

European Commission consultation

State aid for innovation

A response from Barnsley Metropolitan Borough Council, UK

Introduction

1. Barnsley is a borough of some 218,000 people. It lies within South Yorkshire, an Objective 1 zone in the Yorkshire & Humber region of England.
2. For many years Barnsley's economy was totally dominated by coal mining which directly employed some 20% of the area's workforce in the early 1980s. All those jobs disappeared in a period of just over ten years from 1985.
3. Barnsley Metropolitan Borough Council is the area's unitary local authority, responsible for providing a wide range of services, including economic development. The Council provides strategic and community leadership for Barnsley in partnership with the private sector, the voluntary sector, and other public sector agencies.
4. Barnsley is now forging a new future for itself. It is building a new economy within a new identity of a vibrant twenty first century market town. Innovation in its broadest sense is central to our new vision. We therefore warmly welcome the

Commission's efforts to create a state aid framework which allows the public sector to stimulate and support innovation where necessary and appropriate.

5. Our response focuses on what for Barnsley are the two key issues relative to innovation: the regional issue of where support should be targeted; and the issue of support services, particularly Business Innovation Centres. We refer our comments on these two issues to the questions posed in the consultation document, but we have not replied directly to the questions as put.

The regional dimension

6. We believe that **all state aid policy should contribute to the greater cohesion of the EU**. Innovation aid is no exception, and therefore **state aid for innovation should be targeted primarily to areas whose economies are lagging**.
7. There is a real danger that, without a regional dimension, innovation state aid rules will exacerbate disparities as innovation activity, supported by public money, will naturally gravitate to areas which are already strong in this regard.
8. We believe that it is areas like Barnsley, where innovation and the economy are weak, which are most in need of support if

they are to contribute fully to economic growth. Market failure is much less pronounced in areas with stronger economies, and great care should be taken to avoid intervening in areas where the market is functioning adequately.

9. We therefore **support the proposal that innovation state aid should be cumulative** to regional state aid.
10. We also **strongly support proposals for regional premiums** for innovation in lagging regions.
11. The comments in this section refer primarily to Questions 6 and 17 in the consultation document.

Support services

12. We believe that **state aid should be flexible in relation to agencies which offer business support services to innovation.**
13. Barnsley was an early and an enthusiastic participant in the Business Innovation Centres (BIC) programme, and Barnsley BIC has been a great success. Its growth however, has been hampered by state aid rules.
14. These difficulties have been caused partly by the fact that the BIC was established under the joint ownership of the Council, the local Chamber of Commerce, and the local Development

Agency. It has therefore been deemed not to be a public body. It is true that the Commission is beginning to address these issues through its work on public private partnerships, but we would point out that innovation in organisational and business structures need to be encouraged just as much as technological innovation.

15. We urge the Commission to develop a flexible approach to agencies established primarily for the common good rather than profit which offer support services to innovative small firms.
16. The comments in this section relate primarily to Questions 13 and 19 in the consultation document.