

Position Paper

UEAPME¹ comments on the “draft guidelines on regional State aid for 2014-2020”

1. Introduction

UEAPME is the European Association for Crafts and Small and Medium-sized Enterprises and represents more than 10 million SMEs at European level. SMEs are well recognised by European and national policy makers as the backbone of the European Economy and as driver for jobs, growth and also of regional development.

Therefore, the European guidelines for regional aid play a crucial role for SMEs in Europe, next to the De minimis Regulation and the General Block Exemption Regulation. More in general, UEAPME has always argued for a twofold approach towards the provision of State aid for companies in Europe:

Firstly, SMEs suffer for different reason from market failures, which have to be compensated to ensure an optimal outcome as regards economic activities and the welfare development within the European Union. Therefore, UEAPME sees the need for well-designed State aid regulations to cover market failures like information asymmetry (i.e. access to finance) and positive external effects (i.e. R&D and Innovation, investments in environment protection and energy efficiency), but also to improve equality between regions.

At the same time, and secondly, SMEs and their employees are the largest tax payers in the European Union and have all interest to ensure efficient spending of public money. Furthermore, SMEs expect from public authorities to avoid unfair competition by subsidy races between Member States and regions. In this context, UEAPME reminds the European Commission that there is sufficient evidence, also from Commission studies, that there are some asymmetries in the provision of State aid to larger and to smaller enterprises. Even if studies show that the provision of State aid is less effective in the case of large enterprises compared to SMEs, the overwhelming part of State aid is still provided to large companies.

Therefore, UEAPME welcomes the possibility to comment on the draft guidelines on regional State aid.

2. General remarks

UEAPME welcomes in principle the proposal to transfer the rules for the provision of regional State aid for projects below 100 Million Euro (eligible cost) to the future General Block Exemption Regulation (GBER), which would reduce administrative burden significantly, because there is no need for specific notification of the aid to the European Commission. However, if the GBER shall also cover so-called ad-hoc aid and not only aid schemes, the Commission has to ensure a more enhanced and more efficient monitoring than what

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

is currently done, because ad-hoc aid is much less visible than aid schemes and therefore much more difficult to control. Furthermore, public aid up to 37.5 Million Euro provided ad-hoc to an individual company may lead to significant distortion of competition and internal trade.

Therefore, UEAPME will only support the inclusion of ad-hoc aid in the General Block Exemption Regulation if the European Commission can ensure proper and effective monitoring of State aid provided under these simplified provisions.

3. Specific remarks

- **Focus on support to SMEs in 'c' regions**

UEAPME recognises that the Commission has presented sufficient evidence to prioritise State aid for companies in 'c' regions towards SMEs.

Therefore, UEAPME supports the Commission approach to give priority to support of SMEs in 'c' regions. Furthermore, UEAPME welcomes the use of the official SME definition and warns against derogations from this definition.

- **Flexibility on the definition of 'c' regions**

UEAPME welcomes the flexibility provided to Member States to define their 'c' regions. However, the way how 'c' regions are defined in a specific country may have significant impact on the overall effectiveness of regional policy for the next 7 years.

Therefore, UEAPME invites the Commission to give a strong recommendation to the national government to involve the economic and social partners in their country in the discussion about defining 'c' regions.

- **Aid intensity: outermost regions, gap between different regions and transition periods**

UEAPME has doubts on whether the reduction of the bonus for outermost regions from 20(10)% to 10(5)% is justified from a cohesion point of view. Furthermore, there is always a risk of distortion of competition on the border between regions with different aid intensities. UEAPME asks for further measures to mitigate such risk, which could be done for example by allowing sufficient transition periods, if the status of a regions has been 'upgraded'.

Therefore, UEAPME ask the Commission to reassess these aspects as regards its impact on competition and cohesion.

- **Definition of tangible and intangible assets**

The Commission draft defines 'investment costs' as tangible and intangible assets that are part of an initial investment. However, neither the definition of 'tangible' nor of 'intangible' costs includes investments in training, which also forms part of initial investments and has to be included.

Therefore, UEAPME asks the Commission to ensure that investments in training become part of the definition of investment cost respectively of initial investments.

- **Investment aid linked to a closure of a similar or same activity in the EEA**

UEAPME agrees that investment aid potentially linked to a closure of a similar or same activity in the EEA has to be notified and should not be provided under the GBER. However, UEAPME has doubts that an obligatory notification for investment aid to SMEs, which in most of the cases will profit from aid schemes and not from ad-hoc aid, makes any sense and how it could be supervised.

Therefore, UEAPME asks the Commission to review this provision and to check, if in cases of aid to SMEs (or at least to small enterprises) provided by a scheme, the proof that there is no closure of a similar activity somewhere else can be avoided and the aid can be provided under the GBER.

- **Acquisition of an establishment**

Paragraph 87 in the Commission draft states that only cost for buying assets from third parties unrelated to the buyer should be taken into consideration (eligible costs for investment aid for SMEs). UEAPME would like to remind the Commission that there are hundred thousands of privately owned family businesses, which look every year for a successor and in many cases the company will be “bought” by the next generation of the family. However, also in the case of transfer to the next generation, the families have huge problems with financing such transfers. This is the reason why the European Programmes for SMEs (CIP, COSME) promote the support of such transfers by its own financial instruments

Therefore, UEAPME asks the Commission that aid to support the transfers of SMEs within the family of the owner should also be eligible for regional aid.

UEAPME would like to thank the European Commission again for the opportunity to comment on the draft RAG and remains available for any further discussion on this subject.

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