STATE AIDS (MOTOR VEHICLES): THE DAIMLERCHRYSLER CASE

Subject: State aids

Industry: Motor vehicles

Parties: DaimlerChrysler AG
Mitsubishi Motors Corporation

Source: Commission Statement IP/01/1071, dated 25 July 2001

(Note. Two value judgments have to be applied to individual state aid cases in the motor vehicle industry. The first is whether the Commission is fairly and correctly applying the principles set out in the so-called "framework" document, which sets out the policy for assessing state aids in this industry. The second is whether the framework policy itself is soundly based: this goes much further than the assessment of an individual case. In the present case, the Commission needs more information before it can apply the two main criteria of assessment: that is, as the background note attached to the Commission statement points out, the "necessity" for the aid and the "proportionality" of the proposal.)

The Commission has decided to launch a thorough investigation into regional aid totalling €63.8 million which Germany plans to grant to DaimlerChysler AG and Mitsubishi Motors Corporation. The Commission has so far not been able to establish whether the planned aid meets the requirements of the specific state aid framework policy for the automobile sector. It is asking Germany to provide within one month all the necessary information for the assessment of the case.

In March 2001 the German authorities notified their plans for granting regional aid of an amount of €63.8 million (net present value) for an investment in Kölleda, Thuringia. The project concerns the setting up of a new greenfield engine production plant with a total investment volume of around €243.91 million (net present value: €220.43 million). The project is expected to create approximately 500 new jobs.

The recipient of the aid would be DaimlerChrysler AG. With the foundation in 2003 of a new joint venture company of DaimlerChrysler AG and Mitsubishi Motors Corporation, which will drive the engine production plant, all investments and aid will be fully transferred to this new company. The engines are produced for a planned joint DaimlerChrysler/Mitsubishi car platform for small passenger cars, which is planned to be produced in the Nedcar-plant in Born/Netherlands for the European markets and in a Mitsubishi plant in Japan for the Japanese and Asian markets.

DaimlerChrysler has assessed different alternative sites and the best alternative location to Kölleda would be an investment in Nyergesujfalu, Hungary. A final decision as to the site of production has not yet been taken.

The information so far provided by Germany in this complex case was not sufficient to demonstrate that the planned aid is in line with the principles contained in the framework policy for aid to the motor vehicle industry, in particular as regards the proportionality of the aid, as calculated in the cost/benefit analysis, and the effects on the production capacity of the group.

The Commission has thus decided to open the formal State aid investigation procedure in order to give Germany as well as all interested third parties the possibility to submit comments.

Background

According to the Community framework policy for state aid to the motor vehicle industry, the Commission must ensure that any aid granted in this sector is both necessary and proportional.

As for necessity, the aid recipient must clearly prove that it has an economically viable alternative location for its project. In other words, the project must be "mobile" and the aid necessary for its realisation at the location for which it is planned.

To assess the proportionality of the aid, a cost-benefit analysis is carried out. This compares the costs, which an investor would bear to carry out the project in the region in question, with the costs for an identical project in the alternative location. It thus becomes possible to determine the specific regional handicaps of the project. The aid may neither exceed the regional aid ceiling applicable to new investments in that area nor the regional handicap calculated in the cost benefit analysis (CBA). ■

Shell / DEA

The Commission has referred to the German Competition Authority the examination of the impact on the downstream market for oil products of a proposed joint venture between Deutsche and RWE-DEA. At the same time, the Commission has also taken the view that the deal's effects on the petrochemicals sector require further review and has started an in-depth investigation. Dutch-British Royal Dutch/Shell (Shell) is one of the world's biggest oil groups: in Germany, Shell is active through its wholly-owned subsidiary Deutsche Shell GmbH. DEA Mineralöl is a 100% subsidiary of RWE AG, the parent of a group of multi-utility companies, ranging from water treatment to chemicals. Shell and DEA propose to combine their downstream oil and petrochemicals business in a joint venture, which will not include the parent companies' upstream activities in the oil or natural gas sectors. The agreement also envisages Shell taking sole control of DEA from 1 July 2004 at the latest. (Source: Commission Statement IP/01/1222, dated 23 August 2001)