EUROPEAN COMMISSION

PRESS RELEASE

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State aid: Commission adopts four decisions on regional investment aid for car manufacturers Porsche, BMW, AUDI and Ford

The European Commission has adopted decisions on the compatibility with EU state aid rules of four distinct projects by Germany, Hungary and Spain to grant regional aid in favour of the car manufacturers Volkswagen, BMW and Ford, in order to attract major investment projects. The Commission has authorised a German aid measure worth €43.67 million to Volkswagen/Porsche in Leipzig because it furthers regional development without unduly distorting competition in the Single Market, in line with EU guidelines. For BMW, also based in Leipzig, the Commission has found that only part of the planned aid was necessary to carry out the project and has therefore authorised €17 million out of the €45 million planned by Germany. The Commission has opened an in-depth investigation to assess the compatibility of aid by Hungary to Volkswagen/AUDI in Győr, because it has concerns that, in view of the strong market position of the beneficiary and the difficult market situation, the aid could harm competition. Finally, the Commission has closed a formal investigation into regional aid for Ford in Spain, after Spain reduced the aid from €24.4 million to €11.2 million, a level which does not require Commission approval.

Commission Vice President in charge of competition policy Joaquín Almunia said: "*The Commission's objective is to ensure that taxpayers' money is only spent to encourage investments that would not be carried out otherwise, and bring a genuine added value to the region. We verify that the aid amount offered does not exceed what is necessary to attract an investment project to a disadvantaged region. Avoiding such deadweight is extremely important to avoid distortions of competition in the Single Market and any waste of taxpayers' money at a time of tight budgetary constraints.*"

The applicable EU regional aid guidelines (see IP/05/1653) allow the granting of aid for investment projects if – on balance – their positive impact on regional development outweighs the distortion of competition brought about by the aid. In recent years, the Commission has assessed a series of projects in the automotive sector in order to verify that this balance test is met and that the aid is necessary and proportionate for implementing the investment.

Ford

The Commission has closed an in-depth investigation opened in May 2013 regarding an aid measure in the value of €24.4 million that Spain intended to grant for a €418 million project by Ford (see IP/13/432), because Spain withdrew the notification in June 2014. The project concerned the re-equipping of the Ford España manufacturing facility in Almussafes (Valencia) for the production of a new model, the V408 (Ford Transit Connect). The project has nevertheless been implemented with a lower aid amount of €11.2 million, which does not require Commission approval.

There are also a number of other cases in the past where the Member States concerned withdrew their notifications after the Commission opened an in-depth investigation: The Commission previously assessed aid for an earlier investment project by Volkswagen/AUDI in Hungary (see IP/09/1631), for Volkswagen in Germany (see IP/11/875), for car parts supplier Linamar in Germany (see IP/11/1324), for Fiat in Poland (see IP/11/139), for Revoz, a subsidiary of Renault/Nissan, in Slovenia (see IP/13/640).

In the majority of these cases Member States granted substantially less aid than originally planned - which is possible without prior Commission scrutiny - without affecting the implementation of the investments, confirming the Commission's doubts about the necessity of the higher aid amounts. In addition, the Commission was in preliminary contacts with several Member States on further large aid projects. After the Commission voiced concerns about the effects of these projects on competition, including the high planned aid amounts, several of them have moved ahead with no or considerably less state support.

Volkswagen / Porsche

The Commission authorised regional aid of €43.67 million to Porsche for extending the existing plant in Leipzig, Saxony (Germany) to produce a new passenger car model "Porsche Macan". The total cost of the project is €522 million. It is expected to secure close to 900 existing jobs and to create over 1 000 new ones. The Commission's assessment showed that the aid was necessary for the project to go ahead in Leipzig and that any effects on competition were limited, because the aid merely compensated for the extra costs incurred by carrying out the project in Leipzig and not in the alternative location.

BMW

The project concerns the production of two models of electric passenger cars: the 'i3' Mega City Vehicle, an entirely battery driven car for urban use, and the 'i8' sport, a hybrid car with a combustion engine in addition to electric propulsion. It is expected to create 800 new jobs. The Commission found that of the total of €45 million that Germany originally planned to grant, only €17 million was actually necessary to bring the investment to Leipzig and has approved the project only to that extent.

Volkswagen / AUDI

The Commission has opened an in-depth investigation to assess whether aid granted by Hungary for an investment project by AUDI for extending an existing plant in Győr (Western Transdanubia) to produce passenger cars was in line with EU state aid rules. The cost of the project amounts to €1.2 billion. It is expected to create 2 100 jobs. Hungary plans to grant aid of €133.3 million. Given the size of the project and the market share of the Volkswagen Group – the owner of AUDI - the Commission needs to verify the impact of the project on regional development and whether the aid is necessary to carry out the investment in Győr.

Background

The EU Regional Aid Guidelines allow Member States to support investment projects in disadvantaged regions (see IP/05/1653) if certain criteria are met. Aid for large investment projects exceeding certain amounts have to be notified individually. Where such large aid amounts benefit a company with a market share exceeding 25% of the relevant product market, or concern an investment that leads to a substantial capacity increase on a market in decline, the Commission has to carry out a detailed verification of the aid.

The Commission verifies the incentive effect (i.e. whether the aid will actually change the behaviour of the company benefitting from it, instead of subsidising projects it would have carried out anyway) and the proportionality of the aid, as well as its contribution to the development of the region. Aid can be approved if Member States demonstrate that the aid changed the investor's behaviour in favour of the targeted disadvantaged region, and that the amount of aid is the minimum to achieve this change. In addition the Commission has to make sure that the positive effects of the investment on the development of the region outweigh the negative effects of the aid on trade and competition. In this context, the Commission verifies in particular that the aid does not affect other regions with a similar or worse socio-economic situation that might have attracted the investment if the aid had not been offered.

The non-confidential version of the decisions will be made available under the case numbers SA.34118 (Porsche), SA.36754 (Audi), SA.32009 (BMW) and SA.34998 (Ford) in the State Aid Register on the competition website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

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