WORLD TRADE ORGANIZATION

G/SCM/N/220/EEC/Add.27
18 November 2011

(11-5992)

Committee on Subsidies and Countervailing Measures

Original: English

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 UNION

Addendum

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

UNITED KINGDOM

TABLE OF CONTENTS

Page

I. BUSINESS SUPPORT TO SMES IN THE WEST MIDLANDS

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Improving business performance

The West Midlands GVA per head is below the UK average, and is predicted to grow at a slower rate over the coming years. The socio-economic analysis also reports a serious relative fall in the West Midlands share of exports (Figure 3.2) and shows an overreliance on just two sectors, machinery and transport equipment, and on specific markets. This area of the Programme will concentrate on stimulating and improving the competitiveness and performance of businesses within the ten clusters, through actions which improve productivity and support diversification into new products and markets.

Three particular types of activity were envisaged:

- firstly, the programme will make available expert help to companies in the ten clusters offering in depth tailored business support to improve overall competitiveness and performance, drawing on the successful experiences and lessons learnt from previous EU funded projects such as Accelerate and Diversification. This will include support to businesses wishing to diversify into activity covered by the ten clusters;

- secondly, the programme will include trade development schemes designed to stem the decline in regional export share and encourage a diversification of the region's export base. It will concentrate on three activities;

- informing regional companies of the opportunities, business culture and best routes to market in the emerging markets of Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey;

- seeking to develop new and 'niche' markets for each cluster thus extending the international trade element of the region's 10 cluster plans;

- developing support programmes for all aspects of business exchange and particularly exploring the potential for trade activity in the service sector of the regional economy in order to respond to the changing business environment; and

- thirdly, the programme will establish a Transition Fund to help companies modernise and diversify their operations. This fund will specifically target established businesses who wish to implement diversification plans that show the potential for long term growth but are constrained from doing so as they do not have sufficient unused security to access bank finance, and are not able to provide the high returns required by Venture Capital.

Developing Applied Innovation Activity and Improving Resource Efficiency:

The socio-economic analysis indicates that a low innovation rate amongst SMEs is acting to limit productivity and export performance. Climate change and the rising cost of fossil fuels place an imperative on business to reduce carbon consumption and improve efficiency. This strand of activity will embed the principles of innovation and sustainability across the ten clusters through two fields of activity:

- firstly, it will support mentoring to enhance awareness and education of the economic benefits of investing in innovation within the 10 clusters, working with businesses to identify and take up opportunities for innovation;

- secondly, it will seek to support specific actions which assist businesses to become more profitable through resource efficiency savings, waste management, the uptake of eco innovation and processes with reduced environmental impact.

Developing a Stronger Entrepreneurial Culture:

Traditional sectors of industry are declining, and efforts are required to generate new business in those areas of the regional economy that show the greatest potential for growth and higher value added. The socio-economic analysis shows that levels of enterprise activity within the West Midlands are broadly in the mid-range of UK experience but clearly the overall productive capacity of the region in terms of GVA is lagging. In addition, it is evident that female entrepreneurial activity in the West Midlands is relatively weak compared to other parts of the country (Figure 4.3.part b); that the region is not maximising the enterprise potential of some of its minority ethnic communities (Table 4.5); and that low rates of new firm formation are geographically concentrated in the region's two major conurbations (Table 10.1), although sparsely populated rural communities also encounter similar difficulties. In light of these findings, the Programme intends to focus its support for entrepreneurial activity in the following three areas:

- firstly, the Programme will focus on encouraging high growth start ups within the 10 clusters. This will draw upon the experience of the successful Mustard and Connect Midlands/InvoRed models within the 2000-2006 Objective 2 Programme and give important impetus to companies showing the potential for fast business and employment growth. This activity will combine a mixture of business support measures and access to an adequate and consistent supply of venture capital during their start up phase and initial stages of development, to ensure they have access to the resources they need to reach their potential.

- secondly, the Programme will provide dedicated support, advice and mentoring to those groups that face barriers to creating sustainable businesses, such as women, certain BME groups, and the disabled. In particular, it will target additional 'investment readiness' support to help these particular social groups to raise finance. This activity will be across all sectors of economic activity throughout the region; and

- thirdly, the Programme will seek to address the low rate of business formation prevalent in areas of multiple deprivation which are concentrated within the two major conurbations, neighbouring districts and the more isolated and remote rural areas. Access to micro finance and business support activity will be available for start up and early stage businesses in these areas, including social and community enterprises. Support will be available to progress LEGI type initiatives. Packages operating under the Sustainable Urban Development Priority will be encouraged to access funds for enterprise support activities under this element of the priority.

3. Background and authority for the scheme

Regional Development Agency West Midlands.

Legal basis: Regional Development Agencies Act 1998.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

Through primarily, Business Link West Midlands, Manufacturing Advisory Service – West Midlands and UKTI regional International trade teams, SME's within the West Midlands have been supported. SME's have received intensive support from advisers based at these three organisations.

Additionally growth orientated businesses have been helped with subsidised consultancy support to help them overcome specific barriers to growth.

Smes supported fell within the 10 clusters identified in the objectives above.

Through Business Link, business start ups have been supported through a range of Enterprise Providers across the West Midlands, with clients receiving a mixture of workshops and one to one support.

6. Total amount budgeted (in millions of £)

2009	£4.87
2010	£0.687

7. Duration of programme

The duration of the programme was from 2009 and will continue in a limited form until early 2012.

8. Assessment of trade effects

Within the region, businesses supported have either been safeguarded or have grown in size and turnover. Greater numbers have started to, or increased their export activity to Europe and across the world. Full evaluation has not been carried out so it is difficult to quantify the full economic impact.

Significant numbers of sustainable new business starts have been established, with a greater preponderance to survive beyond 12 months, helping to grow the WM business base.

II. CARBON TRUST APPLIED RESEARCH OPEN CALL

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The purpose of the Carbon Trust Applied Research Open Call is the reduction of greenhouse gas emissions with particular emphasis on reduction of emissions from UK sources. By supporting the development of low-carbon technology, the Carbon Trust aims to bridge the funding gap in the market caused by the presently existing lack of internalization of carbon costs. Carbon Trust funding will help to secure the funding continuum that is vital to the successful delivery to market of low carbon technologies. The purpose of the scheme is to support the United Kingdom and the European Community in meeting, as a minimum, their international commitments under the Kyoto Protocol.

The development of low-carbon technologies will lead to clear horizontal benefits. It will in particular lead to environmental benefits and simultaneously to increased levels of energy (carbon) efficiency for energy users. UK Energy use is evenly divided between buildings, industry and transport. Positive benefits flowing from the development and use of new low-carbon technology will therefore not be sector specific but accrue across all sectors. The development of low carbon technology will benefit a wide range of industries as well as society as a whole.

3. Background and authority for the subsidy

The Carbon Trust Applied Research Open Call is administered by The Carbon Trust ("the Trust"), an independent not for profit company formed to invest public and eventually private finance in low-carbon technology and innovation.

The operation of the scheme by the Trust will be supervised by the UK Department of Energy and Climate Change ("DECC") and where appropriate the Devolved Administrations of Scotland, Wales and Northern Ireland.

The Trust will operate Carbon Trust Applied Research Open Call on the basis of its Grant Offer letters from DECC and the Devolved Administrations of Scotland, Wales and Northern Ireland. The legal bases for providing money to the Carbon Trust for its programmes in England, Wales and Scotland, including Carbon Trust Applied Research Open Call, are the Science and Technology Act 1965 and the Environmental Protection Act 1990. In Northern Ireland, the legal bases are the Industrial Development (Northern Ireland) Order 1982 (NI 15) and the Energy Efficiency (Northern Ireland) Order 1999 (NI 3) as amended by the Industrial Development Act (Northern Ireland) 2002.

4 Form of the subsidy

The form of the subsidy takes the shape of research and development grants.

5. To whom and how the subsidy is provided

Universities and SMEs (small scale technology developers) are the main beneficiaries of the R&D grant funding of the Carbon Trust Applied Research Open Call.

6. Total amount paid (in millions of £)

2009	£2,048
2010	£11,279

Note: This is the amount of state aid funding paid out in the above calendar years, not the amount budgeted during this time.

7. Duration of the programme

The programme has been running from 2002-2010 for UK. It is no longer funded by the Government in England, however from the Devolved Administrations, only Wales is providing grant funding for the development of any low carbon technology for 2011/12.

8. Assessment of trade effects

No material trade effects given the small size of individual R&D grants and the types of organizations that receive the aid. These are very small companies in the technology development stage and do not have material export capacity.

III. CCL (CLIMATE CHANGE LEVY) - EXEMPTION FOR ELECTRICITY EXPORTS FROM GOOD QUALITY COMBINED HEAT AND POWER

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Combined heat and power (CHP) is a low-carbon technology, which can be between 25 and 30 per cent more efficient in primary energy usage than more traditional forms of secondary energy generation. The aim of the scheme is to encourage more usage of this type of power generation, which is currently at a competitive disadvantage due to the fact that it is significantly more expensive to produce power from CHP than from conventional power plants.

The EU Cogeneration Directive (2004/8/EC) came into force on 21 February 2004, allowing Member States until 21 February 2006 to transpose it into national law. The Directive places an obligation on Member States to ensure that support for CHP is based on useful heat demand and primary energy savings. It sets out a methodology for assessing the energy efficiency of CHP schemes based on harmonized efficiency reference values for the separate production of heat and power.

3. Background and authority for the subsidy

In 2001, the Commission approved the exemption of non-commercial CHP from the UK's climate change levy (CCL). This exemption was specific to electricity produced for industrial purposes, i.e. used on-site.

The UK authorities decided to extend this exemption to CHP plants that "export" the electricity, i.e. that distribute electricity via local networks for supply to the public. The Commission approved this further exemption as allowable State aid in 2003.

The exemptions for CHP apply only to "good quality CHP", as defined by the UK's CHP Quality Assurance (CHPQA) Standard. CHPQA provides the methods and procedures needed to assess and certify the efficiency of the full range of CHP schemes in the UK, ensuring that incentives are targeted fairly and only benefit those schemes whose output is certified as good quality i.e. output that meets certain electrical and power efficiencies. After good quality CHP electricity output has been identified through CHPQA, any additional power output is treated as conventional power generation, and so does not qualify for CCL exemption. The CHPQA Standard has been amended so it is fully consistent with the definition in Article 12(2) of the Cogeneration Directive.

Basic legislation for the climate change levy is contained in Schedule 6 of the Finance Act 2000, which provides for the exemption from the levy of electricity outputs from good quality CHP that is sold direct from the producer to end users. Section 123 of the Finance Act 2002 inserted paragraph 20A into Schedule 6 of the Finance Act 2000. This paragraph provides the mechanism to exempt from the levy supplies of electricity produced in good quality CHP sold by electricity utilities to end users.

4. Form of the subsidy

Tax relief: exemption from the climate change levy.

5. To whom and how the subsidy is provided

This scheme exempts from climate change levy good quality CHP electricity supplied by electricity utilities to consumers. This benefits CHP operators wishing to sell good quality CHP electricity to electricity utilities by helping to make up the shortfall between the market price obtainable for CHP electricity and its cost of production.

The Office of the Gas and Electricity Markets (OFGEM), as the UK's main energy regulator, has the lead role in ensuring that any units of electricity sold as having been produced from good quality CHP do in fact originate from this source. They use a mechanism similar to the system of levy exemption certificates already used for tracking renewable electricity, using information derived from the CHPQA programme, which already monitors and certifies good quality CHP electricity outputs on an annual basis. In this way, HM Revenue and Customs are able to audit sales of levy-free electricity through their normal assurance procedures.

6. Total subsidy per year (in millions of £)

2009	£50
2010	£50

7. Duration of the programme

The Commission considered a ten-year exemption of the levy to be appropriate in order to guarantee the effectiveness of this measure, thereby running from 1 April 2003-31 March 2013.

8. Assessment of trade effects

This measure helps enhance the economics of CHP and therefore helps to stimulate the growth of CHP capacity or, when market conditions are poor such as in the last few years, helps maintain installed capacity in the UK. It does not affect any one particular sector of the UK economy. While we have no data that can provide statistical evidence of the impact of this measure, it is clear that its value (currently c. £4.85 per MWh) has helped.

IV. CDC GROUP PLC

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objective is to increase the amount of capital available to CDC Group plc (an investment company wholly owned by the UK government) by exempting it from UK corporation tax, in order to maximise the impact of its mission.

CDC's mission is "to invest its capital so as to maximize the creation and long term growth of viable businesses in poorer developing countries through responsible investment and mobilizing private finance".

The tax exemption enables CDC to re-invest all the returns on its capital for the benefit of the poorer developing countries.

3. Background and authority for the subsidy

Legislative authority for the Secretary of State for International Development to issue an order making CDC Group plc exempt from UK corporation tax was provided under section 20 (Schedule 3) of the Commonwealth Development Corporation Act of 1999.

It has been approved, for a duration of 20 years (commencing on 1 May 2003), under Article 87(3)(c) of the Treaty establishing the European Union, by the European Commission in their decision "State Aid number C 46/2002 (ex No. 56/2OOl) - United Kingdom" dated 5 March 2003.

4. Form of the subsidy

An exemption from UK Corporation tax operating with effect from 1 May 2003.

5. To whom and how the subsidy is provided

- To CDC Group plc.
- By means of a statutory order making the company exempt from UK corporation tax.

6. Total amount budgeted (in millions of £)

2009	£ 8.2
2010	£ 66.3

7. Duration of the programme

The tax exemption has no set term under the Commonwealth Development Corporation Act of 1999, but is only valid as long as the UK government holds a special share in CDC Group plc as defined in the Articles of Association of the company.

The European Commission have set a maximum duration of 20 years as a condition of their approval.

8. Assessment of trade effects

The nature of CDC's mission to invest in the private sector in the poorer developing countries is the provision of capital to enterprises unable otherwise to gain access existing capital markets, and to stimulate further private investment flows. We do not therefore consider CDC to be in competition with other investors or that there are any discernible trade effects.

V. DIRECT RESEARCH IN LOW CARBON TECHNOLOGY

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

This programme addresses important "innovation gaps" and reduces the risks for the private sector involvement in early-stage technology development with the ultimate aim of accelerating low-carbon products to market.

3. Background and authority for the scheme

This is a new scheme which complements the existing "Applied Research Open Call" scheme for R&D project grant funding administered by the Carbon Trust. The new scheme is intended to support larger projects (>£500,000) and will use quasi-commercial mechanisms such as equity investment and convertible debt.

4. Form of the subsidy

The scheme covers four aid measures:

- Aid for R&D projects through equity, quasi-equity, convertible loans and direct non-repayable grants
- Aid for IPR costs for SMEs through non-repayable grants
- Aid for Young Innovative Enterprises through non-repayable grants
- Aid for the loan of highly-qualified personnel non-repayable through grants

5. To whom and how the subsidy is provided

The scheme is open to businesses of all sizes and research organisations involved in the development of low carbon technologies. The subsidy is provided as equity investments, quasi-equity investments, convertible loans and grants.

6. Total amount budgeted (in millions of £)

The total amount budgeted over the six years of the programme is £43m.

7. Duration of programme

July 2008-March 2014.

8. Assessment of trade effects

The European Commission has found that the scheme does constitute State aid and it is in line with the guidelines provided in the R&D&I Framework and therefore passes the balancing test. Due to the knowledge spill over market failure for investment in early-stage R&D and the relatively small amounts being provided the scheme is not expected to have a significant effect on international trade.

VI. ENGLISH PROPERTY SUPPORT SCHEME IN WEST MIDLANDS

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

- support the development of premises and buildings for industrial and commercial purposes by the private sector, including those elements in mixed use projects. Such development can involve the construction of new buildings and/or the renovation and conversion of existing ones.

In doing so to:

- provide environmentally sustainable buildings that make efficient use of natural resources and are energy efficient; and

- create new employment within 3 years of completion of the above investment; lead to a net increase in the number of employees compared to the previous 12 months; and the employment to be maintained for a minimum of 3 years for SMEs or 5 years for large enterprises.

3. Background and authority for the scheme

Regional Development Agency Advantage West Midlands – Scheme done under the general block exemption (aid X371/2009).

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

To property developers.

6. Total amount budgeted (in millions of £)

2009 £0.82
2010 £3.4

7. Duration of programme

March 2009 to December 2013.

8. Assessment of trade effects

The trade affects relate only to property development within the United Kingdom. The grant is related to the location of the site not the origin of the developer which may be based in another state and therefore the scheme has limited distortive affects.

VII. EXCISE DUTY TO BIO ETHANOL USED AS ROAD FUEL

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The Government is keen to support alternative fuels that produce environmental benefits, and recognises that bioethanol can offer environmental advantages compared with conventional fuels, in terms of both greenhouse gas emissions and local air quality.

The purpose of the incentive is to help offset the higher production costs of bioethanol and enable it to compete more effectively with mineral based petrol.

3. Background and authority for the subsidy

The duty incentive announced by the Chancellor in Budget 2003. Legislation on the duty incentive was included in Finance Act 2004 and the incentive was introduced with effect from 1 January 2005.

4. Form of the subsidy

The form of aid is a tax concession. The duty rate for bioethanol used as road fuel is 20 pence per litre below the rate for ultra-low sulphur petrol.

5. To whom and how the subsidy is provided

Producers of bioethanol set aside for use as road fuel.

6. Total amount budgeted (in millions of £)

2009 £65
2010 £35

7. Duration of the programme

The duty differential ceased on 31 March 2010.

8. Assessment of trade effects

The introduction of the duty incentive has led to an increase in the use of road fuel bioethanol. By the end of 2009, 320 million litres were released for use and in 2010, this figure increased to 631 million litres. This is over 7 times higher than the 85 million litres that were released in 2005.

VIII. GRANT FOR BUSINESS INVESTMENT

1. Period covered by the notification

2008/09 and 2009/10.

2. Policy objectives

To assist economic development in areas of special hardship in England.

3. Background and authority for the scheme

The Industrial Development Act 1982.

4. Form of the subsidy

Grant/Loan.

5. To whom and how the subsidy is provided

The scheme is available to eligible projects in the manufacturing and service sector and encourages companies to invest in the Assisted Areas. The scheme also offers support for SMEs that are based in non-assisted areas in England.

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

6. Total amount budgeted (in millions of £)

2008/09	£8.5
2009/10	£75.2

7. Duration of programme

The GBI scheme opened to new applications on 23 October 2008 and closed to new application from 1 February 2011, except for large exceptional projects and applications to the Department DECC from offshore wind equipment manufacturers.

8. Assessment of trade effects

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

IX. GRANT FOR R&D WITHIN AN INDIVIDUAL BUSINESS

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To improve the overall innovation performance of the UK economy by helping business to successfully exploit new ideas.

3. Background and authority for the subsidy

Section 5 of Science and Technology Act 1965.

4. Form of the subsidy

Assistance is provided in the form of discretionary grants paid direct to the recipient.

5. To whom and how the subsidy is provided

Aid is restricted to individuals or enterprises falling within the definition in the "Community guidelines on state aid for small and medium-sized enterprises" (OJ L 107, 30.4.1996, p.4).

Offers of aid are made via a formal undertaking between the awarding body and the recipients concerning the conditions of the scheme and the decision to offer aid.

6. Total amount budgeted (in millions of £)

2009 £24.1
2010 £23.2

7. Duration of the programme

Grant for R&D came into operation on 1 June 2003. The scheme will be amended if necessary to comply with the terms of any new Community Framework for State aid for Research and Development.

8. Assessment of trade effects

A 2009 Impact Evaluation of the Grant for R&D scheme found that each £1million of expenditure led to an increase in GVA of £9.5million. 96 per cent of grant recipients also identified the scheme as crucial in supporting R&D projects that they would not otherwise have been able to pursue.

X. GREEN FUEL CHALLENGE PILOT PROJECT – BIOGAS

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Environmental.

3. Background and authority for the subsidy

Pre Budget Report (PBR) 2000 announced a Green Fuel Challenge. PBR 2001 announced that this project was one of the successful applicants. A Statutory Instrument allowing biogas used in the project to be used duty free was introduced in 2006 and lasts for a period of five years.

4. Form of the subsidy

The form of aid is a tax concession. No duty is charged on the biogas used in the project.

5. To whom and how the subsidy is provided

The producer of biogas running the pilot project.

6. Total amount budgeted (in millions of £)

2009 £0.05
2010 £0.09

7. Duration of the programme

The project is expected to end in 2011.

8. Assessment of trade effects

The project, which aims to test the environmental impact of biogas obtained from landfill sites and used in vehicles and to test the emissions characteristics and performance of the vehicles, was delayed owing to a number of technical difficulties. However, these have been overcome and the project is gradually getting under way. As the work is still in the developmental phase, there are no trade effects to report.

XI. INVEST NI – BUYING TIME ASSISTANCE SCHEME

1. Period covered by the notification

2009 and 2010.

2. 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 viability of such a plan.

3. Background and authority for the scheme

Buying Time forms one part of Invest NI's support under the European Commission's Rescue and Restructuring Guidelines.

Authority for the scheme: Industrial Development Act (NI) 2002
Industrial Development Order (NI) 1982.

4. Form of the subsidy

Loan.

5. To whom and how the subsidy is provided

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

6. Total amount budgeted

2009 £0
2010 £0.042m

7. Duration of Programme

Indefinite.

8. Assessment of Trade effects

Low.

XII. INVEST NI – GRANT FOR R&D&I SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

- to support research, development and innovation (R&D&I) activities undertaken within companies,

- to encourage collaboration and effective co-operation between companies and higher and education institutions including research organisations to raise both the level and the quality of commercially relevant R&D activity,

- to stimulate R&D and innovation and encourage best practice throughout business, foster the creation and development of innovative business starts, help firms develop innovative products, processes and internationally tradable services with commercial potential, boost the scale relevancy of R&D&I in Northern Ireland through increased business as well as higher education expenditure in R&D.

3. Background and authority for the scheme

The objectives of the scheme are also focused on the increase both of the number of companies performing effective R&D&I and the number of companies participating in R&D&I for the first time.

Authority: The Industrial Development Act (NI) 2002.
The Industrial Development Order (NI) 1982.

4. Form of the subsidy

Grants, loans and equity investments.

5. To whom and how the subsidy is provided

SMEs and large companies in Northern Ireland.

6. Total amount budgeted (in millions of £)

2009 £12.7m
2010 £25.1m

7. Duration of programme

To 31 December 2013.

8. Assessment of trade effects

Low. The scheme is designed to address the historically low levels of Business Expenditure on R&D undertaken in Northern Ireland.

XIII. INVEST NI – MANAGEMENT INFORMATION SYSTEMS EBUSINESS PROGRAMME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To assist SME's to become more competitive by encouraging them to increase their usage of Information and Communication Technology to improve productivity and increase competitiveness.

3. Background and authority for the scheme

The Industrial Development Act (NI) 2002.
The Industrial Development Order (NI) 1982.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

SMEs in Northern Ireland.

6. Total amount budgeted (in millions of £)

2009 £2.2m
2010 £1.7m

7. Duration of programme

To December 2013.

8. Assessment of trade effects

Low – limited to SMEs and £50,000 per project.

XIV. INVEST NI – NI SPIN-OUTS (NISPO) RISK CAPITAL

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To encourage growth of early-stage young innovative enterprises in Northern Ireland and facilitate the commercialisation of research and development by universities and companies.

3. Background and authority for the scheme

The scheme forms part of Invest NI's on-going strategy to develop the venture capital / risk capital sector in Northern Ireland.

Authority: The Industrial Development (NI) Order 1982.
The Industrial Development (NI) Act 2002.

4. Form of the subsidy

Government participation in funds venture capital, disbursed to young innovative enterprises principally in the form of equity but also repayable advances or soft loans.

5. To whom and how the subsidy is provided

The subsidy is provided to a fund manager to invest as above.

6. Total amount budgeted (in millions of £)

2009 £1.084
2010 £2.652

7. Duration of programme

To 1 October 2017.

8. Assessment of trade effects

Not possible this early in the fund's operational life.

XV. INVEST NI – NISPO THE YOUNG INNOVATIVE ENTERPRISE (YIE) SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To encourage growth of early-stage Young Innovative Enterprises in Northern Ireland and to facilitate the commercialisation of research and development by universities and enterprises.

3. Background and authority for the scheme

The Industrial Development (Northern Ireland) Order 1982 as amended by the Industrial Development (Northern Ireland) Act 2002.

4. Form of the subsidy

Equity, repayable advances and quasi equity (soft loans).

5. To whom and how the subsidy is provided

Small enterprises in Northern Ireland which have been of existence for less than 6 years at the time when the aid is granted.

6. Total amount budgeted (in millions of £)

2009 £0
2010 £0

7. Duration of programme

31 October 2017.

8. Assessment of trade effects

Not possible to assess yet.

XVI. INVEST NI – PROPERTY DEVELOPMENT SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To encourage the private sector to develop property for occupation by Invest NI assisted projects.

3. Background and authority for the scheme

Industrial Development Order (NI) 1982.
Industrial Development Act (NI) 2002.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

The subsidy is paid to companies undertaking the development of industrial & commercial property usually as a lump sum on satisfactory completion of the works.

6. Total amount budgeted

2009 £0.547 million
2010 £0.735 million

7. Duration of programme

Indefinite.

8. Assessment of trade effects

Minimal.

The aid provided through this scheme falls within the thresholds detailed in the European Commission's Regional Aid Block Exemption Regulation and therefore will not result in trade effects that are contrary to the common interest.

XVII. INVEST NI – R&D CHALLENGE FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To encourage R&D activities of spin-outs and start-ups from research and to encourage research within already existing SMEs.

3. Background and authority for the scheme

The Industrial Development (Northern Ireland) Order 1982 as amended by the Industrial Development (Northern Ireland) Act 2002.

4. Form of the subsidy

Companies benefit from investments by the Fund in return for equity invested under a formal, legal contract with the SME which links the investment made by the Fund to a clear programme of precompetitive or industrial R&D.

Support may also, but rarely, be given in the form of grants to individual researcher(s), teams of researchers and to university departments to develop and test ideas prior to the formation of a company.

5. To whom and how the subsidy is provided

- companies
- individual researcher(s), teams of researchers and university departments.

6. Total amount budgeted (in millions of £)

2009 £0.08
2010 £0.08

7. Duration of programme

31 December 2008.

8. Assessment of trade effects

Low. The fund no longer invests.

XVIII. INVEST NI – RESTRUCTURING AID

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To provide short-term support to enable companies in difficulty to implement a restructuring plan on an appropriate timescale enabling them to return to long term viability.

3. Background and authority for the subsidy

Restructuring Support forms one part of Invest NI's support under the European Commission's Rescue and Restructuring Guidelines.

Authority for the scheme: The Industrial Development Act (NI) 2002.
The Industrial Development Order (NI) 2002.

4. Form of the subsidy

Grant, Equity, Loan.

5. To whom and how the subsidy is provided

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

6. Total amount budgeted

2009	£0.075
2010	£0

7. Duration of the programme

Indefinite

8. Assessment of trade effects

Low.

XIX. INVEST NI – SELECTIVE FINANCIAL ASSISTANCE SCHEME

1. Period covered by the notification

2009 and 2010.

2. 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.

The SFA Scheme relates 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.

3. Background and authority for the scheme

The Industrial Development Act (NI) 2002.
The Industrial Development Order (NI) 1982.

4. Form of the subsidy

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

5. 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).

6. Total amount pledged

2009 £56.5m
2010 £47.2m

7. Duration of Programme

Notified to the European Commission until 31 December 2013.

8. Assessment of Trade effects

The aid provided through this scheme falls within the thresholds detailed in the European Commission's Regional Aid Block Exemption Regulation and therefore will not result in trade effects that are contrary to the common interest.

It is subject to periodic evaluation and the scheme was most recently evaluated as part of a wider review of Regional Aid in the United Kingdom. The scheme has contributed to business growth in Northern Ireland and focuses on productivity improvements.

Due to economic conditions over the last three years, employment creation will be an increasing priority.

XX. LANDLORD'S ENERGY SAVING ALLOWANCE

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Increasing energy efficiency in residential property can make a significant contribution to reducing carbon emissions. There is a particular need for action targeted at the rented residential sector, since such properties produce more emissions than other homes. This reflects a market failure in the residential rented property sector, which discourages landlords from improving the energy efficiency of the properties that they let. There is a real incentive for a homeowner to improve the energy efficiency of their home, which does not exist for landlords. This is because the benefits of such improvements, in the form of increased comfort and lower utility bills, are enjoyed by the tenant and not to the landlord. It is this market failure that the Landlords Energy Saving Allowance seeks to address.

3. Background and authority for the scheme

The 2006 Pre-Budget Report announced the scheme would apply to corporate landlords of residential property, subject to State aid approval from the European Commission. Primary legislation was laid in 2007 and following receipt of State aid approval in May 2008, secondary legislation was laid in June 2008.

Primary Legislation: Finance Act 2007, section 17.
Secondary legislation: The Energy-Saving Items (Corporation Tax) Regulations 2008.

4. Form of the subsidy

LESA allows landlords to deduct from their taxable profits the costs of acquiring and installing certain energy saving items in the properties they rent, thus reducing their liability to corporation tax.

The allowance is capped at £1,500 per dwelling a year and the qualifying materials are: loft insulation, cavity wall insulation, solid wall insulation, hot water system insulation, draught proofing and floor insulation.

5. To whom and how the subsidy is provided

The allowance is available to corporate landlords of residential properties. The allowance enables the beneficiary to deduct the costs of acquiring and installing specified energy-saving items in the residential properties they let when computing the taxable profits of their property business. Such costs are not deductible under normal tax rules.

6. Total amount budgeted (in millions of £)

2009 Est. £5M (2009/2010 – 6/4/2009 to 5/4/2010)
2010 Est. £5M (2010/2011 – 6/4/2010 to 5/4/2011)

7. Duration of programme

8 July 2008-31 March 2015.

8. Assessment of trade effects

No assessment has been made as no such effects are anticipated.

XXI. LOW CARBON AND RESEARCH DEVELOPMENT PROGRAMME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objectives of the Low Carbon Research and Development Programme are the following:

(a) To provide an incentive to motor vehicle manufacturers and technology providers to research and develop new innovative low Co2 emission technologies, and to build prototype vehicles.

(b) To build confidence in the viability of new low Co2 emission technologies with the motor vehicles manufacturing industry as a whole and with the general public and, ultimately, to encourage all manufacturers to develop commercial low carbon vehicles.

(c) The acquisition of new technological knowledge and innovation that may be useful in developing new products, or to bring about a significant improvement in an existing product.

The projects to be funded will cover a range of technologies that reduce Co2 emissions from vehicles, including hybrid vehicle technologies, advanced internal combustion engine technologies, and technologies using alternative fuels.

3. Background and authority for the scheme

The national legal basis for the scheme is Section 153(1) of the Environmental Protection Act 1990.

The scheme is managed on behalf of the UK Government's Department for Transport by the Energy Saving Trust.

4. Form of the subsidy

Direct grant.

5. To whom and how the subsidy is provided

The beneficiaries of the scheme are large firms and small to medium enterprises operating in the motor vehicle sector. The grant is provided to eligible applicants on the following basis:

a) the need to award grants to a diverse range of technologies to ensure that a range of possibilities for low carbon technologies are explored;

b) the likelihood of a project's completion and success, i.e. the robustness of the technical and business plans;

c) the availability of funding in the budget, the number of other applicants for funding and the amount of funding applied for; and

d) the potential for acceleration or innovation in the development of low carbon vehicle technologies against the cost of the project.

6. Total amount budgeted (in millions of £)

2009 £1.5m
2010 £<0.5m

7. Duration of programme

4 years.

8. Assessment of trade effects

The subsidy provides the potential to accelerate the development of low carbon technology. If these projects are successful, further substantial investment for the private sector will be required to have any level of impact on trade.

Projects initiated under the Low Carbon R&D programme are of a typical duration of 18-24 months. Furthermore, the technology being developed is 1-3 years from new product market launch. Therefore, with no projects being completed it is difficult to provide data at this stage on the trade effects.

The programme has raised awareness for the need of low carbon vehicle technology and interest continues with growing awareness of climate change and global warning.

XXII. NI - ACUMEN

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The Acumen programme aims to help SMEs to grow their business on the island of Ireland.

Benefits to companies as a result of the programme include:

- Access to new markets and increased cross-border sales
- Better knowledge of the cross-border market
- New business opportunities identified
- Improvements to their sales and marketing strategy
- Increased business contacts and prospects across the island

3. Background and authority for the scheme

The legal basis for the scheme is the British/Irish Agreement Act 1999, which authorises the awarding body (InterTradeIreland: a non-departmental body) to administer and fund projects under the proposed scheme.

4. Form of the subsidy

Assistance will be provided in the form of non-repayable grants.

5. To whom and how the subsidy is provided

The scheme is targeted solely at SMEs in manufacturing and tradable services sectors.

6. Total amount budgeted

2009: £0.042
2010 £0.060

7. Duration of programme

To 31 December 2013.

8. Assessment of trade effects

An independent interim evaluation was carried out in 2010. This concluded that the InterTradeIreland Acumen programme was an important aspect of InterTradeIreland's suite of trade interventions and that despite a challenging market place it has delivered results and continues to perform very well.

The aid provided through this scheme falls within the thresholds detailed in the European Commission's General Block Exemption Regulation (Commission Regulation (EC) No 800/2008) and therefore will not result in trade effects that are contrary to the common interest.

XXIII. NI – ALL ISLAND COLLABORATIVE R&D SCHEME – INNOVA

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Northern Ireland and the Republic of Ireland spend approximately 1.5 per cent of the GDP on R&D initiatives, whereas the EU average largely exceeds 2 per cent of the GDP. Ireland ranks for 12th lowest country in terms of GPD spend on R&D among developed economies. Therefore there is a need to invest on R&D in order to boost economic growth in Northern Ireland and the Republic of Ireland and also to target 3 per cent of GDP for overall R&D spending as agreed at the Barcelona European Council.

The aim of the scheme is to address this weakness by encouraging and supporting enterprises to undertake collaborative cross-border research and technological development with commercial potential in order to stimulate growth, strengthen competitiveness and encourage flow of technology among network of companies, particularly SMEs in Northern Ireland and the Republic of Ireland.

The scheme is mainly targeted at R&D in the Life Sciences, ICT, Agri-food & advanced engineering sectors. Thus, it will support companies that are developing their R&D activity in the wider life and health technologies sectors, acting in cross-border collaboration with other companies.

3. Background and authority for the scheme

The legal basis for the scheme is the British/Irish Agreement Act 1999, which authorises the awarding body (InterTradeIreland: a non-departmental body) to administer and fund projects under the proposed scheme.

4. Form of the subsidy

Assistance will be provided in the form of non-repayable grants.

5. To whom and how the subsidy is provided

The scheme is targeted at SME's, although large companies will be eligible to apply. The estimated number of recipients is up to 35.

6. Total amount budgeted (in millions of £)

2009 £0.133
2010 £1.519

7. Duration of programme

The pilot scheme will operate to 31 December 2013 as per the Commission's approval.

8. Assessment of trade effects

An independent interim evaluation was carried out in 2010. This concluded that the Innova programme was an important aspect of InterTradeIreland's suite of business interventions and that despite a challenging market place, had performed very well.

XXIV. NI - ASSURED SKILLS

1. Period covered by the notification

2009-2010.

2. Policy objectives

The aim of the programme is to attract high value, highly paid jobs to Northern Ireland and achieve the Executive's targets on productivity and wealth generation.

3. Background and authority for the scheme

Assured Skills is a joint Department for Employment and Learning (DEL) and Invest NI (INI) programme to deliver a range of activities and interventions guaranteeing companies that Northern Ireland has the ability to satisfy their future skills and experience needs. All aid awarded under the Scheme will be transparent and in line with criteria set out in Articles 38 and 39 of the General Block Exemption Regulation.

4. Form of the subsidy

Aid is awarded by way of a grant. INI consider that they will be able to identify, as a minimum, three large projects and eight small projects to participate in the Assured Skills programme each year. The Assured Skills funding will be a key selling point used by INI in their offer of support to potential inward investment companies and will give NI a significant competitive advantage over other areas in which companies may locate. Training aid will be provided to companies to train staff for any new jobs created up to a maximum of €2m and will be based on a percentage of the overall costs in line with set European Commission criteria.

5. To whom and how the subsidy is provided

Assured Skills is open to INI Client companies that have committed to expand, as well as new inward investors who have committed to establish a facility in Northern Ireland. A key element of the Programme is the delivery of bespoke training programmes tailored to meet the needs of the company. The intention is to have staff trained in whatever the client requires and "job ready" for day one of the company's operation in NI. Subject to state aid rules, DEL will fund up to 60 per cent of the costs of training.

6. Total amount budgeted (in millions of £)

2009 - £0
2010 - £0.024

7. Duration of programme

2010-2015.

8. Assessment of trade effects

The skills gained in the Assured Skills pilots have all been at a high level (NVQ Level 3 and above) or in highly paid jobs, and have demonstrated that Northern Ireland can deliver high quality, appropriately skilled people at a competitive cost to inward investment companies.

It is estimated that this level of investment will create over 2,000 additional high quality jobs in the NI economy over the first two years, and 1,100 per year thereafter.

XXV. NI – BROADBAND FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The Fund aims to support trials which demonstrate how a range of technologies can be used to deliver next generation broadband services; and deploying "in-fill" solutions into a number of priority rural areas in Northern Ireland where distance from the nearest telephone exchange prevents a line-based broadband service.

3. Background and authority for the scheme

The Broadband Fund arose primarily as a result of:

a) gaps in ADSL broadband coverage in NI and an increasing digital divide; and

b) the fact that no commercial company had, at that time, invested in devising solutions for rural areas due to the significant investment required and the lack of return within the investment timescales that businesses normally require.

In the UK, the legal basis is the "Communications Act 2003".

4. Form of the subsidy

The aid takes the form of a direct grant.

5. To whom and how the subsidy is provided

Telecoms operators – direct grant.

6. Total amount budgeted (in millions of £)

2009 £0.144
2010 £0.165

7. Duration of programme

2008-2013.

8. Assessment of trade effects

Insofar as the intervention is liable to affect providers of electronic communications services from other Member States, the measure has an effect on trade.

XXVI. NI - DARD – RESEARCH CHALLENGE FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

- To improve the competitiveness of rural enterprises and create wealth from the research base;
- To increase the number of agricultural and rural enterprises engaging in effective research and development and innovation (R&D&I) - including those participating for the first time - and the level of private sector expenditure on R&D&I;
- To increase the level of collaboration between Northern Ireland's rural enterprises and the local, national and international research base; and
- To increase collaboration and effective co-operation between rural enterprises.

3. Background and authority for the scheme

The Scheme is designed to provide funding to consortia of industry and research providers to carry out innovative, high quality, pre-commercial research and technological development projects which have the potential to further the sustainability of Northern Ireland's agri-food and rural enterprises.

The legal base for the Scheme is Section 5 of the Agriculture Act (Northern Ireland) 1949 (Chapter 2) (as amended).

The legislation which gives effect to EC law in Northern Ireland is

- European Communities Act (1972) (section 2(1)); and
- Northern Ireland Act (1998) (c. 47, p.II, s7 (1(a))).

EC legal basis

Section 2(1) of the European Communities Act 1972
Section 7 (1)(a) of the Northern Ireland Act 1998

All State aid provided under this Scheme will be within the limits set out in Articles 30 and 31 of Commission Regulation (EC) 800/2008 (General Block Exemption Regulation).

4. Form of the subsidy

All aid awarded under the Scheme will be transparent and in line with criteria set out in Article 5 of the General Block Exemption Regulation. Aid will take the form of a grant of 50 per cent of eligible costs up to a threshold of £250,000 of public funding derived from any source.

5. To whom and how the subsidy is provided

Industry partners must be from the agri-food and rural sector. Large enterprises, SMEs and SME representative or levy bodies can apply. All must be operating in Northern Ireland. Large enterprises must collaborate with at least one SME. Applications from single SMEs will not be accepted.

Only public sector research organisations are eligible. They do not have to be operating in Northern Ireland, providing their industry partner(s) are doing so and the outcome of the funded project clearly benefits the region.

Aid takes the form of financial remuneration paid quarterly in arrears and can be awarded either:

- directly to an enterprise to fund its element of a collaborative project; or
- indirectly via a research organisation.

6. Total amount budgeted (in millions of £)

2009 £0
2010 £0.17

A further £0.207 is budgeted for expenditure in 2011.

7. Duration of programme

31 March 2013.

8. Assessment of trade effects

The aid provided through this scheme falls within the thresholds detailed in the European Commission's General Block Exemption Regulation (Commission Regulation (EC) No 800/2008) and therefore will not result in trade effects that are contrary to the common interest.

XXVII.NI – DIRECT INTERNATIONAL COMMUNICATIONS LINKS INTO NW OF IRELAND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objectives of Project Kelvin are: (i) to bring a *direct* international telecommunications link into the North West region of the island of Ireland, (ii) to increase competition in the North West telecommunications market especially for the provision of international telecommunication services, (iii) to make the cost of international telecommunication services within the region the same as in main urban areas in the United Kingdom and the Republic of Ireland, (iv) to provide access to direct international communication services to businesses, particularly to Small and Medium Enterprises (SMEs) located within the region, (v) to reduce latency between the North West and North America and mainland Europe, and (vi) to increase the resilience and diversity of the telecommunications infrastructure in the North West region.

3. Background and authority for the scheme

Project Kelvin is a joint project by the Department of Enterprise, Trade and Investment Northern Ireland (DETI-United Kingdom) and the Department of Communications, Energy and Natural Resources (DCENR-Republic of Ireland) under the Northern Ireland, Border Region and Western Scotland INTERREG IVA 2007-2013 programme. The overall aim of the INTERREG IVA programme is to 'support strategic cross border co-operation for a more prosperous and sustainable region'. In the UK, the legal basis is the "Communications Act 2003".

4. Form of the subsidy

Grant payments.

5. To whom and how the subsidy is provided

Hibernia Atlantic Cable Systems Ltd - grant payments

6. Total amount budgeted (in millions of €)

2009 €11.8
2010 €14.75

7. Duration of programme

2008-2018.

8. Assessment of trade effects

Insofar as the intervention is liable to affect providers of electronic communications services from other Member States, the measure has an effect on trade. The markets for electronic communications services are open to competition between operators and service providers, which generally engage in activities that are subject to trade between Member States. There is also an effect on trade between the businesses that require international or cross-border connectivity and their competitors in other Member States.

XXVIII. NI – FUSION

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Through developing and facilitating three way cross-border partnerships (company, academics and graduates) the FUSION programme aims to:

- Support the development of businesses on the island of Ireland by transferring and embedding knowledge on a cross-border basis between industry and academia;
- Improve the flow of and access to knowledge capital across the island of Ireland;
- Increase process and/or product development within businesses;
- Increase industry R&D capability and thereby improve business innovation; and
- Improve industry-academic linkages and thereby improve the knowledge and skills base within SMEs and larger companies.

3. Background and authority for the scheme

The legal basis for the scheme is the British/Irish Agreement Act 1999, which authorises the awarding body (InterTradeIreland: a non-departmental body) to administer and fund projects under the proposed scheme

4. Form of the subsidy

Assistance will be provided in the form of non-repayable grants.

5. To whom and how the subsidy is provided

The scheme is targeted at SMEs, although large companies are eligible to apply. It is anticipated that on average 60 projects will be supported per annum.

6. Total amount budgeted (in millions of £)

2009 £2.247 M
2010 £1.944 M

7. Duration of Programme

To 31 December 2013.

8. Assessment of Trade effects

Recent evaluations on both Phase 2 and Phase 3 have shown 'the importance of FUSION in stimulating innovation and competitiveness within the small business community on the island of Ireland and have recommended its continuation.'

The aid provided through this scheme falls within the thresholds detailed in the European Commission's General Block Exemption Regulation (Commission Regulation (EC) No 800/2008) and therefore will not result in trade effects that are contrary to the common interest.

XXIX. NI – NEXT GENERATION BROADBAND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The project's aim is delivery of high-speed broadband services to 85 per cent of NI businesses by 2011, focusing on both rural and urban areas in Northern Ireland where these services are not available, or are unlikely to be available in the foreseeable future.

3. Background and authority for the subsidy

In 2008 and 2009 the NI Government started a consultation exercise to find out whether industry would on its own upgrade the existing broadband infrastructure within the next three years to increase the average speed from 512 kbps to a minimum of 2 and 10 Mbps respectively in areas of NI with a minimum business density of 10 per km2. While the market research showed that by March 2009 BT had upgraded a small number (13) of its 191 exchanges to ADSL2+ and that it was planning to upgrade 21 more exchanges within the next three years, there was no evidence of any planned investment to generally improve the existing level of provision in rural areas where average bandwidth speeds are currently below 10 Mbps.

Following competitive dialogue tender, contract for delivery of the project was awarded in December 2009.

In the UK, the legal basis is the "Communications Act 2003".

4. Form of the subsidy

The aid takes the form of a direct grant.

5. To whom and how the subsidy is provided

The direct beneficiaries of the aid will be electronic communications operators offering broadband services. Indirect beneficiaries will be third party providers of telecommunication services and local SMEs in the targeted areas.

6. Total amount budgeted (in millions of £)

2009 £0
2010 £9.693

7. Duration of the programme

2009-2016.

8. Assessment of trade effects

Insofar as the intervention is liable to affect providers of electronic communications services from other Member States, the measure has an effect on trade. The markets for electronic communications services are open to competition between operators and service providers, which generally engage in activities that are subject to trade between Member States. Moreover, the measure has the potential to distort competition between end users located in Northern Ireland and elsewhere in Europe.

XXX. NI – PROVISION OF REMOTE BROADBAND SERVICES

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To maintain access to an affordable broadband service for all citizens in Northern Ireland, ensuring continuity of service for those customers using a satellite product and protecting the competitiveness of the Northern Ireland economy (by ensuring that all businesses can access basic broadband services anywhere in Northern Ireland).

3. Background and authority for the subsidy

In March 2004 the NI Government awarded a contract ("the Local Access Broadband Contract) to BT for the delivery of the required infrastructure upgrade to support 100 per cent broadband access across all of Northern Ireland. As a result of this contract, in December 2005, Northern Ireland became the first region in the UK (and Europe) to have 100 per cent broadband coverage.

The Contract, which comes to an end on 31st March 2009, is service driven and technology neutral and includes price caps for the various household and business product offerings. For over 99 per cent of the population of Northern Ireland, broadband is delivered via telephone lines. For the remainder (approximately 800 out of a total of 375,000 broadband accounts), the service is delivered via satellite. This mainly affects those in remote rural areas where distance from the nearest telephone exchange means that a fixed-line broadband solution is not possible.

The NI Government has been advised that at 31 March 2009, for commercial reasons, BT's satellite broadband product will no longer be available.

Recognising the impact that the loss of 100 per cent equitable access to broadband in Northern Ireland would have in terms of the emergence of a digital divide between urban and rural homes and business and, the subsequent impact on the largely SME-based economy in the region, the NI Government conducted market research to identify the location of the satellite customers and to examine whether any alternative suppliers would offer a product for these consumers that would be comparable to those currently on offer through BT. The research confirmed that satellite customers are located in rural, widely dispersed and remote areas with no obvious clustering and that, if there were alternative market-based offerings for these customers, the cost of basic broadband services would be regarded as prohibitive – leading to take up levels for broadband services in these areas significantly lagging behind those in urban areas within the region.

To mitigate therefore, the NI Government issued an open, competitive tender valued at £1.1m on 26 September seeking a supplier to provide remote broadband services across all of Northern

Ireland for the period 2009/10-2011/12. This tender was written from a strictly technology and supplier neutral stance, allowing the market to deliver the most appropriate solution.

The tender resulted in two bids (both of which offered a satellite solution) which were evaluated according to published criteria leading to the contract being awarded to Avanti Communications on 6 January and ensuring that those living and working in remote, rural areas – particularly rural SMEs – continue to have affordable access to broadband services.

The contract has been awarded under Chapter 29, Section 149 (Grants by the Department of Enterprise, Trade and Investment) of the Communications Act 2003.

4. Form of the subsidy

The subsidy takes the form of direct grant to the service provider.

5. To whom and how the subsidy is provided

The subsidy is paid to the service provider on the basis of set fees payable for the provision of service to specific customers. These fees will be payable on the presentation of invoices accompanied by appropriate supporting documentation. The NI Government will carry out apposite audit activities, including reviews of the technology solution, to verify that payment is authorised. The fees payable were determined as part of the bidding process.

6. Total amount budgeted (in millions of £)

2009	£0.279
2010	£0.631

7. Duration of the programme

The Remote Broadband Services Contract was awarded on 6 January 2009 for a period of three years and will therefore conclude on 5 January 2012.

8. Assessment of trade effects

The NI Government believe that the effects on competition and trade are likely to occur on two levels. The first will be the impact that the availability of broadband services will have on businesses located in those parts of Northern Ireland where no wire-line broadband services are available. The second impact will be on the suppliers of the broadband services to these areas.

Many studies have attempted to quantify the economic impacts, particularly increases in employment and economic activity that can be directly or indirectly linked to increased deployment of broadband. Broadband, when used with business applications, provides new ways to cut costs, win new business and keep ahead of the competition. Taken in the context of Northern Ireland's small and micro business economy, it is noted that the region's locally focused (and invariably micro) businesses expect turnover and profits to peak at €70k and €18.5k respectively (Source: Northern Ireland Chamber of Commerce Business Monitor). In comparison average turnover for SMEs elsewhere in the UK is circa €375k pa. Research suggests that broadband can increase profits by more than 10 per cent depending on the size of the business. The Northern Ireland Government believe that this will have a positive effect on trade in these areas. However, the project is aimed at continuing to maintain access to basic broadband services to users in rural and remote areas, at a price comparable to that in urban areas. These measures, with the purpose of ensuring equitable access to broadband rather than giving rural and remote businesses a competitive advantage, will ensure that any distortions of competition are minimised.

For the suppliers of broadband services to these areas the Northern Ireland Government believe that, at present, there is only one provider with customers operating despite the availability of a wholesale offering. This aid is unlikely to have any negative effect on competition in the area. Moreover, and as stated above, they believe that the project may strengthen competition through, insistence on wholesale access to other operators and, by acting as an incentive to companies who supply broadband service via satellite technology or other technology by indicating there is a market in Northern Ireland.

XXXI. NI – SCREEN FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The primary objective is to provide financial assistance for the development and production of moving image or audiovisual product. Funds will be provided to help deliver a consistent flow of high quality and culturally significant programming including Irish Language programming with the ultimate aim of ensuring that the culture and creative potential of Northern Ireland is expressed through moving image. The Fund is in line with the Communication on certain legal aspects relating to cinematographic and other audio-visual guidelines (2002/C 43/04).

3. Background and authority for the subsidy

Education and Library Services Etc Grants Regulation (Northern Ireland) 1994 & Industrial Development Act (Northern Ireland) 2002 (replacing The Industrial Development (Northern Ireland) Order 1982.

4. Form of the subsidy

Loan.

5. To whom and how the subsidy is provided

The Scheme is limited to film and television production companies.

6. Total amount budgeted (in millions of £)

2009 £4.939M
2010 £6.644M

7. Duration of the programme

3 years to 31 March 2012.

This fund is an amendment of the original 5 year notification Northern Ireland Screen Fund (N 593/2006).

8. Assessment of trade effects

Not relevant.

XXXII. NI – URBAN DEVELOPMENT GRANT (UDG)

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Urban Development Grant is a discretionary grant with the objective of promoting job creation, inward investment and environmental improvement by the stimulation of development of vacant, derelict or underused land or buildings.

3. Background and authority for the subsidy

The Department for Social Development (DSD) administers the Urban Development Grant scheme under the provisions of the Social Need (Northern Ireland) Order 1986. Projects should fit within a wider strategic context, complementing other initiatives or strategies. Projects should be consistent with policy on tackling poverty and social exclusion and the Department's Statutory Equality Obligations. The scheme operates under the European Commission's General Block Exemption Regulation (GBER) and the scheme reference number is X20/2009.

4. Form of the subsidy

The subsidy takes the form of a cash grant.

5. To whom and how the subsidy is provided

UDG is currently available for speculative developments, owner-occupier new-build and refurbishment schemes, in specific priority urban areas designated by DSD. The grant is available for a range of physical development projects in sectors such as inner/middle city housing, commercial, retail and light industrial. The amount of grant offered is the minimum necessary to trigger a project.

For speculative developments, the grant is based on the shortfall between the projected total development **cost** of a project and its **value** on completion (following appraisals carried out by Central Procurement Directorate Quantity Surveyors and Land and Property Services valuers respectively). Grants offered to owner-occupier projects are based on eligible costs only.

6. Total amount budgeted (in millions of £)

2009 £2.945M
(across 35 schemes, giving an average subsidy per unit of £84,000)

2010 £1.794M
(across 28 schemes, giving an average subsidy per unit of £64,000)

7. Duration of the programme

UDG was first introduced in 1982 under the Social Need (Grants) Act (NI) 1970, which was subsequently replaced by the Social Need (NI) Order 1986. The form and focus of the UDG scheme is reviewed periodically and policy is kept under continuous review.

8. Assessment of trade effects

The leverage ratio of public investment to private sector investment is as follows for each year from 2007. The scheme was amended in 2008 and the reference number changed from XR7/2007 to X20/2009.

Table 1: Leverage (ratio of public to private expenditure on projects)

	Belfast	**North West of NI**	**Other NI urban areas**
2007	5.00	6.96	-
2008	6.77	4.82	4.0
2009	2.92	4.96	4.0
2010	3.09	8.95	4.0

Table 2: Number of additional jobs created (where figures available*)

	Belfast	North West of NI	Other NI urban areas
2007	39.23	48	-
2008	6.77	27	12
2009	2.58	232	12
2010	0	24	24

*Figures for 'jobs created' are based on confirmation received from the project promoter once the scheme is completed and the final UDG payment has issued. Therefore, for projects which are still running, and for some projects for which the final payment has not been made, there is no figure included. This means that figures for 2009 and 2010 are subject to change.

The aid provided through this scheme falls within the thresholds detailed in the European Commission's General Block Exemption Regulation (Commission Regulation (EC) No 800/2008) and therefore will not result in trade effects that are contrary to the common interest.

XXXIII. ONE – AID FOR RESEARCH AND DEVELOPMENT

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The aim of the scheme is to encourage businesses to invest in R&D.

3. Background and authority for the scheme

The scheme is operated by One North East with EC approval. It was created to encourage new R&D Investment by businesses in the North East.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

The scheme allows support to all sizes of businesses in the North East (at levels prescribed by EC legislation).

6. Total amount budgeted (in millions of £)

No defined budget allocated but the maximum aid that can be awarded under the scheme is £200m per annum.

7. Duration of programme

Until 31 December 2013.

8. Assessment of trade effects

To be evaluated. Expect to be low.

XXXIV. PROLONGATION OF THE PREMIUMS VEHICLES CENTRE OF EXCELLENCE PROJECTS

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objective is to stimulate innovation I key growth sectors to wide innovation capability ad technology adoption across these sectors ad related supply chains and networks.

3. Background and authority for the scheme

Regional Development Agencies Action 1998
http://www.opsi.gov.uk/acts/acts1998/ukpga_19980045_en_1.htm

European Communities (Finance) Act 2008
http://www.opsi.gov.uk/acts/acts2008/ukpga_20080001_en_1

Industrial Training Act 1982
http://www.opsi.gov.uk/acts/acts1982/pdf/ukpga_19820010_en.pdf

Science and Technology Act 1965
http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/1965/cukpga_19650004_en_4

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

Grant in the form of provision time and purchase of relevant equipment and materials for collaborative research.

Support is provided to companies in the automotive supply chain trying to develop new environmentally friendly vehicles. The support does not subsidise the production of vehicles.

6. Total amount budgeted (in millions of £)

2009	£2.66
2010	£2.4

7. Duration of programme

To March 2012.

8. Assessment of trade effects

These projects will accelerate the development of additional transferrable Research and Development knowledge in these key low carbon areas, and will increase the capacity of the sector to respond to market and legislative challenges.

XXXV. REDUCED RATE OF EXCISE DUTY ON BIODIESEL

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The Government is keen to support alternative fuels that produce environmental benefits, and recognises that biodiesel can offer environmental advantages compared with conventional fuels, in terms of both greenhouse gas emissions and local air quality.

The purpose of the incentive is to help offset the higher production costs of biodiesel and enable it to compete more effectively with mineral based diesel.

3. Background and authority for the subsidy

The duty incentive was announced by the Chancellor in Budget 2001. Legislation on the duty incentive was included in Finance Act 2002 and the incentive was introduced in July of that year.

4. Form of the subsidy

The form of aid is a tax concession. The duty rate for biodiesel is 20 pence per litre below the rate for ultra-low sulphur diesel.

5. To whom and how the subsidy is provided

Producers of biodiesel

6. Total amount budgeted (in millions of £)

2009 £210
2010 £50

7. Duration of the programme

The duty differential ceased on 31 March 2010.

8. Assessment of trade effects

The introduction of the duty incentive has led to increased use of road fuel biodiesel. 1044 million litres of biodiesel were released for use in 2009, and 1045 million litres were released in 2010. Prior to the introduction of the duty differential, no biodiesel was used in the UK.

XXXVI. REDUCED RATE OF EXCISE DUTY ON BIODIESEL PRODUCED FROM WASTE COOKING OIL

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To support alternative fuels that produce environmental benefits, and recognises that biodiesel from waste cooking oil is a highly sustainable biofuel, converting a waste product that would otherwise go to landfill. To support producers using waste/used cooking oil who were likely to be most seriously affected by the withdrawal of the duty incentive which ceased on 31 March.

3. Background and authority for the subsidy

The duty relief was announced at Pre Budget Report 2009 and legislation was introduced with effect from 1 April 2010.

4. Form of the subsidy

The form of aid is a duty relief of 20 pence per litre which is off-set against duty that is payable.

5. To whom and how the subsidy is provided

Producers of biodiesel from waste cooking oil who are liable to pay biofuel duty are permitted to off-set an allowance of 20 pence per litre against duty that is payable.

6. Total amount budgeted (in millions of £)

2009 £nil
2010 £55

7. Duration of the programme

The relief scheme is time limited for a period of 2 years and will cease on 31 March 2012.

8. Assessment of trade effects

The introduction of a duty relief has led to increased use of used cooking oil in the production of biodiesel.

XXXVII. R&D TAX CREDIT

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The aim of the R&D Tax Credit Scheme is to encourage innovation by companies which are small or medium-sized enterprises (SMEs). It gives an incentive to companies including high risk start-ups to take up R&D activities and also encourages companies already carrying out R&D to increase their level of spend.

3. Background and authority for the scheme

The R&D Tax Credit Scheme 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. Amendments have been notified and approved under references N245/2003 (on 4 September 2003), N293/2004 (on 6 December 2004) N816/2006 (on 4 December 2006) and N33/2007 (on 15 January 2007).

Legislation governing the scheme was introduced in the Finance Act 2000 (Schedules 20 and 21) and subsequently amended in the Finance Act 2002 (Schedule 15), the Finance Act 2003 (Schedule 31), the Finance Act 2004 (section 141), the Finance Act 2006 (Sections 28 and 29 and Schedules 2 and 3), the Finance Act 2007 (Sections 49 and 50) and the Finance Act 2008 (Sections 26 to 29 and Schedules 8 and 9). The legislation was rewritten in clearer language, but not amended in substance, in the Corporation Tax Act 2009 (CTA 2009). It is now in Chapter 2 of Part 13 of CTA 2009.

The R&D Tax Credit Scheme applies to "larger SMEs" – companies that meet the normal conditions for an SME, except that they may have up to 500 staff, turnover up to €100m and balance sheet total up to €86m – in relation to expenditure incurred on or after 1 August 2008.

4. Form of the subsidy

Tax relief (see below).

5. To whom and how the subsidy is provided

The incentive is given as an increased tax relief for spending on qualifying R&D. Small or medium-sized companies, including 'larger SMEs', are able to claim relief equal to 175 per cent of their qualifying R&D expenditure (on or after 1 August 2008; previously 150 per cent), comprising a general deduction available to all companies undertaking R&D of 100 per cent and the enhanced R&D tax relief of a further 75 per cent. A company paying tax at the 2011 small companies' rate (20 per cent), therefore saves in tax a total of 35 per cent of the cost of the qualifying R&D, comprising a deduction available to all companies of 20 per cent and the subsidy of 15 per cent.

A company not yet in profit may surrender the relief to the Government in return for a payment representing 24.5 per cent of the cost of the R&D. This represents a discount of around 30 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 employment and social security taxes (Pay-As-You-Earn tax and National Insurance Contributions including equivalent contributions in other EEA states) 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 or transformable materials used directly in the R&D activity; plus
- the cost of computer software, power, water and fuel 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 (IP) produced (from 9 December 2009 a company no longer requires to own the IP created by the R&D carried out), 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 it incurs within the above categories. This latter rule is the only option where the principal and subcontractor are connected.

(b) the qualifying expenditure must exceed a threshold minimum. This is set at an annualised rate of £10,000 a year. Spending at or above £10,000 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 is not 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;

(d) the credit is only available to a company if it is a going concern;

(e) There is a cap of €7.5m on the total amount of R&D tax credit and vaccine research relief that can be claimed in respect of any particular R&D project.

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.

6. Total amount budgeted (in millions of £)

Estimates of the number of claims made for R&D tax credits and the cost of support claimed are published as National Statistics on the HM Revenue and Customs website, broken down by type of scheme. The latest figures were published in October 2010 and cover years up to 2008-09. The statistical tables, including background information, can be found at: http://www.hmrc.gov.uk/stats/corporate_tax/randdtcmenu.htm

The expected costs of R&D tax credits in 2009-10 and 2010-11 for all companies are also published on the HM Revenue and Customs web site at: http://www.hmrc.gov.uk/stats/tax_expenditures/table1-5.pdf

The expected cost of the SME scheme is estimated to be £250 million in 2009-10 and £260 million in 2010-11. It should be noted that these are forecast estimates and the actual cost of support will depend on the claims actually made by companies relating to those years.

7. Duration of programme

Indefinite.

8. Assessment of trade effects

No assessment of the impact of the R&D tax credit is currently available. 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 qualifying for tax credits, 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. Therefore, the impact of the R&D tax credit on such location decisions is likely to be small.

XXXVIII. RENEWABLES OBLIGATION ORDER 2009

[Since its introduction in 2002 the RO has been amended in 2004, 2005, 2006, 2007, 2009, 2010 and 2011. The period which is being notified was covered by the Renewables Obligation Order 2009 incorporating amendments made by the Renewables Obligation Order (Amendment) Order 2010 for England and Wales, the Renewables Obligation Order (Northern Ireland) 2009 incorporating amendments made by the Renewables Obligation (Amendment) Order (Northern Ireland) 2010 for Northern Ireland, and the Renewables Obligation (Scotland) Order 2009 incorporating amendments made by the Renewables Obligation (Scotland) Amendment Order 2010 for Scotland]

1. Period covered by Notification

2009 and 2010.

2. Policy Objectives

To deliver an increase electricity generation from eligible renewables sources.

3. Background and authority for the scheme

The Scheme is currently the Government's main mechanism for supporting large scale renewable electricity generation. It imposes an obligation on licensed electricity companies to source a specified and annually increasing proportion of their electricity sales from eligible sources. As of 1 April 2009, when 'banding' was introduced, different technologies receive different numbers of ROCs per MWh, to reflect differences between technologies including the cost of generation and potential for large-scale deployment. Generators are then able to sell their ROCs onwards to the suppliers.

In the event the supplier is unable to provide the requisite number of ROCs they will pay the buyout price for each ROC by which they fall short of meeting their Obligation. The buyout price was set in 2002 and has increased in relation to inflation (measured by the Retail Price Index – RPI). The buyout fund at the end of the compliance year is recycled to suppliers in proportion to the number of ROCs they presented.

The Renewables Obligation Order 2009, The Renewables Obligation (Scotland) Order 2009 and The Renewables Obligation Order (Northern Ireland) 2009.

4. Form of the subsidy

Recycling of buy-out payments.

5. To whom and how is the subsidy provided

Licensed electricity suppliers who have met their Renewables Obligation through Renewables Obligation Certificates (ROCs). Monies are then passed on to electricity generators generating electricity from eligible renewable sources by way of power purchase agreements etc.

Buy-out fund recycled in autumn of each year.

6. Total amount budgeted

April 2009-March 2010 £325,928,958 (this figure is the actual amount).

April 2010-March 2011 £112,415,973 (this figure is a projection only).

7. Duration of programme

To 2036/37 but UK authorities will renotify the Obligation in 2012.

8. Assessment of trade effect

The RO is open to renewable generating stations situated in the UK regardless of their country of ownership.

XXXIX. RURAL BROADBAND ACCESS PROJECT - AWM

1. Period covered by Notification

2009 and 2010.

2. Policy Objectives

WMES Pillar 1 – Developing a diverse and dynamic business base – The project will increase ICT infrastructure in rural and other currently excluded areas of the region, thereby increasing the opportunities for businesses based in these areas and redressing the current imbalance in broadband availability between rural and urban areas.

WMES Pillar 3 – Creating conditions for growth – The project will work to ensure the delivery of affordable broadband services to all currently unserved areas and will strive to achieve the Agency's target of providing 100 per cent broadband coverage to businesses and households in the West Midlands before the project end date.

WMES Pillar 4 – Regenerating Communities – The project will aim to reduce the tendency for businesses to locate (or re-locate) away from rural areas (ultimately leading to de-population in these areas) due to lack of broadband access.

Regeneration Zones - The project will provide broadband access to remote and currently excluded businesses and communities within the Rural Regeneration Zone, North Staffordshire and North Black Country/South Staffordshire Zones.

Technology Corridors – The infrastructure element of the project will provide broadband access in any of the Technology Corridors, if analysis highlights parts of these areas to be without coverage.

RABBIT provision will support access to broadband services where cable/ADSL services are not available in the Corridors.

Clusters – Where possible the project will support the development of the key business clusters.

3. Background and authority for the scheme

Regional Development Act 1998 Section 5(1).

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

Direct Beneficiary – West Midlands Networking Company (grant claims to AWM)

Intermediary Beneficiaries
- Broadband infrastructure suppliers (one-off fee to offset installation costs, invoiced to WMNC by suppliers)
- SWRDA (grant claims to WMNC for management of the RABBIT scheme)

End Beneficiaries – Businesses, communities and individual residents in rural areas of the West Midlands (some grant claims direct to SWRDA and WMNC).

6. Total amount budgeted (in millions of £)

2009 £3.63
2010 £0 Scheme finished.

7. Duration of programme

End March 2010.

8. Assessment of trade effects

No assessment of trade effects resulting from the project has been undertaken.

XL. SE – ATLAS BROADBAND INFRASTRUCTURE SCHEME FOR RETAIL PARKS

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The project intends to ensure the widespread availability and use of high-speed broadband services at conditions closer to those in areas with a greater density of population and businesses.

3. Background and authority for the scheme

Section 8 (1) (a) (i) of the Enterprise and New Towns (Scotland) Act 1990.

Project ATLAS is aimed at lowering prices of broadband services for commercial users located in business parks. The project will be geographically limited to providing infrastructure on business parks. Technically, the infrastructure will comprise only "passive" infrastructure (ducts, chambers, fibres and Meet-Me-Rooms). Operationally, the asset management, the maintenance and the leasing of dark fibre will be outsourced to an Asset Manager. It will provide neutral access on a non-discriminatory basis for service providers at an appropriate point on, or close to the perimeter of each business park.

The European Commission considers that the public investment in Project ATLAS will only be provided to the extent necessary to develop the use of broadband services, particularly by SME's. This is in line with Community priorities as indicated in the e-Europe 2005 Action Plan. The intervention is designed in a way that does not distort competition to an extent contrary to the common interest.

4. Form of the subsidy

Grant to preferred bidder.

5. To whom and how the subsidy is provided

A preferred bidder will manage the assets on behalf of Scottish Enterprise, which will remain the owner of the assets, and lease capacity to whole sale operators and/or Service Providers on a transparent, open access and non-discriminatory basis.

6. Total amount budgeted

2009 £0.622
2010 £0.196

7. Duration of programme

Project lifespan of 25 years.

8. Assessment of trade effects

Insofar as the intervention is liable to affect telecom operators and service providers from other Member States, the measures have an effect on trade. The telecom market is more and more open to competition between operators and service providers, which generally engage in activities that are subject of trade between Member States. There may also be an effect on competition between the end-users and their competitors in other Member States, although the importance of that effect will probably be relatively low.

XLI. SE – BIO-ENERGY INFRASTRUCTURE SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The key objectives are to:

- increase business's competitiveness by tackling rising fuel costs and reducing their carbon footprint;
- provide learning benefits that will help accelerate the industry and achieve more efficient and cost-effective use of biomass for heat;
- contribute towards renewable energy targets;
- maximise carbon savings;
- create a market for biomass equipment and services;
- create a good spread of exemplar biomass heat projects across Scotland that will encourage businesses to switch to renewable technologies;
- create a range of projects that will deliver learning benefits that will accelerate the use of biomass for heat in the future.

3. Background and authority for the scheme

Section 5(b) The Science and Technology Act 1965.

4. Form of the subsidy

Capital grants.

5. To whom and how the subsidy is provided

- SMEs based in Scotland are eligible to apply to install biomass boilers for the production of heat.
- Private householders are not eligible.
- Funding cannot be given out retrospectively under any circumstances.
- Average subsidy per unit = £70,000.

6. Total amount budgeted (in millions of £)

2009 £1.75 million
2010 £1.75 million

7. Duration of programme

The scheme was officially opened to applications on 19 December 2008 and closed for applications in September 2010. Payments are scheduled to end by 31 March 2011.

8. Assessment of trade effects

It is too early to assess the impacts of the scheme.

XLII. SE – BROADBAND FOR SCOTLAND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To provide broadband to 100 per cent known demand of premises located too far from their telephone exchange to receive a broadband service.

3. Background and authority for the scheme

Following demand side intervention during 2003-2004 and a supply-side intervention in 2005 which collectively took broadband coverage to over 99 per cent, a further supply-side intervention was deemed necessary to close the gap on basic broadband coverage and address 100 per cent of known demand. None of the beneficiaries of the new intervention were provided with broadband during the 2005 supply-side intervention.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

To the project supplier – Avanti Communications, following receipt of monthly invoices in arrears during the rollout period of the project. Avanti Communications was paid a pre-set fee (dependent on technology solution) per premises connected in the project.

6. Total amount budgeted (in millions of £)

2009 £1.902
2010 £0.114

7. Duration of programme

5 years.

8. Assessment of trade effects

No displacement of trade as programme delivered broadband in economically unviable areas of Scotland.

XLIII. SE – HIE GENERAL BLOCK EXEMPTION SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Highlands & Islands Enterprise (HIE) is a regional development agency for a region that is lacking in development relative to the EU average. The primary policy objectives are to grow the businesses and social enterprises and develop communities, resulting in an increase in Gross Value Added to the Scottish economy. Economic growth will be sustainable, and objectives include creating the conditions to become a low–carbon region (significantly reduced emissions of greenhouse gases).

The scheme provides the following types of State aid:

- Capital investment for start-up and expansion
- Early years start-up funding for SMEs
- Investment in exceeding existing environmental standards and early adoption of proposed new environmental standards
- Additional costs of energy saving measures and high efficiency co-generation of electricity and heat
- Generation of renewable energy
- Studies into environmental effects of renewable energy and energy saving
- For SMEs only, External consultancy and attending trade fairs
- Training
- Property development to provide industrial premises where market failure exists

3. 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).

4. Form of the subsidy

Grants & Loans.

5. To whom and how the subsidy is provided

Subsidies are provided after appraisal of a business plan to support firms of all sizes. Some measures are only provided to Small and Medium sized firms (according to the EU definition of an SME) and some measures provide aid to both large and small firms, usually at higher grant rates for SMEs than for larger firms. Firms must be undertaking new development in the qualifying area (The Highlands & Islands region of Scotland). Subsidies are offered to the minimum extent necessary for the project to proceed, must contribute to the regional development policies and must be eligible under EU State aid procedures.

6. Total amount budgeted (in millions of £)

2009 £4.3
2010 £3.0

7. Duration of programme

1 January 2009 to 31 December 2013.

8. Assessment of trade effects

Subsidy levels conform to EU State aid Guidelines which control aid to levels anticipated to restrict trade distortion to levels acceptable under EU and WTO State aid agreements which aim to achieve a positive balance in favour of development of the wider economy.

XLIV. SE – HIGHLAND OPPORTUNITY

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

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

3. Background and authority for the scheme

Section 48(4) of the Finance Act 1982.

4. Form of the subsidy

Loans in the range of £1,000-£50,000.

5. To whom and how the subsidy is provided

Loans, unsecured up to £50,000, are provided to SMEs for a term of up to 7 years at an interest rate of 5 per cent.

6. Total amount budgeted (in millions of £)

2009 £0.60m
2010 £0.60m

7. Duration of programme

Open-ended.

8. Assessment of trade effects

The number of SMEs assisted during 2010 was 27 with an average loan of £22,222. 210 jobs were created or sustained.

XLV. SE – REGIONAL SELECTIVE ASSISTANCE SCOTLAND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objective is to support regional development through new investment projects and job creation in Assisted Areas.

3. Background and authority for the subsidy

Enterprise and New Towns (Scotland) Act 1990, as amended 1 April 2001, by Scottish Statutory Instrument 2001 No. 126.

Powers to offer RSA in Tier 1 and Tier 2 areas are under section 7 of the Industrial Development Act 1982 and Article 13 of the EC General Block Exemption Regulation (EC) No 800/2008.

4. Form of the subsidy

Grant support for capital expenditure on tangible assets- land, site preparation, buildings, plant and machinery, and also intangible assets (patents and know-how costs). Aid can also be given for the wage costs of newly created jobs linked to investment. Aid is subject to maximum limits dependent on the location of the supported company.

5. To whom and how the subsidy is provided

Aid is provided to SMEs and non-SMEs located within Assisted Areas. Applicants must submit an application for assistance to SE before work on the project or activity has started, and the application must be approved in writing before work can commence on the project. Where the applicant is a large company, additional conditions will be applied to ensure that the aid has an incentive effect.

6. Total amount budgeted

2009 £ 22.187M
2010 £ 32.994M

7. Duration of the programme

To 31 December 2013.

8. Assessment of trade effects

Potential recipients potentially participate in trade between Member States. The scheme is therefore regarded by the Commission as affecting trade. The aid is regarded as compatible with the Treaty as it has the objective of regional development and is in accordance with the guidelines on regional aid and the General Block Exemption Regulation.

XLVI. SE – RESEARCH AND DEVELOPMENT INNOVATION SCHEME FOR SMES

1. Period covered by the notification

2009 and 2010.

2. 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 and averaged 71 per cent in 2000 – 2002 on a comparable basis of 15 EU Member States).

(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.

3. 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).

4. Form of the subsidy

Grants.

5. 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.

6. Total amount of grant payments

2009 £ 0
2010 £ 0.306

7. Duration of programme

To 31 December 2011 - Closed for new cases 1 January 2009.

8. 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). Virtually all companies assisted trade on the UK market only.

XLVII. SE – SCOTTISH ENTERPRISE BUSINESS SUPPORT SCHEME 2009-2013

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objective is to support business development primarily for SMEs. Fields covered include management, finance, new technology, e-commerce, protection of intellectual property rights, assessing feasibility of new ventures, environmental protection; participation in trade fairs and exhibitions; studies relating to investment decisions on environmental protection, energy saving measures and energy from renewable energy sources; purchase of specific dedicated capital equipment and/or assets related to a development project and which are additional to the SME.

3. Background and authority for the scheme

The legal basis for the scheme is the European Communities Act 1972 and the Enterprise and New Towns (Scotland) Act 1990, as amended 1 April 2001, by Scottish Statutory Instrument 2001 No. 126. The scheme operates under the European Commission's General Block Exemption Regulation (GBER) and the scheme reference number is X43/2009.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

To companies who apply to Scottish Enterprise for support under a number of grant products. Applicants must submit an application for assistance to SE before work on the project or activity has started, and the application must be approved in writing before work can commence on the project. Where the applicant is a large company, additional conditions will be applied to ensure that the aid has an incentive effect.

6. Total amount budgeted (in millions of £)

2009	£10.182
2010	£10.011

7. Duration of programme

To 31 December 2013.

8. Assessment of trade effects

Potential recipients potentially participate in trade between Member States. The scheme is therefore regarded by the Commission as affecting trade. The aid is regarded as compatible with the Treaty as its objectives concur with the General Block Exemption Regulation.

XLVIII. SE – SCOTTISH ENTERPRISE TRAINING SCHEME 2009-13

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To assist companies to carry out workforce training in support of their business development needs.

3. Background and authority for the subsidy

The Enterprise and New Towns (Scotland) Act 1990, as amended 1 April 2001, by Scottish Statutory Instrument 2001 No. 126 - The scheme operates under the European Commission's General Block Exemption Regulation (GBER) and the scheme reference number is X47/2009.

4. Form of the subsidy

Grants or access to training programmes procured by SE.

5. To whom and how the subsidy is provided

To companies, SMEs and non-SMEs. Applicants must submit an application for assistance to SE before work on the project or activity has started, and the application must be approved in writing before work can commence on the project. Where the applicant is a large company, additional conditions will be applied to ensure that the aid has an incentive effect.

6. Total amount budgeted

2009 £5.133M
2010 £3.306M

7. Duration of the programme

To 31 December 2013.

8. Assessment of trade effects

Potential recipients potentially participate in trade between Member States. The scheme is therefore regarded by the Commission as affecting trade. The aid is regarded as compatible with the Treaty as its objectives concur with the General Block Exemption Regulation.

XLIX. SE – SCOTTISH INVESTMENT FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To build capacity, capability and financial sustainability in the third sector; ensuring a strong and active third sector reaches his potential and makes a key contribution to the national outcomes of the Scottish Government. To achieve this objective the fund will support enterprise in the third sector through investment in individual organisations supported by integral business support and management development. Investment in outcomes linked to the purpose of the Scottish Government in creating a more successful country, with opportunities for all through increasing sustainable economic growth. Organisational capacity development - not project funding - in order to create a more financially sustainable, enterprising and business-like third sector; increasing the turnover of the social economy and reducing long-term dependence on grants and contributing to better public services by making the third sector more able to deliver effective, evidence-based and innovative services.

3. Background and authority for the scheme

Scottish Investment Fund – Investment Strategy, Scottish Government, June 2008.

4. Form of the subsidy

The fund is managed by Social Investment Scotland (SIS) on behalf of the Scottish Government and provides assistance to third sector organisations in the form of grants and loans from the fund.

5. To whom and how the subsidy is provided

This fund invests a mixture of debt, non-repayable strategic investment and risk capital to established social enterprises. The minimum investment is £100,000 and the maximum £1m.

6. Total amount budgeted (in millions of £)

2009 £9.54m
2010 £14.06m

7. Duration of programme

31 March 2011, although there is a possibility that the programme will be extended for a further year to 31 March 2012.

8. Assessment of trade effects

Nil.

L. SE – SCOTTISH LOCAL AUTHORITIES - SUPPORT FOR REGIONAL, SME INVESTMENT AND EMPLOYMENT AID

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To promote business start up and development.

3. Background and authority for the scheme

Section 20 of the Local Government Act 2003 and Articles 13, 14 & 15 of the EC General Block Exemption Regulation (EC) No 800/2008 and the scheme reference number is X159/2008.

4. Form of the subsidy

Grants of up to 40 per cent towards expenditure on tangible assets.

5. To whom and how the subsidy is provided/committed

Provided to new or expanding SMEs in the form of grant towards capital expenditure as defined within compliant scheme of assistance.

6. Total amount budgeted (in millions of £)

2009 £2.041M
2010 £2.162M

7. Duration of programme

2007-2010.

8. Assessment of trade effects

No impact on trade between regions or Member States.

LI. SE – SCOTTISH PROPERTY SUPPORT SCHEME 2009-2013

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The implementing bodies have a number of statutory functions including furthering the development of Scotland's economy. The purpose of the Scottish Property Support Scheme is to support the development of premises and buildings for commercial purposes by the private sector. Such development can involve the construction of new buildings and/or the renovation and conversion of existing ones.

This support will be provided in situations where there is, in the view of the implementing bodies, a market failure. Examples of such market failures are situations where the estimated development costs of the property exceed its estimated end market value or where risk aversion and uncertainty in forecasting project outcomes prevents property development.

Using various instruments the implementing bodies will at their discretion provide an amount of aid that is the minimum necessary for selected property development projects to go ahead, with the maximum aid intensities as determined by the relevant State aid regulations.

3. Background and authority for the subsidy

Enterprise and New Towns (Scotland) Act 1990, as amended 1 April 2001, by Scottish Statutory Instrument 2001 No. 126.

4. Form of the subsidy

Development grants, subsidised loans, interest rebates, development financing aid (grants, rental guarantees), loan guarantees, joint venture finance, development services.

5. To whom and how the subsidy is provided

Projects can be launched at the initiative of the granting authorities themselves if they own a site and wish to see it developed. Developers would normally be sought by public tender, with the bid requiring the lowest subsidy and meeting the qualitative criteria being selected. Projects may also be brought to the funding authorities by the property developers, in which case an assessment would be made of new economic benefits compared with cost, the need for public sector intervention established, and the minimum level and intensity of aid calculated. The recipients may be property developers or end-users. Grants are only provided for initial investment as described in the guidelines on regional aid, and maximum aid intensities are applied in Assisted and non-Assisted areas as per the regional aid map. Out with Assisted Areas, support is restricted to SMEs.

6. Total amount budgeted

2009 £0.212M
2010 £0.194M

7. Duration of the programme

To 31 December 2013.

8. Assessment of trade effects

Potential recipients – property developers and occupiers – all potentially participate in trade between Member States. The scheme is therefore regarded by the Commission as affecting trade. The aid is regarded as compatible with the Treaty as it has the objective of regional development and is in accordance with the guidelines on regional aid and the General Block Exemption Regulation.

LII. SE – SCOTTISH RESEARCH, DEVELOPMENT AND INNOVATION SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The principal objective of the scheme is to encourage enterprises in Scotland to undertake innovative research and technological development with commercial potential in order to stimulate growth, strengthen competitiveness, and boost employment in Scotland. It aims to provide an incentive for enterprises to undertake research, development and innovation (R&D&I) activities in addition to their existing R&D&I activities and to encourage enterprises that are not currently doing so, to carry out R&D&I.

3. Background and authority for the scheme

The legal basis for the scheme is the European Communities Act 1972 and the Enterprise and New Towns (Scotland) Act 1990, as amended 1 April 2001, by Scottish Statutory Instrument 2001 No. 126.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

To companies who apply to Scottish Enterprise for support under a number of grant products. Applicants must submit an application for assistance to SE before work on the project or activity has started, and the application must be approved in writing before work can commence on the project. Where the applicant is a large company, additional conditions will be applied to ensure that the aid has an incentive effect. The scheme will permit the granting authorities to assist enterprises (in isolation or in collaboration with other industrial partners and/or public or private research base organisations) to carry out innovation, research and development (R&D&I) projects falling under a range of categories:

- Aid for R&D Projects
- Aid for Technical Feasibility Studies
- Aid for Industrial Property Rights Costs for SMEs
- Aid for Young Innovative Enterprises
- Aid for Process and Organisational Innovation in Services Activities
- Aid for Innovation Advisory Services and Innovation Support Services for SMEs
- Aid for the Loan of Highly Qualified Personnel for SMEs

6. Total amount budgeted (in millions of £)

2009 £17.100
2010 £20.457

7. Duration of programme

To 31 December 2013.

8. Assessment of trade effects

Potential recipients potentially participate in trade between Member States. The scheme is therefore regarded by the Commission as affecting trade. The aid is regarded as compatible with the Treaty as its objectives concur with the R&D&I Framework.

LIII. SE – TOWN CENTRE REGENERATION FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To support the regeneration of town centres and local high streets across Scotland through strategic capital investment.

3. Background and authority for the scheme

Section 126 of the Housing Grants, Construction and Regeneration Act 1996 - The scheme operates under the European Commission's General Block Exemption Regulation (GBER) and the scheme reference number is X607/2009.

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

Businesses and organisations undertaking projects to improve the offer and attractiveness of town centres and local high streets.

6. Total amount budgeted (in millions of £)

2009/10 - £60m total budget

So far - £0.550 was spent.

7. Duration of programme

2009/10 - this was a one year capital only fund.

8. Assessment of trade effects

The greatest majority of TCRF projects were undertaken by local authorities, followed by community groups. In one instance, a local SME business secured funds to build and fit out a children's soft play area project.

The business report that they have taken a derelict town centre site and redeveloped it into a major community attraction, drawing people from outlying areas back into their town centre. The soft play area opened its doors to the public on 3 November 2010.

LIV. SE – WAVE AND TIDAL ENERGY SUPPORT

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Aim of the Scheme is to provide grants to businesses to support the installation and commissioning/deployment of pre-commercial wave and tidal electricity generating devices at the European Marine Energy Centre. Scheme also supports components of projects requiring testing at EMEC e.g. mooring systems, foundation installation systems etc. that will lead to reduced project cost and/or improved operation and maintenance for the industry.

Key objectives

- To support the early development of wave and tidal technologies that need to complete pre-competitive R&D through deployment and demonstration in Scotland;

- To capture key data on the resource, costs (construction, installation, commissioning, operational and maintenance) and energy performance and revenue;

- To produce in a clear, transparent and unambiguous report, an economic evaluation of all projects supported by the scheme, whilst maintaining the confidentiality of commercially sensitive information;

- To promote the development of a diverse renewables supply;

- To secure the increased learning benefits and cost reductions from the initial deployment of these devices; and

- To increase carbon savings in line with the Scottish Ministers' commitment as set out in 'Changing our Ways: Scotland's Climate Change Programme' published in 2006.

3. Background and authority for the scheme

The Scheme operates under the Scottish Government Sciences & Technology Act, 1965. State Aid approval for the scheme is via UK approval N504/2000 Renewables Obligations and Capital Grants for Renewable Technologies, and UK approval - N318/2005 Wave and Tidal Stream Energy Demonstration.

4. Form of the subsidy

Grant support.

5. To whom and how the subsidy is provided

The grants are paid to wave and tidal energy developers. Payable at a maximum of 40 per cent of the total costs and paid in arrears upon completion of agreed milestones.

6. Total amount budgeted (in millions of £)

2010 £3 million.

7. Duration of programme

To 30 June 2011.

8. Assessment of trade effects

Nil.

LV. SE – WESTERN ISLES BUSINESS SUPPORT SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

To provide support to new and existing businesses and social enterprises.

3. Background and authority for the scheme

This Scheme (Business Support Scheme Reference Number : X 151/2008) is operated under the European Commission General Block Exemption Regulation (EC) No 800/2008 (Articles 13, 14, 15, 26, 27), Local Government Scotland Act 2003 and the European Communities Act 1972.

4. Form of the subsidy

Micro Business Loan – Soft Loan – up to £2,000 (interest-free).
Business loan - Soft Loan – up to £10,000 (4% interest).
Business loan - Soft Loan – up to £50,000 (4% & 6% interest).
Micro Business Grant – up to 50% of eligible costs, up to £5,000.

5. To whom and how the subsidy is provided

New and Existing Businesses / Social Enterprises.

6. Total amount budgeted (in millions of £)

2009 £0.078M (actual loan/grant amount)
2010 £0.132M (actual loan/grant amount)

2009 £0.010M (cash grant Equivalent)
2010 £0.014M (cash grant Equivalent)

7. Duration of programme

Unlimited.

8. Assessment of trade effects

State aid test completed for each application - no trade effects.

LVI. THE ENERGY TECHNOLOGIES INSTITUTE (ETI)

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objective of the ETI is to accelerate the development, demonstration and commercial deployment of energy technologies in order to increase energy efficiency, reduce greenhouse gas emission and help achieve energy and climate change goals. The measure aims at coordinating R&D efforts by the state and the industry and addressing the barriers to effective deployment of new energy technologies in the UK.

3. Background and authority for the scheme

The legal basis is Section 2 or 5 of the Science and Technology Act 1965, Section 5(2)(a)

Regional Development Agencies Act 1998, the Engineering and Physical Science Research Council Royal Charter and the Technology Strategy Board Royal Charter.

4. Form of the subsidy

Direct grant.

5. To whom and how the subsidy is provided

ETI members and project participants via the ETI on either a capped actual cost basis or agreed fixed price for milestones achieved. The ETI is funded on a 50:50 basis private/public.

6. Total amount budgeted (in millions of £)

Actual Spend in period (public funding)

2009 £5.2m
2010 £11.1m

Contractually committed spend (public funding)

2009 £12.3m
2010 £11.7m

7. Duration of programme

Currently 26 projects projected to December 2017.

8. Assessment of trade effects

Each project is reviewed so as to establish the incentive effect of state aid. The categories for all ETI projects receiving public funding are:

- Increase in R&D scope;
- Increase in speed;
- Increase in total amount spent on R&D&I;
- Increase in R&D human capital.

LVII. VACCINES RESEARCH RELIEF

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The objective of Vaccines Research Relief (VRR) is to encourage companies to increase research spending into specified diseases. Because demand for drugs and vaccines to treat diseases which mostly affect people in poorer countries is low compared with demand for medicines for people in affluent countries, there is less incentive for pharmaceutical companies to devote resources to these diseases. Vaccines research relief is therefore not primarily aimed at boosting UK productivity, though there may be some incidental benefits.

3. Background and authority for the subsidy

VRR was introduced in 2002, but took effect for expenditure from April 2003. It was not formally consulted on, however it used the already successful model of research and development tax credits for small or medium-sized enterprises, and so the basic architecture of the scheme was already well known to companies.

It was notified to the European Commission as a State aid and approved by them under reference N228/02. Amendments have been notified and approved under references N245/2003 (on 4 September 2003), N293/2004 (on 6 December 2004) and N34/2007 (on 15 January 2007).

Legislation governing the scheme was introduced in the Finance Act 2002 (Schedules 13 and 14) with effect from 15 April 2003. The VRR scheme was subsequently amended in the Finance Act 2003 (Schedule 31), the Finance Act 2004 (section 141), the Finance Act 2007 (Section 49) and the Finance Act 2008 (Section 30). The legislation was rewritten in clearer language, but not amended in substance, in the Corporation Tax Act 2009 (CTA 2009). It is now in Chapter 7 of Part 13 of CTA 2009.

4. Form of the subsidy

Tax relief (see below).

5. To whom and how the subsidy is provided

The incentive is given as an increased tax relief for certain spending on R&D into vaccines or drugs for the prevention or treatment of specified diseases. The diseases specified are HIV/AIDS, tuberculosis and malaria. The scheme differs for small or medium-sized companies (SMEs) and other companies. Both SMEs and non-SMEs are able to claim relief equal to 40 per cent (for expenditure on or after 1 August 2008, previously 50 per cent) of their qualifying R&D expenditure as an enhancement to the general deduction that they would otherwise get for R&D spending. However, loss making SMEs are further entitled to claim a payable credit from the Government equal to 16 per cent of the enhanced relief for spending on the specified diseases (although they must then give up the enhanced relief claim).

Taking as an example a SME company in profit paying tax at the 2011 small companies' rate (20 per cent), the company would be entitled to claim the normal R&D tax credit of 175 per cent and then on top of this a further 40 per cent for qualifying spending on R&D into the specified diseases. Thus for £100 of qualifying spending it would receive £20 of general tax relief available to all companies, £15 of enhanced tax relief under the R&D tax credit scheme for SMEs and a further £8 of enhanced tax relief under the VRR scheme. If this same company was loss making it would claim up to £24.50 of repayable tax credit under the general R&D tax credit for SMEs scheme and up to £6.40 of tax credit under the VRR scheme.

As with the SME R&D tax credit scheme, the amount surrenderable for a cash repayment is limited to the lower of:

- The proportion of the unrelieved loss attributable to the qualifying VRR expenditure; and

- the gross employment and social security taxes (Pay-As-You-Earn tax and National Insurance Contributions, including equivalent contributions in other EEA states) paid by the company for the period of the claim.

The availability of VRR to a company is subject to the following criteria:

(a) the qualifying expenditure for the VRR 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 or transformable materials used directly in the R&D activity; plus

  - the cost of computer software, power, water and fuel used directly in the R&D activity; plus

  - contributions to independent research carried out by a charity, university or scientific research organization (only for expenditure incurred before 1 August 2008); plus

- if the company subcontracts all or part of the R&D then 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 it incurs within the above categories (except any contributions to independent research). This latter rule is the only option where the principle and subcontractor are connected; plus

- if the company subcontracts all or part of the R&D to a charity, university or scientific research organisation then the whole sub-contract expenditure qualifies for relief.

(b) the qualifying expenditure must exceed a threshold minimum. This is set at an annualised rate of £10,000 a year. Spending at or above £10,000 qualifies for VRR in full. No VRR is available if the spending does not meet this threshold;

(c) VRR is not 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;

(d) VRR is only available to SME companies if they are going concerns;

(e) A large company receiving VRR must provide a declaration of the incentive effect of the relief;

(f) There is a cap of €7.5m on the total amount of R&D tax credit and vaccine research relief that can be claimed in respect of any particular R&D project.

R&D spending by joint ventures and consortia will be eligible for VRR, but only insofar as the tax credit can be limited to companies.

6. Total amount budgeted

Estimates of the number of claims made for R&D tax credits and the cost of support claimed are published as National Statistics on the HM Revenue and Customs website, broken down by type of scheme. The latest figures were published in October 2010 and cover years up to 2008-09. The statistical tables, including background information, can be found at: http://www.hmrc.gov.uk/stats/corporate_tax/randdtcmenu.htm

The expected costs of R&D tax credits for all companies in 2009-10 and 2010-11 are also published on the HM Revenue and Customs web site at: http://www.hmrc.gov.uk/stats/tax_expenditures/table1-5.pdf

The expected cost of the VRR scheme is estimated to be less than £1 million in each of 2007-08 and 2008-09. It should be noted that these are forecast estimates and the actual cost of support will depend on the claims actually made by companies relating to those years.

7. Duration of the programme

The notification to the European Commission limited the scheme covered by the notification to ten years. This limit applies to new projects and not to taxpayers in respect of tax relief for relevant R&D commenced within this period. Once a taxpayer had embarked on the project that is eligible for tax relief, it would be entitled to the relief for the remainder of the project.

8. Assessment of trade effects

No assessment of the impact of the VRR scheme is currently available. The aim of the VRR scheme is to increase R&D expenditure into vaccines for certain diseases. There is no territorial limit to R&D qualifying for tax credits, but the incentive does operate by reducing UK corporation tax, so there may be some impact on decisions to locate R&D. The small scale of the relief, however, suggests that any such impact is likely to be small.

LVIII. WASTE RESEARCH AND INNOVATION PROGRAMME AND WASTE DEMONSTRATOR PROGRAMME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The focus of the scheme is:

- To facilitate the development and implementation of new technologies for treating the biodegradable fraction of municipal solid waste, where these have yet to be proved to be technically and commercially viable in the UK. As a consequence, it would reduce the amount of biodegradable waste disposed of to landfill in England;

- to encourage the development of technology, which reduces the costs and environmental impact of waste management;

- to promote the implementation of new technology that can recover and recycle material rather than merely stabilises it.

The scheme addresses the lack of R&D funding for new technology in England and aims to develop better, faster and cheaper ways of treating biodegradable municipal waste and other waste streams. It should put the United Kingdom closer to the course required to achieve the Landfill Directive targets.

3. Background and authority for the subsidy

The UK faces challenging targets to meet the EC Landfill Directive requirements for limiting the disposal of biodegradable wastes to landfill and increasing the rates of recovery and re-use of wastes. The legal basis of this programme is head (1) of section 153(1) of the Environmental Protection Act 1990, according to which: "The Secretary of State may, with the consent of the Treasury, give financial assistance to, or for the purposes of […] (l) the environmental protection technology scheme for research and development in the United Kingdom in relation to such technology."

4. Form of the subsidy

The subsidy will take two forms:

The grant aid instrument: the same Advisory Committee as the one assessing the bids under WRIP will assess a short outline summary of the projects, including details of the technology, time-scales, funding requirements and outcomes, and will submit its recommendations to DEFRA.

Following a decision by DEFRA based on the advice of the Committee, successful bids will be worked up into full-scale proposals. Full scale proposals will be reviewed externally by at least three members of the Committee and a final decision will be taken by DEFRA.

All projects will be subject to audit on completion to ensure public funds had been spent in strict accordance with the contract.

A programme management contractor will manage the WDP. This contractor will be appointed by competitive tender following normal procurement rules and will be advertised in the OJEC. The contractor will report to DEFRA including compliance with state aid rules and reporting requirements.

The co-investment instrument: the co-investment aid would only be available to private companies or suitable consortia, which would be able to quickly take forward a demonstration project to a profitable commercial activity and where, because of the perceived risk of the technologies, the projects would be unable to proceed without such finance to help lever manufacturers and suppliers. This aid approach would be targeted at high risk projects which if successful would have a large market potential, which can be quickly exploited. The aim of this instrument is to help attract private sector investment in the projects. The criteria for co-investment projects would include: a clear business plan which identifies the market potential and anticipated financial returns from successfully commercialising the technology to be demonstrated; confirmation of how the intellectual property rights of the project will be protected; financial viability including confirmation of other sources of investment income; an agreed timetable and threshold for repayment of the investment made by the programme.

5. To whom and how the subsidy is provided

Bids will be accepted from companies, universities and research establishments without restriction on the size of beneficiaries. The scheme is being run on a general basis but, because of the nature of the scheme, waste management companies, their equipment suppliers and local authorities are expected to be a significant percentage of those making use of the scheme. Projects involving cooperation between firms, universities and research institutes will also be eligible, but there are no special terms for such bids. The final award decision will be taken by the Department of the Environment, Food and Rural Affairs ("DEFRA") on the basis of the advice received from the Committee. Funds would be paid in accordance with a contract on the basis of achieving key milestones.

6. Total amount budgeted (in millions of £)

2009 £0.8
2010 £0.06

7. Duration of the programme

Waste Research & Innovation Scheme is for duration of three years. The Waste Demonstrator Programme runs until 2009. The scheme ended 31 March 2010.

8. Assessment of trade effects

The Waste Demonstrator Programme's research findings will be disseminated through case studies written about the projects in all cases. Site visits by end user decision-makers will also be organized. The associated Data Centre will also assure access for the general public to information and data on the projects. The Waste Research and Innovation Programme will ensure that findings will be widely disseminated through the research and waste communities, including articles in technical journals and other publications and conferences. The associated Data Centre will also assure access for the general public to information and data on the projects.

LIX. WAG – CAPITAL INVESTMENT AID AND EMPLOYMENT AID

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The aims of the Scheme are to allow the Welsh Assembly Government to:

- assist with the development of the most disadvantaged regions in Wales by supporting sustainable investment, job creation and safeguarding employment;
- help address regional imbalances within Wales and between Wales and the rest of the UK;
- help address market failures such as commercial property investment ;
- help to offset the difficulty that SMEs have obtaining capital investment and employment aid given the risk-averse nature of certain financial markets and the limited collateral that SMEs may be able to offer.

3. Background and authority for the scheme

The scheme will be open to all enterprises in Wales. All aid awarded under the Scheme will be transparent and in line with criteria set out in the General Block Exemption Regulation.

Legal: Powers of the Welsh Ministers which allow the Welsh Assembly Government to support enterprises under the Scheme are contained in:

- the Welsh Development Agency Act 1975 (section 1) (as amended); and
- the Housing Grants, Construction and Regeneration Act 1996 (section 126)
- The Industrial Development Act 1982

The legislation which gives effect to EC Law in Wales is:

- the European Communities Act (1972) (section 2(1)); and
- the Government of Wales Act (section 80).

4. Form of the subsidy

Grants.

5. To whom and how the subsidy is provided

Companies undertaking capital investment, through payment of grants on achievement of agreed capital expenditure, job creation and job safeguarding triggers.

6. Total amount budgeted (in millions of £)

2009 £47.407M
2010 £67.122M

7. Duration of programme

1 January 2009 to 31 December 2013.

8. Assessment of trade effects

Information on the safeguarding/creation of jobs and private sector investment is collected during the lifetime of the project and upon completion.

LX. WAG – FINANCE WALES JEREMIE FUND

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

Horizontal scheme aimed at the provision of risk capital support to Small and medium sized enterprises(SMEs) in Wales.

3. Background and authority for the scheme

Investment would only be permitted in viable enterprises located in Wales that fall within the EU definition of SMEs and which are not in difficulty (in line with the Commission's definition of a firm in difficulty). Investing in AIM/Ofex-quoted firms would be ineligible.

No investment would take place in companies active in the following industries – shipbuilding (as defined in the Framework on State aid to Shipbuilding, OJ C317, 30.12.2003 p11-14), coal (high, medium and low grade category A and B within the meaning of the internal codification system for coal laid down by the UN Economic Commission for Europe) and steel (as defined in Annex I in the guidelines on National Regional Aid for 2007-2013, OJ C 54, 04.03.2006 p13-45).

Legal: Section 60 of the Government of Wales Act 2006 and section 1 of the Welsh Development Agency Act 1975.

4. Form of the subsidy

Both loan and equity instruments are utilised in providing investment finance to businesses to facilitate expansion and growth.

5. To whom and how the subsidy is provided

The investments are made into SMEs by way of one-off or staged payments.

6. Total amount budgeted (in millions of £)

2009 £19m
2010 £29m

7. Duration of programme

The investment phase of the scheme is designed to run from April 2009 until March 2014.

8. Assessment of trade effects

The most appropriate measure of the effect on trade is by recognition of the private finance leveraged alongside these investments, the gross sum (leverage plus direct investment) representing growth in the supply of capital in the economy that would otherwise not have occurred.

LXI. WAG – RESEARCH, DEVELOPMENT AND INNOVATION SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The overall aim of the scheme is to support research, development and innovation (hereinafter R&D&I) activities in companies.

One of the principal objectives of the scheme is to stimulate R&D and innovation activity and encourage best practice throughout business, foster the creation and development of innovative business starts up, help businesses develop innovative products, processes and technologies and internationally tradable services with commercial potential.

Another key objective of the schemes is focused on addressing the need to encourage collaboration and effective co-operation between companies and research organisations including higher education institutions to raise both the level and the quality of commercially relevant R&D activity.

The scheme will help boost the levels of R&D expenditure in businesses and higher education and increase the number of businesses performing effective R&D&I and the number of businesses participating in R&D&I for the first time.

3. Background and authority for the scheme

The Scheme will be open to enterprises of all sizes as well as research organisations and not-for- profit innovation intermediaries (such as technology centres, incubators and chambers of commerce) in Wales or those who plan to establish a business in Wales.

Large enterprises as well as SMEs may apply for aid under the Scheme, subject to the eligibility restrictions identified in relation to the individual measures to be supported under the Scheme.

The Scheme also provides funding for R&D&I projects implemented by research organisations. Funding can be granted for economic and/or non-economic activities of research organisations although the primary objective of this element of support will be directed towards their non economic activities.

Where research organisations are engaged in economic activities, the research organisations will be treated as enterprises and the aid granting conditions will be the same as those applicable to enterprises.

All aid awarded under the Scheme will be transparent and in line with criteria set out in the General Block Exemption Regulation. The Scheme is not sector specific.

Legal: Powers of the Welsh Ministers which allow the Welsh Assembly Government to support organisations under the Scheme are contained in:

- the Welsh Development Agency Act 1975 (section 1) (as amended);

The legislation which gives effect to EC Law in Wales is:

- the European Communities Act (1972) (section 2(1)); and
- the Government of Wales Act 2006 (section 80).

4. Form of the subsidy

Grant.

5. To whom and how the subsidy is provided

Companies through grant payments.

6. Total amount budgeted (in millions of £)

2009 £9.544M
2010 £5.991M

7. Duration of programme

1 January 2009 to 31 December 2013.

8. Assessment of trade effects

Information on the safeguarding/creation of jobs and private sector investment in innovation and research and development is collected upon completion of the project.

LXII. WAG – SUPPORT FOR TRAINING SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The aim of the Scheme is to allow the Welsh Assembly Government to provide support to enterprises in Wales to actively encourage them to invest in training. The scheme is made available to businesses to stimulate demand for learning and skills development which will have a direct impact on the performance of a particular business, and in turn, make a contribution to the economic success of Wales.

3. Background and authority for the scheme

In principle the Scheme will be open to all enterprises in Wales, although in line with Welsh Assembly Government policy focus some elements will only be open to SMEs, or certain targeted sectors.

All aid awarded under the Scheme will be transparent and in line with criteria set out in the General Block Exemption Regulation. The scheme reference number is X1/2009.

Legal: Powers of the Welsh Ministers which allow the Welsh Assembly Government to provide training support under this Scheme are contained in:

- the Learning and Skills Act 2000 (Section 34)
- the Education Act 2002 (Section 14)

The legislation which gives effect to EC Law in Wales is:

- the European Communities Act (1972) (section 2 (1))
- the Government of Wales Act 2006 (section 80)

4. Form of the subsidy

The form of the subsidy was a financial contribution towards the training costs of enterprises in training their staff (workforce development), for companies taking on people who had been made redundant (via REACT initiative), to safeguard jobs and improve workforce skills during the economic downturn (PROACT initiative) and to generally improve the skills and competitiveness of the workforce (Workforce Development - Discretionary Funding Programme).

5. To whom and how the subsidy is provided

- The scheme provided subsidies to Large firms and SMEs, by way of financial subsidies towards the costs of workforce training.

- The Scheme at all times respected the GBER Training Aid limits and ceilings in doing so.

6. Total amount budgeted (in millions of £)

2009: £3.248M
2010: £3.392M

7. Duration of programme

To 31 December 2013.

8. Assessment of trade effects

The effect of the scheme was to generally improve competitiveness and productivity of the enterprises involved and to ensure enterprises remained competitive during the 2009-2010 economic downturn and recession, and improve their trading levels.

LXIII. WELSH LOCAL GOVERNMENT - CAPITAL INVESTMENT AND EMPLOYMENT AID

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The aim of the Scheme is to allow local authorities in Wales to provide support to enterprises in Wales. Aid may be awarded for the following purposes in support of investment or job creation:

- Supporting business start-ups
- Supporting SME investment and growth
- Supporting SME diversification
- Supporting SME adaptation to changing circumstances
- Supporting the conversion of business premises to meet modern requirements

The principles of the Scheme are in line with the guiding principles of the Commission's State Aid Action Plan to provide less and better targeted aid.

3. Background and authority for the scheme

The Scheme will be open to all SMEs in Wales excluding those active in the following sectors:

- Coal – enterprises which carry out an activity in connection with coal production where coal is defined as high, medium and low grade category A and B within the meaning of the internal codification system for coal laid down by the UN Economic Commission for Europe;

- Steel – enterprises which carry out activities related to the production of one or more of the following products: pig iron and ferro-alloys; crude and semi finished products of iron, ordinary steel or special steel; hot finished products of iron, ordinary steel or special steel; cold finished products and tubes as set out in Article 2 of the General Block Exemption Regulation;

- Synthetic fibres – enterprises which carry out any type of activity in connection with extrusion/texturisation of all generic types of fibre and yarn based on polyester, polyamide, acrylic or polypropylene irrespective of their end uses; or polymerisation (including polycondensation) where it is integrated with extrusion in terms of the machinery used; or any ancillary process linked to the contemporaneous installation of extrusion/texturisation capacity by the prospective beneficiary or by another company in the group to which it belongs and which, in the specific business activity concerned is normally integrated with such capacity in the terms of the machinery used;

- o Shipbuilding – enterprises involved in the building, repair or conversion of ships as covered by the Framework on State Aid to Shipbuilding Commission Regulation (EC) (2003/C 317/06);

- o Fisheries and aquaculture covered by Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products as amended by Regulation (EC) No 1759/2006;

  - The primary production of agricultural products (as defined in the General Block Exemption Regulation); or

  - The processing and marketing of agricultural products when (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the enterprise concerned or (2) the aid is conditional on being partly or entirely passed on to primary producers.

In addition, aid will not be allowed for the following activities:

- aid to export related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity; or

- aid contingent upon the use of domestic over imported goods.

- Aid may not be given where the proposed recipient of the aid is:

- subject to an outstanding order for the recovery of aid which has been declared by the Commission to be illegal and incompatible with the common market; or

- "a firm in difficulty" within the meaning of Chapter 2 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p.2).

Legal: Local Government Act 2000 C22 Part 1.

4. Form of the subsidy

Economic Development Grant.

5. To whom and how the subsidy is provided

To Businesses through grant payments.

6. Total amount budgeted (in millions of £)

2009 £0.728M
2010 £2.269M

7. Duration of programme

Aid under this scheme may be granted until 31 December 2013.

8. Assessment of trade effects

Information on job creation, enterprises financially supported, enterprises created and social enterprises financially supported is collected during the project life time.

LXIV. WELSH LOCAL GOVERNMENT - SME DEVELOPMENT SCHEME

1. Period covered by the notification

2009 and 2010.

2. Policy objectives

The aim of the Scheme is to allow local authorities in Wales to provide support to SMEs in Wales to actively promote additional consultancy activity and participation in trade fairs.

Local Authorities in Wales have a key role to play in supporting SMEs, thus contributing to securing a strong SME base to ensure that the economy of Wales grows and prospers in line with other Member States. In particular local authorities support business start-ups, SME investment and growth, SME diversification, SME adaptation to changing circumstances and support the conversion of business premises to meet modern requirements.

The principles of the Scheme are in line with the guiding principles of the Commission's State Aid Action Plan to provide less and better targeted aid.

3. Background and authority for the scheme

The Scheme will be open to all SMEs in Wales excluding those active in the following sectors:

- coal – SMEs which carry out an activity in connection with coal production where coal is defined as high, medium and low grade category A and B within the meaning of the internal codification system for coal laid down by the UN Economic Commission for Europe;

- fisheries and aquaculture - covered by Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products as amended by Regulation (EC) No 1759/2006;

- the primary production of agricultural products (as defined in the General Block Exemption Regulation); or

- the processing and marketing of agricultural products when (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the SME concerned or (2) the aid is conditional on being partly or entirely passed on to primary producers.

In addition, aid will not be allowed for the following activities:

- aid to export related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity; or

- aid contingent upon the use of domestic over imported goods.

Aid may not be given where the proposed recipient of the aid is:

- subject to an outstanding order for the recovery of aid which has been declared by the Commission to be illegal and incompatible with the common market; or

- "a firm in difficulty" within the meaning of Chapter 2 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p.2).

Legal: Local Government Act 2000 C22 Part 1

4. Form of the subsidy

Grants.

5. To whom and how the subsidy is provided

Direct payments to consultancy companies.

6. Total amount budgeted (in millions of £)

2009: £0
2010: £0.053

7. Duration of programme

Aid under this Scheme may be granted until 31 December 2013.

8. Assessment of trade effects

Information on the safeguarding/creation of jobs and private sector investment in innovation and research and development is collected upon completion of the project.

LXV. YORKSHIRE AND HUMBER - PROLONGATION OF YH R&D SCHEME FOR LARGE COMPANIES

1. Period covered by the notification

2009 to 2010.

2. Policy objectives

1) To raise the economic performance of large enterprises and associated SME supply chains within Yorkshire and Humber to contribute to their long term and sustainable advantage,

2) To encourage large enterprises within Yorkshire and Humber to undertake R&D.

3) To encourage increased collaboration between large enterprises in Yorkshire and Humber with 1) the knowledge base e.g. universities and 2) other large enterprises and SME supply chain companies.

3. Background and authority for the scheme

The scheme is operated by Yorkshire Forward as a response to low rates of R&D expenditure in the region.

4. Form of the subsidy

A grant against defrayed R&D expenditure.

5. To whom and how the subsidy is provided

Large companies in the Yorkshire and Humber region whose applications are assessed and approved and who have submitted claims against defrayed R&D expenditure.

6. Total amount budgeted (in millions of £)

2009	£4.84m
2010	£4.84m

7. Duration of programme

Five years to 31 December 2013.

8. Assessment of trade effects

To be evaluated.