

English edition

Information and Notices

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(1) Text with EEA relevance

(Continued overleaf)

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⁽¹⁾ Text with EEA relevance

I

(Information)

COMMISSION

Ecu ⁽¹⁾

16 May 1997

(97/C 149/01)

Currency amount for one unit:

Belgian and Luxembourg franc	40,4360	Finnish markka	5,91736
Danish krone	7,46067	Swedish krona	8,76998
German mark	1,95912	Pound sterling	0,702604
Greek drachma	312,145	United States dollar	1,15276
Spanish peseta	165,099	Canadian dollar	1,57490
French franc	6,59691	Japanese yen	132,821
Irish pound	0,757200	Swiss franc	1,64637
Italian lira	1929,33	Norwegian krone	8,14426
Dutch guilder	2,20293	Icelandic krona	80,9008
Austrian schilling	13,7893	Australian dollar	1,48897
Portuguese escudo	197,537	New Zealand dollar	1,66056
		South African rand	5,16149

The Commission has installed a telex with an automatic answering device which gives the conversion rates in a number of currencies. This service is available every day from 3.30 p.m. until 1 p.m. the following day. Users of the service should do as follows:

- call telex number Brussels 23789,
- give their own telex code,
- type the code 'cccc' which puts the automatic system into operation resulting in the transmission of the conversion rates of the ecu,
- the transmission should not be interrupted until the end of the message, which is marked by the code 'ffff'.

Note: The Commission also has an automatic fax answering service (No 296 10 97/296 60 11) providing daily data concerning calculation of the conversion rates applicable for the purposes of the common agricultural policy.

⁽¹⁾ Council Regulation (EEC) No 3180/78 of 18 December 1978 (OJ No L 379, 30. 12. 1978, p. 1), as last amended by Regulation (EEC) No 1971/89 (OJ No L 189, 4. 7. 1989, p. 1).
Council Decision 80/1184/EEC of 18 December 1980 (Convention of Lomé) (OJ No L 349, 23. 12. 1980, p. 34).

Commission Decision No 3334/80/ECSC of 19 December 1980 (OJ No L 349, 23. 12. 1980, p. 27).

Financial Regulation of 16 December 1980 concerning the general budget of the European Communities (OJ No L 345, 20. 12. 1980, p. 23).

Council Regulation (EEC) No 3308/80 of 16 December 1980 (OJ No L 345, 20. 12. 1980, p. 1).

Decision of the Council of Governors of the European Investment Bank of 13 May 1981 (OJ No L 311, 30. 10. 1981, p. 1).

Communication of Decisions under sundry tendering procedures in agriculture (cereals)

(97/C 149/02)

(See notice in Official Journal of the European Communities No L 360 of 21 December 1982, page 43)

Standing invitation to tender	Weekly invitation to tender	
	Date of Commission Decision	Maximum refund
Commission Regulation (EC) No 1144/96 of 25 June 1996 opening an invitation to tender for the refund or the tax for the export of barley to all third countries (OJ No L 151, 26. 6. 1996, p. 17)	15. 5. 1997	ECU 15,90/tonne
Commission Regulation (EC) No 1145/96 of 25 June 1996 opening an invitation to tender for the refund or the tax for the export of rye to all third countries (OJ No L 151, 26. 6. 1996, p. 20)	15. 5. 1997	ECU 29,98/tonne
Commission Regulation (EC) No 1146/96 of 25 June 1996 opening an invitation to tender for the refund for the export of oats produced in Finland and Sweden for export from Finland or Sweden to all third countries, except for Switzerland and Liechtenstein (OJ No L 151, 26. 6. 1996, p. 23)	15. 5. 1997	ECU 21,94/tonne
Commission Regulation (EC) No 2264/96 of 27 November 1996 opening an invitation to tender for the refund for the export of durum wheat to all third countries (OJ No L 306, 28. 11. 1996, p. 20)	15. 5. 1997	No tenders received
Commission Regulation (EC) No 2507/96 of 27 December 1996 opening an invitation to tender for refund for the export of oats produced in Finland and Sweden for export from Finland or Sweden to Switzerland and Liechtenstein (OJ No L 345, 31. 12. 1996, p. 12)	15. 5. 1997	ECU 21,75/tonne
Commission Regulation (EC) No 2517/96 of 27 December 1996 on a special intervention measure for maize in Greece (OJ No L 345, 31. 12. 1996, p. 58)	15. 5. 1997	No tenders received
		Maximum reduction
Commission Regulation (EC) No 830/97 of 7 May 1997 opening an invitation to tender for the reduction in the duty on maize imported into Portugal from third countries (OJ No L 119, 8. 5. 1997, p. 12)	15. 5. 1997	ECU 39,25/tonne

Commission communication in the framework of the implementation of Council Directive 93/42/EEC of 14 June 1993 in relation to 'medical Devices' ⁽¹⁾

(97/C 149/03)

(Text with EEA relevance)

(Publication of titles and references of European harmonized standards under the Directive)

OEN ⁽¹⁾	Reference	Title of the harmonized standards	Year of ratification
CEN	EN 1281-1	Anaesthetic and respiratory equipment — Conical connectors — Part 1: cones and sockets	1997
CEN	EN 1282-1	Anaesthetic and respiratory equipment — Tracheostomy tubes — Part 1: tubes for use in adults	1996
CEN	EN 1639	Dentistry — Medical devices for dentistry — Instruments	1996
CEN	EN 1640	Dentistry — Medical devices for dentistry — Equipment	1996
CEN	EN 1641	Dentistry — Medical devices for dentistry — Materials	1996
CEN	EN 1642	Dentistry — Medical devices for dentistry — Dental implants	1996
CEN	EN 1707	Conical fittings with a 6% (Luer) taper for syringes, needles and certain other medical equipment — Lock fittings	1996
CEN	EN ISO 4135	Anaesthesiology — Vocabulary (ISO 4135:1995)	1996
CEN	EN ISO 10079-1	Medical suction equipment — Part 1: electrically powered suction equipment — Safety requirements (ISO 10079-1:1991, including technical corrigendum 1:1992 and technical corrigendum 2:1993)	1996
CEN	EN ISO 10079-2	Medical suction equipment — Part 2: manually powered suction equipment — (ISO 10079-2:1992)	1996
CEN	EN ISO 10079-3	Medical suction equipment — Part 3: suction equipment powered from vacuum or pressure source (ISO 10079-3:1992)	1996
CEN	EN ISO 10555-1	Sterile, single-use intravascular catheters — Part 1: general requirements (ISO 10555-1:1995)	1996
Cenelec	Amendment A1 to EN 60601-1-1	Medical electrical equipment. Part 1: General requirements for safety 1. Collateral standard: Safety requirements for medical electrical systems IEC 601-1-1:1992/A1:1995	1995

⁽¹⁾ OJ No L 169, 12. 7. 1993, p. 1.

OEN ⁽¹⁾	Reference	Title of the harmonized standards	Year of ratification
Cenelec	EN 60601-2-17	Medical electrical equipment. Part 2: Particular requirements for the safety of remote-controlled automatically-driven gamma-ray after-loading equipment IEC 601-2-17:1989	1996
Cenelec	Amendment A1 to EN 60601-2-17	Medical electrical equipment. Part 2: Particular requirements for the safety of remote-controlled automatically-driven gamma-ray after-loading equipment IEC 601-2-17:1989/A1:1996	1996
Cenelec	EN 60601-2-22	Medical electrical equipment. Part 2: Particular requirements for the safety of diagnostic and therapeutic laser equipment. IEC 601-2-22:1995	1995
Cenelec	EN 60601-2-25	Medical electrical equipment. Part 2: Particular requirements for the safety of electrocardiographs. IEC 601-2-25:1993	1995
Cenelec	EN 60601-2-30	Medical electrical equipment. Part 2: Particular requirements for the safety of automatic cycling indirect blood pressure monitoring equipment IEC 601-2-30:1995	1995
Cenelec	EN 60601-2-33	Medical electrical equipment. Part 2: Particular requirements for the safety of magnetic resonance equipment for medical diagnosis IEC 601-2-33:1995	1995
Cenelec	EN 60645-2	Audiometers. Part 2: Equipment for speech audiometry IEC 645-2:1993	1996

⁽¹⁾ OEN: European standardization body.
 CEN: rue de Stassart 36, B-1050 Brussels, tel. (32-2) 550 08 11, fax (32-2) 550 08 19.
 Cenelec: rue de Stassart 35, B-1050 Brussels, tel. (32-2) 519 68 71, fax (32-2) 519 69 19.
 ETSI: BP 152, F-06561 Valbonne Cedex, tel. (33) 492 94 42 12, fax (33) 493 65 47 16.

NOTE:

- Any information concerning the availability of the standards can be obtained either from the European standardization organization or from the national standardization bodies of which the list is annexed to Council Directive 83/189/EEC ⁽¹⁾ amended by Directive 94/10/EC ⁽²⁾.
- Publication of the references in the *Official Journal of the European Communities* does not imply that the standards are available in all the Community languages.
- The Commission ensures the updating of this list ⁽³⁾

⁽¹⁾ OJ No L 109, 26. 4. 1983, p. 8.

⁽²⁾ OJ No L 100, 19. 4. 1994, p. 30.

⁽³⁾ OJ No C 245, 23. 8. 1996, p. 2.

Commission communication in the framework of the implementation of Council Directive 90/385/EEC of 20 June 1990 in relation to active implantable medical devices ⁽¹⁾ and Council Directive 93/42/EEC of 14 June 1993 in relation to medical devices ⁽²⁾

(97/C 149/04)

(Text with EEA relevance)

(Publication of titles and references of European harmonized standards under the Directive)

OEN ⁽¹⁾	Reference	Title of the Harmonized Standards	Year of ratification
CEN	EN 868-1	Packaging materials and systems for medical devices which are to be sterilized — Part 1: general requirements and test methods	1997
CEN	EN 1174-2	Sterilization of medical devices — Estimation of the population of micro-organisms on product — Part 2: guidance	1996
CEN	EN 1174-3	Sterilization of medical devices — Estimation of the population of micro-organisms on product — Part 3: guide to the methods for validation of microbiological techniques	1996
CEN	EN ISO 10993-10	Biological evaluation of medical devices — Part 10: tests for irritation and sensitization (ISO 10993-10:1995)	1995
CEN	EN ISO 10993-12	Biological evaluation of medical devices — Part 12: sample preparation and reference materials (ISO 10993-12:1996)	1996

⁽¹⁾ OEN: European standardization body.

CEN: rue de Stassart 36, B-1050 Brussels, tel. (32-2) 550 08 11, fax (32-2) 550 08 19.

CENELEC: rue de Stassart 35, B-1050 Brussels, tel. (32-2) 519 68 71, fax (32-2) 519 69 19.

ETSI: BP 152, F-06561 Valbonne Cedex, tel. (33) 492 94 42 12, fax (33) 493 65 47 16.

NOTE:

- Any information concerning the availability of the standards can be obtained either from the European standardization organization or from the national standardization bodies of which the list is annexed to Council Directive 83/189/EEC ⁽³⁾ amended by Directive 94/10/EC ⁽⁴⁾.
- Publication of the references in the *Official Journal of the European Communities* does not imply that the standards are available in all the Community languages.
- The Commission ensures the updating of this list ⁽⁵⁾.

⁽¹⁾ OJ No L 189, 20. 7. 1990, p. 17.

⁽²⁾ OJ No L 169, 12. 7. 1993, p. 1.

⁽³⁾ OJ No L 109, 26. 4. 1983, p. 8.

⁽⁴⁾ OJ No L 100, 19. 4. 1994, p. 30.

⁽⁵⁾ OJ No C 245, 23. 8. 1996, p. 2.

STATE AID

C 19/97 (ex NN 43/96)

C 20/97 (ex N 136/97)

France

(97/C 149/05)

(Text with EEA relevance)

*(Articles 92 to 94 of the Treaty establishing the European Community)***Commission notice pursuant to Article 93 (2) of the EC Treaty to other Member States and interested parties concerning aid for the GAN group**

The Commission has sent the French Government the following letter, informing it that it has decided to initiate proceedings pursuant to Article 93 (2) of the EC Treaty.

'The Commission has decided to initiate proceedings pursuant to Article 93 (2) of the EC Treaty in respect of the aid measures for the GAN group notified by the French authorities on 3 March 1997 and to reopen the Article 93 (2) proceedings in respect of the FF 2,86 billion capital increase carried out in 1995. Details of the decision to initiate proceedings and the reasons for it are set out in the Annex to this letter. The Commission accordingly gives the French Government notice to submit its observations, and to supply any information it considers necessary for an assessment of the case, within one month of the date of this letter. In particular, the Commission would ask the French Government to supply the information listed in point 6 of the Annex. The Commission would ask the French Government to inform GAN of the initiation of proceedings as soon as possible.

As part of the proceedings, the Commission will be publishing a notice in the *Official Journal of the European Communities* seeking observations from other Member States and interested parties. In accordance with Protocol 27 to the Agreement on the European Economic Area, it will also be sending a copy of this letter to the European Free trade Association (EFTA) Surveillance Authority, and will publish a notice in the EEA supplement to the Official Journal. It will invite the EFTA Surveillance Authority, the EFTA Member States which signed the Agreement on the European Economic Area and interested third parties to submit their observations.

Since the letter will be published in the *Official Journal of the European Communities*, if the French Government considers that some of the information contained in it is confidential for reasons of business secrecy, it should inform the Commission accordingly within 15 working days of the date of this letter.

The Commission would draw the attention of the French Government to the letter which it sent to all Member States on 3 November 1983 concerning their obligations pursuant to Article 93 (3) of the EC Treaty, and to the notice published in *Official Journal of the European Communities* No C 318 of 24 November 1983, page 3, warning that any aid granted unlawfully, that is to say before the Commission has taken a final decision pursuant to Article 93 (2), may be the subject of a recovery order.

ANNEX

1. Introduction

GAN is a banking and insurance group which has been encountering major difficulties since 1993, following losses on its property-financing business and in insurance, particularly non-life insurance. These difficulties prompted the French State in 1995 to grant support to GAN in the form of a FF 2,86 billion capital increase through the transfer of assets.

Having learnt of the abovementioned transaction through the press, the Commission asked the French authorities in 1995 to provide information, in particular the restructuring plans for GAN and its subsidiary UIC and the audit report drawn up by Morgan Stanley (advisor to the Treasury), and to notify officially the measures in question. The French authorities provided the documents and information requested by the Commission, but stated that they did not wish to notify the aid. On 18 September 1996 the Commission decided to deem the transfer of assets unnotified State aid (aid NN 43/96) and to approve it subject to full implementation of the restructuring plan submitted to it.

By letters dated 28 February and 3 March 1997 the French authorities stated that the approved aid was insufficient and that, consequently, additional aid was necessary. They notified the Commission that they proposed to grant new aid to GAN.

The French State's decision to support GAN stems from the deterioration of the group's financial situation in the property-financing sector and from the difficulties encountered in the proposed sale of GAN's holding in the CIC banking group, which was to have offset in part the costs of restructuring the group, in accordance with the plan presented to the Commission in 1996 on which the Commission had based its approval.

2. Description of GAN

GAN is a financial group which is listed on the stock exchange, is controlled by the State (which holds more than 80 % of the capital of the central GAN company) and operates in the insurance and banking sectors. In insurance, GAN is the fifth-largest group in France in terms of turnover (some FF 53,5 billion in 1996) after the private group AXA-UAP and the [...] (*) group AGF. Its other main competitors are the private group Victoire and the mutual societies. GAN's market share on the French insurance market is about 5 %. Since 1990 GAN has controlled over 80 % of the CIC banking group, a network of 10 regional banks having a consolidated turnover of over FF 500 billion and net banking income in 1996 of some FF 17 billion, making it the fifth-largest of the banks belonging to the French association of banks (1). The CIC group, which is particularly active in the financing of SMEs, also operates in the property sector, through its subsidiary UIC. The group also has holdings in industrial companies.

The GAN group has 9 600 employees in the insurance sector in France (5 150 administrators, 2 450 in-house producers and 2 000 agents), 4 100 employees in foreign insurance, 21 350 employees in the CIC banking group and 560 in UIC.

GAN's activities cover all branches of insurance, including non-life insurance (both firms and private individuals) and life assurance and capitalization operations. The product distribution network comprises brokers, agents and the company Socapi. Being a company which is jointly owned (50/50) by GAN and the CIC banking group, Socapi uses the banking network of the CIC group to distribute life assurance products. Although the combining of banking and insurance is highly developed amongst banking and insurance groups, GAN is almost the only French insurer which controls a banking group (2), the reverse situation, namely banks controlling insurance companies, being much more common.

(*) Confidential

(1) GAN already had a minority holding in the capital of CIC as from 1985.

(2) In order to deal with the difficulties of their minority-holding banking subsidiaries or at the request of the State, insurers have recently taken control of banking groups: thus, AGP has taken control of CDE and UAP has taken control of Worms Bank.

GAN also operates abroad (in the United Kingdom in particular, but also in Italy, Belgium, Spain, Portugal, Switzerland, Morocco, the United States, Canada and Hungary), which accounts for about 30 % of its turnover. However, unlike its competitors, GAN has not embarked on a policy of acquiring foreign subsidiaries at all costs, as other French insurers have done. Instead, it has preferred to concentrate on the French market.

GAN's difficulties relate both to banking and to insurance: its banking arm has been hard-hit by the crisis in the property sector and the deterioration in the financial position of SMEs; its non-life insurance business has suffered the consequences of the aggressive expansion strategy which accompanied the cyclical upturn in the market. Following a loss of FF 856 million in 1993, GAN declared a further loss of FF 5,3 billion in 1994. This loss is mainly due to the property sector, but its non-life insurance business also recorded a loss of FF 1,2 billion (and an operating deficit of FF 2,3 billion). Consequently, GAN has not been able to offset the deficit in its property business through insurance products and has had to rely on support from the State, which transferred FF 2,86 billion in ELF and CIC securities to it. State support thus enabled GAN to limit its losses at consolidated level to FF 1,8 billion in 1995. In the summer of 1994 the State also replaced the former chairman F. Heilbronner by Mr J.-J. Bonnaud, from within GAN's own ranks. More recently, at the end of November 1996, the French Government decided to replace Mr Bonnaud by Mr D. Pfeiffer from the UAP insurance group.

French insurance is undergoing a profound upheaval stemming from the transition to an increasingly competitive system, embarked on in 1989 with the reform of the Insurance Code. As a result, profit margins have shrunk and, in the absence of adequate restructuring at company and industry level, profitability has collapsed. Between 1984 and 1994 profitability on non-life insurance own funds fell from 14 to 0,4 % and that of life assurance from 18 to 8,9 %. The economic crisis, and in particular the crisis in the property sector, has financially drained GAN, as it has other public or recently privatized insurers, notably because of their links with banking groups, which have also been affected by the property sector and the decline in profit margins. Non-life insurance saw a cyclical downturn at the beginning of the 1990s, involving "business" risks, but also "motor vehicle" risks, with a very sharp increase in the rate of claims and in repair costs. The mutual societies and private groups such as AXA were relatively less affected, having remained more aloof from property speculation and having introduced a more effective system for monitoring claims.

The following table shows the losses recorded by GAN since 1992, as communicated by the French authorities (Table 1).

Table 1. GAN's losses since 1992

	(in billion FF)					
	1992	1993	1994	1995	1996	Total
UIC — property hive-off	—	— 3,4 ⁽¹⁾	— 5,7	— 3,5	— 14,1	— 26,7
Non-life insurance	— 1,3	— 1,0	— 1,3	— 0,6	n.a.	>— 4,2
Loss in value of assets				— 3,0 ⁽²⁾	— 1,0	— 4,0
Total	— 1,3	— 1,3	— 7,0	— 7,1	>— 15,1	>— 34,9

⁽¹⁾ Excluding FF 2,6 billion in unrealized gains on property, allocated by GAN SA to the hive-off.

⁽²⁾ Impact of the entry into force of the new insurance accounting plan.

Source: French authorities

These losses were financed as follows: using-up of the whole of the consolidated own funds of GAN SC since 1992 (FF 21,4 billion) profits of GAN SA and insurance (FF 2,5 billion), capitalization of the acquisition costs of life assurance contracts (FF 4,7 billion), profits of CIC and the other banking subsidiaries (FF 3,5 billion) and recapitalization by the State (FF 2,86 billion).

The recent sharp deterioration in GAN's situation is mainly due to the audits on the group's property subsidiaries. According to the French authorities, in mid-1996 GAN informed its shareholder of new, and much worse, forecasts for 1996 which showed clearly that there could be no return to equilibrium in 1996. In particular, GAN expected further losses from UIC, while the performance of insurance was worse than forecast. In view of the rapid pace of this deterioration and the increasingly worrying forecasts for 1996, the State decided to make its approval of the half-yearly accounts for 1996 subject to the carrying-out of a full audit of the property business before the closing of the 1996 accounts, and these results prompted the State to reconsider in full the strategy hitherto pursued.

3. Assessment of the aid content of the financial support measures for GAN

The measures which may contain State aid components are the FF 2,86 billion capital increase carried out in 1995 through the transfer of ELF and CIC securities (a transaction which was not notified), and the recently notified measures amounting to a total of FF 20 billion.

3.1. Previous aid measures for GAN

The first transaction involves the transfer by the State of 5 327 509 Elf Aquitaine shares (about 2 % of its capital), 2 041 428 shares in Compagnie Financière de CIC et de L'Union Européenne (about 7,13 % of its capital) and 1 125 724 voting right certificates in Compagnie Financière de CIC et de l'Union Européenne (about 7,13 % of its voting rights) in return for an increase in the State's holding in GAN 10 829 505 shares in the Société Centrale du GAN, representing 18,93 % of its capital after the transfer.

On 18 September 1996 the Commission took the view, on the basis of the information available, that the 1995 increase totalling FF 2,86 billion in GAN's capital constituted State aid within the meaning of Article 92 (1) of the Treaty, but that it could be deemed compatible pursuant to Article 92 (3) (c).

At the time, the Commission considered that the capital increase of FF 2,86 billion constituted State aid which had not been notified. Analysis of the business plan indicated that the transaction would not produce sufficient results. The business plan anticipated that GAN would suffer a loss of FF 1,785 billion in 1995 and achieve profits of FF 120 million and FF 1,574 billion in 1996 and 1997. Even on the basis of the assumptions underlying the business plan, it was evident that future profits were not sufficient to offset the initial loss and shortfall in earnings on investment during the initial years, either in absolute terms or in discounted terms at a satisfactory internal rate of return estimated at 12 %⁽¹⁾. For the following period, applying GAN's assumptions of a profitability level of almost 12 %, it was also evident that GAN could not have achieved additional profits that could offset the previous losses and at the same time give the State as a shareholder an adequate return.

The Commission also noted that the State was the only GAN shareholder participating in the transaction, the other shareholders (notably stock exchange shareholders and foreigners) having decided to abstain. In the light of these factors, the Commission concluded that the transaction contained State aid components.

At this stage, the Commission considers that there are no new factors that would allow it to alter this conclusion. The information recently provided by the French authorities further confirms the conclusion which the Commission drew at the time.

3.2. New measures notified

On 3 March 1997 the French authorities notified the Commission of proposed aid for GAN totalling FF 20 billion, broken down as follows:

- (a) a FF 11 billion capital injection to restore UIC's capital base following the losses suffered in 1996 and to give the insurance companies an appropriate financial structure, in accordance with the relevant rules. The capital injection consists of FF 7,1 billion for UIC and FF 3,9 billion for the insurance companies;

⁽¹⁾ Use of the discounted net value method for assessing State aid was set out in the Commission communication published in OJ No C 307, 13. 11. 1993, p. 3. This method has been used in other cases, notably for the Crédit Lyonnais case in the banking sector, where the same 12 % discounting rate was applied.

- (b) a government commitment to cover the estimated losses of FF 9 billion which GAN SA will incur in implementing the guarantees it will have to provide, as part of the restructuring plan, for loans granted to the hived-off property company *Baticrédit Finance et Cie*, set up in 1994.

The French authorities state that a thorough re-examination of the situation of the subsidiary UIC and of the hive-off vehicles shows a provisioning requirement of some FF 14 billion, placing the group, and some of its companies in particular, in a situation that conflicts seriously with the prudential and regulatory constraints to which it is subject.

In particular, these results reflect:

- the deterioration in the property market, and the costs associated with the asset appropriation process, which are substantially higher than anticipated,
- a change in outlook resulting in the rapid disposal of property assets, whose accounting values were re-estimated on the basis of marketing values taking account of the yield required by market operators,
- changes in accounting methods and their implementing arrangements designed to record immediately in UIC's accounts future conveyancing costs and all future fees, administrative, marketing and liquidation costs and various charges.

The provisioning of UIC to take account of the above three factors thus amounts to FF 5,4 billion, to which must be added the losses for the 1996 financial year, calculated in accordance with the previous accounting methods, i.e. some FF 2,5 billion, which means that UIC is thus in a negative net position. The cost of the hive-off vehicles would amount to nearly FF 5 billion.

After taking all these provisions into account, the net amounts outstanding of UIC and the hive-off vehicles will have been cut by more than half in 1996, falling from FF 26,1 billion in 1995 to FF 11,4 billion, of which FF 7,7 billion is classed as doubtful loans against 74,7 % of which provisions have been made. The rate of provisioning of property lending amounts to 59,2 % gross and 73,4 % in the case of doubtful loans.

The French Government has stated that it has worked out a restructuring plan with GAN which does not undermine the undertakings already given under the recovery plan approved by the Commission in its decision of 18 September 1996. The prime objective of the arrangements adopted by the Government is to allow the rapid privatization of the insurance business and of CIC.

The French authorities also asked for the Commission to take its final decision before the closing of the accounts which has to be approved by the GAN shareholders general assembly, which cannot take place after 30 June 1997.

3.3. *Assessment of the new aid measures*

In its assessment of public assistance measures, the Commission generally applies the "market economy investor principle", as set out in its communication on public undertakings (*). The Communication states that aid is involved in a transaction if a comparable private investor operating under normal market economy conditions would not have undertaken it. As regards public authorities' holdings in company capital (†) it is considered that a private investor would not have undertaken such a transaction, and that there is therefore a presumption that aid is involved, where the financial position of the

(*) Commission communication to the Member States on the application of Articles 92 and 93 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacturing sector (OJ No C 308, 13. 11. 1993).

(†) See the Commission's 1984 notice published in the *Bulletin of the European Communities*, 9-1984.

company is such that a normal return (in dividends or capital gains) cannot be expected within a reasonable time from the capital invested. In the case of the granting of public guarantees, there is a presumption of State aid where the guarantee is not remunerated or where its remuneration cannot be regarded as sufficient, given that the risks involved in such a transaction are particularly high or extend over too long a period.

The measures which may contain State aid components relate firstly to capital increases of some FF 11 billion and a State guarantee estimated at some FF 9 million. Thus, the total amount of the measures which may contain State aid components is about FF 20 billion. It should be noted firstly that the measures were notified by the French authorities, which referred to them as State aid. Secondly, the State is acting without the backing of the other shareholders [...] (*). Lastly, it must be noted that at this stage there is no restructuring plan that might show that the State is going to recover its money and obtain a remuneration on it in proportion to its risk. Consequently, the measures must be deemed to be State aid.

The aid measures notified have become necessary to GAN's survival because the recovery plan drawn up in 1996 has failed. As stated above, on the basis of the recovery plan, GAN should have achieved profits of FF 120 million in 1996 and FF 1,574 billion in 1997. Without State support, losses in 1996 will be close to FF 15 billion, putting the group in a negative net position[...] (*). The State support will enable GAN to limit its losses in 1996 to some FF 5 billion. Since 1992, losses will amount to FF 35 billion, including FF 27 billion for UIC alone, the property-financing subsidiary. No estimate has been provided of GAN's results for the years ahead.

The Commission notes that, according to the French authorities, the deterioration in GAN's situation was already evident in mid-1996 and that this trend, together with the decision to carry out [...] (*) on the property business, were not communicated to the Commission before it took its decision to approve the FF 2,86 billion in aid in September 1996. The Commission notes that, during the talks which took place between Commission representatives and the French authorities in 1996, notably for the purpose of discussing the assessment report drawn up in 1995 by Morgan Stanley, the French authorities informed the Commission on several occasions that the group's situation was going to improve markedly, even though they were going to ask GAN to carry out specific audits on the property business in order to establish the additional provisioning requirements and even though they knew of the deterioration in the results in the insurance business as compared with the forecasts. At this stage, the Commission has reason to believe that the French authorities did not provide it with all the essential assessment factors, and in particular those mentioned above, which could have prompted the Commission to take a different decision than that taken in September 1996.

The Commission also notes that the costs of the rescue operation to the State would have been lower if an in-depth analysis such as that recently carried out had been conducted earlier. Any private investor would have acted more rapidly and sooner to limit the risks described above rather than waiting three years, as the French authorities have done. The fall in the value of GAN shares during the last 25 months (from about FF 280 at the beginning of 1995 to about FF 100 at the end of January 1997) is confirmation of this. In the absence of any explanation for the failure of the first recovery plan, there are grounds for considering that the analysis of the reasons for the weaknesses of the GAN group was not sufficiently thorough or carried out in time. The State did not, therefore, act as a market economy investor.

4. Distortion of trade between Member States

The liberalization of financial services and the integration of financial markets have the effect of making intra Community trade increasingly sensitive to distortions of competition. Although in principle financial and insurance institutions can operate on a cross-frontier basis, they encounter obstacles to expanding their business abroad. Such obstacles are often due to the fact that domestic institutions are protected against the effects of competition, making it less attractive for foreign competitors to enter the market. Aid intended to allow financial and insurance institutions to survive even though they are less profitable and less able to face competition, such as the aid granted to GAN, may thus distort competition at Community level, since such aid makes it more difficult for foreign financial and insurance institutions to gain access to domestic markets.

Without the aid in question, GAN would probably have had to be liquidated or sold to another more solidly based institution. In that event, the institution or its business could have been purchased by a foreign competitor wishing to set up or expand its business in France.

In addition, aid to an international institution such as GAN which provides banking and insurance products to firms which are in competition on international markets and which provides financial services in competition with other European financial institutions, while at the same time expanding its foreign business through its network of agencies outside France, is certainly liable to have a distortionary effect on intra-Community trade. In particular, the aid enables GAN, *inter alia*, to restructure a number of its foreign subsidiaries, particularly in the United Kingdom, Italy, Belgium and Spain, which are in competition with other Community financial institutions.

It should be noted that GAN's foreign insurance business accounted for a total turnover of FF 14 billion in 1994, representing some 30 % of its total insurance turnover. The share of Community business in GAN's consolidated international insurance turnover was some 70 %, or almost FF 10 billion.

Consequently, it must be concluded that the public support measures in question are caught by Article 92 (1) of the EC Treaty, since they constitute State aid that distorts competition to an extent that is liable to affect intra-Community trade.

5. Examination as to the compatibility of the aid

After having determined the State-aid character of the measures under consideration in accordance with Article 92 (1) of the Treaty, the Commission must examine whether the said measures may be considered compatible with the common market pursuant to Article 92 (2) and (3).

It must first of all be borne in mind that the aid in this case is neither aid having a social character, granted to individual consumers, nor aid likely to (and granted in order to) promote the development of certain French regions. Nor is it aid to remedy a serious disturbance in the economy inasmuch as it seeks to remedy the difficulties of a single recipient, GAN, and not difficulties experienced by all operators in the industry. Consequently, the aid granted cannot be said to be in the common European interest. Only the exception provided for in Article 92 (3) (c) may be taken into consideration.

The compatibility of such measures must be assessed in accordance with the specific rules on rescue and restructuring aid (*). According to the general principle to be applied to firms in difficulty, the compatibility of an aid measure is conditional on a number of factors, including the proportionality of the aid to the objectives sought, which must be in the common interest, the limitation of the aid to the strict minimum in order that the recovery effort might be borne as much as possible by the firm itself, the existence of sufficient compensating benefits to offset the distortive effect of the aid on competition, and the comprehensive implementation of a restructuring plan making it possible to restore within a reasonable period the requisite minimum profitability of the business and thus to ensure its viability.

5.1. *The 1995 aid*

Despite the fact that on 18 September 1996 the Commission came out in favour of the FF 2,86 billion capital increase decided in 1995, it must check whether its assessment was based on erroneous or inaccurate information or whether circumstances have changed materially in such a way that the earlier assessment might have to be revised. Since the Commission now has reason to believe that one or other, if not both, of these two conditions has been fulfilled, the FF 2,86 billion capital increase must also be regarded as aid the compatibility of which must be re-examined.

(*) OJ No C 368, 23. 12. 1994.

Set out below, for the benefit of competitors and in the interest of full transparency, are the restructuring measures contained in the recovery plan which was submitted to the Commission in 1996 and which induced it to give the green light to the FF 2,86 billion of aid. Owing to the sale of the property losses and to the poor profitability of GAN's core businesses, particularly non-life insurance, the measures concerned both the banking activity and the insurance activity. Inasmuch as the measures described below are manifestly inadequate, they will necessarily have to be supplemented before there can be any talk of viability.

On the insurance side, GAN had decided on restructuring measures consisting of increasing premiums and excesses in non-life insurance, terminating numerous contracts, tightening checks on agents and modelling the system for paying agents on that used by AXA, involving a gradual replacement of commission based on turnover, a method of payment that had been employed for a long time, by a share in the technical result of business brought in.

The recovery plan provided for a reduction in staff numbers by about 500 by 1997, or 8 % of all staff, and a pay freeze in insurance for 1995⁽¹⁾. The aim was to reduce administrative costs in insurance by 5 % between 1995 and 1997, a saving of FF 900 million. In fact, the ratio between overheads and turnover for the three insurance subsidiaries (fire and accident, life assurance and capitalization operations) should have come to 22,4 % in 1997 compared with 25,4 % in 1994.

On the banking side, the restructuring first of all concerned the bad and doubtful debts and non-performing assets owned by the banking group CIC, via its subsidiary UIC and the specialist company Sofal, in the property sector (of the order of FF 19 billion). The poor quality of the debts and assets linked to real-estate projects would have meant considerable losses for CIC and GAN not acted to remove UIC from CIC's consolidation area, thereby enabling it to meet its statutory obligations in the banking sphere. Subsequently, the continuing fall in the value of these debts and assets proved to be more than GAN itself could bear, and it had to resort to a hive-off vehicle to remove these risks from its balance sheet.

Under the scheme adopted, a property company called Parixel, a wholly-owned subsidiary of GAN SA, received FF 5 billion worth of property from UIC, valued on the basis of its net book value as at 31 December 1993. To compensate for the depreciation of this property, GAN also transferred a number of buildings to the property company on which it agreed to waive unrealized gains of FF 2,6 billion. At the same time, a portfolio of FF 14 billion of claims of real-estate professionals was transferred to a hive-off vehicle called Baticrédit. As in the case of Comptoir des Entrepreneurs, the hive-off vehicle was created in the form of a trust the two trustees of which are the Royal Bank of Scotland and a firm of solicitors in Jersey, where the trust is domiciled. Baticrédit is financed by borrowings by a private company, Baticrédit Finance et Cie. The latter is financed in turn by the various companies of the GAN group, which also underwrites the operation. This arrangement enables GAN to remove any poor-quality debts and assets from its balance sheet and thus not to have to make provision for them. In view of the underwriting and the financing of the hive-off vehicles by GAN, the solution adopted is only make-shift inasmuch as the realization of the hived-off assets will result in losses for GAN as one by one they are sold off. The losses have therefore not been eliminated but simply deferred. According to the restructuring plan, GAN should have absorbed these losses gradually over time, without government support, through the profits from its banking and insurance activities (Table 2).

Since, even after the rescue plan was implemented, UIC retained FF 32 billion of gross outstanding loans, of which FF 23,5 billion linked to property, account had to be taken of the risks stemming from these commitments. The provisioning effort was stepped up so that the rate of coverage of the doubtful outstanding loans remaining on its books was increased to 54 % in 1995. In this connection, and in view of the provisions provided for the years ahead, the Commission thought that GAN had made sufficient

⁽¹⁾ The staff cuts will affect mainly office staff. On 31 December 1994 GAN employed 6 025 such staff, of whom 225 were on fixed-term contracts and 123 were temporaries. In view of the fact that there will be no redundancies, people will be encouraged to take early retirement, fixed-term contracts will not be renewed and recourse to temporary staff will be reduced to a minimum. The cuts should not therefore result in GAN incurring any extra costs. 200 jobs were affected in 1995 and a further 200 in 1996. In 1995 all salaries and wages above FF 10 000 were frozen.

allowance for the risks resulting from a subsequent downturn in the property market. The Commission was not informed of the French authorities' intention of carrying out specific reviews of the property market owing to the likelihood of a sharp downturn in the half-yearly and annual results for 1996 in the real-estate sphere. On the contrary, the French authorities stated that the rate of provisioning for doubtful debts was particularly high and capable of preventing substantial additional losses.

About 1 000 job losses were also announced for the banking subsidiaries in order to cut operating costs. However, the partial reorganization of the banking side generated additional costs, particularly for the insurance companies, which have to finance the hive-off vehicles and the reorganization of the residual parts of UIC. The Commission paid particular attention to this difficulty in determining whether GAN's financial position enabled it to recover and form a viable business without fresh support from the State. After analysing the restructuring plans and in the light of comments by Morgan Stanley, the Commission sought more explicit information from the French authorities about the restructuring plan and about the proposed measures for supplementing it with a view to ensuring GAN's return to viability. The 1994 plan was inadequate as a number of problems and numerous doubts had not been cleared up. In particular, the continued existence of very high costs related to the financing of the hive-off vehicles forced GAN to decide on additional measures.

In this connection, in 1996 the planned assets sale announced at the end of 1994 was extended to include the disposal of non-core assets worth FF 4,8 billion over a period of three years, of which CFJPE and insurance subsidiaries in North America (*), and the disposal for FF 7 to 8 billion of part of UIC's loans portfolio. GAN thus decided to dispose of its majority holding in the CIC group and Compagnie Transcontinentale de Réassurance. Apart from France, sales were also to take place in the United States, Canada, Switzerland and Africa. These disposals ought to have generated approximately FF 8 to 10 billion with a minimum of 8,7 billion. The Commission considered that these additional disposals formed the necessary basis for securing GAN's return to viability.

In view of their scale, the disposals should have made possible a profound restructuring of the financing of the hive-off vehicles. Intra-group financing ought thus to have been reduced, in principal, from FF 18,6 billion at the end of 1994 to FF 6 billion at the end of 1996 and FF 4,4 billion in the course of 1997. The proceeds from the disposals envisaged ought to have made it possible to simplify the system for financing the hive-off vehicles and to reduce its cost, with an accompanying reduction in the group's financial charges. Thus, CIC ought to have retained in 1997 only a loan of FF 3 billion on the hive-off vehicles and a balance of FF 1,4 billion on the line of credit granted to UIC. All in all, by making it possible for GAN no longer to assume the carry costs, the financial restructuring of the hive-off vehicles would have ensured the viability of GAN and the feasibility of its privatization as from 1997.

According to the profitability forecasts, which were revised to reflect the above factors, GAN should be able by the end of 1997 to show a positive result of approximately FF 1,6 billion. This result may be broken down into three parts: FF 1,7 billion of insurance profits, FF 1 billion of banking subsidiary profits and FF 1,1 billion of costs stemming from GAN's restructuring plan (including the covering of losses from the property business). The table below shows the pattern of GAN's results and of the return on its capital up to an including 1997, as presented by the French authorities in 1996 (Table 2):

(*) Almost half (FF 2,3 billion) had already been sold by the end of 1995.

Table 2. GAN's business plan as presented by the French authorities in 1996

Results	<i>(in million FF)</i>			
	1994	1995	1996	1997
Insurance France (*)	- 453	632	906	1 160
Insurance International	141	496	399	505
Subtotal insurance	- 312	1 128	1 305	1 665
CF, CIC, UE	534	732	683	868
Other banking subsidiaries (excluding UIC)	102	- 145	155	171
Subtotal all banking	636	587	838	1 039
Total GAN (excluding UIC and restructuring plan)	324	1 715	2 143	2 704
UIC	- 2 055	- 1 848	- 873	- 183
Restructuring plan (GAN SA)	- 3 611	- 1 652	- 1 150	- 950
Subtotal UIC and restructuring plan	- 5 666	- 3 500	- 2 343	- 1 130
Total consolidated result group share	- 5 342	- 1 785	120	1 574
Contribution of outside capital	0	2 860	0	0
Provision for depreciation of assets, commitments	0	- 4 451	0	0
Consolidated capital group share	16 282	12 906	13 026	14 600
Dividends paid	185	0	0	0
Return on average capital	< 0	< 0	0,9 %	11,4 %

(*) Including GAN's holding company Société Centrale.

As regards the projected profitability of the banking group, it was expected that the group share of the net result would increase from FF 636 million in 1994 to FF 1 039 million in 1997, i.e. a return on capital which should have amounted to approximately 8 % by 1997 and 10 % thereafter. The hypotheses used seemed realistic. The assumption was that, over the period 1994 to 1997, outstanding loans would increase by 14 % and overheads by 7,5 %, whereas sight deposits were expected to stagnate. Thus the intermediation margin should have been down 50 centimes, while the operating ratio expected for the end of 1997 should have been 75 %. Lastly, the net allocation to provisions was to be 1 % of income.

As regards insurance, the loss recorded in 1994 should have become a FF 1 665 million profit in 1997, which corresponds to a return on capital of approximately 12 %. The improvement would have stemmed from what was assumed would be a complete recovery in the non-life insurance businesses, where the restructuring drive undertaken had already started to bear fruit. The assumptions made could be considered prudent: thus, it was judged that the property market would not recover before 1998. In particular, the French authorities stated that, for the period 1994 to 1997, the technical ratios between costs and yields would evolve as follows, for each class of business:

Table 3. Projected evolution of technical ratios in insurance

	1994	1995	1996	1997
GAN — non-life				
Claims/premiums	93,0	83,0	81,7	80,6
Commissions/turnover	14,9	14,9	14,8	14,7
Overheads/turnover	14,6	14,1	13,5	12,7
GAN — life				
Technical charges/premiums	75,7	77,5	77,6	78,1
Commissions/turnover	16,0	15,2	14,9	14,4
Overheads/turnover	6,3	6,0	5,7	5,1
GAN — capitalization				
Technical charges/premiums	90,1	89,5	89,4	89,2
Commissions/turnover	12,3	12,1	12,0	11,9
Overheads/turnover	4,6	4,3	3,7	3,3

A sensitivity analysis was also carried out in order to assess GAN's results in the event of variations in the basic assumptions made. The analysis, which makes it possible to determine the impact of developments in the economy and in markets on the undertaking's results, showed that such variations would have had, on GAN's various activities, effects which would tend to cancel each other out at the consolidated level.

Thus, after examining GAN's revised business plan and the sensitivity analysis, and bearing in mind that government assistance was kept to an absolute minimum and that the costs of restructuring were borne mostly by GAN itself, the Commission was of the opinion that the additional measures for strengthening the plan taken in 1996 should have enabled GAN to recover and return to viability.

Compensating measures proportionate to the amount of the aid were furnished, with a significant reduction in activity in non-core areas (UIC), the sale of the majority holding in the CIC group, and the sale of CFGPE, CRT, the Elite subsidiary in Canada and the HNL subsidiary in the United States, and other subsidiaries in Switzerland and in Africa. Thus the contribution made to the consolidated results by international insurance should have fallen from 44 % in 1995 to 30 % in 1997.

The Commission also noted at the time that, faced as it was with very stiff competition in the banking field, where margins were being squeezed more and more, even on regional markets, CIC would probably require further restructuring to improve its profitability. However, the proposal to open up CIC's capital by more than 50 % entailing the majority entry of private investors could have ensured the contribution of additional funds and resulted in fresh pressure being brought to bear so that the necessary restructuring drive was carried out. The Commission also stressed that, in the insurance field, competition from networks of mutuals and all-purpose finance companies, whose overheads were lower owing to the lower cost of distributing insurance products, would affect the traditional networks of agents and brokers. The entirely new channel for distributing insurance products by telephone would probably have the effect of reducing margins on standard products. From this point of view, GAN was in an intermediate position because, although it could already profit from its links with CIC's banking network for the distribution of life assurance products, like other conventional insurers it bore operating costs which were higher on average for the distribution of other insurance products. Looked at from this angle, it was possible to understand GAN's objective of maintaining the partnership with CIC, even in the event of a transfer of control over CIC, as the latter was the group's greatest asset.

In this respect, the Commission took note of the French authorities' assertion that the objective of GAN's reorganization was its privatization. According to the French authorities, this privatization was to be undertaken as from 1997 as soon as market conditions and the group's restructuring allowed. Although the accounting analysis was unconnected with GAN's privatization, the Commission appreciated the French authorities's willingness to privatize the company because such privatization would have increased the recovery plan's chances of success and reduced the risk of distortions of competition. In view of the context in which GAN must operate, privatization is an additional guarantee of GAN's recovery.

The information currently in the Commission's possession seems to indicate that the new losses are due to the fact that the plan notified in 1996 has not been fully implemented, particularly as regards the disposal of CIC, and that the information furnished at the time was either incorrect, erroneous or incomplete. The Commission accordingly reserves the right to re-examine the compatibility of these operations if information obtained in the course of the present proceeding confirms that the assessment it made in 1996 was based on erroneous or inaccurate information or if material changes in the circumstances which induced it to take a favourable view have occurred such as, for example, the fact that the restructuring plan has not been enforced and carried out on the scale and in the manner notified to it in 1996. In this connection, the Commission would point out that an essential component of the restructuring plan on which the French authorities had embarked, namely the disposal of the majority holding in the CIC banking group, which should have furnished GAN with considerable resources with which to finance its recovery, has not been implemented as planned. The Commission notes here and now that important items of information, such as the sharp worsening in the prospective half-yearly and annual results for 1996 which was already apparent in mid-1996 and which induced the Government to request GAN's former chairman to launch comprehensive audits of the property business, were not communicated to it.

The fact that the restructuring plan has failed and that fresh aid seven times greater than the initial aid is now needed if GAN is to survive makes it more necessary than ever to review the compatibility of the initial aid by reopening the Article 93 (2) procedure.

5.2. The new aid notified

The French authorities affirm that the aid measures notified constitute the solution least costly to the French State. They argue that measures of this kind have become necessary in the light of the new audits carried out, which revealed previously unknown risks and losses. The failure of the plan to privatize CIC, they say, means that GAN has not been able to assemble the resources it needs to overcome its difficulties. According to the French authorities, the choice is between a reorganization of the group's financial structures, necessitating the capital injection and guarantee now proposed but allowing rapid privatization, and the continuation of the present process, leading inevitably to liquidation, which would be costly to the State.

The French authorities argue that the liquidation of UIC is not an option, for three reasons: first, liquidation would severely reduce the chances of recovering claims held by UIC; second, it would contaminate the rest of the group; and third, it would destabilize certain sectors of the property business and the hotel trade, causing a real employment problem. On the other hand, according to the French authorities, the GAN-CIC group has prospects which justify isolating the property risk.

The Commission cannot at this stage accept the French authorities' position. They have not produced a valuation of the costs of liquidation. Nor have they produced a valuation confined to those costs of liquidation for which a shareholder would have legal liability. On the information available, the Commission cannot see that the total costs which the State as shareholder can at this stage be expected to have to bear as a result of the mechanism chosen are any lower than the costs of a court-ordered liquidation in which the group would be sold off in lots. The Commission believes that if anything the reverse is likely to be true. Figures allowing a precise comparison to be made have not been supplied in support of the French authorities' claims. In any event the Commission would point out, as it observed in point 3, that the reorganization would have cost the State less if a thorough study like the one carried out recently had been made earlier.

The French authorities have not outlined alternatives involving a supervised liquidation or sale in lots, or any valuation of what they might cost. At this stage it has to be asked which costs ought to be taken into account in evaluating the costs of alternative solutions, and in particular whether creditors' losses ought to be included alongside shareholders' losses. Clearly it has to be borne in mind that the costs of liquidation can be higher in the financial sector, and especially in banking, than they are in industry: the customer relations on which the assets are built are not as a rule something which can be easily bought and sold, and this makes it difficult to realize the assets rapidly. Nevertheless the Commission feels that a distinction should first of all be drawn between the costs to be borne by depositors and the costs to be borne by other creditors, who need not necessarily be protected; this distinction was made by Parliament and the Council in Directive 94/19/EC of 30 May 1994 on deposit-guarantee schemes. Under that Directive there has to be a deposit-guarantee scheme in every Member State to reimburse every depositor up to at least ECU 20 000 in the event of the liquidation of a bank. In France the association of banks covers depositors up to a sum of FF 400 000 in the event that one of its members goes into liquidation. But, in the words of the Directive, too high a level of protection "might in certain cases have the effect of encouraging the unsound management of credit institutions". There is no reason why the State as shareholder should bear the costs of liquidation beyond the loss of its own share of the equity.

An exception to this rule might arise if the deposit-guarantee scheme was not sufficient to keep the liquidation of the bank from having an undesirable knock-on effect, or indeed provoking a systemic crisis. In the case under consideration here, UIC is a small bank, and an ordinary liquidation would in all probability not have caused a systemic crisis in the banking sector, even though some financial institutions which have increased their exposure to GAN's banking subsidiaries in recent years, trusting in the unlimited resources of the State as shareholder, would have suffered losses if their claims were only partially satisfied. The costs of taking that course might have been in the neighbourhood of those of the reorganization decided upon, but the distorting effect on competition would clearly have been far smaller. Bearing in mind the need for proportionality, consideration should have been given to the question whether the same ends could have been achieved by means which required less State aid, or no State aid at all, and which would have had a less distorting effect, one example being a liquidation with sale in lots.

Turning to the three specific arguments advanced by the French authorities, the Commission takes the view that at this stage they cannot be accepted. As regards the reduction in the chances of recovering UIC's claims, the fact is that the scale of provisions already made and now asked for holds out little prospect of recovery on any significant scale. But even granting that there would be a fall in the chances of recovery, the size of the fall has not been quantified, and the evidence available to the Commission suggests that in any event the fall would not be substantial or in proportion to the aid proposed. As for the contamination of the rest of the group, no evidence has been produced of anything abnormal going beyond the usual liability of a parent company towards its subsidiaries. And even if there were to be contamination, a distinction would still have to be drawn between the direct economic effects and the indirect confidence-related effects, and there would have to be an evaluation of the damage caused by such contamination over and above the deterioration already under way. No such evaluation has been produced to allow the proportionality of the aid to be assessed. Lastly, the argument that certain sectors of the economy might be destabilized, especially in the property market, does not appear to be applicable: in the first place, these sectors are already going through a period of adjustment that is manifestly too slow as a result of public assistance to the undertakings which financed them, so that the costs of restructuring are being extended; and in the second place, GAN's imprudent policy benefited firms precisely in these sectors, firms which have shown themselves to be clearly insolvent and liable to be put into liquidation. The possibility of destabilization of other sectors, such as the hotel trade, remains to be proven.

The Commission consequently takes the view that the arguments advanced by the French authorities with regard to liquidation cannot be accepted at this stage, and that additional evidence will have to be produced which will need to be a great deal more to the point.

In accordance with the Community guidelines on State aid for rescuing and restructuring firms in difficulty, the Commission considers that aid for restructuring should as a rule be necessary once only. As the aid at issue is additional to the aid approved in 1996, and given its size and distorting effect, the Commission will consider whether it is in fact in proportion to the objective pursued, or whether the same

result or a result at least equivalent could be achieved by means which cause less distortion of competition, such as a sale in lots for example.

The Commission will also give particular attention to the new restructuring plan for GAN and the compensating benefits to be given to competitors to offset the distortion of competition caused by repeated State aid. The restructuring plan for GAN should in particular enable the Commission to evaluate the prospect of a return of GAN's banking and insurance business to viability, and to establish how the distorting effect of the State aid is to be offset by practical compensating measures in the restructuring plan. The Commission would point out right away that at this stage viability is far from certain, as the evidence recently supplied by the French authorities shows that the need for provisioning is not restricted to the property business but also arises in GAN's core insurance business.

To help it assess the new plan the Commission may call on the services of an outside consultant.

If the aid is to be found compatible, the following tests will have to be met. First, as always, the aid must be kept to the strict minimum, and consequently GAN must make a very substantial contribution towards the cost of restructuring out of its own resources, without calling on public resources wherever possible.

Second, there must be full implementation of the compensating measures provided for in the plan approved in 1996, which included a scaling down of GAN's commercial presence via a transfer of holdings and change of majority in CIC, a point which was an integral part of the Commission's 1996 decision. There is in any event no compensation where a business is given State aid to facilitate its sale. And it is difficult to see how additional aid could be granted towards a sale which would free GAN from a compensation obligation which was vital to the Commission's approval of State aid in 1996.

When it comes to the *quid pro quo* for the new aid, there will have to be compliance with the principle, which derives from the Community guidelines on State aid for rescuing and restructuring firms in difficulty, that GAN is not to confine itself to selling subsidiaries and businesses, such as property, which are a burden on its accounts, but must also sell off assets whose sale can provide the resources it needs to finance its own restructuring, and minimize its recourse to public financing; this will cut the amount of new aid to the strict minimum, and oblige GAN to make a substantial contribution to the cost of restructuring.

In view of the scale of aid involved, the contribution required of GAN in order to compensate its competitors for the distorting effect of the aid on competition must be related to the overall competitive situation of the group in its various banking and insurance activities in France and abroad. The Commission will not be able to conclude that the aid is compatible if this vital element is lacking.

The principle that the aid should be limited to the strict minimum also requires that GAN's equity be sufficient to meet its regulatory obligations, and to prepare for privatization, but should not go beyond what is strictly necessary. In a case of rapid privatization the buyer might be expected to see to it that the regulatory requirements are satisfied, as has been done in comparable situations before.

Lastly, if it is to make a proper analysis of the measures to assist GAN the Commission must have the French Government's estimates of the costs and benefits of all possible courses for GAN, including liquidation, whether court-ordered or not, and sale in lots. In evaluating the costs of liquidation a distinction must be made between costs which the shareholder is strictly bound to bear and other costs associated with the option chosen.

The first plan failed, and the new one must therefore supply a proper explanation of the reasons for that failure. It will not be enough to establish that the earlier plan was broadly complied with: there will have to be a critical analysis of the old plan in order to establish whether mistakes were made and how the new one can avoid making the same mistakes. The French authorities have not produced any such analysis; they have confined themselves to showing that the social measures provided for in the first plan have been taken. As far as the future is concerned the French authorities seem to feel that the regulatory problems

have been fully dealt with in the analysis of the audits, and that the fresh efforts at restructuring will finally achieve the hoped-for and necessary improvement in productivity. The Commission would point out that at meetings between its own representatives and the French authorities in 1996 the French authorities assured the Commission representatives that GAN was complying with all its regulatory obligations and that adequate specific provisions had been set aside to allow for the new accounting rules, among other things as regards the adjustment of mathematical reserves to take account of the longer life expectancies of policy-holders. To enable the Commission to evaluate GAN's capacity to recover, the Commission must be given a copy of all reports and evaluation studies concerning the GAN group or any of its subsidiaries, or both, by the Insurance Supervision Commission (*Commission de contrôle des assurances*), the Banking Commission (*Commission bancaire*), the banks acting as advisers to GAN or to the Treasury, such as the Warburg merchant bank, or other specialists.

At this stage, and with the information in its possession, the Commission sees nothing to suggest that an assisted recovery would be compatible with the common market under the Community guidelines on State aid for rescuing and restructuring firms in difficulty, with special reference to the proportion between so substantial an aid measure and the results envisaged, as compared with other less distortive methods of achieving the same objective, such as a liquidation in lots — particularly as the Commission has no evidence to suggest that there will in fact be a return to viability, and that there will be adequate compensating measures in return. Bearing in mind that the aid would free GAN completely from the burden of property restructuring, it cannot be ruled out that it might enable GAN to conduct an aggressive policy in order to win back market share in particular fields of activity. The Commission has to establish that the banking and insurance business will return to viability; this may well call for a change in the previous policy, and perhaps a more aggressive strategy in certain areas believed to be fundamental; but the Commission has also to satisfy itself that the aid does not permit distortions of competition which would be incompatible with the common market. In view of the amount of money involved, and the fact that this is a repeat measure, it is clear that measures to reduce the size and especially the market share of the GAN group are needed in order to compensate competitors. The present plan does not in its broad outlines seem to provide for any such measures.

The French authorities have not produced a new restructuring plan. They have confined themselves to stating that GAN is to restructure around three separate classes of business, insurance, banking and property, and have not supplied any financial estimates.

The French Government intends to privatize the group, but has given no firm undertaking to that effect.

6. Conclusions

At this stage the Commission takes the view that there may be substantial State aid components caught by Article 92 (1) of the EC Treaty in the FF 2,86 billion capital increase in 1995, the planned capital increases totalling FF 11 billion, and the commitment on the part of the State to bear the losses recorded by GAN SA when the guarantees in respect of the hive-off vehicle come into play, which losses are estimated at FF 9 billion; these measures must consequently be examined pursuant to Article 92 (3) (c) of the Treaty in order to establish whether they are to be considered compatible with the common market.

That examination cannot be carried out now, and the Commission cannot conclude that the aid is compatible, owing to the lack of information. The Commission has accordingly decided to reopen the proceedings previously initiated pursuant to Article 93 (2) of the Treaty in respect of the FF 2,86 billion, and to initiate proceedings under the same provision in respect of the aid recently notified.

Additional documents and information will have to be supplied in order to enable the Commission to carry out the examination required by Article 93. In particular, more detailed financial information will be needed on the costs of the other possible options for GAN, such as liquidation or sale in lots, and on GAN's various businesses, in order to establish whether its two core businesses, banking and insurance, can be returned to viability without further State support and in reasonable time, and that there are adequate compensating measures to offset the effect of the aid.

As part of these proceedings the Commission will examine the compatibility of all measures to restructure GAN in order to establish whether the assessment which it made in 1996 ought to be changed in the light of all relevant factors — including the information on which the 1996 decision was based and the obligations arising from the restructuring plan submitted to the Commission at that time — and any new facts in the case, including the failure to comply with conditions in the restructuring plan submitted in 1996, the new measures proposed, and the additional compensating measures.

The Commission would accordingly ask the French authorities to provide further documentation and explanation on the following points:

- (a) a critical analysis of the first recovery plan, explaining why it failed and why GAN cannot overcome its difficulties using its own resources; this analysis should among other things explain why no thorough examination of the provisioning requirements for the real-estate assets was carried out when the earlier plan was submitted;
- (b) a realistic restructuring plan, broken down geographically and by class of business, showing how GAN is to return to viability; this plan should include an updating of the estimates and forecasts in the GAN business plan submitted to the Commission in 1996, stating the assumptions made in their preparation; detailed information on GAN's changing economic situation, assets and financial position, and a sensitivity analysis to assess GAN's results in the event of variations in the basic assumptions made; the plan must in any event take as its starting point that GAN is to keep only what is strictly necessary to its viability; this information should allow an easy comparison to be made between the data and information which was given to the Commission at the time of its 1996 decision and the data in the annual reports;
- (c) any reports and any other evaluation study covering the GAN group or its subsidiaries, or both, already carried out or still to be carried out by the Insurance Supervision Commission (*Commission de contrôle des assurances*), the Banking Commission (*Commission bancaire*), the banks acting as advisers to GAN or to the Treasury, such as the Warburg merchant bank, or other specialists;
- (d) a paper evaluating the net cost of liquidating GAN to the State as shareholder, broken down by class of business, excluding any costs which the shareholder is not required to bear by explicit legal rules; the paper should also explain why the State did not choose to seek a court-supervised recovery in UIC's case as it has done in other cases;
- (e) studies forecasting developments in the French insurance system, and a paper on GAN's commercial position in France and abroad by comparison with the rest of the system and its competitors (including the mutual societies), with an estimate of the movement of GAN's market shares in the various classes of business and geographic areas;
- (f) a paper on GAN's pricing policy for its agents, past and future, as compared with those of its competitors;
- (g) a paper on the renewal of GAN's management;
- (h) a realistic restructuring plan, broken down geographically and by class of business, showing how GAN is to return to viability;
- (i) a detailed paper on GAN's activities in the property business, with particular reference to UIC's hive-off subsidiaries, listing the assets in the portfolios, their valuation by reference to the market, their sales prospects, and the current and projected costs of carrying them;
- (j) a paper on the future movement of the weighted assets, the own funds, and the solvency ratio and other prudential ratios, over the period of the new business plan;
- (k) a paper on the assumptions adopted for the future movement of repayments, doubtful claims, losses on loans and provisions (with particular reference to property), and exceptional items, for the period 1996 to 2000;

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- (l) a paper on GAN's management and supervision systems, to allow an assessment to be made of the impact of GAN's policy of reducing staff on its capacity to carry on its different businesses effectively as compared with its competitors; this paper should also provide information on policy regarding staff qualifications in the light of the social plan and the "LIFO" redundancy system;
 - (m) a paper evaluating the present possibilities of future integration of GAN's various areas of activity into larger banking or insurance groups;
 - (n) details of GAN's future financing operations and recommended steps in respect of capital, with particular reference to participation by the private sector and directly and indirectly by the French State;
 - (o) the compensating measures offered to competitors to offset the distorting effect of the aid on competition;
 - (p) any other information which might be useful to an assessment of present and future operations to assist GAN.

If necessary the Commission may request further information once it has analysed the information listed here. The Commission may call on the services of an outside consultant.'

The Commission hereby gives the other Member States and interested parties notice to submit any observations on the measures in question within 30 days of the date of publication of this notice, to:

European Commission,
Rue de la loi/Wetstraat 200,
B-1049 Brussels.

The observations will be communicated to the French Government.

Prior notification of a concentration
(Case No IV/M.917 — Valinox/Timet)

(97/C 149/06)

(Text with EEA relevance)

1. On 6 May 1997, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 ⁽¹⁾ by which the undertakings Valinox Welded SA of France (belonging to the group Vallourec) and Titanium Metals Corporation of USA (Timet), which is indirectly, through the Tremont Corporation, controlled by the Contran Corporation, acquire within the meaning of Article 3 (1) (b) of the Regulation joint control of the newly created company Valtimet SAS by way of purchase of shares, to which they will transfer their welded tube business.

2. The business activities of the undertakings concerned are:

- Valinox Welded: manufacture of high quality stainless steel, cupro-nickel and titanium welded tubes,
- Vallourec: manufacture and processing of pipes, tubes and related products, manufacture and processing of other steel materials,
- Timet: titanium, titanium ingot and slab, forged and cast products, tubular products (welded tube and pipe).

3. On preliminary examination, the Commission finds that the notified concentration could fall within the scope of Regulation (EEC) No 4064/89. However, the final decision on this point is reserved.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation.

Observations must reach the Commission not later than 10 days following the date of this publication. Observations can be sent by fax (No (32-2) 296 43 01/296 72 44) or by post, under reference IV/M.917 — Valinox/Timet, to the following address:

European Commission,
Directorate-General for Competition (DG IV),
Directorate B — Merger Task Force,
Avenue de Cortenberg/Kortenberglaan 150,
B-1040 Brussels.

⁽¹⁾ OJ No L 395, 30. 12. 1989. Corrigendum: OJ No L 257, 21. 9. 1990, p. 13.

Appointment of a member of the management board of the European Centre for the Development of Vocational Training

(97/C 149/07)

(Text with EEA relevance)

In accordance with Article 4 of Council Regulation EEC No 337/75 of 10 February 1975 establishing a European Centre for the Development of Vocational Training, on 30 April 1997, the Commission decided to appoint as a member of the management board of the Centre, for the period from 30 April 1997 to 28 February 1999, replacing Mr R. Charters d'Azevedo, who tendered his resignation on 4 December 1996:

Mrs Eleni SPACHIS Principal Administrator, Unit B4 'Qualifications, new occupational profiles, relations with Cedefop, open and distance learning in the area of vocational training' Directorate B 'Vocational training policy' of DG XXII, Education, Training and Youth

Assessment of humanitarian operations financed under Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid

(97/C 149/08)

Firms or groups of firms wishing to undertake an assessment of humanitarian aid operations pursuant to Article 20 of Council Regulation (EC) No 1257/96 are invited to make their submission.

Preference will be given to bids involving the services of a team of European experts comprising different nationalities.

No prior participation in humanitarian operations financed by the Commission (ECHO) since 1 July 1996 is permitted by such firms or experts proposed in respect of this assignment. They will be asked to make a statement to this effect.

Detailed information may be obtained from Mr Diaz Marquina, ECHO 5 (Assessment), tel.: (32-2) 295 13 97; fax: (32-2) 299 11 73.

Expressions of interest should be submitted, accompanied by details of the experience of the firm or groups of firm in the field of humanitarian aid and aid assessment, before 16 June 1997, by post or fax (number above) to the European Community Humanitarian Office (ECHO), addressed to:

Mrs Jacqueline Coëffard, Head of Unit ECHO 5 (Assessment), Office 5/278, Rue de Genève 1, B-1140 Brussels.

Non-opposition to a notified concentration
(Case No IV/M.857 — British Airways/Air Liberté)

(97/C 149/09)

(Text with EEA relevance)

On 28 February 1997, the Commission decided not to oppose the above notified concentration and to declare it compatible with the common market. This decision is based on Article 6 (1)(b) of Council Regulation (EEC) No 4064/89. The full text of the decision is available only in English and will be made public after it is cleared of any business secrets it may contain. It will be available:

- as a paper version through the sales offices of the Office for Official Publications of the European Communities (see list on the last page),
- in electronic form in the 'CEN' version of the Celex database, under document No 397M0857. Celex is the computerized documentation system of European Community law; for more information concerning subscriptions please contact:

EUR-OP,
Information, Marketing and Public Relations (OP/4B),
2, rue Mercier,
L-2985 Luxembourg;
tel.: (352) 29 29 4 24 55, fax: (352) 29 29 4 27 63.

II

(Preparatory Acts)

COMMISSION

Proposal for a Council Regulation (EC) on measures to promote and market quality beef and veal and on publicity measures on the labelling of beef and veal and repealing Regulation (EEC) No 2067/92

(97/C 149/10)

(Text with EEA relevance)*COM(97) 70 final — 97/0058(CNS)**(Submitted by the Commission on 19 March 1997)*

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 43 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas Council Regulation (EEC) No 2067/92 of 30 June 1992 ⁽¹⁾ allows the Community to part-finance specific measures undertaken by trade and inter-trade organizations to encourage the consumption and marketing of quality beef and veal; whereas, in the light of experience and in order to deal better with the market problems arising from the BSE crisis, changes should be made to the current promotional scheme;

Whereas Article 1 of Regulation (EEC) No 2067/92 lays down that promotional measures providing for the control of meat quality throughout the chain of production, from the producer to the consumer, may be given priority and qualify for a higher Community contribution; whereas most of the programmes submitted so far by trade and inter-trade organizations provide for such control; whereas this is what is required to restore consumer confidence; whereas, therefore, Community financing should be reserved for those programmes;

Whereas Council Regulation (EC) No ... established a new Community labelling system for beef and veal

intended to provide the consumer with additional guarantees; whereas consumers should be informed about the new system by means of special measures financed by the Community;

Whereas national programmes to promote identified beef and veal exist alongside the Community programmes in a number of Member States; whereas provision should be made to take account of such programmes so as to ensure the necessary coordination;

Whereas consumer reaction to the crisis has shown that consumers invariably prefer products whose origin is indicated; whereas an approval procedure should be laid down to permit the identification of the origin of products under certain conditions preventing infringement of Article 30 of the Treaty;

Whereas balance on the Community market also depends on the demand on foreign markets; whereas, in order to restore consumer confidence on those markets, the means should be provided to implement suitable publicity measures in third-country markets; in order to achieve this objective, the Community financial contribution should be increased;

Whereas, in order to ensure that the measures are as effective as possible, the Commission should be able to call for technical assistance in the areas concerned;

Whereas, given the extent of the changes envisaged, Regulation (EEC) No 2067/92 should be repealed and replaced by this Regulation,

⁽¹⁾ OJ No L 215, 30. 7. 1992, p. 57.

HAS ADOPTED THIS REGULATION:

Article 1

The Community may part-finance measures undertaken by trade and inter-trade organizations to promote quality Community beef and veal identified as such.

As soon as the Community labelling system is put in place, the Community may finance publicity measures intended to inform the consumer of the guarantees offered by this system.

Article 2

Part-financed measures referred to in Article 1 first sub-paragraph shall provide for the control of meat quality throughout the chain of production, from the producer to the consumer.

Account shall be taken of existing measures in the Member States to promote identified beef and veal when programmes part-financed by the Community are adopted.

Promotional and marketing measures must not be biased in favour of any trade mark nor confer advantage on products from a particular Member State.

Article 3

The use of logos or symbols identifying the origin of products in accordance with Regulation (EC) No ... on the labelling of beef and veal and beef products may be authorized in accordance with the terms and the procedure to be laid down in the detailed rules for the application of this Regulation.

Article 4

The Community may finance suitable measures to publicize the qualities of Community beef and veal in third countries.

Article 5

The Community financial contribution to the measures referred to in Article 1 may not exceed 60 % of their actual cost. However, for the actions under Article 4, this financial contribution may be increased up to 80 % of their actual cost.

Article 6

For the application of Articles 1, 3 and 4, and particularly as regards the choice of strategic means, assessment and monitoring, the Commission may ask for technical assistance from publicity experts with a thorough knowledge of the beef and veal sector.

Article 7

Expenditure relating to the Community financial contribution referred to in Articles 1 and 4 and the financing of the measures referred to in Article 3 and the technical assistance referred to in Article 6 shall be considered to be intervention within the meaning of Article 3 (1) of Regulation (EEC) No 729/70.

Article 8

Detailed rules for the application of this Regulation, and in particular those defining the promotion and publicity measures, shall be adopted in accordance with the procedure laid down in Article 27 of Regulation (EEC) No 805/68.

Article 9

Regulation (EEC) No 2067/92 is hereby repealed.

It shall, however, continue to apply to applications for a Community contribution submitted under that Regulation prior to the entry into force of this Regulation.

Article 10

This Regulation shall enter into force on the seventh day following its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

III

(Notices)

COMMISSION

Call for proposals for cooperation with charitable associations, non-governmental organizations and associations dealing with the interests of the elderly

(97/C 149/11)

The budgetary authority calls on the Commission to undertake, in 1997, preparatory measures to promote cooperation with charitable associations and with non-governmental organizations and associations dealing with the interests of the elderly.

In order to implement part of these measures, the Commission is calling for proposals from the abovementioned organizations aiming at promoting exchange of experience and of information and/or disseminating good practice between Member States.

Funds will be made available for transnational exchange activities (involving organizations from at least three Member States) on key social policy issues at European level (especially on social protection, social inclusion and developments in European social policy in the light of the results of the IGC). These activities must demonstrate clear added-value at European level by improving knowledge through the development and promotion of new ideas and/or innovative approaches and/or the transfer of best practice.

Examples of activities could include: studies, seminars, conferences, preparation of reports and publications. Preference will be given to actions which have the potential to strengthen the capacity of charitable associations and other non-governmental organizations to engage in civil dialogue at European level.

Applicants must submit a full dossier in compliance with guidelines and instructions in specially produced forms.

Detailed information about this call for proposals including application forms, procedures and eligibility criteria for the submission of proposals and the principles governing the Community contribution can be obtained from the address below.

Mr R. Cornelissen,
European Commission,
GDV/E/2,
J27 1/,
Rue de la Loi/Wetstraat 200,
B-1049 Brussels.
Tel. (32-2) 299 04 82/295 38 34
Fax: (32-2) 299 05 09.

Technology validation and transfer projects

Call for proposals for technology validation and transfer projects under the specific programme for the dissemination and optimisation of the results of activities in the field of research and technological development, including demonstration (1994 to 1998)

(97/C 149/12)

(Text with EEA relevance)

1. In accordance with the Parliament and Council Decision adopting the fourth framework programme of the European Community for activities in the field of research, technological development and demonstration (1994 to 1998)⁽¹⁾, and pursuant to the Council Decision adopting a specific programme for the dissemination and optimization of the results of activities in the field of research and technological development, including demonstration (1994 to 1998)⁽²⁾, the Commission of the European Communities is issuing a call for proposals for technology validation and transfer projects.

In accordance with Article 5 (1) of the Council Decision adopting the abovementioned specific programme, a work programme has been drawn up by the Commission setting out in detail the scientific and technological objectives and the types of activities to be undertaken and the proposed financial arrangements.

2. The objectives and the research, technological development and demonstration activities covered by this call for proposals relate to the areas described in the work programme.

The JRC and the legal entities referred to in Articles 1, 2 and 3 of the Council Decision on the rules for participation in the specific programmes⁽³⁾ are invited to submit proposals for projects.

The purpose of this third and last call for proposals is to invite proposals for projects for the validation or

transfer of technology with a view to contributing to the development of innovations which meet the needs of the market and society⁽⁴⁾.

'Technology' means research results, know-how, methods and techniques which, regardless of their origin, Community or otherwise, are suitable for being adapted, tested and used in connection with the innovative applications dealt with in the projects.

Particular but not exclusive attention is being paid in this call to the participation of small and medium-sized enterprises. Project proposals should be demand-oriented, demonstrate a clear Community value added and promote activities involving the validation of technology and its transfer to other fields of activity or other regions of the European Union.

Projects submitted to the Commission must set out an overall concept and specify a total budget covering both phases of the project — a short definition phase and the main implementation phase.

Successful proposals will be selected on the basis of the overall concept. They will comprise a definition phase for verifying the technical and economic viability of the project and drawing up detailed plans for implementation and financing.

If successful, the definition phase will be followed by the implementation phase of the technology validation or transfer project.

⁽¹⁾ Decision No 1110/94/EC of the European Parliament and of the Council of 26 April 1994 concerning the fourth framework programme of the European Community for activities in the field of research and technological development, including demonstration (1994 to 1998) (OJ No L 126, 18. 5. 1994, p. 1). Adapted by Decision No 616/96/EC of the European Parliament and the Council (OJ No L 86, 4. 4. 1996, p. 69).

⁽²⁾ Council Decision 94/917/EC (OJ No L 306, 31. 12. 1994, p. 101).

⁽³⁾ Council Decision 94/763/EC of 21 November 1994 concerning the rules for the participation of undertakings, research centres and universities in research, technological development and demonstration activities of the European Community (OJ No L 306, 30. 11. 1994, p. 8).

3. Proposals must reach the Commission by post before 4 p.m. local time on 6 October 1997 (date of postmark) or handed in before the same date and time either at the address in point 5 below or at one of the Commission's offices within the Community (date as on acknowledgement of receipt). A list of

⁽⁴⁾ The attention of interested persons and organizations is drawn to the fact that research and development projects, cooperative projects (Craft) or demonstration projects, in the field of life sciences and technology, are the subject of other calls for proposals.

proposals received will be drawn up on 20 October 1997 (4 p.m. local time) and the call will be closed.

4. The proposals selected will take the form of shared-cost actions, in accordance with the specific implementing rules set out in Annex III to the Council Decision adopting the abovementioned specific programme.

Selection of the proposals will be based on the criteria set out in Annex II to the fourth framework programme and in Article 4(3) of the Council Decision on the rules for participation in specific programmes.

Contracts for these actions will be concluded in conformity with the Council Decision on the rules for participation in specific programmes, and the results of these actions will be disseminated in compliance with the principles set out in the Council Decision on the rules governing the dissemination of research results from the specific programmes of research,

technological development and demonstration of the European Community ⁽¹⁾.

5. The work programme, details of proposal submission procedures and a specimen standard contract of the type which will be concluded with successful applicants are available on request from the Commission. All correspondence concerning this call for proposals must be marked 'Technology validation and transfer projects' and sent to the following address:

European Commission, Directorate-General XIII, Telecommunications, Information Market and Exploitation of Research, DG XIII/D1, EUFO 2174, rue Alcide de Gasperi, L-2920 Luxembourg, fax: (352) 43 01 341 29.

⁽¹⁾ Council Decision 94/762/EC of 21 November 1994 concerning the rules for the dissemination of the research results from the specific programmes of research, technological development and demonstration of the European Community (OJ No L 306, 30. 11. 1994, p. 5).