


EFTA SURVEILLANCE AUTHORITY

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EFTA SURVEILLANCE AUTHORITY DECISION

of 20 May 1998

on aid to
Top of Europe Norway AS (Norway)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area¹, in particular 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 Article 1 of Protocol 3 thereof,

WHEREAS:

1. FACTS

The notification

The Norwegian authorities notified by letter of 16 March 1998 (Doc. no 98-1721-A) plans to award aid provided by the Finnmark County Industry Fund in favour of a programme for promotion of the tourism industry in Northern Norway. The aid will be awarded to “Top of Europe Norway AS” (ToE) who will administer the programme.

The Authority requested additional information by letter of 19 March 1998 (Doc. no 98-1776-D), to which the Norwegian authorities responded by fax of 16 April 1998 (Doc. no. 98-2457-A). Further information was received by fax on 27 and 29 April 1998 (Doc. no. 98-2713-A and no. 98-2888-A).

¹ Hereinafter referred to as the EEA Agreement

² Hereinafter referred to as the Surveillance and Court Agreement

Top of Europe Norway AS

ToE is an undertaking established and owned by a number of primarily private enterprises engaged in tourism activities. It is registered as a limited company. The background for establishing ToE, was a market survey³ carried out among international tourist operators in 1989. The survey showed that tourism in Northern Norway was considered to have a common product profile. It also showed that there was a lack of co-ordination on the supply-side in Northern Norway, which could be improved by a centralized one-stop-shop contact vis-à-vis tourist operators. It may be seen from ToE's articles of association, that it is an undertaking established for the purpose of co-ordinating, promoting and marketing tourism for its owners, and promoting tourism in Northern Norway. ToE must be regarded as a vehicle for pursuing the common interests of its owners and for supporting tourism in Finnmark/Northern Norway in general. ToE has 69 shareholders. The owners are, as may be seen from the table below, mostly enterprises located in Northern Norway with activities linked to tourism in the region. There are no other undertakings engaged in the marketing of tourism in Northern Norway with the same scope and scale of activities.

Table over the shareholders' economic activities distributed according to counties

| Economic activity | Counties | | | | Sum |
|--------------------------------------|-----------------|-------|----------|--------|------------|
| | Finnmark | Troms | Nordland | Others | |
| Hotels/tourist sites | 3 | 10 | 10 | 2 | 25 |
| Tourist offices | 6 | 5 | 8 | 2 | 21 |
| Transport (plane/ train/boat/bus) | 1 | 6 | 3 | 4 | 14 |
| Banks | 2 | 1 | | | 3 |
| Others | 1 | 2 | 1 | 2 | 6 |
| Sum | 13 | 24 | 22 | 10 | 69 |

ToE is registered with an equity capital of NOK 2,4 mill. At the end of 1997 ToE had 10 employees. The financing of the enterprise is both private and public. Almost all the shareholders in ToE are small and medium-sized enterprises (SMEs).

ToE has its business address in the city of Tromsø (Troms), but also has offices in Bodø (Nordland) and Alta (Finnmark).

The notified aid concerns a promotion programme which aims to develop, promote and support tourism in Finnmark/Northern Norway. The programme consists of two parts. The first part concerns 3 projects related to the development of certain tourism concepts with novel features, namely:

³ Rapport - Operatørunderøkelse i Tyskland, England og Sverige om fremtidig trafikk til Nord Norge, June 1989, Reiselivsutvikling a/s, Bergen

1. “Northern light tourism”. The purpose of this project is to develop new product concepts in co-operation with Japanese tour operators. The objective consists of both product concept development and market testing.
2. “Fishery travels”. The aim is to establish the northern parts of Norway as a preferred destination for fishery travels. A concept of “game fishing” travels for market testing in Germany, Holland, Sweden and Finland will be developed.
3. “Winter tourism”. The aim is to establish Northern Norway as a winter destination in four selected markets. The aim is to test different types of joint general promotion measures towards existing products with respect to market reaction.

This first part of the programme will be financed as indicated below:

| | |
|--|----------------------|
| Private financing | NOK 4.790.000 |
| Grant from the Finnmark County Industry Fund | “ 940.000 |
| <u>TOTAL</u> | <u>NOK 5.730.000</u> |

The second part of the programme is a general promotion project for the tourism industry in Finnmark. The objective is to focus on Finnmark and Northern Norway as a travel destination. The financing will be as follows:

| | |
|--|----------------------|
| Private financing | NOK 1.000.000 |
| Grant from the Finnmark County Industry Fund | “ 1.000.000 |
| <u>TOTAL</u> | <u>NOK 2.000.000</u> |

The budget expenditures will mainly cover general information activities, i.e. costs related to participation in fairs, concept testing and development of product and general promotion material in favour of Northern Norway as a tourist destination.

Financing from public sources

Financing of commercial activities by the Finnmark County Industry Fund is subject to regulations⁴ approved by Finnmark County Council (Finnmark Fylkesting). The Norwegian authorities have informed that individual grants must be limited to small amounts in accordance with the “de minimis” rule⁵ on State aid as applied within the EEA. The aid allocated by this fund, has therefore not been reported to the Authority as an existing aid scheme.

⁴ Ref. Vedtekter for Finnmark Fylkeskommunes Næringsfond

⁵ Ref. Chapter 12 of the Procedural and Substantive Rules in the Field of State Aid (State Aid Guidelines) as amended by the Authority on 15 May 1996

However, in the case under consideration, the Finnmark County Industry Fund has decided to provide a grant to ToE which goes beyond the limits set by the “de minimis” rule. Consequently, the Norwegian Authorities have recognised their obligation to notify the Authority of the grant provided to ToE in the case under consideration.

According to information given to the Authority, no other public aid will be awarded to this project.

II. APPRECIATION

The proposed grant from the Finnmark County Industry Fund is aid awarded by local government, i.e. through State resources in the meaning of Article 61(1) of the EEA Agreement. The transfer of state resources will to a certain degree favour ToE as a provider of services. However, the nature of ToE’s activities and the programme under consideration, are such, that the effect of the aid will be to favour its owners, enterprises directly engaged in the supported programmes and the tourism industry in Northern Norway, that is certain undertakings in the meaning of Article 61(1). The benefiting enterprises are actually or potentially in competition with similar undertakings in Norway and other EEA states. The proposed aid threatens to distort competition and trade, and, therefore, constitutes State aid in the meaning of Article 61(1) of the EEA Agreement.

As the aid under consideration is granted outside the provision of an existing scheme and the amount exceeds the limit set by the “de minimis” rule, the Norwegian authorities have, by their notification of 16 March 1998, fulfilled their obligation under Article 1(3) of the Protocol 3 to the Surveillance and Court Agreement to notify plans to grant or alter aid.

The objective of the proposed programme is to increase the focus on Finnmark and Northern Norway as travel destinations by aiming to develop, promote and support tourism in the region. The whole area which may benefit from the aid, i.e. Finnmark, Troms and Nordland is covered by the map of assisted areas in Norway⁶.

The Authority is in favour of the development of tourism in rural and remote areas. Aid awarded for this purpose, may be justified by the need to i.a. compensate for the handicaps suffered by rural areas in comparison with urban areas. The Authority has taken account of the contribution tourism can make to regional policy and the maintenance of employment, and found that the proposed activities would contribute to the economic development of these areas

The financial benefit to ToE will be spread among its 69 shareholders. The amount of aid benefiting each shareholder will be correspondingly small. The programme is supposed to benefit the whole tourist industry in Northern Norway.

⁶ Ref. Decision of 28 April 1998 on the map of assisted areas (Norway), Doc. No 110/98/COL

The grant to the first part of the programme will cover 16,4 % (gross) of the project costs and for the second part, the grant will cover 50 % (gross). The Authority may allow aid for general information campaigns in assisted areas to qualify for a higher intensity than 50 % if the financial benefit to the individual firm is small⁷. Aid to the whole programme makes up 25 % (gross) of the overall costs.

The Authority has taken into account that ToE itself and almost all of its shareholders are small and medium-sized enterprises (SMEs). The Authority has in that regard noted that ToE must be regarded mainly as a vehicle for pursuing the common interests of its owners and for supporting tourism in Finnmark/Northern Norway in general.

Against this background the positive effects of the aid in terms of regional development are considered to outweigh the perceived effects on competition and trade. It must therefore be concluded, that the aid granted by Finnmark County Industry Fund to ToE qualifies for exemption under Article 61(3) (c) of the EEA Agreement, as aid facilitating the development of certain economic areas, without adversely affecting trading conditions to an extent contrary to the common interest.

HAS ADOPTED THIS DECISION:

1. The EFTA Surveillance Authority has decided not to raise objections to the grant to be provided by Finnmark County Industry Fund in favour of the Top of Europe Norway AS, as notified to the Authority by letter of 16 March 1998 (Doc. no 98- 1721-A) and by further information received by fax of 16, of 27 and of 29 April 1998 (Doc. no. 98-2457-A, 98-2713-A and no. 98-2888-A)
2. The Norwegian Government is informed by means of a letter stating the reasons for the decision.
3. The EC Commission is informed in accordance with Protocol 27(d) of the EEA Agreement, by means of a copy of the letter to the Norwegian Government.

⁷ Ref. 10.3.2.3 of the Procedural and Substantive Rules in the Field of State Aid (State Aid Guidelines)

4. Other EFTA States, EC Member States and interested parties are informed by the publishing of the attached notice in the EEA Section of the Official Journal of the European Communities and the EEA Supplement thereto.

Done at Brussels, 20 May 1998

For the EFTA Surveillance Authority

Knut Almestad
President

Hannes Hafstein
College Member