



Commission des Iles ▶ Islands Commission ▶ Ö-kommissionen ▶ Επιτροπή των Νησιών

Comisión de las Islas ▶ Comissão das Ilhas ▶ Commissione delle Isole

Saarte Komisjon ▶ Kummissjoni ta'Gúejjer ▶ Ø Kommission

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NOTE ON THE MEETING BETWEEN COMMISSIONER ALMUNIA AND CPMR ISLANDS COMMISSION

On the 17th of February, a meeting took place in Brussels between Commissioner Almunia (Competition), and a CPMR Islands Commission delegation to discuss the possibility of a more flexible approach towards the islands in the State Aids rules, and in particular the post-2013 Regional Aids Guidelines.

Were present:

- Commissioner Almunia (Competition), Vice-President of the European Commission.
- Mrs. Jarosz-Friss (Cabinet of the Commissioner)
- Mr. Britton (DG COMP)
- Mr Ugo Cappellacci, President of CPMR Islands Commission, and President of Sardegna
- Mr. Mariani, Adviser to President Cappellacci
- Mr. Esteban Mas, Representative of the Balearic Islands in Brussels
- Mrs. Eleni Marianou, Secretary General of CPMR
- Mr. Jean-Didier Hache, Executive-Secretary of CPMR Islands Commission
- Mr. Enrico Mayrhofer, CPMR Press Officer.

Mrs. Marianou described the CPMR and its Islands Commission, as well as its purposes.

President Cappellacci introduced the debate by stating a number of political points upon which the islands' case rest, i.e:

- a) Article 174 of the Treaty recognizes the need to pay « special attention » to the situation of EU territories which are beset by permanent and severe geographic and demographic handicaps, amongst which the islands. Article 175 states that: “The formulation and implementation of the Union’s policies and actions and *the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement.*”

How, in the framework of the future EU Regional Aids Guidelines, and more broadly, in the provisions of the State Aids Regime, does the Commission intend to implement the provisions of Article 174 and 175?
- b) Islands combine accessibility problems with various size limitations (small size of market of proximity, lack of economies of scale, sometimes lack of certain natural resources...). The smaller and more remote the island, the more acute the problems. As a consequence, islands tend to be “markets apart”, to which competition rules applicable to large industries seem disproportionate.
- c) Islands undoubtedly have assets and opportunities, but to enable industries to seize them, public authorities often need to provide a degree of support. Such support should not be seen as a market distortion, but as establishing a “level-playing field” with mainland industries which have better accessibility, larger economies of scale, and a broader market of proximity.

- d) The European Court of Justice has repeatedly recalled that a discrimination “... consists in treating similar situations differently, and different situations similarly” (Finding of the Court of First Instance –fourth chamber-, 26 October 1993. Wagner Ruling Cases T-6/92 et T-52/92). Asking the Commission to show a degree of flexibility for the islands is not advocating discrimination, but in the reverse, to fight against it.

Mr Jean –Didier Hache then outlined the CPMR Islands Commission proposals regarding the Islands. This presentation was completed by examples of State Aids and Competition problems in the Islands provided by Mr Esteban Mas (case of the Balearic Islands), President Cappellacci (specific issue of maritime transport in Sardegna), and by Jean-Didier Hache (market limitations in the Scottish Islands).

Mr Hache started by underlining that islands, even though they had at times differences of opinion with the Commission, did not view State Aids and Competition policy rules in a negative way. Without such rules, there would be a “Law of the Jungle” situation where the islands, being poorer territories with a usually weaker economy, would certainly be the losers. The Commissioner readily agreed with this view.

The CPMR Islands Commission proposals were:

- a) That Island public bodies should be given minimal means of intervention to enable island businesses to meet the constraints arising from insularity, and to provide them with sufficient support to seize opportunities. Practically:
- A substantially increased « *de minimis* » ceiling for the islands was considered probably as the most simple and efficient instrument to meet such goal (e.g: increasing the *de minimis* from 200000€/years to 500.000€/3years)
 - All islands should be granted automatically 107.3c) status, as this is presently the case for very sparsely-populated areas irrespective of their unemployment or GDP (this is also being presently allowed for the very small islands, with a population <5000h). Practically, paragraph 30(e) of the RAG should be therefore extended to all Islands, and not limited to islands <5000 as under 30 (f)
 - Islands should also, like sparsely-populated areas, be allowed to apply non degressive and non limited working aids to cover the overcosts of transport (modification of point 81of RAG). The point was made that merely subsidizing sea or air transport operators was not enough to put island industries at par with their mainland counterparts, and that there were cases where additional support under the form of “working aids” to local businesses was justified .
- b) The Islands Commission also drew the Commissioner’s attention upon the fact that State Aids rules, including RAGs, are often insufficiently known or even misunderstood in the islands. A “pedagogic effort” associating the European Commission (including DG COMP, AGRI, MARE etc.), the Island authorities, and the Island Chambers of Commerce and Industry was suggested to explain the existing rules, to highlight the possibilities offered by the present regulation to address island issues, and to assess if these rules worked efficiently or not. This pedagogic effort could be undertaken through seminars and through the publication of a Vademecum tailored for island needs.

Mrs. Eleni Marianou also intervened to point out that many regions which were heavily dependent upon the public sector for their employment as well as for their GDP were going to be severely hit by the present cuts in public spending (a situation certainly not restricted to islands, but of serious concern to many of them). She noted that DG COMP who seemed well aware of the necessity to take the impact of the recession into account, was planning to use the years 2008 – 2010 as a statistical reference period, as well as considering the possibility of reassessing the situation in 2017. This position, she observed, was in contrast with DG REGIO’s more restrictive

proposals, and she expressed the hope that DG COMP could bring DG REGIO to share this approach.

Having stated from the onset that this meeting was an exchange of views and not a “negotiation”, Commissioner Almunia replied to these various proposals, and an open discussion took place with the participants. The main points of his reply were:

- That the various possibilities offered by State Aids regulations had to be looked into. In particular, the new rules regarding support for SGEI (Services of General Economic Interests) could do a lot to meet some of the islands’ needs. In that respect, the Commissioner recalled that its services were about to issue a new *de minimis* ceiling for support to SGEI.
- That, regarding *de minimis* in general, he agreed that small levels of aids were unlikely to distort competition, and that he was personally in favour of “moving” the existing *de minimis* ceiling.
- The Commissioner had a more cautious, though not outrightly negative, approach to the inclusion of all islands under the provisions article 107.3c). He stated that he wanted to have a clear assessment of which island regions would be concerned by such a measure, and what was the overall impact of such a measure in term of population.

Jean-Didier Hache replied that he would draft a paper outlining the situation of all concerned islands, and evaluating the impact in term of population and forward it to him and to his services. Mr. Hache pointed that the size of population was undoubtedly a key element in the difficulties facing an island, since the archipelagos and smaller islands had very limited markets, and little possibilities for economies of scale. Failing the automatic inclusion of all islands, which the CPMR was favoring, an alternative solution would be to address the issue under the angle of island NUTSIII areas, with the least populated NUTS III areas getting a higher ceiling of aid. He underlined that total population of the least-populated island NUTSIII areas was marginal in comparison with the whole EU.

- The Commissioner also expressed reservations about allowing working aids to islands to cover the overcosts of transport, because of the risk of market distortion. [*NOTE: It must be appreciated that, with the exception of certain areas like agriculture and fisheries, which have specific rules, de minimis aid can also be used to provide such support. Therefore an increase in the de minimis ceiling would meet that request at least in parts*].
- Regarding the lack of knowledge and understanding of Competition and State Aids rules, the Commissioner stated that he was well aware of that problem, which was not specific to islands. The Commissioner declared himself agreeable to cooperation between the Commission and CPMR to ensure that the existing rules and the possibilities offered by EU legislation were properly understood in the islands.

CONCLUSIONS:

- a) CPMR Islands Commission’s Executive Secretary will draft a paper summarizing the situation of all Island Regions with Regards to Article 107.3.c) coverage, and assessing the impact of the various options to extend this coverage beyond the limits of the existing legislation.
- b) CPMR Islands Commission will discuss with DG COMP possible ways of cooperating to implement the proposals regarding a better understanding of State Aids Rules in the Islands. However, this must be regarded as a medium term prospect, DG COMP being at the present time heavily involved in the drafting and negotiating of the new legislation.