuring aid, even if its initial financial position is insecure.

(36) The Commission also doubted whether, even if CMR were deemed eligible for restructuring aid, all the other criteria stipulated for the approval of restructuring aid were met.

(37) In particular, the Commission noted that France did not describe which structural difficulties needed to be addressed by restructuring and only stated that the difficulties at CMR resulted mainly from the bankruptcy of CMdR. The Commission therefore doubted whether CMR in fact suffered from such structural difficulties. Consequently, the Commission also doubted whether the business plan for CMR was suitable for restoring CMR's viability within a reasonable timescale.

(38) In addition, the Commission doubted whether the capacity reductions required by Article 5 of the Shipbuilding Regulation would take place. It noted that France had not provided more precise information on the workforce actually taken over by CMR and that there were indications that subcontracting activities would be significantly increased.

The Commission further doubted whether the aid was in proportion to the restructuring costs and benefits. The Commission based its view here on the information that the restructuring costs amounted to EUR 3 649 494 and the total amount of public and private financial contributions to EUR 5 930 000. The financial sources thus exceeded the claimed restructuring needs.

In the context of proportionality, the decision to initiate proceedings raised the issue of determination of the net grant equivalent of the loan granted to CMR by the state, noting that, in conformity with the Commission notice on the method for setting the reference and discount rates (1), the reference rate may be increased in situations involving a particular risk (for example, a company in difficulty) and, in such cases, the premium may amount to 400 basic points or more. The Commission therefore doubted whether the totality of the loan could be considered to be aid.

Also in the context of proportionality, the Commission doubted whether all the costs could be admitted as restructuring costs, citing in particular the costs relating to the training of employees of CMR's subcontractors.

III. COMMENTS FROM FRANCE

In its reply to the decision to initiate proceedings and in the supplementary information which it subsequently provided, France submitted the following information and comments.

As regards the doubts as to whether CMR was a firm eligible for restructuring aid, France argued that despite the fact that CMR was a new company, it still faced difficulties. While recognising that taking over human and physical resources potentially constituted an asset for a new company, France maintained that such resources also imposed a substantial burden. France thereby confirmed its initial position that although CMR was a new company, it was similar to an existing company experiencing difficulties.

France also confirmed that CMR began its activity without debts. According to French bankruptcy law, a company in difficulties could, before filing for bankruptcy, attempt to stabilise its situation by concluding an agreement with its creditors with the help of an ad hoc administrator appointed by a commercial court. Such an administrator was appointed at the request of CMdR. Under his supervision, all work in progress was finished and the creditors paid. However, the attempt to stabilise the situation in CMdR was not successful and, due to a decrease in its assets and a lack of orders, CMdR eventually filed for bankruptcy on 31 July 2001. Therefore, at the time of the takeover, CMdR no longer had any debts.

Furthermore, it was stated that, contrary to what France initially asserted, all the work in progress was finished by CMdR before it filed for bankruptcy and that one of the reasons for filing for bankruptcy was an empty order book (see paragraph 44 above).

As regards the doubts as to the viability of the restructuring plan for CMR, France specified further elements of this plan. CMR would resume the ship repair activity abandoned by CMdR in favour of ship conversion. CMR planned to replace some of the ‘asbestos departures’ by young workers with higher qualifications and make unprecedented efforts to train its staff. Also CMR envisaged introducing annualisation of the working schedule within the framework of the regulation limiting weekly working hours to 35 hours and harmonising differences in staff status. Furthermore, CMR would modernise its plant and working methods, improve safety conditions and draw up an ISO 9001 quality plan. These measures, in addition to the measures notified initially, would, according to France, ensure the viability of CMR within a reasonable timescale.

France also stated that the viability of the plan was ensured by realistic market hypotheses based on the actual operations of the ship repair companies in Marseille prior to their integration into Cammell Laird. In addition, France noted that CMR had concluded an agreement with its employees guaranteeing social peace on the site. Lastly, France observed that CMR’s operating results in 2002 and in the first half of 2003 proved that the company would probably become viable as from 2003, as anticipated in the restructuring plan.

As to the need to ensure that competition would not be distorted, France argued that the reduction of ship repair capacities was ensured by the closing of the other two ship repair sites in Marseille (Marine Technologie and Travofer).

Moreover, France argued in this context that ship repair yards in the northern Mediterranean were if anything complementary and not in real competition.

France further confirmed that CMR was an SME within the meaning of Article 2(b) of Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises (1) (hereinafter referred to as the SME Regulation).

Lastly, France stated that 132 CMR employees had been taken over by CMR and that a total number of 58 workers were due to leave in the period 2002 to 2004 for reasons related to asbestos exposure.

As to the proportionality of the financial measures in question, France stated that the amount of EUR 5 930 000 in public and private contributions covered, on the one hand, restructuring costs (EUR 3 649 494) and, on the other, part of the company’s working capital requirements over and above restructuring requirements.

France explained that it considered the costs of training of subcontractors to be part of restructuring costs. In this context, France noted that many activities essential to CMR’s operation were carried out by external specialised companies. The latter, which as subcontractors were affected by the problems of the ship repair industry in Marseille, were not in a position to finance the training of their employees. This was why CMR was shouldering this financing, in its capacity as the contractor, who had full responsibility vis-à-vis the ship owner.

Alternatively to its claim in terms of restructuring aid, France asked the Commission to consider the compatibility of the financial measures with the common market directly on the basis of the EC Treaty (Article 87(3)(c)), if the aid was not compatible under the Restructuring Guidelines. France argued that ship repair was essential to the proper functioning of the port of Marseille, i.e. it was necessary in order to accommodate ships and ensure the provision of ship maintenance services indispensable for the activity of the port, services related to maritime safety and services related to tourism (repair of pleasure craft). France also argued that the safeguarding of ship repair in Marseille was in the Community’s interest since it was in line with the common transport policy, which promoted maritime transport. Finally, France stressed historic and strategic reasons of preserving ship repair in Marseille.

IV. ASSESSMENT

A. State aid

(55) 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, insofar as it affects trade between Member States, be incompatible with the common market.

(56) Firstly, the loan of EUR 1 600 000 given to CMR by the French government constitutes a financial advantage made available from state resources. As economic benefits granted by regional or local bodies in the Member States are also considered to be state resources, the first criterion for the application of Article 87(1) of the EC Treaty is also met with regard to the grants (each amounting to EUR 630 000) received from the region of Provence Alpes-Côte d’Azur, the department of Bouches-du-Rhône and the city of Marseille.

(57) Secondly, the public contributions were directed to a particular undertaking, CMR. The selectivity criterion governing the application of Article 87(1) of the EC Treaty is thus met.

(58) Thirdly, the three grants from the regional and local authorities as well as the interest-free loan from the French government confer on CMR an economic benefit which would be hard to obtain from the private sector. Hence, by their very nature, such measures are likely to distort competition.

(59) Fourthly, the criterion of trade being affected is met if the recipient carries out an economic activity involving trade between Member States. This is indeed the case with the ship repair activities carried out by CMR. In a sensitive sector such as ship repair, it may be assumed that trade is affected, at least potentially. This assumption underlies the long-term policy pursued with regard to the special rules applicable to state aid in the shipbuilding industry. Those rules apply fully to ship repair, which is subject to the same principles as shipbuilding. Furthermore, because of its geographical position, CMR is, at least potentially, in competition with ship repair yards in Italy and Spain.

(60) The Commission thus concludes that the public contributions to CMR as outlined in Part 1 of Table 3 all constitute state aid within the meaning of Article 87(1) of the EC Treaty.

(61) The Commission also notes that France failed to comply with its obligation under Article 88(3) of the EC Treaty not to put its proposed measures into effect until the Commission proceedings had resulted in a final decision (stand-still clause). The aid is therefore considered to be unlawful.
B. Derogation under Article 87 of the EC Treaty

(62) Since CMR engages in ship repair, aid granted to support its activities falls within the scope of the special rules on state aid applicable to shipbuilding. Since 1 January 2004, these rules have been enshrined in the Framework on state aid to shipbuilding, which replaced the Shipbuilding Regulation. However, in accordance with the Commission notice on the determination of the applicable rules for the assessment of unlawful state aid, unlawful state aid, i.e. aid put into effect in contravention of Article 88(3) of the EC Treaty, must be assessed in accordance with the substantive criteria set out in any instrument in force at the time when the aid was granted. Therefore the Shipbuilding Regulation is applicable. For the sake of completeness, it should be stated that this has no effect on the outcome of the compatibility assessment, given that the substantive criteria for the assessment of rescue and restructuring aid, aid of regional aid and of training aid are the same, whether the Commission applies the Shipbuilding Regulation or the Framework on state aid to shipbuilding, which replaced the former rules.

(63) France asked the Commission to examine whether the financial measures were compatible with the common market directly on the basis of Article 87(3)(c) of the Treaty, arguing that ship repair was an essential activity in the proper operation of a port of the size of Marseille.

(64) The Commission notes, firstly, that, if the ship repair services provided by CMR were indeed essential to the operation of the port, they should in principle be secured by the port's own resources, without having to resort to state aid. Furthermore, the Commission is authorising part of the aid as regional investment aid and is accordingly taking account of the regional concerns involved.

(65) Furthermore, the Shipbuilding Regulation constitutes a specific and exhaustive set of rules applicable to the sector, including ship repair, and stands as a lex specialis in relation to the Treaty. Authorising the aid through direct application of the Treaty would thwart the objectives pursued by establishing specific restrictive rules applicable to the sector.

(66) The Commission cannot, therefore, assess the aid directly on the basis of the Treaty.

(67) Article 2 of the Shipbuilding Regulation stipulates that aid granted for ship repair may be considered compatible with the common market only if it complies with the provisions of the Regulation.

1. Restructuring aid

(68) According to France, the purpose of the aid is to restructure the activities of CMR. According to Article 5 of the Shipbuilding Regulation, aid for the rescue and restructuring of undertakings active in the shipbuilding sector may exceptionally be considered compatible with the common market provided that it complies with the provisions of the Restructuring Guidelines as well as the specific conditions set out in Article 5 of the Shipbuilding Regulation.

(69) The Commission consequently considered whether the criteria laid down in the Restructuring Guidelines were met.

(10) With the exception of the capacity reduction requirement, which no longer is imposed as a necessary condition for granting restructuring aid by the Framework on state aid to shipbuilding. The Restructuring Guidelines do, however, impose a requirement of avoidance of undue distortion of competition, for which purpose compensatory measures must be taken. See in this respect point 35 et seq. of the Restructuring Guidelines.
(11) See, in this respect, points 12(b) and (f) and point 26 of the Framework on State aid to shipbuilding.
1.1. Eligibility of the firm

(70) According to the Restructuring Guidelines, in order to be eligible for restructuring aid, the firm must qualify as a firm in difficulty within the meaning of the Guidelines. While no precise Community definition exists, the Commission regards a firm as being in difficulty where it is unable, whether through its own resources or with the funds it is able to obtain from its owners/shareholders or creditors, to stem losses which, without outside intervention by the public authorities, will almost certainly condemn it to go out of business in the short or medium term (point 4 of the Restructuring Guidelines). These difficulties are manifested for instance by increasing losses, diminishing turnover, growing stock inventories, excess capacity, declining cash flow, mounting debt, rising interest charges and falling or nil net asset value.

(71) However, point 7 of the Restructuring Guidelines stipulates that a newly created firm is not eligible for restructuring aid, even if its initial position is insecure. This is the case, for instance, where a new firm emerges from the liquidation of a previous firm or merely takes over such firm's assets.

(72) The reason for excluding new firms from the eligibility for restructuring aid is based on the assumption that the creation of a company should be a decision reflecting the situation on the market in question. Therefore, a company should be created only if it has a chance of operating on that market, in other words, if it is capitalised and viable ab initio.

(73) A new company is not eligible for restructuring aid because, although it might well face start-up difficulties, it cannot encounter difficulties such as those described in the Restructuring Guidelines. Such difficulties (as described in paragraph 70 above) are linked to the history of a company, i.e. they are generated in connection with the operation of a company. By its nature, a new company cannot encounter this type of difficulties.

(74) A new company may, however, face some start-up losses as it has to finance investments and operating costs that initially may not be covered by the revenues from its activity. These costs are, however, associated with the start of a business activity and not with its restructuring. Such costs cannot therefore be financed by restructuring aid without depriving the latter of its specific purpose and limited scope.

(75) This limitation of the scope of the Restructuring Guidelines applies to new companies that emerge out of bankruptcy proceedings of other companies or merely take over other firm's assets. The new company in such cases does not in principle take over the debts of its predecessor and thus does not suffer from the difficulties described in the Restructuring Guidelines.

(76) In the decision to initiate proceedings, the Commission had doubts whether CMR was eligible for restructuring aid, as it appeared to be a newly created company.

(77) The Commission notes in this respect, and France acknowledges, that CMR is a new legal entity with a legal personality distinct from CMDR.
(78) The Commission also takes the view that CMR is a new economic entity that is distinct from CMdR. It is true that CMR continues to carry out an economic activity of the same type as CMdR (ship repair). However, it is not possible to conclude that CMR is the same economic entity as CMdR. On the contrary, the Commission considers that, although CMR took over the assets and goodwill as well as the workforce and some liabilities related to the social security legislation, the takeover marked a discontinuity between the old and new activity. It is illustrated by the fact that the takeover was free of debts related to the old activities. CMR was not therefore in the same financial position as CMdR. The actual situation of CMR at the beginning of its operation can be described as a fresh start. The discontinuity is also confirmed by the fact that no work in progress was taken over: all the work was completed and the suppliers paid before CMdR filed for bankruptcy.

(79) It must therefore be concluded that CMR is indeed a new company.

(80) As a matter of fact, France does not dispute this conclusion. It does, however, argue that although it is a new company, CMR is experiencing difficulties that make it similar to an existing company, the cause of these difficulties being the takeover of the workforce and the related social security costs.

(81) As to this argument, the Commission notes that CMR does not display the signs of a company in difficulty within the meaning of the Restructuring Guidelines as described in paragraph 70 above. It simply faces normal set-up costs and normal start-up losses due to the infant nature of its activity.

(82) The costs of launching a commercial activity are inevitable and are not related to the history of a company. CMR would have faced the same type of costs had its shareholders decided to create a company entirely independent from previous ship repair activities. Such a hypothesis would inevitably have involved start-up costs, such as purchase of machinery, hiring and training of staff, etc.

(83) More specifically, the Commission considers that the takeover of the workforce (with no changes in the conditions regarding skills, pay and seniority) and some social security obligations (outstanding payments for holidays, ‘asbestos departures’) was merely a legal requirement of French social security legislation (similar to that in many other countries), which had been known to the investor (12). In other words, this takeover of the workforce was a condition without which the takeover of the assets could not have taken place. Moreover, any costs associated with the acquired assets should have been taken into account when setting the purchase price.

(84) Furthermore, the Commission notes that the workforce taken over by CMR is part of the assets taken over and not a liability. In fact, this takeover of the workforce should ease CMR’s entry into market, since it relieves the firm of the costs related to recruiting and training new staff.

(85) France further argues that CMR is a company in difficulty because it exercises the same type of activity as CMdR and because it is bound by the liabilities imposed by French social security legislation, which represent a burden inherited from CMdR.

(86) Finally, France argues that the difficulties of CMdR were related to the nature of the activities it exercised. However, France also notes that the existence of a single ship repair company in Marseille is in line with the needs of the market. It is clear that CMR is indeed, after the closure of Marine Technologie and Travofer, the only ship repair company of its sort in Marseille. Hence, the fact that CMR performs ship repair activities should not be the cause of financial difficulty, requiring restructuring.

(12) However, after close examination of French legislation in this area (second paragraph of Article L 122-12 of the Labour Code), the Commission takes the view that the legislation does not require all the employees to be taken over.
To conclude, the Commission notes that CMR did not take over any liabilities from CMdR that would establish a continuation of the old ship repair activity. CMR is a newly created company, which, moreover, is not in difficulty within the meaning of the Restructuring Guidelines. The Commission considers that investment aid might be better suited to any other financial difficulties CMR might encounter.

According to the Commission’s practice since the entry into force of the Restructuring Guidelines in 1999, a company is considered to be ‘new’ for the first two years following its establishment. In this context, the Commission notes that CMR was created on 20 June 2002. The legally binding decision to grant it aid was issued on 26 June 2002, i.e. within the two-year period when CMR was a new company.

The Commission therefore concludes that CMR is not eligible for restructuring aid. In the following paragraphs, the Commission considers whether its further doubts expressed in initiating the proceedings as to whether the aid met the other criteria applicable to restructuring aid could be allayed by the information submitted by France. The Commission’s conclusions here would apply in the hypothesis that CMR was not a new company, but a company in financial difficulties and therefore eligible for restructuring aid.

For the sake of completeness, the Commission notes that the measures cannot be deemed to be rescue aid. The rule governing eligibility for rescue aid is identical to that for restructuring aid. Pursuant to point 7 of the Restructuring Guidelines, new firms are not eligible for rescue aid. Consequently, as a new firm that is not in difficulty within the meaning of the Restructuring Guidelines, CMR is not eligible for this type of aid.

1.2. Restoration of viability

According to the Restructuring Guidelines, the grant of the aid is conditional on the implementation of a restructuring plan able to restore the long-term viability of the firm within a reasonable timescale and on the basis of realistic assumptions as to future operating conditions, enabling the company to stand on its own feet. This must derive mainly from internal measures, involving the abandonment of activities which would remain structurally loss-making even after restructuring.

The Commission’s doubts arose because France did not describe which structural difficulties needed to be addressed by restructuring and only stated that the difficulties at CMR mainly resulted from the bankruptcy of CMdR. The Commission therefore doubted whether CMR was suffering from such difficulties and whether the business plan was suitable to restore its viability.

France explained that CMR’s difficulties were due to the commercial policy of Cammell Laird, which had attempted to switch ship repair companies in Marseille to ship conversion. This switch had resulted in a loss of traditional ship repair clientele. To illustrate this, France stated that CMdR had continued to carry on ship repair activities, albeit to a limited extent, but that at the end of its operation its order book was completely empty.

The Commission concludes that the difficulty CMR is facing is the situation on the relevant ship repair market, characterised by a fall in demand and the need to restore credibility, which had been harmed by the policy pursued by the previous operator.

The Commission further concludes that the business plan that France notified would be capable of restoring CMR’s viability within a reasonable timescale. However, the Commission considers that the proper instrument to address this type of difficulty is investment aid.
1.3. Avoidance of undue distortions of competition

The Commission also doubts whether CMR is proceeding towards a genuine and irreversible reduction of its capacity, as required by the second subparagraph of Article 5(1) of the Shipbuilding Regulation.

Such capacity reduction has to be commensurate with the level of aid involved, the closed capacity must have been regularly used for shipbuilding, ship repair or ship conversion up to the date of notification of the aid, and the closed capacity must remain closed for not less than 10 years from the Commission’s approval of the aid. Moreover, no account will be taken of capacity reductions in other undertakings in the same Member State unless capacity reductions in the beneficiary undertaking are impossible without undermining the viability of the restructuring plan. Finally, the level of capacity reduction is to be determined on the basis of the level of actual production in the five years preceding the restructuring.

First, as regards France’s argument that the capacity reduction will be achieved by the closure of the other two ship repair yards in Marseille (Marine Technologie and Travofer), the Commission concludes that, in accordance with Article 5(2) of the Shipbuilding Regulation, such closure is irrelevant since it concerns undertakings other than the beneficiary, unless capacity reduction would undermine the restructuring plan.

In the case at hand, Marine Technologie and Travofer are entities that are legally distinct from CMR and their closure resulted from an event that was independent of CMR, namely the bankruptcy of their parent company Cammell Laird. Furthermore, France has not claimed that a capacity reduction would undermine the business plan of CMR.

The Commission therefore does not accept this argument as evidence of a capacity reduction at CMR.

Second, several other factors were raised which might be of relevance in deciding on the avoidance of undue distortions of competition (see paragraphs 48 to 51 above).

The Commission observes at the outset that the Restructuring Guidelines in principle exempt SMEs from the requirement that aid recipients must mitigate any adverse effects of the aid on competitors, except where otherwise provided by rules on state aid in a particular sector. Such rules do exist here and are enshrined in the Shipbuilding Regulation, which does not provide for any such exemption for SMEs.

Similarly, the fact that other ship repairers in the region are not in competition with CMR is not decisive. The Shipbuilding Regulation presumes that restructuring aid in this sector has an impact on competition and does not allow for any flexibility in the light of specific market conditions, in contrast to point 36 of the Restructuring Guidelines. The beneficiary is obliged to adopt measures so as to decrease its capacity, and to do so to an extent commensurate with the level of aid involved. These stricter rules for shipbuilding are justified by the overcapacity in the sector. Ship repair, as another sensitive sector, is subject to the same rules and principles as shipbuilding, for the same reasons of overcapacity.

Finally, the Commission notes that the workforce at CMdR in 1996, when its difficulties started, was 310 persons. At the time of the takeover of CMdR’s assets by CMR, there were 132 persons. Accordingly, this reduction in the workforce took place within CMdR and preceded the grant of restructuring aid to CMR. Therefore it cannot be seen as a measure mitigating the distortions of competition.
As to the argument that capacity will be reduced through the ‘asbestos departures’, the most recent information (January 2004) indicates 58 affected workers in the period 2002 to 2004. It is clear, however, that at least some of these workers will be replaced (30, as indicated in the letter of 6 March 2003).

On the basis of this information, the Commission's doubts as to whether CMR undertook a genuine and irreversible reduction of its capacities commensurate to the aid granted have not been allayed. Therefore, even if CMR were eligible for aid as a company in difficulty, the aid would not have been compatible with the Shipbuilding Regulation.

1.4. Aid limited to the minimum

Under the Restructuring Guidelines, the amount and intensity of the aid must be limited to the strict minimum needed to enable restructuring to be undertaken in the light of the existing financial resources of the company. Aid beneficiaries are expected to make a significant contribution to the restructuring plan from their own resources or from external financing at market conditions.

The Commission doubted whether this condition had been fulfilled, as the available financial sources, private and public, outweighed the claimed requirements. France replied that the amount of EUR 5 930 000 in public and private contributions covered, on the one hand, the costs of restructuring (EUR 3 649 494) and, on the other, part of the working capital requirements over and above the requirements related to restructuring.

In this context, the Commission raised the issue of determination of the net grant equivalent of the loan granted to CMR. The Commission notice on the method for setting the reference and discount rates stipulates that the reference rate may be increased in situations involving a particular risk. The Commission concludes that if CMR were in difficulties necessitating restructuring which is the argument which France puts forward and with which the Commission disagrees, such a particular risk would indeed occur. No private borrower would provide CMR with a loan under the conditions in question, i.e. free of interest and without provision of any securities. Therefore the totality of the loan represents aid. The total amount of aid would consequently be EUR 3 490 000.

The claimed needs of restructuring are EUR 3 649 494. As the aid amounts to EUR 3 490 000, the private contribution of the beneficiary to restructuring corresponds to EUR 159 494. The contribution of the beneficiary is thus not significant, contrary to the requirement stipulated by the Restructuring Guidelines.

The Commission concludes that even if CMR were a company in financial difficulties eligible for restructuring aid, the proportionality requirement would not have been met and therefore the aid would not have been compatible with the Restructuring Guidelines.

1.5. The 1994 Restructuring Guidelines

In the decision initiating proceedings, the Commission assessed the measures under the Restructuring Guidelines adopted in 1999. This was not disputed by France in its answer to the decision. It should be noted that Article 5 the Shipbuilding Regulation makes reference to the 1994 Community guidelines on State aid for rescuing and restructuring firms in difficulty (13) (hereinafter referred to as the 1994 Restructuring Guidelines) which were replaced in 1999 by new Restructuring Guidelines. The Commission concludes, however, that even if the 1994 Restructuring Guidelines were applied, the above-mentioned reasoning would not be different. First, a new company cannot by its very nature be a company in difficulty. While less explicit, the 1994 Restructuring Guidelines are also, e.g. in their definition of firms in difficulty, clearly intended for the rescue and restructuring of existing firms, and not for newly created firms. Second, the criterion of 'aid limited to the minimum' already existed in the 1994 Restructuring Guidelines (14) and is not met in the present case.

(14) See point 3.2.2. (iii).
It follows that the aid would not be compatible under the 1994 Restructuring Guidelines.

2. Regional investment aid

The conditions governing the compatibility of regional investment aid with the common market are laid down in Article 7 of the Shipbuilding Regulation. First, the measures must concern a region referred to in Article 87(3)(a) or Article 87(3)(c) of the EC Treaty. Second, the intensity of the aid must not exceed the ceiling determined by the Shipbuilding Regulation. Third, the measures must be designed for investment in upgrading or modernising existing yards with the objective of improving the productivity of existing installations. Fourth, the aid must not be linked to a financial restructuring of the yard. Fifth, the aid must be limited to supporting expenditure eligible under the Guidelines on national regional aid (15) (hereinafter referred to as the Regional Guidelines).

The region of Marseille is an assisted area under Article 87(3)(c) of the EC Treaty. According to the Shipbuilding Regulation and pursuant to the regional map approved by the Commission, the intensity of aid for this region must not exceed 12.5% net (16).

The expenditure eligible for aid has to be expressed as a uniform set of items of expenditure: land, buildings and plant/machinery (point 4.5 of the Regional Guidelines). Eligible expenditure may also include certain categories of intangible investment (point 4.6 of the Regional Guidelines).

In its letter of 29 June 2004, France described the investment at CMR eligible for regional aid as being inventories, investment in equipment and building. Since it covers operating costs, expenditure on inventories is not eligible for aid for initial investment. The Commission describes in Table 5 the expenditure it considers eligible for aid for initial investment.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Investment in equipment, comprising:</td>
<td>420 108</td>
</tr>
<tr>
<td>2. Transport material/vehicles</td>
<td>162 500</td>
</tr>
<tr>
<td>3. Computer equipment</td>
<td>35 600</td>
</tr>
<tr>
<td>4. Various other equipment and installation</td>
<td>222 008</td>
</tr>
<tr>
<td>5. Building</td>
<td>1 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>421 108</td>
</tr>
</tbody>
</table>

The Commission accepts that this investment contributes to achieving the goals of CMR’s business plan as described in paragraph 20, and thus to upgrading and modernising the yard with the objective of improving its productivity. The investment also corresponds to a uniform set of items of expenditure: investment in buildings (item 5 of Table 5) and investment in plant/machinery (items 1 to 4 of Table 5).

(16) Net Grant Equivalent (NGE).
(17) Investment carried out in 2002 to 2004.
In conclusion, the total expenditure eligible for regional investment aid amounts to EUR 421,108 (EUR 401,152 in discounted value, base year 2002, discount rate 5.06%).

The maximum allowable aid intensity is 12.5% net (corresponding in this case to 18.9% gross\(^{(13)}\)). Therefore the admissible aid amounts to EUR 75,737.

The Commission concludes that the aid for CMR can be partially approved as aid for initial investment in the amount of EUR 75,737.

3. Training aid

The Commission noted that some of the expenditure that CMR features in its business plan relates to training. The aid was granted after the entry into force of 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\(^{(19)}\) (hereinafter referred to as the Training Aid Regulation).

The Training Aid Regulation was adopted by the Commission, which was empowered to do so by Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Articles 92 and 93 of the Treaty establishing the European Community to certain categories of horizontal state aid\(^{(20)}\). The Training Aid Regulation, as *lex posterior*, amends the Shipbuilding Regulation, which does not in itself provide for the possibility of granting training aid for shipbuilding. Article 1 of the Training Aid Regulation stipulates that the Regulation applies to aid in all sectors, i.e. including shipbuilding.

Under the Training Aid Regulation, individual aid is compatible with the common market if it fulfils all the conditions of the Regulation, i.e. if it does not exceed the relevant maximum allowable aid intensity and if it covers costs eligible under Article 4(7) of the Regulation.

France described CMR’s training needs as specific training for 20 employees a year at CMR and 50 employees a year at CMR’s subcontractors. The Commission notes that Article 2 of the Training Aid Regulation defines specific training as training involving tuition directly and principally applicable to the employee’s present or future position in the assisted firm, i.e. CMR. Employees of CMR’s subcontractors are not trained on the basis of their position at CMR and cannot therefore benefit from training aid granted to CMR. In addition, France has not given the Commission any guarantee that the part of the aid intended for the training of CMR’s subcontractors will be passed on in full to those subcontractors, CMR being merely the vehicle for the aid. Consequently, the Commission cannot consider the aid to be aid indirectly granted to CMR’s subcontractors. Since France did not provide any response to the Commission’s query on the breakdown of the training expenditure as between CMR’s employees and the employees of CMR’s subcontractors, the Commission will determine the eligible expenditure proportionally.

The total training costs claimed by France amount to EUR 896,000. Proportionally, the expenditure on the 20 employees of CMR will then represent EUR 256,000. The Commission considers the latter expenditure to be eligible for training aid.

According to Article 4 of the Training Aid Regulation, aid intensity must not exceed 40% for small and medium-sized enterprises, in areas qualifying for regional aid pursuant to Article 87(3)(c) of the EC Treaty and for projects involving specific training.

\(^{(13)}\) Gross Grant Equivalent (GGE).


Consequently, the total amount of training aid amounts to EUR 102 400.

The Commission concludes that the aid for CMR can be partially approved as training aid in the amount of EUR 102 400.

V. CONCLUSION

The Commission concludes that France has unlawfully implemented aid amounting to EUR 3 490 000 in breach of Article 88(3) of the EC Treaty. On the basis of its assessment of the aid, the Commission concludes that, as restructuring aid, the aid for CMR is incompatible with the common market, since it does not meet the conditions set out in the Shipbuilding Regulation and the Restructuring Guidelines. However, the Commission finds that the aid is in part compatible with the common market as aid for initial investment pursuant to Article 7 of the Shipbuilding Regulation and as training aid pursuant to the Training Aid Regulation. The difference between the amount granted (EUR 3 490 000) and the compatible amount (EUR 75 737 + EUR 102 400 = EUR 178 137), i.e. EUR 3 311 863, has to be recovered,

HAS ADOPTED THIS DECISION:

Article 1

Of the amount of EUR 3 490 000 granted by France to CMR:

(a) EUR 75 737 is compatible with the common market as regional investment aid under Article 87(3)(e) of the EC Treaty;

(b) EUR 102 400 is compatible with the common market as training aid under Article 87(3)(c) of the EC Treaty;

(c) EUR 3 311 863 is incompatible with the common market.

Article 2

1. France shall take all necessary measures to recover from the beneficiary the aid referred to in Article 1(c) and unlawfully made available to the beneficiary. Such aid amounts to EUR 3 311 863.

2. Recovery shall be effected without delay and in accordance with the procedures of national law provided that they allow the immediate and effective execution of this Decision.

3. The sums to be recovered shall include interest from the date on which they were at the disposal of CMR until the date of their recovery.

4. Interest shall be calculated in accordance with the provisions laid down in Chapter V of Commission Regulation (EC) No 794/2004 (21). The interest rate will be applied on a compound basis throughout the entire period referred to in paragraph 3.

5. France shall end the aid measure and cancel all payment of outstanding aid with effect from the date of this Decision.

Article 3

France shall inform the Commission, within two months of notification of this Decision, of the measures planned and already taken to comply with it. It will provide this information using the questionnaire attached in the Annex to this Decision.

Article 4

This Decision is addressed to the French Republic.

Done at Brussels 22 September 2004.

For the Commission

Mario MONTI

Member of the Commission
ANNEX

Information regarding the implementation of the Commission Decision ...

1. Calculation of the amount to be recovered

1.1. Please provide the following details on the amount of unlawful state aid that has been put at the disposal of the beneficiary:

<table>
<thead>
<tr>
<th>Date(s) of payment (1)</th>
<th>Amount of aid (2)</th>
<th>Currency</th>
<th>Identity of beneficiary</th>
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</tbody>
</table>

(1) Date(s) on which (individual instalments of) the aid has been put at the disposal of the beneficiary (in so far as a measure consists of several instalments and reimbursements use separate rows).

(2) Amount of aid put at the disposal of the beneficiary (in gross aid equivalents).

Comments.

1.2. Please explain in detail how the interest to be paid on the amount of aid to be recovered will be calculated.

2. Measures planned and already taken to recover the aid

2.1. Please describe in detail what measures are planned and what measures have already been taken to effect an immediate and effective recovery of the aid. Please also indicate where relevant the legal basis for the measures taken/planned.

2.2. By what date will the recovery of the aid be completed?

3. Recovery already effected

3.1. Please provide the following details on the amounts of aid that have been recovered from the beneficiary:

<table>
<thead>
<tr>
<th>Date(s) (1)</th>
<th>Amount of aid repaid</th>
<th>Currency</th>
<th>Identity of beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

(1) Date(s) on which the aid has been repaid.

3.2. Please attach information clearly documenting the repayment of the aid amounts specified in the table under point 3.1 above.