STATE AIDS (MOTOR VEHICLES): THE VW CASE

Subject: State aids

Industry: Motor vehicles

Parties: Volkswagen AG (VW)
Automobilmanufaktur Dresden GmbH

Source: Commission Statement IP/99/888, 24 November 1999

(Note. State aids to large motor vehicle manufacturers are an incongruous element in a competition policy; but the so-called "motor vehicle framework" offers a certain amount of latitude. Even so, Germany is having some difficulty persuading the Commission that its proposed aid for VW meets even those generous criteria.)

The Commission has decided to begin a thorough investigation into regional aid totalling € 100 million (DEM 194 million) which Germany plans to grant to Automobilmanufaktur Dresden GmbH, a wholly owned subsidiary of Volkswagen AG (VW). The Commission has so far not been able to establish whether the planned aid meets the requirements of the motor vehicle framework. In July 1999 the German authorities notified their plans for granting regional aid of a nominal amount of € 100 million (194 million DM) for investment in Dresden, Saxony, by a subsidiary of the VW group. The project concerns a top-of-the-range vehicle, for which VW will develop new technological and commercial concepts, including the construction of an open, transparent factory where future buyers will be able to watch the final assembly of their vehicles. Productive investment will total € 740 million (1,536 million DM) over the period 1999-2002. Production capacity will amount to 37,500 vehicles a year and 2,000 jobs will be created or secured in the long term.

The information provided by Germany was not sufficient to demonstrate that the planned aid would be in line with the principles contained in the motor vehicle framework, in particular as regards the mobility of the project and the cost/benefit analysis. Furthermore, the case would not appear to justify the exemption provided for in Article 87(2)(c) of the EC Treaty. Under Article 87(2)(c), aid which is granted to certain areas of the Federal Republic of Germany affected by the division of Germany is compatible with the common market insofar as it is required to compensate for the economic disadvantages caused by that division. The information in the Commission's possession is not such as to enable it to take a final decision and it has thus given Germany one month to supply all the necessary information for the assessment of the case. ■