

DG Competition
State Aid Register
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One North East: Response to the Consultation Document – State Aid Action Plan (Less and better targeted state aid: a road map for state aid reform 2005-2009)

One North East, the Regional Development Agency for the North East of England, welcomes the initiative taken by the European Commission to ensure that state aid rules post 2007 better contribute to growth, competitiveness, social and regional cohesion and environmental protection.

England's RDAs were established in 1999 to act as catalysts and vehicles for the development and delivery of regional economic strategies. As such at both a strategic and implementation level the operation of the state aid rules impact directly upon the ability of the RDAs to pursue economic development in their respective regions. In particular the frameworks governing the areas identified below have been particularly relevant to One North East's agenda e.g.:

- Regeneration;
- National regional aid;
- Innovation and entrepreneurship;
- Research and Development.

It is worth noting that in these areas in particular One would urge the Commission to avoid the imposition of overly complex, bureaucratic and procedurally heavy handed approaches that have in the past contributed to problems in delivery and delayed the ability of the agency to intervene and address market failures, in particular with regards to the renovation of derelict and provision of industrial land, the provision of relevant business infrastructure and the development of innovative financial solutions (including the use of Special Purpose Vehicles (SPVs) and other intermediaries) to meet the finance needs of SMEs and in particular start-up and high-technology companies.

One North East strongly supports the Commission's aim of ensuring less and better-targeted state aid and of linking emerging frameworks to the pursuit of the

revised Lisbon strategy. In fact, One North East in its previous regional economic strategies (Unlocking Our Potential, 1999 and Realising Our Potential, 2002 ¹) has been a prime mover within the region in taking forward a development agenda directly relevant to that identified in the 2005 review of the Lisbon Agenda i.e. productivity and employment.

This agenda has helped to shape the current revision of the region's economic strategy (Leading the Way, 2005) that has influenced priorities relating to e.g.:

- Enterprise and business support;
- Innovation;
- Infrastructure and built environment.

Clearly, the road map will play a major role in shaping our ability to deliver against this agenda and One North East is committed to working pro-actively with the Commission and national authorities to ensure that reform does not unnecessarily restrict the ability of the region to tackle market failure; promote 'objectives of common interest'; and encourage market behaviour of economic, social and environmental benefit to the region that helps to promote cohesion and competitiveness but that is in keeping with the concept of a 'level playing field' and does not distort the market.

One has over the course of 2005 held detailed discussions on innovation focused activities with the Commission and we would welcome the opportunity to continue this dialogue, in particular where strategic interventions aim to address market failure. For example, The agency has developed innovative trading models governing the role of intermediaries such as the Centres of Excellence network that aim to promote the commercialisation of science with a view to driving the region's productivity and competitiveness forward.

In addition, pilot activities such as the North East Proof of Concept Fund, the Biosystems Informatics Institute and the programme of support to University R&D projects in Bio-Nanotechnology all aim address regional disparities and to promote Lisbon related productivity gains as well as to entrench an innovative, entrepreneurial culture within the region that is supportive of a high-value added / knowledge economy based future for the regional economy.

The region therefore shares the economic vision of the European Union and in pursuit of this would support initiatives that do not delay innovative solutions and which maximise the flexibility available to regions and Member States to pursue their economic development agendas where there is little risk of a serious distortion of competition. For example, One North East would welcome the extension of block exemptions in areas such as SMEs and Research and Development as well as an increase of the current De Minimis levels.

¹ One North East has a statutory requirement to produce a RES every three years.

In addition we would endorse the need for greater simplicity and clarity highlighted by the UK Government in its response. We would support their call for a clear framework governing roles and responsibilities between Independent Competition Authorities (ICAs) and the European Commission whereby the use of Block Exemptions and ICAs (in the case of insignificant distortions at a European scale) form part of a continuum through which the Commission involves itself only at the level where there large amounts of aid that poses a risk of serious distortions to competition and the market.

One North East is also keen to ensure that within the context of current UK Government consultations regarding Regional Funding Allocations² to 2015/16 Member State's increasing reliance upon Public Private Partnership with regards to transport, energy and ICT technologies are not unnecessarily delayed or that the region's ability to address its 'macro level' infrastructure priorities restricted.

The North East as a region has some of the most deprived areas in the UK³ therefore, in terms of aid to promote the economic, social and physical regeneration of the region's most deprived areas, One North East is particularly concerned that the ability to support business service and enterprise focused infrastructure in these areas is not lost post 2006.

We recognise that the Commission has in recent years approved a number of measures that seek to underpin regeneration focused activities, in particular, One welcomes those framework's governing land remediation schemes, stamp duty exemptions and community enterprise development but we would argue that in order for market failures and the economic development of the region's most deprived areas to progress then it will be necessary to extend such schemes beyond 2006.

In conclusion, One North East is supportive of the Commission's strategic objectives in terms of revising State Aid frameworks in pursuit of the Lisbon Agenda and welcomes the opportunity to contribute to future consultations and revisions of individual frameworks over the course of 2005 -2009.

Yours sincerely

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² Relating to economic development, transport

³ The Index of Deprivation 2004 shows that 22% of the North East population live in the most deprived 10% of areas of the country.