

Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC)

## COMMISSION DECISION

of 4 July 2006

on State aid C 40/2005 (ex N 331/2005) which  
Belgium is planning to give to Ford Genk

(notified under document number C(2006) 2931)

(Only the French and Dutch texts are authentic)

(Text with EEA relevance)

(2006/938/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular the first subparagraph of Article 88(2) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1) (a) thereof,

Having invited the parties concerned to submit their comments in accordance with the articles referred to above<sup>(1)</sup>,

Whereas:

### PROCEDURE

- (1) Belgium notified the Commission of the planned aid to Ford in Genk by letter dated 22 June 2005, registered on 27 June 2005. The Commission requested further information by letter of 27 July 2005, to which the Belgian authorities replied by letter dated and registered on 15 September 2005.
- (2) By letter of 9 November 2005, the Commission informed Belgium that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of the aid. A meeting with the Belgian authorities followed on 25 November 2005.
- (3) The Belgian authorities submitted their observations by letter dated and registered on 13 January 2006.
- (4) The Commission decision to initiate the procedure was published in the Official Journal of the European Union on 25 February 2006<sup>(2)</sup>. The

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

Commission invited interested parties to submit their comments on the measure. However, no comments were received.

## DESCRIPTION OF THE AID

### The recipient

- (5) The recipient of the aid is Ford-Werke GmbH, Fabrieken te Genk, Belgium (hereinafter referred to as 'Ford Genk'), which is part of the Ford Motor Company. The plant opened in 1964. At the end of 2003, as part of a general restructuring of Ford Europe, there was a significant reduction in staff involving about 3 000 employees. At the same time, the company announced an investment programme of some EUR 700 million., primarily devoted to a new flexible manufacturing system. Under this programme production of the next generation Galaxy and a third model would be added to the current Mondeo production line. The plant currently employs about 5 000 people. In 2004 it produced 207 163 vehicles. In Belgium the Ford group also has a Volvo plant in Ghent.

### The training project

- (6) According to the information provided by Belgium, the training programme's eligible costs total EUR 33,84 million. This figure includes EUR 25,34 million for specific training and EUR 8,5 million for general training.
- (7) The eligible costs considered in the programme, and their respective amounts, are:
- Consultancy costs: they cover the provision of training services by external suppliers.
  - On-the job-training: cost of the operators when trained on the production line (versatility). The workers have to be able to operate at three different positions in the team. According to Ford's training objectives, this accounts for 1,35 training days per year on average.
  - Lean organisation: cost of the personnel in the team providing training in lean, flexible, and efficient production methods, in line with the new Ford Production System (FPS).
  - Off-line personnel costs: cost of the workforce during classroom training. According to Ford's training objectives, this accounts for 1,95 training days per year on average.
  - Training enablers: large, glass-enclosed rooms with areas for reading and socialising, containing notice boards for posting up production and quality information. Belgium proposes that the depreciation of these areas be an eligible cost for the period in question as long as they are used for training purposes.
  - Personnel costs of the training department: salaries of the employees in the company's training department who are working for this training programme.

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

- ‘Cascading’: the director of the plant calls a meeting of all the workforce three times a year in order to brief them on the implementation of Ford’s ‘lean organisation’ system (‘FPS’). Cost of the workforce during this meeting.
- Six Sigma: expenditure arising from the personnel costs of the team providing training using the ‘DMAIC’ method (define-measure-analyse-improve-control).
- Restructuring: In recent years Ford Europe has tried to adapt its production capacity to a stagnating level of demand. To this end, over the period December 2003 to April 2004, Ford Genk reorganised its production and 2 770 employees were laid off or (for those having worked enough years) offered early retirement. In order to guarantee continuity in production and quality, 279 experienced employees were asked to stay for some additional weeks or months to train their successors.
- Launch costs: personnel cost of the ‘product coaches’, i.e., the first workers involved in launching new models. They learn about the new products (construction, use of the new plant, process), and then transfer this knowledge to other workers.

Type of activity	Specific training (EUR million)	General training (EUR million)
Consultancy costs	0,88	2,05
On-the job-training	5,44	
Lean organisation	1,65	
Off-line personnel costs	2,35	5,5
‘Training enablers’	1,48	
Personnel costs of the training department		0,92
‘Cascading’	1,6	
Six Sigma		0,026
Restructuring	4,47	
Launch costs	7,44	

(8) Total eligible costs broken down by type of expenditure are:

Type of expenditure	(EUR m)
Trainers' personnel costs	16,54
Depreciation of tools and equipment	1,48
Cost of guidance and counselling services	0,92

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

Trainers' personnel costs	14,9
<b>Total eligible costs</b>	<b>33,84</b>

#### The aid

- (9) The proposed aid consists in a direct grant to Ford Genk of EUR 12 279 423 for the period 2004-2006. Of this sum, EUR 4 677 408 (38 %) is aid for general training, and EUR 7 602 015 (61 %) is for specific training. The aid is to be granted as ad hoc aid by the Flemish Community (*Vlaamse Gemeenschap*). Belgium has given assurances that this training aid will not be supplemented by other aid for the same costs.
- (10) The amount of this aid gives an aid intensity of 55 % for general training and 30 % for specific training.

#### DECISION TO INITIATE PROCEEDINGS UNDER ARTICLE 88(2) OF THE TREATY

- (11) In its decision to initiate a formal investigation, the Commission expressed doubts concerning (1) the way the Belgian authorities interpret the scope of eligible costs and (2) the proposed classification of some cost items under the headings of general or specific training.
- (12) On the issue of eligible costs, the Commission queried whether some of the expenditure proposed by Belgium was compatible with Article 4(7) of Regulation (EC) No 68/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid<sup>(3)</sup>, notably:
- Training enablers: the Commission queried whether buildings or other types of infrastructure fell within the scope of Article 4(7)(d) of Regulation (EC) No 68/2001.
  - Personnel costs of the training department: the Commission doubted whether these costs could be assimilated to 'cost of guidance and counselling services with regard to the training project' (Article 4(7)(e) of Regulation (EC) No 68/2001).
  - 'Cascading': the Commission wondered whether cascading included any training content and whether it was anything more than a mere management practice. It also expressed doubts about the company's needing any state aid to undertake these activities, as they seemed to be part of Ford Genks' routine management operations.
  - Restructuring costs and launch costs: the Commission queried whether aid linked to restructuring and launch costs provided any real incentive for the company's training operations. Furthermore, the Commission also had reservations as to whether the restructuring costs were eligible under Article 4(7) of Regulation (EC) No 68/2001 as they appeared to result exclusively from the recent restructuring of the plant.

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

- Expenditure in 2004: part of the eligible costs was expenditure that had already been made in 2004. Given that this aid is intended to subsidise past expenditure, the Commission queried whether it could have any incentive effect on the firms' training activities for that period.
- (13) On the question of the breakdown between 'general' and 'specific' training, the Commission feared that the Belgian authorities had applied an excessively wide definition of general training to some project expenditure. The Commission's misgivings focused on the training headings 'Consultancy costs' and 'Off-line personnel costs'. According to the Belgian authorities, the training department of Ford Genk estimated that about 70 % of this expenditure concerned training of a general nature. However, no evidence has been provided in support of this claim.

#### COMMENTS FROM BELGIUM

- (14) In their reply to the opening of the formal investigation, the Belgian authorities made the following comments:
  - Training enablers: the Belgian authorities argue that these equipped spaces enclosed by glass walls are used for training activities for most of the time and must therefore be considered an eligible cost.
  - Personnel costs of the training department: Belgium claims that they are covered by Article 4(7)(e) of Regulation (EC) No 68/2001 ('cost of guidance and counselling services with regard to the training project'), that the employees in question have been seconded to the programme for three years, that this results in extra staffing costs over that period, and that for the purpose of classification these costs have to be accounted for as general training.
  - 'Cascading': the Belgian authorities accept the Commission's view that cascading should be considered a management rather than a training instrument.
  - Restructuring costs: according to the Belgian authorities, the lay-off of 2 770 Ford Genk employees in the period 2003-2004 cannot be regarded as normal restructuring in response to a change in market circumstances. On the contrary, the workforce reduction, which was implemented in full compliance with social legislation and after consultation with staff representatives, has resulted in a drastic change in the organisation of the plant. However, it led to the sudden departure of the most experienced workers, i.e. those able to train their younger colleagues. Under these circumstances, and in order to avoid having to use external coaches, the company decided to ask a number of these workers to continue in service just to provide training.
  - Launch costs: the Belgian authorities claim that this case is the not same as normal training that takes place following a total or partial renewal of an existing model. In particular, the entire Genk factory has been converted to produce three models on a single platform; three completely new models are being introduced over a period of 18 months.

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

- Expenditure in 2004: the Belgian authorities have provided assurances that the training programme for 2004-2006 was developed after the promise of support from the Flemish government in November 2003, and that the first course in the programme took place after Ford Genk formally requested the aid from the Flemish administration.
- As regards the distinction between ‘general’ and ‘specific’ training, Belgium has submitted a detailed classification of the courses, including the name of external consultants providing the training. In addition, the Belgian authorities have also undertaken to correct, *ex post*, any deviation from the proportion of general training retained for budgetary purposes (70 %) on the basis of the company's past experience.

#### ASSESSMENT OF THE AID

##### Existence of state aid

- (15) The measure notified by Belgium in favour of Ford Genk constitutes state aid within the meaning of Article 87(1) of the Treaty. It takes the form of a grant that will be financed by the state or through state resources. The measure is selective as it is limited to Ford Genk. Furthermore, it is liable to distort competition in the Community by providing Ford Genk with an advantage over competitors not receiving the aid. Finally, the automobile market is characterised by extensive trade between Member States, and the aid is therefore likely to affect trade between Member States.

##### Legal basis for the assessment

- (16) Belgium asks for approval of the aid on the basis of Regulation (EC) No 68/2001, the aid being linked to a training programme.
- (17) According to Article 5 of Regulation (EC) No 68/2001, if the amount of aid granted to one enterprise for a single training project exceeds EUR 1 million, the aid is not exempted from the notification requirement of Article 88 (3) of the Treaty. The Commission notes that the proposed aid in this case amounts to EUR 12 279 423, that it is to be paid to one enterprise, and that the training scheme is a single project. The Commission therefore considers that the notification requirement applies to the proposed aid, and that Belgium has complied with it.
- (18) Recital 16 of Regulation (EC) No 68/2001 explains why such aid cannot be exempted from notification: ‘It is appropriate that large amounts of aid remain subject to an individual assessment by the Commission before they are put into effect.’
- (19) When the Commission assesses an individual training aid which, because of its size, does not qualify for the exemption laid down in Regulation (EC) No 68/2001 and whose compatibility has therefore to be assessed on the basis of Article 87(3)(c) of the Treaty, it employs the same guiding principles as those of the Regulation. Having regard to recital 4 of Regulation (EC) No 68/2001, which states that notifications will be assessed by the Commission in

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

particular in the light of the criteria set out in the Regulation, the Commission goes on to assess whether or not all eligible costs can be approved, once again exercising its wide margin of discretion on the basis of Article 87(3)(c) of the Treaty. Such measures must be assessed with a view to ensuring coherent decision-making practice and equality of treatment<sup>(4)</sup>.

#### Compatibility with the common market

(20) The Commission's assessment of the measure's compatibility with the common market must therefore entail verification that the points about which it had doubts at the opening of the formal investigation are in conformity with the common market under Regulation (EC) No 68/2001 and Article 87(3)(c) of the Treaty. In particular:

I) Eligible costs

(21) The Commission notes that Article 4(7) of Regulation (EC) No 68/2001 lays down that the following costs are eligible for a training aid project:

- a) trainers' personnel costs,
- b) trainers' and trainees' travel expenses,
- c) other recurrent expenditure such as materials and supplies,
- d) depreciation of tools and equipment as long as they are used exclusively for the training project,
- e) cost of guidance and counselling services for the training project,
- f) staff costs of trainees taking part in the project up to the total of the other eligible costs referred to in (a) to (e).

(22) Belgium has provided a training cost overview to enable the Commission to identify the proposed eligible costs. According to the information provided by Belgium, the personnel costs of participation in the training do not exceed the total of the other eligible costs.

i) 'Training enablers' (EUR 1,5 million)

(23) Article 4(7)(d) of Regulation (EC) No 68/2001 provides that the depreciation of tools and equipment are potentially eligible costs as long as they are used exclusively for the training project. Buildings are not mentioned as potential eligible costs. In this case, the 'training enablers' consist of different facilities set up in rooms enclosed by glass panels. These rooms are used for training activities. As they are located within the plant, they do not constitute buildings and can be considered as falling within the category of 'tools and equipment' laid down in Regulation (EC) No 68/2001.

(24) In view of this, the Commission considers that they constitute eligible costs.

ii) Personnel costs of training department (EUR 1 million)

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

- (25) The Commission notes that large companies are more likely to have their own training department and therefore less prone to require the assistance of external counselling services. Furthermore, in order to be compatible with Article 87(3)(c) of the Treaty, the aid measure must be proportionate to the objective, and must not distort competition to an extent contrary to the common interest. In view of this, the Commission considers that excluding the costs arising from internal training departments from the scope of Article 4(7) (e) of Regulation (EC) No 68/2001 would discriminate against the category of large enterprises. The Commission therefore accepts them as eligible expenditure.
- (26) The Commission will apply the same criteria used in this decision to any similar case notified to it.
- (27) However, the Commission has to reject the Belgian authorities' argument that all the costs in question can be regarded as general training. The Commission considers that guidance and counselling services are of the same nature (general/specific) as the training activities they refer to. Consequently, in order to avoid overcompensation of such guidance and counselling costs, the expenditure of the training department on training classified as 'specific' or 'general' must be subject to the same maximum aid intensity as the corresponding training activity. The costs of the training department will therefore be classified as 'general' or 'specific' in the same proportion as the 'general' and 'specific' training elements of the overall training project. In this case, taking the training activities for which the Commission authorises aid, this will result in 57,8 % for general training and 42,2 % for specific training.
- (28) Higher aid intensities would cause a disproportionate distortion of competition. In particular, the Commission takes the view that requiring an enterprise to finance a reasonable proportion of the cost contributes to the efficiency and feasibility of the measure. It thus concludes that a higher aid intensity would adversely affect trading conditions to an extent contrary to the common interest. This part of the measure may not, therefore, be regarded as compatible with the common market under Article 87(3)(c) of the Treaty.
- iii) Restructuring costs (EUR 4,4 million)
- (29) When deciding to undertake restructuring, a company compares the present value of the expected reduction in costs in future periods with the costs of the restructuring. The expenditure for training employees who will occupy a new function following the restructuring are a normal and indispensable part of the restructuring costs. Indeed, once the company has decided to lay off a significant part of its staff, temporary training for the employees referred to above is indispensable for ensuring the continuity of production and quality. The company has no choice but to incur such training expenditure for the remaining workforce in order to replace the expertise that will be laid off. Consequently, the aid in question would simply subsidise the companys'



---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

normal and indispensable restructuring costs, which would be incurred anyway, even without aid. So this aid does not seem necessary and, in any event, it will not result in additional training.

- (30) Recital 10 of Regulation (EC) No 68/2001 describes the rationale for state aid in support of training, considering that training usually has positive external effects for society as a whole, since it increases the pool of skilled workers from which other firms may draw and improves the competitiveness of Community industry. In this case, however, the restructuring in question will lead to a reduction in the pool of skilled workers available and therefore seems contrary to the explicit objective of Regulation (EC) No 68/2001.
- (31) Furthermore, in order to be compatible with Article 87(3)(c) of the Treaty, the aid measure must be proportionate to the objective and must not distort competition to an extent contrary to the common interest. Since Ford Europe is one of the major players in the Community market for car manufacturing, it appears that market forces alone should suffice to undertake the training entailed by the restructuring in question. Any state aid in support of this training would therefore, with reference to recital 11 of Regulation (EC) No 68/2001, be in excess of the minimum necessary to obtain the Community objective which market forces alone would not make possible, and would therefore result in an undue distortion of competition. In this respect, the Commission observes in particular that, despite the doubts it voiced in the opening decision, Belgium has not explained why the company would not have undertaken the training activities in question without aid.
- (32) The Commission therefore considers that these restructuring costs are not eligible for training aid.
- iv) Launch costs (EUR 7,5 m)
- (33) Over the last year the Commission has amassed evidence that some car manufacturers are putting their production plants in different Member States in competition with each other for the production of new models. Car makers compare several plants with a view to production of a new product, then decide where to locate the production on the basis of total operating costs, which means all types of costs, including government support of any kind, training aid as well. In view of this economic reality, and in view of the resulting risk that certain training aid measures do not contribute to the objective of common interest laid down in recital 10 of Regulation (EC) No 68/2001 but simply constitute distortive operating aid, the Commission has to scrutinise more carefully the need for aid ‘in order to ensure that State aid is limited to the minimum necessary to obtain the Community objective which market forces alone would not make possible’ (recital 11 of the Regulation)<sup>(5)</sup>. Such assessment is even more justified in view of the current market situation in the motor vehicle sector, characterised by significant over-capacity.

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

- (34) In earlier cases, the Commission did not analyse in detail the need for specific training aid for launch costs<sup>(6)</sup>. This, however, does not stop it from doing so once it notices that the economic conditions on the markets concerned have evolved. In paragraph 52 of its judgment of 30 September 2003 in joined cases C-57/00 P and C-61/00 P<sup>(7)</sup>, the Court of Justice ruled ‘whatever the interpretation given by the Commission to Article 92(2)(c) [now 87(2)(c)] of the Treaty in the past, that cannot affect the correctness of the Commission's interpretation of that provision in the contested decision and hence its validity.’ Similarly, in paragraph 177 of its judgment of 15 June 2005 in case T-171/02<sup>(8)</sup>, the Court of First Instance indicated that ‘the legality of a Commission decision declaring that new aid does not fulfil the conditions under which the exemption in Article 87(3)(c) EC applies must be assessed solely in the context of that article, and not in the light of the Commissions' earlier decision-making practice, assuming that is established.’
- (35) The Commission observes that in the car industry the production of a new model is necessary to maintain competitiveness. The launch of a new model is therefore a normal and regular feature of the car industry. In order to produce new models, car manufacturers need to train their workforce in the new techniques that will be adopted. The related training costs necessary for launching the new model are therefore normally incurred by car makers on the sole basis of market incentive. Consequently, the training activities in question would have been undertaken by the company in any event, even without aid. Training aid is not necessary in these circumstances. It does not motivate the company to undertake ‘additional’ training activities beyond those already carried out just on the basis of market forces. The aid would cover an operational cost normally borne by the company, and would therefore constitute distortive operating aid.
- (36) In addition, the introduction of a single platform in the Genk plant is likely to lead to more efficient production of the new models. The company will therefore benefit directly from the single platform. Market forces alone are thus sufficient to push the company to undertake this restructuring of production and to bear the cost of the correlated training activities. In view of this, the aid is not necessary, as it would cover normal reorganisation costs of the company.
- (37) Furthermore, the arguments set out in recital 31 concerning the proportionality of the aid and the avoidance of undue distortion of competition as conditions for compatibility under Article 87(3)(c) of the Treaty also apply to the training associated with the launching of new models. Any state aid in support of this training would go beyond the minimum necessary to obtain the Community objective which market forces alone would not make possible, and would therefore result in a distortion of competition to an extent contrary to the common interest. In this respect, the Commission observes in particular that, despite the doubts it voiced in the opening decision, Belgium has not explained

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

why the company would not have undertaken the training activities in question without aid.

(38) The launch costs may not therefore benefit from training aid.

v) 2004 expenditure

(39) In their reply to the decision to open a formal investigation, the Belgian authorities provided firm and detailed assurances that the formal request for aid preceded the start of the training programme. The Commission believes that these assurances are sufficient to dispel the doubts it voiced in its decision.

*Adjustments in the amount of eligible costs*

(40) In view of the above arguments, the eligible costs of the project have to be adjusted downwards to EUR 20,31 million. Of this sum, the personnel costs of trainees account for EUR 13,29 million, 65 % of the total.

(41) The Commission notes that Article 4(7)(f) of Regulation (EC) No 68/2001 provides that such costs are eligible up to the amount of the total of the other eligible costs. In view of this, a further adjustment is required in this case to bring trainees' personnel costs down to a level equivalent to the sum of other costs<sup>(9)</sup>. Such an adjustment results in total eligible costs of EUR 14,04 million.

II) Nature of the training

(42) Article 4 of Regulation (EC) No 68/2001 makes a distinction between specific training and general training.

(43) Specific training is defined in Article 2(d) of Regulation (EC) N° 68/2001 as training involving tuition directly and principally applicable to the employees' present or future position in the assisted firm, and providing qualifications which are not, or only to a limited extent, transferable to other firms or fields of work.

(44) General training is defined in Article 2(e) of Regulation (EC) N° 68/2001 as training involving tuition which is not applicable only or principally to the employees' present or future position in the assisted firm, but which provides qualifications that are largely transferable to other firms or fields of work, and thereby substantially improve the employability of the employee. Training is regarded as general if, for example, it is jointly organised by different independent enterprises, or if employees of different enterprises may avail themselves of the training.

(45) In order to be compatible with the common market, training aid must not exceed the maximum allowable aid intensities in relation to eligible costs laid down in Article 4(2) and (3) of the Regulation (EC) N° 68/2001. These maximum thresholds depend, *inter alia*, on the size of the recipient company, the region in which it operates, and the category of workers involved. The Commission notes that Ford Genk is a large enterprise, that the project is

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

located in an area (the province of Limburg), which qualifies for assistance under Article 87(3)(c) of the Treaty, and that the participants in the training do not include any of the categories of disadvantaged workers mentioned in Article 2(g) of Regulation (EC) No 68/2001. The maximum aid intensities authorised under these circumstances are 30 % for specific training, and 55 % for general training.

- (46) The Commission considers that in its reply to the opening of the formal investigation Belgium has submitted sufficient information and assurances regarding the nature of the training. In particular, it has communicated the names of the external enterprises in charge of the general training. It has also undertaken to correct, *ex post*, any deviation in the proportion of general training proposed. Any such correction will follow the conclusions of the audit carried out by the economic services of the Flemish region (on the basis of which the exact percentage of general training will finally be determined).

#### Closing remarks

- (47) The Commission notes that, in the case of the aid measure under scrutiny, the exemptions provided for in Article 87(2) of the Treaty do not apply since the aid measure does not target any of the objectives listed there, nor has Belgium argued that they do. The notified aid is not designed to promote the execution of an important project in the common European interest nor to remedy a serious disturbance in the economy of a Member State, nor is it intended to promote culture or heritage conservation. The Commission therefore considers that the aid for covering costs stipulated in recital 7 cannot be exempted under Article 87(3)(b) or (d) of the Treaty as regards the basic incompatibility of state aid with the common market. The exemption provided for in Article 87(3)(a) is not applicable either, because the aim of the measures is the promotion of training in an area which is not assisted under that article of the Treaty. Finally Article 87(3)(c) of the Treaty is relevant to the extent it concerns promotion of training and regional development, which has already been taken into account in the assessment above.

#### Conclusion

- (48) The Commission finds that some of the measures notified by Belgium, as set out in recitals 21 to 41, concern expenditure that is not eligible, or aid that is not necessary for undertaking the training activities in question. This aid is not compatible with the common market under any exemption provided for in the Treaty, and must be prohibited. According to the Belgian authorities the aid has not been granted, and therefore there is no need to recover it.
- (49) The other measures in the proposal, accounting for eligible costs of EUR 14,04 million, which correspond to aid of EUR 6 240 555, comply with the criteria for compatibility with the common market under Article 87(3)(c) of the Treaty,

HAS ADOPTED THIS DECISION:

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

*Article 1*

EUR 6 038 868 of the state aid which Belgium is planning to accord a training project at Ford-Werke GmbH, Fabrieken te Genk is incompatible with the common market.

Therefore that part of the aid may not be implemented.

The remaining EUR 6 240 555 million in notified aid is compatible with the common market.

*Article 2*

Within six months of the date on which this Decision is notified, Belgium shall inform the Commission of the measures taken to comply with it.

*Article 3*

This decision is addressed to the Kingdom of Belgium.

Done at Brussels, 4 July 2006.

*For the Commission*

Neelie KROES

*Member of the Commission*

---

**Changes to legislation:** There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC). (See end of Document for details)

---

- (1) [OJ C 47 of 25.2.2006, p. 14.](#)
- (2) See footnote 1.
- (3) [OJ L 10 of 13.01.2001, p. 20.](#) Regulation modified by the regulation (EC) n° 363/2004 ([OJ L 63 of 28.2.2004, p. 20](#)).
- (4) See, for example, the judgment dated 24 March 1993 in Case C-313/90 [1993] ECR p. I-1125, paragraph 44 and Article 4(2) of Council Regulation (EC) No 994/98 ([OJ L 142, 14.5.1998, p. 1](#)).
- (5) This is consistent with the approach taken in the cases *General Motors Antwerp* (Case No. N 624/2005, formal investigation opened on 26.4.2006, not yet published in the OJ), *Auto Europa* (Case No. N 3/2006, formal investigation opened on 16.5.2006, not yet published in the OJ) and *WEBASTO Portugal* (Case No. N 653/2005, approved on 16.5.2006, not yet published in the OJ). In the latter case the Commission found that the aid is necessary and that the positive effects on the common interest outweigh possible distortions of trading conditions, on the basis of the combination of several elements: Notably, the training programme exceeds the basic work needs of the beneficiary, as reflected by the fact that the large majority of training courses concern transferable skills (predominance of general training). The Commission also observed that the training seeks preparation of employees that are newly recruited, in an assisted region where the qualification of the workforce is weak, for the beginning of activities in a brand new plant, using a technology not yet available in the Member State concerned.
- (6) See, for example, cases C77/2002, *Volvo Cars NV*, Commission decision 2003/665/CE of 13 May 2003 ([OJ L 235 of 23.9.2003, p. 24](#)) and C78/2002, Commission decision 2003/592/CE of 13 May 2003, *Opel Belgium NV* ([OJ L 201 of 8.8.2003, p. 21](#)).
- (7) Court judgment of 30 September 2003 in cases C-57/00P and C-61/00P, *Freistaat Sachsen, Volkswagen AG and Volkswagen Sachsen GmbH*, ECR p. I-9975.
- (8) Court of First Instance judgment of 15 June 2005 in case T-171/02, *Regione autonoma della Sardegna*, 15.6.2005, not yet published in ECR.
- (9) When reducing the amount of eligible trainees' personnel costs, the Commission has reduced the trainees' personnel costs which constituted *specific* training.

**Changes to legislation:**

There are currently no known outstanding effects for the Commission Decision of 4 July 2006 on State aid C 40/2005 (ex N 331/2005) which Belgium is planning to give to Ford Genk (notified under document number C(2006) 2931) (Only the French and Dutch texts are authentic) (Text with EEA relevance) (2006/938/EC).