

II

(Acts adopted under the EC Treaty/Euratom Treaty whose publication is not obligatory)

DECISIONS

COMMISSION

COMMISSION DECISION

of 21 March 2007

on State aid C 21/2006 (ex N 635/2005), to be implemented by the Slovak Republic for Slovenské lodenice Komárno

(notified under document number C(2007) 1182)

(Only the Slovak version is authentic)

(Text with EEA relevance)

(2007/529/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 called on interested parties to submit their comments pursuant to the provision cited above ⁽¹⁾ and having regard to their comments,

Whereas:

1. PROCEDURE

(1) By letter dated 9 December 2005, registered as received on 14 December 2005, the Slovak Republic notified the Commission of its intention to grant regional investment aid to the shipyard Slovenské lodenice Komárno. The Commission requested information by letters of 23 December 2005 and of 27 February 2006, to which the Slovak Republic replied by letters of 26 January 2006, registered as received on 31 January 2006, and of 23 March 2006, registered as received on 4 April 2006, respectively.

(2) By letter of 7 June 2006, the Commission informed the Slovak Republic that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the aid.

(3) The Commission decision to initiate proceedings under Article 88(2) EC Treaty was published in the *Official Journal of the European Union* ⁽²⁾. The Commission invited interested parties to submit their comments on the measure.

(4) By letter of 6 July 2006, registered as received on 12 July 2006, the Slovak Republic submitted the observations of the beneficiary of the aid, Slovenské lodenice Komárno. Since it was the Slovak Republic which forwarded these observations to the Commission, the Commission considers that the Member State had had the opportunity to react to the beneficiary's observations. The Slovak Republic did not submit any further observations. By letter of 30 October 2006, the Commission requested the Slovak Republic to confirm the Commission's understanding of the beneficiary's observations. The beneficiary provided further clarifications at a meeting held on 14 December 2006. The Slovak Republic responded to the Commission's request of 30 October 2006 by letter of 10 January 2007, registered as received that same day, also confirming the clarifications provided by the beneficiary at the above-mentioned meeting.

⁽¹⁾ OJ C 194, 18.8.2006, p. 30.

⁽²⁾ See footnote 1.

2. DETAILED DESCRIPTION OF THE AID

2.1. Relevant undertaking

- (5) The beneficiary is the Slovak shipbuilding company Slovenské lodenice Komárno (SLK), joint stock company, Bratislava, situated on the river Danube in a region eligible for regional aid under Article 87(3)a EC Treaty. The company was established in 2000. Its shareholders are Euram Bank AG Vienna (70 %) and the State (30 %). Euram Bank AG Vienna became the majority shareholder through two capital injections in 2003. SLK is a large company with a turnover of SKK 1,424 billion ⁽³⁾ (2004) and 910 employees (2005). After being partially privatised in 2003, the company tripled its output (in terms of annual CGT) and in 2004 it posted a profit of SKK 26 million. The company is not in financial difficulties.
- (6) SLK produces small sea-going container ships and bulk carriers with a maximum loading capacity of 6 000 dwt. According to the information provided by the Slovak Republic, the market leaders are the Damen shipyards in the Netherlands and Flensburg shipyards in Germany, producing ships between 4 000 and 20 000 dwt. The Stocznia Północna shipyard in Poland also specialises in building container ships of a similar size. SLK does not undertake repairs or conversions of sea-going vessels. SLK's entire production goes to European Union Member States.

2.2. The investment project

- (7) Between 2006 and 2008 SLK intends to implement an investment project entitled '*Modernisation of the technical base of SLK*'. The aim of the project is to modernise the company's production. The investment project comprises nine sub-projects (SP 01 to SP 09), which are described below; the descriptions take account of the observations submitted by the beneficiary after the formal investigation procedure was launched, as these were crucial for clarifying the nature of the investment.

- SP 01 — Extension of the production areas: construction of a new rail on the shipyard's premises, which will be fitted out to become a new section assembly facility; the shipyard will be buying a crane with a lifting capacity of 50 t. To date this part of the yard has been used not for production, but as a storage area. The costs of this investment come to SKK 39 825 658.
- SP 02 — Purchase and installation of a chamber jet for the 'automated steel pre-fabrication system'. The investment is designed to speed up the cleaning of steel plates. The new chamber jet has several

advantages over the current facility: higher processing speed, significantly lower abrasive and energy consumption and environmental improvements. The theoretical capacity of the automated steel pre-fabrication system would increase from 12 450 t to 15 700 t. The costs come to SKK 17 500 000.

- SP 03 — Installing energy distribution on rails 4 and 5: rails 4 and 5 are currently used for section building and assembly work; the yard will build six new energy connection points (for acetylene, oxygen and compressed air), which will upgrade this facility. The investment costs are SKK 6 500 000.
- SP 04 — Installing energy distribution on the quay, where the final stage of the production process takes place: new distribution channels and eight connection points will be built along the quay (for acetylene, oxygen, compressed air and electricity). The aim is to replace the current slow and costly system where acetylene, oxygen and compressed air are sourced out of bottles. The costs come to SKK 3 500 000.
- SP 05 — Horizontal boring tool: purchase of a W 100 type horizontal boring tool. To date SLK has been renting an older type of this tool (the W 75). The W 100 type is a more advanced tool, which, owing to its technical characteristics, can process a larger variety of parts, in a more efficient way (more revolutions per minute). The investment costs come to SKK 6 000 000.
- SP 06 — Material-cutting workshop: purchase of hydraulic table shears. To date, an alternative, less efficient technology has been used. The costs come to SKK 2 000 000.
- SP 07 — Improvement of quality control: control measurements of the hull during production; quality control of work after the individual interventions; purchase of a portable X-ray machine, a machine to measure paint and materials, an ultrasound machine to measure the width of steel plates and a probe. The costs come to SKK 2 000 000.
- SP 08 — Modernisation of moving equipment: platform truck, forklift truck, lead traction battery charger. The costs come to SKK 2 000 000.
- SP 09 — Aluminium and stainless steel welding workshops: electric locksmith workshop, tube-welding workshop. The two workshops are currently subcontracted. The costs come to SKK 1 000 000.

⁽³⁾ The central rate published by the National Bank of Slovakia (November 2005) is EUR 1 = SKK 38,4550.

- (8) The total costs come to SKK 80 325 658, corresponding to the eligible costs for the regional investment aid. The costs comprise expenditure for the purchase of machinery and equipment. The present value of the eligible investment costs is SKK 76 100 000 (discount rate 7,55 %). The costs are distributed over the different years as follows:

Table 1

The current value of the eligible costs

Year	Eligible costs	Current value of eligible costs
2006	31 164 000	31 164 000
2007	37 295 658	34 677 506
2008	11 866 000	10 258 494
Total	80 325 658	76 100 000

- (9) According to the Slovak Republic, sub-projects SP 02 - SP 09 are self-standing projects which SLK will implement even if sub-project SP 01 is not carried out.
- (10) The investment project will increase the shipyard's technical capacity from 24 000 CGT to 28 500 CGT in 2009, which corresponds to a production increase of up to two ships a year. Other effects of implementing the project will be a shortening of the production cycle, cost savings and quality improvements. The productivity of the yard will increase from the current 67 man-hours/CGT to 58 man-hours/CGT in 2009, taking into account the work subcontracted.
- (11) As a result of the investment, 140 jobs will be created in the yard itself (including 112 jobs directly linked to production, 20 ancillary jobs and 8 white-collar jobs) and 50 indirect jobs will be created in the region, which has an unemployment rate of 14 %. Following the implementation of sub-project SP 09, a large portion of the jobs directly linked to production will be created through in-sourcing. The annual input in terms of available man-hours will increase from 1 590 300 to 1 653 200 after the investment.
- (12) The beneficiary declared that it will maintain the results of the investment for a period of at least five years. SLK applied for aid by letter of 10 October 2005. The investment commenced in 2006.

2.3. Measure in question

- (13) The notified measure involves a write-off by the Social Security Agency of a penalty relating to SLK's late payment of its social security contributions between 31 October 2003 and 31 March 2004. The debt to be written off totals SKK 17 117 957. The Social Security Agency will not put the write-off into effect until it receives the approval of the Commission. The current value of the aid amounts to SKK 17 117 957, which is equal to an aid intensity of 22,49 % of the eligible costs.
- (14) The remaining sources of financing are SLK's own resources (SKK 19 025 000) and a loan from a private bank (SKK 39 957 043).

3. DECISION TO INITIATE PROCEEDINGS UNDER ARTICLE 88 (2) EC TREATY

- (15) The Commission initiated the formal investigation procedure on the following grounds. First, the Commission had doubts as to whether sub-projects SP 01, SP 05 and SP 09 were investments in modernising the existing yard aimed at increasing the productivity of the existing installations and whether, therefore, they qualified as eligible for regional aid.
- (16) The Commission had specific doubts as to whether sub-project SP 01, apparently intended to create new production capacity, was also designed to improve the productivity of installations already existing in the yard.
- (17) The Commission also suspected that sub-project SP 05 merely involved replacing the rented equipment with the company's own, since the investment would not obviously bring about any efficiency gains. The Commission had the same doubts with regard to sub-project SP 09.
- (18) Second, the Commission had doubts as to whether sub-projects SP 01, SP 02 and SP 03 were eligible for regional aid as they appeared to lead to an increase in the technical capacity of the beneficiary. The Commission concluded that it needed to analyse further the impact of the aided investment on the capacity of the yard.
- (19) Third, in connection with the doubts regarding the regional aid eligibility of the individual parts of the investment project, the Commission also had doubts as to whether the maximum permitted aid intensity was respected.

(20) Finally, the Commission's preliminary conclusion was that, on the basis of the information available to it at that stage, the remaining sub-projects fulfilled the eligibility criteria laid down in the Framework on State aid to shipbuilding (hereinafter referred to as the Framework) ⁽⁴⁾.

4. COMMENTS FROM THE BENEFICIARY

(21) In its submissions following the initiation of the formal investigation procedure, the beneficiary provided further explanations regarding the justification and impact of the investment project.

(22) It explained that the principal motivation of the investment project was the current unsuitable layout of the yard, which made it dependent on natural conditions, i.e. the water level of the Danube. Currently, hull sections are assembled both in covered production halls and in the open on rails 4 and 5. The problem with the current layout is that the size of the sections is limited, on the one hand, by the height of the production halls and, on the other, by the lifting capacity of the crane on tracks 4 and 5 (27 t). The consequences are two-fold. First, assembly of the larger sections has to be partially done on water. Second, often the sections do not reach the critical size to enable outfitting, in particular in the case of the piping. The latter is therefore carried out on water only after the hull is completed, which is inefficient.

(23) The fact that the assembly and outfitting have to be at least partially carried out on water renders the yard very sensitive to the water levels and natural conditions on the Danube. When the water level is low, production has to be halted, because it is technically impossible to continue assembly in the halls (limited height and space) or on the existing outside facilities (limited crange capacity).

(24) This is the problem addressed by sub-projects SP 01 and SP 03. The investment would create new assembly capacity, enabling the yard to produce larger sections. The outdoor assembly capacity will be extended by a new facility on rail 8, equipped with a 50 t crane, which corresponds to the crange capacity of the outfitting berth. In this way, the process is streamlined. In addition, the existing assembly capacity on rails 4 and 5 will be modernised.

(25) Consequently, part of the section building will be moved outside from the production halls. In the past, the

production halls have become congested when the Danube water level was too low to enable work on water, with the result that production had to be halted. The space freed up will be used for streamlining the production flow inside the assembly halls and will enable the yard to carry out work other than assembly work, such as painting, production of various smaller ship parts, etc.

(26) Implementation of sub-project SP 03 will shorten the distribution network, which will reduce energy losses.

(27) As regards sub-project SP 02, the beneficiary highlighted the efficiency gains resulting from the replacement of the existing chamber jet by a new one.

(28) In the case of sub-project SP 05, the beneficiary provided a comparison of the technical characteristics of the old boring tool with the new one, as described in paragraph 7 above.

(29) Finally, as regards sub-project SP 09, the beneficiary explained that subcontracting of aluminium and stainless steel welding becomes problematic when the technical specifications of the manufactured parts are modified during the production process. Such modifications appear to be common and the beneficiary was therefore often entirely dependent on the working schedule of its subcontractors. Owning the necessary equipment itself would give the beneficiary the necessary flexibility to react promptly to such modifications and lead to a considerable work-flow improvement (20 % cost reduction for the production of non-steel parts). This was all the more important, given that aluminium and stainless steel materials were increasingly being used instead of steel.

(30) In reply to the concern that sub-projects SP 01, SP 02 and SP 03 were intended to increase the technical capacity of the yard, the beneficiary argued that the increase in technical capacity was merely a consequence of the productivity improvements achieved through these investments. The beneficiary confirmed that the overall capacity would increase from 24 000 CGT to 28 500 CGT in 2009, corresponding to an increase of, on average, two ships a year, depending on the size and type of vessel. The theoretical steel-processing capacity would increase from 12 450 t to 15 700 t. However, actual steel-processing capacity would remain at 12 450 t due to bottlenecks in the previous stages of production, which could be eliminated only by very large-scale investments, for which the yard had no plans in the medium term.

⁽⁴⁾ OJ C 317, 30.12.2003, p. 11. The duration of the Framework was extended by the Commission communication concerning the prolongation of the Framework on State aid to shipbuilding (OJ C 260, 28.10.2006, p. 7).

(31) In response to the concerns that that sub-projects SP 01, SP 05 and SP 09 were not intended to improve the productivity of existing installations, the beneficiary provided the Commission with figures to prove the actual productivity increase. The beneficiary quantified the overall increase in productivity in terms of the following factors: shortening of the production cycle by 20, 12 or 8 days, depending on the ship type; reduction in the volume of work by about 12 000 man-hours per vessel; increase in productivity of the steel pre-fabrication installation in terms of processed steel (t) per production worker by 14 % (from 13,65 to 15,60) and in terms of man-hours per tonne of processed steel by 31 % (from 127 to 97).

5. COMMENTS FROM THE SLOVAK REPUBLIC

(32) The Slovak Republic sent the Commission the beneficiary's comments without adding any of its own, which meant that it endorsed what the beneficiary had stated.

6. ASSESSMENT

6.1. State aid within the meaning of Article 87(1) of the EC Treaty

(33) Article 87(1) of the EC Treaty states that 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 European Courts, the criterion of trade being affected is met if the recipient firm carries out an economic activity involving trade between Member States.

(34) In the present case, the debt write-off is provided by the Social Security Agency, which is the central authority managing the social insurance system. This means that the financial measure involves state resources and is imputable to the State. The Social Security Agency has the discretionary power to waive penalty payments in whole or in part 'in justified cases'. The selectivity criterion is therefore fulfilled. The measure confers a financial advantage on SLK that it would not have obtained on the market, as it would normally have to pay the penalty. SLK manufactures sea-going vessels. As these products are traded, the measure threatens to distort competition and affects trade between Member States. Although operating in a niche market of small ships up to 6 000 dwt, SLK is in potential competition at least with a small Polish shipyard, the Dutch Damen shipyard and the German Flensburg shipyard. Consequently, the financial measure constitutes State aid within the meaning of Article 87(1) of the EC Treaty and has to be assessed accordingly.

(35) The State aid totals SKK 17 117 957.

(36) As already stated in its decision to initiate the formal investigation procedure, the Commission decided not to assess whether the non-recovery of the social security contributions for the period between 31 October 2003 and 31 March 2004 constituted State aid within the meaning of Article 87(1) of the EC Treaty. This event occurred before Slovakia's accession to the European Union and did not apply thereafter. Therefore, the Commission does not have the power to assess the compatibility of the measure with the common market. The data show that SLK paid all the social security contributions accrued between 31 October 2003 and 31 March 2004, which is in fact a necessary condition for the write-off of the penalty payments.

6.2. Compatibility of aid: Derogation under Article 87(3) of the EC Treaty

(37) Article 87(2) and (3) of the EC Treaty provide for exemptions to the general incompatibility of State aid, as stated in paragraph (1) of the same Article.

(38) The Commission issued the Framework for the purpose of assessing aid to shipbuilding. According to the Framework, shipbuilding means the building, in the Community, of self-propelled seagoing commercial vessels. The activities of SLK fall under this definition and the aid to SLK, therefore, has to be assessed in the light of the Framework.

(39) Point 26 of the Framework stipulates that regional aid for shipbuilding, ship repairs or ship conversion may be deemed compatible with the common market only if the aid is granted for investment in upgrading or modernising existing yards that is not linked to a financial restructuring of the yard(s) concerned and has the objective of improving the productivity of existing installations.

(40) The aid intensity may not exceed 22,5 % in Article 87(3)(a) regions or the applicable regional aid ceiling, whichever is the lower. In the present case, the ceiling of 22,5 % is applicable. Furthermore, the aid must be limited to support eligible expenditure as defined in the applicable Community guidelines on regional aid (Regional Aid Guidelines)⁽⁵⁾.

The modernisation — Projects SP 01, SP 05 and SP 09

(41) The Commission's doubts as to whether these sub-projects constitute investment in modernisation of the existing yard with the aim of improving the productivity of existing installations have been allayed.

⁽⁵⁾ OJ C 54, 4.3.2006, p. 13.

- (42) The Commission considers that sub-project SP 01 does constitute a modernisation project, as it contributes to the streamlining of the production process and addresses fundamental problems with the current layout of the yard. First, it will enable the yard to produce larger sections on shore and thus liberate it from its dependency on the natural conditions on the river Danube. Second, the efficiency of the assembly process will be improved, as the yard will be able to construct larger sections. Third, the section outfitting will be done at an earlier stage in the production process, which will bring efficiency gains, compared to the current practice of carrying out the outfitting on completed hulls, particularly in the case of the piping. Finally, the existence of the new installation will enable better use of the production halls, which are currently congested with section building and will in the future be used for other activities at an earlier stage in the production process.
- (43) On the basis of these considerations, the Commission concludes that, despite the fact that it concerns a new installation, sub-project SP 01 does represent a modernisation of the yard as a whole (in particular of the section assembly process) and does improve the productivity of the existing installations, in particular the production halls.
- (44) As regards sub-project SP 05, the more modern and faster boring tool can, thanks to its technical characteristics, be used for handling a larger variety of parts, thereby increasing flexibility at the 'production and systems installation' stage. The investment represents a genuine modernisation and not a mere replacement of the rented machinery used by the yard to date. The sub-project improves the productivity of existing installations and, even if the rented tools are not deemed to be existing installations, the sub-project improves the productivity of the 'production and systems installation' stage.
- (45) Sub-project SP 09 makes for productivity improvements in the aluminium and stainless steel welding workshop in the form of clear cost savings and by enabling the yard to react operationally to the frequent changes in client specifications, thus eliminating the current work-flow interruptions. The investment leading to in-sourcing represents a genuine modernisation of the production process. The project improves the productivity of existing installations and even if the rented installation is not deemed to be an existing installation, the project improves the production process as a whole.
- (46) On the basis of these considerations, the Commission concludes that sub-projects SP 05 and SP 09 constitute modernisation of the existing yard and make for improvements in productivity when compared with the existing installations.
- The issue of capacity — Projects SP 01, SP 02 and SP 03*
- (47) In its decision to initiate the formal investigation procedure, the Commission was concerned that sub-projects SP 01, SP 02 and SP 03 would lead to an increase in the capacity of the yard and doubted whether such an increase would be in line with the Framework.
- (48) The Commission concluded that these three sub-projects all fulfilled the requirement that the investment must be in modernisation of the existing yard for the purpose of improving the productivity of existing installations. In the case of sub-project SP 01, this was demonstrated above in paragraph 42. As regards sub-project SP 02, the Commission observes that the new chamber jet represents a qualitative improvement in terms of increased speed, lower material and energy consumption and impact on the environment. The benefits of sub-project SP 03 are two-fold. First, the reduction of the length of the distribution network leads to savings in energy costs. Second, the improvement of the section assembly installation on rails 4 and 5 brings the same productivity improvements as sub-project SP 01 (ability to build larger sections, freeing-up of space in the production halls, non-reliance on weather conditions).
- (49) With regard to the issue of capacity, the Commission will first examine the effects of these sub-projects on the technical capacity of the yard (paragraphs 50 and 51 below) and then go on to determine whether, if there is any increase in capacity, it can be considered justified (paragraphs 52 and 53).
- (50) On the basis of the information provided by the beneficiary, the Commission observes that, although sub-project SP 02 does lead to an increase in the capacity of an existing installation (the automated steel pre-fabrication system), this increase is purely theoretical. The new capacity of 15 700 t of processed steel is the new maximum capacity of this particular installation. However, due to other bottlenecks in previous stages of production, the quantity of steel actually processed will remain unchanged at 12 450 t. The beneficiary confirmed that significant investments would be necessary to de-bottleneck the steel pre-fabrication, and that there were currently no plans for any such investments. The Commission therefore concludes that sub-project SP 02 does not lead to a capacity increase of the yard as a whole and the possibility for expansion up to the level of 15 700 t is purely theoretical.

(51) In the case of sub-projects SP 01 and SP 03, it was confirmed that they would jointly result in an increase in the capacity of the yard from 24 000 CGT to 28 500 CGT, which corresponds to an increase of up to two ships a year, depending on the size and type of the vessels produced. The Commission notes that since the steel processing capacity does not increase (see paragraph 50 above), the increased technical capacity of the yard could only be due to productivity improvements in the processes that follow the steel pre-fabrication. Sub-projects SP 01 and SP 03 do indeed lead to increased productivity in the case of the section assembling process, with significant gains in terms of construction time (the production cycle is shortened by on average 30 %, the assembly of one vessel taking on average approximately 36 days and the average reduction being 13 days per vessel; see paragraph 31). The capacity increase results from the fact that larger sections will be assembled, which will reduce the hull assembly time. Consequently, the level of completion in terms of CGT per calendar year increases.

(52) The Commission now needs to determine whether this capacity increase is proportionate to the productivity increase. For this purpose, the Commission notes that the investment project brings considerable production gains. The production cycle is shortened by on average 30 %. All productivity indicators show improvement: an increase in the overall productivity of the yard in terms of man-hours per CGT by 15 % (from 67 to 58), as well as an increase in the productivity of the steel pre-fabrication installation in terms of processed steel (t) per production worker by 14 % (from 13,65 to 15,60) and in terms of man-hours per tonne of processed steel by 31 % (from 127 to 97). The Commission also notes that whereas 140 new direct jobs will be created at the yard, which corresponds to a 15 % increase, the annual input in terms of available man-hours will increase by only 3,9 % (from 1 590 300 to 1 653 200). This means that the new direct jobs are to a large extent the consequence of the in-sourcing of the welding activity (SP 09). The increased capacity is therefore due not to the creation of additional jobs, but to the modernisation of the facilities and streamlining of the production flow.

(53) Since: (1) the investments fulfil the requirement of modernisation of an existing yard, the aim and effect of which is an improvement in the productivity of existing installations; (2) the increase in capacity is only the result of the modernisation of the yard and the adjustments to the production process this involves and (3) this productivity improvement is significant, the increase of capacity is not disproportionate to the productivity increase.

(54) The Commission therefore concludes that sub-projects SP 01, SP 02 and SP 03 are eligible for regional aid.

The remaining sub-projects

(55) The Commission confirms its preliminary conclusion from its decision to open the formal investigation procedure that the remaining sub-projects (SP 04, SP 06, SP 07 and SP 08) are eligible for regional aid.

The remaining conditions for eligibility

(56) The Commission likewise notes that all the notified sub-projects fulfil the eligibility criteria prescribed by the Regional Aid Guidelines (investment in fixed assets: i.e. equipment and machinery to be purchased on market terms and not constituting mere replacement of depreciated assets). The investment is not linked to financial restructuring.

Aid intensity

(57) Since its doubts concerning the eligibility of part of the investment project for regional aid have been allayed, the Commission concludes that the maximum aid intensity of 22,5 % of the eligible costs as prescribed by the Framework is complied with.

The remaining conditions for compatibility of regional aid

(58) As the present case is an *ad hoc* grant of State aid for a one-off project, the Commission also assessed its effects on regional development in line with the Regional Aid Guidelines. The Commission concludes that the project contributes to regional development by undertaking a crucial modernisation of the yard, thus improving its competitive position on the market and maintaining jobs in a region with an unemployment rate of 14 %. The investment will be maintained in place for at least 5 years.

(59) SLK applied for the State aid before work on the project started and it is contributing more than 25 % to the financing of the project, in line with the Regional Aid Guidelines.

7. CONCLUSION

(60) The Commission concludes that the planned regional aid to SLK amounting to 22,5 % of SKK 76 100 000, i.e. SKK 17 117 957, is in line with the conditions on regional aid as laid down in the Framework. The planned aid therefore fulfils the conditions to be considered compatible with the common market,

HAS ADOPTED THIS DECISION:

Article 1

The State aid which the Slovak Republic plans to implement for Slovenské lodenice Komárno in the form of debt write-off amounting to SKK 17 117 957 is compatible with the common market within the meaning of Article 87(3)(c) of the EC Treaty.

Implementation of the aid amounting to SKK 17 117 957 is accordingly authorised.

Article 2

This Decision is addressed to the Slovak Republic.

Done at Brussels, 21 March 2007.

For the Commission
Neelie KROES
Member of the Commission