



ROYAL NORWEGIAN MINISTRY OF GOVERNMENT
ADMINISTRATION, REFORM AND CHURCH AFFAIRS

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Norwegian comments to the draft regional aid guidelines 2014-2020

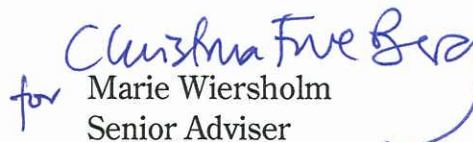
Reference is made to the DG Competition's draft guidelines on regional aid for 2014-2020. Reference is also made to the multilateral meeting in Brussels 11-12 February 2013.

The Norwegian Ministry of Government Administration, Reform and Church Affairs has the overall responsibility for the sector crossing instruments in the Government's competition policy, and coordinates comments from the Norwegian central administration in state aid regulatory processes at the European Commission and the EFTA Surveillance Authority.

Please find enclosed the Norwegian Government's comments to the draft regional aid guidelines for 2014-2020.

Yours sincerely,


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Draft regional state aid guidelines 2014-2020 - comments from Norway

Regional policy is a highly prioritised policy area in Norway. The regional development challenges in the country stem mainly from its geographical features, with large distances, difficult climate and large areas with very sparse population. A central objective of Norwegian regional policy is to facilitate development in sparsely populated regions. This, in line with EU cohesion policy, is linked to the perspective of making use of all parts of the country as a means to economic and social development. The regional aid guidelines represent an important part of the policy framework for regional policy's ability to deal with these policy challenges.

The Norwegian authorities welcome the invitation to present views on the draft guidelines.

Regional state aid in sparsely populated areas and operating aid in very sparsely populated areas

The Norwegian authorities welcome the possibility to maintain low population density as a criterion for designating areas eligible for regional state aid. We note that DG Competition also proposes to maintain a certain degree of flexibility when designating the eligible areas, such as the possibility to include contiguous areas adjacent to relevant NUTS 3 regions, as described in paragraph 147. This is of great importance, as it will contribute to targeting regional aid to those regions suffering from disadvantages linked to low population density, and avoid discrimination between adjacent areas experiencing the same difficulties, due to administrative borders of the NUTS 3 level.

In the current regional state aid guidelines, low population density c-regions may be designated on the basis of NUTS 2 regions with a population density of less than 8 inhabitants per km², or NUTS 3 regions with a population density of less than 12.5 inhabitants per km². In the draft guidelines, only NUTS 3 regions with less than 12.5 inhabitants per km² shall be considered low population regions. For Norway, NUTS 3 regions are the most relevant level, and we welcome the proposal to maintain NUTS 3 regions as designation of sparsely populated areas. However, we are not aware of a need to restrict the designation to NUTS 3 regions only. The Norwegian authorities therefore propose to include the wording from the current guidelines in the guidelines for the period 2014-2020 as designation on NUTS 2 level in some areas may be the best way to serve the intentions of the regional state aid guidelines.

The Norwegian authorities welcome that the draft guidelines maintain the possibility for operating aid to prevent or reduce depopulation in the very sparsely populated areas, as described in paragraph 45. This includes the opportunity to extend operating aid to smaller adjacent areas with less than 8 inhabitants per km². Operating aid is an important tool to maintain the main features of the settlement pattern in Norway. It addresses permanent disadvantages arising from very low population density.

On the European Commission's web site¹ it is stated that for the calculation of population density, the land-area concept should be used wherever available. However, in several Member States these figures are currently not available. Hence, the total area, including the area of lakes and rivers, will have to be used for the calculation of population density, because this is the only concept for which data are available. An option to choose land-area or total area may lead to discrimination between Member States based on the availability of the data required by the European Commission. To avoid such discrimination, the Norwegian authorities suggest that the calculation of population density should be based on total area only. These data are available for all Member States and using them will create a level playing field for all EU/EEA States.

Aid to large enterprises

The Norwegian authorities recognize the concern expressed by DG Competition in the draft guidelines and the explanatory note on the lack of incentive effect of regional investment aid for large enterprises and the potential distortive effects of such aid in c-regions. However, we do not agree that the answer to this concern is to exclude such enterprises from regional investment aid in c-regions.

It is the view of the Norwegian authorities that the present rules, with different aid ceilings for large enterprises and SMEs, address the differences between these enterprises in an appropriate manner. The rules give all enterprises an incentive to invest in c-regions, and thereby to stimulate economic development in these areas. As large enterprises may act as an engine for further development in remote parts of Europe with long distances to the markets, such as is the case for sparsely populated areas in the far north, we should keep the incentive for large enterprises to invest in these areas.

In many regions, large enterprises are the most important employment source contributing to secure new investments and smart specialization in the regions. They also in many cases have an enabling role towards SMEs and thereby contribute to the industrial base in the regions where they invest.

Moreover, the proposed guidelines equate large multinational companies with companies that are slightly above the threshold in the SME definition. We agree that large multinational companies have better access to finance, better bargaining power and make location decisions based on a broader worldwide strategy. However, in terms of numbers, the multinational companies are only a small fraction of all large enterprises that would be excluded from regional investment aid in c-regions.

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http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Population_density

The Norwegian authorities realize that, in practice, there are few cases where aid will be necessary for large enterprises. This fact is also mirrored in the Norwegian regional aid schemes, where aid to large enterprises is granted in a very limited number of cases. In these cases, however, regional investment aid can be of vital importance as an incentive to invest in remote regions instead of outside assisted areas.

The Norwegian authorities are of the opinion, as also reflected by the large majority of the representatives at the multilateral meeting 11-12 February, that large enterprises should remain eligible for investment aid also in c-regions. However, the eligibility criteria for aid to large enterprises could be more narrowly defined than for small and medium sized enterprises.

Maximum aid intensities in c-regions

The Norwegian authorities are of the view that the maximum aid intensities for investment aid in the current guidelines should be maintained, also in c-regions. In practice, aid very rarely reaches the maximum aid intensity allowed in Norway. The bodies responsible for promoting regional development are instructed to assess the necessity of aid, with a view to efficient resource use and maximizing incentive effects. In the very few cases where maximum allowed aid has been granted, this has been after a strict evaluation of the need for such an incentive to secure a location in the remote area.

The Norwegian authorities do not see the need for a further restriction of aid intensities in c-regions and opposes the proposal from DG Competition. A further reduction of aid intensities in the assisted areas would bring aid levels closer to those allowed outside the assisted regions. It would thus lead to regional investment aid being less differentiated from aid instruments available outside of c-regions and reduce the incentive effect and the possibility to attract investments in the assisted areas.

The scope of regional state aid

In order to maintain an effective framework for general regional aid schemes Norwegian authorities are of the opinion that there should be as few sectorial exceptions as possible.

The Norwegian authorities therefore welcome the proposal in the draft guidelines to include shipbuilding in the future regional state aid guidelines. At the same time we are in some concern on what this would mean in practise since the draft guidelines do not describe how this sector will be treated within the future guidelines. Most shipbuilding enterprises in Norway and in Europe have more than 250 employees and do not fall under the definition of SME. Hence, the proposal to exclude regional state aid to large enterprises in c-regions would in practise mean that this sector will fall outside the scope of regional investment aid.

General schemes that are open to all sectors cover a large number of undertakings. To exempt certain economic sectors from such schemes implies increased administrative

costs. Exempting certain sectors might also distort competition within a region. To avoid unnecessary administrative costs and in order to maintain an effective framework for general regional aid schemes it is important with as few sectoral exceptions as possible. This is of great importance especially when it comes to operational aid schemes open to all (eligible) sectors which are designed as schemes for reduction of taxes or social security contributions.

We therefore suggest that regional operating aid should continue to be allowed the undertakings comprised by paragraph 13 when such aid is granted under general schemes which are open to all sectors and which are designed to offset additional transport or employment costs. The Norwegian authorities therefore suggest the following amendment to paragraph 13:

.....Business and other management consultancy activities of NACE Rev. 2, *unless such aid is granted under general schemes which are open to all sectors and which are designed to offset additional transport or employment costs.*

The proposed new text is equivalent to the text in paragraph 78 in the current guidelines.

The appropriateness of regional state aid

The draft guidelines paragraph 54 reads:

“54. The Member State must demonstrate that the aid is appropriate to achieve the objective of the scheme, in relation to the problems that the aid is intended to address. To demonstrate that the aid is appropriate, the Member State shall calculate the aid amount ex ante as a fixed sum covering the expected additional in costs over a given period, rather than to establish it on the basis of costs and revenues as they are incurred. In the latter situation, there are typically few incentives for the company to contain costs and to develop the business over time.”

The Norwegian authorities agree that this may be a good approach in some circumstances. However, it is not clear how ex-ante calculation of the aid can help demonstrate the appropriateness of the aid. Also, this may cause some practical problems in the implementation of certain aid schemes, in particular where the aid instrument is for example tax reductions or reductions of social security payments. General schemes, such as tax reductions, may cover a large number of undertakings (all eligible undertakings in the relevant region) and it would be almost impossible to calculate the aid amount ex ante for all aid beneficiaries.

We also find it somewhat unclear how the paragraph should to be interpreted, in particular when read in light of footnote 29. The Norwegian authorities therefore suggest that the paragraph is drafted in a way that leaves more room for a concrete assessment by the Commission or the EFTA Surveillance Authority of each individual aid scheme. The Norwegian authorities propose the following text:

“54. The Member State must demonstrate that the aid is appropriate to achieve the objective of the scheme, in relation to the problems that the aid is intended to address. To demonstrate that the aid is appropriate, the Member State may be required to calculate the aid amount ex ante as a fixed sum covering the expected additional in costs over a given period.”

Transparency

Concerning the provisions in paragraphs 127 and 128 on transparency, the Norwegian authorities agree with DG Competition that information on state aid measures should be available to the public. The Norwegian annual reporting to the EFTA Surveillance Authority on state aid measures in Norway is available to the public upon request, according to the general rules on transparency in the public administration. We regularly receive requests for and grant access to the reporting. However, the Norwegian authorities consider that the current proposal from DG Competition is too far reaching. The Norwegian authorities in particular consider that the obligation put on the Member States to publish, for each scheme, the names of the individual beneficiaries, individual aid amounts, aid intensity for each aid award and expected benefits of each project for regional development, is far too excessive. We also consider that the obligation to publish all information on one central website would cause significant practical problems. The Norwegian authorities are of the opinion that it should be sufficient to publish this information at scheme level.

Proportionality of the aid /aid limited to the minimum

The Norwegian authorities find it useful that DG Competition includes in the draft guidelines a special interpretation on how to apply regional state aid in the European Territorial Cooperation Programmes (paragraph 78). Within the same programme, the partners can come from different regions and countries with different exemptions from the general regional state aid rules regarding investment aid. This means that within the same project there might be partners from a-regions, c-regions and regions outside the assisted areas. Paragraph 78 in the draft guidelines is difficult to understand and we would like to see a clarification from DG Competition on how to apply this rule in practice in order to ensure equal treatment of all partners in the same project.

Time schedule

The Norwegian authorities are concerned about the tight time schedule for the adaption of the future regional state aid guidelines and the following process with notification of regional state aid maps and schemes in the EU/EEA States before the end of 2013. We note that the revision of the regional state aid guidelines is the first in a series of forthcoming revised guidelines, and that the Commission plans to present a draft General Block Exemption Regulation in June/July, after the adoption of the regional state aid guidelines. Several of the provisions in the current regional state aid guidelines, such as the provisions for transport aid and aid to newly created small enterprises, will be block exempted in the future and are thus not included in the draft proposal. It is difficult to assess the draft regional state aid guidelines, as we have not yet seen a draft General Block Exemption Regulation. The Norwegian authorities urge

the European Commission to allow for sufficient time for national authorities to prepare the new maps and schemes, in order to make the necessary adjustments following from the new state aid rules.