

**STEUNMAATREGELEN VAN DE STATEN — VERENIGD KONINKRIJK****Steunmaatregel C 4/2002 (ex N 594/01) — Vauxhall/Ellesmere Port****Uitnodiging overeenkomstig artikel 88, lid 2, van het EG-Verdrag opmerkingen te maken**

(2002/C 77/05)

(Voor de EER relevante tekst)

De Commissie heeft het Verenigd Koninkrijk bij schrijven van 23 januari 2002, dat na deze samenvatting in de authentieke taal is weergegeven, in kennis gesteld van haar besluit tot inleiding van de procedure van artikel 88, lid 2, van het EG-Verdrag ten aanzien van de bovengenoemde steunmaatregel.

Belanghebbenden kunnen hun opmerkingen over de betrokken steunmaatregel ten aanzien waarvan de Commissie de procedure inleidt, maken door deze binnen één maand vanaf de datum van deze bekendmaking te zenden aan:

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Deze opmerkingen zullen ter kennis van het Verenigd Koninkrijk worden gebracht. Een belanghebbende die opmerkingen maakt, kan, met opgave van redenen, schriftelijk verzoeken om vertrouwelijke behandeling van zijn identiteit.

**SAMENVATTING****Procedure**

Het steunvoornemen werd aangemeld op 23 augustus 2001. De Commissie stelde op 23 oktober 2001 bijkomende vragen, waarop het Verenigd Koninkrijk bij brief van 16 november 2001 heeft geantwoord.

**Beschrijving**

Begunstigde van de steun zou Vauxhall Motors (UK) Ltd. zijn. Het gaat om regionale investeringssteun met het oog op de omschakeling van een productie-eenheid voor één model naar een productie-eenheid voor twee modellen, met de mogelijkheid bij de productie over te schakelen van het ene op het andere model. Na de investering zal de fabriek in Ellesmere Port een mengeling van Astra's en nieuwe Vectramodellen kunnen produceren. De fabriek in Ellesmere Port is gevestigd in een regionale-steunregio in de zin van artikel 87, lid 3, onder c), EG, met een regionaal plafond van 15 % netto subsidie-equivalent.

De subsidiabele investeringen vertegenwoordigen in totaal een waarde van 156,198 miljoen GBP (netto actuele waarde 153,814 miljoen GBP). De voorgenomen steun bedraagt 10 miljoen GBP (netto actuele waarde: 9,847 miljoen GBP). De aangemelde steunintensiteit bedraagt 6,4 %. Volgens het Verenigd Koninkrijk kwamen voor General Motors Europe twee alternatieve vestigingsplaatsen voor het project in aanmerking, Ellesmere Port en Antwerpen.

**Beoordeling**

De steunmaatregel wordt beoordeeld in het licht van de communautaire kaderregeling inzake staatssteun aan de automobiellindustrie. Op grond van deze kaderregeling dient de Commissie erop toe te zien dat de toegekende steun aan de ene kant noodzakelijk is voor de verwezenlijking van het project en aan de andere kant evenredig is met de ernst van de op te lossen problemen.

Om de noodzaak van regionale steun aan te tonen moet de begunstigde het onomstotelijke bewijs leveren dat hij een economisch rendabele alternatieve locatie heeft voor het project. Het technische karakter van de investering en de haalbaarheid van de uitvoering van het project in Antwerpen dienen te worden verduidelijkt.

Wat de evenredigheid betreft, moet de Commissie ervoor zorgen dat de voorgenomen steun evenredig is met de regionale problemen die men ermee wil oplossen. Daartoe wordt de methode van de kosten-batenanalyse (hierna: KBA) toegepast. De KBA die het Verenigd Koninkrijk in zijn aanmelding maakt, geeft een „handicapintensiteit” van 11,8 % te zien voor de uitvoering van het project in Ellesmere Port. De Commissie koestert echter ernstige twijfels over deze KBA. Deze twijfels hebben met name betrekking op de veronderstelde hogere opleidingskosten in Antwerpen, de veronderstelde interne vervoerskosten, het veronderstelde koopgedrag en de gevolgen van een eventuele uitvoering van het project in Antwerpen voor het merkimago van Vauxhall in het Verenigd Koninkrijk, hetgeen mogelijk een invloed zou kunnen hebben op marktaandeel en omzet. Voorspanden kan de Commissie niet uitsluiten dat de voorgenomen steun de werkelijke regionale handicap van het project overcompenseert.

## Conclusie

Daarom heeft de Commissie besloten de procedure van artikel 88, lid 2, van het EG-Verdrag in te leiden.

## TEKST VAN DE BRIEF

„The Commission wishes to inform the United Kingdom that, having examined the information supplied by your authorities on the aid referred to above, it has decided to initiate the procedure laid down in Article 88(2) of the EC Treaty.

## Procedure

- (1) The United Kingdom authorities notified the above-mentioned aid proposal to the Commission pursuant to Article 88(3) of the EC Treaty by letter dated 23 August 2001 (registered on 28 August 2001). The Commission asked additional questions on 23 October 2001, to which the United Kingdom replied by letter dated 16 November 2001 (registered on 21 November 2001).

## Detailed description of the project

- (2) The recipient of the aid would be Vauxhall Motors (UK) Ltd, which is a wholly owned subsidiary of General Motors Corporation. The aid in question is regional investment aid leading to the retooling from a single model production facility to a two-model plant with the capacity to switch production between two models as demand varies. The plant in question is situated in Ellesmere Port and currently produces the Astra model. After the investment, it will be able to produce a mix of Astras and of the new replacement Vectra passenger car models. The replacement Vectra is to be built in Ellesmere Port from April 2002 onwards. According to the United Kingdom, the project will safeguard 771 jobs at Vauxhall Motors and create approximately 530 jobs in the supply chain.
- (3) The replacement Vectra will be designed to compete in the upper-medium segment of the European passenger car market. The main geographical markets for both the current Astra model and the replacement Vectra model are Germany, the United Kingdom, France, Italy, Holland and Spain, although other smaller western and central European passenger car markets are also supplied.
- (4) According to the notification, the total amount of eligible investments amounts to GBP 156,198 million. The net present value of the eligible investments is GBP 153,814 million. These investments are divided as follows (in GBP million):

Building/land improvements	8,352
Machinery and equipment	131,343
Tools and dies	14,119
Total	153,814

- (5) The aid of GBP 10 million (net present value: GBP 9,847 million) would be provided as regional selective assistance, which is an approved scheme based on the Industrial Development Act from 1982. The notified aid intensity is 6,4 %.
- (6) The Ellesmere Port plant is located in the Westminster ward of Ellesmere Port and Neston in Cheshire. This region was recognised by the Commission as a regionally assisted area in the sense of Article 87(3)(c) EC, under the regional aid map for the period 2000-2006, with a regional ceiling of 15 %.
- (7) According to the United Kingdom, General Motors Europe considered two alternative sites for the project, Ellesmere Port and Antwerp. The final location decision in favour of Ellesmere Port was part of a major restructuring within General Motors Europe with the objective of generating savings sufficient to return GM Europe to profitability. As part of this plan, passenger car production in Luton would cease at the end of the life of the current Vectra model at the end of the first quarter of 2002. From this point forward, the remaining Luton facilities would concentrate on commercial and off-road vehicles, while passenger car production would be concentrated at Ellesmere Port. Ellesmere Port will continue to produce the Astra, incorporate the next-generation Vectra and turn the facility into a two-model flex plant.
- (8) The United Kingdom authorities have provided together with the notification a cost-benefit analysis (hereinafter referred to as CBA) comparing the costs and benefits in the two locations. The CBA indicates a net cost handicap of GBP 18,116 million for the location in Ellesmere Port in comparison with the location in Antwerp. The handicap intensity of the project would be 11,8 %.

## Assessment of the aid

- (9) According to Article 87(1) of the EC Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market. Pursuant to the established case-law of the European Courts, the criterion of trade being affected is met if the recipient firm carries out an economic activity involving trade between Member States.
- (10) The Commission notes that the notified aid is granted through State resources to an individual company favouring it by reducing the costs it would normally have to bear if it wanted to carry out the notified investment project. Moreover, the recipient of the aid, Vauxhall Motors, is a company manufacturing and selling cars, which is an economic activity involving trade between Member States. Therefore, the aid in question falls within the scope of Article 87(1) of the EC Treaty.

- (11) Vauxhall Motors is active in the motor vehicle industry. Consequently, the aid granted to it shall be assessed according to the Community framework for State aid to the motor vehicle industry<sup>(1)</sup>.
- (12) According to the Community framework for State aid to the motor vehicle industry (hereinafter referred to as the 'car framework'), the Commission shall ensure that the aid granted is both proportional to the gravity of the problems it intended to solve and necessary for the realisation of the project. Both tests, proportionality and necessity, must be satisfied if the Commission is to authorise State aid in the motor vehicle industry.
- (13) According to point 3(2)(a) of the car framework, in order to demonstrate the necessity for regional aid, the aid recipient must clearly prove that it has an economically viable alternative location for its project. If there were no other industrial site, whether new or in existence, capable of receiving the investment in question within the group, the undertaking would be compelled to carry out its project in the sole plant available, even in the absence of aid.
- (14) The existence of a viable alternative defines the mobility of the project; mobility may if necessary be demonstrated by investors on the basis of studies they have carried out in order to identify the final location. That alternative site need not necessarily always be located in the Community. However, the Commission verifies the likelihood of the alternative, particularly when the relevant markets are considered. Thus, to authorise regional aid, the Commission studies the geographical mobility of the notified project, after checking that the region in question is eligible for aid under Community law. No regional aid may be authorised for a project which is not geographically mobile.
- (15) The Commission notes that according to the new regional map in the United Kingdom, the project would be situated in an assisted area pursuant to Article 87(3)(c) of the EC Treaty with a maximum regional ceiling of 15 % nge.
- (16) The UK authorities have asserted that a real economically realistic alternative location to Ellesmere Port would be to carry out the investment in the car plant in Antwerp, Belgium, which currently produces the Astra model and, until 1998, produced the Vectra model.
- (17) The Commission notes that when assessing the mobility of a project, it tries to take into account all the relevant factors that have or might have influenced a decision to invest in a certain location. Among such factors are, inter alia the location study, the location of the plant in respect of the main markets and the business rationale of an investment decision. The aim is to assess the situation as a whole.
- (18) The United Kingdom stated that the best viable alternative location to Ellesmere Port would be to carry out the investment in Antwerp, Belgium. The Commission notes that, in considering the two alternative sites for the project, General Motors Europe carried out a study, comparing the incremental costs of producing the new Vectra in both locations. The study, as well as additional documents from the decision-making procedure of General Motors Europe, were provided to the Commission. As regards the timing of the decision, Vauxhall Motors approached the United Kingdom authorities in December 2000 for support to help offset the cost advantages of Antwerp. A regional selective assistance offer of GBP 10 million was made to Vauxhall Motors in January 2001, conditional on EC approval. On 1 February 2001, the European Strategy Board of General Motors Europe decided in favour of the Ellesmere Port location. As regards the technical feasibility to carry out the project in the alternative location, the Commission needs to verify whether Antwerp was a real alternative.
- (19) Regional aid intended for modernisation and rationalisation, which is generally not mobile, is not authorised in the motor vehicle sector. However, a transformation, involving a radical change in production structures on the existing site could be eligible for regional aid. The Commission has to verify that the planned project does not include any elements of modernisation, which is completely excluded from all aid.
- (20) According to point 3(2)(c) of the car framework, when considering the mobile aspects of a project, the Commission needs to ensure that the planned aid is in proportion to the regional problems it is intended to resolve. For that, a cost-benefit analysis method (hereinafter referred to as CBA) is used.
- (21) A CBA compares, with regard to the mobile elements, the costs which an investor would bear in order to carry out the project in the region in question with those it would bear for an identical project in a different location, which makes it possible to determine the specific handicaps of the assisted region concerned. The Commission authorises regional aid within the limit of the regional handicaps resulting from the investment in the comparator plant.
- (22) The Commission notes that the United Kingdom authorities have provided with their notification a CBA comparing the two locations, Ellesmere Port and Antwerp. In accordance with point 3(2)(c) of the car framework, operating handicaps are assessed over three years in the CBA since the project in question is an expansion project, not a greenfield site. The time period covered by the submitted CBA is April 2002 to March 2005, that is three years from the beginning of production in compliance with point 3(3) of Annex I to the car framework. The CBA, based on exchange rates at the time of the location decision, indicates a net cost handicap of GBP 18,116 million for the location in Ellesmere Port in comparison with the location in Antwerp.
- (23) The Commission has assessed the information contained in the CBA provided and notes that further explanations are necessary before it can reach a final decision. This relates to elements used in the CBA, especially with regard to the following elements.

<sup>(1)</sup> OJ C 279, 15.9.1997, p. 1.

(24) The Commission has some doubts on the assumed, necessary training costs in the CBA, which assumes that training cost in Ellesmere Port are significantly higher than in Antwerp. The United Kingdom justifies this assumption by the fact that Antwerp already has been a flexible plant in the recent past and was therefore able to profit from the existing experience and skills base. Furthermore, the Antwerp plant had already produced the current Vectra model until 1998 and has installed a higher level of standardised, modern production techniques. Although the Commission considers it plausible that the necessary training costs are higher in Ellesmere Port than in Antwerp, there are doubts whether the extent of the handicap in the CBA is justified. The CBA assumes that necessary training costs in Ellesmere Port are around four times higher than in Antwerp.

(25) As regards inward transport costs, which represents the biggest operating cost handicap of Ellesmere Port, the CBA is based on the assumptions that the inward transport cost per vehicle is GBP 203 (EUR 324) in Ellesmere Port and DEM 220 (EUR 112) in Antwerp and that the procurement pattern is the same in both locations. In view of the assumed significant differences in cross-channel transport costs and the fact that Ellesmere Port has already a well developed supplier park it needs to be clarified whether these assumptions on inward transport costs are plausible.

(26) Even with the grant, Antwerp was still a lower cost location compared to Ellesmere Port. However, according to the United Kingdom, the grant closed the gap to such an extent that General Motors was able to take into account two soft factors in favour of Ellesmere Port when considering the location, namely (a) access to the UK market, and (b) that Ellesmere Port would be a UK project, which would in part mitigate an earlier Luton car plant closure decision. The United Kingdom explained that in view of the job losses in Luton, an unsuccessful bid for the new Vectra in Ellesmere Port would have led to a risk of industrial action in Luton and possibly Ellesmere Port with a resulting impact on public perception in the United Kingdom of Vauxhall as a reliable, quality brand as well as an impact on market share and sales. However, the United Kingdom considers it impossible to accurately quantify the effect of these two

factors. The Commission considers that it might be necessary to incorporate these effects into the CBA and asks the United Kingdom to quantify an estimate of the possible costs.

(27) Consequently, the Commission has doubts whether all the relevant costs and benefits relating to the two alternative production locations are accurately reflected in the CBA provided by the United Kingdom authorities.

(28) Finally, the Commission in its analysis considers the question of a 'top-up', which is an increase in the allowable aid intensity intended as a further incentive to the investor to invest in the region in question. Such top-ups are authorised on condition that the investment does not increase the capacity problems facing the motor vehicle industry. Aid proposals in support of investments that potentially aggravate the overcapacity problem of the industry can be modulated by reducing the 'regional handicap ratio' by up to two points. In this respect the Commission notes that, according to the United Kingdom authorities, the production capacity of General Motors Europe amounts to 2 167 932 before the investment and to 2 058 021 after the investment project (around 5 % capacity reduction). Consequently, taking into account the Article 87(3)(c) area status of the region and the capacity reduction of the group, the project would have a 'negligible' impact on competitors.

#### Decision

(29) In the light of the foregoing considerations, the Commission, acting under the procedure laid down in Article 88(2) of the EC Treaty, requests the United Kingdom to submit its comments and to provide all such information as may help to assess the aid, within one month of the date of receipt of this letter. It requests your authorities to forward a copy of this letter to the potential recipient of the aid immediately.

(30) The Commission wishes to remind the United Kingdom that Article 88(3) of the EC Treaty has suspensory effect, and would draw your attention to Article 14 of Council Regulation (EC) No 659/1999, which provides that all unlawful aid may be recovered from the recipient."