

COMMISSION DECISION**of 21 December 2000****on State aid granted by Finland to Ojala-Yhtymä Oy***(notified under document number C(2000) 4400)***(Only the Finnish and Swedish texts are authentic)****(Text with EEA relevance)**

(2002/283/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 61(1)(a) thereof,

Having regard to Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the Treaty establishing the European Community ⁽¹⁾, and in particular Article 7(3) thereof,

Having called on interested parties to submit their comments pursuant to the provisions cited above ⁽²⁾,

Whereas:

I. PROCEDURE

- (1) By letter of 29 October 1999 (registered on 5 November 1999) Finland notified the Commission that the Finnish authorities had granted State aid to Ojala-Yhtymä Oy (Ojala-Yhtymä) in connection with an investment to be made in the area of Piippola.
- (2) The Commission requested additional information from Finland by letter dated 2 December 1999. Finland replied by letter of 23 December 1999 (registered on 7 January 2000).
- (3) According to the information received from Finland, part of the planned aid had already been granted to the company at the time of the notification. Therefore, the case was registered as non-notified aid.
- (4) By letter dated 17 April 2000, the Commission informed Finland that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the aid.

(5) Finland submitted its comments by letter dated 29 May 2000.

(6) The Commission decision to initiate the procedure was published in the *Official Journal of the European Communities* ⁽³⁾. The Commission invited interested parties to submit their comments on the measure.

(7) The Commission received no comments from interested parties.

II. DESCRIPTION OF THE AID

(8) The aid measures regarding which the Commission decided to initiate the Article 88(2) procedure are as follows:

— a five-year interest-free loan of FIM 4 million (EUR 672 751,70) granted by the Municipality of Piippola on 12 July 1999,

— a possible aid element in the purchase price of FIM 10 000 (EUR 1 681,87) paid by Ojala-Yhtymä on 12 July 1999 for a plot of land of approximately 50 000 m² from the Municipality of Piippola.

(9) Ojala-Yhtymä is a Finnish manufacturer of custom precision mechanics. The company has 202 employees and its turnover in 1998 was FIM 173 million. Ojala-Yhtymä is an affiliate company within the Ojala group, which currently employs over 620 people and achieved a turnover of FIM 500 million in 1999. It is not, therefore, an SME.

(10) The assisted project is located in Piippola, Finland, where Ojala-Yhtymä began manufacturing tools during the first quarter of the year 2000.

⁽¹⁾ OJ L 83, 27.3.1999, p. 1.

⁽²⁾ OJ C 278, 30.9.2000, p. 2.

⁽³⁾ See footnote 2.

- (11) According to the information supplied by the Finnish authorities, Ojala-Yhtymä's investment is as follows:

(in FIM '000)

Type of investment	Amount
Land	10
Building	5 000
Machinery	8 000

- (12) According to Finland, the investment will create 20 jobs by 2002.
- (13) The five-year interest-free loan of FIM 4 million (EUR 672 751,70) was granted by the Municipality of Piippola. The loan was granted on 12 July 1999, with an initial tranche of FIM 2 million released on 13 September 1999. As security for the FIM 4 million, the Municipality of Piippola took a charge by way of a senior mortgage, to the value of FIM 4 million, on the five-hectare plot it sold to Ojala-Yhtymä, on which the industrial property is to be built.
- (14) Ojala-Yhtymä has also applied for a grant of FIM 1 million from the TE-keskus (the Employment and Economic Development Centre, a public body supporting new investments in development areas). If Ojala-Yhtymä is awarded the grant, the loan of FIM 4 million would then be reduced by FIM 1 million. Finland has not yet taken any decision to grant this assistance, which may constitute aid, or provided notification of it.
- (15) In addition, Ojala-Yhtymä has purchased a plot of land of 50 000 m² from the Municipality of Piippola for the sum of FIM 10 000 (EUR 1 681,87). The contract of sale was concluded on 12 July 1999. The selling price was not determined on the basis of an unconditional bidding procedure or an independent valuation carried out prior to the negotiations on the sale.

III. COMMENTS FROM FINLAND

- (16) The comments received from Finland can be summarised as follows:
- (17) There will be no distortion of competition, since Ojala-Yhtymä's factory investment in Piippola will replace imports from Korea, China and Taiwan.
- (18) The Municipality of Piippola sold Ojala-Yhtymä the five-hectare plot at the market price. Piippola, the Siikalatva region and the Pohjois-Pohjanmaa province have building land to sell for business activities and

similar projects. As evidence of this, Finland produced an affidavit issued by a notary public on 3 May 2000 ⁽⁴⁾. The statement reads as follows:

'I certify between 40 and 80 real estate transactions a year and, on the basis of my experience and in my opinion, the purchase price referred to above corresponds to the market price at the time in view of the location and surface area of the property and the state of the market.'

- (19) The factory established by Ojala-Yhtymä in Piippola, which is part of the Siikalatva area, will create the conditions for the future development of the area and for maintaining its population. Unemployment in Piippola remains in the region of 15 to 17 %. The 20 or so new jobs brought in by Ojala-Yhtymä are in production, but they will have the knock-on effect of creating 60 to 80 jobs in other service and business sub-sectors. Finland has provided statements bearing out these considerations from both the Siikalatva Development Centre and the Piippola College of Handicrafts and Applied Art.
- (20) The Piippola factory will specialise in the manufacture of deep-drawing and compressor tools and die-casting moulds. These tools and moulds will be principally used in Ojala-Yhtymä's other factories.
- (21) The Piippola factory differs from other tool manufacturers with its state-of-the-art design and manufacturing possibilities. With the multifaceted 3D design programmes it is possible to design tools effectively and simulate their operation. The production equipment is extensively computer-driven. The powerful modern equipment used in the new factory makes it possible to competitively manufacture tools previously made in Korea, China and Taiwan.
- (22) There has been cooperation on staff recruitment and training with the Piippola College of Handicrafts and Applied Art; By the end of 2000 the factory will employ about 20 people; by the end of the investment period the number of staff will rise to about 30 to 40. The factory will be a major employer in Piippola.
- (23) At the level of the region, the number of new jobs corresponds to the number of jobs offered by new companies setting up in the region in a whole year. In terms of manufacturing jobs, the new jobs correspond

⁽⁴⁾ Mr Viljo Lotvonen, manager of Osuuspankki in Pyhäntä from 1974 and notary public appointed by Muhos district court (subsequently Oulu district court).

to about four to five years' worth. For these reasons, Ojala-Yhtymä's direct impact on jobs is extremely significant for the area.

- (24) Many central services have left the area in recent years. For example, in the Municipality of Piippola there are no longer any privately run eating establishments and many commercial services have been discontinued.
- (25) Thanks to the new jobs in the Ojala-Yhtymä tool factory it will be possible to halt the area's population drain, increase private demand and in this way fundamentally improve the supply of services and boost the development of the area.
- (26) The interest subsidy granted by the Municipality of Piippola to Ojala-Yhtymä is important for the implementation of the project and, therefore, has a key effect on accelerating the boost the project will give development in the area.

- (27) In view of the above, the Finnish authorities are of the opinion that the setting up of the Ojala-Yhtymä factory in Piippola will also have considerable impact on the Piippola College of Handicrafts and Applied Art.

IV. ASSESSMENT OF THE AID

- (28) Article 87(1) of the EC Treaty stipulates that, except where otherwise provided, aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods is, insofar as it affects trade among Member States, incompatible with the common market.
- (29) Where financial aid from the State strengthens the position of an enterprise in relation to its competitors in the Community, it must be regarded as affecting competition.
- (30) The table below shows production figures in Europe:

Machine tool production
(Without parts and accessories, at current value)

(EUR million)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 (estimated)
Austria	290	287	277	202	169	218	188	166	219	257
Belgium	224	222	171	143	178	189	209	212	243	245
Czech Republic	—	—	—	117	130	155	192	233	274	248
Denmark	67	61	45	55	38	61	50	53	54	59
Finland	40	41	55	42	62	104	129	141	155	161
France	920	831	555	498	556	601	652	642	703	761
Germany	6 872	7 155	5 925	4 616	4 502	5 579	5 955	5 993	6 776	7 097
Italy	2 889	2 820	2 389	1 799	1 961	2 557	2 963	3 040	3 255	3 538
Netherlands	106	91	89	82	78	95	101	125	140	130
Portugal	28	26	25	22	24	26	27	29	39	40
Spain	800	611	472	337	381	506	632	720	848	912
Sweden	252	164	151	129	150	163	235	225	194	195
Switzerland	1 822	1 637	1 326	1 163	1 490	1 634	1 626	1 754	1 885	1 917
United Kingdom	1 179	947	735	572	720	755	853	1 177	1 009	872
CECIMO (14)	15 489	14 893	12 307	9 761	10 419	12 619	13 811	14 510	15 794	16 432
Index	100,0	96,2	79,5	63,0	67,3	81,5	89,2	93,7	102,0	106,1

Source: CECIMO, the European Committee for the Cooperation of the Machine Tool Industries.

(31) The table below shows the destination of the machine tools in 1997:

Production + Imports = Exports + Apparent consumption
where production = 100 in 1997 (estimated value)

Country	Production	Imports	=	Exports			Apparent consumption
				Total	To EU	To outside EU	
Austria	100	135		101	63	38	134
Belgium	100	122		133	86	47	89
Czech Republic	100	64		85	49	36	79
Denmark	100	167		110	52	58	157
Finland	100	78		82	37	45	96
France	100	99		52	30	22	147
Germany	100	26		57	20	37	69
Italy	100	31		61	29	32	70
Netherlands	100	182		153	105	48	129
Portugal	100	303		71	29	42	332
Spain	100	39		60	33	27	79
Sweden	100	123		80	32	48	143
Switzerland	100	16		86	51	35	30
United Kingdom	100	104		68	28	40	136
CECIMO (14)	100	44		66			78

Source: CECIMO, the European Committee for the Cooperation of the Machine Tool Industries.

(32) The Commission, therefore, considers that any State aid granted for the benefit of Ojala-Yhtymä may affect trade.

The loan

(33) The granting of a loan of FIM 4 million, without interest and with repayment at the end of the loan period (four years), constitutes state aid within the meaning of Article 87(1) EC. The aid element is estimated at FIM 1 400 000, which represents 7,99 % (gross) of the eligible costs. Since this measure has not been granted within the framework of a regional scheme authorised by the Commission, it constitutes individual ad hoc aid.

(34) If the Employment and Economic Development Centre awards the grant of FIM 1 million, the loan is to be reduced by the same amount. The aid measure would then include an aid element estimated by the Finnish authorities at FIM 1 050 000. However, as indicated

above, no granting decision has been taken nor has Finland notified its intention to grant this aid. The Commission takes this to be a fact. This decision contains no assessment of the compatibility of the aid with the single market. It is the job of the Finnish authorities to announce their intention to grant aid, where required.

The land sale

(35) According to the Commission Communication on state aid elements in sales of land and buildings by public authorities⁽⁵⁾, Member States must notify the Commission of intended sales of land where there is no unconditional bidding procedure or an independent valuer's assessment, so that the Commission can establish whether the transactions contain a state aid element.

⁽⁵⁾ OJ C 209, 10.7.1997, p. 1.

- (36) In their reply to the Commission's announcement that it was initiating the Article 88(2) procedure, the Finnish authorities stated that the price paid for the land (FIM 0,20, i.e. EUR 0,03, per m²) was the current market price. As supporting evidence, Finland quotes the following two purchases of land by the Municipality of Piippola:
- 2 510 m² at FIM 0,40/m² on 31 August 1999,
 - 1 000 m² at FIM 1/m² on 31 August 1999.
- (37) However, this information is not sufficient to dispel the Commission's doubts as to whether the sale of a plot of land to Ojala-Yhtymä includes a State aid element, for the following reasons:
- the Finnish authorities have not submitted evidence showing that the conditions laid down in the above Communication are met. Therefore, the selling price cannot be deemed to constitute a market price within the meaning of the Communication or be covered by the presumptions laid down in it. The Commission should, therefore, have been given prior notification of the price of the land,
 - the Finnish authorities have not submitted any evidence from an independent valuer; a notary public is not an 'independent valuer' within the meaning of the Communication,
 - in one of the two transactions quoted by the Finnish authorities the seller was the Finnish State. Since the Finnish authorities do not indicate whether the price was set on the basis of either an unconditional bidding procedure or an independent valuer's assessment, it is difficult to consider it a fair market price,
 - the buyer in the second transaction was the Municipality of Piippola. Here too it is not inconceivable that the land sale came with other obligations for the Municipality of Piippola attached,
 - no data have been provided on comparable transactions involving private parties in the same area.
- (38) Consequently, the response from Finland has not taken away the doubts as to whether the price of FIM 0,20/m² includes a State aid element.
- (39) Although Finland responded to the Commission's inquiries and sent detailed data on the transaction, the information is not conclusive. The aid element has, therefore, been estimated in accordance with the following assumptions.
- (40) According to the information available, the value of a plot of forestland in Finland depends mainly on the value of the trees growing in the area in question. In general, forest ground without any trees is basically worthless, particularly if it is situated close to a swamp and a rubbish dump, as in this case. A swamp has basically no value. The value of the trees growing in a given area depends on the quality of the land and trees.
- (41) Ojala-Yhtymä acquired the plot of land as forestland. Finland has confirmed that the company assumed all the costs connected with the development of the land. Therefore, the estimated value of the advantage should comprise only the value of any trees in the area.
- (42) According to figures from the Finnish Forest Research Institute, the average wood volume of forests in the Pohjanmaa area is approximately 163 m³/hectare. Of this 163 m³/hectare, pine wood accounts for approximately 121 m³/hectare on average.
- (43) According to the Forest Management Associations, the selling price of pine logs varies from 284,4 FIM/m³ to 291,1 FIM/m³ depending on the mode of sale.
- (44) Assuming, for the sake of argument, the highest possible value of the five-hectare plot of land sold to Ojala⁽⁶⁾, the market value of the trees growing on it can be estimated at FIM 232 836. When the FIM 10 000 paid for the land is deducted, this leaves a financial advantage of FIM 222 836, which represents gross aid intensity of 1,68 % relative to the value of the investment (including the revised value of the land).
- (45) Where financial aid from the State strengthens the position of an enterprise in relation to its competitors in the Community, it must be regarded as affecting competition.

The compatibility of the aid

- (46) The aid consists of direct grants from the Municipality of Piippola for an investment in the area. Piippola is an assisted area within the meaning of Article 87(3)(c) of the EC Treaty⁽⁷⁾. The regional aid ceiling for this area is 20 % NGE. Paragraph 2 of the Guidelines on National Regional Aid⁽⁸⁾ (the Guidelines) states that the Guidelines apply to all sectors of the economy, apart from those where sector-specific rules apply. Since

⁽⁶⁾ 121 m³ of pine wood per hectare, worth FIM 291,1/m³; the remaining 42 m³ per hectare being spruce wood worth FIM 270,1/m³.

⁽⁷⁾ At the time when the aid was granted, Piippola was classified as area 2, as it is for the period 2000 to 2006.

⁽⁸⁾ OJ C 74, 10.3.1998, p. 9.

manufacturing of metal components is not covered by any sector-specific rules, the aid is to be assessed according to the provisions of the Guidelines.

- (47) The Commission notes that part of the aid has already been paid to the beneficiary Ojala-Yhtymä Oy and that it was not granted under any approved regional scheme. The aid, therefore, counts as ad hoc aid that has to be assessed on its own merits. The Commission is required in particular to examine the impact of the aid in the context of the Community as a whole.
- (48) In Finland, rural areas like Piippola are experiencing net emigration with the population falling by 1 % to 2 % a year. In recent years unemployment in the area has persistently remained in the region of 15 %. According to the information submitted by the Finnish authorities, Ojala-Yhtymä's tool-manufacturing unit in Piippola will introduce a completely new line of business to the area, incorporating world-class state-of-the-art technology, and will, in this way, create new jobs. Looked at from the point of view of the area and the municipality, the

jobs to be created are significant in both quantitative and qualitative terms.

- (49) Finland has confirmed that the investment will directly create 20 new jobs. In addition, between 60 and 80 jobs will be created indirectly.
- (50) According to the Finnish authorities, by 2003 the Ojala Group's Piippola factory will be the most modern tool-manufacturing unit in Finland. Tools will be manufactured in cooperation with European manufacturers of electronics and telecommunications components in a cost-efficient way that ensures high-quality products. The company's business plan indicates that the investment corresponds to growing international demand and will increase the company's market share.
- (51) According to figures from the European machine tool builders confederation, the apparent consumption in Europe of machine tools fell in the period 1992 to 1995. However, over the period 1996 to 1999 the sector experienced steady growth (in EUR million):

*Apparent consumption of machine tools
Without parts and accessories; at current value*

(EUR million)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 (estimate)
Austria	275	341	385	215	209	210	327	197	226	251
Belgium	272	284	296	142	157	167	185	200	254	219
Czech Republic	—	—	—	89	142	152	157	183	235	219
Denmark	107	92	64	67	76	117	91	86	142	130
Finland	131	73	38	35	68	121	124	123	148	130
France	1 777	1 566	1 217	757	837	985	1 225	1 091	1 316	1 356
Germany	4 899	5 201	3 939	2 548	2 372	3 654	3 765	4 146	5 126	5 737
Italy	2 349	2 210	1 788	1 121	1 421	2 093	2 197	2 135	2 493	2 781
Netherlands	261	215	244	126	108	188	222	194	351	310
Portugal	112	109	105	124	74	65	81	95	128	111
Spain	857	654	562	279	333	383	480	573	766	930
Sweden	299	172	125	76	225	251	324	317	400	386
Switzerland	694	573	442	333	425	549	544	523	618	650
United Kingdom	1 226	1 005	846	528	686	901	930	1 491	1 192	887
CECIMO (14)	13 259	12 495	10 051	6 440	7 133	9 836	10 651	11 353	13 395	14 097
Index	100,0	94,2	75,8	48,6	53,8	74,2	80,3	85,6	101,0	106,3

Source: CECIMO, the European Committee for the Cooperation of the Machine Tool Industries.

- (52) In view of the above, and considering that the aid intensity (7,99 % gross plus 1,68 % gross) is well below the regional threshold of 20 % gross, it can be concluded that the state aid granted by Finland to Ojala-Yhtymä will facilitate the regional development of the area, without adversely affecting trading conditions to an extent contrary to the common interest.
- (53) The aid can, therefore, benefit from an exemption under Article 87(3)(c) of the Treaty.

V. CONCLUSION

- (54) The Commission finds that the aid in question was unlawfully granted by Finland in breach of Article 88(3) of the Treaty. The Commission nonetheless considers that the State aid granted by Finland to Ojala-Yhtymä will facilitate the regional development of the area, without adversely affecting trading conditions to an extent contrary to the common interest,

HAS ADOPTED THIS DECISION:

Article 1

The state aid which Finland has granted to Ojala-Yhtymä Oy, comprising FIM 1 400 000, plus an aid element included in a land transaction that the Commission estimates at FIM 222 836, is compatible with the common market within the meaning of Article 87(3)(c) of the Treaty.

Article 2

This Decision is addressed to the Republic of Finland.

Done at Brussels, 21 December 2000.

For the Commission

Mario MONTI

Member of the Commission