

**Gerard de Graaf**  
**Head of Unit – Strategic Objective Prosperity**  
**Directorate -General**  
**European Commission**  
**B-1040 Brussels**

**Consultation on the Future “EU 2020” Strategy**  
**Somerset County Council Response**  
**January 2010**

Dear Mr de Graaf

Somerset County Council (SCC) welcomes the opportunity to respond to this consultation paper and broadly endorses the proposed EU 2020 vision of a more inclusive, more sustainable, greener, and strong knowledge-based society – rather than economy only – able to ensure social and territorial cohesion. This builds on what local authorities, have been pursuing over the past few years, integrating the main objectives of the Lisbon and Gothenburg agendas in our regional and sub-regional development strategies. We welcome the potential of EU 2020 to bring new momentum to this process.

Whilst this is SCC’s corporate response to the proposals, our District Council partners have been informed and consulted in the development of our comments. SCC also supports the responses submitted from CPMR, the SW UK Brussels Office and the UK Local Government Association. There are, however, particular points that we would like to make in this submission.

**Response to Proposed EU2020 Priorities**

SCC endorses the three key priorities contained in the EU2020 document as follows:

- § Creating value by basing growth on knowledge
- § Empowering people in inclusive societies
- § Creating a competitive, connected and greener economy

Whilst there is broad agreement on the priorities identified, the outline for delivery raises some concerns, as the working document is both aspirational and vague in places. The comments below identify some issues that we consider to be of particular relevance in addressing this and achieving the desired objectives.

**Priority 1: Creating value by basing growth on knowledge**

SCC endorses the four drivers for this priority, identified as education, research, innovation and creativity. However, there are challenges in pursuing these drivers in a decentralised, rural region such as Somerset, and the wider SW of England. Robust policy and strong interventions under EU 2020 must be designed so that they are relevant to rural economic geography as well as city regions. This can be demonstrated by the following example:

**Knowledge Economy and Connectivity – Rural Areas:**

The pursuit of a knowledge driven economy is welcome, and Somerset has been one of the European regions acknowledged for its good connectivity and best practice. However, to ensure the ongoing development and expansion of this work, future policies and funding must be sensitive to the requirements of rural areas. In spite of reference to “Europe needs....a thriving agriculture, rural economy...”, the current focus for much of this work appears to be on urban centres where the population concentrations are seen to provide “better value for money”.

To ensure the aspiration for rural areas is delivered and they are enabled to maximise their contribution to the economy they will require adequate and appropriate support. Without this there could be increased inter and intra regional economic disparities created and the loss of a valuable opportunity to ensure the continued viability of rural areas.

Similar comments can be made for other key aspects of this agenda, such as the delivery of higher education. In the current economic climate, where public spending will be under increasing pressure, rural areas could become increasingly vulnerable without this support.

## **Priority 2: Empowering people in inclusive societies**

SCC supports the stated aim for 2020 of more and higher quality jobs with increased productivity, higher employment rates, and fairness, security and real opportunities for everyone to enter the labour market, including through the creation of new companies (ie self employment). The aspiration to "manage labour market transitions through modern and financially sustainable social and welfare systems" is certainly desirable, but will be challenging in the current economic climate when public finances are likely to be severely restricted for some years to come.

The proposals for delivery these ambitions are vague, and without carefully considered, robust actions being defined, are unlikely to be achieved. Particular concerns include:

**Adaptability and Mobility of labour.** There is an assumption made that we should be working towards a mobile and adaptable labour market. However desirable this may be, whilst policies and initiatives can be developed to address issues such as skills and social protection ("flexicurity"), for many this would require a major change in culture, as many people do not wish to spend their life moving to new jobs. Social factors such as family, friends, housing, comparative cost of living, language barriers and familiarity with local services play a strong part in where people wish to live and work. Whilst an assumption that people will be happy to move around for career opportunities may be true for some, it is often the most vulnerable and needy that are the least able or willing to make these changes.

**Skills.** The acquisition of skills that will lead to a more adaptable and innovative workforce is desirable, and the document identifies a requirement for "rethinking education systems". This will be crucial to resolving the dilemma created by an increased desire for a better-educated workforce when we are also facing a period of considerable financial constraint, particularly in the public sector. In the UK this is reflected in a reduction of public sector funding for Higher and Further Education institutions, an increase in fees for students while at the same time the burden to students of paying for their tuition is becoming more onerous. There is consequently a danger of higher education becoming something for the "financial elite" and increasingly less accessible to lower income families.

In developing skills it is important that interventions:

- § Meet the needs of employers (the Leitch agenda in the UK); and
- § Provide support that enables the workforce to move from a low skill, 20<sup>th</sup> century economy to jobs in the "green" economy and other growth areas.

In Somerset there is currently an over-dependence on low-value manufacturing and low knowledge services. To help change this there is a need for strong, targeted intervention, with clear explanation as to how this will be achieved.

### Priority 3: Creating a competitive, connected and greener economy

SCC would agree with the objectives of a competitive economy achieved through greater productivity based on better connectivity and resource efficiency, smarter transport and energy infrastructures and an industrial policy that encourages modernisation of existing industry sectors whilst developing new greener ones. However, to ensure a truly competitive European economy, some thought must be given to any future regional policy. The current situation of “convergence areas” and “the rest” is not sensitive to sustaining and developing competitiveness across the regions. This can be demonstrated in SW England, where Cornwall is designated as a Convergence area, the north and east of the region has a high GVA, but many of the areas in between remain uncompetitive on EU and UK National comparisons, but receive little intervention. However, it is acknowledged that the development of such policies needs to be in the context of an enlarged Europe, where the principals of previous regional policy are unlikely to be realistic

In particular, SCC consider the continued development of the low carbon economy as an integral part of this priority. However, we would like to see specific mention of **nuclear energy** as part of this agenda (as this is low carbon and “greener” by definition).

The SW UK is already pursuing an aspiration to become a leading “low carbon” region, with designation as the UK’s first low carbon economic area in 2009, and proposals for post 2013 cohesion policy and hence structural funds to be based on the premise of a low carbon economy. Somerset is supportive of this approach and is playing a key role in these developments with:

- § Further development of the Hinkley Point nuclear site. This is a major development for the SW, and forms part of the UK national strategy to provide a considerable percentage of future renewable energy through nuclear power.
- § Ongoing work on the green knowledge economy identified as a priority – in particular the development of Taunton as one of Europe’s most successful and sustainable towns by 2020.
- § Through its “Connecting Somerset” project the county became one of the best digitally connected counties in England and recognised at European level as an example of best practice. Work is continuing to ensure this lead is retained in light of developing technology.
- § The Somerset Universities Partnership Project (SUPP) which will provide the skills and training to support the delivery of this agenda.

In common with many other rural areas, Somerset is a region with a high percentage of SME and micro enterprises, and we would like to see specific provision to support the incubation and growth of these. A recurring barrier to this, particularly where the business is seen as innovative or “new” and “experimental” in any way is the access to commercial funding. As innovation is a key theme underpinning the priorities, interventions to overcome this need to be developed. Whilst this is acknowledged in the document (particularly in the context of the current economic climate), no realistic proposals for addressing the problem are put forward. Particular aspects to be addressed include:

- § European commercial lending bodies (eg banks) are notoriously “risk averse” and unwilling to provide funding on acceptable terms and conditions for ventures that may be regarded as risky.
- § Venture Capital is mentioned as a potential funding source, but in the current economic climate this is likely to become less rather than more readily available.
- § No mention is made of the provision of seed capital, for which there is often a greater demand than venture capital

Current State Aid and Competitiveness regulations pre-empt or restrict public sector financing (including European money) of commercial ventures and may need revising to accommodate easier access to funding for commercial ventures.

## Making it Happen

This is the key section of the document to which SCC has the following comments:

**Governance.** Politically, the Lisbon and Gothenburg agendas have been heavily criticized for the lack of involvement of sub-national actors in their design and implementation. In fact, it can be reasonably argued that part of the limited effect of these agendas is due to the absence of ownership on the ground. **Vertical coordination** between the different levels of government is absolutely indispensable to ensure the success of the new EU 2020 strategy. It is only through such coordination that sub-national authorities will buy into the strategy, adapt it to their own contexts and support it throughout its implementation. It is therefore critical that the principle of subsidiarity is applied to both decision making and delivery throughout the process. In developing the EU 2020 Strategy we would urge the Commission to ensure the governance system is robust and inclusive, and to ensure that proposals for delivery address the constraints and challenges in a clear, realistic and practical way. It is also essential that public agencies at all levels are engaged in and support the development of an environment in which enterprise can flourish, and to avoid the EU2020 strategy becoming a framework that bureaucratizes or restricts this.

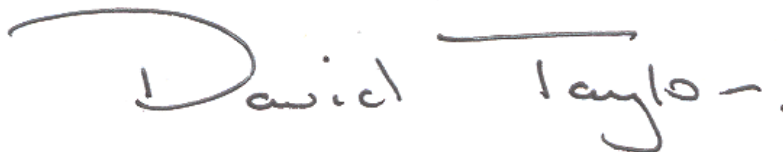
**Coordination of Policies.** Economically, it is increasingly recognized that public action is more effective when it succeeds in integrating rather than separating investment decisions. Horizontal coordination is also more important than ever, in order to avoid conflicting results and to exploit synergies

**Delivery.** We would like to reiterate our concern over the lack of any robust proposals to deliver this strategy. Considerable work needs to be done to ensure that we do not arrive at 2020 with very little having been achieved.

We hope that the points we have raised will be taken into consideration and will be helpful in taking this agenda forward. We would welcome the opportunity to be consulted on and contribute to the strategic detail as the process progresses to develop the EU 2020 Strategy.

Best regards.

Yours sincerely

A handwritten signature in black ink that reads "David Taylor." The signature is written in a cursive style with a large initial 'D' and a horizontal line extending from the end of the name.

David Taylor  
Acting Chief Executive