STATE AIDS (MOTOR VEHICLES): THE FIAT CASE

Subject: State aids

Industry: Motor Vehicles

Parties: FIAT (Melfi)

Source: Commission Statement IP/99/885, dated 24 November 1999

(Note. Here is another automobile manufacturer seeking State aid; and, again, the Commission is sceptical about the merits of the case.)

The European Commission has decided to initiate detailed investigation proceedings concerning aid amounting to € 40 million (LIT 78 billion) earmarked for the Fiat plant in Melfi (Basilicata). At this stage the Commission has not been able to establish that the planned aid meets the criteria of the Community framework for state aid to the motor vehicle industry and has asked Italy to forward any comments within one month. In March 1999, Italy notified a regional aid project involving a nominal amount of € 40 million (LIT 78 billion) concerning investments carried out by Fiat Auto in its plant in Melfi (Basilicata).

Fiat Auto owns factories in Italy, Poland, Turkey and South America. The concern produced 2.9 million vehicles in 1998, 1.6 million of them in Italy. It has 62,000 workers in Italy, including 6,300 at the Melfi plant. The plant produces 1,200 Puntos and 400 Lancia Ys a day. The notified project does not affect capacity; it is basically designed to develop new flexible bodywork and assembly lines in connection with the launch of the new Punto. Investments € 224 million (LIT 436 billion) are being carried out between 1997 and 2000. The Italian authorities claim that the Fiat Group could put the investment into their plant in Tychy, Poland. They therefore carried out a cost-benefit analysis, comparing the cost of producing 1,200 new Puntos a day in Melfi with that of splitting production between Melfi (800 cars a day) and Tychy (400 cars a day) and established that Melfi would have a comparative disadvantage of 27.3%, which was sufficient to justify 15.3% aid. Although it is technically possible to produce the new Punto in Poland, the Italian authorities have failed to provide sufficient evidence that the investor really intended to switch part of the production of the new model to Tychy.

On the information currently in the Commission's possession, the aid in question does not appear likely to benefit from exemption. The Commission has therefore decided to open a detailed investigation and asked Italy to provide all the information necessary for the examination of the case within one month. ■