Notice pursuant to Article 19 (3) of Council Regulation No 17

(Case No IV/29.798)

(93/C 310/05)

I. The notification

On 11 February 1979 the Commission was formally notified pursuant to Article 4 of Council Regulation No 17 [1] of an agreement concluded on 27 June 1978 by Peugeot SA and Fiat Auto SpA concerning the setting-up of a joint subsidiary, Sevel SpA, for the joint production of a commercial vehicle with a payload ranging from 1 000 to 1 300 kg.

On 13 July 1988 the firms concerned announced that they had signed an appendix to the agreement on 12 July 1988 which provided for the vehicle in question to be replaced by a new model with a payload ranging from 1 000 to 2 000 kg. The new model would be manufactured by the same joint subsidiary, which had meanwhile changed its name to Sevel SpA Val di Sangro (Sevel).

II. The agreement

Under the agreement, Peugeot and Fiat each hold 50 % of a joint subsidiary which manages a plant at Val di Sangro in Italy and manufactures a medium-sized commercial vehicle exclusively for the two of them. Peugeot and Fiat also produce commercial vehicles based on passenger cars. The Commission, however, considers that these vehicles cannot be substituted for the contract product as they are made using a different technology and are intended for a different customer group, with the result that the presence of the two motor vehicle manufacturers in question on the market for medium-sized commercial vehicles is dependent solely on the activity of the joint subsidiary.

The production resulting from the cooperation between the two parent companies, which involves a fairly broad range of vehicles, is to be apportioned equally between them. The new agreement, or appendix, allows each parent company to exceed its delivery quota if the other does not wish to fill its own quota. Both companies are co-owners of the industrial property rights in the products of the joint subsidiary and decide jointly on the granting of licences to such rights.

The vehicles produced by Sevel SpA Val di Sangro will be personalized in accordance with the brand image of the two parent companies, with each company independently marketing them via its own distribution channel throughout the European Community in conditions of open competition.

The vehicles will differ fundamentally as regards their engines, transmissions and electrical equipment; in this respect, however, there will be exceptions for certain models with less clearly defined specifications.

The agreement on the joint production of the new model to replace that manufactured under the agreement of 27 June 1978 is to expire on 31 December 2008.

III. The undertakings

Peugeot SA is the largest motor vehicle manufacturer in France and one of the largest in Europe, holding some 30 % of the market in France and 12 % of the Community market. Its ownership of three major makes, i.e. Peugeot, Citroën and Talbot, gives it a presence in all motor vehicle transport sectors.

Fiat is the largest Italian motor vehicle manufacturer and is also one of the largest in Europe, with some 45 % of the Italian market and 12 % of the Community market. It is present in all motor vehicle transport sectors through its makes, of which the principal ones are Fiat, Alfa Romeo, Lancia, Ferrari, Maserati Iveco and Ford-Iveco.

At present, the two firms together hold some 20 % of the European market for commercial vehicles with a 1 000 to 2 000 kg payload but are dependent on supplies of the vehicle already produced by Sevel under the agreement of 11 February 1979. The vehicle is technically out-of-date and distribution is falling; it is therefore likely that, without the agreement in question and the opportunity to replace the existing model, the firms' sales and market shares will gradually decrease and disappear within a few years. The Commission is concerned that the competitive structure of the relevant market may be affected.

IV. Intentions of the Commission

The Commission proposes in the present case to take a favourable attitude to the agreement concluded on 12 July 1988 by Peugeot SA and Fiat SpA. However, as the

[1] OJ No 13, 21. 2. 1962, p. 204/62.

firms concerned hold important positions on the market, it intends to attach certain conditions to its decision. It invites other interested parties to send their comments, if any, within one month of the date of publication of this notice, quoting reference No IV/29.798/33.141 — PSA-Fiat Agreements, to the following address:

Commission of the European Communities,
Directorate-General for Competition, IV-D-4,
Rue de la Loi 200,
B-1049 Brussels.

Approval of a State aid pursuant to Articles 92 and 93 of the EEC Treaty

Cases where the Commission does not raise objections

(93/C 310/06)

Summary of the Commission's decision not to oppose the aid which the Navarra Regional authorities intend to provide to SEAT in support of its investment plans in Arazuri (Pamplona), Spain.

By letter dated 2 June 1992 from its Permanent Representation, the Spanish authorities notified to the Commission, in accordance with Article 93 (3) of the EEC Treaty, its proposal to award State aid to SEAT, under the 'Norma sobre medidas de politica industrial y de fomento de la inversion y el empleo' of the Navarra region, for the expansion, modernization and rationalization of its Arazuri plant near Pamplona, which produces the Volkswagen Polo. Of the total amount of aid of Pta 4 213,3 million, Pta 4 190,8 million was investment aid equivalent to 20 % of Pta 20 954 million eligible investment in 1990 and 1991 with the remainder being employment aid for the hiring of workers on permanent contracts.

Following several meetings between the Spanish authorities and the Commission services, the former submitted a new notification by letter of 16 June 1993 cancelling and replacing the original notification. The new notification covered the period 1990 to 1993 and clarified the outstanding issues which the Commission had raised during these meetings.

SEAT's investment plans in Arazuri originate from the VW Group's decision to centralize all production of the Polo model in one plant and to use the capacity vacated in Wolfsburg by this transfer to increase production of the Golf and Vento models there. The current case deals with an investment of Pta 57 862 million during the period 1990 to 1993.

The investment in the existing plant consists of several elements: the capacity for the final assembly of cars has been increased, a final assembly line for engines has been installed, a new press shop will be constructed and facilitated. The project also includes considerable investment in information technology, in a new logistics centre and in various other infrastructures. Finally, training for the new employees will be provided.

As the cost of the project exceeds ECU 12 million, the proposed aid falls to be considered under the Community framework for State aid to the motor vehicle industry. Moreover, as there is considerable intra-Community trade in cars, the aid measures which reduce the financial burden of SEAT for its investment in Navarra, clearly threaten to distort competition among vehicle manufacturers in the Community in the sense of Article 92 (1) of the EEC Treaty.

In order to determine the aid intensity in motor vehicle cases, the Commission uses a standardized definition of eligible expenditure. The Commission's definition includes all physical expenditure that binds the investor to a particular location and which loses value by its use. This is the reason why, in the Commission's opinion, the purchase of land and the expenditure on vendor tooling in non-assisted areas should not be aided. The Spanish authorities confirmed that they would only aid tooling within the plant or attributed to suppliers located in assisted areas of the region. The eligible expenditure for the SEAT project, excluding the purchase of land, is Pta 56 604 million, the amount of aid is Pta 5 539 million and therefore the aid intensity in nominal terms is 9,8 %. Considering the delays in aid payment the gross grant equivalent of the aid is equal to 8,4 %.

On the proposed regional aid for investment and employment, the framework for State aid to the motor