European Commission - Press release

State aid: Commission approves Slovakia's €125 million investment aid to Jaguar Land Rover

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The European Commission has concluded that Slovakia's €125 million investment aid to Jaguar Land Rover is in line with EU State aid rules. The aid will contribute to the development of the region of Nitra, without unduly distorting competition in the Single Market.

Margrethe **Vestager**, Commissioner in charge of competition policy, said: "*Our investigation confirmed that Slovakia's €125 million public support to Jaguar Land Rover for its project to build a new car plant in the region of Nitra is in line with our State aid rules. Our investigation revealed that the aid was necessary for Jaguar Land Rover to invest in Europe rather than in Mexico. We also found that the measure will contribute to job creation and to the economic development of a disadvantaged region without unduly distorting competition.*"

Jaguar Land Rover is a large car manufacturing company owned by Tata Motors Limited India. Jaguar Land Rover is investing €1.4 billion to build a car manufacturing facility in the region of Nitra (Slovakia), an area eligible for regional aid under EU State aid rules (Art. 107(3)(a) of the Treaty on the functioning of the European Union). The plant is due to have a production capacity of 150,000 cars per year. The project is expected to create about 3,000 direct jobs.

Slovakia notified the Commission of its plans to grant €125 million of public support for the project. This represents the maximum aid that can be granted for such a project under the Commission's Guidelines on Regional State Aid for 2014-2020, which enable Member States to support economic development and employment in EU's less developed regions and to foster regional cohesion in the Single Market.

The Commission's in-depth investigation opened in May 2017 confirmed that, when analysing in 2015 where to build the new car plant, Jaguar Land Rover considered several locations both in the European Economic Area (EEA) and in North America. Nitra was eventually selected as the preferred European location, while a city in Mexico was identified as the preferred alternative location in North America. The Commission's investigation established that without the investment aid, the project would not have been carried out in Europe but in Mexico.

The Commission's investigation also showed that the aid was limited to the minimum necessary to trigger the decision by Jaguar Land Rover to carry out the investment in Slovakia, as it compensated the company for the financial disadvantages incurred for carrying out the project in Nitra rather than Mexico.

Finally, the Commission found that the investment aid will contribute to job creation as well as to the economic development and to the competitiveness of a disadvantaged region.

The Commission therefore concluded that the positive effects of the project on regional development clearly outweigh any distortion of competition brought about by the State aid.

In its in-depth investigation, the Commission also assessed certain other measures carried out by the Slovak state. It concluded that they do not constitute aid within the meaning of EU State aid rules. More specifically, the Commission found that certain infrastructure measures financed by the Slovak state and carried out to develop the industrial estate where the new Jaguar Land Rover plant is located will not only benefit Jaguar Land Rover, but also all other companies located in the industrial estate and more generally in the Nitra region. Hence, they do not give a selective advantage to Jaguar Land Rover vis-à-vis other companies. In addition, the Commission found that the transfer by the Slovak state to Jaguar Land Rover of a 185 hectare land plot, where the car plant is being built, was carried out at market price.

Background

The aid is granted in the framework of a pre-existing aid scheme but had to be notified to the Commission for individual assessment and clearance because of the high amount of aid that gives rise to a higher risk of distorting competition.

When approving an aid measure under the Guidelines on Regional State Aid for 2014-2020, the Commission has to be convinced that the following conditions are respected:

- The aid must have a real "incentive effect", in other words, it must effectively encourage the beneficiary to invest in a specific region;
- The aid must be kept to the minimum necessary to attract the investment to the disadvantaged region;
- The aid must not have undue negative effects, such as the creation of excess capacity in a declining market;
- The aid must not exceed the regional aid ceiling applicable to the region in question;
- The aid must not directly cause the relocation of existing or closed down activities from elsewhere in the EU to the aided establishment; and
- The aid must not divert investment away from another region in the EU which has the same, or lower, level of economic development than the region where the aided investment takes place.

The non-confidential version of the decision will be made available under the case number SA.45359 in the State aid register on the Commission's Competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

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