



DANISH AGRICULTURAL COUNCIL

BB
26 DEC. 2005

Commissioner for Competition
Neelie Kroes
EU-Commission
200, Rue de la Loi
1040 Bruxelles
Belgien

GNP (The Danish Council)
Please prepare reply for
(they need it EESC)
16 11 7101

22 December 2005
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CABINET KROES	
To: NK BS OG C	BB BA MS RB JdBP SEC
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OG CT BB LBA MS RB JdBP SEC	

Dear Commissioner

Thank you very much for your engaged and interesting explanations at the meeting in the European Economic and Social Committee on 14 December 2005. I promised to describe the specific issues regarding state aid for innovation that we touched upon. I was also told by colleagues that the same problem exists in Germany so it doesn't seem only to be a problem for the Danish food and agricultural businesses.

Like the EESC the Danish Agricultural Council strongly supports the efforts of the Commission to make improvements to EU state aid rules. The recently conducted public consultation of stakeholders will hopefully go a long way in helping the Commission draw up a proposal for new rules that will, on the one hand, target and limit state aid and, on the other hand, strengthen the incentives of the market participants so that they invest more in innovation.

Danish food and agricultural businesses have a long history of engaging in public-private co-operation in research and innovation. But as I mentioned to you, due to state aid rules they face serious obstacles for engaging in public-private cooperation on research-driven innovation. This is due to the fact that in the area of innovation the rules are implemented in such a way that basic research and applied research for innovation are separated. As a result the incentives for businesses to engage in such cooperation are weakened and the overall utility of research decreases dramatically.

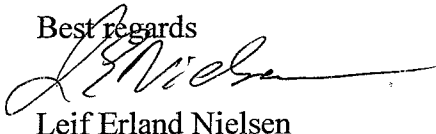
Businesses that participate in and contribute financially to research projects in the precompetitive phase are not being duly credited in cases where the research results lead to innovative output on the private market. More specifically, public research institutions in Denmark are unwilling to accept that the private parties of a public-private R&D project are given first

right of refusal, exclusivity to commercialization of the research results, and a suitable discount on the market price for innovations to compensate the private parties for their financial and intellectual contribution to the project.

Investigations by the Danish Agricultural Council show that in most other European countries private businesses do not face the same obstacles to public-private partnerships and that the Danish situation is caused by the “hard-line” national interpretation of how the EU’s state aid rules should be implemented in the area of innovation. This gives Danish industry a clear competitive disadvantage and decreases the overall utility of research that drives innovation.

We therefore sincerely hope that the proposal from the Commission will lay down clear rules that will ensure common standards for engaging in public-private cooperation in research driven innovation projects across Europe. My organisation is of course at your disposal in any case where your services might wish more specific details to this problem.

Best regards

A handwritten signature in black ink, appearing to read 'L. Nielsen', with a long horizontal flourish extending to the right.

Leif Erland Nielsen