

European Commission

Directorate-General for Competition

Ref.: HT.3127 Public consultation regional aid

State aid Registry

BE-1049 Brussels

Belgium

Brussels, 10th of March 2013

CONSULTATION – DRAFT GUIDELINES ON REGIONAL STATE AID FOR 2014-2020

1. Introduction

The Northern Sparsely Populated Areas, NSPA, welcome the opportunity to submit their comments to the European Commission on the regional aid guidelines. The NSPA network represents close collaboration between the four northernmost counties of Sweden (Norrbotten, Västerbotten, Jämtland, Västernorrland), the seven northernmost and eastern regions of Finland (Lapland, Oulu, Central Ostrobothnia, Kainuu, North Karelia, Pohjois-Savo and Etelä-Savo) and North Norway (Finnmark, Troms and Nordland) with a special focus on the European Cohesion Policy and regional development.

NSPA is a specific area of Europe, characterized by harsh climate, sparse population and long distances. The remoteness from larger markets leads to a competitive disadvantage that has to be addressed on a European level. At the same time the region is providing added value for Europe at large due to the combination of competence and natural resources needed in European industry and for economic growth.

NSPA are of the opinion that the present rules on regional aid strike a good balance between the need for aid to support regional development, and the impact on competition. Thus, the main features of the rules should be maintained also after 31 December 2013.

2. Low population density in the NSPA

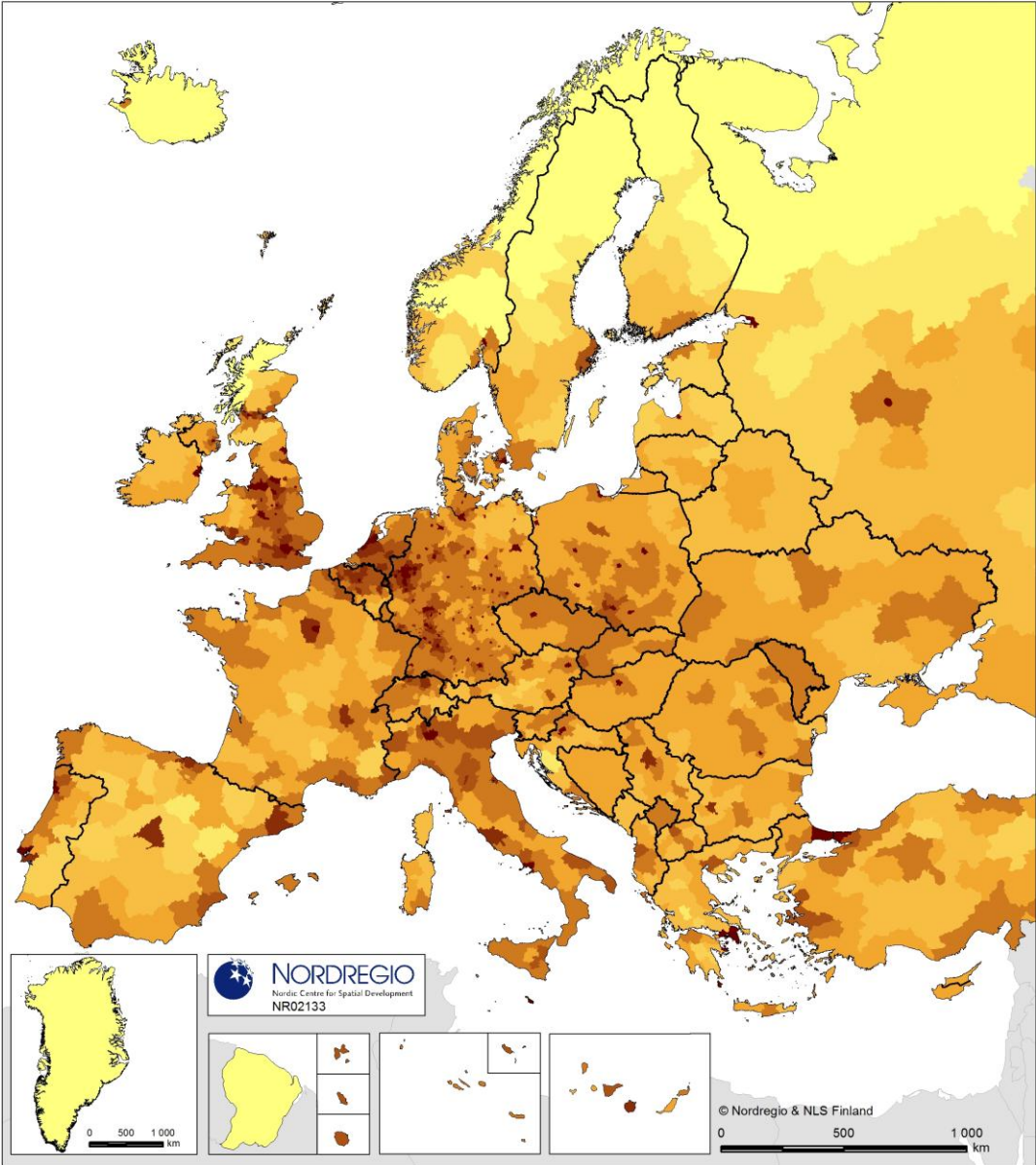
The NSPA area is a low density population area. The area has a population density of 4.71 inhabitants per km². To put the figures of the NSPA in a European context, it could be mentioned that the population density in the EU-27 has been estimated to be 116.4 inhabitants per km².¹ The population density of the Netherlands is 492.2 inhabitants per km². Germany has a density of 229 inhabitants per km², while Belgium has a density of 356 inhabitants per km².

¹ Estimate for 2010 from Eurostat

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_r_d3dens&lang=en

The map from Nordregio reproduced below illustrates the low population density in the NSPA area. The whole area of the NSPA is coloured light brown/yellow as the area has a population density below 8 inhabitants per km². Most regions in Europe have a significantly higher population density than the northernmost counties and the arctic areas of the other Nordic countries.

Population density at NUTS 3 level in 2010 (Nordregio)



Population density at NUTS3 level in 2010*
Average value per region as January 1st

Data source: Eurostat, NSIs

	> 1 000
	500 – 1000
	250 – 500
	100 – 250
	50 – 100
	25 – 25
	12.5 – 25
	8 – 12.5
	< 8

* BE, DE & FR 2009; UK 2008; Kosovo and Serbia 2007
Bosnia and Hercegovina, Moldova, Montenegro NUTS0

3. Regional aid as part of a sustainable policy for the Northern Sparsely Populated Areas, an important part of the European Arctic.

Due to the characteristics of the NSPA as highlighted above, the region is particularly affected by the regional guidelines and the current aid regime.

In light of future changes both geopolitically and with regard to natural resources and climate change, ensuring a sustainable development of the region should be at the heart of a common European policy. Maintaining the present level of population is important in order to ensure that competence and local knowledge is kept and further developed. The region suffers from ageing and declining population. A depopulation of these areas would be unfortunate in light of the challenges ahead.

The NSPA region is rich on both renewable and non-renewable resources. Energy, fisheries, fish farming, mining, forestry and tourism are important industries. NSPA is also home to the Sámi, the only indigenous people in Europe.² These two factors; the indigenous population and the richness of resources, are specific regional traits that provides unique opportunities for the region and Europe at large, but require policies dealing with these challenges.

Without the possibility to support the region with State aid, a destabilizing depopulation could be the result. A well-targeted policy from both the EU and the state level could prevent depopulation and hopefully, in the long term, contribute to growth in both the region and in Europe as such.

4. Investment aid

4.1 Introduction

NSPA are pleased to note that the challenges faced by sparsely populated areas have been taken into account, and that these areas still may be eligible for aid.

The proposed definition in paragraph 144 (b) which reads “*Sparsely populated areas: NUTS 3 regions with less than 12.5 inhabitants per km² (based on Eurostat data on population density for 2010).*” means that the northernmost areas still will be eligible for investment aid. NSPA therefore strongly support the Commission’s proposal on this point.

4.2 Decreased aid ceilings

Today, the maximum ceiling for regional investment aid to small enterprises is 35 %. The ceiling is 25 % with regard to medium-sized enterprises, and 15 % when it comes to large enterprises. Even this may sometimes not give sufficient incentives to invest in the least populated areas. A higher aid ceiling might encourage private investors to take a higher investment risk.

In paragraph 161, it is proposed that in “c”- areas, the aid ceiling should not exceed 30 % for small enterprises or 20 % for medium-sized enterprises.

NSPA note that the ceilings are accompanied with the words “in principle”. This may be interpreted to give a certain flexibility to allow higher intensities in certain circumstances. Nevertheless, NSPA would like to stress the importance of allowing higher aid intensities than contained in the proposal in areas threatened with depopulation.

² Reference is made to ILO Convention 169 concerning Indigenous and Tribal Peoples in Independent Countries from 1989.

The incentive to invest in “c”- areas is further diminished by the fact that in all areas of the EU and of the EEA an aid intensity of 20 % in the case of small enterprises, and 10 % in the case of medium-sized enterprises, is allowed. This follows from Article 15 (2) (a) and (b) of the General Block Exemption Regulation (GBER) as it is today.³ Unless the Commission is planning to change these intensities, the incentive to invest in “c”- regions compared to all other regions of Europe would be only 10 % for both kinds of companies.

NSPA would therefore highly appreciate if the Commission would reconsider keeping today’s aid ceilings for “c”-areas, such as the sparsely populated regions, also for the period 2014-2020.

4.3 Large undertakings

NSPA note that according to the proposed rules, large undertakings will no longer be eligible for aid in the northernmost areas.

The present rules applicable until the end of 2013, with different aid ceilings for large enterprises and SME’s address the differences between these enterprises in an appropriate manner. The rules give all enterprises an incentive to invest in sparsely populated areas, 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 market, also large enterprises should still be given an incentive to invest in sparsely populated areas.

Many enterprises wanting to invest in the northernmost areas of Europe may be part of a larger group of companies located elsewhere in Europe. Thus, the definition of an undertaking in State aid law, and in particular in the Commission recommendation on SMEs, may hinder such enterprises to benefit from investment aid, as these may be defined as large undertakings.

NSPA would therefore appreciate if the Commission would reconsider whether it should still be possible to grant aid to large undertakings in “c”- areas.

5 Operating aid

5.1 Introduction

Most Arctic areas suffer from challenges relating to a low degree of diversification of the industry, as well as problems resulting from remoteness, long internal and external travel distances and harsh weather conditions.

The challenges in the northern regions of Europe are not of a purely temporary nature, but are more or less permanent. Without a sufficient population level, the area would not be able to provide, or attract, a work force able to handle the challenges ahead. Maintaining a skilled work force is essential to be able to exploit natural resources, which is needed for the future growth of Europe. For this reason, traditional investment aid alone may not always be the most adequate instrument to address the specific problems of these areas. Moreover, as investment aid favours capital over labour, the effects of such aid on the population development in the regions may not be as targeted as for example operating aid directly related to employment costs. Most NSPA areas suffer from problems relating to

³ Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation) OJ L 214, 9.8.2008, p. 3–47.

a low degree of diversification of the industry, as well as problems resulting from remoteness, long internal and external travel distances, and harsh weather conditions.

Maintaining a skilled work force is essential to be able to exploit the natural resources like forestry, petroleum and minerals, which is needed for the future growth of Europe.

The present rules enable the States concerned to address well-identified problems and does not raise major competition concerns. The NSPA fully support the views on operating aid presented by the Finnish, Swedish and Norwegian Governments.

NSPA welcome that the new draft guidelines contains specific rules for operating aid in very sparsely populated areas, but expresses concern over some new regulations that seems to increase the administrative burden on such aid schemes. We hope the commission will focus on the aim of the operating aid schemes, and not increase the administrative burden in areas were distortion of competition is so unlikely.

6 Concluding remarks

The proposed guidelines strike a good balance between the need for aid and the impact on competition. The main features of the present rules are maintained for the period 2014-2020. For the northernmost, very sparsely populated areas of Europe, it is important that the present rules on operating aid are proposed continued. Aid alone cannot necessarily prevent depopulation, but as part of an overall European and Nordic policy for the North, aid can contribute to create the right environment for growth in these areas.