



Initial reaction¹ of the Assembly of European Regions on the "State aid Action Plan"

Suggested by the European Commission in its Communication of 7 June 2005

**The Presidium of the Assembly of European Regions, at Trieste, Friuli Venezia Giulia (I),
on 12 September 2005,**

Considering the State aid Action Plan "Less and better targeted state aid: A roadmap for state aid reform 2005-2009" (7 June 2005)

Considering the Proposed Communication by the Commission "Guidelines on national regional aid for 2007-2013 (July 2005)"

Considering the draft report by the European Parliament (Regional development Committee) on the role of direct State aid as an instrument in regional development, rapporteur Milos Koterec (2 June 2005)

Considering the Opinion of the Committee of the Regions on the revision of guidelines for regional State aids (7 July 2005)

Considering the draft Decision of the Commission on the application of article 86(2) of the Treaty to State aid in the form of compensation for public services (July 2005)

adopted the following position concerning the Action plan:

Considering the mixed conclusions of the Lisbon strategy in terms of the competitiveness of the European Union and growth in the EU,

Considering the stakes which the Union is facing following enlargement, and particularly the persistent inequality between the Regions,

The Assembly of European Regions

- 1- Agrees with the European Commission that State aid may be useful to correct market situations, but may not be systematically used as a means of economic development

¹ See also reactions from AER member Regions on the State aid action plan under <http://www.a-e-r.org/main-issues/cohesion-regional-policy/state-aid/>

- 2- Agrees with the opinion of the European Commission (and Member States) that the reform of national aid policies, both in terms of scope and procedures, is necessary in order to better meet the challenges of competitiveness and cohesion,
- 3- Considers, however, that it is necessary to conclude the reform by 2005 and to enforce the application of the reform from 2007, to ensure a coordinated start with the new programming period of the Structural Funds 2007/2013. In this way, administrations will gain a clearer overview of the legal framework for State aids and be able to better plan investments, avoiding the mid term review of ongoing State aid local reforms and the issuing of re-programming documents.
- 4- Considers, as does the Commission, that this reform must consider the increasingly important role of public-private partnerships, in both the field of R&D, and that of infrastructures, in particular
- 5- Supports the Commission in its attempt to simplify and rationalise State aid policy as suggested in the Action plan, considering the introduction of greater transparency in this field as an aspect of legal security
- 6- Questions, however, the appropriateness of the elements of reform suggested by the Commission, particularly:
 - a. "less and better targeted State aids": "focusing on the key priorities"
 - The AER does not question the need for restricting the global volume of State aid in an economically difficult context with limited public budgets. In the same way, the AER agrees with the suggestion aiming to concentrate all State aid on sectors with growth, for which a long-term return on investment may be more probable. The AER considers that innovation, research and development, entrepreneurship and training represent high value sectors, as well as services of general economic interest for cohesion, and approves the Commission's preference for the concentration of efforts in these fields².
 - **However**, the AER wishes to reiterate that this reform must not hamper the principles of economic, social and territorial cohesion, included in the third report on cohesion and therefore regrets that regional aspects were not clearly mentioned in the Commission's presentation of State aid in the context of the Lisbon strategy (pg. 7-8 of the Action plan). The AER warns against a geographical concentration of assistance, which would have the negative effect of artificially distorting competition between regions eligible for State aid according to the exemptions described in articles 87§3 (a) and (c) (regional aid) and non-eligible regions. In order to avoid measures aiming to compensate for market defects leading to exactly the opposite, the AER therefore proposes the introduction of regional differentiation in the context of horizontal aids (*this position is described in detail in the document enclosed in appendix*). The AER requests that this proposal be duly considered in the implementation or reform of exemption rules for aids applied by the Commission and announced in the Action Plan, with reference to rules concerning State aid for innovation – for which the Commission has announced a communication in 2005 – and concerning aid for research and development, or training. In this context, the AER considers that the adoption of a general exemption rule per category, as

² See also comment 2 of the aforementioned reaction from FVG regarding sectors not included in the Regulations in force.

proposals of the Commission, as specified in the aforementioned draft decision of July 2005, in more detail.

- 10- Wishes the Commission to take due consideration of and to ascertain the nature of sectors which are not included in the Regulations in force and are not likely to create a distortion of competition, i.e. the tourism sector, whenever strictly linked to the territory, and education, culture or health.
- 11- Welcomes most of the Commission's proposals in the context of simplification and rationalisation, for a better governance of State aid. E.g. the suggestions of increasing the *de minimis* ceiling, or publishing a code of good practices, appear worthwhile in this context.
- 12- The AER is not however convinced that the control of State aid measures by independent authorities will simplify procedures and thinks that this issue should be in any case clarified. These authorities would also require regular surveillance as to their actual independence.
- 13- Considers that a reinforced role of national courts should be carefully evaluated, so as to avoid conflicts emerging between European institutional and legal bodies.
- 14- Is concerned by the possible option with regard rules of procedure, which would lead to the re-assessment of linguistic questions and translation obligations, as suggested in paragraph 58 of the Action plan. The AER highlights that linguistic diversity is a fully fledged aspect of the European Union, as emphasised by the Commission in paragraph 62 of the same document, and that an abrogation of translation obligations will unavoidably modify this aspect. In this context, the AER will pay close attention to future proposals of the Commission aiming to modify the rule of procedure (regulation (EC) n° 659/1999 of the Council) and the application of rules concerning State aid for public service broadcasting (§ 62 Action plan).

Annexes:

- AER Position on the suggested reform of regional state aids “Towards a reform of State aid compatible with economic, social and territorial cohesion objectives”
- AER Position on the European Commission proposals for State aid in the form of public service compensation