EUROPEAN COMMISSION

Brussels, 28-03-2003
C(2003) 228

Subject: State aid / United Kingdom
Aid No N 743/02
National Scrapie Plan – Scrapie Flocks Scheme

Sir,

I have the honour to inform you that, having examined the information supplied by your authorities on the aid referred to above, the Commission has decided to raise no objections to the State aid scheme in question.

In reaching this decision, the Commission has relied on the following considerations:

I. PROCEDURES

The measure was notified by letter dated 22 November 2002, registered on 26 November 2002, by the Permanent Representation of the United Kingdom at the European Union. Further information was received by letter of 30 January 2003, registered on 31 January 2003.

II. DESCRIPTION

1.1. Title

National Scrapie Plan – Scrapie Flocks Scheme.

1.2. Budget

Provisional estimate for the first year (2003/04): £7 Million (about €10,234,000). In addition, there may be an additional cost of £836,000 (about €1,222,000) if limited assistance for the cost of genotyping replacement animals is provided. The scheme will be funded from within existing National Scrapie Plan budgets.
1.3. **Duration**


1.4. **Beneficiaries**

The scheme is only open to flock owners who have reported suspicion of disease and had a confirmed scrapie case on their holding since July 1998.

1.5. **Measure**

1.5.1 **Objective**

The NSP-GB Scrapie Flocks Scheme is a sectoral initiative in that it is concerned with sheep as covered by EU combined nomenclature (CN) code – 0104. Its aim is to contribute towards the NSP objective of reducing and eventually eradicating scrapie from the national flock.

In recent years (before the outbreak of Foot-and-mouth disease in 2001) about 170 flocks per annum reported scrapie in Great Britain. The total number of confirmed cases has been in the region of 600 per annum\(^1\). An anonymous postal survey of sheep farmers in GB in 1998 suggested that only 13% of farmers report their suspicions of scrapie\(^2\). Many flocks that become affected by scrapie continue to have a persistent problem.

Susceptible animals will be identified by PrP genotyping, slaughtered and then disposed of so that they cannot enter the food chain. The scheme will benefit the sheep industry by supporting trade with Europe and improving animal welfare through the elimination of a fatal neurological disease. Its aims and objectives mirror those of the “Northern Ireland Scrapie Plan - Eradication Scheme” an aid recently approved by the Commission (No. 184/2002).

1.5.2 **Conditions**

Key features of the scheme will be:

- Farmer participation is secured by means of a contract.
- Any holding reporting scrapie since July 1998\(^3\) will be eligible.
- All sheep on the holding will be electronically identified and genotyped.
- Breeding males will be culled if they are not ARR/ARR (the most resistant genotype).

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\(^1\) In 2000 - the figures were: England 358 (63%), Scotland 85 (15%), Wales 125 (22%).

\(^2\) “Scrapie occurrence in Great Britain” Hoinvill et al. The Veterinary Record 02.10.99 (vol. 145, no 14).

\(^3\) The start of the compulsory slaughter/compensation regime, required by EU law, and as most cases occur in animals between 2–5 years of age.
Other sheep will be culled if they are not of the ARR/ARR, ARR/AHQ, ARR/ARH, or ARR/ARQ genotypes. Thus they must have – at least – one copy of the ARR allele and no (susceptible) VRQ allele.

*If* the case of clinical scrapie that had been confirmed on the holding were in an ARQ genotype it is also possible (or not) that, after veterinary assessment of the genotyping results for the holding and any other relevant factors, a decision may be taken to restrict the use of ARR/ARQ ewes for breeding).

- The possibility of a temporary derogation from culling – if the % of ARR alleles on the holding/for the breed is low.

- A certificate of genotype will be issued for sheep tested and shown to be of the ARR/ARR genotype.

1.5.3 Activities

The Department for Environment, Food and Rural Affairs (Defra) will fund the following activities:

- Unique electronic identification of each sheep being genotyped
- Collection of blood samples from sheep being genotyped
- Laboratory testing/confirmation of genotype
- Registration and certification of ARR/ARR (resistant) sheep
- Slaughter and disposal of susceptible sheep
- Compensation for the slaughter of susceptible sheep
- Assistance with the purchase of (ARR/ARR) rams
- Possibly, the provision of assistance with the genotyping of replacement animals, of the permitted genotypes, before purchase). If so, it may be necessary to restrict this to a maximum of two genotype tests per breeding animal to be culled and replaced.
1.5.4 Eligible expenditure

<table>
<thead>
<tr>
<th>Funded activities</th>
<th>Est. unit cost</th>
<th>Cost – assuming an average affected flock of 500 sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Blood sampling</td>
<td>£2.51</td>
<td>£1,255</td>
</tr>
<tr>
<td>(b) Electronic identification</td>
<td>£2.50</td>
<td>£1,250</td>
</tr>
<tr>
<td>(c) Genotype test</td>
<td>£6.90</td>
<td>£3,450</td>
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<tr>
<td>(d) Administration</td>
<td>£2.50</td>
<td>£1,250</td>
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<tr>
<td>(e) IT developments</td>
<td>£2.35</td>
<td>£200k / (500*170)</td>
</tr>
<tr>
<td>(f) Slaughter &amp; Disposal</td>
<td>£17.00</td>
<td>£8,500</td>
</tr>
<tr>
<td>(g) Compensation for culling a susceptible ewe</td>
<td>£90.00</td>
<td>£12,474</td>
</tr>
<tr>
<td>(h) Compensation for culling a susceptible lamb</td>
<td>£50.00</td>
<td>£10,395</td>
</tr>
<tr>
<td>(i) Assistance with the cost of replacing a culled ram with one of the ARR/ARR genotype</td>
<td>£500.00</td>
<td>£1,750</td>
</tr>
<tr>
<td>(j) Cost per “average” affected flock</td>
<td></td>
<td>£41,719</td>
</tr>
<tr>
<td>(k) Total cost – assuming – 170 av. Flocks 2003/04</td>
<td></td>
<td>£7,092,230 (€ 10,368,757)</td>
</tr>
</tbody>
</table>

(a) The aim will be, wherever possible, to use State Veterinary Service personnel to sample in scrapie affected flocks.
(b) Identification in the form of ruminal boluses.
(c) This is an estimate from the laboratories.
(d) This is an estimate by the implementing authority.
(e) This figure is derived from an estimate of the costs of developing specific enhancements to the current NSP IT system for this scheme which are £200k.
(f) Estimate of the costs of slaughtering susceptible animals in licensed abattoirs, and the disposal as specified risk material.
(g) Compensation rate for culling susceptible adult sheep. For the purposes of this scheme this will be a sheep where permanent incisor teeth have erupted through the gum. The rate is analogous to the rate of compensation offered in GB for confirmed cases of scrapie. This sum will not be paid where the farmer is paid the assistance for replacing the ram with one of the ARR/ARR genotype.
(h) For the purposes of this scheme a lamb is a sheep where permanent incisor teeth have not erupted through the gum.
(i) All breeding rams in participating scrapie affected flocks will be culled if they are not of the ARR/ARR genotype (the most TSE resistant genotype). Any replacement breeding rams must therefore be of that genotype.
(j) Research in a limited number of scrapie affected flocks has found that (on average) up to 70% of these animals in affected flocks may be of a susceptible genotype.

1.6. Aid intensity

Direct payment by Defra for the costs of the necessary services
1.7. **Cumulation with other aids**

The UK authorities have given assurances that aid from this scheme cannot be cumulated with aid from other genotyping schemes.

1.8. **Legal basis**

The NSP-GB ram genotyping scheme, which this aid scheme will complement, was approved by the Commission in February 2001 – N 4/2001⁴.

### III. EVALUATION

In accordance with Article 87(1) of the EC Treaty, any aid granted by a Member State or through state resources which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, in so far as it affects trade between Member States, is to be deemed incompatible with the common market.

The financial contributions selectively granted to farmers within the framework of the notified scheme fall within the scope of Article 87(1) in that they give them economic benefits they would not otherwise have received in their normal course of business and, in thus doing, improve their competitive position when compared to other farmers in the Community who do not receive the same type of aid⁵. As these farmers are active in a highly competitive international market the measure affects trade between Member States⁶.

The prohibition on State aid in Article 87(1), however, is subject to exceptions. In application of the derogation in Article 87(3)(c) of the Treaty, the Commission may consider an aid to be compatible with the common market if it is found to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest.

Aid to compensate farmers for the losses incurred in the case of animal and plant diseases and to prevent future losses need to be assessed on the basis of point 11.4 of the Community Guidelines for State aid in the agriculture sector⁷.

For an aid scheme for combating animal diseases to be acceptable under the requirements of the guidelines, four conditions have to be fulfilled:

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⁵ According to the case law of the Court of Justice, improvement in the competitive position of an undertaking resulting from State aid generally points to a distortion of competition compared with other competing undertakings not receiving such assistance, Case C-730/79, [1980] ECR 2671, paragraphs 11 and 12.
⁶ Trade in live animals and meat and edible meat offal in the United Kingdom with other Member States in 2001: imports € 2,983 million, exports € 753 million (source: Eurostat).
1. The disease has to be a matter of public concern, and the aid should make part of an appropriate programme at Community, national or regional level for the prevention, control or eradication of the disease concerned.

2. The objectives should be preventative, compensatory or a combination of both.

3. Aids should be compatible with both the objectives and the specific provisions laid down in Community veterinary legislation. The disease should be clearly identified, together with a description of the measures concerned.

4. Evidence has to be submitted that overcompensation of losses would be excluded.

From the analysis of the scheme it appears that:

1. The disease is considered to be of public interest. This is best proven by the incorporation of scrapie under Council Decision 90/424/EEC, which provides for expenditure in the veterinary field to be granted to Member States for the purposes of eradicating certain animal diseases. A Community financial contribution has been granted by the Commission towards the costs of a scrapie eradication programme which commenced in the Netherlands in 1998 (Article 33 of Commission Decision 98/703/EC of 26 November 1998 - OJ L 333, 9.12.1998, p.29-33,). In the scheme in question, the aid would be granted by the UK authorities for the implementation in the UK of a genotyping scheme, that will be used to aid scrapie affected holdings by identifying and culling TSE susceptible animals and replacing them with resistant ones.

2. The scheme is essentially preventative, but also compensatory, and aims at offering farmers the opportunity to upgrade the scrapie resistance status of their flock without significant costs or loss of income. The scheme is designed to cover the costs of testing and registration of resistant animals, and slaughter and disposal of susceptible sheep as well as compensation for such slaughter.

3. Council Decision 90/424/EEC provides for expenditure in the veterinary field to be granted to Member States for the purpose of eradicating certain animal disease, including scrapie. The notification refers to the opinion of the EU Scientific Steering Committee which in its opinion of 22-23 April 1999 recommended that Member states consider a future scrapie control and eradication programme. In a later opinion of 22-23 July 1999, the SSC recommended the identification and use of appropriate strains of resistant sheep. Subsequently in its opinion of 4-5 April 2002, the SSC recommended that culling programmes should be conceived with an overall risk reduction strategy including also controlled breeding for resistance, flock certification, genotype testing etc. This proposed aid scheme is consistent with that opinion.

4. The UK authorities have excluded any possibility of overcompensation.

It may therefore be concluded that, since the measure is in line with the provisions of the Community guidelines for State aid in the Agriculture Sector, and in particular
with point 11.4 thereof, it may benefit from the derogation provided for in Article 87(3)(c) of the Treaty.

IV. DECISION

After examination of the notified measure in the light of the prevailing state aid rules, the Commission concludes that all relevant conditions for the application of article 87(3) of the Treaty are fulfilled.

In view of the foregoing, I have the honor to inform you that the Commission has decided to raise no objections to the notified aid measure.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to disclosure to third parties and to publication of the full text of the letter in the authentic language on the Internet site http://europa.eu.int/comm/sg/sgb/state_aids/. Your request should be sent by registered letter or fax to:

European Commission  
Directorate-General for Agriculture  
Directorate B  
Office: Loi 130 5/128  
B-1049 Brussels  

Fax No.: 0032.2.296 7672

Yours faithfully,  
For the Commission

Franz FISCHLER  
Member of the Commission