STATE AIDS (MAIL ORDER): THE OTTO VERSAND CASE

Subject: State aids
Multi-sectoral Framework
Regional aid

Industry: Logistics Centre for the distribution of mail order goods

Parties: German Government
Otto Versand GmbH & Co. KG

Source: Commission Statement IP/03/1087, dated 23 July 2003

(Note. Here is another European Community "Framework", under which plans for state aid can be assessed by the Commission. Regional aid usually has a fair wind, especially if applied to what was formerly East Germany.)

The Commission has authorised Germany to grant a proposed €27.4 million in aid to help Otto Versand to extend an existing logistics centre for the distribution of mail order goods in Haldensleben, Sachsen-Anhalt. The aid will help create jobs, has limited impact on competition and its intensity of 23.625% remains below the ceiling of aid allowable under the applicable rules for this project.

Germany notified in March 2003, under the Multisectoral Framework on regional aid for large investment projects, an aid of €27,405,000 in favour of Otto GmbH & Co. KG for an investment in the Eastern German region of Sachsen-Anhalt. Otto group is active in the field of mail order of retail goods. The project concerns the extension of the capacity of an existing logistics centre in Haldensleben by about one third and the rebuilding and extension of all the functional parts of the centre in order to keep up with increased distribution demands. From this logistics centre, non-food mail order goods are transported to regional distribution centres and hence to the customers.

The total proposed aid intensity amounts to 23.625 % based on the eligible investment costs of €116 million. The regional aid ceiling in the assisted area concerned is 28%. According to Germany, the project will lead to the creation of 292 direct jobs and of at least further 175 jobs in Sachsen-Anhalt and adjacent regions. In assessing the compatibility of the aid under the Multisectoral Framework, the Commission has to take into account the capacity and market situation in the sector, the number of jobs directly created by the project and the beneficial effects of the investment on the economy of the assisted regions. The Commission's investigation showed that, although the market for mail order in growing more slowly than the overall manufacturing industry over the last years, the project is expected to have a beneficial effect on the regional economy. Following the provisions of the Multisectoral Framework, the Commission considers that aid up to 23.625 % of the investment cost can, in this case, be approved. ■