

STATE AIDS: COMMISSION SURVEY

- Subject: State aids
- Industry: All industries
- Source: Commission Statements IP/01/1032 and 1033, dated 19 July 2001; Ninth Survey on State aid in the European Union; Scoreboard on State Aid

(Note. In its commendable desire to encourage transparency in the overall levels and Community control of state aids, the Commission has produced a mass of information: a Register, a Survey and a Scoreboard. Between them, these documents convey a picture of a slow decrease in the huge overall figure for state aids in the European Union, at present running at about €90 billion. An interesting feature of the survey is that, of the total figure for state aid, only €28 billion is aid for manufacturing: a far higher proportion is aid for services. It follows that service industries are well advised to be vigilant about the state aids which their competitors may be receiving.)

The Commission has adopted its Ninth Survey on State aid in the European Union, which updates previous data with figures for 1997 to 1999. Although indicating that levels of state aid are still high, the continuing decreases show that progress is being made in the right direction. During 1997-1999 the overall level of aid has decreased to an annual average of €90 billion compared with €102 billion in the previous reporting period 1995-1997. The survey covers all sectors of the economy but analyses in particular the manufacturing sector, which absorbed around €28 billion a year alone.

According to the Commission, there is still room for manoeuvre to reduce aid further. The Commission strongly supports the Member States in their quest to reduce overall amounts of aid, in line with the Stockholm European Council's conclusions of spring 2001. Member States should continue to make all efforts to carefully rethink their aid spending. Every single reduction of aid clearly reduces the distortion of competition in the Internal Market and increases the benefits of Economic and Monetary Union. The Commission intends to maintain strict state aid control as a priority.

Manufacturing Aid

While the €28 billion spent in this sector are less than the €36 billion in the preceding period from 1995 to 1997, the overall decrease is not spread evenly among the Member States but still depends mainly on Italy and Germany. In both Member States aid amounts fell substantially. In Belgium, Greece, Spain, Luxembourg, the Netherlands and the United Kingdom, levels of aid to manufacturing also dropped but were offset by increases in other Member States (see Table 1).

Substantial differences between individual Member States remain. Aid levels in relation to value added are highest in Greece and lowest in the United Kingdom and Portugal. A comparison shows that, in Greece, aid as a percentage of value added is over seven times higher than in the United Kingdom. Member States like Sweden, the Netherlands, the United Kingdom or Portugal have maintained their low levels of aid, whereas Italy, Germany and Spain are rapidly reducing their aid levels.

Development of overall aid

As regards the overall national state aid to the economy shown in Table 2, the fifteen Member States spent on average €90 billion per year for state aid purposes during the period 1997 - 1999. The decrease of €12 billion in comparison with the previous reporting period covering 1995 to 1997 is mainly a result of reductions in aid to manufacturing, transport and agriculture. Smaller reductions can be observed in aid to coal mining contrasting with the increases in aid awarded to the service sector.

The Survey also reveals that, Member States considerably reduced the amounts of aid granted on an ad hoc basis, that is, awarded to specific companies outside horizontal, regional or sectoral aid schemes. This ad hoc aid still accounted for an annual average of €7.5 billion during the period 1997 to 1999: it was mainly for the purpose of rescuing or restructuring ailing companies. Because these aids seriously distort competition, they are strictly controlled.

Further action by the Commission

The findings of this Ninth Survey on State aid underline the need for continuing strict control and increased transparency. The Commission is taking action along the following lines.

Increasing transparency

The state aid register, which is available on the Competition Directorate General's Internet site (<http://europa.eu.int/comm/competition>), now ensures user-friendly access to the relevant figures.

Publicising the Commission's state aid decisions

The State aid Scoreboard, which is published simultaneously with the Survey and available on the same internet site, further improves transparency in the field of state aid policy and reinforces the process of peer review between Member States.

Modernising the state aid control rules

In the beginning of the year the Commission implemented new block exemptions in the field of state aid (one for training aid and another for state aid to small and medium-sized companies) facilitating and accelerating administrative procedures.

Enforcing state aid control in states seeking to join the European Union

The Commission currently evaluates enforcement of the state aid control provisions in the candidate countries with a view to the accession negotiations in the competition field.

Recovering illegal aid more speedily

Particular importance will be attached to a more speedy recovery of aid, which the Commission has declared incompatible with EC state aid rules.

Table 1: State aid to the manufacturing sector

Annual averages 1995-1997 and 1997-1999

	In % of value added		In € per person employed		In € million	
	1995-1997	1997-1999	1995-1997	1997-1999	1995-1997	1997-1999
Austria	1,4	1,3	685	696	473	478
Belgium	2,1	1,7	1237	1003	826	657
Denmark	2,6	2,6	1429	1453	642	655
Germany	3,4	2,4	1592	1211	13144	9808
Greece	5,5	4,3	1093	876	677	537
Spain	2,5	1,7	841	567	2117	1548
Finland	1,7	1,6	937	968	394	424
France	1,9	2,0	1090	1235	4141	4651
Ireland	1,3	2,0	1075	1683	263	477
Italy	5,0	2,7	2025	1108	10350	5694
Luxembourg	2,3	2,1	1464	1380	48	45
Netherlands	1,1	1,0	561	530	595	571
Portugal	0,9	0,9	185	193	183	192
Sweden	0,9	1,0	490	557	364	418
United Kingdom	0,7	0,6	357	322	1558	1408
EU 15	2,6	1,9	1193	916	35775	27563

Source: European Commission

[Table 2 is on the following page]

Table 2: Overall national aid in the European Union*Annual averages 1995-1997 and 1997-1999 in € billion*

	1995-1997	1997-1999
Overall national aid	102	90
<i>of which:</i>		
- Agriculture	15,2	14,0
- Fisheries	0,3	0,3
- Manufacturing	35,8	27,6
- Coal Mining	8,2	7,6
- Transport	35,4	32,0
<i>Of which rail transport</i>	33,7	31,5
- Services	5,0	5,4
- Employment	0,8	0,9
- Training	1,7	2,2

Scoreboard on State Aid

The Commission has unveiled the new State Aid Scoreboard. Following the opening of the State Aid Register earlier this year, the Scoreboard is the second of two new transparency instruments being developed by the Commission in the area of state aid policy. The Scoreboard is a source of information on the state aid situation in the European Union and on the state aid control activities of the Commission. Available on the home page of the Competition Directorate General's Internet site (cited above), the Scoreboard consists of five parts: an overview of state aid in the European Union over the last ten years, a forum for Member States to present their own State aid policy, the Member States' compliance with state aid rules, trends in current state aid policy and the effects of state aid on the Internal Market.

The first part of the present Scoreboard shows state aid expenditure in the Union and in each Member State expressed as a percentage of GDP. The shares of aid in the Union are then given according to the main purposes pursued: fostering horizontal objectives like research and development, small and medium-sized enterprises or training; helping agriculture and fisheries; assisting the transport sector; aiding other specific sectors like coal mining, shipbuilding or steel production; supporting regions that lag behind.

The second part provides seminal ideas for a Member State forum offering information on their state aid policy and levels of transparency. It should act as a catalyst for discussion between Member States.

In the third part, an indication of Member States' success in complying with state aid rules is given in order to identify problems and therefore indicate where improvements might be necessary. In addition, information on the recovery of illegally granted state aid is included.

With a view to identifying possible areas where future action by the Commission under state aid rules might be desirable, the fourth part of the Scoreboard highlights the amounts of aid granted by the Member States for different objectives and specific sectors. The Member States are encouraged to discuss certain spending trends and patterns and ascertain their impact on the functioning of the Internal Market.

The final part of the Scoreboard attempts to trigger a discussion on the relationship between the state aid situation, as it prevails in the Member States after control by the Commission, the functioning of the Internal Market and the success of the economic reform process. In doing this, the Scoreboard goes beyond competition issues as such.

Future Development

The Scoreboard will be developed gradually in response to the needs of its various future user groups. It will be based on a core set of indicators that will, over time, demonstrate long-term policy shifts and state aid spending patterns. These core indicators will be accompanied in each Scoreboard by series of other indicators that will focus on certain topics for deeper analysis. The Scoreboard will also add value to other Commission documents in particular the proposals for Broad Economic Policy Guidelines, Structural Indicators and Benchmarking Enterprise Policy. ■

"Le Levant"

The Commission has decided to declare non-notified state aid by France to the investors of the ship "Le Levant" to be incompatible with the common market. The Commission does not consider that the vessel will contribute in any significant way to the development of Saint-Pierre-et-Miquelon, situated in the North Atlantic Ocean close to Canada, and that therefore the conditions for granting development aid are not fulfilled. As the unlawful aid, which was in the form of tax breaks for the investors of the ship and has a calculated aid intensity of 34%, has already been granted, it must be recovered. The Commission considers that the investors, as the direct beneficiaries and current owners of the ship, should repay the aid. The firm, Compagnie des Îles du Levant (CIL), operates the ship, which it will also eventually own.

(Source: Commission Statement IP/01/1073, dated 25 July 2001)