

## **STATE AID ACTION PLAN**

### **Less and better targeted State Aid : a Roadmap for State Aid Reform 2005-2009**

#### ***Response by the West of Scotland European Consortium***

#### **GENERAL:**

The Consortium:

1. welcomes the publication of the consultation document and the opportunity provided to make comments on the approach to state aids reform proposed therein;
2. appreciates that this initiative is an attempt to give greater coherence to state aids policy;
3. points out however that the substance of the new state aids regime will be covered in the follow up actions identified in the roadmap rather than the roadmap itself;
4. stresses therefore the need for the Commission to conduct meaningful consultation exercises on the actions proposed in the roadmap, in accordance with the principles elaborated in COM (2002) 704 of 11<sup>th</sup> December 2002 (general principles and minimum standards for consultation of interested parties by the Commission.);

#### **SECTION I**

5. endorses the rationale for an EU wide regulatory framework on state aid to ensure the effective operation of the internal market (paragraphs 5-11);
6. suggests that the need for special provisions for specific sectors be periodically reviewed. The aim should be to have as much state aid activity brought within a common framework since this would provide greater clarity and flexibility (paragraph 12);
7. agrees that the implementation of the Lisbon strategy and EU enlargement give greater urgency to state aid reform (paragraphs 13-16);
8. strongly urges the Commission to focus its efforts on the most distortive types of state aids (particularly rescue and restructuring aid)and making state aid control more predictable, user friendly and streamlined. The current system is bureaucratic and time consuming - in many cases the aid caught up in the process has no real impact on competition at EU level. A shift from a legalistic to a practical economic impact based approach is required (paragraph 17);
9. believes therefore that the approach proposed by the Commission (paragraphs 18 -23) offers scope for improving the assessment of state aid but warns of the dangers of “paralysis by analysis” in respect of evaluating market failures;

## **SECTION II**

10. looks forward to the publication of the Commission's communication on state aid and Innovation and the modification of the framework for Research and Development (paragraphs 24-28). In this connection the Consortium would point out that, as well as increasing the overall level of such activity in the EU as a whole, there should also be an emphasis on promoting a more spatially balanced distribution of research and development activity within the EU and its constituent Member States and regions. The recently published Eurostat publication "R & D expenditure and personnel in the European regions" (Statistics in Focus No 6/2005) illustrates the wide disparities at regional level in this type of activity.
11. supports the principles set out in the roadmap with respect to updating the provisions for risk capital and investing in human capital (paragraphs 29-32);
12. believes that generally the arrangements for the delivery of public services (or services of general economic interest) should be left for local and regional authorities to determine according to the principle of subsidiarity (paragraphs 33-34). The great majority of services provided by local authorities, whether provided directly, through public/private partnership arrangements or via competitive tender do not impact in any meaningful way on competition at EU level. The Consortium notes the publication on 15<sup>th</sup> July 2005 of a draft Commission decision on public service compensation granted to undertakings operating services of general economic interest – this would appear to be a step in the right direction, although the range of SGEIs exempt from notification should be broader than hospitals and social housing (for example non hospital health services and social welfare services should be added to the list);
13. considers that broadening the range of activities to be covered by block exemptions to be highly desirable (paragraphs 35-36);
14. points out that the cumulation requirements associated with de minimis aid deter public authorities from making full use of this facility, so creating additional work for themselves and the Commission as alternative bases for granting this aid have to be sought. (paragraphs 37-38) The possibility of changing the basis of calculation so that public agencies would only be responsible for monitoring the de minimis aid that they themselves have paid should be explored. In addition the threshold for de minimis aid has been set at €100,000 since 1996 and should, at a minimum, be doubled;
15. recognises the considerable improvement in the latest version (18<sup>th</sup> July 2005) of the draft regional state aid guidelines in comparison to the previous "non paper" circulated by the Commission. The Consortium stresses that there are certain types of support that can uniquely be granted through the regional aid guidelines and that, even in the richer member states, there are areas (at NUTS level 3 or below) of economic underperformance where assistance of the type available through the regional aid guidelines forms a crucial element of the regeneration toolkit (paragraphs 39-42). However the Consortium considers that there is still scope for improving these guidelines and will be commenting in detail on this matter in the near future;
16. is convinced that, in terms of the horizontal aids, that there is a compelling case for continued regional differentiation outside the "least developed regions". Treating unequal (in economic terms) regions equally would tend to widen disparities and therefore be at odds with the EU's objective of pursuing economic, social and territorial cohesion (paragraphs 43-44);

## **FINAL**

17. notes the intention of the Commission to begin reflecting on state aid for environmental protection and calls for the Commission to have a full consultation with stakeholders on this topic (paragraphs 45-46);
18. agrees that clarity across the board in relation to state aids and public private partnerships should be sought not just to those in the transport, energy and ICT sectors (paragraph 47);

## **SECTION III**

19. welcomes the recognition by the Commission that the current system has significant shortcomings and its intention, in cooperation with national authorities, to improve transparency and the timetable for reaching decisions (paragraphs 48-51);
20. accepts that effective enforcement of state aid regulations is essential for the proper functioning of the internal market (paragraphs 52-56),
21. agrees that it would be appropriate to consider amending the procedural regulation (659/99) with a view to accelerating administrative processes as also widening the measures covered by block exemptions (paragraphs 57-59);
22. notes the intention of the Commission to review the other state aid documents over the coming years (paragraphs 60-66); and
23. again emphasises the need for wide stakeholder participation, including that of regional and local authorities, in the evaluation of state aid policy envisaged in 2009 (paragraphs 67-68).

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