

COMMISSION DECISION

of 11 March 2008

on the State aid which Belgium is planning to implement for Volvo Cars Gent (C 35/07
(ex N 256/07))

(notified under document number C(2008) 832)

(Only the Dutch and French versions are authentic)

(Text with EEA relevance)

(2008/709/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 those provisions ⁽¹⁾,

Whereas:

I. PROCEDURE

- (1) The planned training aid for the Volvo car assembly plant in Ghent (Volvo Cars Gent, hereinafter VCG) was notified to the Commission by letter dated 4 May 2007. On 31 May 2007 a meeting was held with the Commission services. Following this meeting, Belgium submitted additional information by letter dated 6 July 2007.
- (2) By letter dated 12 September 2007, the Commission informed Belgium that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the notified aid (the decision initiating the procedure).
- (3) The decision initiating the procedure was published in the *Official Journal of the European Union* ⁽²⁾. The Commission called on interested parties to submit their comments. The Commission received no comments from interested parties.
- (4) Belgium reacted to the decision initiating the procedure by letter dated 15 October 2007. On 23 October 2007 a

meeting was held between the Belgian authorities, the beneficiary and the Commission. Documents were submitted to the Commission on that occasion. By letter dated 23 November 2007, Belgium submitted additional information. The Commission requested clarification by letter dated 21 December 2007, to which Belgium replied by letters dated 8 January, 15 January and 16 January 2008.

II. DESCRIPTION OF THE PROJECT AS NOTIFIED ON 4 MAY 2007

- (5) The beneficiary of the aid would be VCG. This firm has been part of the Ford Motor Company (FMC) since 1999 and employs 5 000 people. The training programme supported runs between September 2006 and September 2009 and is partially linked to the introduction of a new production platform — the European EUCD platform — which is the FMC standard for the production of mid-size vehicles (segments C and D of the car market). The introduction of this new platform will represent tangible investment of EUR 26,3 million. It will allow the plant to produce not only Volvo models, but also Ford and Jaguar models. Improving the plant's flexibility in this way will contribute to anchoring Ford's activities in Ghent and safeguarding jobs there.
- (6) The notification of 4 May 2007 indicates that the training costs amount to around EUR 37 million. Since 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 ⁽³⁾ limits the eligible part of the trainees' salary costs to an amount equal to the sum of the other eligible costs, the eligible costs notified by Belgium were limited to EUR 19 million. As Ghent is in a non-assisted area, the maximum aid intensity is 50 % for general training and 25 % for specific training. According to the notification of 4 May 2007, the Flemish Region (*Vlaams Gewest*) intends to grant EUR 6 018 558,91 as ad hoc aid.
- (7) In the notification of 4 May 2007, the training programme is divided into five parts, the last two being of limited size:

⁽¹⁾ OJ C 265, 7.11.2007, p. 21.⁽²⁾ See footnote 1.⁽³⁾ OJ L 10, 13.1.2001, p. 20.

- Part 1: reinforcement of the workforce (eligible costs of EUR 4,3 million, of which EUR 3,1 million for general training⁽⁴⁾ and EUR 1,2 million for specific training, and aid of EUR 1,8 million). This part aims to ensure that VCG workers have sufficient basic technical knowledge. The main topics covered are pneumatics, robotics, programmable logic control, electricity and electronics, cost management, social skills, management techniques, bodywork, painting, and car industry-specific software.
 - Part 2: technical and technological training: theoretical part (eligible costs of EUR 1,7 million for completely general training, and aid of EUR 0,85 million). This part aims to deepen the knowledge and skills of workers in certain technical and technological fields used in the platform. The main topics covered are robotics and production robots, programmable logic control, and camera measurement techniques.
 - Part 3: implementation training: practical part (eligible costs of EUR 12,9 million for completely specific training, and aid of EUR 3,2 million). This part aims to show how to apply theoretical knowledge in the workers' specific work environment and production situation. The objective is to maximise the skills that the workers need in order to realise the full potential of the EUCD platform.
 - Part 4: changes to be made in management and attitudes in order to maximise the training programme and the upgrade to the EUCD in general (eligible costs of EUR 0,2 million, completely general training, and aid of EUR 0,1 million). This part consists of management training.
 - Part 5: ANDON/DAISSY training (eligible costs of EUR 0,02 million, completely general training, and aid of EUR 0,01 million). This part relates to quality control.
- (8) In the notification, Belgium indicates that the training goes further than the immediate needs of the firm. Following requests by the Commission to clarify this assertion, Belgium indicated by letter dated 6 July 2007 that Parts 1 and 4 of the training programme would be carried out by VCG any event, even without aid. By contrast, Parts 2, 3 and 5 cater for additional training

made possible through the aid. However, Belgium did not provide any precise explanations underpinning these assertions.

III. GROUNDS FOR INITIATING THE PROCEDURE

- (9) The Commission noted in the decision initiating the procedure that the necessity of the aid is a general compatibility criterion. In particular, with regard to compatibility on the basis of Article 87(3)(c) of the EC Treaty, the aid does not 'facilitate' the development of economic activities if the company would have undertaken the assisted activities in any event, and even in the absence of aid.
- (10) Regarding the training programme planned by VCG, the incentive effect of the aid was questioned since, once VCG has decided to introduce the EUCD platform, the company must inevitably take on board the training costs in order to implement this business decision. In the car industry, the introduction of a new production platform is a regular feature necessary for increasing flexibility and productivity and thereby maintaining competitiveness. In order to operate a new platform efficiently, the workforce has to be trained in the new techniques and work methods to be adopted. The training costs associated with the introduction of a new production line are therefore normally incurred by car makers on the sole basis of the market incentive. It is therefore highly probable that VCG would have undertaken some of these training activities anyway, even without aid. Most competitors in the industry also seem to behave in this way. Since the content of Parts 2, 3 and 5 of the programme seems to be directly linked to implementation of the new platform and seems necessary for operating it, the Commission questioned Belgium's claims that these parts would not be undertaken without aid.

IV. COMMENTS FROM INTERESTED PARTIES

- (11) No interested party submitted comments following the publication of the decision initiating the procedure in the Official Journal.

V. COMMENTS FROM BELGIUM

- (12) Following initiation of the procedure, Belgium has considerably revised its presentation of the facts. It now acknowledges that large parts of the training programme would be undertaken in any event, even without aid, as they are necessary for operating the new platform. Nevertheless, it considers that some parts of the programme have no connection to implementation of the new platform, whilst others are related to it, but that the aid allows Volvo Cars Gent to train its staff beyond what is strictly necessary for operating the platform.

⁽⁴⁾ Regulation (EC) No 68/2001 distinguishes between general training (providing skills that are transferable to another sector or firm) and specific training (providing skills that are mainly applicable to the trainee's current position and are not transferable or are transferable only to a limited extent). The aid intensity allowed is higher for general training than for specific training (in this case 50 %, and 25 % respectively).

(13) Belgium agrees to support only the expenditure for which aid is necessary, and has therefore significantly reduced the eligible costs to be financed.

(14) The following table compares the eligible expenditure given in the initial notification with the expenditure that Belgium now intends to support.

(in million EUR)

	Notification of 4 May 2007		After initiating the procedure ⁽¹⁾	
	General training	Specific training	General training	Specific training
Part 1	3,1	1,2	3,1	1,2
Part 2	1,7		0,2	
Part 3		12,9		6,1
Part 4	0,2		0,1	
Part 5	0,02		0,02	
Total	4,97	14,12	3,4	7,35
Aid amount	6,02		3,54	

⁽¹⁾ Letter from the Belgian authorities dated 15 January 2008.

(15) As regards Part 1, Belgium claims, as already indicated in the notification of 4 May 2007, that its content is not related to implementation of the new production platform and is therefore not necessary for operating it. It consists of basic training covering general subjects and aims to strengthen employees' skills. According to Belgium, this is clear from reading the course content. Although the trade unions ask for this type of training because it improves workers' positions on the labour market, VCG would not carry out this part of the programme without aid for a number of reasons. Firstly, a great deal of this sort of training has been organised in recent years on account of the many newcomers being taken on, but the influx of new workers has nearly dried up ⁽⁵⁾ and many of the existing workers have already received similar training. Secondly, the firm has observed that highly skilled workers are prone to leave the firm. In particular, firms located in the Ghent region that require similar skills actively recruit VCG's workers ⁽⁶⁾. Given its general content, the training in question will therefore increase the probability of workers leaving the firm once trained. Lastly, the availability of these basic skills on the labour market has increased since training programmes covering

this content have been developed by technical schools and the VDAB (the Flemish employment agency).

(16) As regards Part 2, Belgium claims, as already indicated in the notification of 4 May 2007, that it covers technical and technological subjects related to the new production platform. It asserts that the majority of these training hours are necessary to operate the new platform and would therefore be undertaken in any case. However, part of the courses goes beyond the level necessary for operating the EUCD platform ⁽⁷⁾. To be more precise, with the aid, VCG would provide more training hours than necessary and would justify this from an economic point of view in the absence of a grant. Belgium has provided detailed information on the additional training hours provided by VCG thanks to the aid ⁽⁸⁾.

(17) As regards Part 3, Belgium claims, as already indicated in the notification of 4 May 2007, that the course content is related in its entirety to the EUCD platform. In view of the doubts raised in the decision initiating the procedure, Belgium acknowledges that, to a large extent, the training hours envisaged are necessary for operating the new platform and would therefore be provided anyway, even without aid. However, it explains that, with the aid from the Flemish authorities, VCG agrees to provide many more training hours. Indeed, more workers will be trained and some training courses that, for reasons of rational cost management, would have been reserved for experienced workers will be open to newcomers. Training newly recruited workers requires additional courses to be organised and the length and content of other courses to be extended ⁽⁹⁾. In addition, since newcomers have not yet shown their ability to absorb such training, the chances of success are more limited. In the interests of rational cost management, VCG would have provided this training only for more experienced workers who had already attended similar training. The duration and cost of the training could thereby have been significantly reduced. Some modules could have been simplified and others dropped completely.

⁽⁷⁾ The necessary training has been determined on the basis of VCG's usual practice in previous cases.

⁽⁸⁾ For example, in the robotics course, 16 training hours are provided for each participant. This amount of time is necessary for the workers to use the robots correctly and safely at the same efficiency level as at present. Thanks to the aid granted by the Flemish authorities, VCG has agreed to increase the number of training hours to 24 hours. This more extensive training increases the attractiveness of the workers concerned on the labour market.

⁽⁹⁾ As in all cases where a platform is introduced, a number of 'key workers' must be sent to Volvo Sweden to learn all the details of the platform so that they can later transfer this knowledge to other workers at Volvo Cars Gent. Belgium claims that the aid will allow VCG to send more workers to Sweden than is strictly necessary for operating the EUCD platform. In addition, the firm will also send workers who have never participated in any key-worker training, rather than reserving training in Sweden to workers with keyworker training.

⁽⁵⁾ The workforce at VCG increased from 3 999 in 2002 to 5 299 in 2005. It decreased to 4 929 in 2006 and to around 4 800 in 2007.

⁽⁶⁾ Workers leaving the firm go mainly to three firms located in the region: Volvo Trucks, Arcelor and Eandis/Electrabel.

- (18) As regards Part 4, Belgium claims, as already indicated in the notification of 4 May 2007, that it concerns management and attitude changes and is therefore very general in nature. It indicates that a certain number of training hours would be organised by VCG in any event, even without aid, as they make a sufficient contribution to increasing the flexibility and efficiency of the workers and therefore make a major contribution to the lasting success of the introduction of the EUCD platform⁽¹⁰⁾. However, the operational benefits that can be expected from the remaining hours are not sufficient to justify incurring the corresponding expenses, with the result that these remaining hours would therefore not be offered without aid.
- (19) As regards Part 5, Belgium explains that it concerns learning new quality control techniques. These courses are not necessary for operating the platform and other production systems; they will be organised only if aid is granted.
- (20) Following these changes, Belgium has formally informed the Commission that since it agrees to support only those training activities for which aid is necessary, it intends to grant only EUR 3,5 million instead of the EUR 6 million originally notified.

VI. ASSESSMENT

- (21) The Commission notes that, following the decision initiating the procedure, Belgium has substantially changed its notification. More precisely, in its letter dated 16 January 2008, Belgium confirmed that it intended to grant training aid amounting to EUR 3 538 580,57 only, instead of the EUR 6 018 558,91 envisaged in the notification of 4 May 2007. The reduced amount of aid is based on the reduced level of eligible expenditure described in Belgium's letter dated 15 January 2008. It is therefore this aid of EUR 3 538 580,57, based on the reduced level of eligible expenditure, that the Commission will assess in the present decision.

Existence of aid

- (22) In the decision initiating the procedure, the Commission came to the conclusion that a grant to VCG would constitute State aid within the meaning of Article 87(1) of the EC Treaty. Belgium has not contested this conclusion.

Legal basis for the assessment

- (23) In the decision initiating the procedure, the Commission indicated that aid exceeding EUR 1 million is not exempt

under Regulation (EC) No 68/2001 and must therefore be assessed directly on the basis of Article 87(3)(c) of the EC Treaty. Nevertheless, it applies *mutatis mutandis* the same guiding principles as those set out in Regulation (EC) No 68/2001. In particular, this consists in verifying that the Regulation's other formal exemption are met. However, the Commission is not obliged to limit itself to mere verification of compliance with those criteria.

- (24) Belgium has not contested the above conclusions, which are still applicable since the grant, even when reduced, exceeds EUR 1 million.

Appraisal of the compatibility of the aid in the light of this legal basis

- (25) In the decision initiating the procedure, the Commission indicated that the notified aid seemed to comply with the formal criteria laid down in Article 4 of Regulation (EC) No 68/2001. No new element has been put forward that could call into question this initial assessment. The Commission notes that this assessment is applicable to the reduced aid since this aid is based on part of the eligible expenditure notified on 4 May 2007 and deemed acceptable in the decision initiating the procedure. In addition, Belgium has not modified the aid intensities, namely 50 % for general training and 25 % for specific training.

- (26) As previously indicated, the only doubt raised in the decision initiating the procedure concerned the necessity of the planned aid, and in particular of those parts of the training programme that seem to be related to the new investment (the EUCD production platform) and seem indispensable for operating it.

- (27) The Commission notes that Belgium has accepted the principle that only training activities that would not be undertaken without aid can be supported.

- (28) In order to comply with this principle, Belgium has made a distinction between activities that would be undertaken by VCG in any event because they are necessary for operating the new platform and activities relating to objectives 'which market forces alone would not make possible'⁽¹¹⁾ because they go beyond what is necessary and because the benefits that VCG would derive from them do not outweigh the costs incurred. The Commission has analysed the explanations provided by Belgium, which are summarised in paragraphs 15 to 19 of the present decision. In short, Belgium claims that

⁽¹⁰⁾ As indicated by the Belgian authorities in their letter dated 7 July 2007.

⁽¹¹⁾ Regulation (EC) No 68/2001, recital 11.

significant eligible expenditure in connection with Parts 1 and 3 of the programme would not be undertaken without aid. The Commission agrees that Part 1 is clearly not related to the new platform. It is therefore not necessary to operate the platform. Since these training activities are rather general in nature and since a combination of factors deters VCG from undertaking them, the Commission considers that they would most probably not be arranged without aid. As for Part 3, Belgium has excluded training expenditure that, on the basis of previous observations of similar investments, is necessary for operating the new platform and has limited the eligible expenditure to training activities that go beyond what is strictly necessary.

- (29) The Commission therefore considers that Belgium has correctly identified the training activities that would not be carried out without state support. Since Belgium intends to support only this type of activity and does not intend to grant any aid for training that VCG would organise in any event, the Commission concludes that, in accordance with the objective laid down in recital 10 to Regulation (EC) No 68/2001, the aid 'increases the pool of skilled workers from which other firms may draw' and therefore, in accordance with the condition laid down in Article 87(3)(c) of the EC Treaty, constitutes aid 'to facilitate the development of certain economic activities or of certain economic areas'.

VII. CONCLUSION

- (30) In view of the above, the Commission concludes that the aid is compatible with the common market,

HAS ADOPTED THIS DECISION:

Article 1

The State aid that Belgium is planning to implement for Volvo Cars Gent, amounting to EUR 3 538 580,57, is compatible with the common market.

Implementation of the aid amounting to EUR 3 538 580,57 is accordingly authorised.

Article 2

This Decision is addressed to the Kingdom of Belgium.

Done at Brussels, 11 March 2008.

For the Commission
Neelie KROES
Member of the Commission