COOPERATION AGREEMENTS (MOTOR VEHICLES): THE GM/FIAT CASE

Subject: Cooperation agreements
Joint ventures

Industry: Motor vehicles

Parties: General Motors Corporation
Fiat SpA

Source: Commission Statement IP/00/932, dated 16 August 2000

(Note. As usual, the Commission has favoured a cooperation agreement whose object is largely a savings in production costs. This agreement goes hand-in-hand with the creation of two main joint ventures, one concerned with production, the other with purchasing. While the Commission has always made clear its willingness to approve cooperation agreements directed towards cheaper or more efficient production, it has not always been so willing to approve joiny purchasing arrangements. In the present case, they form part of an acceptable bundle of proposals.)

The Commission has cleared a cooperation agreement between General Motors and Fiat in the areas of powertrains, joint-purchase of car components and some other joint activities, since it considers that the alliance improves the companies' ability to compete with other car manufacturers in terms of quality, safety standards and prices.

In June 2000, General Motors and Fiat notified to the Commission an agreement to be implemented in Europe and Latin America, by which both parties will cooperate in the areas of powertrains (in particular, engines, gearboxes and suspensions), purchasing of car components and parts, organisation of financial services directed to their dealers and consumers, platform development and R&D programs associated with the production of passenger cars and light commercial vehicles. The two car manufacturers will, nevertheless, continue to compete world-wide in the design of vehicle's components not linked to powertrains as well as on the assembly, distribution, branding, marketing and sale of cars.

The agreement was filed for regulatory clearance under Regulation 17/62, which implements Article 81 of the EC Treaty, banning agreements restrictive of competition or alternatively allowing for an exemption from such rules. After an analysis and consultation with interested third parties, the Commission took the view that, although Fiat and General Motors would coordinate, on an exclusive basis, their activities in the production of powertrains and in the purchasing of components and parts, the alliance should benefit consumers. Components and parts account for a considerable share of the cost of a new car and the increase in the two companies' bargaining power could result in substantial savings which would be passed on to the consumer in terms of better safety standards and lower prices. The Commission therefore concluded that the conditions for an exemption from the EC competition rules were met.

Fiat and General Motors announced their strategic alliance in March which involves GM taking a 20% equity stake in Fiat Auto Holdings BV, a new holding that controls Fiat Group's auto and light commercial vehicle operations, except for Ferrari and Maserati. In return, Fiat receives approximately 5.6 percent of GM's common stock.

The co-operation agreements provide for the creation of a powertrain joint venture to be located in Turin, Italy, and a purchasing joint venture which will be based in Rüsselsheim in Germany. ■

Three state aid cases in the UK motor vehicle sector

The United Kingdom authorities notified on 25 July 2000 regional investment aid to Nissan Motor Manufacturing Ltd (NMUK), leading to the transformation of the Nissan plant in Sunderland, in order to introduce the new Nissan "Micra" model. The total investment of the project amounts to £ 308.9m and the total proposed aid amounts to £40m. According to the UK authorities, the alternative location to Sunderland would be to carry out the investment in the Renault plant in Flins, France, and no decision as to the site of the production has yet been taken by Nissan. The project timing is from January 2001 until March 2005 and the start of production is planned for January 2003. Since the Commission at this stage has doubts on the necessity and proportionality of the aid, the eligibility of costs and the effects on the production capacity, it decided to open the investigation procedure in the case.

At the same time, the Commission decided to raise no objections to the granting of £5m of aid to Nissan for the Primera project, also at Sunderland. The purpose of the project , which was notified on 22 December 1999, is to transform part of the site, so as to enable the production of the new Nissan Primera. The investments will be carried out over approximately three years and will cost a total of £ 216m. The Commission is satisfied that the aid is in conformity with the Community framework for state aid to the motor vehicle industry and is, therefore, compatible with the EC Treaty.

In the Rover Longbridge case, the Commission initiated on 22 December 1999 a formal investigation procedure as regards £141m of regional investment aid to be granted to the German carmaker BMW's envisaged investment in the Rover Longbridge plant. Since the UK Authorities withdrew their notification of state aid in July 2000, the Commission decided to close the investigation procedure noting the UK withdrawal. BMW had sold the Rover cars production to the British Phoenix consortium on 9 May 2000.

Source: Commission Statement IP/00/1026, dated 20 September, 2000