


EFTA SURVEILLANCE AUTHORITY

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EFTA SURVEILLANCE AUTHORITY DECISION

OF 7 DECEMBER 1994

ON THE AMENDMENT OF THE REGIONAL TRANSPORT SUBSIDY (FINLAND)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area¹, in particular to Protocol 26 and to Articles 61 to 63 of the Agreement,

Having regard to the Agreement between the EFTA States on the establishment of a Surveillance Authority and a Court of Justice², in particular to Article 24 and Article 1 of Protocol 3 thereof,

WHEREAS:

I. FACTS

1. The notification

By letter dated 21 September 1994, received by the EFTA Surveillance Authority on the same day (ref. 94-14033A), the Finnish Government notified, in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement, a proposal to alter the regional transport subsidy, which was notified to the Authority as an existing aid scheme by letter dated 3 March 1994 (ref. 94-3941A). The Finnish authorities submitted additional information by fax dated 27 October 1994 (ref. 94-15932A).

2. The aim and contents of the existing aid scheme

The objective of the regional transport subsidy scheme is to partially compensate for the additional cost of transport of goods manufactured in the assisted areas when the transport begins from the place where the products are processed. The aid covers only transport within Finland.

The purpose of granting the subsidy is to reduce the extra costs of transport borne by enterprises due to the long distances covered. Administered by the Ministry of Trade and Industry, which grants the subsidy based on application from the consignor of the

¹ Hereinafter referred to as the EEA Agreement.

² Hereinafter referred to as the Surveillance and Court Agreement.

goods being transported, the scheme applies to transport by rail and road (by lorry only) as well as by ship.

The subsidy, which is given in the form of a grant, is payable to transports within the national borders of Finland starting from the three development areas as defined by the Council of State³. The amount of aid is determined by the length of transport, the means of transportation used and the location of the place of processing of the goods to be transported. For land transports the distance covered must be at least 266 kilometres. Only transports per consignment whose cost exceeds FIM 121 are eligible for the subsidy. Furthermore, the total cost of transports must amount at least to FIM 6,000 during a given term of application.

For land transports connected with transports by ship, the minimum eligible distance is 101 kilometres in which case aid is payable for waterborne transports starting from a port situated within the development areas or passing through the Saimaa Canal. The amount of the shipping subsidy is FIM 12.20/tonne in the northernmost ports and FIM 6.20/tonne in other ports situated in the development areas.

The aid intensities applicable for the transports of goods beginning from the third development area are stated in the table below. In the first and second development areas the intensities are increased by four and two percentage points respectively.

Aid intensity for transports beginning from the third development area		
<i>Distance of transport (km)</i>	<i>Aid intensity for land transports</i>	<i>Aid intensity for ship transports</i>
101 - 130	-	5 %
131 - 160	-	7 %
161 - 210	-	8 %
211 - 260	-	10 %
261 - 300	5 %	12 %
301 - 330	8 %	14 %
331 - 400	10 %	14 %
401 - 440	12 %	14 %
441 - 500	14 %	14 %
501 - 540	15 %	15 %
541 - 600	17 %	18 %
601 - 700	20 %	20 %
701 - 800	22 %	22 %
801 - 1000	24 %	24 %
1001 -	27 %	27 %

As stipulated in the act on regional subsidisation of transports⁴, the goods eligible for the transport subsidy are food stuffs, rocks and soils and products therefrom, timber and wood articles, paper and pulp industry goods, metal industry goods, machinery and equipment, chemical industry products and textiles and clothing industry products.

3. The proposed changes to the scheme

³ Valtioneuvoston päätös yritystuesta (1689/93).

⁴ Laki kuljetusten alueellisesta tukemisesta (954/81), as amended by 901/89, 1111/89, 634/93 and 1137/93.

As the present act on regional subsidization of transports expires at the end of 1994, the Finnish authorities propose to extend the period of validity of the law until the end of 1996. At the same time the law is to be amended in such a way that the rate of transport subsidy payable to firms falling outside the definition of small and medium-sized enterprises (SMEs) is reduced by 60 %. Moreover, the subsidy would be payable only if the total amount of subsidy during a given term of application (i.e. calendar half-year) is at least FIM 2,000, instead of the present FIM 6,000 for total cost of transport, while the requirement on the minimum cost of transport per consignment would continue to be FIM 121.

A small and medium-sized enterprise is defined as an enterprise which has not more than 250 employees and has either an annual turnover not exceeding FIM 120 million or a balance sheet total not exceeding FIM 60 million. Moreover, the enterprise cannot be more than 25 % owned by one or more companies not falling within this definition.

II. APPRECIATION

Since the aid is proposed to be granted in the form of a grant by the central and regional government authorities it, thus, shall be granted through State resources. As the aid is directed to enterprises that might be in competition with enterprises operating in other States participating in the EEA, the aid threatens to distort competition and affect trade within the territory covered by the EEA Agreement. Therefore, the foreseen measure constitutes aid in the meaning of Article 61(1) of the EEA Agreement.

Consequently, the EFTA Surveillance Authority is obliged to assess whether any of the exemption clauses under Article 61(2) and (3) are applicable in order to exempt the aid measure from the general prohibition of aid under Article 61(1).

An alteration of an existing aid scheme must be notified to the Authority in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement before it is put into effect. In general such an alteration would require the Authority to assess the compatibility of a scheme as a whole with the EEA Agreement, unless the particularities of the amendment allow a separate assessment and, thus, can be decided upon independently.

By virtue of the criteria for transport aid, as laid down in paragraphs (2) and (3) of section 28.2.3.2. of the State Aid Guidelines⁵, the Finnish authorities have a transitional period until the end of 1996 to bring the scheme in line with the rules on transport aid as stipulated in paragraph (2) of the same section.

According to the criteria for regional transport aid, as laid down in section 28.2.3.2 of the State Aid Guidelines, any plans to amend existing schemes of assistance to transport should contain a limitation in time and should never be more favourable than existing schemes in the relevant EFTA State.

⁵ Procedural and Substantive Rules in the Field of State Aid, adopted by the EFTA Surveillance Authority on 19 January 1994 and amended by EFTA Surveillance Authority Decision of 20 July 1994.

As the present aid intensities are proposed to be lowered for larger firms and a minimum ceiling for aid is to be increased, as described in part I.3. above, the scope of aid shall be restricted as a result of the amendments to be made to the law. The changes shall, therefore, not lead to more favourable conditions in granting transport aid compared with those prevailing under the present legislation. Moreover, the prolongation of the period of validity of the law shall apply only for 1995 and 1996.

As regards the steel industries, aid to this sector can be granted only to research and development, environmental protection or for closures of plants, in accordance with the Act referred to in point 1 a of Annex XV to the EEA Agreement establishing Community rules for aid to the steel industry (Commission Decision No. 3855/91/ECSC). As the regional transport subsidy scheme does not meet this requirement the Finnish authorities are bound to exclude the granting of transport aid to the steel industries under the application of the scheme.


The amendment to the regional transport subsidy scheme qualifies, on the basis of the above considerations, for exemption under Article 61(3)(c) of the EEA Agreement due to the fact that it facilitates the development of certain economic areas.


HAS ADOPTED THIS DECISION:

1. The EFTA Surveillance Authority has decided not to raise objections to the amendment of the regional transport subsidy, as notified by letters dated 21 September and 27 October 1994.
2. The Finnish Government is obliged to submit a detailed annual report (according to chapter 30 of and Annex III to the State Aid Guidelines) on the application of the regional transport subsidy scheme to the EFTA Surveillance Authority.

Done at Brussels, 7 December 1994

For the EFTA Surveillance Authority


Knut Almestad
President


Heinz Zourek
College Member