

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 77 final

Brussels, 26 February 1975

## GENERAL REGIONAL AID SYSTEMS

(Communication of the Commission to the Council)

GENERAL REGIONAL AID SYSTEMS

(Communication of the Commission to the Council)

In its Communication to the Council of 27 June 1973 (1), the Commission -- in application of the provisions of Article 154 of the Treaty of Accession -- amended and supplemented the principles of coordination defined in its Communication of 23 June 1971 and contained in the first resolution of the Member States of 20 October 1971 (2).

The Commission undertook, at that time, in application of its powers of decision on state aids and in order to place all the Member States in the same situation in relation to the principles of coordination to define, on the basis of these same principles, the principles of coordination valid for all regions of the enlarged Community.

When the principles of coordination were defined in 1971 and when they were subsequently completed when the Community was enlarged in 1973, the need to put an end to outbidding in state aids was felt to be most urgent in the most developed regions of the Community. Nevertheless it was, even then, specified that an appropriate solution would be defined to take account of the specific problems posed in each of the other regions.

It is well understood that aids are not the invariable and principal determinant of investment location decisions. A complex set of factors, and particularly socio-economic factors, is involved, and this explains why even a high level of aid intensity is in certain regions insufficient to attract a great number of new investors. Firms which actually have a choice of location base their decision equally on the location of their suppliers and customers, the availability and quality of man-power, social legislation, company law, the level of pay and taxation, etc., of the different States, all of which influence, in a permanent way, the operation of establishments.

./.

---

(1) COM(73) 1110 of 27.6.1973.

(2) OJEG No C 111 of 4.11.1971.

The risks of outbidding must therefore be appraised in a manner which varies in accordance with the various factors which favour or impede the development of the Community's different regions. This is, moreover, why the Commission, in exercising its powers under Articles 92 ff of the EEC Treaty, takes account of the fact that the Member States have the best knowledge at the national level of all the significant facts required to assess the needs of their regions. The Commission is always prepared, taking account of the general interest, to consider compatible with the common market changes to aid systems, when such changes are justified for example, by problems of employment, unemployment, migration, other valid requirements of regional development policy which may require, as essential national problems, an urgent response.

This cannot prevent a recognition of the fact that outbidding could, particularly in different social and economic circumstances, be damaging not only for the regions concerned but for the Community as a whole. On the other hand, the observance of a discipline on aids granted in the most developed regions will certainly have favourable effects on the other regions. It is therefore essential to define principles of coordination valid for all regions of the Community, while taking account of the specific problems of each of the regions to which this discipline has not until now been applied.

#### I. Principles of Coordination of General Regional Aid Systems

1. The coordination is valid for all regions of the Community namely:

- (i) Greenland, Ireland, the "Mezzogiorno" and Northern Ireland;
- (ii) West Berlin and the "Zonenrandgebiet";
- (iii) the part of French territory which received industrial development grants (primes de développement industriel), the aided areas in the Italian regions of Friuli-Venezia-Giulia, Trentino-Alto Adige, Valle d'Aosta, Lazio, Marche, Toscana, Umbria and Veneto insofar as these regions are not included in the "Mezzogiorno", and for the United Kingdom, the other parts of the country which were defined as Assisted Areas

- on 1 January 1975 at Section 7 (7) of the Industry Act, 1972, with the exception of areas classified as Intermediate Areas at that date;
- (iv) the special development area in the north of Denmark, and the islands of Bornholm, Aersø, Samsø and Langeland;
  - (v) the other regions of the Community;

and takes account of their specific and important problems.

It comes into force on 1 January 1975 and is valid for a first period of three years.

2. The coordination has five principal aspects which form one whole: ceilings of aid intensity differentiated according to the nature and gravity of regional problems; transparency (see however point 4 below), regional specificity, the sectoral repercussions of regional aids and a system of supervision.
3. The differentiated ceilings for aid intensity are fixed in net grant equivalent for all the regions listed at 1 above with the exception of Greenland.

- for Ireland, the "Mezzogiorno", Northern Ireland and for West Berlin;

The ceilings are fixed at the level of the maximum intensity attainable by measurable aids available under regional aid systems in force in these regions on 1 January 1975.

Moreover, for Ireland, the "Mezzogiorno" and Northern Ireland, the Commission may ask for the examination in advance of individual cases if particular sectoral problems or the functioning of the common market necessitate such an examination; to this end, the Commission will be informed of projects with an investment exceeding 25 million units of account and for which the envisaged aids exceed 35% in net grant equivalent.

.. for the French, Italian and British aided areas listed at 1 (iii) above:

A ceiling of 30% in net grant equivalent for the total of aids granted to a single investment will be observed as rapidly as possible and at the latest before the end of the first period of three years.

- for the "Zonenrandgebiet", referred to at 1 (ii), and the Danish aided areas listed at 1 (iv) above:

The ceiling in net grant equivalent is fixed at 25%.

- for the other regions of the Community:

The ceiling remains at 20% in net grant equivalent, but the trend should as far as possible be for a reduction in the level of aids.

Except in the case of the regions listed at 1 (i) above the intensity ceilings are applicable to the total of regional aids accorded to a given investment. The level of the ceilings will be re-examined at the end of the period of three years taking account of experience gained, the evolution of regional situations, especially the trends of unemployment, and of changes in aid systems and in relation to the problems of the combination of regional and sectoral aids. In addition, it will be necessary to examine during the period of three years the relationship between the level of aids granted and the number of jobs created or maintained.

Derogations from the intensity ceilings may be accepted by the Commission provided that the necessary justification is communicated in advance in accordance with the procedure provided for at Article 93 of the Treaty establishing the European Economic Community. The Commission will periodically supply the Council with a list of any such derogations.

4. An essential condition for the coordination and for the appreciation of general aid systems is the transparency of aids and aid systems.

There exist, however, certain forms of aid which hitherto have not been considered as transparent, but which nevertheless can be considered as indispensable to development activity in certain regions. It is understood that the presence or lack of transparency does not prejudice the compatibility of these aids with the Common Market. The Commission will pursue with experts from Member States the technical studies already begun with a view to finding standards of measurement capable of making comparable all forms of regional aids in force in the Community. In the light of these studies the Commission will establish

in consultation with the Member States a list of these aids and the conditions for their use. Any new types of aids or changes in existing aids will be considered by the Commission in the light of the stage reached on the studies mentioned in the previous sub-paragraph.

5. Regional specificity will be implemented in the light of the following principles:

- (i) that regional aids do not cover the whole national territory, i.e. general aids may not be granted under the heading of regional aids; (\*)
- (ii) that general aid regimes clearly specify, either in geographical terms or by quantitative criteria, the limits of aided regions or, within these, the limits of aided areas;
- (iii) that, except in the case of growth points, regional aids are not granted in a pin-point manner, i.e. to isolated geographical points having virtually no influence on the development of a region;
- (iv) that, where problems which are different in kind, intensity or urgency occur, the aid intensity needs to be adapted accordingly;
- (v) that the graduation and variation of rates of aid across different areas and regions is clearly indicated.

6. The lack of sectoral specificity in general regional aid systems makes their assessment difficult because of the problems that the sectoral repercussion of these aids may pose at the Community level. Consequently, the Member States and the Commission will examine how account should be taken of this sectoral repercussion when such problems are posed.

When an investment benefits from a sectoral aid on a regionally differentiated basis, a regional aid may not be given in respect of the same investment.

./.

(\*) with the exception of Ireland and the Grand Duchy of Luxembourg which are considered each as one region.

7. The Commission shall supervise the application of the coordination principles by means of the a posteriori notification which it will receive of significant cases of application, according to a procedure ensuring business secrecy.
8. The results of this application will be examined periodically with the senior national officials responsible for aids. The Commission will make an annual report to the Council and the other Community bodies concerned.
9. The methods for implementing the principles of coordination defined in the annex to the Communication of the Commission of 23 June 1971 and supplemented by the Communication of the Commission of 27 June 1973 will apply to the extent necessary for the implementation of the principles of coordination set out above.

## II. Commission Statement

The Commission informs the Council that, in accordance with the powers vested in it by Articles 92 and following of the EEC Treaty, it will from 1 January 1975 apply these principles to general regional aid systems already in force or to be established in the regions of the Community.

The Commission considers it desirable that the governments of the Member States modify their first resolution of 20 October 1971, concerning general regional aid systems, to take account of the principles defined above.

---