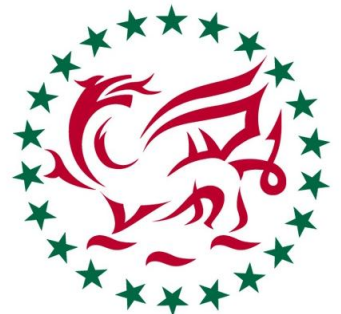




European Commission Road Map for State Aid Reform 2005-2009

Consultation Response

22 July 2005



WLGA • CLILC

Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.

Background

3. Local Authorities play a key role in economic development and regeneration across Wales. The WLGA welcomes the Commission's publication of its road map for state aid reform 2005-2009 and its recognition that the State aid regime needs to be reformed. In addition, local government is a key stakeholder in the delivery of State aids and therefore welcomes the opportunity to respond to this consultation. Moreover, we will also be responding to the relevant elaboration of each concrete proposal when appropriate.
4. Overall, state aid regulations need to be far more proportionate, streamlined, and clearer across the whole EU. Uncertainties regarding the scope and application of regulations have acted as a major brake upon regeneration activity in deprived areas, and we fully support current proposals to devolve and simplify the current regulations.
5. Due to the fact that there are new challenges facing the enlarged European Union, the WLGA believes that any new state aids regime needs to be more aligned with the Lisbon Strategy and the Third Cohesion report, as state aid control plays an important role in the contribution of both these policies throughout Europe.
6. As a result the WLGA would like to make a number of comments at this stage:

Focusing on the key priorities

Targeting Innovation and R&D to strengthen the knowledge society

7. We welcome the Commissions' decision to publish a Communication on state aid and innovation, and look forward to commenting on this specific communication when the Commission issues its draft later this year.

8. Local Government contributes to sustainable job and growth creation and the achievement of the Lisbon agenda's goals.
9. We agree that the particular attention to the role of intermediaries should be considered in the future, and would like to add at this stage that local government must be considered as an intermediary working in the area of innovation.
10. In regions where an entrepreneurial spirit has been encouraged and the development of small, technology/knowledge based companies has been supported, the risk to competitive markets is very small, however the benefit to the EU's knowledge economy – as acknowledged in the 2005 Spring European Council - is potentially great. As a result the State aid rules must not hinder nor delay innovative / creative projects which carry little risk to competitive markets.
11. The WLGA supports the creation of a Framework of R&D and innovation, especially if the Commission is able to establish clear compatibility criteria that will exempt certain aid measures from the obligation to notify the Commission.
12. We also welcome the Commission's block exemption to cover some R&D as part of its General block exemption package and look forward to receiving more information on this in the future.

Creating a better business climate and stimulating entrepreneurship

13. The WLGA fully agrees with the Commission that there is a need to 'improve the business climate, by reducing the total administrative burden ... and creating an environment more supportive to business.' As a result we welcome the Commissions' review of the Communication on risk capital and we look forward to being consulted on this at the appropriate time.

Investing in human capital

14. WLGA welcomes the Commissions' intention to 'simplify and consolidate' the block exemptions for training and employment aids 'in the context of a general block exemption regulation'. This is in line with both the European Employment Strategy and the Lisbon Agenda at a policy level and the need for simplified procedures which take into consideration flexibility. We look forward to commenting on this block exemption at the appropriate time in the future.

High quality services of general economic interest

15. Services of General Economic Interest (SoGEI) are a significant component in delivering the Lisbon Strategy and social and territorial cohesion throughout the European Union.
16. The WLGA has been involved with the Council of European Municipalities and Regions (CEMR) on their response to the Commission on SoGEI's and will continue to work in partnership with the CEMR in the future on this issue.
17. The WLGA will engage with the European Institutions on the debate on the Decision and Guidelines on the SoGEI and transparency directive, in the future.
18. We look forward to receiving clarification from DG Competition on the proposed block exemption and the framework for SoGEI.

Better prioritisation through simplification and consolidation

19. The Commission's proposal to broaden, expand and integrate the current block exemptions into a general block exemption (covering SME, training employment, R&D, Environment and Regional) is supported by the WLGA, and we await further information on this.
20. However, we will seek clarification in the future on the distinction made by the Commission on guidelines, frameworks etc. and the block exemptions, and how the Commission intends to 'integrate some categories of aid ... while addressing the problems raised by cumulation of different types of aids'.
21. The WLGA supports a raising of the De Minimis thresholds, and awaits further detail from the European Commission regarding this issue.

A focused regional aid policy

22. The WLGA recognises the importance of differentiated regional aid in a European context and the need to concentrate aid in the least developed regions.
23. The WLGA welcomes the publication of the Commissions Draft Guidelines on National Regional Aid 2007-2013.

However,

24. The WLGA urges the Commission to take account of co-ordination and complementarity with other Community Issues, especially the Third Cohesion Report and the future Structural Funds programmes.
25. With regards to the regions affected by the “Statistical Effect”, WLGA believes that these regions should be subject to a limit on State Aids similar to that foreseen under Article 87.3(a) for the totality of the next programming period.
26. The WLGA notes that between 1997 and 2001 Article 87.3(a) areas have seen a reduction in State Aids. This indicates that these regions have not caused a significant distortion of the Internal Market¹ due to State Aids.
27. We also believe that a ‘geographical’ dimension needs to be considered for areas outside the least developed regions, and therefore welcome in principal the continuation of 87.3 (c).
28. Issues such as more appropriate horizontal regulations, higher ceiling rates and improved legal and implementation arrangements will have to be explored to ensure that these areas do not get completely overlooked in any reformed arrangement.
29. The WLGA is concerned that non eligible areas, which suffer from significant problems of peripherality and inaccessibility and are excluded from support under articles 87.3(a) and 3(c) will in the future be on an equal footing to areas which enjoy more favourable accessibility and proximity to markets.
30. WLGA is very interested in the Commissions’ ‘two step process’ which will determine the ‘maximum population coverage for each Member State and the selection of eligible regions for Article 87.3 (c) derogation levels’.
31. The WLGA shall comment on these Draft Regional Aid Guidelines separately in more detail by the end of September 2005.

Encouraging an environmentally sustainable future

32. Many local authorities believe that the current environmental aid guidelines are too limited in scope and would like to see this addressed in the future Guidelines on the environment.

¹ Page 130 “Aid to lagging regions”, Part 3 Third Cohesion Report

33. In addition to addressing the challenges and opportunities set out in the Lisbon Agenda and the Environmental Technologies Action Plan, the WLGA urges the Commission to take the Gothenburg conclusions into consideration.
34. We await details on 'certain measures' that might be exempt under the general block exemption from the obligation to notify aid.

Setting up modern transport, energy and conformation and communication technology infrastructures

35. The WLGA would urge the Commission to offer greater clarity on how the State aid rules apply to PPPs, and issue clear guidance on this topic.

Modernising the practise and procedures

36. Welsh Local government has extensive experience in the management and delivery of state aids policy in Wales. As a result the WLGA wishes to see local government, due to its local democratic accountability, being a key stakeholder in the future, with regards to state aid practises and procedures.
37. The Association would urge the European Commission, in the context of the Ongoing Systematic dialogue with national local government associations², to ensure that local government continues to play a pivotal role in state aid policy, through continued consultation and increased transparency.
38. DG Competition should administer all State aid rules and apply State aid rules in a consistent manner across all sectors, including sector specific regimes, for example agriculture and transport.
39. The Commission's State aid resources must be focused on the most distortive aids.
40. The notification bureaucracy and subsequent delays must be proportionate to the risk of serious distortion of competition arising from the aid in question.
41. Where competition is not or is hardly distorted there should be a lower burden of state aid administration, potentially covered by block exemptions.

² COM(2003) 811 Final: Dialogue with associations of regional and local authorities on the formulation of European Union policy

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