

Introduction

1. The SBAC is the national trade association representing over 1,500 companies throughout the UK supplying the civil air transport, aerospace defence, homeland security and space markets operating in the UK economy. The sector is a consistent and intensive investor in research and development investing 11% of turnover in R&D in 2004.
2. SBAC supports the ambition to achieve a more refined, streamlined approach to managing state aid through reducing the complexity of the process.

Block Exemptions

3. To ensure that resources are effectively targeted on uncovering breaches of state aid rules SBAC strongly supports the development of block exemptions, in principle. However, it is important to note that in the context of developing sector exclusions this may feed a preference for targeting funding at SME's. The reality is that for SME's to continue to grow and thrive, particularly in aerospace and defence related industries, relies upon the successful growth and competitiveness of large commercial operators, known as primes. For this reason, it is imperative that state aid rules strike the right balance and do not adversely prejudice against state investment for research and development funding to primes in the aerospace and defence sectors. SBAC is concerned that reforms of state aid rules should seek to achieve efficiency across the board rather than reducing complexity in one area only to increase it in another.

Stakeholder Involvement

4. SBAC is also concerned by the ability of third parties to 'get involved and act against unlawful aid' (paragraph 17) as proposed in the consultation document, this proposal raises the prospect of potentially vexatious private actions to challenge government decisions. It also leaves the system open to potential abuse by commercial operators who wish to question support for commercial advantage. In addition, such a system could be used by disgruntled operators who have failed to receive aid through a competitive process to disrupt awards to successful applicants. It is a concern that a system designed to reduce complexity and aims to streamline processes should leave itself open to this type of potential abuse.

Intellectual Property considerations

5. Plans to modify the Framework for Research & Development to "take account of public private partnerships in the Research & Development field" and to "provide for adequate provisions for collaborative research including the ownership of, access to and exploitation of Intellectual Property Rights obtained in such projects" (paragraph 28¹) raise concerns as it could place an obligation on business and governments to make Intellectual Property available to third parties as a result of collaborative operations, this could have significant implications for companies engaging in projects with government.

International Competition concerns

¹ State Aid Action Plan, Less and better targeted state aid: a roadmap for state aid reform 2005 - 2009

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6. UK aerospace operators compete in a global market with countries including Japan, Brazil, US, China, Russia and India, it would be inappropriate to set state aid levels in the absence of benchmarking against levels of state aid in competitor regions. A mechanism to incorporate international state aid comparators into decisions on state aid should be developed and used to determine EU aerospace state aid levels on a rolling basis.

For further information contact: Sarah Macken, sarah.macken@sbac.co.uk

society of british
aerospace companies
duxbury house
60 petty france
london
sw1h 9eu
united kingdom

tel
+44 (0) 20 7227 1000
fax
+44 (0) 20 7227 1067
email
post@sbac.co.uk
web
www.sbac.co.uk