



National Assembly for Wales
Cynulliad Cenedlaethol Cymru

Map of proposed Assisted Areas

On 10 July, the Department of Trade and Industry (DTI) published a map of proposed assisted areas in Great Britain for the period 2007-2013. The DTI also published its response to the earlier consultation on the criteria to be used for designating Assisted Areas. The map is used to determine areas where regional aid may be granted.

The proposed map is subject to a consultation period of four weeks, with responses to be received by the DTI by **7 August 2006**.

July 2006



Map of proposed Assisted Areas

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There are two levels of aid available, known as Article 87(3)(a) and Article 87(3)(c), after Articles of the European Union Treaty². West Wales and the Valleys will automatically qualify for the higher levels of aid under Article 87(3)(a). Parts of East Wales could be eligible under Article 87(3)(c). It is up to the UK Government to identify the areas that should qualify, within an overall ceiling set by the European Commission. The DTI has identified 52 Electoral Divisions in East Wales that it proposes should be eligible for Article 87(3)(c) aid. This compares with 39 Electoral Divisions in East Wales that currently qualify. However the distribution of the proposed areas is somewhat different.

The final map must be approved by the European Commission. The proposed map is subject to a consultation period of four weeks, with responses to be received by the DTI by 7 August 2006.

Background

The European Commission adopted the new Regional Aid Guidelines on 21 December 2005. The new guidelines will apply from 2007 to 2013 and replace current guidelines, which expire in December 2006. The Commission guidelines aim for less and better targeted state aid, in line with the conclusions of successive European Councils and agreed by all EU Member States.

Assisted Areas are those areas of Great Britain where regional aid may be granted under Community law. In Wales the main form of such aid is RSA Cymru Wales (Regional Selective Assistance), delivered by the Welsh Assembly Government to help support new commercially viable capital investment projects that create or safeguard permanent jobs.

Under the new Regional Aid guidelines, the proportion of the UK population covered by the Assisted Areas will be 23.9%, compared to 30.9% currently covered. The reduction in coverage for the UK, like other longer-standing Member States, reflects the effect of the EU objective of reducing the quantity of state aid and of EU enlargement, which has led to eligibility for regional aid being concentrated in the new, poorer Member States. The original ceiling proposed by the Commission for the UK was 9%.

Under the guidelines, West Wales and the Valleys automatically qualifies as an Article 87(3)(a) Assisted Area². Member states need to complete their Assisted Area maps and to agree these with the Commission in readiness for implementation upon the 1 January 2007. Outside of the Assisted Areas it will not be possible for regional aid to be granted to large companies.

Stage One consultation

¹ Department of Trade & Industry, *Review of the Assisted Areas, Stage 2 – The Government's Response and Draft Assisted Areas Map*, 10 July 2006

<http://www.dti.gov.uk/regional/assisted-areas/assisted-areas-review/page24618.html>

² See Annex A

On 15 February 2006, the DTI consulted UK stakeholders on the factors that should be taken into account in determining the additional Article 87(3)(c) areas² needed to complete the drafting of the revised UK Assisted Areas Map. The consultation closed on 19th April.

Member States do not have complete discretion over how their Assisted Areas are chosen. The regional aid covered by the Article 87(3)(c) must form part of a well-defined regional policy of the Member State and adhere to the principle of geographical concentration. The eligibility criteria for the selection of Article 87(3) (c) regions by the Member States are set out in paragraphs 30 and 31 of the Regional Aid Guidelines.

The Assembly's Enterprise, Innovation and Networks Committee responded to the DTI consultation.

UK Government response to Stage One

On 10 July 2006, the DTI issued the UK Government's response to the consultation on criteria and the proposed map for Assisted Areas.

The response to the first stage of the consultation exercise is to propose the adoption of the following criteria for designating 87(3)(c) areas:

- ◆ Employment rate
- ◆ Adult skills – level 2 and above
- ◆ Incapacity Benefit claimants
- ◆ Manufacturing share of employment – as an indicator of opportunity

For the current map, Assisted Areas needed to be more than half a standard deviation worse than the Great Britain average on any one of the four indicators used. For the new map with reduced coverage, the UK Government has tightened this eligibility criterion. Consequently it is now proposed that areas chosen must be:

- ◆ either one standard deviation worse than the Great Britain average on any one of these indicators,
- ◆ or half a standard deviation worse than the Great Britain average on at least two of these indicators.

The first stage of the consultation also asked for views on the most appropriate geographical unit for designating Assisted Areas. The overwhelming response was to base this on groups of Wards (Electoral Divisions in Wales). Therefore in keeping with the previous map, the UK Government has constructed the proposed zones by aggregating Wards.

The Stage 2 consultation document states:

“Consistent criteria have had to be applied to reduce coverage within the parameters set by the Guidelines. The Government accepts that there are areas with both need and opportunity that fall outside the filter, and acknowledges the problems and issues that this will create. We will ensure that access to alternative support is clear to businesses in those areas.”³

³ Paragraph 23, Page 13, Department of Trade & Industry, *Review of the Assisted Areas, Stage 2 – The Government's Response and Draft Assisted Areas Map*, 10 July 2006
<http://www.dti.gov.uk/regional/assisted-areas/assisted-areas-review/page24618.html>

Stage Two consultation: the proposed map

Map 1 shows the proposed 87(3)(c) areas in Wales. Map 2 shows the current 87(3)(c) areas. Annex B is a list of the Electoral Divisions (Wards) that the DTI propose will have 87(3)(c) coverage. Annex C lists the Electoral Divisions that currently qualify.

Overall there are 52 Electoral Divisions that would qualify for 87(3)(c) status, if the proposed map is approved by the Commission. This is made up of:

- ◆ 40 Electoral Divisions in Flintshire
- ◆ 7 Electoral Divisions in Newport
- ◆ 4 Electoral Divisions in Powys
- ◆ 1 Electoral Division in Cardiff

The current coverage is 39 Electoral Divisions.

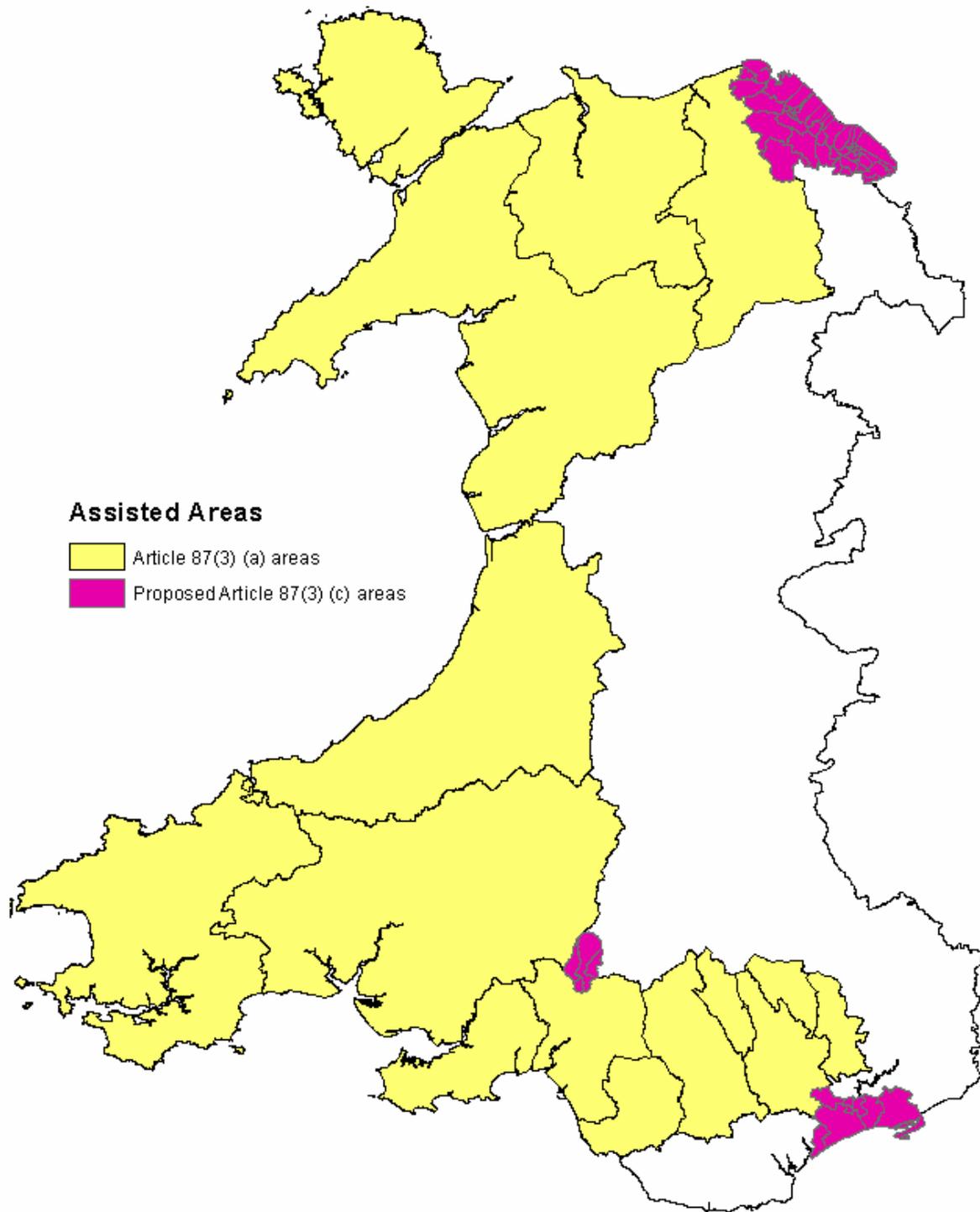
The main differences from the existing map are:

- ◆ A greater coverage of Flintshire with 40 Electoral Divisions included (compared with 12 at present)
- ◆ Only one Electoral Division in Cardiff now covered (8 Electoral Divisions are currently covered)
- ◆ No Electoral Divisions in the Vale of Glamorgan are covered (3 Electoral Divisions adjoining Bridgend are currently covered)
- ◆ The Machynlleth area in Powys is no longer covered (currently 4 Electoral Divisions are covered in this area)

The map for Great Britain as a whole is shown in Annex D.



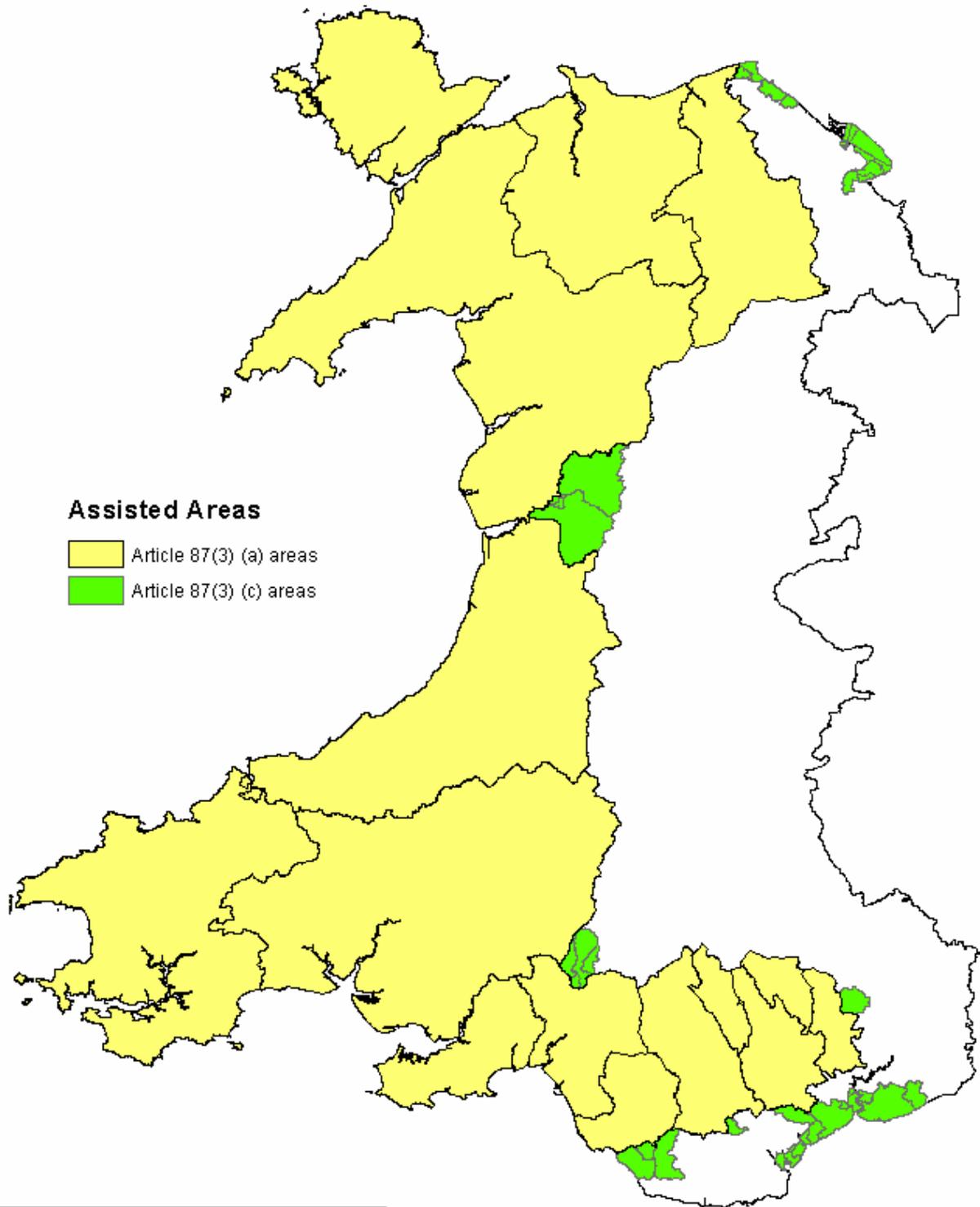
Map 1 : Proposed Assisted Areas in Wales



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Map 2 : Existing Assisted Areas in Wales



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Annex A: Articles 87(3)(a) and 87(3)(c) of the European Treaty

The European Union Treaty sets the principle that if state aid to business distorts or threatens to distort competition and trade between Member States then it is incompatible with the common market. The Treaty does however allow for the Commission to approve aid, at its discretion, where the aid fulfils certain objectives, one of which is regional economic development.

Article 87(3)(a)

Article 87(3)(a) of the Treaty provides that aid to promote economic development of areas where the standard of living is abnormally low or where there is serious underemployment may be considered compatible with the common market. In the new Regional Aid Guidelines, the Commission defines such areas as regions, at NUTS level 2, that have Gross Domestic Product per capita, measured in purchasing power parity terms, of less than 75% of the Community average. This comparison is based on an average of the last three years for which data is available.

Article 87(3)(c)

Article 87(3)(c) permits aid to develop certain regions where such aid does not adversely affect the operation of the single market. Unlike Article 87(3)(a), there is no single Community criterion for defining such areas. Each Member State designates the regions which are disadvantaged in that country, subject to a population ceiling determined by the Commission.



Annex B: Electoral Divisions proposed for Article 87(3)(c) coverage in Wales

<u>Electoral Division</u>	<u>Unitary Authority</u>
Bagillt East	Flintshire
Bagillt West	Flintshire
Broughton North East	Flintshire
Broughton South	Flintshire
Brynford	Flintshire
Buckley Mountain	Flintshire
Buckley Pentrobin	Flintshire
Caerwys	Flintshire
Cilcain	Flintshire
Connah's Quay Central	Flintshire
Connah's Quay Golftyn	Flintshire
Connah's Quay South	Flintshire
Connah's Quay Wepre	Flintshire
Ewloe	Flintshire
Ffynnongroyw	Flintshire
Flint Castle	Flintshire
Flint Coleshill	Flintshire
Flint Oakenholt	Flintshire
Flint Trelawny	Flintshire
Greenfield	Flintshire
Gronant	Flintshire
Halkyn	Flintshire
Hawarden	Flintshire
Holywell Central	Flintshire
Holywell East	Flintshire
Holywell West	Flintshire
Mancot	Flintshire
Mostyn	Flintshire
Northop	Flintshire
Northop Hall	Flintshire
Queensferry	Flintshire
Saltney Mold Junction	Flintshire
Saltney Stonebridge	Flintshire
Sealand	Flintshire
Shotton East	Flintshire
Shotton Higher	Flintshire
Shotton West	Flintshire
Trelawnyd and Gwaenysgor	Flintshire
Whitford	Flintshire
Aber-craf	Powys
Cwm-twrch	Powys
Ynyscedwyn	Powys
Ystradgynlais	Powys
Gaer	Newport
Graig	Newport
Liswerry	Newport
Llanwern	Newport
Marshfield	Newport
Pillgwenlly	Newport
Tredeggar Park	Newport
Trowbridge	Cardiff



Annex C: Electoral Divisions with existing Article 87(3)(c) coverage

Electoral Division	Unitary Authority
Connah's Quay Central	Flintshire
Connah's Quay Wepre	Flintshire
Ffynnongroyw	Flintshire
Greenfield	Flintshire
Gronant	Flintshire
Mostyn	Flintshire
North and East Broughton	Flintshire
Penyffordd	Flintshire
Queensferry	Flintshire
Saltney	Flintshire
Sealand	Flintshire
South Broughton	Flintshire
Aber-Craf	Powys
Cadfarch	Powys
Cwm-twrch	Powys
Glantwymyn	Powys
Machynlleth No.1	Powys
Machynlleth No.2	Powys
Ynyscedwyn	Powys
Ystradgynlais	Powys
Coychurch Lower	Vale of Glamorgan
St Bride's Major	Vale of Glamorgan
Llandow	Vale of Glamorgan
Magor with Undy	Newport
Liswerry	Newport
Llanwern	Newport
Marshfield	Newport
Pillgwenlly	Newport
Stow Hill	Newport
Tredegar Park	Newport
Goetre Fawr	Monmouthshire
Adamsdown	Cardiff
Butetown	Cardiff
Creigiau	Cardiff
Grangetown	Cardiff
Lisvane and St Mellons	Cardiff
Rumney	Cardiff
Splott	Cardiff
Trowbridge	Cardiff



Annex D

Proposed Assisted Areas in Great Britain, 2007-2013

Northern Ireland will have full 87(3)(c) coverage

