

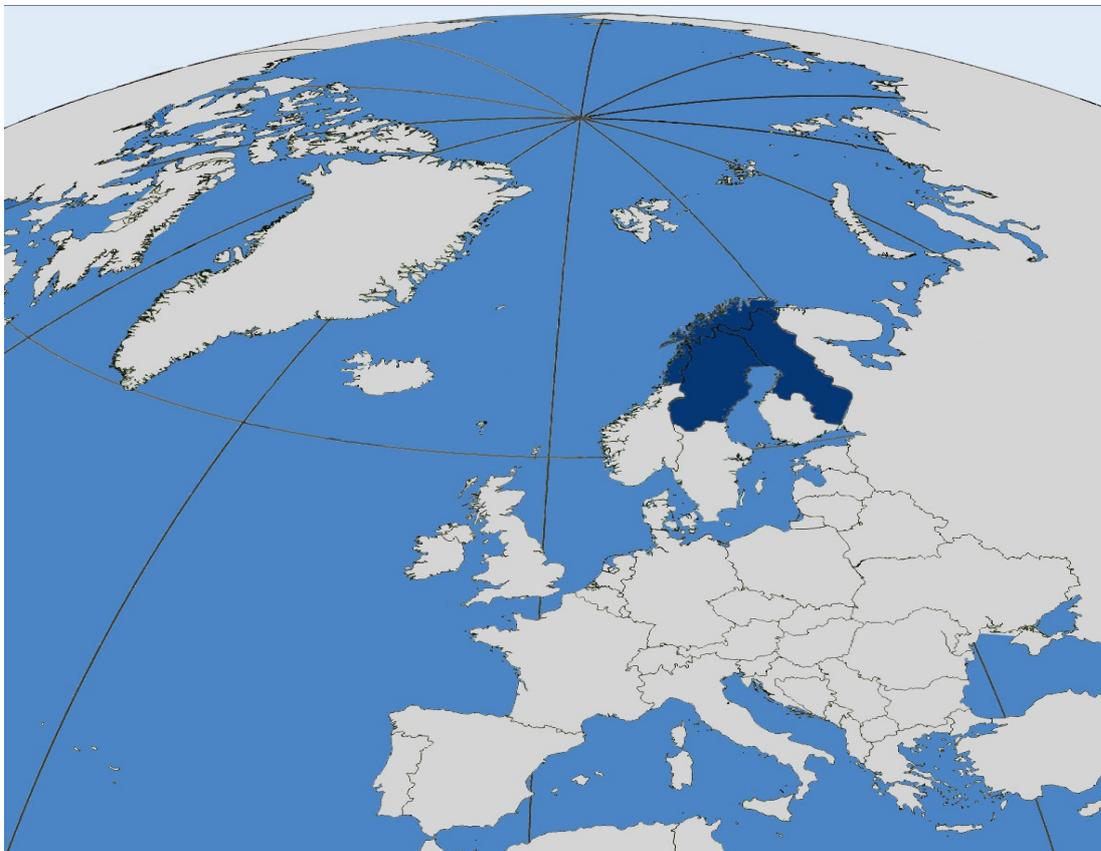
The Northern Sparsely Populated Areas, NSPA, is a specific area of Europe, characterized by harsh climate, sparse population and long distances. The remoteness from larger markets leads to a competitive disadvantage that has to be addressed on a European level. At the same time the region is providing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

1. Introduction

The 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 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.

The location of the NSPA area is illustrated below.

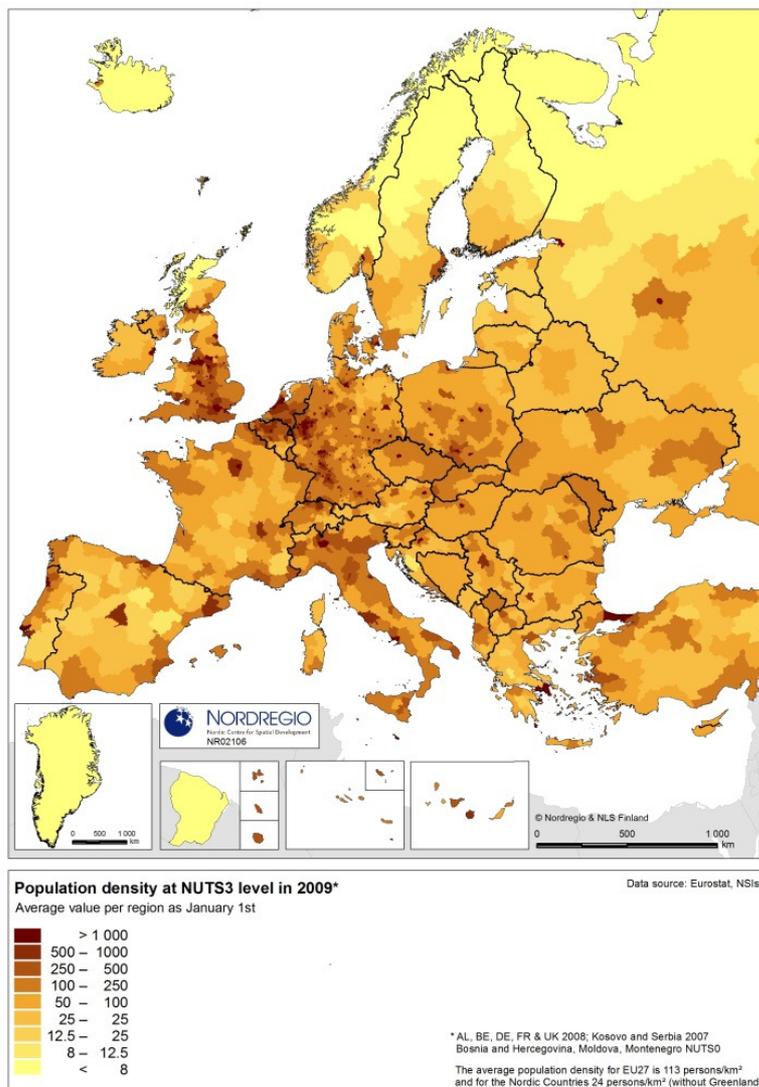


2. Low population density in the NSPA

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.

The map from Nordregio reproduced below illustrates the low population density in the NSPA area.² The dark brown areas are the most densely populated, while the light brown/yellow areas are the most sparsely populated. 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 2009 (Nordregio)



¹ Estimate for 2010 from Eurostat

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

² The numbers for EU-27 deviate slightly as the map is based on the 2009 figures, while the numbers in the text are based on the 2010 estimates.

3. Regional aid as part of a sustainable policy for the Northern Sparsely Populated Areas

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, 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.³ 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.

3.1. Investment aid

NSPA believe that the present rules on the selection of the eligible regions for investment aid should remain the same as under the present guidelines. This is particularly the case for the low population density regions: areas which are made up essentially of NUTS-II geographic regions with a population density of less than 8 inhabitants per km², or NUTS-III geographic regions with a population density of less than 12.5 inhabitants per km².

The present rules with different aid ceilings for large enterprises and SME's addresses the differences between these enterprises in an appropriate manner. The rules give all enterprises an incentive to invest in the 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, such enterprises should also still be given an incentive to invest in sparsely populated areas.

3.2. Operating aid in low density population areas

Most NSPA areas suffer from problems 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.

³ Reference is made to ILO Convention 169 concerning Indigenous and Tribal Peoples in Independent Countries from 1989.

The challenges in the northern regions are not of a pure temporary nature, but are more or less permanent. The main problem in the least populated regions is often a lack of profitable projects. In addition, 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 the natural resources like forestry, petroleum and minerals, 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.

Some of the other possible aid measures, such as aid for job creation and employment aid under the regional aid guidelines, only apply in case of a net increase of jobs in connection with an investment project and for a limited period of time. Such measures alone may not be able to solve the more permanent challenges the NSPA are facing. Operating aid applied in addition to investment aid gives a better balance of aid for investments and aid for the use of labour. It is doubtful that other measures than operating aid are better suited to achieve the aim of preventing or reducing depopulation in the least populated areas. The NSPA fully support the views on operating aid presented by the Finnish, Swedish and Norwegian Governments in their letters sent to the Commission after the workshop 8-9 March 2011.

The present rules ensure that the States party to the EEA Agreement may use operating aid in certain areas where this is regarded necessary to prevent depopulation. It follows from the regional aid guidelines that a Member State who intends to grant operating aid has to demonstrate that the aid proposed is necessary and appropriate to prevent or reduce continuing depopulation.

This obligation ensures compliance with the general principles of State aid, namely that aid should not be granted unless aid is both necessary and appropriate. The obligation also ensures compliance with the State aid rules under changing factual circumstances. The present rules enable the States concerned to address well-identified problems and does not raise major competition concerns.

4. Concluding remarks

The present rules strike a good balance between the need for aid and the impact on competition. The main features of the rules should be maintained also for the period after 31 December 2013. For the northernmost, sparsely populated areas of Europe, it is important that the present rules on investment and operating aid continue to apply. 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 economic and population growth in these areas.

Questionnaire

NB: You are not required to reply to all questions. If a question is not applicable, please tick the box marked 'N/A'.

1. Contact details / confidentiality

(1) Please provide your contact details:

First name FAMILY NAME:	Asunn, LYNGEDAL
Company/organisation:	Northern Sparsely Populated Areas, NSPA
Country:	Finland, Sweden and Norway
E-mail address:	asunn@northnorway.org
Main activities:	Promoting regional interests

The Commission intends to publish the replies to this questionnaire on its website⁴. In the absence of any reply to the following questions, the Commission will assume that your replies to this questionnaire contain no confidential elements and can be divulged in their entirety.

(2) Do you object to the disclosure of your identity?

Yes No

(3) Do any of the exceptions foreseen in Article 4 of Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents⁵ apply to your response?

Yes No

If yes, please indicate clearly which parts should not be divulged, justify the need for such confidential treatment and provide a non-confidential version of your replies for publication on our website:

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2. General questions

(4) Have you been involved in projects which have received regional State aid (e.g. as granting authority, aid recipient, investor in an aided project, etc.)?

No

If yes, please specify in which capacity:

Please also specify what you consider to be the main achievements, challenges and issues which would be relevant in relation to the revision of the rules on regional State aid. If relevant, please specify, on the basis of your experience with the application of

⁴ For rules on data protection on the Europa website, please see: http://ec.europa.eu/geninfo/legal_notices_en.htm#personaldata

⁵ OJ L 145, 31.5.2001, p. 43.

regional State aid rules, what you consider to be the main strengths and weaknesses of the current provisions.

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

The NSPA believe that the present rules on the selection of the eligible regions for investment aid should remain the same as under the present guidelines. This is particularly the case for the low population density regions. The present rules with different aid ceilings for large enterprises and SME's should also be kept. Large enterprises may act as an engine for further development in remote parts of Europe with long distances to the market. Such enterprises should therefore still be given an incentive to invest in sparsely populated areas.

The present rules ensure that the States party to the EEA Agreement may use operating aid in certain areas where this is regarded as necessary to prevent depopulation. The present rules enable the States concerned to address well-identified problems and does not raise major competition concerns.

- (5) What is your general assessment of the Commission's policy and action in the field of regional State aid control?

Insufficient Average Good Excellent N/A

- (6) Is the general approach of the current rules on regional State aid adequate as regards the objective of regional development?

Yes No N/A

If no, please indicate the main weaknesses of the current approach:

- (7) Do the current rules achieve an adequate balance between promoting the economic development of assisted areas and limiting the distortions of trade and competition that may arise from State aid?

Yes No N/A

If no, please indicate the main weaknesses of the current approach:

- (8) Does the current EU control on regional aid focus on the most distortive cases?

Yes No N/A

If no, please indicate the main weaknesses of the current approach:

(9) Do the current rules provide sufficient legal certainty or predictability of the Commission's decisions?

Yes No N/A

If no, please specify for which areas and why:

(10) Does compliance with the rules on regional State aid lead to a higher administrative burden?

Yes No N/A

If yes, please quantify this in monetary terms and specify which aspects of the rules particularly lead to a higher administrative burden. Please also indicate any aspects for which, in your view, simplification would be possible.

It is not possible to quantify this in monetary terms, but all rules of this kind lead to a higher administrative burden. Therefore, where possible, the rules should be simplified.

(11) Should Europe 2020 goals regarding smart, sustainable and inclusive growth be further reflected in the rules on regional State aid?

Yes No N/A

If applicable, please indicate how this should be done. Please also indicate, within the Europe 2020 strategy, to what extent resource efficiency objectives⁶, such as phasing out Environmentally Harmful Subsidies, should be strengthened in the rules on regional State aid:

People living and working in the NSPA is important to make a green and sustainable use of the resources of the region. To be allowed to use regional aid in a targeted way as today is an important tool to achieve this.

(12) In your view, should any of the following categories of regional aid be block-exempted:

Sectoral regional investment aid schemes:

Yes No N/A

Ad hoc regional investment aid:

Yes No N/A

Operating aid in outermost regions:

⁶ The Commission's "Roadmap to a resource efficient Europe" includes a milestone that by 2020 Environmentally Harmful Subsidies will be phased out. COM (2011) 571.

Yes No N/A

If applicable, please justify why. Please also indicate if there are any other categories of aid which, in your view, should be block-exempted:

Block exemptions in general are useful to allow aid measures that are clearly in line with EU State aid law in a quick and simple manner. Block exemptions cut red tape both for the Member States and for the Commission.

Regional aid may sometimes be too complex to fit within a block exemption regulation, but where possible, the Commission should avail itself of the opportunity to issue such exemptions.

3. Sectoral scope

The current rules on regional State aid (see paragraph 8 of the RAG and Article 1(3) of the GBER) are not applicable or only partially applicable to sectors⁷ considered to be in overcapacity or in structural decline or to sectors for which other specific State aid rules exist.

(13) Is the exclusion of certain sectors adequate in view of the regional development objective?

Yes No N/A

If no, please indicate which sectors should not be excluded and justify why:

(14) Is the current exclusion of sectors difficult to implement?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

(15) The current guidelines treat undertakings in the field of processing and marketing of agricultural products in a similar way to other undertakings. Do you consider that this treatment should be maintained ?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

(16) Do the current rules ensure that sectors in overcapacity cannot benefit from regional State aid?

⁷ These sectors are: fisheries and aquaculture, the primary production of agricultural products, coal, steel, shipbuilding, synthetic fibres, and transport.

Yes No N/A

If applicable, please specify which provisions should be amended and how:

4. Eligible areas

Currently, regional State aid can only be granted to economic activities located in designated disadvantaged areas (see Section 3 of the RAG). These areas are selected according to objective criteria (GDP and unemployment at NUTS 2 or NUTS 3 level). For a given Member State, the areas eligible for regional State aid form the regional aid map.

- (17) Do the current methods used for establishing the regional aid maps ensure that regional State aid is appropriately targeted geographically to disadvantaged areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

The NSPA do not argue that the provisions should be amended, but would nevertheless comment briefly on the current methods used for establishing the regional aid maps.

The selection of eligible regions is today regulated in section 3.4.2 of the regional aid guidelines. According to point 30 b of the guidelines, low population density regions may be eligible for selection by the Member States. Such areas are made up essentially of NUTS-II geographic regions with a population density of less than 8 inhabitants per km², or NUTS-III geographic regions with a population density of less than 12.5 inhabitants per km².

The NSPA are of the opinion that these rules are important to ensure that disadvantaged areas are appropriately targeted and encourage the Commission to leave these rules unchanged.

- (18) Do these methods leave enough flexibility to appropriately take into account the specific characteristics of the regions? Are the criteria used the right indicators (GDP and unemployment at NUTS 2 and 3 level)?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

- (19) Do these methods leave enough flexibility to take into account the evolutions in economic development of the regions?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

5. Aid ceilings

A balance should be achieved between minimising distortions of competition and providing a sufficient incentive to stimulate the economic development of eligible areas. Under the current rules, regional investment aid can only be granted up to a maximum amount that depends on investment project expenditure and the aid ceilings applicable for a given region (see paragraphs 42-49 of the RAG).

- (20) Do the aid ceilings ensure that regional investment aid is proportionate to the problems faced by undertakings located in eligible areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

Today, the maximum ceiling for regional investment aid to small enterprises is 35 %, 25 % to medium-sized enterprises and 15 % to large enterprises. This may sometimes not give sufficient incentives to invest in the lowest populated areas. A higher aid ceiling might encourage private investors to take a higher investment risk. One possibility would be to increase the aid ceiling slightly for all types of enterprises in sparsely populated areas, in particular for small enterprises.

- (21) Should the aid ceilings be further adapted according to the type of undertakings as large enterprises and SME may not face similar problems?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

Large enterprises and SME's do not necessarily face similar problems. The present rules with different aid ceilings for large enterprises and SME's addresses these differences in an appropriate manner. One major challenge in the sparsely populated areas is the lack of risk capital and that most enterprises in these areas are limited in size. These enterprises often find it difficult to carry out profitable projects and new investments. Regional investment aid is therefore an important tool to promote increased production, job creation and prevent depopulation.

It is however important to still be able to give large enterprises an incentive to invest in sparsely populated areas to stimulate economic development in these areas. Large enterprises can often act as an engine for further development in remote areas with long distances to the market.

As regards the aid ceilings, reference is made to the comments to point 20 above.

- (22) Do the aid ceilings ensure that regional aid is proportionate to the contribution to economic development of the eligible area by the aided investment project?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

See the comments above in point 20 and 21.

(23) Do the current aid ceilings provide a sufficient incentive for undertakings to invest and/or to create jobs in eligible areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

See the comments above in point 20 and 21.

(24) Do the current differences in aid ceilings between different regions lead to undue distortions of trade and competition to an extent contrary to the common interest?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

6. Initial investment and incentive effect

To be compatible with the internal market, State aid should not confer an unnecessary advantage to the beneficiary in view of the objective pursued. To avoid such a situation, regional investment aid can normally only be granted to initial investment (as opposed to replacement investment, see paragraphs 33-36, 39 and Subsection 4.2 of the RAG and Articles 12 and 13 of the GBER). Moreover, the aided project should not have been carried out as such in the eligible area in the absence of the aid (incentive effect). As a result, under the RAG, the aid has to be agreed before the start of works on the projects and, in addition, under the GBER, for aid to large enterprises, it has to be demonstrated that the aid has effects on the nature of the project or on its location (see paragraph 38 of the RAG and Article 8 of the GBER).

(25) Should regional investment aid be limited to initial investment projects to ensure that it contributes to the economic development of eligible areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

(26) Do the formal and/or substantive provisions on incentive effect ensure that without regional aid, beneficiaries would not have undertaken the project in the same location or would not have carried out the project with/at the same size/scope/total amount/speed?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

7. Large investment projects

Large investment projects are considered to be less affected by regional handicaps, and therefore, stricter rules apply. A scaling down mechanism aimed at reducing the maximum aid that could be granted is applied (see paragraph 67 of the RAG for detailed information). Moreover, specific detailed rules have been established (see paragraphs 68-70 of the RAG and IDAC), such as the obligation for the Commission to open an in-depth investigation if conditions are fulfilled (see paragraph 68 of the RAG).

- (27) Do the current rules ensure that regional aid for large investment projects that are most likely to distort trade and competition is appropriately assessed?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

- (28) Do the current triggers⁸ ensure that the Commission focuses on the aided projects which are the most likely to distort trade and competition?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

- (29) Does the scale of adjusted regional aid ceilings ensure that regional State aid is proportionate to the problems faced by undertakings located in eligible areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

- (30) Are the current scaling down rules easy to apply?

Yes No N/A

If you think that they should be simplified, please indicate how:

⁸ See paragraph 68 of the RAG.

(31) Should the scaling down be complemented by introducing a cap which would apply on very large investment project?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

8. Operating aid

In certain regions State aid aimed at reducing current costs (i.e. operating aid) could be considered necessary to achieve the cohesion objective pursued (see Section 5 of the RAG). These provisions are particularly relevant for regions suffering from structural handicaps such as outermost regions or low population density areas. For these regions, under the current rules, additional costs imputable to identified handicaps can be compensated by operating aid.

(32) Is operating aid a suitable tool to promote a sustainable economic development of eligible areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

The NSPA do not argue that the provisions should be amended. Reference is however made to the general comments above.

Operating aid is a suitable tool to promote economic development in the least populated areas and to face challenges that are more or less permanent.

(33) Do you consider that other instruments could reach the same objective with less distortion of the market?

Yes No N/A

If yes, please indicate what you consider an alternative better suited instrument to achieve the same objectives:

Reference is made to the general comments above. The NSPA does not consider that any alternative instruments alone would achieve the same objectives.

Most NSPA areas, suffer from problems 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.

Traditional investment aid does not necessarily suffice to address the challenges faced by these regions. The challenges are not of a pure temporary nature, but are more or less permanent. The main problem in the least populated regions is often a lack of profitable projects. In addition, 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 the natural resources

like forestry, petroleum and minerals, 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.

Some of the other possible aid measures, such as aid for job creation and employment aid under the Regional Aid Guidelines, only apply in case of a net increase of jobs in connection with an investment project and for a limited period of time. Such measures alone may not be able to solve the more permanent challenges the NSPA are facing. Operating aid applied in addition to investment aid could give a better balance of aid for investments and aid for the use of labour. It is doubtful that other measures are better suited to achieve the aim of preventing or reducing depopulation in the least populated areas.

- (34) Do the current rules ensure that operating aid does not exceed what is necessary to promote the economic development of eligible areas?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

There is, in the opinion of the NSPA, no need to amend these provisions.

As mentioned in point 5 of the general comments above, it follows from the regional aid guidelines that a Member State who intends to grant operating aid has to demonstrate that the aid proposed is necessary and appropriate to prevent or reduce continuing depopulation. This obligation ensures compliance with the general principles of State aid, namely that aid should not be granted unless aid is both necessary and appropriate. The obligation ensures compliance with the State aid rules under changing factual circumstances.

- (35) Does the current approach on operating aid in the outermost regions and the low population density areas deserve a detailed analysis in the light of the distortive potential of these aids?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

The NSPA are of the opinion that there is no need to make any further detailed analysis of the current approach on operating aid.

The present rules ensure that Member States and States party to the EEA Agreement may use operating aid in certain areas where this is regarded necessary to prevent depopulation.

9. Aid to newly created small enterprises

State aid to newly created small enterprises is intended to compensate for market failures in eligible areas and to promote endogenous development. These provisions (see Section 6 of the RAG and Article 14 of the GBER) allow operating State aid for various start-up costs incurred during the first 5 years as well as general entrepreneurship support measures. The maximum State aid is modulated according to the level of development of assisted areas.

- (36) Do the provisions on aid to newly created small enterprises ensure effective answer to a market failure regarding the early stage development of small enterprises in eligible areas and are such provisions appropriately designed?

Yes No N/A

If applicable, please specify which provisions should be amended, why and how:

10. Further information

- (37) If relevant, please provide additional comments or suggestions:

You may also provide copies of any documents, reports, studies, etc. which may be relevant.

- (38) If required, can the Commission services contact you for further details on the information submitted?

Yes No