Procedure file

Basic information

INI - Own-initiative procedure 2002/2196(INI)	Procedure completed
State aid: aid to industry and services, scoreboard for 2001 and 2002 Subject 2.60.03 State aids and interventions	

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		21/11/2001
		GUE/NGL HERZOG Philippe A.R.	
	Committee for opinion	Rapporteur for opinion	Appointed
	ITRE Industry, External Trade, Research, Energy		09/07/2002
		PPE-DE LANGEN Werner	

Key events

08/10/2002	Vote in committee		Summary
08/10/2002	Committee report tabled for plenary	A5-0353/2002	
10/10/2002	Committee referral announced in Parliament		
21/11/2002	Debate in Parliament		
21/11/2002	Decision by Parliament	T5-0570/2002	Summary
21/11/2002	End of procedure in Parliament		
29/01/2004	Final act published in Official Journal		

Technical information

Procedure reference	2002/2196(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/16652

Documentation gateway					
Document attached to the procedure		COM(2001)0782	20/12/2001	EC	Summary
Document attached to the procedure		COM(2002)0145	18/03/2002	EC	Summary
Document attached to the procedure		COM(2002)0176	10/04/2002	EC	Summary
Document attached to the procedure		COM(2002)0242	22/05/2002	EC	Summary
Document attached to the procedure		COM(2002)0280	05/06/2002	EC	Summary
Committee report tabled for plenary, single reading		A5-0353/2002	08/10/2002	EP	
Text adopted by Parliament, single reading		T5-0570/2002 OJ C 025 29.01.2004, p. 0224-0405 E	21/11/2002	EP	Summary

State aid: aid to industry and services, scoreboard for 2001 and 2002

This second edition of the State aid Scoreboard intends to increase transparency further and to raise awareness for the need of State aid control. It covers the period 1997 to 1999. The scoreboard contains five parts: 1) a general overview of the State aid situation in Member States: The majority of Member States show a downward trend in state aid in relation to GDP between 1997 and 1999. Between 1997 and 1999, it has fallen by over 30%. There may, however, still be scope for further reductions in the future. Significant disparities remain between Member States. In Ireland and Finland, State aid exceeds 1.5% in 1999. In the UK, State aid as a percentage of GDP is less than 0.5%. Sweden, the Netherlands, Italy and Greece have also aid levels below the EU average. The share of aid to manufacturing, coal and service sectors as a percentage of overall aid ranged from 16% in Luxembourg to 69% in Portugal. Aid to the agricultural and fisheries sectors accounted for only 7% of overall aid in Germany while in Finland agricultural aid was as high as 73%. 2) an analysis of horizontal, regional and sectoral aid that is, for the time being, limited to manufacturing and service sectors: State aid for horizontal objectives, i.e. aid that is not targeted towards the specific sectors or geographic areas, is usually considered as being as less distortive than sectoral and ad hoc aid. In accordance with the request at the Stockholm Council, the relative share of horizontal aid has increased by almost 12%. In contrast the relative share decreased in the Netherlands, Austria and Ireland. The share of aid granted to specific sectors in the EU, as opposed to horizontal or regional objectives, has decreased by 1.6% from 1997 to 1999, although this share increased in Luxembourg, Germany, the Netherlands, Austria and Belgium. A decreasing share of aid went to individual sectors. However, in 1999 aid for coal mining and to individual service and manufacturing sectors still accounted for over 30% of total aid. Increased efforts from Member States are still needed if the desired reallocation of aid from sectoral to horizontal objectives is to be achieved. Seven Member states reduced aid to specific service sectors, such as airline and financial services, tourism, media and culture. 3) data on state aid control procedures of both the Commission and the Member States 4) the fourth part attempts to situate State aid in the broader context of the internal market and the structural reforms undertaken by the Member States. In the light of the broader implications of State aid and beyond the mere respect for EC competition rules, Member States may wish to consider re-evaluating their State aid policies for reasons of economic effectiveness and efficiency. This part examines state aid for R&D and finds that it is relatively small compared to Business Enterprise R & D expenditure. The former accounts for only 0.05% of GDP in the EU. Finland, Denmark and Austria have the highest shares. The report goes on to point out that Member States with a relatively high level of R&D aid do not necessarily generate a large number of patents or enjoy a high rate of labour productivity growth. However, generating patents is not the primary objective of R&D aid and the number of patents is strongly dependent on the sector in which industrial research isconducted. 5) the fifth part, the State aid Forum, collects sources and Internet-links for supplementary information.?

State aid: aid to industry and services, scoreboard for 2001 and 2002

The European Commission has presented its report on the implementation in 2001 of Commission Decision 2496/96/ECSC of 18 December 1996 establishing Community rules for State aid to the steel industry (Steel Aid Code). In 2001, the Commission took decisions concerning 24 cases, ten of which were approved without opening the investigating procedure, ten were the object of final decisions and the other four were decisions to initiate proceedings. The cases that the Commission approved without raising any objections concerned aid towards research and development activities carried out by undertakings in Belgium, Germany, Italy and the Netherlands, aid towards investments for environmental protection in Spain and Austria and a participation by Belgium in the capital of a new company. The four new procedures concern a case of non-notified intervention by Spain in a new company in relation to investments, two cases of research and development, in Spain and in Italy, and a case of a environmental tax law in the United Kingdom. The Commission took a final negative decision concerning the French law on tax credits for foreign investments made by steel companies, as it had done the year before in the case of a similar Spanish law. It also took a final negative decision concerning the aid notified by Germany in favour of Brema Warmwalzwerk (environment) and of Eko-Stahl (R&D) and a partially negative decision concerning aid notified by Belgium in favour of Sidmar (environment). Three cases were closed taking note of the withdrawal of the aid notifications made by Germany and by Italy.?

State aid: aid to industry and services, scoreboard for 2001 and 2002

The Commission has presented its report on the application of the Community rules for state aid to the coal industry in 2001. The report examines the financial aid granted by France, Germany, Spain and the United Kingdom to their coal industries in 2001. With the ECSC Treaty and the last of the ECSC schemes for State aid to the coal industry due to expire soon, this would seem to be a good time to describe the role of these aid schemes in achieving the aims laid down by the ECSC Treaty and to consider the future of coal in the framework of the ambitious goals set for it by the EU. It can be said that with the ECSC Treaty shortly about to expire, only five Member States still produce coal: Germany, United Kingdom, Spain, France and, to a minor extent, Italy. Enlargement of the European Union towards Central and Eastern Europe will, however, bring in two big new producers: Poland, which currently produces more than the 15 Member States of the EU put together, and the Czech Republic. Other candidate countries, in particular Estonia, also produce solid fuels, mostly lignite and oil shales. Thanks to the restructuring, modernisation and rationalisation efforts accomplished during the period in which Decision 3632/93/ECSC has been in force, part of the Community industry, essentially the UK coalfields, have achieved economic viability or are at least close to it. However, most Community coal production is not competitive with imports from third countries and with other energy products. Poland and the Czech Republic have also achieved economic viability, but the foreseeable increase in labour costs in future could make further restructuring necessary. On 25 July 2001, the European Commission approved a Council Regulation on State aid to the coal industry aimed at maintaining access to coal reserves as part of the process of ensuring security of energy supply. This aim, which justifies maintaining subsidised Community coal production, must be achieved on acceptable economic terms. It means that the restructuring and activity-reduction in the coal industry which have the main feature of the State aid schemes implemented under the ECSC Treaty will have to continue beyond 23 July 2002.?

State aid: aid to industry and services, scoreboard for 2001 and 2002

The European Commission published the spring 2002 update of the State aid Scoreboard. The Scoreboard seeks to further increase transparency and raise awareness of the need to control State aid. In the context of the commitments made by Member States at Stockholm and Barcelona to demonstrate a reduction in State aid by 2003, a selection of data have been presented in this Scoreboard in a way that might allow more informed choices to be made with regard to State aid reductions and where these reductions may be possible. The overall level of national State aid in the EU fell from EUR 105 billion in 1996 to EUR 82 billion in 2000. Whilst the reduction in aid to regional objectives (EUR 12 billion), financial services (EUR 4 billion) and transport (EUR 4 billion) contributed most to this EUR 23 billion drop, decreases were also seen in levels of aid granted to steel, shipbuilding and other manufacturing sectors as well as the agricultural sector. In contrast with the overall downward trend, there was a significant increase of EUR 4 billion in aid to environment. The two Member States that have contributed most to the marked decrease are Germany (a fall of EUR 7 billion) and Italy (a fall of EUR 8 billion) due largely to substantial reductions of aid for regional objectives. It should be noted that disparities exist between Member States in the resources allocated to national State aid but are diminishing as State aid as a percentage of GDP falls in the majority of Member States. Sectoral distribution of aid varies considerably among Member States and over time. The task of reducing State aid levels will not be easy. As the Barcelona European Council renewed its call to Member States to redirect aid towards horizontal objectives, including economic and social cohesion, the greatest room for manoeuvre for Member States to reduce aid levels is arguably to be found in aid for particular manufacturing and service sectors. The Commission has embarked on a long-term reform exercise aimed at simplifying State aid procedures for clear-cut cases and concentrating Commission resources on the most serious distortions of competition. New Community guidelines and frameworks have or are in the process of being drawn up. Aid granted in the area of small and medium-sized enterprises and training, responding to strict criteria which currently have been approved by the Commission, are now exempted from notification requirements. Furthermore, a new employment block exemption is currently being prepared. Such group exemptions should ensure a reduced level of administrative effort on the part of Member States and the Commission prior to implementation of aid targeted towards these objectives, thereby allowing a greater focus on monitoring the effectiveness of such aid. The new environmental protection and the multi-sectoral framework have been approved and their impact on State aid levels will be closely followed up.?

State aid: aid to industry and services, scoreboard for 2001 and 2002

The Commission presented a report in respose to the request of the Barcelona Council to report to the Seville European Council on the progress of work concerning the guidelines on state aid and to present if appropriate a proposal for a regulation on block exemption in this field. The Commission is working on a draft text based on the lines and options set out in this report. The Commission must thus take account of the evolving nature of the case law in this field. It considers it would be prudent to await the forthcoming Court of Justice judgments on public service compensation (in particular in the Altmark and GEMO cases) before finalising its position on these matters in a Community context. If, in its forthcoming judgments, the Court of Justice does not uphold Ferring (case 22/11/2001) but considers that compensation for public service constitutes state aid, the two-stage procedure proposed by the Commission in its report to the Laeken European Council may be continued, i.e. in a first stage, preparation of a Community framework then, in a second stage, in the light of experience acquired in applying that framework and, if necessary and guided by experience, preparation of a regulation exempting some forms of aid for general economic interest services from the prior notification obligation. If in its forthcoming rulings the Court of Justice upholds Ferring, public service compensation will have to be regarded as not constituting state aid under Article 87(1) of the Treaty, provided it does not exceed the amount necessary to allow the public interest services to operate. In that case, compensation would not be subject to the prior notification obligation provided for in Article 88(3) of the Treaty. As announced in the Commission's report to the Laeken European Council, this work should be carried out in close cooperation with the Member States. To that end, the Commission departments will be holding a first meeting with experts from the Member States in the autumn of 2002, on the basis of a departmental working paper. This document will have to be finalised in the light of the evolving case law with a view to the adoption of a text by the Commission if possible by the end of 2002. The text will in particular take stock of the relevant case law, in particular as regards the concepts of economic activity and effects on trade, and clarify the methods for calculating compensation, notably in connection with public contracts, in order to avoid excess compensation. The text will naturally be without prejudice to the specific provisions applicable to the rail, road and inland waterway transport sector. As for the question of an exemption regulation, the Commission will examine the extent to which it is necessary and feasible in accordance with the guidelines set out in its report to the Laeken European Council.?

State aid: aid to industry and services, scoreboard for 2001 and 2002

The committee adopted the own-initiative report by Philippe HERZOG (EUL/NGL, F) on the 2001 scoreboard for State aid. MEPs wanted to see a reduction in state aid, in any form whatsoever, which caused distortion of competition. While it welcomed the Commission's Scoreboard, the committee wanted to see more information from the Commission enabling an effective comparative analysis of the impact of state aid to be made and good practices to be identified. It agreed with the Commission that the "horizontal" priorities for public subsidies should be R & D, the environment, SMEs, training and employment. The committee also stressed that the overall decline in aid must not be to the detriment of strategic sectors or the competitiveness of European industry, and called for the introduction of comparative data on the aid granted in the major regions of the world, in sectors where competition takes place worldwide, and in particular on export aid of which the WTO is notified. It welcomed the Council's agreement to extend aid to the coal industry until 2010 and called for the Steel Aid Code to take into account restructuring of the industry in the new Member States such as Poland and the Czech Republic. The report also expressed support for financing ·services of general interest· and reiterated Parliament's belief that this should not constitute state aid and should not be subject to the notification requirement. It also supported the Commission's efforts to ascertain whether or not tax breaks causing unfair competition should be classified as state aid and called for it to report to Parliament. The committee said that Parliament should be involved in legislation governing state aid, through the codecision procedure. It also took the view that there should be an element of flexibility where regional aid is concerned, as long as this did not have an adverse effect on competition and trade in the EU.?

State aid: aid to industry and services, scoreboard for 2001 and 2002

The European Parliament adopted, by 164 votes for, 163 against and 7 abstentions, a resolution approving the own-initiative report drafted by Philippe HERZOG (EUL/NGL, F) on state aid. (Please refer to the document dated 08/10/02.) Parliament warned in particular against the potentially harmful role of State aid when it comes to inciting the relocation of companies from one Member State to another, which may lead to subsidy-shopping by enterprises without any value added for the common goals of the EU. It continued to support the EU aid-law objective of guaranteeing fair competition within the European Union, and consequently rejected outright any form of subsidies free-for-all. The figures and analyses provided in the state aid Scoreboard drawn up by the Commission are not sufficient to make an assessment of the results produced by state Aids. The Commission is asked to draw up an analysis of the development of state aid that will make it possible to assess the results obtained. Finally, Parliament felt, in relation to the provision of services of general interest, that clarification is required of the admissibility of state provision whereby only additional costs are to be offset, and called for it to be stipulated that aid rules shall not be applied to 'non-economic activities'.?