


EFTA SURVEILLANCE AUTHORITY

Doc. No. 94-18792I
Dec. No. 337/94/COL
Ref. No. SAM030.94.065

EFTA SURVEILLANCE AUTHORITY DECISION

OF 30 DECEMBER 1994

ON THE MAP OF ASSISTED AREAS AND MAXIMUM AID CEILINGS THEREOF (SWEDEN)

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. Information submitted

By letter dated 20 December 1994 (Doc. no. 94-18780A), received by telefax by the EFTA Surveillance Authority on the same day, the Swedish Government notified, in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement, a proposal for designation of areas eligible for regional aid in Sweden and for amending guidelines relating to some aspects of certain existing regional aid schemes, including their aid intensities.

In addition to the above notification the following correspondence, with relevance to the geographical coverage and aid intensity of regional aid in Sweden, has previously taken place.

In response to the Surveillance Authority's letter of 4 January 1994 (1994/ 470D) the Swedish authorities submitted information on existing regional aid schemes applicable in the present assisted areas by letter dated 2 March 1994 (Doc. no. 94-3732A).

¹ Hereinafter referred to as the EEA Agreement.

² Hereinafter referred to as the Surveillance and Court Agreement.

Following a request by the Authority by letter dated 10 January 1994 (1994/674D), the Swedish authorities provided, by letter dated 10 February 1994 (Doc. no. 94-2373A), statistical indicators and other socio-economic information necessary for the application of the rules on regional aid.

By telefax of 2 December 1994 (Doc. no. 94-17701A) the Swedish authorities have provided calculations to convert the proposed aid ceilings, which are expressed in gross terms (as gross grant equivalents, GGEs), into net grant equivalents (NGEs), by taking account of the effects of taxation.

The above mentioned letters together provide a complete notification of the planned geographical coverage and maximum intensities of regional aid, i.e. a proposal for a map of assisted areas in Sweden.

All in all 7 meetings have been held between officials of the Surveillance Authority and the Swedish authorities on the system of regional aid in Sweden. Several documents providing supplementary information, relevant government bills, etc. have been handed over to the Authority representatives in these meetings. This information includes i.a. calculations on aid intensities in net grant equivalent (NGE) terms.

2. The contents of the proposed map

The notification is based mainly on two government decisions, both dated 15 December 1994 (ref.: "Regeringsbeslut 4, 1994-12-15, A94/2467/RP" and "Regeringsbeslut 5, 1994-12-15, A94/2468/RP"). The first decision defines the geographical coverage of the regional aid areas. The second decision contains certain amending guidelines to the basic legislation on regional aid, the Government ordinance SFS 1990:642 on regional aid to enterprises, whereby the Government decides to adopt certain measures, including proposals to the Parliament, which are necessary to ensure that regional aid to enterprises is fully compatible with the State aid provisions of the EEA Agreement. This second decision lays down i.a. aid intensities for regional investment aid. It shall be noted that the present decision focuses on the geographical coverage and aid intensity of regional investment aid in Sweden and therefore does not cover other amendments of the existing regional aid schemes, which are proposed in this government decision or in earlier notifications.

Principle of delimitation

In principle the delimitation of the proposed assisted areas is based on the administrative breakdown of the Swedish territory into 24 counties ("län") and 286 municipalities. In a few cases the delimitation relies on a further breakdown of municipalities into parishes ("församlingar") or districts.

In their letter of 10 February 1994 to the Surveillance Authority the Swedish authorities propose that the regional subdivision on the NUTS³ III level be in principle

³Nomenclature of Statistical Territorial Units in the European Communities.

based on municipalities. In the northern part of Sweden there are vast municipalities with small populations, where commuting is not a possible solution to find a job outside the municipality. Sweden therefore proposes that the smallest subdivision (NUTS III) in most of this area be the municipalities. In the south, where distances are smaller, commuting is more general, and therefore several municipalities jointly form a travel to work area. Using this approach the Swedish authorities arrive at a proposal consisting of 158 NUTS III areas, with an average population of some 55 thousand inhabitants.

Long term regional aid areas

The Swedish Government's proposal for the delimitation of long term regional aid areas is exclusively based on the criterion of low population density. It can be recalled that this criterion, which is laid down in section 28.2.3 of the Surveillance Authority's Procedural and Substantive Rules in the Field of State Aid⁴, is only applicable for the designation of areas eligible for regional aid under Article 61(3)(c).

The Swedish Government proposes that areas eligible on a long term basis for regional aid would consist of the following two types of areas: a Low population density area ("regionalpolitiskt gleshetsområde") and, within that area, a so-called Target-6 area ("mål 6-område"). The two different aid areas reflect the differences in the gravity of regional problems in the way that while all the Low population density area is considered to be hampered by permanent regional handicaps, the most severe problems are encountered in the Target-6 area. The proposed Low population density area covers 14% of the Swedish population, thereof the Target-6 area covers 5,1% of the population. The municipalities included in these regions are listed in Annexes 1 and 2 to this decision.

Although the above regional aid areas are in principle defined by reference to counties as the basic geographical unit, the delimitations between the aid areas do not fully follow borders of the counties. The main reason for this is that the areas to be eligible for regional aid in Sweden have been selected with reference to a method of analysis of statistical data on various geographical levels, i.e. in addition to the county level the Swedish authorities also to a certain extent rely on a territorial breakdown at the level of municipalities and parishes.

Structural change areas

With reference to structural changes in industry, which cause major employment problems in some areas, the Swedish authorities hold that also certain structural

⁴Procedural and Substantive Rules in the Field of State Aid. Guidelines on the application and interpretation of Articles 61 and 62 of the EEA Agreement and Article 1 of Protocol 3 to the Surveillance and Court Agreement. Adopted and issued by the EFTA Surveillance Authority on 19 January 1994. Henceforth these guidelines will be referred to as the State Aid Guidelines. The criterion of low population density was introduced into the Guidelines, by the Surveillance Authority decision of 20 July 1994 (Dec. No. 88/94/COL), as a third alternative criterion for the designation of areas eligible for regional aid under Article 61(3)(c).

change areas, defined on the level of certain groups of municipalities, are temporarily eligible for regional aid. When selecting the Structural aid areas the Swedish authorities have predominantly been guided by the following indicators: development of population, employment and unemployment, as well as high dependence of the region on a single industrial employer.

The proposed Structural change areas, which are listed in Annex 3, cover 4,5% of the Swedish population. With reference to the existing regional aid legislation they are divided into two groups, on the one hand temporary aid areas ("Tillfälligt stödområde") with a population coverage of 2,73% and on the other hand certain municipalities within the so-called Aid area 2 ("Stödområde 2"), as defined in the existing legislation (SFS 1990:642, Art. 16), with a population coverage of 1,75%, which fall outside the proposed Low population density area. Collectively these two groups of areas make up the proposed Structural change areas, with an overall population coverage of 4,5%.

According to the Swedish Government's proposal the Structural change areas shall be subject to a general review within a period of three years starting from 1 January 1995.

Proposed aid intensities

The notification contains the following proposal for maximum aid intensities in the long term aid areas, expressed in gross grant equivalent (GGE): In the Target-6 area the Localisation grant (Aid No. 93-023), which is the main scheme for regional investment aid, can be awarded up to a maximum of 35% of investments. For small and medium-sized enterprises (SMEs), meeting the definition of such enterprises as laid down in the Surveillance Authority's State Aid Guidelines, the proposed ceiling is 40%. Investment aid under the Development grant for location of certain business service activities (Aid No. 93-93-026) is subject to the same ceilings.

For areas outside the Target-6 area, but within the Low population density area, as well as for the structural change areas the maximum intensity for investment aid is proposed to be 25% in general and 35% for enterprises meeting the above definition of SMEs.

However, during the time until the next review of the Structural change areas, the Localisation grant can, within the areas presently eligible for higher aid according to Article 6 of the Government ordinance SFS 1994:771 on temporary aid areas ("Förordning om tillfälliga stödområden, m.m."), be awarded up to the ceiling stipulated in Art. 24 of the ordinance SFS 1990:642, which is 35% for all enterprises. The areas to which this provision applies are indicated in Annex 3. Their population coverage is 0,8%.

Summary of proposed map of assisted areas

The following table provides a condensed overview of the proposed geography, population coverage and aid ceilings for the two long-term aid areas and the Structural change areas. A list of all counties, municipalities and, where relevant, parishes

covered by each aid area and the Structural change areas is provided in Annexes 1 - 3 to this decision.

Assisted areas	Counties within which areas are situated	General aid ceiling	Aid ceiling for SMEs	Population coverage
Low population density area	<i>The whole of</i> Norrbottens län Västerbottens län, Jämtlands län and Västernorrlands län, <i>and certain parts of</i> Gävleborg län, Kopparberg län, Värmlands län and Alvsborg län	25% GGE	35% GGE	14,0%
Target-6 area 1)	<i>Certain areas within</i> Norrbottens län Västerbottens län, Jämtlands län, Västernorrlands län, Gävleborg län, Kopparberg län and Värmlands län	35% GGE	40% GGE	5,1%
Structural change areas	<i>Certain municipalities and parishes in the following counties:</i> Västmanlands län Örebro län Skaraborgs län Blekinge län Kalmar län and Östergötlands län	25% GGE	35% GGE	4,5%
<i>Thereof:</i> Areas temporarily eligible for enhanced aid intensity 2)	<i>Certain municipalities and parishes within the above Structural change areas</i>	35% GGE	35% GGE	0,8%

1) It is to be noted that the Target-6 area is fully contained in the Low population density area.

2) Cf. Art. 24 of SFS 1990:642 and Art. 6 of SFS 1994:771.

3. Link between the map of assisted areas and regional aid schemes

The proposed map of assisted areas for regional aid shall, in terms of geographical coverage, apply to the following aid schemes which were notified as existing aid to the EFTA Surveillance Authority by letter of 2 March 1994 (Doc. no. 94-3732A):

- Localisation grant (Aid No. 93-023)
- Localisation loan (Aid No. 93-024)
- Development grant (Aid No. 93-025)
- Development grant for location of certain business service activities (Aid No. 93-026)⁵
- Loans to private investment companies (Aid No. 93-027)

The scheme "Employment grant" (Aid No. 93-029), which falls under the same legislation as the five schemes listed above, is not covered by the present decision and therefore does not fall under the proposed map of assisted areas.

The proposed maximum aid ceilings shall apply to all regional investment aid.

II. APPRECIATION

1. General remarks to the concept of the map

The proposed map of assisted areas establishes the general framework for regional aid in Sweden on the national, county and municipality level. No budget is allocated to the map of assisted areas and no individual awards of aid are possible solely on the basis of the map. Therefore, the map itself does not constitute aid in the meaning of Article 61(1) of the EEA Agreement. Nevertheless, it serves, supported by the submitted statistical data, as a justification for Swedish regional aid schemes aimed at promoting or facilitating the development of certain economic areas.

In order to define the scope of application of the map in a clear-cut manner, the map is linked to the aid schemes listed above. Due to this link, the authorisation of the map will endorse the granting of investment aid under the listed schemes. The proposed maximum aid ceilings shall apply to some of these schemes. Therefore, it is established that the "second layer" of the notified map, i.e. the schemes referred to above, constitutes State aid in the meaning of Article 61 (1) of the EEA Agreement.

Consequently, it has to be assessed whether the areas, which are proposed to be eligible for regional aid, qualify for exemption from the general prohibition of aid under Article 61(1), by virtue of Article 61(3)(a) or 61(3)(c) of the EEA Agreement. The necessary assessment is described under sections II.2. and II.3 below.

It should be noted that 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 Guidelines, the Swedish

⁵According to the Swedish authorities' notification of 13 June 1994 of certain amendments of this aid scheme, it is i.a. proposed to change the name of the scheme to "Localisation grant for location of certain business service activities".

authorities have a transitional period until the end of 1996 to bring their transport aid in line with the rules on regional aid as stipulated in paragraph (2) of the same section. According to this provision the Surveillance Authority aims at reviewing the existing schemes of assistance to transport on the basis of the above mentioned criteria before 31 December 1996.

2. Assessment of the proposed delimitation

2.1. General remarks to the chosen NUTS-breakdown

It is recalled that in their letter of 10 February 1994 the Swedish authorities propose a regional breakdown involving 158 NUTS III regions (in principle based on municipalities) with an average populations of some 55.000 inhabitants.

Within the European Union the territory of the Member States is broken down into 64 regions on NUTS level I, 167 on NUTS level II with an average population of approximately 2 million and 824 on NUTS level III with an average population of 400,000.⁶ It has to be noted that the variations are very high though. As an example, on NUTS level II, the population varies between 0,1 and 10,1 million inhabitants. This broad spectrum results from the fact that the statistical breakdown agreed between EUROSTAT and the EU States is as a general rule based on the existing administrative borders of the State concerned.

It is of some relevance to cite the example of Belgium (9,9 million inhabitants) in this context, since it has the tiniest breakdown on NUTS III level within the European Union. Belgium consists of 43 NUTS level III areas with an average population of approximately 229.500 inhabitants.

It follows from the above information that the proposal of the Swedish authorities implies that the average population of the NUTS III regions in Sweden would be only 14% of the EU average for such areas and 24% of the average in Belgium, which has the smallest NUTS III regions amongst the EU Member States. The Surveillance Authority has therefore not been able to use the breakdown proposed by Sweden as the primary basis for its assessment of eligibility under Article 61(3)(c).

The population of the twenty-four Swedish counties varies between 135 thousand in Jämtlands län to 1.636 thousand in Stockholms län. The average population of the counties is 357 thousand inhabitants, or slightly below the average for NUTS III regions in the EU Member States. As Sweden has submitted no alternative proposal, and by reference to the above considerations, the Surveillance Authority has found it appropriate, in order to apply the regional aid rules in a manner homogeneous with the Commission methods, to use counties ("län") as the territorial units corresponding to NUTS III level regions.

2.2 Areas eligible for regional aid

⁶ The figures are based on data prior to the unification of Germany.

2.2.1 Low population density area

The Surveillance Authority has assessed the eligibility of Swedish regions for regional aid under Article 61(3)(a), by applying the method prescribed in section 28.1 of the State Aid Guidelines. The basis for this assessment has been the statistical information submitted by Sweden, relating to the gravity of the regional problems. As stipulated in section 28.1.1 of the State Aid Guidelines the geographical units chosen for this purpose shall correspond to the NUTS level II regions in the European Union. The Surveillance Authority considers the Swedish counties ("län") to be too small to correspond to the NUTS level II regions. Nevertheless, even when assessed on the county basis, the region which has the lowest GDP per head, Älvsborgs län, has a GDP/PPS per capita index⁷ of 82 as compared to the EEA average of 100. For the counties which largely fall under the proposed highest priority area (the Target-6 area) the corresponding indices are: Norrbottens län = 108, Västerbottens län = 102, Jämtlands län = 103. The indices are in other words in no case equal to or lower than 75, which is required for a region to be considered eligible for aid under Article 61(3)(a)⁸. Consequently, no larger region, comparable to NUTS II, can have a GDP/PPS index lower than 75. The result of this assessment is therefore that no region in Sweden qualifies for regional aid under Article 61(3)(a).

In accordance with Chapter 28 of the State Aid Guidelines the eligibility for regional aid under Article 61(3)(c) of the EEA Agreement is assessed in two stages and by reference to geographical units corresponding to the NUTS level III in the European Community.

In the first stage of analysis the socio-economic situation of a region is assessed on the basis of three alternative criteria. The minimum requirement for eligibility of a region for regional aid under Article 61(3)(c) is to fulfil any one of the following three alternative criteria: (1) an income level, measured by per capita regional GDP/GVA of at least 15% below the average of the EFTA State concerned (i.e. less than or equal to 85% of the national average); (2) structural unemployment of at least 10% above the average of the EFTA State concerned (i.e. an index of at least 110); or (3) a population density of less than 12,5 inhabitants per square kilometre.

For countries with a more favourable level of development compared to the EEA average, with regard to the first two criteria, the required minimum regional disparity in a national context is adjusted according to the formula stipulated in section 28.2.2. of the State Aid Guidelines, on the basis of 5-year averages (1988-1992). The applicable modified thresholds for Sweden are a GDP index of 71 and a structural unemployment index of 145.⁹

⁷As explained in section 28.1 of the State Aid Guidelines the indicator used in this context is an index of GDP per capita measured in purchasing power standards (PPS), a measure based on a comparison of the prices in the EEA States for the same sample of products and services. The figures used are an average of the years 1990-92.

⁸As the energy sector is particularly capital intensive it leads to exceptionally high GDP per capita in some municipalities. However, even when excluding the energy sector, the GDP indices are considerably above 75. As an example the index for Norrbotten län, excluding the energy sector, is 98.

⁹ EFTA Surveillance Authority Decision of 4 May 1994 on thresholds related to the method of application of Article 61(3)(c) of the EEA Agreement to regional aid (Dec. No. 35/94/COL).

The examination carried out by the State Aid and Monopolies Directorate, based on GDP figures for 1992 and average unemployment for 1990-92, shows that while no county qualifies on the basis of the GDP criterion, the county of Norrbotten, which accounts for 3,1% of the Swedish population, qualifies according to the unemployment criterion. When looking only at regional disparities in unemployment in 1992, also the county of Västernorrland, with a population coverage of 3%, qualifies under the unemployment criterion, implying an overall coverage of 6,1% under this indicator. However, preliminary observations of the available unemployment statistics for 1993 and 1994, when the national unemployment has increased considerably, indicate that the regional disparities in unemployment have not increased. This means that when assessed on the basis of data for these most recent years, the coverage of the regions qualifying under the unemployment criterion would not increase.

The following five counties qualify according to the low population density criterion (the population density, in terms of number of inhabitants per km², is shown in brackets, together with the population coverage of the county): Norrbottens län (3; 3,07%), Västerbottens län (5; 2,94%), Jämtlands län (3; 1,59%), Västernorrlands län (12; 3,05%) and Kopparbergs län (10; 3,36%). As can be seen, the county qualifying on the basis of the unemployment criterion, Norrbottens län, also qualifies according to the low population density criterion. The overall population coverage of the areas qualifying in the first stage of analysis for regional aid under Article 61(3)(c) is therefore 14%.

It may be observed that when the above assessment is made on the level of the detailed NUTS III breakdown proposed by Sweden (186 NUTS III regions), the overall result is rather similar. In this case regions accounting for 12,1% of the Swedish population fulfil one or more of the three criteria. The main difference is that on this basis regions with a population coverage of 5,75% would qualify according to the GDP criterion, whereas only 3,86% fulfil the unemployment criterion and 5,42% meet the low population density criterion.

As explained above the proposed delimitations of assisted areas do not fully follow borders of the counties. Sweden's proposal implies that certain regions in counties, which do not qualify for regional aid, will be included in the map, while other regions in counties qualifying for aid will be excluded. This transfer is a balanced one, as the overall population coverage of the proposed Low population density area, 14%, coincides with that of the counties, which have been found to qualify for regional aid. In spite of these adjustments the proposed area remains a contiguous one and does not involve the risk of aid being awarded in a pin-pointed manner. The reasons given by the Swedish authorities for these adjustments are to take account of differences in the gravity of regional problems within some counties, by including in the map remote and sparsely populated regions within counties, which as a whole do not qualify for regional aid, while at the same time excluding certain more densely populated and favourably situated areas falling within counties, which are eligible for regional aid. The Surveillance Authority finds these reasons well justified. It can also be recalled that according to Chapter 25 of the State Aid Guidelines the Surveillance Authority takes account of the fact that the EFTA States have the best knowledge at the national level of all the significant facts required to assess the needs of their regions, and

furthermore, that it is an established practice of the EC Commission to accept a certain flexibility in this respect. With reference to the above considerations the proposed Low population density area is found to be eligible for regional aid under Article 61(3)(c).

2.2.2 Target-6 area

As explained above this area is a sub-set of the Low population density area, which as a whole has been found to be eligible for regional aid under Article 61(3)(c). It follows that the Target-6 area is also eligible for regional aid under Article 61(3)(c), but the higher aid intensity proposed in this area is assessed under section II.3 below.

2.2.3 Structural change areas

According to the Swedish Government's proposal certain regions, which are listed in Annex 3 and have an overall population coverage of 4,5%, shall be temporarily added, as Structural change areas, to the basic coverage of 14% of the Low population density area. Under the present legislation these areas partly fall within the Aid area 2 ("Stödområde 2", as defined in Art. 16 of SFS 1990:642) and partly within the temporary aid area ("Tillfälliga stödområden", as defined in the Government ordinance SFS 1994:771, "Förordning om tillfälliga stödområden, m.m.").

The proposed Structural change areas are suffering from severe structural problems mainly due to the decline of certain industries, which has resulted in major job losses. They shall be subject to review within three years starting from 1 January 1995.

In view of the fact that the structural change areas are not defined on the NUTS level III according to the method as stipulated in section 28.2.1 of the State Aid Guidelines but mainly on that of small groups of municipalities, the specific problems of these areas are briefly discussed below.

Within the present Aid area 2 problems have prevailed for a long time, i.e. the regions concerned also have problems of a long-term character. The temporary aid areas have in principle been affected later by structural changes in industry and are mostly more favourably geographically situated.

When evaluating which areas to designate as Structural change areas the Swedish authorities have predominantly taken account of trends in population, total employment and industrial employment as well as the present unemployment situation within the regions. All these indicators have developed unfavourably in recent years. While the Swedish population has grown by 0,8% during 1991-93, population within most of the municipalities designated as Structural change areas has decreased (in the range of -0,1% to -1,3%). During the years 1990-92, when total employment in Sweden was reduced by -3,3% and industrial employment by -6,5%, the employment development was even more unfavourable in the areas under consideration, especially as concerns industrial employment, where many municipalities show a negative development in the range of -8% to -15%. According to data for the 3rd quarter of

1994, total unemployment in most of these municipalities is also exceptionally high, typically in the region of 11 - 15%, while the national average is 10,3%. An additional factor of importance for several municipalities is their high dependence on a single industrial employer.

With reference to the difficult handicaps faced by the municipalities concerned, as outlined above, their relatively modest overall size (in terms of population coverage) and the fact that they will be subject to review within 3 years, the proposed Structural change areas are found to be eligible for regional aid under Article 61(3)(c) of the EEA Agreement.

3. Assessment of the proposed maximum aid intensities

The proposed maximum aid intensities range from 25% GGE as a general rule in the Low population density area outside the Target-6 area as well as in the Structural change areas up to 40% GGE for SMEs in the Target-6 area.

According to Part VI of the State Aid Guidelines ceilings for regional aid are to be assessed in net grant equivalent (NGE) terms (i.e. aid intensities after taking account of the effects of taxation), whereas Sweden's proposal is expressed in GGE terms. It is therefore necessary to convert the proposed GGE ceilings into NGE terms.

The Swedish authorities have communicated their formula for converting aid intensities, expressed as GGEs, into NGE terms. According to this formula the standard basis for investment expenditures is assumed to be composed of the following three categories: land (5%), buildings (45%) and machinery (50 %). However, the formula makes an adjustment for the fact that expenditure on land is not eligible for aid under the Swedish regional schemes. The present State income tax for companies is 28%. The reference rate of interest used is 8,0%, as fixed by the Surveillance Authority¹⁰.

The Authority has examined this formula and has found it to be acceptable. It leads to a coefficient of 0,73 in converting from gross to net terms. The following table lists the proposed aid intensities in GGE terms for the different aid areas and the corresponding net grant equivalent (NGE) in each case:

<i>Maximum aid ceilings</i>				
Assisted area	Gross grant equivalent		Net grant equivalent	
	General ceiling	Ceiling for SMEs	General ceiling	Ceiling for SMEs
Low population density area	25 % GGE	35 % GGE	18,3 % NGE	25,6 % NGE
Target-6 area ¹⁾	35 % GGE	40 % GGE	25,6 % NGE	29,2 % NGE

¹⁰ EFTA Surveillance Authority Decision of 11 May 1994 (Dec. No. 37/94/COL).

Structural change areas	25 % GGE	35 % GGE	18,3 % NGE	25,6 % NGE
Thereof:				
Areas temporarily eligible for enhanced aid ceilings ²⁾	35 % GGE	35 % GGE	25,6 % NGE	25,6 % NGE

1) It is to be noted that the Target-6 area is fully contained in the Low population density area.

2) Cf. Art. 24 of SFS 1990:642 and Art. 6 of SFS 1994:771.

General considerations

It may be recalled that while amending the State Aid Guidelines by means of inserting the new section 28.2.3 on the first stage of analysis with regard to regions with a very low population density,¹¹ the Authority acknowledged that the method¹² laid down in section 28.2.2 does not properly reflect the regional problems specific to certain Contracting Parties, particularly the Nordic countries (Norway, Sweden, Finland and Iceland). For this reason the general population density threshold of 12,5 inhabitants per km² was introduced for regions at the NUTS III level to qualify for regional aid under Article 61(3)(c). Therefore, although account must be taken of the observed values of GDP/GVA per capita and structural unemployment at the NUTS III level, the proposed aid intensities must also be examined with reference to population density, as well as to other relevant indicators of the socio-economic situation of the regions concerned.

The State Aid and Monopolies Directorate has examined the proposed aid intensities with reference to GDP per capita (1992) and structural unemployment (1990-1992) statistics both on the county and municipality level. In addition, demographic and geographical factors such as remote location that impede indigenous economic development have been taken into account. Specific structural problems prevailing in the Structural change areas have also been taken into account. However, the relatively favourable values observed for two of the three primary criteria (i.e. regional GDP per capita and structural unemployment indices) and the variety of other factors to be taken into consideration introduces a wide margin of judgement for determination of the appropriate maximum ceilings for regional aid.

Low population density area and Target-6 area

It can be recalled that five counties forming a major part of this area and with a population coverage equal to that of this area (14%) fulfil at least one of the three criteria referred to above, i.e. they all qualify under the first stage of analysis. This is particularly true as regards the generally observed low levels of population density, which demonstrate the pattern of settlement and the remote location of the regions

¹¹ EFTA Surveillance Authority Decision of 20 July 1994 (Dec. No. 88/94/COL).

¹² Based on the GDP/GVA per capita index or the structural unemployment index at the NUTS III level compared to the national average.

covered by this area. The number of inhabitants residing in the three northernmost counties, Norrbotten, Västerbotten and Jämtland, is on average between 3 and 5 inhabitants per km², or well below the threshold value of 12,5 inhabitants/km². Västernorrland and Kopparberg also meet this test, although with a smaller margin (12 and 10 inhabitants, respectively).

Reference is made to section II.2.2.1 above, where it has been explained that when assessed in terms of GDP per capita and structural unemployment the situation of the Swedish regional aid areas appears relatively favourable, with only one or two counties - depending on the period chosen - qualifying, with a population coverage of 3 - 6%. However, some importance should also be attached to the fact that the regional aid rules provide that the first basic stage of analysis must be complemented by a second stage, allowing for other relevant facts to be taken into account. It must be acknowledged that the regions falling under the Low population density area (i.e. in broad terms the northern and interior regions of Sweden) suffer from serious and permanent regional development handicaps, many of which are not caught by the three basic criteria used to assess eligibility for regional aid. Very long distances, harsh climate, weak industrial base or even an absence of industrial and private service activities, together with unsophisticated infrastructure, can be cited as examples of such factors. The areas concerned have for decades been characterised by constant depopulation and other demographic imbalances, as well as unemployment rates above the national average. The difficulties in attracting new investments to these areas and creating new employment must in general be recognised.

As concerns the proposed higher aid intensities in the Target-6 area it shall be pointed out that this area covers the interior and northernmost parts of Sweden, where the most severe regional handicaps prevail, whereas the rest of the Low population density area covers mostly coastal, more densely populated and favourably disposed regions. The differentiation in the aid ceilings, according to the gravity of the problems in the regions in question, therefore can be considered as well justified. Furthermore, the Target-6 area is the one which best meets the criteria in the first stage of analysis. For these reason and in view of the above considerations on regional handicaps, as well as by reference to the relatively modest population coverage, the proposed aid intensities are deemed to be acceptable.

Structural change areas

With regard to the proposed aid intensities in the Structural change areas, including the temporarily enhanced intensity in certain municipalities with an overall population coverage of 0,8%, a reference is made to the qualitative assessment of the eligibility of these areas, which has been made in section II.2.2.3 above. On the basis of this assessment and by reference to the temporary status and relatively modest population coverage of these areas, it is concluded that the proposed aid intensities can be accepted.

Conclusion

On basis of the above considerations and when taking account of the nature of the severe regional handicaps of the assisted areas (depopulation, high unemployment, long distances, sparse population, harsh climate, etc.), the relatively modest population coverage of the areas, the fact that five of the northern-most counties with a population coverage corresponding to that of the long-term aid areas qualify for regional aid under Article 61(3)(c) in the first stage of analysis, it is concluded that the maximum aid intensities for regional investment aid in the Low population density area, the Target-6 area as well as in the Structural change areas, as proposed by the Swedish Government, do not adversely affect trading conditions to an extent contrary to the common interest. They are therefore deemed to be justifiable under the exemption clause of Article 61(3)(c).

4. The scope of application of the map

Regarding the scope of application of the map of assisted areas in Sweden, it should firstly be pointed out that any new plans to grant or alter aid with regional objectives, which respect the delimitations and maximum aid intensities of the map, will need no further justification regarding their regional aspects. This, however, does not relieve the Swedish authorities from their obligation to notify such plans in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement.

Secondly, the map will apply to aid awards under the existing aid schemes listed in section I.3 above.

All specific notification obligations with regard to certain sensitive sectors (currently steel, synthetic fibres and motor vehicles as laid down in Part V of the State Aid Guidelines and in the Act referred to in point 1a of Annex XV to the EEA Agreement establishing Community rules for aid to the steel industry (Commission Decision No. 3855/91/ECSC) remain unaffected.

The map of assisted areas covering the Low population density area and the Target-6 area, with an overall population coverage of 14%, shall not be redrawn, save by way exception, until after the expiry of a period of five years from 1 January 1995. During that period and subject to prior notification to and approval by the EFTA Surveillance Authority the possibility of adjusting the map to reflect a change in circumstances is, however, not ruled out.

The structural change areas covering 4,5% of the Swedish population shall be reviewed within three years starting from 1 January 1995.

This decision does not, however, restrict the obligation of the EFTA Surveillance Authority to review the map, in accordance with Article 1(1) of Protocol 3 to the Surveillance and Court Agreement, before the above mentioned dates, if required by the socio-economic development in certain areas which now qualify for regional aid or by the socio-economic development of Sweden in relation to other EEA States.

HAS ADOPTED THIS DECISION:

1. The EFTA Surveillance Authority has decided not to raise objections to the proposed system for regional aid in Sweden, i.e. a proposal for a map of assisted areas laying down geographical delimitations for aid schemes with regional objectives and aid intensities of regional investment aid, as notified by letter dated 20 December 1994 (Doc. no. 94-18780).

2. Without prejudice to Article 1(1) of Protocol 3 to the Surveillance and Court Agreement, the Low population density area and the Target-6 area shall be applicable until 31 December 1999. The Structural change areas shall be reviewed within three years from 1 January 1995.

Done at Brussels, 30 December 1994

For the EFTA Surveillance Authority


Knut Almestad
President


Heinz Zourek
College Member