Cercle de l’Industrie’s answer to the European Commission consultation on its draft Framework for state aid for research and development and innovation

SYNTHESIS OF THE PROPOSITIONS

Based in Paris and Brussels, Cercle de l’Industrie is a forum for dialogue and exchange. It brings together the Chairmen of large businesses in all industrial sectors and policy makers. Member companies of Cercle de l’Industrie have a turnover of around 850 billion euros; they employ 2.5 million people.

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Cercle de l’Industrie is convinced that the strengthening of investments in research and development and innovation (hereinafter RDI) activities in the EU is key to a competitive industrial fabric at European level. Currently reviewed by the European Commission, State aids for RDI are a decisive lever to support RDI investments and eventually economic growth. In its February 2012 answer to the first Commission’s consultation, Cercle de l’Industrie pointed out the core principles that should underpin the EU’s RDI State aid framework:

1) It must be stable on the long term.
2) Assessment procedures must not be too long, over-detailed or over-complex. Focus should be put on explicit key assessment criteria.
3) The specificities of RDI activities must be taken into account.
4) The role of large companies in structuring innovation ecosystems must be acknowledged and promoted.
5) The global context must be considered, especially in the absence of international level playing field, which poses a threat for RDI activities in the EU.

Cercle de l’Industrie’s general remarks on the Commission’s draft framework for state aid for RDI and on the draft General Block Exemption Regulation (GBER)

Cercle de l’Industrie welcomes the Commission’s general approach to RDI State aids as it aims at simplifying and fastening procedures, and at focusing DG COMP’s resources on the state aids that have the most restrictive effect on competition. For instance, doubling the exemption thresholds is an excellent initiative. These should reach 50M€ for fundamental research, 25M€ for industrial research, and 20M€ for experimental development. However, Cercle de l’Industrie is concerned by certain Commission’s proposed measures and raises the following issues.

1) **Stronger focus should be put on reducing procedure timelines**

Cercle de l’Industrie regrets the absence of concrete measures addressing procedural delays (the average authorization procedure for notified State aids lasts 9 to 10 months). As regards in particular RDI state aids review proceedings, Cercle de l’Industrie suggests that DG COMP analyses firstly the negative effects of state aids on competition and then the positive effects, in order to ensure its resources are focused on the most restrictive aids.

2) **Greater emphasis should be put on supporting projects matching EU’s strategic priorities**

The draft GBER and the draft Framework must further encourage public support for RDI activities in sectors identified as strategic by the EU. In such case, access to funding should be simplified and accelerated, for instance via a raise in exemption thresholds. For instance, tripling up those thresholds for Key Enabling Technologies would send a strong positive signal.
3) As regards projects directly or indirectly funded by the EU, authorisation conditions must be clarified in the draft GBER and in the draft Framework

In cases when EU funding adds up to RDI state aids, the Commission should state clearly that EU funds will not be taken into account in the calculation of notification and intensity thresholds. This would prevent legal uncertainty which could discourage companies’ investment projects.

4) The “Net Extra Cost” calculation method must be simplified for companies and should be consistent with the Commission’s overall approach to State aid

The “Net Extra Cost” criterion introduced to assess the proportionality of state aids, and in particular its “Net Present Value” calculation method (comparison of the discounted net profits of a project benefiting from a state aid with a counterfactual scenario), can to impact negatively on RDI investments in the EU:
- it amounts de facto to tighten assessment criteria that are already complex, even though it is widely recognised that RDI state aids benefit more to the economy than to its direct beneficiaries;
- besides, the “Net Extra Cost” calculation method proposed for RDI state aids is not consistent with the Commission’s approach of state aids targeting an efficiency objective. This approach is based on the assessment of the profitability of the project benefiting from state aid. Given the fact that RDI state aids contribute to this efficiency objective, the same “Net Extra Cost” calculation approach should be applied to those aids.

5) The Commission should re-examine its proposed measures on transparency and information publication in the light of their potential impact on European businesses facing fierce international competition.

Cercle de l’Industrie has reservations on the proposal to require member States to publish on an access-free website, companies’ aid-related information, some of these being particularly sensitive. Transparency is good in principle; however, it should not entail competitive advantage for companies operating in third countries that do not impose similar transparency requirements. Therefore, Cercle de l’Industrie invites the Commission to limit businesses’ information publication requirements to information whose publication will not harm those businesses.

Plus, Cercle de l’Industrie invites the Commission to reconsider the wording of paragraph 92 of its draft Framework, which must not be less favorable than the corresponding disposition (known as “matching clause”) in the applicable Framework. More specifically, Cercle de l’Industrie recommends deleting the condition according to which state aid must be maintained to the strict minimum needed.

6) Certain definitions need to be adapted to the specificities of R&D&I projects.

Cercle de l’Industrie does not support the Commission’s proposal to maintain the distinction between “fundamental research”, “industrial research” and “experimental development”, because it is not adapted to the actual specificities of innovation activities. Introducing the notion of “applied research” is a positive move, but the use of this notion should be extended within the proposed RDI state aid Framework. The definition of “R&D projects” is also positive, but this definition should allow for more flexibility and room for interpretation for the Commission, especially when determining whether or not two projects can be considered as a single one.

7) The differentiated treatment based upon the company size is maintained and strengthened at the expense of the large companies, despite their role in structuring innovation ecosystems

While recognizing the necessary support to SMEs and microbusinesses, particularly in times of crisis, Cercle de l’Industrie deplores the continued and strengthened systematic distinction between large and smaller businesses. Dispositions that are dedicated to SMEs (such as innovation aids) should be extended to larger companies (cf. Art.27)\(^1\).

\(^1\) Draft GBER, December 18th 2013. Chapter III, Section 4.