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Information and Notices

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⁽¹⁾ Text with EEA relevance

I

(Information)

COMMISSION

Ecu ⁽¹⁾

9 March 1998

(98/C 74/01)

Currency amount for one unit:

Belgian and Luxembourg franc	40,7841	Finnish markka	6,00024
Danish krone	7,53478	Swedish krona	8,66905
German mark	1,97700	Pound sterling	0,660645
Greek drachma	312,566	United States dollar	1,08181
Spanish peseta	167,539	Canadian dollar	1,52827
French franc	6,62909	Japanese yen	138,547
Irish pound	0,796324	Swiss franc	1,60973
Italian lira	1944,79	Norwegian krone	8,23146
Dutch guilder	2,22830	Icelandic krona	79,0908
Austrian schilling	13,9088	Australian dollar	1,62263
Portuguese escudo	202,211	New Zealand dollar	1,87002
		South African rand	5,39334

The Commission has installed a telex with an automatic answering device which gives the conversion rates in a number of currencies. This service is available every day from 3.30 p.m. until 1 p.m. the following day. Users of the service should do as follows:

- call telex number Brussels 23789,
- give their own telex code,
- type the code 'cccc' which puts the automatic system into operation resulting in the transmission of the conversion rates of the ecu,
- the transmission should not be interrupted until the end of the message, which is marked by the code 'ffff'.

Note: The Commission also has an automatic fax answering service (No 296 10 97/296 60 11) providing daily data concerning calculation of the conversion rates applicable for the purposes of the common agricultural policy.

⁽¹⁾ Council Regulation (EEC) No 3180/78 of 18 December 1978 (OJ L 379, 30.12.1978, p. 1), as last amended by Regulation (EEC) No 1971/89 (OJ L 189, 4.7.1989, p. 1).

Council Decision 80/1184/EEC of 18 December 1980 (Convention of Lomé) (OJ L 349, 23.12.1980, p. 34).

Commission Decision No 3334/80/ECSC of 19 December 1980 (OJ L 349, 23.12.1980, p. 27).

Financial Regulation of 16 December 1980 concerning the general budget of the European Communities (OJ L 345, 20.12.1980, p. 23).

Council Regulation (EEC) No 3308/80 of 16 December 1980 (OJ L 345, 20.12.1980, p. 1).

Decision of the Council of Governors of the European Investment Bank of 13 May 1981 (OJ L 311, 30.10.1981, p. 1).

**LIST OF DOCUMENTS FORWARDED BY THE COMMISSION TO THE COUNCIL
DURING THE PERIOD 23 TO 27.2.1998**

(98/C 74/02)

*These documents may be obtained from the Sales Offices, the addresses of which are given on the
back cover*

Code	Catalogue No	Title	Date adopted by the Commission	Date forwarded to the Council	Number of pages
COM(98) 85	CB-CO-98-090-EN-C	Proposal for a European Parliament and Council Directive amending Directive 90/220/EEC on the deliberate release into the environment of genetically modified organisms ⁽²⁾ ⁽³⁾	23.2.1998	23.2.1998	96
COM(98) 87	CB-CO-98-092-EN-C	Communication from the Commission concerning the implementation of Council Directive 96/29/Euratom of 13 May 1996 laying down basic safety standards for the protection of the health of the workers and the general public against the dangers arising from ionising radiation ⁽³⁾	23.2.1998	23.2.1998	35
COM(98) 94	CB-CO-98-099-EN-C	Report from the Commission to the Council on the cost of the aid measures for the transport of certain fruit and vegetables in 1996 provided for in Council Regulation (EEC) No 3438/92 ⁽³⁾	23.2.1998	23.2.1998	6
COM(98) 96	CB-CO-98-103-EN-C	Proposal for a Council Decision concerning the signature by the European Community of a Protocol to the United Nations Framework Convention on Climate Change	23.2.1998	23.2.1998	34
COM(98) 91	CB-CO-98-096-EN-C	Report from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions on the application of Council Regulation (EC) No 852/95, relating to the granting of financial assistance to Portugal for a specific programme for the modernisation of the Portuguese textile and clothing industry	24.2.1998	24.2.1998	25
COM(98) 93	CB-CO-98-098-EN-C	Proposal for a Council Decision concerning the Community position within the Association Council on the participation of the Czech Republic in Community programmes in the fields of training, youth and education ⁽²⁾	24.2.1998	24.2.1998	17
COM(98) 99	CB-CO-98-104-EN-C	Proposal for a Council Regulation (EC) concerning the compulsory indication on the labelling of certain foodstuffs produced from genetically modified organisms of particulars other than those provided for in Directive 79/112/EEC ⁽²⁾ ⁽³⁾	25.2.1998	25.2.1998	10

Code	Catalogue No	Title	Date adopted by the Commission	Date forwarded to the Council	Number of pages
COM(98) 100	CB-CO-97-105-EN-C	Proposal for a Council Decision concerning the approval, on behalf of the Community, of amendments to Appendices II and III to the Bern Convention on the Conservation of European wildlife and natural habitats adopted at the 17th meeting of the Convention's standing committee (*) (*)	25.2.1998	25.2.1998	5
COM(98) 102	CB-CO-98-122-EN-C	Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the year 2000 computer problem (*)	25.2.1998	25.2.1998	15
COM(98) 73	CB-CO-97-084-EN-C	Proposal for a Council Regulation (EC) laying down detailed rules for the application of Article 93 of the EC Treaty (*) (*)	18.2.1998	26.2.1998	19
COM(98) 104	CB-CO-98-133-EN-C	Report from the Commission to the Council on harmonisation of consumer price indices in the European Union	27.2.1998	27.2.1998	61
COM(98) 105	CB-CO-98-108-EN-C	Proposal for a Council Decision on the position to be taken by the Community within the Association Council established by the Europe Agreement signed on 19 December 1994 between the European Communities and their Member States, of the one part, and the Slovak Republic, of the other part, with regard to the extension for a further period of five years in accordance with the provisions of Article 64(4)(a) of the Europe Agreement	27.2.1998	27.2.1998	7
COM(98) 106	CB-CO-98-110-EN-C	Proposal for a Council Decision on the Community Position concerning the establishment of working parties to the Cooperation Council established by the cooperation agreement between the European Community and the Former Yugoslav Republic of Macedonia	27.2.1998	27.2.1998	14
COM(98) 107	CB-CO-98-107-EN-C	Proposal for a Council Regulation (EC) on the import into the Community of agricultural products originating in Turkey, repealing Regulation (EEC) No 4115/86 and amending Regulation (EC) No 3010/95	27.2.1998	27.2.1998	7

(*) This document contains an impact assessment on business, and in particular on SMEs.

(*) This document will be published in the *Official Journal of the European Communities*.

(*) Text with EEA relevance.

NB: COM documents are available by subscription, either for all editions or for specific subject areas, and by single copy, in which case the price is based pro rata on the number of pages.

Notice of the impending expiry of certain anti-dumping measures

(98/C 74/03)

1. The Commission gives notice that, unless a review is initiated in accordance with the following procedure, the anti-dumping measures mentioned below will expire on the date mentioned in the table below, as provided for in Article 11(2) of Council Regulation (EC) No 384/96 ⁽¹⁾ of 22 December 1995, as amended by Council Regulation (EC) No 2331/96 ⁽²⁾ on protection against dumped imports from countries not members of the European Community.

2. Procedure

Community producers may lodge a written request for a review. This request must contain sufficient evidence that the removal of the measures would be likely to result in a continuation or recurrence of dumping and injury.

Should the Commission decide to review the measures concerned, importers, exporters, representatives of the exporting country and Community producers will then be provided with the opportunity to amplify, rebut or comment on the matters set out in the review request.

3. Time limit

Community producers may submit a written request for a review on the above basis, to reach the European Commission, Directorate-General I — External Relations: Commercial Policy and Relations with North America, the Far East, Australia and New Zealand (Division I-C-2), rue de la Loi/Wetstraat 200, B-1049 Brussels ⁽³⁾ at any time from the date of the publication of the present notice, but not later than three months before the date mentioned in the table below.

4. This notice is published in accordance with Article 11(2) of Regulation (EC) No 384/96.

Product	Country(ies) of origin or exportation	Measures	Reference	Date of expiry
Bicycles	People's Republic of China	Duty	Regulation (EEC) No 2474/93 (OJ L 228, 9.9.1993) as extended by Regulation (EC) No 71/97 (OJ L 16, 18.1.1997)	10.9.1998

⁽¹⁾ OJ L 56, 6.3.1996, p. 1.

⁽²⁾ OJ L 317, 6.12.1996, p. 1.

⁽³⁾ Telex COMEU B 21877, telefax: (32-2) 295 65 05.

Communication of agricultural structure decisions

(98/C 74/04)

(see notice in Official Journal of the European Communities L 174 of 22 June 1989, p. 31)

Commission Decision C(97) 2504 of 27 October 1997

Member State concerned:

— Italy (Umbria)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning investment under Article 24 (stockbreeding structures).

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning aid for bookkeeping.

Commission Decision C(97) 3084 of 10 November 1997

Member State concerned:

— Italy

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Commission Decision C(97) 2505 of 27 October 1997

Member State concerned:

— Italy (Sicily)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning investment in beekeeping and silkworm breeding.

Decision confirming that the conditions for a financial contribution from the Community are fulfilled in view of the measures taken by the Member State concerning the 1997 reference income.

Commission Decision C(97) 3085 of 10 November 1997

Member State concerned:

— Italy (Friuli Venezia-Giulia)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Commission Decision C(97) 3081 of 10 November 1997

Member State concerned:

— Finland

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning investment.

Commission Decision C(97) 3086 of 10 November 1997

Member State concerned:

— Spain

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision conforming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State amending the legislation implementing Regulation (EC) No 950/97.

—————

Commission Decision C(97) 3087 of 10 November 1997

Member State concerned:

— Spain (Extremadura)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning investment: irrigation system.

—————

Commission Decision C(97) 2503 of 14 November 1997

Member State concerned:

— Italy (Piedmont)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning investment in planting new vineyards.

—————

Commission Decision C(97) 3091 of 12 November 1997

Member State concerned:

— Greece

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning compensatory allowances.

—————

Commission Decision C(97) 3092 of 12 November 1997

Member State concerned:

— Belgium

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled in view of the measures taken by the Member State concerning the 1997 reference income.

—————

Commission Decision C(97) 3093 of 12 November 1997

Member State concerned:

— France

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled in view of the measures taken by the Member State concerning the 1997 reference income.

—————

Commission Decision C(97) 3099 of 24 November 1997

Member State concerned:

— Germany (Lower Saxony)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning management services.

Commission Decision C(97) 3466 of 10 December 1997

Member State concerned:

— United Kingdom

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning compensatory allowances.

Commission Decision C(97) 3467 of 10 December 1997

Member State concerned:

— Finland

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled in view of the measures taken by the Member State concerning the 1997 reference income.

Commission Decision C(97) 3468 of 10 December 1997

Member State concerned:

— Greece

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled in view of the measures taken by the Member State concerning the 1997 reference income.

Commission Decision C(97) 3469 of 10 December 1997

Member State concerned:

— Germany

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning compensatory allowances.

Commission Decision C(97) 3471 of 18 December 1997

Member State concerned:

— Spain

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view

of the measures taken by the Member State concerning supplementary compensatory allowances.

—

Commission Decision C(97) 3476 of 18 December 1997

Member State concerned:

— Belgium (Wallonia)

Legal basis:

— Council Regulation (EEC) No 950/97 on improving the efficiency of agricultural structures

Decision confirming that the conditions for a financial contribution from the Community are fulfilled, in view of the measures taken by the Member State concerning new legislation implementing Regulation (EC) No 950/97.

NB: Copies of these Decisions in the official language or languages of the Member State concerned can be obtained from the Secretariat General of the Commission of the European Communities, Publication and Notification Unit, Breydel 14/94, 200, rue de la Loi/Wetstraat 200, B-1049 Brussels (telephone: (32-2) 295 23 64; fax (32-2) 295 01 20).

Notice to the Member States laying down the list of new areas of the United Kingdom eligible under the Community initiative concerning the conversion of the defence industry (Konver)

(98/C 74/05)

As provided for in paragraph 7 of the guidelines published in the *Official Journal of the European Communities* C 180 of 1 July 1994, page 20, the Commission of the European Communities, at its meeting on 4 March 1998, adopted the following list of new areas of the United Kingdom eligible for aid under the Community initiative concerning the conversion of the defence industry.

The references concerning areas eligible under Objective 2 relate to the initial list of declining industrial areas eligible under Objective 2 and to the amended list of areas published in *Official Journal of the European Communities* L 81 of 24 March 1994 and *Official Journal of the European Communities* L 193 of 3 August 1996.

LIST OF NEW AREAS ELIGIBLE UNDER KONVER

UNITED KINGDOM

NUTS III regions	Eligible areas
Tayside	Objective 5(b) and non-Objective Brechin and Montrose TTWA
Cheshire	Non-Objective Crewe TTWA

GUIDELINES ON NATIONAL REGIONAL AID

(98/C 74/06)

(Text with EEA relevance)

1. Introduction

The criteria applied by the Commission when examining the compatibility of national regional aid with the common market under Articles 92(3)(a) and 92(3)(c) of the EC Treaty have been set out in a number of documents of various sorts brought to the attention of the Member States and other interested parties ⁽¹⁾.

The growing number of these documents, their heterogeneous nature and the long time-frame involved, the changes in thinking and practice both within the Commission and within Member States and the need to concentrate aid and reduce distortions of competition make it necessary to aim for transparency, up-to-dateness and simplification by revising all the criteria currently applied and replacing the said documents ⁽²⁾ with a single text. The text that follows seeks to meet this need.

The aid measures which form the subject-matter of these Guidelines ('regional aid') differ from the other categories of government support (in particular aid for R&D, environmental protection, or firms in difficulty) in that they are reserved for particular regions and have as their specific aim the development of those regions ⁽³⁾.

Regional aid is designed to develop the less-favoured regions by supporting investment and job creation in a sustainable context. It promotes the expansion, modernisation and diversification of the activities of establishments located in those regions and encourages new firms to settle there. In order to foster this development and reduce the potential negative effects of any relocation, it is necessary to make the granting of such aid conditional on the maintenance of the investment and the jobs created during a minimum period in the less-favoured region.

⁽¹⁾ See Commission of the European Communities, Competition law in the European Communities, Volume IIA: Rules applicable to State aids, Brussels — Luxembourg, 1995, p. 187 *et seq.*

⁽²⁾ The documents replaced by these Guidelines, including the annexes thereto, are as follows:

- Commission Communication to the Council (OJ C 111, 4.11.1971, p. 7);
- Commission Communication to the Council (COM(73) 1110, 27.6.1973);
- Commission Communication to the Council (COM(75) 77 final, 26.2.1975);
- Commission Communication to the Member States (OJ C 31, 3.2.1979, p. 9);
- Commission Communication to the Member States on the method for the application of Article 92(3)(a) and (c) to regional aid (OJ C 212, 12.8.1988, p. 2);
- Commission Communication to the Member States on the reference and discount rates applicable in France, Ireland and Portugal (OJ C 10, 16.1.1990, p. 8);
- Commission Communication to the Member States on the method of application of Article 92(3)(a) to regional aid (OJ C 163, 4.7.1990, p. 6);
- Commission Notice, addressed to Member States and other interested parties, concerning an amendment to Part II of the Communication on the method for the application of Article 92(3)(a) and (c) to regional aid (OJ C 364, 20.12.1994, p. 8).

The Guidelines are consistent with the criteria in the Council Resolution of 20 October 1971 (OJ C 111, 4.11.1971, p. 1).

As to the Notice concerning the reference and discount rate (OJ C 273, 9.9.1997, p. 3), this is no longer part of the documents relating to regional aid, since it concerns all State aid.

In exceptional cases, such aid may not be enough to trigger a process of regional development, if the structural handicaps of the region concerned are too great. Only in such cases may regional aid be supplemented by operating aid.

The Commission considers that regional aid can play the role that is assigned to it effectively and hence justify the consequent distortions of competition, provided that it adheres to certain principles and obeys certain rules. Foremost among these principles is the exceptional nature of the instrument, in keeping with the letter and spirit of Article 92.

⁽³⁾ Also regarded as regional aid is aid to SMEs that provides for increases to assist regional development.

In fact, such aid is conceivable in the European Union only if it is used sparingly and remains concentrated on the most disadvantaged regions⁽⁴⁾. If aid were to become generalised and, as it were, the norm, it would lose all its incentive quality and its economic impact would be nullified. At the same time, the aid would interfere with the normal interplay of market forces and reduce the efficacy of the Community economy as a whole.

2. Scope

The Commission will apply these Guidelines to regional aid granted in every sector of the economy apart from the production, processing and marketing of the agricultural products listed in Annex II of the Treaty, fisheries and the coal industry. In addition, some of the sectors they cover are also governed by rules aimed specifically at the sectors in question⁽⁵⁾.

A derogation from the incompatibility principle established by Article 92(1) of the Treaty may be granted in respect of regional aid only if the equilibrium between the resulting distortions of competition and the advantages of the aid in terms of the development of a less-favoured region⁽⁶⁾ can be guaranteed. The weight given to the advantages of the aid is likely to vary according to the derogation applied, having a more adverse effect on competition in the situations described in Article 92(3)(a) than in those described in Article 92(3)(c)⁽⁷⁾.

An individual *ad hoc* aid payment⁽⁸⁾ made to a single firm, or aid confined to one area of activity, may have a major impact on competition in the relevant market, and its effects on regional development are likely to be too limited. Such aid generally comes within the ambit of specific or sectoral industrial policies and is often not in keeping with the spirit of regional aid policy as such⁽⁹⁾. The latter must remain neutral towards the allocation of productive resources between the various economic sectors and activities.

The Commission considers that, unless it can be shown otherwise, such aid does not fulfil the requirements set out in the preceding paragraph⁽¹⁰⁾.

Consequently, the derogations in question will normally be granted only for multisectoral aid schemes open, in a given region, to all firms in the sectors concerned.

3. Demarcation of regions

3.1. In order that the aid schemes directed at them may benefit from one of the derogations, the regions concerned must satisfy the conditions set forth in those derogations. The Commission establishes whether the conditions are met by applying predetermined analytical criteria.

3.2. In the light of the principle stated in the introduction to these Guidelines (that of the exceptional nature of the aid), the Commission considers *prima facie* that the total extent of assisted regions in the Community must remain smaller than that of unassisted regions. In practice, and using the most common unit of measurement of the scale of the aid (the percentage of population covered), this means that the total coverage of regional aid in the Community must be less than 50 % of the Community population.

⁽⁴⁾ See the conclusions of the Council of 6-7 November 1995 on competition policy and industrial competitiveness.

⁽⁵⁾ The sectors covered by special rules over and above those set out here are currently as follows: transport, steel, shipbuilding, synthetic fibres, and motor vehicles. In addition, specific rules apply to investment covered by the multi-sectoral framework for regional aid to large projects.

⁽⁶⁾ See in this respect the judgment of the Court of Justice in Case 730/79 Philip Morris [1980] ECR 2671, at paragraph 17 and in Case C-169/95 Spain v. Commission [1997] ECR I-135, at paragraph 20.

⁽⁷⁾ See in this respect the judgment of the Court of First Instance in T-380/94 AIUFFASS and AKT [1996] ECR II-2169, at paragraph 54.

⁽⁸⁾ See in this respect the judgment of the Court of Justice in Joined Cases C-278/92, C-279/92 and C-280/92, Spain v. Commission [1994] ECR I-4103.

⁽⁹⁾ As a result, under the WTO Agreement on subsidies and countervailing measures, this type of aid has been expressly excluded from the category of non-actionable regional aid (authorized without scrutiny).

⁽¹⁰⁾ *Ad hoc* aid for firms in difficulty is governed by specific rules and is not conceived of as regional aid as such. The rules currently in force are those published in OJ C 368, 23.12.1994, p. 12.

3.3. As the two derogations in question relate to regional problems of a different nature and intensity, priority must be given, within the limits of the total aid coverage referred to in point 3.2, to regions affected by the most acute problems ⁽¹¹⁾.

3.4. The demarcation of eligible regions must therefore lead to a spatial concentration of aid in accordance with the principles mentioned in points 3.2 and 3.3.

The derogation in Article 92(3)(a)

3.5. Article 92(3)(a) provides that aid to promote the 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. As the Court of Justice of the European Communities has held, 'the use of the words "abnormally" and "serious" in the exemption contained in Article 92(3)(a) shows that it concerns only areas where the economic situation is extremely unfavourable in relation to the Community as a whole' ⁽¹²⁾.

The Commission accordingly considers, following a tried and tested approach, that the conditions laid down are fulfilled if the region, being a NUTS ⁽¹³⁾ level II geographical unit, has a per capita gross domestic product (GDP), measured in purchasing power standards (PPS), of less than 75,0 % of the Community average ⁽¹⁴⁾. The GDP/PPS of each region and the Community average to be used in the analysis must relate to the average of the last three years for which statistics are available. These amounts are calculated on the basis of data furnished

by the Statistical Office for the European Communities.

The derogation in Article 92(3)(c)

3.6. In contrast to Article 92(3)(a), where the situation in view is identified precisely and formally, Article 92(3)(c) allows greater latitude when it comes to defining the difficulties of a region that can be alleviated with the help of aid measures. The relevant indicators do not therefore necessarily boil down in this case to standards of living and underemployment. In any case, the appropriate framework for evaluating these difficulties may be provided not only by the Community as a whole but also by the relevant Member State in particular.

The Court of Justice, in Case 248/84 (see footnote 12), has expressed its views on these two matters (range of problems covered and reference framework for the analysis), as follows: 'The exemption in Article 92(3)(c), on the other hand, is wider in scope inasmuch as it permits the development of certain areas without being restricted by the economic conditions laid down in Article 92(3)(a), provided such aid "does not adversely affect trading conditions to an extent contrary to the common interest". That provision gives the Commission power to authorise aid intended to further the economic development of areas of a Member State which are disadvantaged in relation to the national average'.

3.7. The regional aid covered by the derogation in point (c) must, however, form part of a coherent regional policy of the Member State and adhere to the principles of geographical concentration set out above. Inasmuch as it is intended for regions which are less disadvantaged than those to which point (a) relates, such aid is, to a greater extent than the latter, exceptional and can be allowed only to a very limited degree. This being so, only a small part of the national territory of a Member State may *prima facie* qualify for the aid in question. This is why the

⁽¹¹⁾ The regions eligible under the derogation in paragraph (a) currently account for 22,7 % of the Community population, compared with 24 % for the regions eligible under the derogation in paragraph (c).

⁽¹²⁾ Case 248/84 Germany v. Commission [1987] ECR 4013, at paragraph 19.

⁽¹³⁾ Nomenclature of Statistical Territorial Units.

⁽¹⁴⁾ The underlying assumption being that the GDP indicator is capable of reflecting synthetically both the phenomena mentioned.

population coverage of regions falling under Article 92(3)(c) must not exceed 50 % of the national population not covered by the derogation under Article 92(3)(a) ⁽¹⁵⁾.

On the other hand, the fact that the nature of such aid makes it possible to take account of the national peculiarities of a Member State does not exempt the aid from the need for scrutiny from the viewpoint of Community interests. The determination of the regions eligible in each Member State must therefore fit into a framework guaranteeing the overall coherence of such determination at Community level ⁽¹⁶⁾.

3.8. So as to afford national authorities sufficient latitude when it comes to choosing eligible regions without jeopardising the effectiveness of the system of checks operated by the Commission in respect of this type of aid and the equal treatment of all Member States, the determination of the regions eligible under the derogation in question consists of two parts:

— the fixing by the Commission, for each country, of a ceiling on the coverage of such aid,

— the selection of eligible regions.

The latter part will obey transparent rules but will also be sufficiently flexible to allow for the diversity of situations potentially justifying the application of the derogation. The aid coverage ceiling is designed to be conducive to the above-mentioned flexibility in the choice of eligible regions whilst ensuring the uniform treatment required by acceptance of such aid from the Community point of view.

3.9. To guarantee effective control of regional aid while contributing to the achievement of the objectives set out in Article 3 of the Treaty, in

particular under points (g) and (j), the Commission sets an overall ceiling for the coverage of regional aid in the Community in terms of population. The overall ceiling covers all the regions eligible under the 92(3)(c) and 92(3)(a) derogations. Since the regions eligible for regional aid under the Article 92(3)(a) derogation and their global coverage at Community level are determined exogenously and automatically by applying the criterion of 75 % of per capita GDP/PPS, it follows that the Commission decision on the overall ceiling defines, simultaneously, the ceiling on coverage under the Article 92(3)(c) derogation, at Community level. The Article 92(3)(c) ceiling is obtained by deducting from the overall ceiling the population of the regions eligible under the 92(3)(a) derogation. It is then distributed among the different Member States in the light of the relative socio-economic situation of the regions within each Member State, assessed in the context of the Community. The method of determining this percentage in each Member State is described in Annex III.

3.10. The Member States notify to the Commission, under Article 93(3), the methodology and the quantitative indicators which they wish to use to determine the eligible regions, and the list of regions they propose for the (c) derogation and the relative intensities ⁽¹⁷⁾. The percentage for the population of the regions concerned may not exceed the said ceiling on coverage for the purposes of the 92(3)(c) derogation.

3.10.1. The methodology must satisfy the following conditions:

— it must be objective,

— it must make it possible to measure the disparities in the socio-economic circumstances of the regions in question in the Member State concerned, highlighting significant differences,

— it must be presented in a clear, detailed fashion, to enable the Commission to assess its merits.

⁽¹⁵⁾ Barring a transitional exception arising from the application of point 8 of Annex III to these Guidelines.

⁽¹⁶⁾ See, in this connection, the judgments of the Court of Justice in Cases 730/79 Philip Morris, at paragraph 26, and 310/85 Deufil [1987] ECR 901, at paragraph 18.

⁽¹⁷⁾ See points 4.8 and 4.9.

3.10.2. The indicators must satisfy the following conditions:

- their number, including both simple indicators and combinations of indicators, must be limited to five,
- they must be objective and relevant to the examination of the socio-economic circumstances of the regions,
- they must either be based on statistical series relating to the indicators used over a period including at least the three years prior to the moment of notification, or be derived from the last survey carried out, if the relevant statistics are not available on an annual basis,
- they must be drawn up by reliable statistical sources.

3.10.3. The list of regions must satisfy the following conditions:

- the regions must conform to NUTS level III or, in justified circumstances, to a different homogeneous geographical unit. Only one type of geographical unit may be submitted by each Member State,
- the individual regions proposed or the groups of contiguous regions must form compact zones, each of which must have a population of at least 100 000. If the population of the regions is less, a fictitious figure of 100 000 inhabitants will be used for the calculation of the percentage of the population covered. Exceptions to this rule are the NUTS level III regions with a population of less than 100 000, islands and other regions characterised by similar geographical isolation⁽¹⁸⁾. Where one region adjoins regions eligible for regional aid in other Member States, the rule applies to the whole complex formed by those regions,
- the list of regions must be arranged on the basis of the indicators set out at point 3.10.2. The regions proposed must show significant disparities (half of the standard deviation) compared with the average of the potential 92(3)(c) regions of the Member State concerned, in respect of one or other indicator used in the method.

⁽¹⁸⁾ Because of the size of its population, Luxembourg is also exempt from this rule.

3.10.4. Regions with a low population density:

- subject to the ceiling for each Member State mentioned at point 3.9, regions with a population density of less than 12,5 inhabitants per square kilometre⁽¹⁹⁾ may also qualify for the derogation in question.

3.10.5. Consistency with the Structural Funds:

- to encourage the Member States to ensure consistency between the choice of such regions and the selection of those qualifying for Community assistance, the regions eligible under the Structural Funds may also qualify for the derogation in question subject to the ceilings mentioned at point 3.9, and in accordance with the conditions set out in the second indent of point 3.10.3.

4. Object, form and level of aid

- 4.1. The object of regional aid is to secure either productive investment (initial investment) or job creation which is linked to investment. Thus this method favours neither the capital factor nor the labour factor.
- 4.2. To ensure that the productive investment aided is viable and sound, the recipient's contribution⁽²⁰⁾ to its financing must be at least 25 %.

The form of the aid is variable: grant, low-interest loan or interest rebate, government guarantee or purchase of a State shareholding on favourable terms, tax exemption, reduction in social security contributions, supply of goods and services at a concessionary price, etc.

In addition, aid schemes must lay down that an application for aid must be submitted before work is started on the projects.

⁽¹⁹⁾ Eligibility criterion established by the Commission Notice cited at footnote 2, eighth indent.

⁽²⁰⁾ This minimum contribution of 25 % must not contain any aid. This is not the case, for instance, where a loan carries an interest-rate subsidy or is backed by government guarantees containing elements of aid.

- 4.3. The level of the aid is defined in terms of intensity compared with reference costs. (see 4.5, 4.6 and 4.13)

Aid for initial investment

- 4.4. Initial investment means an investment in fixed capital relating 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 (through rationalisation, diversification or modernisation) ⁽²¹⁾.

An investment in fixed capital undertaken in the form of the purchase of an establishment which has closed or which would have closed had it not been purchased may also be regarded as initial investment, unless the establishment concerned belongs to a firm in difficulty. In the latter case, aid for the purchase of an establishment may include an advantage for the firm in difficulty, which must be examined in accordance with the Guidelines on State aid for rescuing and restructuring firms in difficulty ⁽²²⁾.

- 4.5. Aid for initial investment is calculated as a percentage of the investment's value. This value is established on the basis of a uniform set of items of expenditure (standard base) corresponding to the following elements of the investment: land, buildings and plant/machinery ⁽²³⁾.

⁽²¹⁾ Replacement investment is thus excluded from the concept. Aid for this type of investment falls within the category of operating aid, to which the rules described at points 4.15 to 4.17 apply.

Also excluded from this concept is aid for the financial restructuring of a firm in difficulty within the meaning of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 368, 23.12.1994, p. 12).

Restructuring aid within the meaning of point 2.5 of the said Guidelines may be granted, in so far as it relates to investment measures (rationalisation, modernisation, diversification), without needing separate notification, under a scheme of regional aid. However, since such regional aid is part of proposed aid for the restructuring of a firm in difficulty, it must be taken into account in the examination carried out under the said Guidelines.

⁽²²⁾ For the text currently applicable, see footnote 10.

⁽²³⁾ In the transport sector, expenditure on the purchase of transport equipment (movable assets) cannot be included in the uniform set of items of expenditure (standard base). Such expenditure, therefore, is not eligible for aid for initial investment.

In the event of a purchase, only the costs of buying these assets ⁽²⁴⁾ should be taken into consideration (the transaction must take place under market conditions). Assets for whose acquisition aid has already been granted prior to the purchase should be deducted.

- 4.6. Eligible expenditure may also include certain categories of intangible investment up to a limit of 25 % of the standard base in the case of large firms ⁽²⁵⁾.

Such expenditure must be confined to expenditure entailed by the transfer of technology through the acquisition of:

- patents,
- operating or patented know-how licences,
- unpatented know-how.

Eligible intangible assets will be subject to the necessary conditions for ensuring that they remain associated with the recipient region eligible for the regional aid and, consequently, that they are not the subject of a transfer benefiting other regions, especially other regions not eligible for regional aid. To this end, eligible intangible assets will have to satisfy the following conditions in particular:

- they must be used exclusively in the establishment receiving the regional aid,
- they must be regarded as amortisable assets,
- they must be purchased from third parties under market conditions,
- they must be included in the assets of the firm and remain in the establishment receiving the regional aid for at least five years.

- 4.7. Aid notified by the Member States must normally be expressed in gross terms, i.e. before tax.

⁽²⁴⁾ Where a purchase is accompanied by other initial investment, the expenditure relating to the latter should be added to the cost of the purchase.

⁽²⁵⁾ For SMEs, the criteria and conditions applying are defined in the Community Guidelines on State aid for small and medium-sized enterprises, OJ C 213, 23.7.1996, p. 4.

In order to make (i) the various forms of aid comparable with one another and (ii) aid intensities comparable from one Member State to another, the Commission converts aid notified by Member States into aid expressed in net grant equivalent (NGE) ⁽²⁶⁾.

- 4.8. The intensity of the aid must be adapted to take account of the nature and intensity of the regional problems that are being addressed. A distinction must therefore be drawn from the outset between the intensities allowed in regions eligible under the derogation in point (a) and those allowed in regions eligible under the derogation in point (c). Regard has to be had in this connection to the fact that regions which are eligible under the derogation in Article 92(3)(c) are not characterised by an abnormally low standard of living or serious underemployment in the sense in which these terms are used in the derogation in point (a) of that paragraph. The distorting effects of aid are accordingly less justified there than in regions qualifying for exemption under point (a). This means that the admissible aid intensities are from the outset less high in regions qualifying for exemption under point (c) than in those qualifying for exemption under point (a).

In the case of regions falling under Article 92(3)(a), the Commission thus considers that the intensity of regional aid must not exceed the rate of 50 % NGE, except in the outermost regions ⁽²⁷⁾, where it may be as much as 65 % NGE. In the Article 92(3)(c) regions, the ceiling on regional aid must not exceed 20 % NGE in general, except in the low population density regions or in the outermost regions, where it may be as high as 30 % NGE.

In the NUTS level II regions eligible under Article 92(3)(a) whose percapita GDP/PPS

is greater than 60 % of the Community average, the intensity of regional aid must not exceed 40 % NGE, except in the outermost regions, where it may be as high as 50 % NGE.

In the regions eligible under Article 92(3)(c) which have both a higher per capita GDP/PPS and a lower unemployment rate than the respective Community average ⁽²⁸⁾, the intensity of regional aid must not exceed 10 % NGE except in the low population density regions or in the outermost regions, where it may be as high as 20 % NGE. Exceptionally in the case of regions subject to the said ceiling of 10 % NGE, higher intensities not exceeding the normal ceiling of 20 % NGE may be approved for regions (corresponding to NUTS level III or smaller) adjoining a region with Article 92(3)(a) status.

All the abovementioned ceilings constitute upper limits. Beneath these ceilings, the Commission will ensure that the regional aid intensity is adjusted to reflect the seriousness and intensity of the regional problems addressed when examined in a Community context.

- 4.9. The ceilings indicated in point 4.8 may be raised by the supplements for SMEs provided for in the Commission notice on aid for SMEs ⁽²⁹⁾, i.e. by 15 percentage points gross ⁽³⁰⁾ in the case of regions qualifying for exemption under point (a) and by 10 percentage points gross in the case of regions qualifying for exemption under point (c). The final ceiling applies to the base for SMEs. These supplements for SMEs do not apply to transport firms.

⁽²⁸⁾ GDP and unemployment must be measured at NUTS level III.

⁽²⁹⁾ Regional aid supplements are also provided for in the case of aid for R&D and aid for environmental protection. The basis on which such aid is calculated is, however, different from that for regional aid (including the SME variant). The supplements in question, therefore, are added, not to the regional aid, but to the other type of aid concerned. The texts currently applicable to the two types of aid mentioned are, in the case of R&D, that published in OJ C 45, 17.2.1996, p. 5 and, in the case of environmental protection, that published in OJ C 72, 10.3.1994, p. 3.

⁽³⁰⁾ Aid intensity supplements in gross terms are used, as defined in the guidelines on aid for SMEs.

⁽²⁶⁾ For the method used to calculate NGE, see Annex I.

⁽²⁷⁾ The outermost regions are: the French overseas departments (FOD), the Azores, Madeira and the Canary Islands (see Declaration 26 on the Outermost Regions of the Community, annexed to the Treaty on European Union).

4.10. Aid for initial investment must be made conditional, through its method of payment or through the conditions associated with its acquisition, on the maintenance of the investment in question for a minimum period of five years.

Aid for job creation

4.11. As was indicated in point 4.1, regional aid may also focus on job creation. However, unlike aid for job creation, which is defined in the Guidelines on aid to employment and relates to jobs not linked to an investment project⁽³¹⁾, we are concerned here solely with jobs linked to the carrying-out of an initial investment project⁽³²⁾.

4.12. Job creation means a net increase in the number of jobs⁽³³⁾ in a particular establishment compared with the average over a period of time. Any jobs lost during that period must therefore be deducted from the apparent number of jobs created during the same period⁽³⁴⁾.

4.13. As with investment aid, the aid for job creation provided for in these Guidelines must be tailored to the nature and intensity of the regional problems it addresses. The Commission considers that the amount of aid must not exceed a certain percentage of the wage cost⁽³⁵⁾ of the person hired, calculated over a period of two years. The percentage is equal to the intensity allowed for investment aid in the area in question.

⁽³¹⁾ For the version currently in force, see OJ C 334, 12.12.1995, p. 4.

⁽³²⁾ A job is deemed to be linked to the carrying-out of an investment project if it concerns the activity to which the investment relates and if it is created within three years of the investment's completion. During this period, the jobs created following an increase in the utilisation rate of the capacity created by the investment are also linked to the investment.

⁽³³⁾ The number of jobs corresponds to the number of annual labour units (ALU), i.e. the number of persons employed full time in one year, part-time and seasonal work being ALU fractions.

⁽³⁴⁾ It goes without saying that such a definition holds true as much for an existing establishment as for a new establishment.

⁽³⁵⁾ The wage cost comprises the gross wage, i.e. before tax, and the compulsory social security contributions. The Commission retains the right to use Community statistics on the average wage cost in the different Member States as a reference.

4.14. Aid for job creation must be made conditional, through its method of payment or through the conditions associated with its acquisition, on the maintenance of the employment created during a minimum period of five years.

Operating aid

4.15. Regional aid aimed at reducing a firm's current expenses (operating aid) is normally prohibited. Exceptionally, however, such aid may be granted in regions eligible under the derogation in Article 92(3)(a) provided that (i) it is justified in terms of its contribution to regional development and its nature and (ii) its level is proportional to the handicaps it seeks to alleviate⁽³⁶⁾. It is for the Member State to demonstrate the existence of any handicaps and gauge their importance.

4.16. In the outermost regions qualifying for exemption under Article 92(3)(a) and (c), and in the regions of low population density qualifying either for exemption under Article 92(3)(a) or under 92(3)(c) on the basis of the population density test referred to at point 3.10.4, aid intended partly to offset additional transport costs⁽³⁷⁾ may be authorised under special conditions⁽³⁸⁾. It is up to the Member State to prove that such additional costs exist and to determine their amount.

4.17. With the exception of the cases mentioned in point 4.16, operating aid must be both limited in time and progressively reduced. In addition, operating aid intended to promote exports⁽³⁹⁾ between Member States is ruled out.

⁽³⁶⁾ Operating aid takes the form in particular of tax exemptions or reductions in social security contributions.

⁽³⁷⁾ Additional transport costs mean the extra costs occasioned by movements of goods within the borders of the country concerned. In no circumstances may such aid constitute export aid, nor must it constitute measures having an equivalent effect to quantitative restrictions on imports, within the meaning of Article 30 of the EC Treaty.

⁽³⁸⁾ With regard to the special conditions for regions qualifying for the Article 92(3)(c) derogation under the population density criterion, see Annex II. As for the other regions eligible for aid to offset in part additional transport costs, the conditions applicable are similar to those in Annex II.

⁽³⁹⁾ See footnote 3 of the Notice on *de minimis* aid, OJ C 68, 6.3.1996, p. 9.

Rules on the cumulation of aid

4.18. The aid intensity ceilings laid down in accordance with the criteria set out at points 4.8 and 4.9, apply to the total aid:

— where assistance is granted concurrently under several regional schemes,

— whether the aid comes from local, regional, national or Community sources.

4.19. The job creation aid described in points 4.11 to 4.14 and the investment aid described in points 4.4 to 4.10 may be combined⁽⁴⁰⁾, subject to the intensity ceiling laid down for the region⁽⁴¹⁾.

4.20. Where the expenditure eligible for regional aid is eligible in whole or in part for aid for other purposes, the common portion will be subject to the most favourable ceiling under the schemes in question.

4.21. Where the Member State lays down that State aid under one scheme may be combined with aid under other schemes, it must specify, for each scheme, the method by which it will ensure compliance with the conditions listed above.

5. Regional aid map and declaration of compatibility of aid

5.1. The regions of a Member State eligible under the derogations and the ceilings on the intensity of aid for initial investment or the aid for job

creation approved for each region together form a Member State's regional aid map.

5.2. Under Article 93(3) of the Treaty, the Member States notify the draft map drawn up in accordance with the criteria set out above in points 3.5, 3.10, 4.8 and 4.9. The Commission adopts the map in accordance with the procedure laid down in Article 93 of the Treaty, normally by a single decision for all the relevant regions of a Member State and for a fixed period. National regional aid maps will thus be reviewed periodically.

5.3. In the interests of consistency between the Commission's competition policy decisions and decisions concerning regions eligible under the Structural Funds, the period of validity of the maps is in principle aligned on the timetable for Structural Fund assistance.

5.4. Draft aid schemes are approved by the Commission either when the map is drawn up or subsequently, subject to the regions, ceilings and duration defined for the map.

5.5. The implementation of the schemes mentioned in point 5.4 forms the subject matter, on the part of Member States, of annual reports to the Commission in accordance with the rules in force⁽⁴²⁾.

5.6. During the period of validity of the map, Member States may request adjustments to it, if it is shown that socio-economic conditions have changed significantly. Such changes may relate to the rates of intensity and the eligible regions, provided that the possible inclusion of new regions is offset by the exclusion of regions having the same population. The validity of the adjusted map expires on the date already set for the original map.

5.7. For regions losing their Article 92(3)(a) status as a result of the review of the regional aid map, and acquiring Article 92(3)(c) status, the Commission could accept, during a transitional period, a progressive reduction of the aid

⁽⁴⁰⁾ The job creation aid and the investment aid provided for in these Guidelines may not be combined with the job creation aid defined in the Guidelines on aid to employment indicated in footnote 31, since it applies in different circumstances and at different times. However, increases in aid for particularly less-favoured categories of beneficiaries will be acceptable under arrangements to be laid down in the Guidelines on aid to employment.

⁽⁴¹⁾ This condition is deemed to be met if the sum of the aid for the initial investor, expressed as a percentage of the investment, and of the job creation aid, expressed as a percentage of wage costs, does not exceed the most favourable amount resulting from application of either the ceiling set for the region in accordance with the criteria indicated at points 4.8 and 4.9 or the ceiling set for the region in accordance with the criteria indicated at point 4.13.

⁽⁴²⁾ For the rules currently in force, see the Commission letter to the Member States of 22 February 1994 as modified by Commission letter to Member States of 2 August 1995.

intensities for which such regions had been eligible under Article 92(3)(a), at a linear or faster rate, until the intensity ceiling corresponding to the application of points 4.8 and 4.9 above is reached⁽⁴³⁾ (44). The transitional period should not exceed two years in the case of operating aid and four years in the case of aid for initial investment and job creation.

- 5.8. With a view to drawing up the map, Member States are invited to notify to the Commission under Article 93(3) of the Treaty, in addition to the list of regions they propose as being eligible for the derogations in question and the ceilings on intensity, any other factors that need to be taken into account in determining a framework scheme for aid schemes (purpose and form of the aid, size of firms, etc.) which they propose to adopt, whether at central or regional and local level. During the period of validity of the map and within the limits of its duration, all schemes conforming to this framework scheme may be notified in the context of an accelerated procedure.

6. Entry into force, implementation and review

- 6.1. Except for the transitional provisions set out in points 6.2 and 6.3 below, the Commission will assess the compatibility of regional aid with the common market on the basis of these Guidelines as soon as they are applicable. However, aid proposals which are notified before these Guidelines are communicated to the Member States and on which the Commission has not yet adopted a final decision will be assessed on the basis of criteria in force at the time of notification.

In addition, the Commission will propose appropriate measures under Article 93(1) of the EC Treaty to the Member States to ensure that all the regional aid maps and all the regional aid schemes in force on 1 January 2000 are compatible with these Guidelines.

⁽⁴³⁾ The transitional provisions do not apply to the parts of NUTS II regions losing their Article 92(3)(a) status which, where the additional population-density percentage obtained by applying the second adjustment at point 8 of Annex III to these Guidelines is not available, would have had to be excluded from the new aid map.

⁽⁴⁴⁾ In view of its particularly difficult situation, Northern Ireland will retain its status as an exceptional region and its ceiling will be 40 %.

In this connection, the Commission will propose, as an appropriate measure under Article 93(1), that the Member States limit the validity of all lists of assisted regions approved by the Commission without an expiry date, or with an expiry date after 31 December 1999, to 31 December 1999.

The Commission will also propose, as an appropriate measure under Article 93(1), that the Member States amend all existing regional aid schemes which will be in force after 31 December 1999, so as to make them compatible with these Guidelines from 1 January 2000, and that they communicate the proposed changes within six months.

- 6.2. Since the eligibility for regional aid under the Article 92(3)(a) and (c) derogations of most of the assisted regions has been approved until 31 December 1999, and with a view to ensuring equitable treatment of the Member States until that date, the Commission may derogate from these Guidelines until 31 December 1999, with regard to examination of the eligibility of the lists of assisted regions (new lists or amendments) notified prior to 1 January 1999, provided that the validity of the said lists expires on 31 December 1999. In such cases, the Commission will continue to base itself on the method laid down in its Communication⁽⁴⁵⁾.
- 6.3. Also with a view to ensuring equitable treatment of the Member States, the Commission may derogate from these Guidelines until 31 December 1999, with regard to the examination of the compatibility of the aid intensities and ceilings on combination proposed in new schemes, *ad hoc* cases and modifications of existing schemes notified prior to 1 January 1999, provided that the validity of the said intensities and ceilings on combination expires on 31 December 1999 or that the intensities and ceilings on combination proposed from 1 January 2000 are compatible with these Guidelines.
- 6.4. The Commission will review these Guidelines within five years of their becoming applicable. It may, in addition, decide to amend them at any time, if this should be necessary for reasons associated with competition policy or in order to take account of other Community policies and international commitments.

⁽⁴⁵⁾ Commission Communication on the method for the application of Article 92(3)(a) and (c) to regional aid: see footnote 2, fifth indent.

ANNEX I

NET GRANT EQUIVALENT OF INVESTMENT AID

The method of calculating the net grant equivalent (NGE) is used by the Commission in its assessment of aid schemes notified by the Member States. In principle, therefore, the Member States do not have to apply it, and it is published here simply for reasons of transparency.

1. GENERAL PRINCIPLES

The calculation of net grant equivalent (NGE) consists in reducing all the forms of aid connected with an investment⁽⁴⁶⁾ to a common measure irrespective of the country concerned, i.e. the net intensity, for the purposes of comparing them with each other or with a predetermined ceiling. What is involved is an *ex ante* comparative method that does not always reflect accounting practice.

The net intensity represents the final benefit which a firm is deemed to derive from the value without tax of the aid in relation to the assisted investment. This calculation may take account only of fixed capital expenditure corresponding to land, building and plant, which represent the standard base.

In the case of schemes whose base includes supplementary expenditure, the latter must be limited to a certain proportion of the standard base. Thus, all schemes will be examined, in the light of their intensities reduced to the expenditure appearing in the standard base, as shown in the following examples⁽⁴⁷⁾.

Example 1

- Base of scheme: plant
- Maximum intensity of scheme: 30 %

As all the expenditure eligible for the scheme appears in the standard base, the Commission will take the maximum intensity of the scheme, i.e. 30 %, into account without further ado. If the intensity ceiling authorised by the Commission in the region in question is 30 %, the scheme will be considered compatible in this respect.

Example 2

- Base of scheme: plant, buildings + patents up to 20 % of the preceding expenditure
- Maximum intensity of scheme: 30 %

All the expenditure eligible for the scheme appears either in the standard base (plant, buildings) or in the list of eligible intangible expenditure (patents). The latter expenditure may not exceed 25 % of the standard base. In these circumstances, the Commission will take the maximum intensity of the scheme, i.e. 30 %, into account without further ado. If the intensity ceiling authorised by the Commission in the region in question is 30 %, the scheme will be considered compatible in this respect.

⁽⁴⁶⁾ Tax aid may be considered to be aid connected with an investment where it is based on an amount invested in the region. In addition, any tax aid may be connected with an investment if one sets a ceiling expressed as a percentage of the amount invested in the region. Where the grant of tax aid is spread over several years, any balance remaining at the end of a given year may be carried over to the following year and increased in accordance with the reference rate.

⁽⁴⁷⁾ This system of recalculating intensities does not apply to the intangible investments referred to at point 4.6 of the main text.

Example 3

- Base of scheme: buildings, plant, land + stocks up to 50 % of the preceding expenditure
- Maximum intensity of scheme: 30 %

The Commission will take into account the maximum intensity of the scheme reduced to the standard base, i.e. $30\% \times 1,5 = 45\%$. If the intensity ceiling authorised by the Commission in the region in question is 30 %, the scheme will not be considered compatible, unless its intensity is reduced to $30\% / 1,5 = 20\%$.

Example 4

- Base of scheme: buildings
- Maximum intensity of scheme: 60 %

If the regional ceiling authorised by the Commission is 30 %, there is nothing to ensure that the aid will comply with the ceiling. The intensity provided for by the scheme is higher than the regional ceiling, but it is applied to a reduced base. The scheme will therefore not be considered compatible in this respect, unless an express condition is added concerning compliance with the regional ceiling applied to the complete base.

The determination of the NGE is based solely on calculation of tax and present value, except in the case of certain forms of aid which require specific treatment. Such calculations are based on elements supplied by the aid scheme or the tax law of the country concerned and on certain parameters established by convention.

1.1. Taxation

The intensity of aid must be calculated after taxation, i.e. after having deducted the taxes payable on it, and in particular taxes on company profits. This is the basis for the term Net Grant Equivalent (NGE), which represents the aid accruing to the recipient after payment of the relevant tax, assuming that the enterprise makes a profit right from the first year, so that maximum tax is charged on the aid.

1.2. Discounting

Present value is calculated at various stages in the determination of an NGE. First, when aid and/or investment expenditure is staggered over time, the actual timing of aid disbursement and expenditure must be taken into account. Consequently, the investment expenditure and aid payments are discounted back to the end of the year in which the enterprise made its first depreciation write-off. Second, the present value is calculated of benefits obtained on repayment of a subsidised loan, or of the tax charged on a grant.

The rate used in such cases is the reference/discount rate determined by the Commission for each Member State. In addition to being used as the discount rate, it is also used to calculate the interest subsidy on a low-interest loan.

1.3. Specific cases

In addition to the taxation and discounting calculations described above, some forms of aid require specific handling. Thus, in the case of aid for the renting of a building, the aid is measured by discounting the differences between the rent paid by the enterprise and a theoretical rent equivalent to the reference rate applied to the value of the building, plus an amount corresponding to depreciation for the building in the year in question. A similar method is used for aid to finance leasing⁽⁴⁸⁾.

⁽⁴⁸⁾ It should be noted that the expenditure associated with the purchase of the land or the building by the renting firm may be considered as eligible, provided that the need for the aid in question is demonstrated.

In the case of aid for the renting of land, the theoretical rent is calculated on the basis of the reference rate, minus the rate of inflation, applied to the value of the land.

2. NET GRANT EQUIVALENT OF INVESTMENT AID IN THE FORM OF A CAPITAL GRANT

2.1. General

Investment aid given to an enterprise in the form of a capital grant is expressed first as a percentage of the investment, representing the nominal grant equivalent or the gross grant equivalent.

According to the common assessment method, the Net Grant Equivalent (NGE) of aid is the benefit accruing to the recipient after payment of taxes on company profits.

In most cases, grants are not taxable in themselves, but are deducted from the value of the depreciable investment. This means that the investor depreciates a smaller amount each year than if he had not received aid. Since depreciation amounts are deductible from taxable profits, a grant increases the proportion taken by the State each year in the form of tax on company profits.

The taxation method applying to grants described above, which consists in adding the grant to profits in step with depreciation, is the one most commonly used in all the Member States, but other taxation methods are encountered in certain schemes.

2.2. Calculation examples

Example 1: The aid is not subject to tax

In all Member States, grants are generally entered in the accounts as income and are made subject to tax. It may be, however, particularly in the case of certain R&D aid, that they are exempt from tax. In this case, the NGE is equal to the nominal grant.

Example 2: The investment involves only one category of expenditure and the grant is fully subject to tax at the end of the first financial years

This means that the full grant is subject to corporate profits tax from the first year onward. This convention is not excessive, if one remembers that firms, which generally record a loss in their first years of operation, can carry over their losses for several financial years.

To calculate the NGE of the grant, the amount of tax charged is deducted from it.

For instance: investment: 100

nominal grant: 20

rate of tax: 40,0 %

The tax charged on the grant is thus $20 \times 40 \% = 8$

The NGE will thus be: $(20 - 8)/100 = 12 \%$

Example 3: The investment involves only one category of expenditure and the grant is subject to tax on a straight-line basis over five years.

Here the grant is subject to tax in equal portions over five years. One fifth of the aid will thus be added to profits each year for five years. To calculate the NGE, the discounted amounts of tax charged each year on each fifth under the tax arrangements applicable are deducted from the grant.

For instance: investment: 100

nominal grant: 20

rate of tax: 40,0 %

discount rate: 8 %

The table below shows how the taxes charged each year, and the discounted values, are calculated:

Period	Tax charged on grant (1)	Discount factor (2)	Discounted value (1) × (2)
End of 1st year	$(20/5) \times 40 \%$	1,0	1,600
End of 2nd year	$(20/5) \times 40 \%$	$1/(1 + 0,08)^1$	1,481
End of 3rd year	$(20/5) \times 40 \%$	$1/(1 + 0,08)^2$	1,372
End of 4th year	$(20/5) \times 40 \%$	$1/(1 + 0,08)^3$	1,270
End of 5th year	$(20/5) \times 40 \%$	$1/(1 + 0,08)^4$	1,176
		Total	6,900

The total in the last column represents the sum of the discounted taxes charged each year. It has to be deducted from the nominal grant to obtain the Net Grant Equivalent.

Thus the NGE is: $(20 - 6,9)/100 = 13,1 \%$

Note: The tax charged on the grant is discounted at the end of the first year on the assumption that this is the date when the enterprise makes its first depreciation write-off.

Example 4: The investment involves three categories of capital expenditure: land, buildings and plant, taxed over different timescales

The three types of expenditure constitute what is referred to as the standard base for aid. Expenditure is apportioned within the standard base using a breakdown which differs by Member State, as shown in the following table.

	Land	Buildings	Plant
Belgium	5	40	55
Germany	5	30	65
France	5	50	45
Italy	5	30	65
Luxembourg	5	50	45
Netherlands	5	40	55
United Kingdom	10	20	70
Denmark	5	45	50
Greece	3	27	70

	Land	Buildings	Plant
Spain	5	40	55
Ireland	5	50	45
Portugal	3	25	72
Austria	5	30	65
Finland	1	19	80
Sweden	5	45	50

These factors are used to calculate the theoretical NGEs under aid schemes. In individual cases of aid, on the other hand, the actual apportionment breakdown of the three categories of expenditure in the standard base is used.

As the timescale over which a grant is subject to tax differs according to the category of expenditure, the first step is to allocate the grant proportionally among the items forming the base of the aid.

The next step is to calculate the amounts charged as tax, separately for each category of expenditure (the calculations are of the same kind as those in Example 3).

Lastly, the taxes are deducted from the nominal grant in order to arrive at the NGE:

NGE = Nominal grant less:

- The tax charged on aid allocated to land
- The tax charged on aid allocated to buildings
- The tax charged on aid allocated to plant

For instance: investment: 100

- of which: — land: 3 not depreciable
- buildings: 33 straight-line depreciation over 20 years
- plant: 64 decreasing-line depreciation over 5 years

nominal grant: 20

rate of tax: 55 %

discount rate: 8 %

To calculate the tax on aid allocated to land

In general, land is not depreciable. Assuming that the aid is to be subject to tax at the same pace as depreciation, aid granted to land is not taxed and no tax is to be deducted from the grant made in respect of land.

To calculate the tax on aid allocated to buildings

Assuming that the aid allocated to buildings is to be subject to tax in equal portions at the same pace as depreciation, i.e. over 20 years:

- the nominal grant allocated to buildings would be: $20 \times 33 \% = 6,6$
- each year, the portion of the grant included in profits would be: $6,6/20 = 0,33$
- the amount of tax charged on that portion would be: $0,33 \times 55 \% = 0,18$

An amount of 0,18 would be due from profits each year for 20 years in respect of the grant made for buildings. If this stream of amounts is discounted at the end of the first year (same kind of calculation as in the table in Example 3), the total tax charged in the period on the aid grant to buildings will be 1,925.

To calculate the tax on aid allocated to plant

Let us assume that the aid allocated to plant is to be subject to tax at the same pace as depreciation, i.e. by the decreasing-line method, over five years, at the following rates: 40 %, 24 %, 14,4 %, 10,8 % and 10,8 %.

Unlike the case of buildings, taxation here is different each year. The tax will therefore have to be calculated year by year. The share of the nominal grant allocated to plant is $20 \times 64 \% = 12,8$.

To calculate the tax charges

Period	Tax charged on grant (1)	Discount factor (2)	Discounted value (1) × (2)
End of 1st year	$12,8 \times 40 \% \times 55 \%$	1,0	2,816
End of 2nd year	$12,8 \times 24 \% \times 55 \%$	$1/(1 + 0,08)^1$	1,564
End of 3rd year	$12,8 \times 14,4 \% \times 55 \%$	$1/(1 + 0,08)^2$	0,869
End of 4th year	$12,8 \times 10,8 \% \times 55 \%$	$1/(1 + 0,08)^3$	0,604
End of 5th year	$12,8 \times 10,8 \% \times 55 \%$	$1/(1 + 0,08)^4$	0,559
		Total	6,412

To calculate the NGE:

— nominal grant	20
less:	
— tax charged on aid allocated to land	0
— tax charged on aid allocated to buildings	— 1,925
×	
— tax charged on aid allocated to plant	— 6,412
	NGE 11,6 %

Notes:

1. The taxation of grants, referred to in the common method of assessing aid, is governed both by the tax laws of the Member States concerned and by any special arrangements under the scheme in question.
2. For the purposes of determining an NGE, it is therefore necessary to have precise information on:
 - the scale of tax rates on profits in the country concerned,
 - the depreciation rules in force, or the specific method of incorporating aid into profits prescribed by the scheme in question.

3. NET GRANT EQUIVALENT OF INVESTMENT AID IN THE FORM OF A SUBSIDISED LOAN

3.1. General

Investment aid given to an enterprise in the form of a subsidised loan is expressed first as the number of percentage points of the rebate, i.e. the difference between the reference rate and the rate charged by the lender.

The sole effect of the interest rebate is to reduce interest charges, since it is assumed that capital repayments are carried out in the same way whether the interest rate is normal or reduced.

This benefit obtained on repayment of the loan is expressed as a percentage of the investment, as for capital grants. This gives the nominal grant equivalent or gross grant equivalent.

This does not represent the final benefit which the enterprise derives from the interest subsidy. Since interest charges are deductible from taxable profits, an interest subsidy means the loss of part of such tax benefit by increasing the share taken by the State in the form of tax on company profits.

Consequently, the net grant equivalent (NGE) is obtained by deducting from the gross grant equivalent the tax charged by the State on the increase in taxable profits that is attributable to the rebate.

As in the case of a grant, the NGE of a subsidised loan is based on elements supplied either by the aid scheme or by the tax law of the country in question, plus any other factors established by convention.

The following elements are needed to calculate the NGE of investment aid in the form of a subsidised loan:

- period of the loan,
- length of the grace period, i.e. the initial period when no repayments need to be made, interest being paid on the total amount of principal,
- number of percentage points of the rebate,
- duration of the rebate, not necessarily the same as the loan,
- amount of the loan as a percentage or proportion of the investment,
- reference/discount rate,
- rate of tax.

It is also necessary to know the terms for repayment of the loan. In most cases the loan is repaid on a straight-line basis, in equal portions, interest being due on the balance outstanding. Repayment is occasionally by constant annual instalments, in which case this is taken into account in calculating the NGE.

3.2. Calculation examples

Example 1

1. Parameters

- the loan is for ten years with straight-line repayment and no grace period,
- the rebate is three percentage points throughout the period of the loan,
- the loan is for 40 % of the investment,
- the reference/discount rate is 8 %,
- the rate of tax is 35 %.

2. Calculation of the unit gift element

The unit gift element is the nominal grant equivalent of a one-point interest rebate on a loan of 100 % of the investment, taking account of the characteristics of the aid used as parameters. It is calculated as follows:

End of year No	Loan: balance outstanding	1-point rebate	Benefit obtained	Discount factor	Discounted value (*)
	(1)	(2)	(1) × (2)	(3)	(1) × (2) × (3)
1	100	1 %	1	1/(1 + 0,08) ¹	0,926
2	90	1 %	0,9	1/(1 + 0,08) ²	0,772
3	80	1 %	0,8	1/(1 + 0,08) ³	0,635
4	70	1 %	0,7	1/(1 + 0,08) ⁴	0,515
5	60	1 %	0,6	1/(1 + 0,08) ⁵	0,408
6	50	1 %	0,5	1/(1 + 0,08) ⁶	0,315
7	40	1 %	0,4	1/(1 + 0,08) ⁷	0,233
8	30	1 %	0,3	1/(1 + 0,08) ⁸	0,162
9	20	1 %	0,2	1/(1 + 0,08) ⁹	0,100
10	10	1 %	0,1	1/(1 + 0,08) ¹⁰	0,046
Unit gift element:					4,112

(*) Discounting starts at the beginning of the first year.

3. Calculation of net grant equivalent

The net grant equivalent is obtained simply by multiplying the unit gift element by the characteristics of the aid (three-point rebate, 40 % share, non-taxable portion of aid: (1 - 35 %):

$$\text{NGE} = 4,112 \times 3 \times 40 \% \times (1 - 35 \%) = 3,21 \%$$

Example 2

1. Parameters

The parameters are the same as in Example 1, but with a two-year grace period from repayment. This means that capital is not repaid in the first two years. The ten-year loan will thus be repaid in eight equal portions from the third to the tenth year. Interest is payable during the ten years on the balance outstanding.

2. Calculation of unit gift element

End of year No	Loan: balance outstanding	1-point rebate	Benefit obtained	Discount factor	Discounted value (*)
	(1)	(2)	(1) × (2)	(3)	(1) × (2) × (3)
1	100	1 %	1	1/(1 + 0,08) ¹	0,926
2	100	1 %	1	1/(1 + 0,08) ²	0,857
3	100	1 %	1	1/(1 + 0,08) ³	0,794
4	87,5	1 %	0,875	1/(1 + 0,08) ⁴	0,643
5	75,0	1 %	0,750	1/(1 + 0,08) ⁵	0,510
6	62,5	1 %	0,625	1/(1 + 0,08) ⁶	0,394
7	50	1 %	0,500	1/(1 + 0,08) ⁷	0,292
8	37,5	1 %	0,375	1/(1 + 0,08) ⁸	0,203
9	25,0	1 %	0,250	1/(1 + 0,08) ⁹	0,125
10	12,5	1 %	0,125	1/(1 + 0,08) ¹⁰	0,058
Unit gift element:					4,802 %

(*) Discounting starts as the beginning of the first year.

3. To calculate the net grant equivalent

As in Example 1, the unit gift element is multiplied by the number of rebate points, the proportion of expenditure covered by the loan and the complement to unity of the rate of tax:

$$\text{NGE} = 4,802 \times 3 \times 40 \% \times (1 - 35 \%) = 3,75 \%$$

Note: It will be seen that, other things being equal, the result of introducing a grace period from capital repayments is to increase the NGE. The grace period increases the balance due each year and hence the benefit attributable to the rebate and, consequently, the unit gift element.

Example 3

1. Parameters

The same facts as in Example 2, but the loan is to be repaid in constant annual instalments.

In this case, the calculation method differs fundamentally from that used in the preceding two examples: first the 'normal' annual instalments excluding the interest rebate are calculated, then the 'rebated' instalments; the difference between the two series is established year by year, and the results discounted in order to obtain the grant equivalent.

2. To calculate the grant equivalent

The constant annual instalments, expressed as a percentage of the loan, are calculated as follows:

$$A = i/(1 - r^n)$$

$$\text{where } r = 1/(1 + i)$$

i being the interest rate and *n* the number of years for which the instalment is calculated. The calculations below are based on a loan of 100 units:

Year	Normal instalment	Rebated annual instalment	Benefit obtained	Discount factor	Discounted value (*)
	(1)	(2)	(3)	(4)	(3) × (4)
1	8	5	3	$1/(1 + 0,08)^1$	2,778
2	8	5	3	$1/(1 + 0,08)^2$	2,572
3	17,401	15,472	1,929	$1/(1 + 0,08)^3$	1,532
4	17,401	15,472	1,929	$1/(1 + 0,08)^4$	1,418
5	17,401	15,472	1,929	$1/(1 + 0,08)^5$	1,313
6	17,401	15,472	1,929	$1/(1 + 0,08)^6$	1,216
7	17,401	15,472	1,929	$1/(1 + 0,08)^7$	1,126
8	17,401	15,472	1,929	$1/(1 + 0,08)^8$	1,042
9	17,401	15,472	1,929	$1/(1 + 0,08)^9$	0,965
10	17,401	15,472	1,929	$1/(1 + 0,08)^{10}$	0,894
Grant equivalent:					14,85 %

(*) Discounting starts at the beginning of the first year.

3. To calculate the net grant equivalent

The net grant equivalent is obtained by multiplying the grant equivalent by the proportion, then deducting the portion charged as tax:

$$\text{NGE} = 14,85 \times 40 \% \times (1 - 35 \%) = 3,86 \%$$

Note: If there is no grace period from repayment, the NGE calculated in the same way is 3,41 %.

3.3. Formular for calculating the NGE of a subsidised loan

The preceding methods, which can easily be transposed to a spreadsheet, make it possible to calculate the NGE of a low-interest loan according to the characteristics of the case in question. In standard cases, the NGE may also be calculated direct by means of the following formulae.

1. Terms

- i is the reference rate per interval and $r = 1/(1 + i)$
- i' is the subsidised rate per maturity interval and $r' = 1/(1 + i')$
- P is the period (in number of maturity intervals) of the loan
- Q is the proportion
- T is the rate of tax
- F is the period, in number of intervals, of any grace period from repayment of principal: during the grace period, only interest on the loan is repaid, at the subsidised rate.
($F = 0$ where there is no grace period)

2. Straight-line repayment

$$\text{NGE} = (1 - T) Q \left(1 - \frac{i'}{i} \right) \left(1 + \frac{r^P - r'^F}{i \times (P - F)} \right)$$

3. Repayment in constant annual instalments

$$\text{NGE} = (1 - T) Q \left[1 - \left(\frac{i'}{i} \right) \times \left(1 - r^F + \frac{r^F - r'^P}{1 - r^{P-F}} \right) \right]$$

ANNEX II

AID TO OFFSET ADDITIONAL TRANSPORT COSTS IN REGIONS QUALIFYING FOR EXEMPTION UNDER ARTICLE 92(3)(c) ON THE BASIS OF THE POPULATION DENSITY TEST

Conditions to be met

- aid may serve only to compensate for the additional cost of transport. The Member State concerned will have to show that compensation is needed on objective grounds. There must never be overcompensation. Account will have to be taken here of other schemes of assistance to transport,
- aid may be given only in respect of the extra cost of transport of goods inside the national borders of the country concerned. It must not be allowed to become export aid,

- aid must be objectively quantifiable in advance, on the basis of an aid-per-kilometre ratio or on the basis of an aid-per-kilometre and an aid-per-unit-weight ratio, and there must be an annual report drawn up which, among other things, shows the operation of the ratio or ratios,
- the estimate of additional cost must be based on the most economical form of transport and the shortest route between the place of production or processing and commercial outlets,
- aid may be given only to firms located in areas qualifying for regional aid on the basis of the new population density test. Such areas will be made up essentially of NUTS level III geographic regions with a population density of less than 12,5 inhabitants per square kilometre. However, a certain flexibility is allowed in the selection of areas, subject to the following limitations:
 - flexibility in the selection of areas must not mean an increase in the population covered by transport aid,
 - the NUTS III parts qualifying for flexibility must have a population density of less than 12,5 inhabitants per square kilometre,
 - they must be contiguous with NUTS III regions which satisfy the low population density test,
 - their population must remain low compared with the total coverage of the transport aid,
- No aid may be given towards the transport or transmission of the products of businesses without an alternative location (products of the extractive industries, hydroelectric power stations, etc.),
- Transport aid given to firms in industries which the Commission considers sensitive (motor vehicles, synthetic fibres, shipbuilding and steel) must always be notified in advance and will be subject to the industry guidelines in force.

ANNEX III

**METHOD OF DETERMINING THE CEILINGS ON THE POPULATION COVERED BY THE
92(3)(c) DEROGATION**

1. The Commission first fixes an overall ceiling on the coverage of regional aid in the Community. This determines the maximum percentage of the population which the regions eligible for the Article 92(3) regional derogations in the Community may together account for.
2. The regions eligible for regional aid under the derogation in Article 92(3)(a), and their overall coverage at Community level, are determined exogenously and automatically by the application of the criterion of 75,0 % of per capita GDP expressed in purchasing power standards (PPS). The Commission's decision on the overall ceiling, therefore, simultaneously defines the ceiling on coverage under the Article 92(3)(c) derogation, at Community level. The Article 92(3)(c) ceiling is obtained by deducting from the overall ceiling the population of the regions eligible under the 92(3)(a) derogation.
3. The distribution of the Article 92(3)(c) Community ceiling between the different Member States is effected by using a distribution key (see section I), which takes account of regional disparities in a national and Community context.

The results thus obtained are then adjusted to take account of certain other aspects (see section II).

1. DISTRIBUTION KEY

4. The distribution key for the Article 92(3)(c) Community ceiling is calculated on the basis of the population of the regions which, at national level, have a minimum disparity in terms of per capita GDP/PPS and/or unemployment, defined in relation to certain thresholds (see point 5).

The geographical unit used is NUTS level III. For each NUTS III region, an average value over three years is calculated for per capita GDP/PPS and unemployment indices, defined in relation to the national average. The per capita GDP/PPS and unemployment rate indicators are supplied by Eurostat.

5. The abovementioned thresholds are calculated for each of the two criteria (per capita GDP/PPS and unemployment), and for each of the Member States concerned. The calculation is carried out in two stages. The first establishes an identical basic threshold for all Member States, set at 85 for per capita GDP and 115 for the unemployment rate. In the second stage, the basic thresholds are adjusted to take account of the relative situation of each of the Member States compared with the average for the Community. The formula applied is as follows:

$$\text{Threshold} = \frac{1}{2} \times \left(\text{Basic threshold} + \frac{\text{Basic threshold} \times 100}{\text{European index}} \right)$$

where the European index expresses the position of the different Member States, in terms of unemployment or per capita GDP/PPS, as a percentage of the corresponding Community average. The European index is calculated as an average value over the same three-year period as for the regional indices.

Thus, the more favourable a Member State's situation as regards unemployment or the standard of living, the more selective the thresholds used for the distribution of the ceiling on 92(3)(c) coverage, and vice versa.

However, so that the unemployment criterion does not become too rigorous, the corresponding threshold is subject to a ceiling of 150. This facilitates the granting of regional aid in Member States which show considerable disparities in domestic unemployment but whose situation does not seem that unfavourable at Community level. Since for the per capita GDP/PPS threshold the differences observed between the Member States are small, it has not been thought necessary to establish a minimum level.

6. The regional indices are then compared with the abovementioned thresholds, which makes it possible to determine whether the region concerned shows a sufficient regional disparity to be taken into account in the calculation of the distribution key.

The population of all the regions not eligible for regional aid under the Article 92(3)(a) derogation which show a sufficient regional disparity compared with at least one of the two abovementioned thresholds is aggregated for each of the Member States. The distribution key for the Article 92(3)(c) Community ceiling is defined as each Member State's share of the corresponding total Community population.

7. Subject to the corrections mentioned above, the population ceiling for each Member State under the Article 92(3)(c) derogation is calculated by directly applying the distribution key, i.e. by multiplying the Article 92(3)(c) Community ceiling, expressed in terms of population, by the share of the Member State concerned in the total sum obtained.

2. CORRECTIONS

8. The results thus obtained are corrected, if necessary, in order:

- to guarantee to each Member State that the population assisted under the 92(3)(c) derogation is at least equal to 15 % and does not exceed 50 % of its population not covered by the 92(3)(a) derogation,
- to attain, in each Member State, a sufficient level to include all the regions which have just lost 92(3)(c) status and the areas with a low population density,
- to limit the reduction in the total coverage (under the two Article 92(3) regional derogations) of a Member State to 25 % of its previous coverage.

9. The results obtained for the Member States not directly concerned by the abovementioned corrections are then adjusted proportionately so that the sum of the individual ceilings equals the Article 92(3)(c) ceiling set for the Community.

Commission communication concerning extension of the guidelines on State aid for rescuing and restructuring firms in difficulty

(98/C 74/07)

(Text with EEA relevance)

The Commission has decided to extend the current guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 368, 23.12.1994, p. 12, as supplemented by the rules applicable to agriculture and fisheries (OJ C 283, 19.9.1997, p. 2)) until such time as new guidelines are published or, at any event, for a period of not more than one year from the date of publication of this Communication in the *Official Journal of the European Communities*.

Prior notification of a concentration**(Case No IV/M.1138 — Royal Bank of Canada/Bank of Montreal)**

(98/C 74/08)

(Text with EEA relevance)

1. On 27 February 1998, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 ⁽¹⁾ by which the undertaking Royal Bank of Canada and the undertaking Bank of Montreal will enter into a full merger within the meaning of Article 3(1)(a) of the Regulation by way of transferring their businesses into the new undertaking 'Amalgamated Bank' as equal partners.
2. The business activities of the undertakings concerned are banking and financial services.
3. On preliminary examination, the Commission finds that the notified concentration could fall within the scope of Regulation (EEC) No 4064/89. However, the final decision on this point is reserved.
4. The Commission invites interested third parties to submit their possible observations on the proposed operation.

Observations must reach the Commission not later than 10 days following the date of this publication. Observations can be sent by fax (No (32-2) 296 43 01/296 72 44) or by post, under reference IV/M.1138 — Royal Bank of Canada/Bank of Montreal, to the following address:

European Commission,
Directorate-General for Competition (DG IV),
Directorate B — Merger Task Force,
Avenue de Cortenberg/Kortenberglaan 150,
B-1040 Brussels.

⁽¹⁾ OJ L 395, 30.12.1989. Corrigendum: OJ L 257, 21.9.1990, p. 13.