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# Ex post assessment of the impact of aid on competition

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conference

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# Overview

**Part I:** Introduction and analytical framework

**Part II:** Case studies

**Part III:** Conclusions

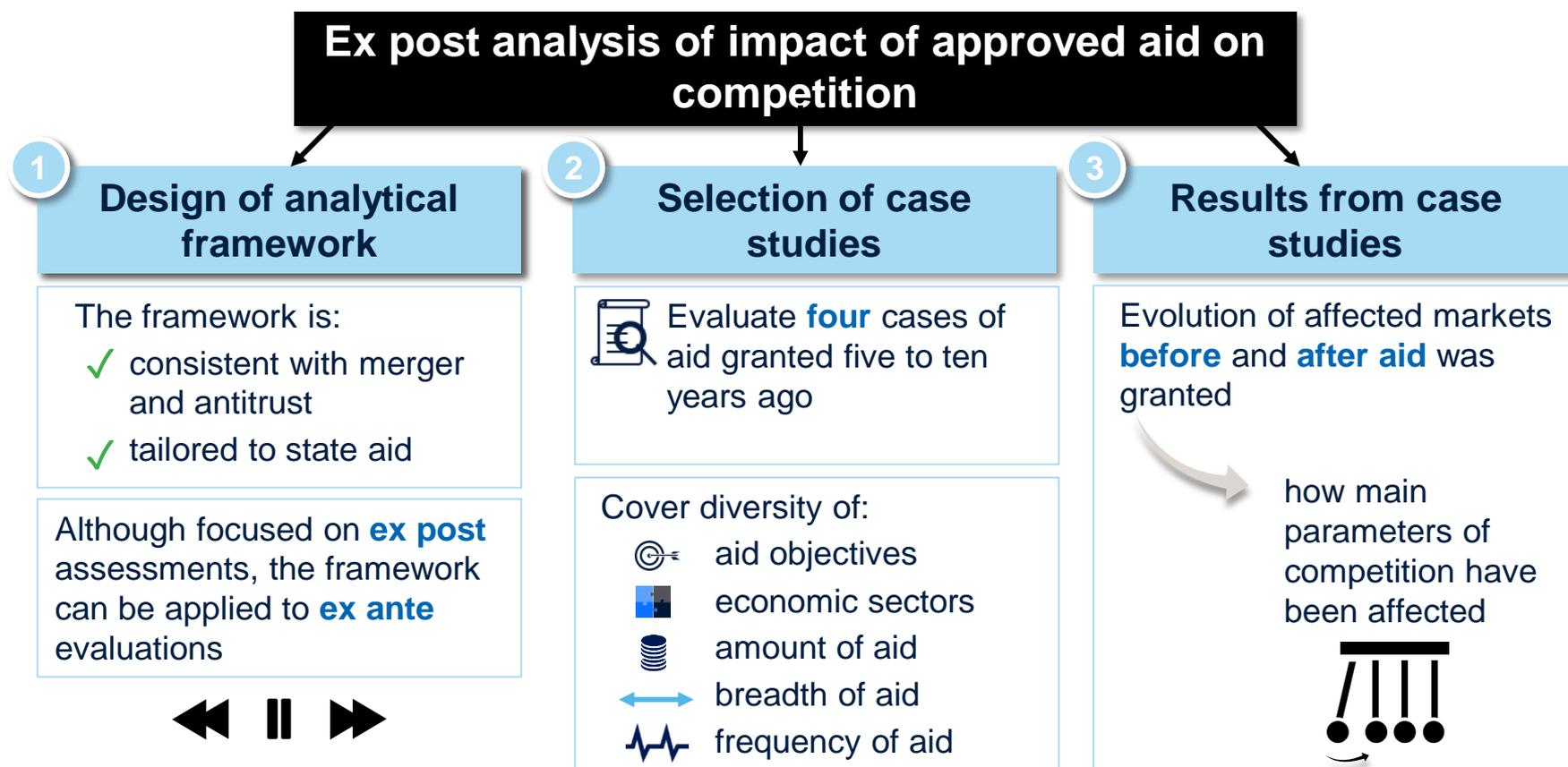
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# Part I

# Introduction and analytical framework

# Introduction

## Oxera's ex post evaluation study for DG Competition



Source: Oxera (2017), 'Ex post assessment of the impact of state aid on competition', prepared for European Commission, November.

# Analytical framework

## Assessing the impact of aid on competition

### Step 1

#### Description of the aid and its objectives

- characteristics of the aid
- identifying affected markets—definition of relevant markets
  - reflect differences compared to merger control and antitrust

### Step 2

#### Identifying potential distortions of competition due to the aid

- identifying the counterfactual
- identifying testable hypotheses and key competition parameters
  - structural indicators and indicators of market outcomes and dynamics

### Step 3

#### Assessing and measuring the impact of the aid on competition

- description of the assessment methodology
- comparing the counterfactual with actual data

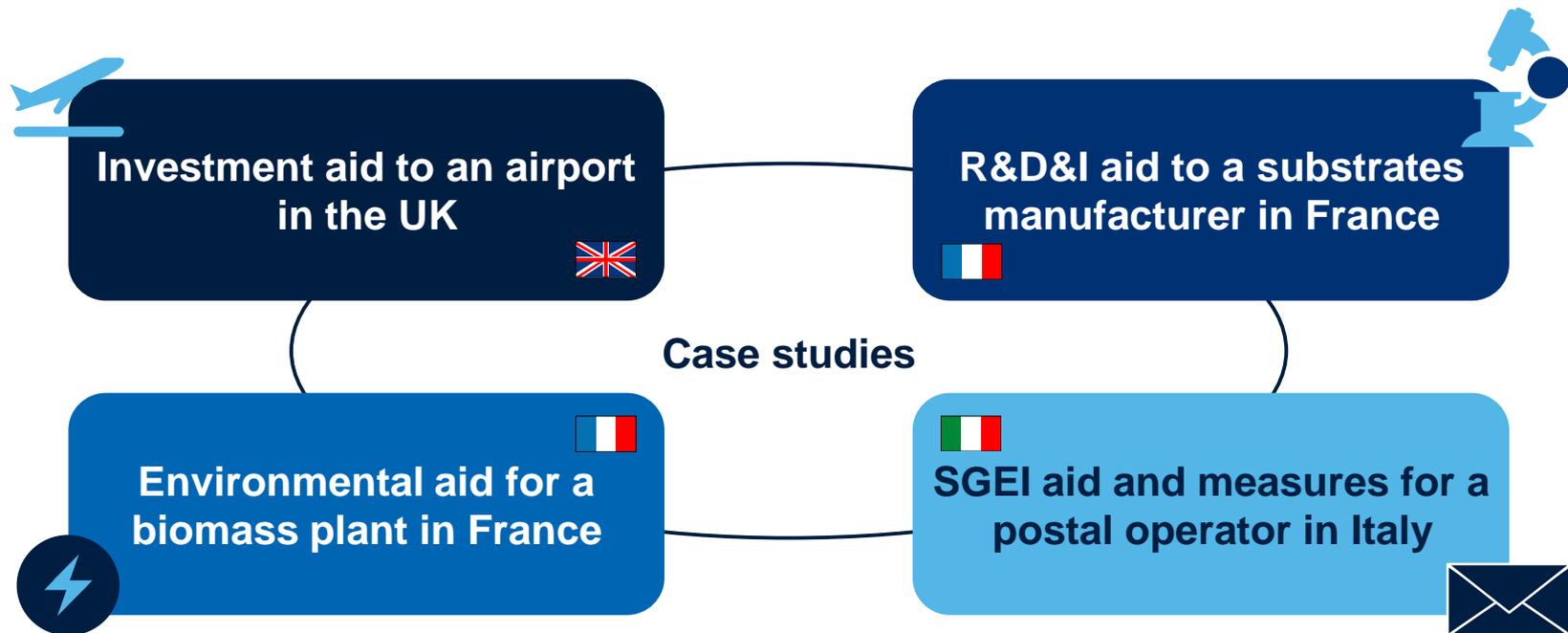
**Part II**

**Case studies**

# Overview of the case studies

Various geographies, sectors, aid objectives and forms

- four case studies covering various types of aid



# Environmental aid for a biomass plant in France (I)

## Description of the aid and its objectives



Environmental aid

€11.2m

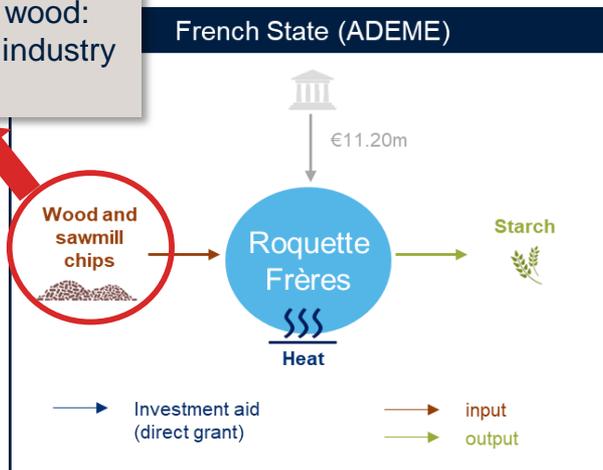
Annual payments 2009–14

Support wood-fired biomass plants in France

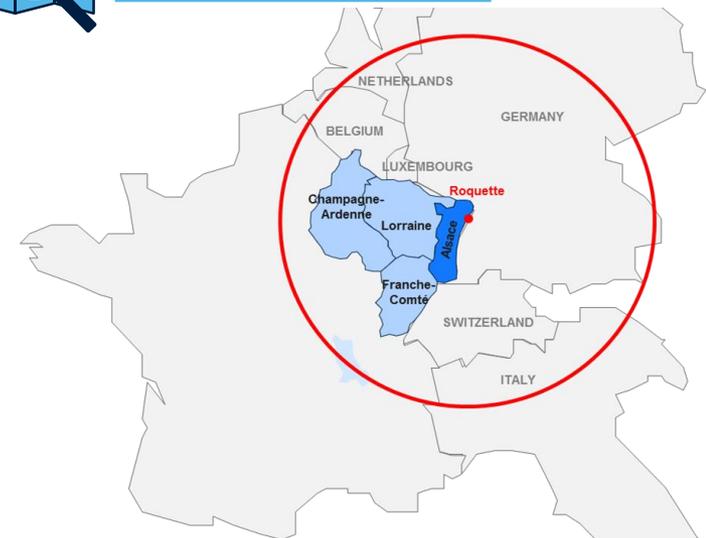
 Aid to Roquette Frères part of a larger scheme (17 biomass plants in Grand Est area)

### Product market

Low-quality wood: energy and industry wood



### Geographic market



# Environmental aid for a biomass plant in France (II)

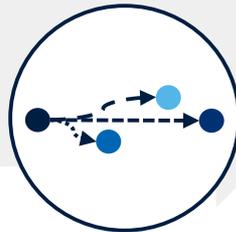
## Possible distortions and impact of aid



**Factual (aid):** biomass used to produce heat

vs

**Counterfactual (no aid):** only gas used to produce heat



### ? Testable hypotheses:

- 1 Did **demand** and **price** of wood increase due to aid to Roquette Frères?
- 2 Did aid to Roquette Frères adversely affect **other wood purchasers**?

### Results

It is **unlikely** aid to Roquette Frères **alone** distorted competition



**however**, the **scheme** might have led to **competitive distortions**

### Interviews and data analysis



- descriptive analysis
- more detailed data would have enabled further insights

# Investment aid to Newquay Airport in the UK (I)

## Description of the aid and its objectives



Regional  
aid

£46.8m

Annual payments from  
2006–11

Convert Newquay Airport  
to civilian use



Source: Oxera, based on a d-maps.com.



### Product market

**Passengers:** domestic leisure passengers

**Airlines:** low-cost carriers



### Geographic market

**Passengers:** Plymouth and Exeter airports

**Airlines:** Plymouth and Exeter (potentially wider)

# Investment aid to Newquay Airport in the UK (II)

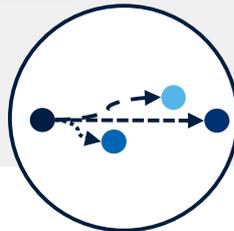
## Possible distortions and the impact of aid



**Factual (aid)**  
aid to Newquay Airport

vs

**Counterfactual (no aid)**  
closure of Newquay Airport



### Testable hypotheses:

- 1 Did aid adversely affect traffic at neighbouring airports?
- 2 Did aid lead to competing airports charging lower fees?

- **statistical modelling to separate effects of aid from the financial crisis**

### Results



- 1 Aid led to **significant long-term decline** in passenger traffic at Plymouth and Exeter airports
- 2 Aid may have contributed towards **closure of Plymouth Airport** (together with other factors, such as the airport's short runway)

# R&D&I aid to a substrates manufacturer in France

## Description of aid and impact of aid on competition

R&D&I aid

€80m

One-off payment in  
2007

Soitec's R&D programme to  
develop new silicon-on-  
insulator substrates



### Testable hypotheses:

- 1 Did aid lead to Soitec increasing its market share and profits?
- 2 Did aid lead to greater competition in R&D&I spending?
- 3 Did aid trigger entry and exit in the market?

### Results:

No material impact on competition  
over timeframe of assessment



### Possible reasons for absence of competitive effects:

- aid to **emerging player** competing with large manufacturers
- Soitec's **market share less than 5%** of substrates market
- effects of aid **not yet materialised**

# SGEI aid for a postal operator in Italy

## Description of aid and impact of aid on competition

SGEI aid

~€6.5bn

Annual payments  
2000–17

Universal service obligation plus  
additional measures (VAT exemption  
on USO products and reserved area)

### Impact on competition of changes to the reserved area

- 1 Poste Italiane **increased prices** on USO segments where limited competition
- 2 **Quality of service** driven by intensity of competition  
liberalisation allows private operators to offer increasing services; however, only relatively limited market entry

### Methodological insights

- 1 Complexity of assessing counterfactual  
relevant period spanned 17 years  
significant market and regulatory changes
- 2 Difficulties obtaining consistent data over full period

# Part III

# Conclusions

# Results from the case studies

Industry	Form of aid	Amount of aid	Impact on competition
 Air transport	Annual payments from 2006-11	£46.8m	Possible distortive effects
 Energy	Annual payments from 2009-14	€11.2m	Unlikely to be significant with possible distortive effects of the scheme
 High-tech	One-off payment in 2007	€80.0m	Unlikely to be significant
 Post	Annual payments from 2000-17	€6.5bn	Some effects identified, but insufficient data available

## Analytical framework

◀||▶ Framework for ex post evaluations also applicable for ex ante analysis

✓ Tools from antitrust and merger analysis can be applied, but need to be tailored

- market definition focus more on **long-run effects**
- important to **consider adjacent markets**

## Drivers of impact of aid on competition

↑ magnitude of aid granted

% relative size of aid

↔ breadth of aid

⚡ frequency of aid

🏠 design of aid

# Conclusions

## Measurement of impact

Comparison of counterfactual with actual data:

- if several effects influence competition at the same time, sophisticated techniques add value
- however, sophisticated quantitative analysis is not always required



## Data availability

Steps to require parties to **provide necessary data** would enable a fuller set of hypotheses to be tested

However, meaningful conclusions can often be drawn from **public** information



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