

# WORLD TRADE ORGANIZATION

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Committee on Subsidies  
and Countervailing Measures

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## SUBSIDIES

New and Full Notification Pursuant to Article XVI:1 of the GATT 1994  
and Article 25 of the Agreement on Subsidies and  
Countervailing Measures

EUROPEAN COMMUNITIES

### Addendum

The following addendum to the notification of the European Community relates to subsidy programmes of the **United Kingdom**.

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# UNITED KINGDOM

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## **1. Aeronautics Research Programme**

[Formerly known as Civil Aircraft Research and Technology Demonstration (CARAD)]

The Programme superseded CARAD on 1 April 2000 but retains the same objectives, criteria for support and level of funding as applied to CARAD.

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

To maintain the competitiveness of the UK aeronautics industry by ensuring that essential aircraft technologies are available in the long term. The Aeronautics Research Programme helps UK industry overcome the problem of financing long-term research.

(c) Background and authority for the scheme

Civil Aviation Act 1982.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

Support for up to 50 per cent of eligible costs for collaborative projects is available in core civil aircraft technology sectors. Beneficiaries include companies, research establishments and universities.

(f) Total amount budgeted

2001 £19,997 k

2002 £15,804 k

Note: The Programme is managed by UK fiscal year (1 April to 31 March) and the respective cash spend figures for these periods are: FY01/02 (£19,997k); FY02/03 (£21,266k).

(g) Duration of programme

The Scheme's duration is not limited. The current phase covers the five years from 1 April 2001 to 31 March 2006. The EC approved financing for the period from 1 April 1999 to 31 March 2001, with re-notification becoming necessary after five years.

(h) Assessment of trade effects

The objective is to support long-term pre-competitive research in essential aircraft technologies, not to assist production.

## **2. Bio-Wise**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

To promote the use of biotechnology in the UK manufacturing industry and develop the UK biotechnology suppliers sector, by demonstrating biotechnology uses and benefits.

(c) Background and authority for the scheme

The Statutory Authority for public expenditure under this programme is the Science and Technology Act 1965. The BIO-WISE Programme was announced by the Secretary of State for Trade and Industry in November 1999.

(d) Form of the subsidy

- Grant funding of Demonstration Projects and Case Studies.
- In kind Support in the form of advice to companies on the possible uses and benefits of biotechnology to their specific processes.

(e) To whom and how the subsidy is provided

Grants are paid to collaborations of manufacturing companies and biotechnology supplier companies, quarterly as a percentage of eligible project costs.

Up to 4 hours (EU State aid limit) of in kind support in the form of advice is given to companies on the possible benefits biotechnology can give their company.

(f) Total amount budgeted

2001:	Grant Aid:	£327,451
	In Kind:	£123,799
2002:	Grant Aid:	£234,170
	In Kind:	£178,598

(g) Duration of programme

The Programme was to run for 4 years, ending on 31 March 2003. An Exit strategy has now been implemented, extending the Programme to 31 December 2004.

(h) Assessment of trade effects

An impact assessment of the BIO-WISE Programme and its effects is currently underway. Final statistics will be available by December 2003.

## **3. Business Links**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The scheme is aimed at improving the consistency and quality of business support to SMEs. And providing a Gateway to the many Government programmes aimed at SMEs and pre-starts with the aim of simplifying the process.

(c) Background and authority for the scheme

SBS is an executive agency of the DTI. Authority for this scheme comes from the DTI, HM Treasury and the EU.

Legal basis are covered by the Employment Act 1973 sections 2(1) and 2(2) (as substituted by section 25 of the Employment and Training Act 1988) and the Industrial Development Act 1982, section 11.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

Business Link Operators (BLOs) provide (often subsidised) business advice to SMEs, pre-starts and individuals. Grant funding is drawn down on the basis of identified need on a monthly basis using an invoice process.

(f) Total amount budgeted

2001: £140 million

2002: £140 million

(g) Duration of programme

1994-present, BLOs work on a three year rolling contract with BL Core Service funding allocations made annually. Funding covers one year at a time.

(h) Assessment of trade effects

Customer Satisfaction and penetration levels recorded quarterly. Gross Value Added (the recording of the financial impact BLO advice has made on a business) to come on-line by 2003/04. Targets relating to the creation of business start-ups are applicable to all BLOs (but targets are owned by RDAs) and are recorded quarterly.

**4. Cleaner Coal R & D Programme**

[Supporting technology transfer and export promotion activities are included]

(a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives
  - (a) To provide seed corn funding to CCT stakeholders.
  - (b) To act as a focus to enable a collaborative programme of R&D.
  - (c) To promote the development and export of environmentally friendly technologies.
- (c) Background and authority for the scheme  
Science & Technology Act 1965.
- (d) Form of the subsidy  
Grant.
- (e) To whom and how the subsidy is provided  
  
The subsidy is paid to contractors (2) who manage DTI's Programme. They manage a portfolio of projects on behalf of the DTI. Subsidy is paid to them both for their management costs and as reimbursement (for having paid their sub-contractors).
- (f) Total amount budgeted  
  
FY 2001/02 £4.4M (cash).  
FY 2002/03 £4.5M (accruals).
- (g) Duration of programme  
  
6 years from 1999.
- (h) Assessment of trade effects  
  
No information.

## **5. Climate Change Levy – Exemption for Certain Secondary Recycling Processes**

- (a) Period covered by the notification  
  
2001 and 2002.
- (b) Policy objectives  
  
To negate any competitive disadvantage to those businesses using taxable commodities in selected recycling processes that compete with businesses using exempt taxable commodities in “non-fuel” and “dual-use”, less environmentally benign primary processes.
- (c) Background and authority for the scheme
  - (i) The European Commission granted State Aids approval for the exemption from CCL of taxable commodities used in “dual-use” and “non-fuel” processes. The Commission also agreed with the UK Government's proposal that relief be extended to environmentally friendly secondary (i.e. recycling)

processes, which compete with primary processes benefiting from the dual-use and non-fuel relief.

- (ii) The exemption is intended to remove the competitive disadvantage that would otherwise be experienced by environmentally beneficial recycling processes, which compete with primary processes that are eligible to receive dual-use and non-fuel relief. The exemption is thus designed to address a very limited circumstance in which the structure of the CCL could produce a result contrary to its overall environmental aims. The measure was introduced by extra statutory concession on 2 July 2002, with legislation now being introduced in the 2003 Finance Bill.

(d) Form of the subsidy

Tax exemption – operators of recycling processes that compete with processes that benefit from the non-fuel and dual-use exemptions do not pay the levy on the supply of taxable commodities as defined in Finance Act 2000 Part II.

(e) To whom and how the subsidy is provided

The subsidy is provided to operators of recycling processes only in very limited circumstances. For taxable commodities to be eligible for the exemption the recycling process in which they are used must: (a) be less energy intensive than the primary process; (b) be liable to a higher CCL charge per tonne of output than the primary process; and (c) the objective of the recycling process must be to produce the same output as the primary process.

Relevant operators inform their energy suppliers that they are claiming the exemption, and their energy bills for taxable commodities used in the relevant process are henceforth exclusive of CCL.

(f) Total amount budgeted

The full rates of the levy applied to taxable commodities during the period in question (i.e. 2001-02) are: **coal** 0.15 (UK) pence per kWh; **natural gas** 0.15 (UK) pence per kWh; **electricity** 0.43 (UK) pence per kWh; and **LPG** 0.07 (UK) pence per kWh. These amounts represent the maximum unit value of the subsidy.

The following amounts have been budgeted for:

2001: £1.9 million

2002: £2.5 million

(g) Duration of programme

The exemption is scheduled to run from 1 April 2001 to 31 March 2011 – i.e. a period of 10 years.

(h) Assessment of trade effects

The exemption applies to individual processes meeting specific selection criteria. More than one company, operating in different sectors of the economy, may operate an eligible process. At April 2003, exemptions have been agreed for energy used in 3 different processes, covering 19 companies: four companies processing steel scrap using an electric arc furnace;



fourteen individual companies' applications for taxable commodities used in various treatments of aluminium scrap to produce recycled aluminium; and one company using gas in waste lead smelting. Production, import and export statistics are not available at this level of disaggregation. It is therefore not possible to provide data that could inform a meaningful assessment of trade effects.

## **6. Coalfields Enterprise Fund**

### **(a) Period covered by the notification**

2001 and 2002.

### **(b) Policy objectives**

Coalfields Enterprise Fund is a venture fund to provide finance to start up and developing companies in a define list of areas which are former coal mining areas.

### **(c) Background and authority for the scheme**

Powers under the Industrial Development Act 1982

### **(d) Form of the subsidy**

Equity, quasi-equity and loans.

### **(e) To whom and how the subsidy is provided**

Subsidy to the Fund in the form of a loan.

### **(f) Total amount budgeted**

2001: N/A

2002: N/A

Please see note below under 7.

### **(g) Duration of programme**

Fund has a limited life of 10 years running from 2003 to 2014.

### **(h) Assessment of trade effects**

Limited - Increase in the number of small and medium size companies.

## **7. Company Development Programme**

### **(a) Period covered by the notification**

2001 and 2002.

(b) Policy objectives

To encourage companies to plan and structure their training and develop activities in line with their key business objectives.

To promote management development by encouraging companies to invest in process and competence based management training activities as well as functional and knowledge based activities.

To encourage companies to focus their training and development activities on nationally recognised qualifications and accreditations.

To encourage training and development within projects designed to improve international competitiveness and export-led profitability and growth.

To help attract inward investment projects to Northern Ireland.

To ensure that the issues of targeting social needs, equality and fair treatment are addressed.

To encourage companies to establish their own training infrastructures.

(c) Background and authority for the scheme

The Company Development Programme was first introduced in 1990 and managed by the Training & Employment Agency. The programme is now managed by Invest NI the new economic development agency which was established in April 2002. Industrial Development Act (Northern Ireland) 2002.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

The programme is open to companies in manufacturing and tradeable services which are engaged in exporting or import substitution and to hotels and licensed guest inns certified by the Northern Ireland Tourist Board.

(f) Total amount budgeted

2001: £11.5m

2002: £9.5m

(g) Duration of programme

Ongoing.

(h) Assessment of trade effects

During the two years 2000/01-2001/02 236 offers of assistance were made under the Company Development Programme. All assistance was linked to the achievements of business objectives.

## 8. Compete Programme

### (a) Period covered by the notification

2001 and 2002.

### (b) Policy objectives

To stimulate manufacturing businesses in Northern Ireland to develop innovative and high technology products and processes within a strategic business framework that improves their national and international competitiveness.

### (c) Background and authority for the scheme

The Compete programme was previously offered by the Product and Process Development programme. The programme operated under State Aid No N206/92 Ref SG(92)D/7501 (5 June 1992). This programme had re-notification approval granted on 26 September 1995, up to the end of 1998 (State Aid No NN92/95 reference No SG(95) D/11951), has re-notification currently pending Ref NN96/00 (N539/00) and has a new notification for the period 2003 to 2008 also currently pending Ref N92/2003.

Industrial Development Act (Northern Ireland) 2002.

### (d) Form of the subsidy

R&D grant.

### (e) To whom and how the subsidy is provided

Grants are provided to Northern Ireland manufacturing businesses and internationally tradable service businesses including software. Grant is awarded to individual businesses to develop innovative new products and manufacturing processes. Grant is paid in arrears at an approved intensity against approved and vouched expenditure.

### (f) Total amount budgeted

2001: £4.76m

2002: £4.97m

Average Compete grant in 2001: £51 k

Average Compete grant in 2002: £55 k

### (g) Duration of programme

The Compete programme duration is indefinite. The programme was launched in 1995 and Invest NI has no plans to terminate the programme.

### (h) Assessment of trade effects

The Compete Programme is formally evaluated every 5 years. Segal, Quince Wicksteed consultants, reported the last evaluation in June 1999. The study included an assessment of the achieved and expected effects of Compete grant on increased sales related to 94 projects. In terms of cost-effectiveness of the Compete programme, the report concluded that £1 of

Compete assistance over 1994-98 is estimated to be associated with £7.60 of sales in 1998 and anticipated sales in 2000 of £13.20.

Every Compete project is subjected to a 'Post project completion evaluation' three years after the end of the project to measure the commercial success of the project. A study carried out in 2001 of the post project evaluations for 106 projects started and completed since April 2001 gave the following results:

<u>Commercial success:</u>	Highly successful	24%
	Successful	41%
	Partially successful	19%
	Not successful	16%

## **9. Competitiveness in the Oil and Gas Supplies Sector (COGSS) Aid scheme**

### **(a) Period covered by the notification**

2001 and 2002.

### **(b) Policy objectives**

Project proposals must be relevant to oil and gas exploration or production. This means that their ultimate objective must be goods or services that will be marketed directly or indirectly to oil and gas companies, in the UK or in export markets. OGID concentrates its resources on projects in the following areas:

- Subsea Production Systems
- Advanced Technology for Underwater Engineering
- Exploration Technologies
- Drilling and Production Technologies
- Reservoir Technologies
- Onshore Oil, Gas & Petrochemicals
- Chemical/Process Equipment

Projects must involve significant technological risk and innovation. Routine product development is not supported under the programme.

Projects must need Government support in order to go ahead, or for the project to proceed rapidly enough to stand a reasonable chance of commercial success. If the project is receiving support under any other Government scheme, it is not eligible for support from OGID.

Projects must be commercially well conceived. Applicants must demonstrate a good understanding of the market sector at which their project is aimed, to show that they have thought through the obstacles, and that they have a credible route to commercialisation. OGID will need to consider whether the applicant has, or is likely to be able to raise, any additional funding necessary to commercialise the project.

Applicants must be companies, organisations such as universities or research institutions (or, exceptionally, individuals) operating in the UK and have the technical resources to undertake the project successfully, and the financial resources to provide their share of the funding, plus an adequate margin for contingency.

In all but exceptional cases, the project must be collaborative i.e. there must be financial and technical input from companies other than the applicant e.g. from oil companies, companies in the oil and gas supplies sector or other parties with a direct interest in the development or commercialisation of the product or service. OGID's contribution to the costs of the project cannot exceed that of the applicants' and, on average, OGID has funded about 25 per cent of the costs of projects it has supported recently. OGID can sometimes help applicants to identify companies who may be interested in supporting their project.

(c) Background and authority for the scheme

Oil and Gas Industry Development (OGID Directorate) which was formerly known as Infrastructure and Energy Projects (IEP) in July 1998 introduced a programme (COGGS) of support to the improvement of the competitiveness of the UK suppliers to the oil and gas industry. The programme includes support to the development of new technology by SMEs and a contribution to a LINK programme in collaboration with EPSRC.

IEP (now OGID) considered that the careful use of this relatively low amount will lead to significant improvement in the competitiveness of an industry which has grown from a very low level of activity in the 1970s to be the major player on the UKCS (£9Bpa) and has a leading position in the world-wide market (£200Bpa). The funds are used to promote co-operation and collaboration across the full spectrum of scientific researchers, engineering companies and end-users oil companies.

IEP, (now OGID and formerly OSO), previously operated a programme of support to UK companies predominantly SMEs, involving direct support to companies and participation in a LINK programme (Hydrocarbon Reservoir). The ROAME statement for that programme of work covered the period 1995-1998. The revised programme covers within the oil and gas sector only

- development of new technology in SMEs
- a LINK programme with EPSRC (research council)
- projects covering improvements in business practice and management in the sector
- studies of the sector's performance
- subscriptions to industry bodies pursuing some of OGID's objectives.

Legislation under Section 8 of the Industrial Development Act 1982 and Section 5 of the Science and Technology Act 1965.

(d) Form of the subsidy

The COGSS grant is a notified state aid.

(e) To whom and how the subsidy is provided

The funds are used to promote co-operation and collaboration across the full spectrum of scientific researchers, engineering companies and end-users oil companies.

(f) Total amount budgeted

2001: £1.7m

2002: £1.7m

(g) Duration of programme

1998 – present.

(h) Assessment of trade effects

The COGSS programme covers a broader range of subjects which contribute to the overall improvement of the performance of the sector. The development of new technology continues to be the main thrust but at a lower level than in previous years. It should be noted that a high level of leverage of funds used for this purpose has been achieved in the past. OGID continues to encourage applicants to seek out assistance from the end-user oil companies for as many projects as possible.

**10. Emissions Trading**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The objectives of the scheme are threefold – to achieve a significant amount of absolute emission reductions at a reasonable cost, to enable business to gain practical experience of emissions trading ahead of a European and international system, and to help the City of London establish itself as a global centre for emissions trading.

(c) Background and authority for the scheme

The UK ETS has been established through a series of voluntary agreements between participants and the UK Government which incorporate the rules of the scheme. In respect of 'direct participants', the agreements are contracts under which the UK Government will make incentive payments to participants complying with the scheme rules, including annual commitments to limit emissions. The Government's authority to make incentive payments derives from section 153 of the Environmental Protection Act 1990. In respect of the remaining target holders, the agreements are climate change agreements under Schedule 6 of the Finance Act 2000 which allow those meeting energy efficiency and emissions targets to benefit from a lower rate of energy taxation.

(d) Form of the subsidy

Incentive payments for emission reductions.

(e) To whom and how the subsidy is provided

The incentive payments are paid to Direct Participants (see 4 above) provided they have complied with the scheme rules. Principally this includes ensuring that the participant has sufficient allowances in their 'compliance account' (an account on the internet-based Emissions Trading Registry) to cover their verified annual emissions by the reconciliation deadline (31 March of each year).

The incentive money is paid within 28 working days of receipt of an annual emissions statement that has been verified by an accredited verifier. The money is then paid into the participant's nominated bank account either by an automated or manual process.

The Climate Change Agreement Participants receive no incentive payment as they already receive an 80 per cent reduction on the Climate Change Levy (a tax on business for energy use).

- (f) Total amount budgeted

2001: N/A

2002: £42,270,641

- (g) Duration of programme

April 2002 to March 2007.

- (h) Assessment of trade effects

Minimal. The UK emissions trading scheme is a voluntary scheme whereby individual participants only receive the incentive payments for emission reductions going beyond business as usual emissions and those reductions required under existing regulations. The payment is to induce the participants to undertake this added abatement and to undertake the risk of volunteering to enter a new market and take on a binding absolute cap on emissions.

## **11. Energy Efficiency Best Practise Programme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To help meet the UK Climate Change targets to reduce greenhouse gas emissions by encouraging businesses to move towards a low carbon economy and contribute to the shaping of the emerging low carbon technology market.

To encourage the development and take-up of energy efficient and low carbon technologies by providing discretionary grants towards research and development projects in these areas, and via the provision of independent authoritative information and guidance on energy efficiency performance measures and technologies and events and seminars for all non-domestic energy users.

- (c) Background and authority for the scheme

The Energy Efficiency Best practice programme was established in 1989 as the UK's main energy efficiency information, advice and research programme for organisations in the public and private sectors.

The Carbon Trust has been established by Government to help businesses prepare for a low carbon future and to exploit the commercial opportunities that are on offer. The Carbon Trust is responsible for administering support to business through the non-domestic part of the Energy Efficiency Best Practice programme, which has been renamed as Action Energy.

Legal Authority for the Scheme is under powers contained in Section 5 of the Science and Technology Act 1965 and also (since the Carbon Trust are now responsible for running the scheme) under powers contained in Statutory Instrument 2002 No 1686, made under Section 153(1) of the Environmental Protection Act 1990.

(d) Form of the subsidy

Grants towards projects of research and development of energy efficiency and low carbon technologies.

Support via the provision of independent authoritative information and guidance on energy efficiency performance measures and technologies and by hosting events and seminars for all non-domestic energy users.

(e) To whom and how the subsidy is provided

To be granted support the beneficiary must be a company registered in the UK (this can include UK subsidiaries of overseas companies) or an organisation based in the UK.

For R&D grants for projects to be eligible they must meet a number of criteria, including potential to stimulate significant energy savings, clear route to successful exploitation of the results, and that without support the project would not go ahead.

Support will be available for the following stages of R&D:

Fundamental research  
Industrial research  
Pre-competitive development  
Definition stage or feasibility studies

Eligible costs include: personnel costs, cost of instruments, equipment and land and premises, consultancy and equivalent services, additional overheads, other operating expenses.

Aid is granted as a percentage of the eligible costs. The maximum aid intensities for the different stages of R&D are as follows:

Fundamental research	100%
Industrial research	50%
Pre-competitive development	25%
Feasibility study for industrial research	75%
Feasibility study for pre-competitive development	50%

There is the potential to increase the maximum aid intensity for Small and Medium Sized Enterprises, beneficiaries in 87(3)(a) and 87(3)(c) areas and for programmes undertaken as part of the Community's current framework programme for R&D.

(f) Total amount budgeted

2001: Approximately £0.8 million.

2002: Approximately £1.5 million.\*

\*Estimated figure. Figures for both 2001 and 2002 are based on financial years.



- (g) Duration of programme

Ongoing.

- (h) Assessment of trade effects

There is no effect on trade as the only direct financial support relates purely to research, demonstration and development projects.

## **12. English Cities Fund**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The scheme was set up to assist private investment in neglected areas of the country to bring brownfield sites and empty property back into use.

- (c) Background and authority for the scheme

English Cities Fund is one of a number of measures designed to meet the Government's Urban White Paper commitments to bring brownfield sites and empty property into use and was approved as legitimate State aid by the European Union.

The powers for this scheme are found in the Leasehold Reform, Housing and Urban Development Act 1993.

- (d) Form of the subsidy

The English Cities Fund is a limited partnership property development and investment vehicle set up as a joint venture between the public and private sectors.

- (e) To whom and how the subsidy is provided

This is not a grant-making fund but will operate through long term investment solutions – investing in mixed use projects on the fringes of towns and city centres.

- (f) Total amount budgeted

2001: £117,000 (to one project)  
2002: £504,000 (to one project)

- (g) Duration of programme

This approval remains in force until 2006.

- (h) Assessment of trade effects

None.

### **13. Enterprise Grant Scheme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

Capital grant to aid expansion or modernisation of businesses including the assistance of start-ups. The creation of jobs is part of regional criteria but is not mandatory.

- (c) Background and authority for the scheme

Section 8 of the Industrial Development Act 1982.

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

Small businesses in Tier 1, Tier 2 and Tier 3 assisted areas of England, with fewer than 250 employees. Payments are made when businesses reach project expenditure trigger points as set out in their offer letter (mainly quarterly).

- (f) Total amount budgeted

2001: £3.6 million total budget spent overall

2002: £9.9 million total budget spent overall

- (g) Duration of programme

3 years from 1 April 2000.

- (h) Assessment of trade effects

Scheme not yet evaluated, as it is relatively new.

### **14. Enterprise Zones**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To encourage industrial and commercial activity by the removal of certain fiscal and administrative burdens in certain defined areas.

- (c) Background and authority for the scheme

The powers for this scheme are found under s179 and schedule 32 of the Local Government, Planning and Land Act 1980.

(d) Form of the subsidy

Enterprise Zones are intended to encourage vigorous private-sector activity by removing certain tax burdens and by relaxing or speeding up the application of some statutory or administrative controls.

(e) To whom and how the subsidy is provided

Private sector activity within the Zone receives benefits through the removal of certain tax benefits.

(f) Total amount budgeted

2001/2002: £62,424

2002/2003: £68,859 (forecast)

(g) Duration of programme

Enterprise Zones are designated by the Government for a period of 10 years.  
This approval remains in force until 2006.

(h) Assessment of trade effects

None

**15. Eureka Initiative**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

To encourage and assist collaborative research and development projects between European companies, research organisations and higher education institutes (HEIs).

(c) Background and authority for the scheme

Science and Technology Act 1965.

(d) Form of the subsidy

Grant of up to 50 per cent of eligible project costs.

(e) To whom and how the subsidy is provided

Mainly given to SMEs, research organisations and HEIs. Grant paid quarterly in arrears.

(f) Total amount budgeted

2001: £3.5m.

2002: £3.5m.

- (g) Duration of programme  
Launched in 1985. No end date set.

- (h) Assessment of trade effects  
Not available.

**16. Export Voucher scheme**

- (a) Period covered by the notification  
2001 and 2002.

- (b) Policy objectives  
To encourage SMEs to make use of outside assistance to develop a planned and structured approach to international trade and identify a clear export strategy.

- (c) Background and authority for the scheme  
EVS was notified to the EU in 1995 and introduced in 1996.

- (d) Form of the subsidy  
Grant.

- (e) To whom and how the subsidy is provided  
SMEs by way of a voucher scheme.

- (f) Total amount budgeted  
Year 2001 – £359,179.

- (g) Duration of programme  
From 1996 until 2001, each voucher had a duration of 3 months.

- (h) Assessment of trade effects  
A valuable asset but under-utilised. Now replaced. Statistical analysis of EVS is not available.

**17. First Year Capital Allowances for Small and Medium Sized Businesses in Northern Ireland**

- (a) Period covered by the notification  
2001 and 2002.

(b) Policy objectives

Fostering indigenous enterprise and growth in Northern Ireland.

(c) Background and authority for the scheme

The scheme was introduced in May 1998, for a period of 4 years, to help underpin the Good Friday Peace Agreement reached on 10 April 1998.

It was notified to the European Commission as a State aid and approved by them under reference N579/98

Legislation was introduced in the Finance Act 1998 (Section 83) and subsequently amended in Finance Act 1999 (Section 78) to comply with EC competition law.

(d) Form of the subsidy

Tax concession.

(e) To whom and how the subsidy is provided

The subsidy is given as tax relief through a reduction in taxable profits equal to 100 per cent of the value of the qualifying capital investment. It is available to all small and medium businesses (both companies and unincorporated) who have taxable profits and incur spending on designated assets for use primarily in Northern Ireland. This compares to the relief normally available for SMEs in the UK where taxable profits are reduced by 40 per cent of the value of the qualifying capital investment.

Spending on certain classes of assets does not qualify under the scheme. This includes expenditure on machinery and plant for leasing or letting on hire, cars, sea-going ships, railway assets or long-life assets, goods vehicles used in a road haulage business and assets for use in the agriculture and fishing sector except where the expenditure has been authorised by the Northern Ireland authorities

(f) Total amount budgeted

The figures below are estimated total costs, based on estimates of the amount of investment in plant and machinery by SMEs in Northern Ireland.

2001: £25m

2002: £20m

(g) Duration of programme

Until 11 May 2002.

(h) Assessment of trade effects

No measurable effects expected.

**18. High Technology Fund**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The fund aims to address gaps in the provision of equity funding for investment in early stage high technology SMEs by creating a “fund of funds”. The Government has invested £20 million into the “fund of funds” and this has been used to attract £126.1 million of investments into the fund from private sector investors who had not previously invested in the early stage high technology sector of the venture capital market.

- (c) Background and authority for the scheme

Industrial Development Act 1982.

- (d) Form of the subsidy

There is no subsidy in the form of grants, loans or tax concessions. Instead, investors in the fund gain an enhanced return on their investment as a result of the subordinated position taken by the Government investment in relation to the timing of drawdowns and returns from realisations of investments.

- (e) To whom and how the subsidy is provided

It is only investors in the fund that gain from an enhanced return on their investment.

- (f) Total amount budgeted

The Government has invested, as a commercial investor, £20 million into the fund. £3 million was invested in 1999/2000 and £17 million was invested in 2000/2001.

The £20 million was a “one-off” investment and no further Government funds will be invested in the fund.

- (g) Duration of programme

Two years initially, although the fund will have a minimum life of 10 years.

- (h) Assessment of trade effects

None, the fund was created to address gaps in the provision of equity funding for investment in early stage high technology SMEs.

**19. Highland Opportunity**

- (a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

A regional scheme for investing in new or growing SMEs in the Highland Council area of Scotland, for development, diversification and job creation.

(c) Background and authority for the scheme

Section 48(4) of the Finance Act 1982.

(d) Form of the subsidy

Loans in the range £1,000 - £50,000.

(e) To whom and how the subsidy is provided

Loans are provided to SMEs, unsecured below £20,000 and secured above that threshold, up to a maximum of 7 years duration at a maximum interest rate of 5 per cent.

(f) Total amount budgeted

2001/02: £278,000

2002/03: £259,775

(g) Duration of programme

Open-ended.

(h) Assessment of trade effects

In year 2001/02, the most recent for which figures are available, the number of SMEs receiving loans was 45 with an average loan of £6,177.

127 full-time equivalent jobs were created.

20. **Highland Prospect Ltd**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

To secure major investment projects in the Highlands of Scotland.

(c) Background and authority for the scheme

Section 83 of the Local Government (Scotland) Act.

(d) Form of the subsidy

Loans.

- (e) To whom and how the subsidy is provided

Any business enterprise in the Highland Area can apply for consideration for a low interest secured loan.

- (f) Total amount budgeted

2001: £403,000

2002: £650,000

- (g) Duration of programme

Indefinite.

- (h) Assessment of trade effects

Minimal.

## **21. Highlands & Islands: Enterprises R & D Innovation Scheme for SMEs**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To stimulate and support applied R&D by SMEs, as a precursor to investment leading to diversification and expansion of the local economy. There is a strong link between innovation by businesses and regional economic growth. The level of expenditure by firms on R&D in the Highlands & Islands is less than the Scottish average, which is in-turn below the level in the UK. The particular difficulties affecting R&D within this region are:

- (a) The predominance of SMEs (17,380, or 99.7 per cent of businesses in the region employ less than 200 persons).
- (b) The below average productivity of the economy (recent Eurostat figures for the annual GDP per capita in the Highlands & Islands Region ranged from 75 per cent to 77 per cent of the EU average in the period 1994 to 1997).
- (c) The high costs associated with peripherality and sparseness of population. This not only affects the costs of materials, but also the costs of services and expertise from the main R&D institutions, of which there are few in or near to the region. There are no universities based in the region.
- (d) There is a small base to the pyramid of skills and expertise which is available to develop ideas and carry out research and development.

- (c) Background and authority for the scheme

The scheme forms part of the economic and community development activity of the Scottish Government's regional development agency in the Highlands & Islands region of Scotland. Highlands & Islands Enterprise was created by an act of parliament as a non-departmental regional body (Enterprise & New Towns Act (Scotland) 1990).



(d) Form of the subsidy

Grants.

(e) To whom and how the subsidy is provided

Recipients must be SMEs according to the EU definition of an SME, or research establishments on behalf of SMEs.

(f) Total amount budgeted

2001: £55,227 (actual expenditure)  
2002: £215,357 (actual expenditure)

(g) Duration of programme

06.09.2001 to 31.12.2011

(h) Assessment of trade effects

No direct affects, as tradable goods are not normally produced in R&D projects. Consequential investment leads to production in goods and services in a wide variety of sectors (the scheme is non-sector specific and non-specific in terms of favouring neither local nor export market for the ultimate products). The majority of firms in the region supply UK markets.

**22. Highlands and Islands Enterprise scheme for Initial Investment and Job Creation**

(a) Period covered by the notification

2001 and 2002.

(b) Background and authority for the scheme

Business creation and expansion via capital investment: the objectives are to increase and diversify employment, improve average incomes and regional GDP in a region featuring geographic disadvantages and parity of population.

(c) Background and authority for the scheme

The scheme forms part of the economic and community development activity of the Scottish Government's regional development agency in the Highlands & Islands region of Scotland. Highlands & Islands Enterprise was created by an act of parliament as a non-departmental regional body (Enterprise & New Towns Act (Scotland) 1990).

(d) Form of the subsidy

Grants, Loans and Interest Relief Grant.

- (e) To whom and how the subsidy is provided

All firms in assisted areas and SMEs only in non-assisted areas and all subject to sectoral restriction

- (f) Total amount budgeted

Payments 2001: grants: £8,754,943; interest subsidy: £ 9,389; loans: £480,157

Payments 2002: grants: £12,772,225; interest subsidy: £ 17,211; loans: £175,000

- (g) Duration of programme

14.06.2001 to 31.12.2006.

- (h) Assessment of trade effects

The assistance is provided to locally resident firms in a variety of sectors eligible under EU rules for Regional Aid. The markets served may be local or non-local, but must result in viable and self-sustainable trading following the investment. The vast majority of firms assisted are small firms serving UK markets. No estimates of production/sales are available as the assistance is directed at job and wealth creation, not production.

### **23. Home Shipbuilding Credit Guarantee Scheme**

- (a) Period covered by notification

2001 and 2002.

- (b) Policy objectives

The objective of the Scheme is to finance the construction, completion or alteration of ships and mobile offshore installations at a yard first approved by the Secretary of State, through the guarantee of the repayment of loans (and the repayment of related interest) made to UK bodies.

- (c) Background and authority for the Scheme

Section 10 of the Industry Act 1972 (as amended by section 23 and 24 of the Industry Act 1975 and Section 2 of the Shipbuilding Act 1979).

- (d) Form of the subsidy

Loan Guarantees.

- (e) To whom and how the subsidy is provided

Ship owners, by way of a fixed rate of interest (7.5 per cent on loan repayment periods up to 8.5 years; commercial interest reference rate for loan repayment periods between 8.5 and 12 years) and interest equalisation arrangements with the Banks.

(f) Total amount budgeted

As a programme of loan guarantees the Scheme only involves expenditure if a loan defaults and the DTI Guarantee is called. There are no payments and committed expenditure. However, the DTI's total commitment under the Scheme as at 31 December 2001 and 2002 was as follows:

2001: £147,705,000

2002: £112,300,000

(g) Duration of programme

The continuation of the Scheme is currently under review by Ministers.

(h) Assessment of trade effects

The aim of the scheme is to ensure that UK buyers of ships have financing arrangements available to them which are as good as those in other countries which are signatory to the OECD Understanding on Shipbuilding Subsidies and hence that UK yards are not relatively disadvantaged.

**24. Industry Forum Adaptation**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

Chemicals sector: To pump-prime the setting-up of a best practice resource to facilitate the reinforcement of British chemical and process sector companies.

To help British industry achieve cost savings in manufacturing process management of £120m by the end of the three-year programme (2000 – 2003) (£61m achieved as of October 2002)

Oil and Gas: DTI will provide assistance to LOGIC (Leading Oil and Gas Industry Competitiveness) for the first three years of operation. Additional funding has been raised by way of annual subscriptions from its members and from commercial activities.

Metals: DTI is providing assistance to MICE (Metals Industry Competitive Enterprise) for the first five years of operation. Additional funding has been raised by way of in kind contributions from its partners and from commercial activities. The project is intended to improve competitiveness in the metals industries

(c) Background and authority for the scheme

DTI legislation: Science and Technology Act 1965

The Competitiveness White Paper, "Our Competitive Future" published in December 1999, stressed the critical role of sectoral partnerships, industry supply chain initiatives and networking. This scheme for "Industry Forum Adaptation" was proposed in the white paper.

Chemicals: White paper - Building a Knowledge Driven Economy – SoS approved £15m to be made available to UK industrial sectors to develop their own Industry. November 2000 – Chemicals Unit/DTI contracted with Chemical Industries Association

Oil and Gas: The Secretary of State approved the bid by Oil and Gas Industry Development (OGID), DTI, Aberdeen for the LOGIC (Leading Oil and Gas Industry Competitiveness), project to adapt the model of Industry Forum to the needs of the oil and gas extraction sector. LOGIC will provide to the oil and gas industry consultancy support and training in the introduction of improvements to supply chain management. With the award of this grant, and provided LOGIC meets its business plan, it should become self-financing in year five.

Metals: The project was approved to adapt the model of Industry Forum to the needs of the metals production and processing sectors. MICE will provide to these sectors consultancy support and training in the introduction of lean manufacturing and improvements to supply chain management.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

Chemical sector: Chemical Industries Association; generate invoices on a quarterly basis, submitted to DTI's Chemicals Unit for payment by credit transfer.

Oil and Gas: Grant from the Innovation budget to LOGIC (Leading Oil and Gas Industry Competitiveness), Aberdeen The grant is 38 per cent rate of the net eligible costs incurred and defrayed and is payable by instalments on submission by LOGIC. Each claim is accompanied by:

- Project progress report
- Latest annual accounts
- Estimate of project costs
- Report from an independent accountant

This project is managed and monitored by Oil and Gas Industry Development (OGID), DTI, Aberdeen.

Metals: Grant from the Innovation budget to METSKILL, the metals industry's national training organisation based in Sheffield. The grant is 45 per cent of the net eligible costs and is payable by instalments on submission of claims by MICE. Each claim is accompanied by:

- Project progress report
- Latest annual accounts
- Estimate of project costs

In addition, each quarter requires a:

- Report from an independent accountant

Materials & Engineering Unit, Department of Trade and Industry, London monitors this project.

(f) Total amount budgeted

Chemicals: FY 2001/2: £625,016  
FY 2002/3: £498,000

Oil and Gas: 2001: £365,464  
2002: £625,052

Metals: 2001: £582,134  
2002: £614 838

(g) Duration of programme

No time-limit.

(h) Assessment of trade effects

Chemicals: Not known at this stage.

Oil and Gas: The overall objective is to improve the competitiveness of the UK supplies industry in the sector and thereby maximise the development of UK hydrocarbons resources. A global measure of effectiveness of the work would be a reduction in the overall cost of production from UKCS oil and gas fields from \$11-12 per barrel to less than \$10 per barrel.

Metals: The overall objective is to improve the productivity and competitiveness of the UK metals production and processing sectors by increasing the introduction of lean manufacturing techniques and improved supply chain management. Much of the project cost was incurred early on in the project and involved the recruitment and training of the expert engineers.

**25. Invest NI – Property Development Agreement**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

Encourage the private sector to construct buildings for occupation by Invest NI assisted projects.

(c) Background and authority for the scheme

Industrial Development Act (NI) 2002.

(d) Form of the subsidy (i.e., grant, loan, tax concession. Etc.)

Grant.

(e) To whom and how the subsidy is provided

The subsidy is paid to property developers usually as a lump sum on satisfactory completion of the building.

- (f) Total amount budgeted

2001: £1,038,929.75

2002: £1,117,378.07

- (g) Duration of programme

Indefinite.

- (h) Assessment of trade effects

Minimal.

**26. Invest NI – Property Development scheme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

Encourage the private sector to construct buildings for occupation by Invest NI assisted projects.

- (c) Background and authority for the scheme

Industrial Development Act (NI) 2002.

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

The subsidy is paid to property developers usually as a lump sum on satisfactory completion of the building.

- (f) Total amount budgeted

2001: £49,600

2002: £77,000

- (g) Duration of programme

Indefinite.

- (h) Assessment of trade effects

Minimal.

**27. Invest NI – Sites and Factories**

- (a) Period covered by the notification  
2001 and 2002.
- (b) Policy objectives  
To provide site and factory for invest client companies.
- (c) Background and authority for the scheme  
Industrial Development Act (NI) 2002.
- (d) Form of the subsidy  
Invest NI finances the acquisition of sites and building of standard advance factories which are then provided to client companies of Invest NI at current market value.
- (e) To whom and how the subsidy is provided  
Invest NI finances the acquisition of sites and buildings of standard advance factories which are then provided to client companies of Invest NI at current market value. Provision is an ongoing process with a number of sites and factories remaining unleased or not sold at any given time.
- (f) Total amount budgeted  
2001: £13,638,909  
2002: £8,914,465
- (g) Duration of programme  
Indefinite.
- (h) Assessment of trade effects  
Minimal.

**28. Launch Investment for Civil Aerospace Projects**

- (a) Period covered by the notification  
2001 and 2002.
- (b) Policy objectives  
Design, development, education aid, labour, materials and overheads.
- (c) Background and authority for the scheme  
Civil Aviation Act 1982.

(d) Form of the subsidy

A repayable, but risk-sharing Government investment.

(e) To whom and how the subsidy is provided

Assistance towards research and development is reimbursable and is levied against sales of airframes, engines and their suppliers applied throughout their lifetime. The recipients of the investment are manufacturers of civil aircraft and aircraft engines.

(f) Total amount budgeted

2001: £45 million

2002: £98.8 million

(g) Duration of programme

Indefinite.

(h) Assessment of trade effects

Collaborative research and development schemes were established to assist UK industry in maintaining and improving its competitive position by undertaking pre-competitive innovative R&D Programmes which would, after Government support ended, lead to the development of improved processes and products.

**29. LINK Collaborative Research scheme**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The LINK Collaborative Research Scheme aims at strengthening collaboration between industry, universities and research centres in key areas of science, technology and engineering.

It is a UK Government-wide initiative involving most UK Government Departments with significant interest in R&D. It is operated by the Office of Science and Technology, Department of Trade and Industry.

(c) Background and authority for the scheme

The legal basis for the scheme is the Science and Technology Act 1965.

(d) Form of the subsidy

Government support is implemented through grants.



## (e) To whom and how the subsidy is provided

Beneficiaries of the grants are industrial companies, universities and research centres. Each supported project must include at least one industrial company and one university or research centre.

The LINK Collaborative Research Scheme supports industrial research projects. Intensity of the aid cannot exceed 50 per cent of the project's eligible costs. Where public research organisations participate in the programme, their contribution is included in the calculation of the aid intensity.

With effect from May 2002, the scheme was widened to also cover:

- fundamental research, with an aid intensity of 100 per cent. Assistance to firms is only possible if this type of research is not linked to any industrial or commercial objective of a particular enterprise, and a wide dissemination of the results of the research is guaranteed;
- technical feasibility studies preparatory to industrial research with an aid intensity of up to 75 per cent;
- industrial research carried out in collaboration between firms, with an aid intensity of up to 50 per cent;
- technical feasibility studies preparatory to pre-competitive development activity, with a maximum aid intensity of 50 per cent and,
- pre-competitive development activities carried out in collaboration between firms and research institutes, with a maximum aid intensity of 25 per cent.

## (f) Total amount budgeted

2001/02: £43 million (total public funding to all participants).

2002/03: £43 million (total public funding to all participants).

## (g) Duration of programme

The scheme is not limited. Current notification to December 2006

## (h) Assessment of trade effects

The LINK Collaborative Research Scheme may give an advantage to certain companies and strengthen their position compared to that of competitors in other Member States. By notifying the Scheme to the EC, the UK has complied with their obligation under Article 88(3) of the EC Treaty. The commission has concluded that the aid fulfils the criteria to be considered compatible with the EC Treaty.

**30. Local authorities – Assistance for SMEs**

## (a) Period covered by the notification

2001 and 2002.

## (b) Policy objectives

To allow local authorities in England, Scotland and Wales to support Small and Medium Enterprises.

- (c) Background and authority for the scheme

S2 of the Local Government Act 2000 (formerly S33 of the Local Government and Housing Act 1989)

- (d) Form of the subsidy

Grants, loans, guarantees, advice.

- (e) To whom and how the subsidy is provided

This scheme allows local authorities, as part of their responsibility for promoting economic, social and environmental well-being in their areas, to support SMEs operating in their area from their authority's budget (rather than through central government schemes) through a variety of subsidies.

- (f) Total amount budgeted

2001: £83,527,344

2002: £79,291,891

- (g) Duration of programme

This approval remains in force until 2006.

- (h) Assessment of trade effects

### **31. Merseyside – Special Area & Key Side Investment Grant Scheme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To promote the development, modernisation and efficiency of an industry and to create, expand or sustain productive capacity. Assisted projects must create or safeguard jobs and be commercially viable and sustainable

- (c) Background and authority for the scheme

The scheme was introduced to enable Local Authorities in Merseyside to assist non-SMEs in situations where a project capable of bringing significant economic benefits to Merseyside requires local financial support in order to proceed.

- (d) Form of the subsidy

Discretionary grants to secure investment by non-SMEs in situations where local grant support is essential to enable the project to proceed. Each project must clearly demonstrate additionality and there must be a clear justification as to why grant is required.

- (e) To whom and how the subsidy is provided

Non-SMEs can be assisted in any sector not specifically restricted by EC sectoral restrictions. The subsidy is by way of grant to support investment and the project must take place within the assisted area of Merseyside.

- (f) Total amount budgeted

2001: £2,015M

2002: not available

7. Duration of programme

The programme will run until 31 December 2006 unless a replacement programme is notified.

- (g) Assessment of trade effects

Project should not directly displace investment or jobs elsewhere. Projects must provide a net benefit in terms of trade to the Merseyside sub-region.

**32. MG rover training aid**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

Giving mainly general training to staff of the direct recipient company to increase the long-term employability of individual workers and bring wider benefits to the wider community by developing facilities and expertise within the local training structure.

Creating courses available all other companies.

Increasing the skills base in the West Midlands which is currently the most likely region in UK to report difficulties in skilled recruitment.

Expansion of learning partnerships to be a foundation for a culture of life long learning.

- (c) Background and authority for the scheme

Learning and Skills Act 2000, Chapter 21, Part One, Subsections 2 (3)(c); 3.(1)(b); 3.(3)(a) and (c); 4.(a, b, and c); 5(1)(a);5(2)(a, b and c).

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

MG Rover as a grant against claims for eligible expenditure.

- (f) Total amount budgeted (aid paid in calendar 2001 or financial year in 2001/2002 and aid budgeted or spent if available in calendar 2002 or financial year in 2002/2003)

Paid 2001/2002	£3,051,000	Budget 2001/02	£2,634,772
Paid 2002:/ 2003	£ Nil	Budget 2002/03	£1,169,011

- (g) Duration of programme

To December 2005.

- (h) Assessment of trade effects

Not known.

### **33. NETS (New Entrants' Training Scheme)**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

Improve the productivity of craft and rural trade micro businesses located in the more rural areas of England with a modular work based training programme for their new starters.

- (c) Background and authority for the scheme

UK Scheme operated by the Countryside Agency under Section 9 of the Local government Act 1947 and with the approval of DEFRA in 2000.

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

Grant aid is paid to two training providers to deliver the tuition and administer the reimbursement of travel and accommodation claims.

- (f) Total amount budgeted

2001: £0.46M  
2002: £0.45M

- (g) Duration of programme

Ends March 2004.

- (h) Assessment of trade effects

Little effect – micro business sector working in local and some national markets.

**34. New Deal**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

New Deal is a key part of the Government's strategy to promote work for those who can, which is balanced with support for those who cannot work. This objective is underpinned by three public targets:

- demonstrate progress by spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle.
- over the three years to spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle – lone parents, minority ethnic, people aged 50 and over, those with the lowest qualifications, and the 30 local authority districts with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate.
- reduce the proportion of children in households with no one in work over the three years from spring 2003 to spring 2006 by 6.5 per cent.

The Government uses a number of delivery mechanisms to encourage people into work, including the following for which the New Deals are one tool:

- Jobcentre Plus (the UK public employment service) which helps people to find work and receive the benefits to which they are entitled and employers to fill their vacancies;
- policies to increase the labour supply by encouraging the inactive to look for work;
- the continuation of existing policies aimed at increasing the efficiency of the labour market;
- tailoring of strategies to the specific needs of disadvantaged groups;
- increasing employer involvement (and promoting to them use of untapped labour supply).

(c) Background and authority for the scheme

New Deals give jobseekers and, in some cases, those on health related benefits, the opportunity to develop their employability and find work. There are six New Deals:

**New Deal for Young People** (aged 18-24 years) (NDYP).

**New Deal 25 plus** (for Adults) (ND25+).

**New Deal for Lone Parents:** a voluntary programme designed specifically to help lone parents who want to work. It is available to all lone parents who are not in work or who are working less than 16 hours a week.

**New Deal for Disabled People:** voluntary, for those on health related benefits.

**New Deal for Partners:** a voluntary scheme for those whose partners have been claiming benefits – including various invalidity benefits - for six months or more.

### **New Deal for 50 Plus**

The European Commission set out its view, in a letter dated 29 October 1998, that Article 87 (1) – previously Article 92 – is not applicable to the New Deal Programme and therefore that the current New Deal programme does not involve State Aid. The Government announced in March 2000 that it intended to enhance the current New Deal 25 plus to bring it more in line with the New Deal for 18-24 year olds. These changes did not affect the character of the scheme, nor its general applicability, so no new State Aid issues arose.

(d) Form of the subsidy

Direct payment to participating employer at set rates (see below).

(e) To whom and how the subsidy is provided

To a participating employer. The subsidy payable to employers is intended to compensate them for possible reduced productivity, and the extra commitment to training. The primary intention is that the subsidy acts as an incentive to encourage employers to recruit long term unemployed jobseekers.

To participate in the New Deal, and receive the subsidy, the employer must sign an Employer Agreement that outlines the following quality criteria:

- New Deal employees will receive training, which must be outlined in the Individual Training Plan (see below);
- employers will, where New Deal employees show the necessary aptitude and commitment, aim to continue to employ them at the end of the subsidy period;
- existing employees will not be made redundant to offer Employment Option jobs; and
- the employer must not make a cash profit from the subsidy and must agree to meet the requirements of the National Minimum Wage (NMW).

When an employer signs the Agreement, the Jobcentre Plus will select and send to the employer a job seeker. When the employer has agreed the Individual Training Plan with the job seeker the Jobcentre Plus pays to the employer the subsidy (see below) either as a lump sum or staggered payments, according to the choice of the employer.

Subsidies paid to employers at the following rates:

- for NDYP, up to £60 per week, for up to 26 weeks

- for ND25+, up to £75 per week, again for up to 26 weeks.

For NDYP an additional training subsidy of up to £750 per New Deal employee can be claimed.

(f) Total amount budgeted

2001: Financial Year 2001-02

- NDYP employer subsidies - 11.9m GBP
- ND25+ employer subsidies - 14.4m GBP
- NDYP subsidies to employers for training - 3.7m GBP (no equivalent for ND25+)

2002: FY 2002-03 (provisional outturn figures)

- NDYP employer subsidies - £13.3m
- ND25+ employer subsidies - £12.1m
- NDYP subsidies to employers for training - £1.7m

(g) Duration of programme

The subsidised employment option is part of the NDYP and ND 25+ and lasts for 26 weeks.

However, the New Deal programme provides more than that element and intensifies the support to an individual the longer they are unemployed. A young person who has been unemployed for six months or an adult for 18 months is required to join the New Deal. The job seeker gets a Personal Adviser, who supports them throughout. The programme begins with a Gateway period, lasting up to 4 months, aimed at helping people into jobs, tackling barriers to work and providing people with the soft skills they need to succeed in the labour market. Those who do not find work in this initial period are required to take part in an intensive activity period lasting 3 months, which provides flexible, individually-tailored access to basic skills training, work-focused training, work experience and support for self-employment. For those who are still unemployed at the end of this period, there is a short and intensive follow-through support to ensure they are helped to build on their experience and move quickly into employment. As well as subsidised work, there is an option under NDYP of 12 months full-time education or training.

(h) Assessment of trade effects

No trade effects – this programme is part of the Government's public service.

**35. NI – Aid in favour of Northern Ireland Events Company**

(a) Period covered by the notification

January – December 2001.

(b) Policy objectives

Public funding support for major sports, arts and cultural events which impact positively on the international image of NI, create opportunities for social cohesion and generate regional economic benefit.

(c) Background and authority for the scheme

The scheme provides government funding in support of a 10-year major events strategy for NI. NI had Article "87(3) a" status under the Treaty.

(d) Form of the subsidy

Grant - Underwriting facility.

(e) To whom and how the subsidy is provided

Grants are provided to event organisers. Grants are made against eligible expenditure on approved events and are cash payments to the event organisers.

(f) Total amount budgeted

2001: £1.1m

2002: N/A

(g) Duration of programme

Ongoing.

(h) Assessment of trade effects

Either nil or negligible.

**36. NI – Buying Time Assistance Scheme**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The scheme is intended to provide short-term support to enable companies in difficulty to present a restructuring plan on a timescale enabling a decision to be made on the appropriateness of such a plan.

(c) Background and authority for the scheme

Buying Time forms part of the Rescue and Restructuring Guidelines. The authority for the scheme is Industrial Development Act (Northern Ireland) 2002.

(d) Form of the subsidy

Share Capital.



- (e) To whom and how the subsidy is provided

The grant is provided to manufacturing and internationally traded service companies in Northern Ireland who are experiencing trading difficulties.

- (f) Total amount budgeted

2001: £773,324  
2002: £1,068,250

- (g) Duration of Programme

2001/02 to 2006.

- (h) Assessment of Trade effects

To be evaluated.

**37. NI – CCL Exemption for Northern Ireland Natural Gas**

- (a) Period covered by the notification

The notification covers the period from 1 April 2001 to 31 March 2006.

- (b) Policy objectives

The energy market in Northern Ireland differs markedly from the rest of the United Kingdom. Specifically, natural gas is not widely available to business and domestic energy users. Consequently, in order to encourage the development of the fledgling gas market in Northern Ireland, a temporary exemption from the levy was sought for natural gas for a period of up to 5 years. The exemption, in turn, would reduce carbon emissions (consistent with the overall objective of the CCL), as businesses switched from high carbon fuels such as fuel oil to natural gas.

- (c) Background and authority for the scheme

The primary law for the CCL is contained in the Finance Act 2000 Part II, clause 30 and in Schedules 6 and 7. Legislation for this particular exemption is provided in Schedule 6.

- (d) Form of the subsidy

Tax exemption – business consumers of natural gas in Northern Ireland are exempt from the CCL.

- (e) To whom and how the subsidy is provided

The subsidy is provided to owners of business/commercial facilities, who consume, or will consume natural gas in Northern Ireland. Natural gas is provided to these businesses free from the CCL. The full rate of the levy applied to natural gas during the period in question (i.e. 2001-02) is 0.15 (UK) pence per kWh. Hence, for each kWh of gas consumed by these businesses in Northern Ireland, the subsidy has a maximum value of 0.15 (UK) pence.

(f) Total amount budgeted

The maximum subsidy per unit is 0.15 (UK) pence per kWh. Using outturn data on gas consumption by those businesses that would normally be subject to the levy, the estimated total value of the exemption is:

2001: £1.8 million

2002: £3.1 million

(g) Duration of programme

The exemption is scheduled to run from 1 April 2001 to 31 March 2006 – i.e. a period of 5 years.

(h) Assessment of trade effects

In 2001 and 2002 approximately 12.7 and 12.5 TWh of natural gas was imported to Northern Ireland. In 2001 approximately 12.5 per cent of all gas imports was supplied to industrial and commercial consumers who are liable to pay the CCL; the remaining 87.5 per cent was supplied to the power generation and domestic sectors, which are outside the scope of the levy.

The proportion of total gas imports supplied to industrial and commercial consumers in 2002 is not yet available. Based on past trends, an estimated 16.6 per cent of all gas imports would be supplied to these end-users.

It is not currently possible to identify individual industrial and commercial users (and the sectors they belong to) receiving natural gas supplies. It is therefore not possible to identify production, import and export statistics for those sectors benefiting from the subsidy, and subsequently, analyse any trade effects.

**38. NI Selective Financial Assistance**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

This is the principle scheme of assistance used in Northern Ireland to attract new inward investment and encourage existing companies to develop their international competitiveness leading to growth and greater employment opportunities. It is the equivalent of the Regional Selective Assistance Scheme in Great Britain.

The SFA Scheme relates solely to the setting up of a new establishment, the extension of an existing establishment or the starting up of an activity involving a fundamental change in the product or production process of an existing establishment. The latter may be rationalisation, diversification or modernisation programmes being undertaken by companies.

(c) Background and authority for the scheme

Industrial Development Act (Northern Ireland) 2002.

(d) Form of the subsidy

Capital grant, revenue grant, loan or loan guarantees or share capital.

(e) To whom and how the subsidy is provided

Companies in the manufacturing and international traded service sectors (in line with EU restrictions on shipbuilding, coal and steel, synthetic fibres, vehicles, textiles and clothing, and agriculture and food processing).

(f) Total amount pledged

2001: £81,297,249

2002: £62,544,304

(g) Duration of Programme

Indefinite.

(h) Assessment of Trade effects

Subject to periodic evaluation. Most recent evaluation (completed 2002) indicates that during the 1980s and 1990s, Selective Financial Assistance offered to industry in NI increased both employment and productivity in NI's manufacturing sector by between 7 per cent and 10 per cent.

**39. NI Technology Fund (NITECH)**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The Fund's main objective is to encourage Research & Development activities of spin-outs and start-ups from research. There is also a further objective of encouraging research within already existing Small to Medium sized Enterprises. Support will only be given to companies and researchers in Northern Ireland.

(c) Background and authority for the scheme

The proposal to establish the NITECH Growth Fund was announced by the Chancellor of the Exchequer as part of his 1998 package of economic initiative for Northern Ireland. The authority for this scheme comes from the Northern Ireland Order 1982 and its subsequent revisions as well as State Aid N 481/01.

(d) Form of the subsidy

This will normally take the form of equity funding but occasionally will be small grants.

- (e) To whom and how the subsidy is provided

This subsidy is aimed at Small to Medium sized Enterprises, individual researchers, research teams and university departments within Northern Ireland. The investment by the Fund will amount to a maximum of 60 per cent of the eligible costs of for industrial research and 35 per cent of the costs for pre-competitive research.

- (f) Total amount budgeted

2002-2003: £800,000

- (g) Duration of programme

The NITECH Fund will run from 1 January 2002 – 31 December 2006.

- (h) Assessment of trade effects

Due to the fund's limited span of operation an assessment of trade effects is not yet feasible. This will be made available through annual reports to be submitted to the European Commission. The first of these will be due after the 31 March 2004.

#### **40. NI Tourism Challenge Fund**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To improve the competitiveness of activities and products identified by the Northern Ireland Tourist Board as being of particular significance and benefit to the development of the tourist industry in the region.

- (c) Background and authority for the scheme

The aid is administered as a competition financed by the Department of Enterprise, Trade and Investment (formerly the Department of Economic Development) and managed by the Department in conjunction with the Northern Ireland Tourist Board.

The Industrial Development (Northern Ireland) Order 1982 provides a statutory basis for the Department of Economic Development to provide financial assistance to the tourism industry.

The Tourism (Northern Ireland) Order 1992 provides a statutory basis for the Northern Ireland Tourist Board to provide financial assistance to the tourism industry.

- (d) Form of the subsidy

Assistance available under the Fund is available in the form of capital grant assistance to viable capital projects in the tourism sector. Eligible capital costs attract assistance of up to 50 per cent up to a maximum of £500,000.

- (e) To whom and how the subsidy is provided

The competition was open to all individuals and organisations involved in the tourist industry in Northern Ireland.

- (f) Total amount budgeted

The original budget was for £4M to be expended in the financial years 1998-99 to 2002-03. The budget was revised to £2.7M for the lifetime of the scheme.

2001:	£997,620.30
2002:	£379,387.00
2003: to date	£75,280.83
Balance Payable:	£258,711.87
Total Grant:	£1,711,000

- (g) Duration of programme

April 1999 to March 2003.

- (h) Assessment of trade effects

The Fund will provide a boost to the development of the tourism infrastructure in Northern Ireland and will put the region in a better position to deliver a high quality tourism product. Raising the competitiveness and profile of the tourism industry will help the sector assume a more important position in the economic future of Northern Ireland.

#### **41. NI Tourist Development Scheme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To improve the Northern Ireland tourism industry's competitive position and to increase its economic contribution.

- (c) Background and authority for the scheme

The TDS scheme is operated in Northern Ireland by Invest Northern Ireland (Invest NI) for Accommodation projects and by the Northern Ireland Tourist Board for Attractions & Amenities projects. Both agencies are part of the Department of Trade, Enterprise and Investment.

The Tourism (Northern Ireland) Order 1992 – Article 11(2) – empowered the then Department of Economic Development to develop a scheme entitled “Tourist Industry (Financial Assistance) Scheme 1992” – commonly referred to as the Tourism Development Scheme. Under this scheme the Northern Ireland Tourist Board (NITB) may provide discretionary Selective Financial Assistance to any body or person satisfying laid-down criteria.

Under the Industrial Development Act (Northern Ireland) 2002, the functions of the NITB in connection with the provision of financial assistance under Article 11(2) for the purposes of providing or improving tourist accommodation were abolished; and accordingly, in Article 11(1)(c)(iii) of the Tourism Order 1992, the words “tourism accommodation or” ceased to have effect. The power of Invest NI to provide financial assistance to the tourism accommodation sector resides in the Industrial - Development (Northern Ireland) Act 2002.

(d) Form of the subsidy

TDS available under the Fund is provided as assistance of last resort and is available in several forms:

– capital grant, loans, equity, interest relief grant, loan guarantees.

Eligible capital costs attract assistance of up to 25 per cent.

(e) To whom and how the subsidy is provided

TDS is available to the private sector, local authority and voluntary sector for the development of tourist accommodation and amenities and, with prior departmental approval, for certain marketing activities. There is no automatic entitlement to financial assistance. It is at the discretion of NITB/Invest NI to provide financial assistance to any project that, in their opinion, will increase tourism activity to and within Northern Ireland and the revenue derived from it. It is general policy not to assist those projects that cater purely for a Northern Ireland recreational market rather than tourism.

A beneficiary is required to contribute 25 per cent of the total project costs by way of equity, loans or assets.

(f) Total amount budgeted

The Annual accommodation budget is some £3 m. Actual accommodation expenditure was:

2001: £3,332,414.98

2002: £3,822,589.73

(g) Duration of programme

1 January 2000 to 31 December 2006.

(h) Assessment of trade effects

The Fund provides incentives for the development and refurbishment of tourism accommodation properties in Northern Ireland and enables the region to deliver a high quality tourism product. Raising the competitiveness and profile of the tourism industry will help the sector assume a more important position in the economic future of Northern Ireland.

## **42. NI – Urban Development Grant (UDG) Scheme**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The Scheme is an instrument of Urban Regeneration. Its principle objective is economic and physical regeneration of deprived inner city areas by the stimulation of private enterprise and investment through the development of vacant, derelict or underused land or buildings

(c) Background and authority for the scheme

Statutory & Legal basis – The Social Need (Northern Ireland) Order 1986.  
Awaiting EC State Aid approval.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

To developer/occupiers and speculators. Grant is paid on construction works on lodgement of architects certificates certifying that work has been completed.

(f) Total amount budgeted

2001: £6,540,039  
2002: £4,312,010

(g) Duration of programme

Indefinite.

(h) Assessment of trade effects

No trade effect. The UDG scheme is largely about shortfall gap funding of speculative office/retail developments for letting. Where there are developer/occupier schemes they relate to small retail and or office developments where there are no trade effects.

**43. NI – Viridian Growth Fund**

(a) Period covered by the notification

The Fund was set up as a 10-year limited partnership that can be extended with the consent of all investors to 12 years to facilitate successful exits from the Fund.

The active investment period will last for 5-6 years and there will then be a period of 4-5 years during which funds will be managed with the aim of successfully exiting

(b) Policy objectives

The main objective of the scheme is to address perceived gaps in the provision of venture capital and loan funding for small enterprises in the manufacturing and tradable services sectors, based in Northern Ireland. The objective is to address market failure in the deal size range £50k-£250k.

By addressing gaps in the provision of funding, it is expected that the development of the SME sector will be accelerated and additional jobs will be created. In addition, the promotion of enterprise will be strengthened leading to a reduction in grant dependency.

A regional objective is to bring the level of venture capital activity in NI up to the UK average and thereby ensure that growth companies are not disadvantaged through lack of funding for start up and expansion.

(c) Background and authority for the scheme

The legal basis for the scheme is Article 7 of the Industrial Development (NI) Order 1982, as well as the Fund contract and operating guidelines.

The Fund was set up as a limited partnership, registered under the Limited Partnership Act 1907. This is a standard vehicle for this type of fund in the UK.

(d) Form of the subsidy

Private sector investment in the Fund will require underpinning of around 33 per cent grant support, in order to show a sufficiently attractive rate of return for the private sector to induce it to invest.

(e) To whom and how the subsidy is provided

The subsidy is provided to the Fund to enable it to offer commercial investment terms in order to attract private sector investors.

(f) Total amount budgeted

2001: £333k (year 1)  
2002: £594k (year 2)

(g) Duration of programme

The Fund was set up as a 10 year limited partnership that can be extended with the consent of all investors to 12 years to facilitate successful exits from the Fund.

The active investment period will last for 5-6 years and there will then be a period of 4-5 years during which funds will be managed with the aim of successfully exiting.

(h) Assessment of trade effects

The supply side effect is that small businesses will be able to access funds at the right price and at the right time to help them develop their business. The Fund will provide start-up and development capital in a mix of equity and loans.

On the demand side, the Fund will encourage investor ready proposals, will stimulate entrepreneurship and should accelerate the shift away from grant dependency.



**44. Non-Fossil Fuel Obligation (NFFOs)**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The UK Government is committed to supporting the development of renewable energy and the specific objectives of the NFFO scheme are to encourage:

- diverse, secure and sustainable energy supplies;
- reduction in emission of pollutants;
- development of internationally competitive renewables industries.

(c) Background and authority for the scheme

Sections 32 and 33 of the Electricity Act 1989 and subsequent Orders. Also Section 67 of the Utilities Act 2000 and subsequent Orders. State Aid reference for NFFO is N153/98.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

Under the NFFO scheme, Orders were made which required the then public electricity suppliers (now the supply successor companies) to contract with renewable generators for the supply of electricity generated from renewable sources. The price paid for the electricity under those contracts is above the market price for electricity and the electricity suppliers are compensated for this by payments out of the Fossil Fuel Levy, which was provided for in section 33 of the Electricity Act. The levy is charged on the electricity supplies of all licensed electricity suppliers.

It should be noted that the NI-NFFO costs are passed through direct to customers by Northern Ireland Electricity Plc – no levy applies in Northern Ireland, nor any subsidies paid under the NI-NFFO arrangements.

(f) Total amount budgeted

**For England & Wales:**

2001: £79.17m

2002: £24.73m (For 2001, the total levy spend amounted to £79.17 million whilst for 2002, the levy spend continued to March 2002 only. Since the introduction of the Renewables Obligation in April 2002, negative amounts have arisen as receipts from suppliers have exceeded the total payments due to generators. This has resulted from the added value of ROCs from NFFO contracts being sold with the power to suppliers, the effect has been a net surplus of almost £25m).

**For Scotland:**

2001: £3.8m

2002: Difficult to estimate at this stage because of the way in which figures are collected.  
Possible range is between £8m and £17m

**For Northern Ireland:**

2001: £7.8 m

2002: £8.5 m

- (g) Duration of programme

The last remaining contracts expire in 2018.

- (h) Assessment of trade effects

The NFFO scheme was designed to stimulate the UK renewables industry with the expectation that electricity so produced would be mainly supplied to the UK domestic market.

**45. Open Courses**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

Improve the skills of the work force /diversify the product range of rural micro businesses working the crafts and rural trades.

- (c) Background and authority for the scheme

UK Scheme operated by the Countryside Agency under Section 9 of the Local government Act 1947 and with the approval of Defra in 2000.

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

Grant paid to two training providers to subsidise the tuition costs of employees attending short development courses in the crafts and rural trades.

- (f) Total amount budgeted

2001: £0.023M

2002: £0.012M

- (g) Duration of programme

Ends in March 2004.

- (h) Assessment of trade effects

Little effect – micro business sector working in local and some national markets.

**46. Partnership support for regeneration**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

Support private sector initial investment in a wide range of land and property regeneration projects which would not proceed without public sector support.

- (c) Background and authority for the scheme

Regional Development Agencies Act 1998, Greater London Authority Act 1999 and Leasehold Reform, Housing and Urban Development Act 1993

UK notification 19 November 1999

European Commission approval letter of 28 February 2001

- State aid N 747/A/99 - Partnership support for regeneration (1): Support for speculative developments
- State aid N 747/B/99 - Partnership support for regeneration (2): Support for bespoke developments

- (d) Form of the subsidy

Under both speculative and bespoke approvals:

- Regeneration Grant
- Loans

Under speculative only:

- Joint Venture arrangements preferable to private sector

- (e) To whom and how the subsidy is provided

Aid is provided to the developer. There are a number of eligible costs for project costing. Payments are made pro rata to the developer's qualifying expenditure.

- (f) Total amount budgeted

Funding comes from the nine Regional Development Agencies (RDAs) 'Single Pot' budgets and from English Partnerships budget. There is no ring-fenced money for this scheme.

For example, under the speculative gap-funding scheme, one RDA spent £350,000 in 2002/2003, whereas another RDA spent £11,581,619 in the same period.

- (g) Duration of programme

The approval remains in force until 31 December 2006.

- (h) Assessment of trade effects

None.

**47. R and D for Renewable and Sustainable Energy**

- (a) Period covered by Notification

2001 and 2002.

- (b) Policy Objectives

To help increase research and development in the renewable and sustainable energy sector.

- (c) Background and authority for the scheme

Government objectives to find alternative sources of energy production through more environmentally friendly and sustainable ways.

Science and Technology Act 1965.

- (d) Form of the subsidy

Grant.

- (e) To whom and how is the subsidy provided

To companies with in the sustainable energy R and D field.

Grant is up to 75 per cent.

- (f) Total amount budgeted

2001: £13m

2002: £12.1m

- (g) Duration of programme

Current Contract run until April 2005 with possible extensions.

- (h) Assessment of trade effect

The development of the market should increase. The grant allows for research into the Renewables sector to be continued.

**48. R&D Tax Credit**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The aim of the R&D tax credit is to encourage innovation by companies which are small and medium-sized enterprises (SMEs). To do this, it gives companies, including high-tech start-ups, an incentive to take up R&D activities, and encourages companies already carrying out R&D to increase their levels of R&D.

- (c) Background and authority for the scheme

The R&D tax credit was introduced in 2000 after extensive consultation both on the details of the scheme (Inland Revenue technical note "Research and Development: New tax incentives for small and medium-sized companies" - March 1999) and on the definition of research and development (Inland Revenue technical note "Research and Development: Definition and Appeals" - January 1999).

It was notified to the European Commission as a State aid and approved by them under reference N802/99.

Legislation governing the scheme was introduced in the Finance Act 2000 (Schedules 20 and 21) and subsequently slightly amended in the Finance Act 2002 (Schedule 15).

- (d) Form of the subsidy

Tax relief (see below).

- (e) To whom and how the subsidy is provided

The incentive is given as an increased tax relief for certain spending on R&D. Small or medium sized companies are able to claim relief equal to 150 per cent of their qualifying R&D expenditure. A company paying tax at the 2001 small companies' rate (20 per cent), therefore saves in tax 30 per cent of the cost of the qualifying R&D.

A company not yet in profit may surrender the relief to the Exchequer in return for a payment representing 24 per cent of the cost of the R&D. This represents a discount of 20 per cent on the cash value of the tax credit if used against profits, where the company is taxed at the small company rate of 20 per cent. The amount surrenderable is limited to the lower of the proportion of the unrelieved loss attributable to the qualifying R&D expenditure, and the gross Pay-As-You-Earn tax and National Insurance Contributions paid by the company for the period of the claim.

The availability of R&D tax credit to a corporate SME is subject to the following criteria:

- (a) the qualifying expenditure for the R&D tax credit for any accounting period of the company is limited to the aggregate of:
- the direct costs of staff directly involved in carrying out the R&D activity. These costs comprise the gross remuneration (excluding benefits-in-kind)

plus national insurance contributions payable by the company, plus contributions to a pension scheme paid by the company; *plus*

- the cost of consumable stores used directly in the R&D activity; *plus*
  - if the company subcontracts all or part of the R&D while retaining ownership rights of any intellectual property produced, 65 per cent of the payments due to the subcontractor (representing a generalised measure of the costs above). Alternatively, the company may claim the actual costs of the subcontractor's staff directly involved in the R&D and its cost of consumable stores. This latter rule is the only option where the principle and subcontractor are connected.
- (b) the qualifying expenditure must exceed a threshold minimum. This is set at an annualised rate of £25,000 a year. Spending at or above £25,000 qualifies for the tax credit in full. No tax credit is available if the spending does not meet this threshold.
- (c) the R&D tax credit will not be available on R&D spending that has been met by a grant or subsidy. No R&D expenditure will qualify for the tax credit if incurred in relation to a project in receipt of any other notifiable State aid (see paragraph 12).
- (d) R&D spending by joint ventures and consortia will be eligible for the R&D tax credit, but only insofar as the tax credit can be limited to corporate SMEs.

It is proposed to change some of these rules this year, subject to approval by the European Commission.

- (f) Total amount budgeted

The figures below are estimated total costs for the Research and Development (R&D) tax credit scheme.

2001: 70M  
2002: 200M

They relate to financial years 2001-02 and 2002-03, and are based upon data extracted from company tax returns in January 2003. Total cost for calendar years on the receipts basis has been calculated. This suggests that calendar year and financial year estimates are likely to be similar, especially after rounding.

Data constraints do not allow robust calculation of subsidy per unit. Figures for the amount of subsidy provided per company would be of limited relevance as the R&D tax credit is provided to firms of different sizes and from different sectors.

- (g) Duration of programme

Indefinite.

- (h) Assessment of trade effects

The aim of the R&D tax credit scheme is to increase innovation by companies, flowing from increases in their R&D expenditure. There is no territorial limit to R&D carried out in the UK, but the incentive does operate by reducing UK corporation tax, so there may be some

impact on decisions to locate R&D. However the measure applies only to SMEs, and it is larger companies that tend to operate internationally, particularly when it comes to the location of R&D, so the impact of the R&D tax credit on such location decisions is likely to be small.

No assessment of the impact of the R&D tax credit is yet available since the relief has only been operating for a short time (and academic evidence suggests that R&D tax credits only start to show an effect in the longer term).

The following data (Source: 'Research and Development in UK Business 2001', Office for National Statistics) provides, though, some indication of the present position. It shows the proportion of business R&D performed in the UK that is accounted for by UK owned and by none UK owned companies.

#### Intramural Expenditure

£ million

	1999	2000	2001
UK-owned businesses	7779	7903	7681
Non UK-owned businesses	3523	3607	5001

#### As percentage of total business R&D in UK

	1999	2000	2001
UK-owned businesses	69%	69%	61%
Non UK-owned businesses	31%	31%	39%

It is not possible to provide a robust estimate of the impact of the R&D tax credit on trade effects using present data. There are two major caveats in trying to determine the effect of the tax credit scheme from these figures:

- (i) The data covers all companies, not just SMEs
- (ii) Many different factors other than tax credits affect the amount of R&D expenditure conducted in the UK by both UK and foreign firms.

This is clearly an area that requires further investigation. In the course of monitoring and evaluating of the tax credit, we aim to improve our data in this area.

#### **49. Regional Selective Assistance**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To assist economic development in areas of special hardship.

- (c) Background and authority for the scheme

The Industrial Development Act 1982.

- (d) Form of the subsidy

Mainly grant (also loan, guarantee and shares).

- (e) To whom and how the subsidy is provided

The scheme is available to eligible projects of manufacturing and service sector firms of any size based in or moving into the Assisted Areas of Great Britain.

Financial assistance is on a discretionary basis, usually in the form of a grant phased against achievement of progress on the project (jobs & capital costs).

- (f) Total amount budgeted

2001/02: £230.3m.

2002/03: £224.3m.

- (g) Duration of programme

Indefinite.

- (h) Assessment of trade effects

This scheme is designed to help areas of special difficulty to compete on level terms with more advantaged regions.

## **50. Regional Venture Capital Funds**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The Government is seeking to establish a minimum of 9 viable regionally based, commercial funds to address the "equity gap" encountered by SMEs seeking small scale (£500k and below) investment. To date 8 funds (covering the East Midlands, North East, North West, Yorkshire & the Humber, London, South West, South East and West Midlands) are operational and an operational fund in the East of England will be established in 2003.

The funds are managed by experienced Fund Managers with appropriate FSA authorisations.

- (c) Background and authority for the scheme

Industrial Development Act 1982.



(d) Form of the subsidy

There is no subsidy in the form of grants, loans or tax concessions. Instead, investors in the fund gain an enhanced return on their investment as a result of the subordinated position taken by the Government investment in relation to the timing of drawdowns and returns from realisations of investments.

(e) To whom and how the subsidy is provided

It is only investors in the fund that gain from an enhanced return on their investment.

(f) Total amount budgeted

The budget is not adopted annually. The Government will commit a total of £80 million to the Programme over 3 years. The drawdown of this investment will be determined in response to commercial investment decisions made by the fund managers.

(g) Duration of programme

4 years initially, although the individual funds are expected to have lives of 10 years.

(h) Assessment of trade effects

None - The RVCF Programme aims to assist growing SMEs by addressing an "equity gap" that has been identified when SMEs seek small scale investment.

**51. Renewables Obligation and Capital Grants for Renewable Technologies**

(a) Period covered by Notification

2001 and 2002.

(b) Policy Objectives

To help the development of the Renewable Industry.

(c) Background and authority for the scheme

The Scheme was set up to meet objective surround the renewable energy sector.

The Renewables Obligation Order 2002.

(d) Form of the subsidy

Grants.

(e) To whom and how is the subsidy provided

Companies within the Renewable energy sector.

(f) Total amount budgeted

2001: Nil

2002: Nil

- (g) Duration of programme

Current contract runs to 31 March 2005.

- (h) Assessment of trade effect

Development and improvement of the Renewable Energy sector.

## **52. Rover Hams Hall Training support**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

- Giving mainly general training to staff of the direct recipient company to increase the long term employability of individual workers and bring wider benefits to the wider community by developing facilities and expertise within the local training structure.
- Creating courses available all other companies.
- Increasing the skills base in the West Midlands which is currently the most likely region in UK to report difficulties in skilled recruitment.
- Expansion of learning partnerships to be a foundation for a culture of life long learning.

- (c) Background and authority for the scheme

Learning and Skills Act 2000, Chapter 21, Part One, Subsections 2 (3)(c): 3.(1)(b): 3.(3)(a) and (c): 4.(a, b, and c); 5(1)(a);5(2)(a, b and c).

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

BMW Hams Hall as a grant against eligible expenditure.

- (f) Total amount budgeted

Paid 2001/2002	£1,080,000	Budget 2001/2002	£1,080,000
2002/2003	£918,824	Budget 2002/2003	£2,631,926

- (g) Duration of programme

To December 2004.

- (h) Assessment of trade effects

Not Known.

**53. Scotland - Grants for Owner Occupation (GRO)**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The purpose of the GRO grant scheme is, by providing grants towards the provision of housing for owner occupation, to support the social inclusion and community regeneration objectives of Scottish Ministers by promoting mixed tenure and sustainable communities through the provision of low cost owner occupied housing as part of wider efforts to ensure effective physical, social and environmental regeneration.

GRO grants for the provision of housing for owner occupation are therefore intended to increase the supply of owner occupation in areas where there is a shortage of low cost home ownership opportunities and/or to meet the needs of those who are unable to afford owner occupied housing because their incomes are too low. Proposals which involve the provision of high value housing, that is housing which is not affordable to those whose aspirations are met by low cost home ownership housing are therefore ineligible for grant funding.

Specifically, GRO grants are targeted at three types of project.

**Type 1**

Projects which contribute to tenure diversification in single tenure priority housing estates or neighbourhoods forming part of an area-based regeneration strategy, thereby providing a mix of rented and owner occupied housing.

Houses are provided to designated client groups. After a fixed time, any houses not sold to priority groups are offered on the open market.

**Type 2**

Projects which contribute to strategies for regenerating older urban neighbourhoods, particularly where these are categorised by a limited supply of good quality houses for owner occupation and/or by limitations in the range of available house sizes and types relative to demand.

Where the existing market for owner occupied housing is limited in size or access for low-income purchasers is restricted by price, targeting of low-income purchasers and first time buyers is likely to be an explicit objective. Where these factors are not present, client group targeting may be relatively less important as a primary objective.

**Type 3**

Projects which contribute to the provision of housing for owner occupation at affordable prices in pressured market area (usually in rural locations) where the supply of such housing is limited in quantity, or where access for lower income households wishing to become owner occupiers is constrained by market forces.

Grants will only be made available where the houses provided are to be offered for sale to prioritised categories of people, such as those unable to obtain social rented housing, local

residents living in rented accommodation through lack of opportunities locally to purchase a home, first time buyers and those with a family or work connection with the area wanting to return. For projects involving initial sales at less than full market value, Communities Scotland/local authorities will seek to clawback any surplus profits made following the first re-sale of the grant funded house where this takes place within a minimum period of five years and a maximum period of 10 years of the initial sale.

(c) Background and authority for the scheme

Authority given by EU in agreement State Aid No 497/01 – United Kingdom – Grants for Owner Occupation – Scotland

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

Applicants for GRO grant are expected to be:

- **Private housing suppliers**, that are individuals, partnerships or registered companies set up for the purposes of providing housing. These organisations may or may not undertake the construction works concerned themselves. They are all undertakings within the context of Article 87/1 of the EC Treaty.
- **Housing trusts**, that is private organisations formed by groups of individuals or organisations who share a common purpose relating to the provision and/or management of housing for sale or rent. Housing trusts will normally be corporate bodies and may have charitable status.

Housing associations that are not registered by Communities Scotland may also qualify for assistance. They must, however, be demonstrably independent of any registered body.

Any proposal involving a company formed by or involving a local authority will require referral within the Scottish Executive.

(f) Total amount budgeted

2001/02: £7.495m (Outturn)  
2002/03: £6.344m (Budget)

(g) Duration of programme

December 2001 to 31 December 2006.

(h) Assessment of trade effects

N/A.

**54. Seagate Strategic Research Programme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The Start Programme aims to stimulate and increase the level of industrial research undertaken by Northern Ireland Companies. START offers financial support for technologically based, industrially relevant, pre-competitive research and development projects.

- (c) Background and authority for the scheme

Economic competitiveness is directly related to business expenditure on research and development (BERD). The START programme was established to encourage Northern Ireland companies to invest in technologically based, industrially focussed research and development (R&D), because their expenditure on R&D (and in particular their expenditure on industrial/strategic research) was seen to lag well behind many of their major competitors in the rest of the United Kingdom and the rest of the World. The current legislative authority for the programme comes from the Industrial Development Act (Northern Ireland) 2002.

When the proposed amount of assistance exceeds £2 million (approx €2.8 million) the START programme is required to notify and seek specific approval from the European Union. This project involved an offer of £5.2 million (approx €7.3 million) grant assistance and was therefore notified.

- (d) Form of the subsidy

Assistance on this project was provided in the form of a grant.

- (e) To whom and how the subsidy is provided

Seagate Technology (Ireland). The company submits claims for grant approximately every three months.

- (f) Total amount budgeted

2001: £1.7 million (€2.4 million)  
2002: £0.19 million (€0.27 million)

- (g) Duration of programme

1998 to 2002.

- (h) Assessment of trade effects

This industrial research project only finished in February 2002 and it is still too early to evaluate the trade effects of the project. A final technical appraisal was carried out in November 2002 and this concluded that the project has been immediately beneficial in that it has led to increased employment in a high unemployment area of Northern Ireland of skilled

scientists and engineers as well as helping to embed the company's manufacturing operations within Northern Ireland.

**55. Shipbuilding Intervention Fund**

- (a) Period covered by notification

2001 and 2002.

- (b) Policy objectives

The purpose of the scheme was to enable UK shipbuilding yards to obtain contracts against international competition in order to secure jobs.

- (c) Background authority for the scheme

The Shipbuilding Regulation EC No 1540/98 dated 29 June 1998 which established new rules on aid to shipbuilding and the Industrial Development Act 1982, Sections 7 and 8.

- (d) Form of subsidy

Grant.

- (e) To whom and how the subsidy is provided

By grant, which is paid directly to the shipyard, in instalments pro rata with the payment of the purchaser's instalment as and when each building stage has been reached. Ships take on average one year to build. A ten per cent retention is made until the final audited construction costs are known.

- (f) Total amount budgeted

The amounts spent under the scheme for the last two calendar years were as follows:

2001: £4,897,780

2002: £2,029,118

- (g) Duration of programme

The Scheme is closed to new applications. Applications were eligible only for contracts signed on or before 31 December 2000.

- (h) Assessment of trade effects

The aim of the Scheme was to secure jobs in the UK's shipbuilding industry.

**56. Single Regeneration Budget**

- (a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The Single Regeneration Budget is not sector specific. It enables regeneration policy to build on past strengths, with the objective of building on initiatives proposed by local partners; be responsible to local needs and priorities and attract private and public investment.

(c) Background and authority for the scheme

Housing Grants, Construction and Regeneration Act 1996.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

The grant provided under the single regeneration budget supports a wide range of activities, including development funds offering grants and loans to new and existing small businesses, consultancy, advisory services and training. The provision of business facilities and joint marketing initiatives and the provision of managed workspace/office areas.

(f) Total amount budgeted

2001: £32.2m for 22,185 businesses, average subsidy £1,452 per business  
2002: £25.5m for 21,023 businesses, average subsidy £1,213 per business

(g) Duration of programme

Indefinite.

(h) Assessment of trade effects

No measurable effect on production, consumption, imports and exports.

**57. SMART**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The Smart scheme is one of the UK's foremost policy instruments for supporting near-market research and development projects by SMEs.

Wales: Smart will help individuals and SMEs by providing grant support to research, design and develop technologically innovative products and processes to achieve the overall objective to aid better exploitation of industrial potential.

(c) Background and authority for the scheme

Science and Technology Act 1965 Section 5. Reviews and Studies element of Smart falls under Section 11.

(d) Form of the subsidy

Grant.

(e) To whom and how the subsidy is provided

Small businesses in England with less than 250 employees. Quarterly payments direct to businesses up to the maximum amount specified in a formal offer letter.

Wales: Individuals and companies in Wales via three grants instruments.

(f) Total amount budgeted

**For England** 2001: £27.9 million  
2002: £30 million

**For Wales** 2001: £4.024 million  
2002: £7.795 million

(g) Duration of programme

3 years from 1 January 1999.

(h) Assessment of trade effects

An evaluation of the scheme was undertaken in 2001. Since the scheme began in the 1980's it has provided finance of more than £200 million to more than 3,000 companies. At the time this research was done annual turnover in the economy was nearly £500 million higher as a result of Smart with annual exports increased by £270 million and employment increased by 8,000.

**58. SMART (Scotland)**

This covers the SMART Stage 2, SPUR and SPUR<sup>PLUS</sup> Programmes.

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

The SMART, SPUR and SPUR<sup>PLUS</sup> Programmes are the Government's foremost policy instrument for supporting R&D projects with commercial potential by SMEs. The Programme helps SMEs improve their competitiveness by developing new, highly innovative and commercially viable products or processes involving a significant technological advance for UK industry or the sector concerned.

(c) Background and authority for the scheme

The Scottish Executive has the authority to deliver the scheme, as a Devolved Administration, under the Science and Technology Act 1965.



(d) Form of the subsidy

SMART, SPUR and SPUR<sup>PLUS</sup> are all provided as grant support.

(e) To whom and how the subsidy is provided

The subsidy is provided to SMEs as follows:

- (SMART Stage 1-75 per cent grant for a technical feasibility study prior to industrial research up to a maximum grant of £45,000. Awarded to small businesses only. This grant is counted as de minimis aid therefore expenditure on this particular subsidy is **not included** in the report. However, as it forms part of the overall SMART, SPUR and SPUR<sup>PLUS</sup> Programme and the effects arising from the subsidy cannot be differentiated, they are therefore included in the assessment of trade effects under question 9).
- SMART Stage 2-35 per cent grant for industrial research through to pre-competitive development. This grant is only available for projects which are a follow on from SMART Stage 1. Up to £150,000 in total is available under both Stage 1 and Stage 2.
- SPUR – 35 per cent grant for industrial research through to pre-competitive development up to a maximum grant of £150,000. Awarded to medium-sized businesses only.
- SPUR<sup>PLUS</sup> – 35 per cent grant for industrial research through to pre-competitive development up to a maximum grant of £450,000. Awarded to small and medium-sized businesses.

(f) Total amount budgeted

01/04/01 - 31/03/02	£2,911,286
01/04/02 - 31/03/03	£4,718,545

(g) Duration of programme

N230/98 expired on 31 March 2003.

A new state aid notification (N650/2002) was submitted to the European Commission under the Community Framework for State Aid for Research and Development (OJ 96/C 45/06; 17.2.96) on 1 October 2002 and was approved on 20 December 2002. This state aid notification will, amongst other things, allow the Scottish Executive to continue delivering the SMART, SPUR and SPUR<sup>PLUS</sup> Programmes from 1 April 2003 to 31 March 2006.

(h) Assessment of trade effects

There is no Scotland specific data, however, the results of a recent UK-wide evaluation of the SMART & SPUR Programme demonstrated that SMART and SPUR have provided a significant boost to the UK, resulting in an increased annual turnover in the economy of nearly £500 million, annual exports of nearly £270 million and employment by more than 8,000 jobs.

The UK report (and a further report commissioned by the Scottish Executive to evaluate, in more detail, the impact of SMART & SPUR in Scotland) demonstrated that SMART and SPUR also provide significant spill-over benefits. The Programmes genuinely encourage technological innovation in SMEs with projects resulting or expecting to result in new products, processes or services reaching the market; an improvement in technological knowledge and skills and a wide range of longer term benefits including improved image and performance of business, improved relationships with public research bodies and other businesses.

The reports highlighted that SMART and SPUR address distinct market failures in the supply of finance to SMEs. Almost all recipients would have been inhibited from pursuing the objectives of their projects without the grant support due to a lack of finance. SMEs are inhibited from investing unsupported in R&D because of risk and uncertainty, both of which are classic signs of market failure. SMART and SPUR are highly regarded by SMEs and the investment community (venture capitalists, business angels, etc) and have acquired a reputation for identifying and assisting new start-up and existing high tech businesses with growth potential. Recipients reported that obtaining a SMART or SPUR grant significantly enhanced their image amongst the investment community and increased their success in obtaining private sector funding.

SMART and SPUR demonstrate very high levels of additionality, with the majority of recipients indicating they would not have gone ahead with their projects without the grant support. Of the small number of those that would have gone ahead, the projects would have been significantly delayed or reduced in scope.

#### **59. South Yorkshire productive investment scheme**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

To further competitiveness through the development of new products and processes by large companies in the traditional sectors of engineering, materials and manufacturing.

(c) Background and authority for the scheme

The legal basis of the scheme is the South Yorkshire Single Programming Document for 2000-2006.

(d) Form of the subsidy

The form of subsidy is grant to a maximum of 35 per cent of eligible project costs – within the regional aid guidelines.

(e) To whom and how the subsidy is provided

The subsidy is provided to large companies in the sectors specified above. It is administered through grant regimes operated by intermediary bodies such as the Business Link South Yorkshire.

- (f) Total amount budgeted

The maximum budget available is £5 million on the basis of £1 million per annum.

- (g) Duration of programme

2000-2006.

- (h) Assessment of trade effects

Not applicable at this stage.

**60. Start programme**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To stimulate and increase the level of industrial research undertaken by Northern Ireland companies and to increase the number of companies undertaking industrial research, either on their own or in partnership with one or other of the two Northern Ireland universities.

- (c) Background and authority for the scheme

Economic competitiveness is directly related to business expenditure on research and development (BERD). The START programme was established to encourage Northern Ireland companies to invest in technologically based, industrially focussed research and development (R&D), because their expenditure on R&D (and in particular their expenditure on industrial/strategic research) was seen to lag well behind many of their major competitors in the rest of the United Kingdom and the rest of the World. The current legislative authority for the programme comes from the Industrial Development Act (Northern Ireland) 2002.

- (d) Form of the subsidy

Assistance is normally in the form of a grant. However, in some cases, the START programme may provide assistance in a repayable form e.g. full equity or redeemable preference shares.

- (e) To whom and how the subsidy is provided

The programme is open to Northern Ireland based companies and Northern Ireland universities. Assistance is offered (at the lesser) of 50 per cent of eligible costs or £2 million (approx. €2.8 million). In exceptional circumstances, university only projects may be supported at a level up to and including 100 per cent. There is no minimum level of assistance. In the case of grant assistance, grant is payable on vouched and approved expenditure incurred by the project participants.

- (f) Total amount budgeted

2001: £4.47 million (€6.26 million)

2002: £3.05 million (€4.27 million)

- (g) Duration of programme

Indefinite.

- (h) Assessment of trade effects

The START Programme is evaluated every 5 years and the last evaluation took place in 2001. Based on 1996 and 1999 statistical data, the 2001 evaluation concluded, the START programme was responsible for an additional 9 per cent increase in Northern Ireland BERD and an additional 50 per cent increase in business expenditure on industrial/strategic research, when expressed as percentages of Gross Domestic Product.

**61. The Britech Fund**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

The overall objective of the scheme is to strengthen UK-Israel science and technology collaboration.

- (c) Background and authority for the scheme

By a letter dated 15 June 1999, registered on 17 June 1999, the UK authorities notified the Commission, in accordance with Article 88(3) of the EC Treaty, of the aid scheme "The Britech Fund". By a letter dated 12 July 1999, the Commission asked for further information in order to make a complete assessment of the case. By a letter dated 3 August 1999, registered on 6 August 1999, the UK provided further information relating to the State aid notification Number N 355 / 99.

By a letter dated 25 October 1999, the UK was notified that the Commission had accordingly decided to consider the aid to be compatible with the EC Treaty and that the scheme complied with the Community Framework for State Aid for Research and Development rules published in the Official Journal ( OJ C 45 / 5, Dated 17 February 1996 ).

The scheme is primarily an industrial research and development activity, as defined in the Community Framework for State Aid for Research and Development rules. The legislation under which the aid is granted is the UK Science and Technology Act 1965.

- (d) Form of the subsidy

The aid is given in the form of advances of grant, repayable in the event of a successful outcome of research and development activities. Aid will be repayable up to a maximum of 150 per cent of the aid given, based on repayment of 5 per cent of the annual sales or other income such as royalties or licensing agreements.

- (e) To whom and how the subsidy is provided

Aid under the scheme will predominantly be given to private sector SMEs. Nevertheless, larger businesses which have particular expertise in bringing a project to fruition may

participate. For the purpose of the scheme, UK businesses will primarily be considered to be those which are incorporated, operate and have headquarters in the UK. Israeli businesses will primarily be considered to be those which are incorporated, operate and have headquarters in Israel. The aid recipients are those organisations successful in passing a peer review of their project proposals. The criteria applied in the selection procedure are that the projects each involve at least one UK and at least one Israeli private sector business, the projects are research and development projects and designed to result in new commercial products and processes. The aid is given in the form of advances of grant, repayable in the event of a successful outcome of research and development activities.

(f) Total amount budgeted

2001: £0.790 M aid paid to UK companies in the financial year 2001 / 2002

2002: £1.135 M aid paid to UK companies in the financial year 2002 / 2003

(g) Duration of programme

Five years commencing 1 January 2000. The continuation of the scheme after 31 December 2004 is dependent on the joint agreement of the Governments of the UK and the State of Israel, respectively, following a review which is due to take place during 2004. Either the UK or the State of Israel can terminate the scheme by giving six months notice in writing to the other Government.

(h) Assessment of trade effects

The Commission has examined the aid scheme in the light of Article 87(3)(c) of the EC Treaty and the Research and Development framework and has found that the scheme is in conformity with that framework. Therefore the scheme does not adversely affect trading conditions to an extent contrary to the common interest. The Commission decided to raise no objections to the scheme. In the period to 31 March 2003 no projects under the scheme had reached a commercial stage.

**62. Wales Tourist Board – Investment Support Scheme**

(a) Period covered by the notification

2001 and 2002.

(b) Policy objectives

Enhance the quality of the tourism product in Wales.

(c) Background and authority for the scheme

Section 4 of the Development of Tourism Act 1969.

(d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

Subsidy is provided as a grant to both private and public sector organisations Undertaking tourism development

- (f) Total amount budgeted

2001: £3.0m

2002: £3.0m

- (g) Duration of programme

Indefinitely, pending advice from sponsor department.

- (h) Assessment of trade effects

Independent evaluation carried out by Segal Quince Wicksteed (2000) demonstrate positive impacts, good value and additionality

**63. WDA Partnership Development**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To ensure the availability of suitable business premises within which initial investment can be established.

- (c) Background and authority for the scheme

Authority N656/99.

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

Property developers, investment companies and financial institutions in Wales via four grant instruments.

- (f) Total amount expended

2001: £3.105m

2002: £10.735m

- (g) Duration of programme

31 December 2006.

- (h) Assessment of trade effects

Not applicable.

**64. WDA Property for Business**

- (a) Period covered by the notification

2001 and 2002.

- (b) Policy objectives

To ensure the availability of suitable business premises within which initial investment can be established.

- (c) Background and authority for the scheme

Authority N655/99.

- (d) Form of the subsidy

Grant.

- (e) To whom and how the subsidy is provided

Companies in Wales via three primary grant instruments.

- (f) Total amount expended

2001: £2.697m

2002: £17.187m

- (g) Duration of programme

31 December 2006.

- (h) Assessment of trade effects

Not applicable.

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