

State Aid Reform
Comments on the consultative State Aid Action Plan 2005 -9

Partners from public and private organisations in Cumbria, in the North West of England, welcome the opportunity to comment on the proposals for a reformed state aids framework. The NUTS2 area of Cumbria has made effective use of regional aid frameworks in the past to support our territorial economic development. In an area experiencing severe economic challenges, with one of the slowest -growing economies in the whole of the EU -25, regional aid is an essential instrument to promote investment and growth in companies of all si zes.

1. In general terms, we believe that the proposed reform package is sensible, representing a more accessible and transparent framework, that will be easier to use by practitioners, and will result in better targeted state aids.
2. We believe that the key priorities set out in section II of the document are appropriate for a modern Europe, in particular the emphasis on support to R&D and innovation as a principal means of delivering the Lisbon Agenda. We also feel very strongly that territorial development is essential to achieve the Lisbon objectives, and a well -targeted and supportive regional aid regime is a key instrument for achieving Lisbon goals.
3. Similarly, in the context of the Lisbon goals, support to human resources is equally important. Therefo re, whilst we welcome the proposal in paragraphs 32 and 35 to simplify the many current block exemptions into a single one, we would want the 'simplification and consolidation' referred to in para. 32 to include no reduction in the scope of the current tra ining block exemption.
4. The proposed range of exemptions is clear and receive s broad support. We regret the failure to introduce a new lesser impact test, and therefore welcome the increase in *de minimus* aid (para. 38) – although no details are given, we would hope that this will be a significant increase, recognising the demise of the LASA and LETS tests
5. The proposals for Regional Aid (section II.6) have been further worked up in a Commission working document this month. The new proposals are a considerable improvement on earlier ones, not least in that they recognise the authority of national governments to cope with issues of regional development, and allow targeting of aid to disadvantaged regions across the whole of the EU, in line with the territori al dimension of the Lisbon Agenda to which we referred in point 2 above , and which is identified in para. 43 of the Action Plan . Without going into great detail about that working paper, we believe that the proposals for national governments to determine 87.3(c) coverage are welcome, that the proposed aid limits are appropriate, and that there are positive proposals regarding aid for enterprise .
6. The guidelines for environmental protection (para.46) are an essential tool for environmentally sustainable dev elopment, and we welcome an update and re -

focusing of those guidelines. There is, however, a lack of clarity at a local level about what may be possible under those guidelines, and the ways in which they may help the competitiveness of business. We would like to propose the development of a *vade mecum* to accompany those guidelines, setting out more detail on possible eligible activities, with case studies.

7. We particularly welcome the emphasis on 'less bureaucracy' – there is undoubtedly a lack of clarity and understanding amongst practitioners about the range of state aid instruments, and frustration regarding the complexity of processes. However, we also recognise that some national governments are guilty of 'gold-plating'; enhancing already complex processes with bureaucracy of their own. Therefore, whilst we agree with the assertion in para. 52 that 'member states should engage more actively', we believe that this will only be effective if coupled with clear guidelines that focus on 'the art of the possible' – the ways in which state aid regulations and guidelines can assist regional and sectoral development. We believe that this is part of the 'advocacy' role referred to in para. 55, which concentrates at present merely on the regulatory aspects of advocacy.

In summary, we believe that these proposals are a laudable attempt to simplify the state aid regime, whilst setting it in a sensible context of wider EU reform. We are concerned that this document does not embrace, nor respond to, the wider challenges of globalisation. Whilst the Action Plan is set in the context of the Lisbon strategy, we believe that a well-constructed state aid regime is an essential tool to achieve those objectives and respond to the challenges of globalisation. In part, this document does that, but we believe that there should be a stronger emphasis on *enabling*, to ensure that companies can flourish and contribute to the competitiveness of the whole EU, in all regions and sectors.

Cumbria Partners
July 2005.

Contact details:
Ian Hill
EU Policy and Development Officer
Cumbria Regeneration Support Team
ian@rstcumbria.org.uk
+44 19 00 32 59 22