

13 October 2006

Ms Neelie Kroes  
Member of the European Commission  
DG Competition  
200 Rue de la Loi  
1049 Bruxelles

THE SECRETARY GENERAL

Dear Commissioner,

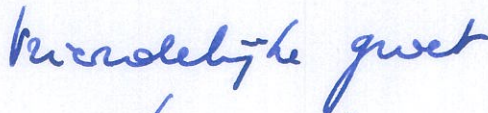
I would like to thank you for having made available a second draft staff paper on a possible Community framework for state aid for research and development and innovation. As set out in our comments on the first staff paper, which you will find attached for ease of reference, UNICE wholly agrees that the existing rules for state aid for R&D have to be modernised and enhanced to facilitate the design by Member States of effective state aid measures for innovation. The level of R&D and innovation is unsatisfactory for the EU economy and an increase is necessary for higher growth in the EU.

However, after having assessed the second staff paper, we are still worried that the proposed future approach in the area of state aid for R&D and innovation will not resolve current underinvestment in R&D. Although the new draft increases permissible aid intensities for aid for R&D and innovation and provides for important clarifications with respect to the scope of the framework and the collaboration of undertakings and public research organisations, the fundamental principles governing control of state aid for R&D and innovation remain unchanged.

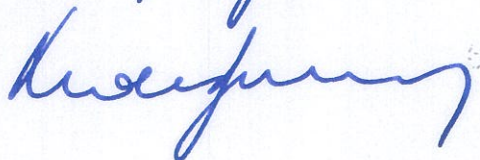
As set out in our earlier paper, UNICE regrets the preservation of the linear innovation model and the fact that proof of an incentive effect will continue to be required. In addition, whilst welcoming clarifications that thresholds for a detailed economic assessment will apply per undertaking and not per project, UNICE still fears that the detailed economic assessment, which will be prescribed for a large number of individual notifications, will introduce an additional hurdle for Member States, discouraging them from stimulating companies to carry out more R&D and innovation. These points are extensively dealt with in our previous contributions and I refer to our latest paper for further explanation.

I hope that our reaction will contribute to discussions on this important issue and we are ready to explain in more detail our points of view should you so wish.

Yours faithfully,



Philippe de Buck



Encl.: 1