

Economic Development & Transport Committee

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Date: 8 February 2006

Time: 9:00 – 12.30

Venue: National Assembly for Wales, Cardiff Bay

Title: Publication by the European Commission of the Regional Aid Guidelines for the period 2007-2013

Purpose

This report advises the Committee upon the publication, by the European Commission, of the new Regional Aid Guidelines for the period 2007-2013 and the implications for the Assisted Areas Map of Wales.

Summary / Recommendations

The Committee is asked to note that:

- the new Regional Aid Guidelines confirm West Wales and the Valleys as an Article 87(3)a assisted area for the period 2007-2013.
- the Guidelines also include criteria that confirm East Wales as an area eligible for designation by the UK Government as an additional article 87(3)c area for the same period.
- the UK Government is about to engage stakeholders in a consultation exercise to determine how such additional article 87(3)c areas should be designated.
- the UK process for finalising the Assisted Areas Map needs to be completed by July 2006.

Background

The European Commission issued draft Regional Aid Guidelines (RAG) on 18 July 2004. Member States were invited to discuss the draft proposals at a multi-lateral meeting in Brussels on 15 September 2005 before providing their formal written responses on 30 September 2005. The Commission had long indicated its intention to finalise the new guidelines by the end of December 2005.

Latest Position

The European Commission adopted the new Regional Aid Guidelines on 21 December 2005. The final document contained only limited changes to the previous draft that had been the subject of formal

consultation.

With the EU budget agreed in December, the European Commission confirmed that the current Eurostat GDP data set was to be used to determine eligibility for both Convergence Programme areas and Assisted Areas. The result for Wales is that West Wales and the Valleys qualifies for the full Convergence Programme and also as an Article 87(3)a Assisted Area: the best possible outcome in terms of maintaining the ability to support investment in the area.

Additionally, the new guidelines confirm the range of criteria that Member States must now take into account in determining additional Article 87(3) c coverage. The four NUTS 3 areas of East Wales are all adjacent to a full Article 87(3)a area, and so fall within the criteria set by the Commission.

The DTI intends, in early February, to issue a consultation document to provide UK stakeholders with an opportunity to influence the criteria and areas that are chosen to form these additional 'second tier' Assisted Areas. It is anticipated that this consultation process will need to be completed by July 2006 to allow completion and presentation of the draft UK Assisted Areas Map to the Commission before the summer break. The map will then need to be agreed by the Commission in the Autumn in readiness for implementation in 2007.

Impact of New Guidelines

The impact of the new guidelines within the UK is set out below:

Area	Designation
Cornwall and Isles of Scilly	Article 87(3)a area
West Wales and the Valleys	Article 87(3)a area
Highlands and Islands	Statistical Effect area
Northern Ireland	Economic Development Area (87(3)c
Merseyside	Economic Development Area (87(3)c
South Yorkshire	Economic Development Area (87(3)c

The population coverage ceiling set by the Commission for the UK has been raised from the 9% originally proposed to 23.9%. The designated Article 87(3)a areas take up 4.6% of this total and the Statistical Effect and Economic Development Areas a further 6.8% leaving 12.5% available for distribution as additional Article 87(3)c areas. The distribution of this cover will now be determined through the UK process described above.

The maximum aid intensities remain broadly unchanged from earlier draft proposals. West Wales and the Valleys, as a 'full' Article 87(3)a area with less than 75% EU-25 GDP, has a maximum aid intensity, for support to large companies, of 30% Gross Grant Equivalent (GGE) for the duration of the programme period. This compares to 40% GGE for areas with less than 60% average EU-25 GDP and 50% GGE for regions with less than 45% EU-25 GDP.

The maximum aid intensity for support to large companies in Article 87(3)c areas is set at 15% GGE but this is reduced to 10% GGE where regions have both more than 100% of average EU-25 GDP and a lower employment rate than the EU-25 average.

The ceilings for support to small and medium sized companies are increased, in all the above categories, by 20%GGE and 10%GGE respectively.

Retention of full Article 87(3)a status for the whole of West Wales and the Valleys is a significantly better outcome than had originally been envisaged at the start of the review process. The potential to argue now for additional Article 87(3)c status within East Wales was also not in prospect under the Commission's original proposals.

Officials are working closely with the DTI and Treasury in shaping the imminent UK consultation upon how additional Article 87(3)c areas should be determined and through which the UK Assisted Areas Map will be finalised.

Action for Subject Committee

To note latest developments with the review of the Regional Aid Guidelines.