

Q2 ONA 32526 (SUPPLEMENTARY)

20 OCTOBER 2004

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Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

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Eich cyf . Your ref  
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12 November 2004

Dear

### Regional Aid Guidelines Review

At Plenary on 20 October you sought clarification of the potential impact upon the City of Newport of models, currently under consideration by the European Commission and the UK Government, for the Assisted Areas Map post 2006.

I confirm that, under the Commissions proposals, the City of Newport would cease to enjoy Assisted Area status as it is not located within a NUTS 2 area where GDP per capita, based upon 2001 data, is less than 75% of either the EU15 or EU 25 average.

GDP data will be the subject of review before the Review of the Regional Aid Guidelines is concluded and therefore the relative position of Newport could change. However, it is clear that Newport, along with many other cities and towns both within the UK and within other EU 15 Member States stand to lose Assisted Area status were the Commission's proposals to be enacted.

It is for this reason that the UK Government has been seeking to identify and promote to the European Commission alternative methodologies for producing the Assisted Areas Map. As you will undoubtedly be aware, there is limited scope to



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influence the way in which Article 87(3)a areas are derived. A court ruling at the time of the last review dictates that these areas must be mapped on a consistent basis across Europe. This, in effect, means that only NUTS 3 areas could be used as an alternative to the NUTS 2 areas proposed by the Commission.

However, greater scope exists to suggest alternative methodologies for producing the Assisted Areas map relation to Article 87(3)c areas. The DTI and Treasury have therefore suggested a range of alternative options to the Commission with the express aims of opening up the debate and of seeking to extend the UK coverage under Article 87(3)c. These options include the option of Member States determining their own coverage, under Article 87(3)c, as was the case in the last review.

This approach may allow individual Member States to target aid at much lower spatial levels than NUTS 3, thus allowing pockets of deprivation to be tackled within broader areas that are more affluent. Were such an option to be taken up by the Commission, it could prove beneficial to areas, such as Newport, where pockets of deprivation are masked by adjoining, more prosperous, areas. In this context Newport, at NUTS 3 level, is of course adjoined to the more affluent area of Monmouth.

You will appreciate that it is for this reason that the UK government, whilst supportive of the Lisbon objective of achieving less and better targeted state aid, is of the opinion that the methodology proposed by the European Commission does not, in practice, achieve better targeting of aid. In my view it is perfectly correct that a range of options should be debated to find that which achieves the best outcome for Wales.