



Mr Joaquín Almunia
Vice-President
Commissioner for Competition
European Commission
200 Rue de la Loi
1049 Bruxelles

8 February 2013

Dear Vice-President Almunia,

We would like to share with you our views on the ongoing **revision of Regional State aid rules**.

State aid rules play a key role in the functioning of the single market. The application of competition and efficiency criteria in public spending are key at a time when Member States are looking for growth measures with limited budgets. Hence, the current modernisation process must maintain a strong focus on stimulus and growth, particularly in the context of the current debate of the need to strengthen Europe's industrial base.

Regional aid instruments can prove essential to achieve these objectives and help promote investment in Europe's less developed areas.

BUSINESSEUROPE has however concerns about some of the proposed reforms the consequences of which would go against the political goals of Europe 2020, the regional policy 2014-2020 and the renewed industrial policy strategy.

The direct effects of the crisis on localisation and the enterprises' industrial choices (relocation, restructuring, etc.) are not fully considered. The current draft generally should not only be focused on attracting new investors but also on enabling investment by already existing business, which can be crucial to economic regeneration. On a more global perspective, we also underline the risk of companies' relocation outside the EU.

The exclusion of the possibility for non-SMEs to receive regional investment aid in the so called "c" regions is an outstanding example of this an approach that we do not consider appropriate.

Recognising the fundamental role of larger companies/non-SMEs in supporting regional development is crucial. BUSINESSEUROPE strongly believes that **limiting the possibility for non-SMEs to receive regional is not justified and urgently calls for a revision of the draft guidelines on this point.**



We believe that access to regional aid should be evaluated on the quality of the investment, its expected impact on the economy and on its effect on competition, not on the size of the enterprise. It is also important to note that the “non-SME” category includes many businesses that are not only large multinationals.

The evidence presented by the Commission to justify the limitation for larger enterprises to receive regional aid does not clearly demonstrate the ineffectiveness of these support measures nor potentially distortive effects on competition.

On the contrary, larger businesses act as a crucial anchor in local and regional economic development, often forming important value chains with SMEs. Narrowing down the possibilities to receive regional aid therefore risks having an adverse effect, including for smaller business. Conversely, supporting larger companies as driving forces will have an incentive effect all along the value chain, with a positive impact not least on labour markets.

Also, any **potential redefinition of regions eligible for regional aid should be conducted with utmost caution**, so to avoid the creation of excessive cross-region disparities.

In addition, the possibility of using regional aid measures corresponds too rigidly to the targeted areas. The aid measures should also be allowed in neighbouring areas (within the territory which is target of regional programming as a whole), when it can be demonstrated that the beneficial effects would pass to the originally targeted areas. This flexibility would facilitate synergies between industrial, urban and environmental and regional development policies.

Finally, introducing these changes at a time of such rapid and dramatic economic disruption may be inappropriate as it is not possible yet to measure accurately the regional impact of this disruption. According to the proposal, the data to be used for assessing socio-economic trends would be based on the average of Eurostat regional data for 2008-2010, that do not fully reflect the effects of the crisis both as regards the territories affected and the time scale.

We trust you will take our comments into account and remain at your disposal to discuss the above recommendations further.

Yours sincerely,

Markus J. Beyrer