

Question 1) Do you think that it is appropriate not to create a separate Framework for Innovation and that the new possibilities for State aid target selected innovation-related activities?

Yes. Due to the fact, that differentiation between applied RTD and innovation may be difficult, an extension of matters to be covered by State aid seems to be the most appropriate way addressing innovation.

Question 2) Do you think that the problems presented in Annex and the market failures identified by the Commission as hampering the innovation process are accurate? If so, why? If not, why not?

The five categories are well defined. Of course, the factors hampering the innovation process described vary with respect to their influence. Another factor hampering innovation is the lack of co-operation amongst businesses regarding innovation related issues, both, within their local environment and across borders.

Regarding weaknesses in financial markets, it has to be distinguished between different phases of innovation as well as the maturity of companies. Whereas the overall volume of private equity available all over Europe significantly increased during the last decade, availability of private capital for seed and start-up finance went down in absolute and relative figures, as it is observed in other more mature VC markets (e.g. Israel) as well.

Question 3) The measures described in this Communication provide ex-ante criteria on the basis of which State aid for innovation would be approved. Do you think that such an approach is adequate?

Such an approach is the one and only to be useful in day-to-day policy. Whereas approval of State aid has to follow ex-ante criteria, these criteria continuously have to be analysed by ex-post evaluations and adapted to the evolving markets.

Question 4) Stakeholders are invited to provide empirical evidence about the appropriateness of authorising State aid to large companies, in particular in connection with the objective of developing clusters around poles of excellence in the EU. Do you think that the Commission should develop ex-ante rules allowing State aid for Innovation to the benefit of large companies, or that such type of aid should always be subject to a case-by-case stricter analysis on the basis of a notification to the Commission? As far as support to innovation (or other state aid) is concerned, would it be appropriate to distinguish between different categories of large companies? If so, on the basis of which criteria? And for which purpose?

State aid for large companies should always be subject to individual notifications. There is no need to distinguish between categories of large companies, but to distinguish within these companies between innovation aiming in improvements of existing products and innovation addressing completely new products (addressing new consumer markets as well). Only the latter may be considered for State aid to large companies, but in general, large companies are able to finance innovation on own resources. Nevertheless, RTD funding should remain open for large companies as well.

Regarding the objective of developing clusters around poles of excellence, public-private partnership models have proven to be the most efficient way for cluster development. Therefore, State aid for this purpose should be allocated to independent cluster management units instead of large companies.

Question 5) Stakeholders are invited to provide empirical evidence about the appropriateness of authorising State aid to non-technological innovation, notably in services sectors

In principle, State aid to services sectors should be restricted to qualification and training support, except for knowledge based businesses. Service companies e.g. in biotech or other high-tech sectors often need to finance research before they are able to enter the market. This holds especially for many start-up companies from academic research. Within Stuttgart Region, more than 400 start-ups from academic research have been supported by the PUSH! network. Amongst these companies, almost a quarter needed funding in order to establish the company, although 80% of all companies are service providers. Even if some of these companies are based on IPR and specific products, the business model is a service model and not simply selling products.

Question 6) Should the rules on State aid for innovation include regional bonuses for cohesion purposes? Should they differ according to the geographical situation of the region, irrespective of cohesion issues?

State aid rules for innovation should not include any cohesion bonuses. State aid for innovation should contribute to global competitiveness and therefore has to be the same all over Europe. If not, this will freeze the regional differences between companies and distort competition within Europe.

In addition to State aid for companies, other measures should be established on regional level in order to contribute to cohesion (including infrastructure, labour market activities, education etc.), but both should not be mixed!

Question 7) Are some types of aid more suited to specific situations and specific innovation activities (ex: tax rebates, secured loans, repayable advances)?

This question could not be answered in general, because of regional differences in the business environment (e.g. due to different tax situations in the Member States or even regions, tax rebates will show different impact as well). Therefore, different types of State aid should be available in one place, allowing companies to choose the most appropriate instrument.

Question 8) Do you agree with the proposed criteria to define innovative start-ups, with the approach of not defining eligible costs, with the amounts of aid and cumulation rules?

The criteria to define innovative start-ups seem to be strong enough and can be applied to productive companies as well as service providers as described above. The approach of not defining eligible costs is a great progress for State aid regulations, if applied in individual programs as well.

Do you think that different eligibility criteria should be established for high-tech sectors like biotech and pharmaceuticals which have long time-to-market and product development cycles?

Even if time-to-market in general differs between sectors, this may not be the case for each individual company. Furthermore, assignment of companies to a specific sector may not be unique in all cases. Therefore, no specific regulations for different sectors should be elaborated. It should be remarked, that the sectors mentioned are in the focus of many VC companies, and a five years period will be long enough even for biotech and pharmaceutical companies to become investor ready. Altogether, these facts imply to be as simple as possible and to have only one general definition for eligibility criteria.

Question 9) Beyond the proposed rules, empirical arguments are welcomed that demonstrate the need for State aid: i) for start-ups independently of the innovativeness criterion, and ii) for innovative SMEs established for more than [5 years].

State aid may be allocated to start-ups beyond the innovativeness criteria as an incentive to create jobs only (thus contributing to coherence as well), if return on investment e.g. through taxes is guaranteed.

For innovative SMEs established for more than 5 years, State aid should be available as well (compare e.g. the German Proinno program). Relatively high investments in innovation more and more are becoming important e.g. in the succession process for SMEs.

It should be mentioned, that policies in the long term should focus on preparing established SMEs for innovation financed from own income only. But actually, the overall equity situation of SMEs is not adequately developed. Tax policies of all Member States should be revised and equalised all over Europe to allow stronger savings with respect to future innovation needs.

Question 10) Do you think that other types of State aid apart from those currently granted in respect of risk capital are required in order to help European SMEs grow beyond the start-up phase? If so, which ones?

From my point of view, no further State aid is needed beyond the start-up phase. However, due to the overall development of VC markets (worldwide!) withdrawing from seed and start-up investments, State aid not only in seed but during start-up phases as well should be allowed for higher thresholds of state ownership in risk capital funds (100% in seed and up to 70% in start-up related funds). For "mixed" funds, investing beyond start-up (growth, bridge,...) these thresholds should be allocated to the volume of seed and start-up investments only. VCs allocated to later stage investments only should be excluded from any State aid.

Question 11) Do you think that these provisions would produce the expected effects in terms of encouraging SMEs to launch innovative products in the market? If not, what changes should be made to these rules?

The conditions are fair and transparent. In general, the delivery of the individual program will determine the success of the provisions (depending on application rules, holding times, reporting etc.).

Question 12) Is there evidence that these provisions should be extended to large companies? Do you think that notification should be required for measures granting substantial amounts of aid to individual firms or individual sectors? If yes, above what amount? What empirical evidence should then be requested by the Commission?

Large companies should be excluded from this kind of State aid. They may refer to RTD programs, but have to be able to finance the innovation process on own resources.

Question 13) How would you regard specific support for innovation intermediaries which merge or develop a joint venture to reach critical mass in a technological field of specialisation? Should investment aid be permitted in this context? If so, on what conditions? What other measures could be envisaged?

Regarding innovation intermediaries, indirect State aid as proposed is the only way to improve quality of services in this market through competition between service providers (which should be a major objective). The restriction to specific actors as described under (b) should be cancelled, if it is not included in the criteria for (a). The services delivered should be in the focus and not the infrastructure available (of course, in order to deliver office space you need to have offices). The model of "innovation services vouchers" sounds good to me!

Question 14) Is there evidence that the recruitment by SMEs of other types of highly skilled personnel should be also aided?

No further types of personnel should be taken into account.

Question 15) Should the Commission adopt specific rules for cases where a researcher chooses not to return to his/her home university or where the university no longer intends to hire him/her back?

No.

Question 16) What definition of cluster/clustering activities should be followed and what criteria should be used to distinguish clusters from the broader category of innovation intermediaries?

The definition (64) seems to be broad enough. Criteria which may be used to distinguish clusters from innovation intermediaries are the participation and commitment of companies to the network management (through substantial contributions, participation in organisation and events, cash). Instead of specific State aid for collaboration and clustering, costs for collaboration and clustering should become eligible e.g. in projects under the 7th Framework Programme (stronger effect due to linkage with different projects).

Question 17) Do you think that State aid should be allowed to promote European centres of excellence? If so, what type of State aid, for what reasons, and subject to what conditions? What other, possibly better, measures could be envisaged?

Instead of giving State aid to promote European centres of excellence, these centres may be utilised as (paid) executing organisations for State aid delivery to companies. This yields not only strengthening of clusters, but stronger involvement of regions in the innovation process. Both significantly contributes to European competitiveness.

Question 18) Are additional criteria needed to avoid State aid being fragmented and to encourage the concentration of resources in a limited number of poles of excellence?

Instead of additional criteria, real competition for State aid amongst clusters will limit the number of poles of excellence.

Question 19) What are your views more generally about the need for additional provisions for infrastructure that supports innovation (e.g. in the field of energy, transport etc.)?

Question 20) Do you think that large firms should be entitled to State aid, e.g. to establish research facilities in a European pole of excellence? Should the Commission try and develop specific criteria to control such State aid? What type of economic evidence should be requested to analyse the necessity of such State aid?

In order to become eligible for State aid, a research facility has to be open for requests from a large number of companies. This could be guaranteed by delivering aid through these companies (compare model of “innovation services vouchers” above) instead of supporting direct investments in the facilities. However, these kind of State aid already is described above, thus no further aid seems to be necessary.

On the other hand, research facilities jointly initiated and (co-) financed by a group of SMEs in order to improve the innovation capability of a specific cluster may be taken into account for State aid, even if large companies may be involved as well.