



EFTA SURVEILLANCE AUTHORITY

Doc.No. 99-778-I
Dec.No. .41/99/COL
Ref. No. SAM030.98015

EFTA SURVEILLANCE AUTHORITY DECISION

OF 10 MARCH, 1999

ON STATE AID FROM THE RURAL DEVELOPMENT FUND MANAGED BY THE COUNTY
COMMISSIONER OF HORDALAND.

(NORWAY)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area¹, in particular to Articles 61 to 63,

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:

I. FACTS

1. The notification

By letter of 29 October 1998, received and registered by the Authority on 3 November 1998 (Doc.No.98-7166-A), the Norwegian authorities notified, pursuant to Article 1(3) of Protocol 3 to the Surveillance and Court Agreement, plans by the County Commissioner of Hordaland to award a grant of NOK 3 million (EUR 0.34 million) from the Rural Development Fund ("Bygdeutviklingsfondet") in support of certain investments by Granvin Bruk P/L.

By letter dated 20 November 1998 (Doc. No.98-7899-D), the EFTA Surveillance Authority acknowledged the receipt of the letter dated 29 October 1999 and requested additional information. By letter of 11 January 1999, received and registered by the

¹ Hereinafter referred to as the EEA Agreement.

² Hereinafter referred to as the Surveillance and Court Agreement.

Authority on 12 January 1999 (Doc.No.99-276-A), the Norwegian Authorities submitted additional information.

2. The Rural Development Fund ("Bygdeutviklingsfondet")

The Rural Development Fund is being funded by the Ministry of Agriculture which also sets the legislative framework. (Forskrift om midler til bygdeutvikling). The purpose of the Rural Development Fund is to encourage the development of profitable industry within agriculture, or related to agriculture, in rural areas in Norway. Projects can be financed through loans or grants. The municipalities and the county commissioners co-operate in administering the scheme.

In the notification the Norwegian authorities make reference to the fact that financing from the Rural Development Fund is subject to regulations which require that such financial assistance must be in accordance with the "de minimis" rule³ on State aid. The Rural Development Fund as such has therefore not been reported to the Authority as an existing aid scheme in the meaning of Article 61(1) EEA. The County Commissioner of Hordaland has decided to provide a grant which goes beyond the ordinary provisions of the Rural Development Fund and the limits set by the "de minimis" rule.

3. Granvin Bruk P/L

Granvin Bruk P/L is a saw-, planing- and impregnate-mill located in the municipality of Granvin in the county of Hordaland. The company was established in 1965 as a limited company (AS), but reorganised into a cooperative society (partslag - P/L) in 1971. At the end of 1997 the company had 33 full-time employees and 5 part-time employees. The total turnover in 1997 was NOK 41.1 million, result after taxes NOK 0.02 million and its balance sheet total NOK 58.1 million. The main market is in the county of Hordaland, with 75% in the area around the city of Bergen. The company is owned by local timber companies and individual timber owners.

Wood and articles of wood is falling within Chapter 44 of the Harmonized Commodity Description and Coding System (HS).⁴ Article 8.3 (a) of the EEA Agreement states that the provisions of the Agreement shall as a main rule apply only to products falling within chapters 25 to 97 of the HS, thus including products resulting from the converting of timber as done by Granvin Bruk P/L.

4. The contents of the proposed aid measure

Granvin Bruk P/L is planning to establish a new crosscut saw line. The existing equipment was installed in 1983 and is run down. Existing capacity is 30.000 m³, while the new saw mill will have a capacity of 65.000 m³. The new mill will also

³ Ref. Chapter 12 of the State Aid Guidelines as amended by the Authority on 15 May 1996.

⁴ Commission Regulation (EC) No 1359/95 of 13 June 1995 amending Annexes I and II to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff, and repealing Regulation (EEC) No 802/80, Official Journal L 142, 26 June 1995.

make it possible to deliver more special woodwork to companies producing furniture. The project is estimated to give work to 9 new full-time employees.

Total investment costs are NOK 75.3 million. The breakdown of the costs are as follows:

Cost	Amount (in 1000 NOK)
Round timber handling machine	9.300
Sawing machines	28.700
By-product handling equipment	3.400
Two timber dryers	5.000
Sorting equipment	13.500
Buildings	9.900
Auxiliary costs	1.000
Managerial and administrative costs	4.500
Total	75.300

According to the notification, the project is anticipated to have rather limited distortive effects on competition, as the main market for the saw mill is in the county of Hordaland. The project will also, according to the notification, significantly improve the efficiency of the mill through increased utilisation of raw material, and thus also reduce the negative environmental impact by reducing the waste material.

II. APPRECIATION

1. The presence of State aid and notification formalities

The notified aid is being funded by State resources in the meaning of Article 61(1) of the EEA Agreement and will favour a certain undertaking in the meaning of Article 61(1). As the benefiting enterprise is actually or potentially in competition with similar undertakings in Norway and other EEA states, and the proposed aid threatens to affect trade and distort competition, the aid therefore constitutes State aid in the meaning of Article 61(1) of the EEA Agreement.

The Norwegian authorities have, by the notification dated 29 October 1998 (Doc.No.98-7166-A), and additional information received 12 January 1999 (Doc.No.99-276-A), fulfilled their obligation under Article 1(3) of Protocol 3 to the Surveillance and Court Agreement in notifying plans to grant or alter aid. Consequently, the EFTA Surveillance Authority is obliged to assess whether any of the exemption clauses under Article 61(2) or (3) are applicable in order to exempt the aid measure from the general prohibition of aid under Article 61(1).

2. Application of the relevant State aid rules

The aid beneficiary is located in the municipality of Granvin in the county of Hordaland. According to the map of assisted areas in Norway, which was authorised by the EFTA Surveillance Authority Decision No. 110/98/COL of 28 April 1998, the municipality of Granvin belongs to Target zone C, implying that enterprises located in

that municipality are eligible for regional investment aid. In Target zone C, the maximum regional investment aid is 15%, in net grant equivalent (NGE) terms, of the eligible costs. A supplement of 10% (gross) is allowed for small and medium-sized enterprises (SMEs).

According to the information cited above, Granvin Bruk P/L had 38 employees by the end of 1997 (of which 5 were part time employees), its turnover for 1997 was NOK 41.1 million (EUR 4.68 million) and the balance sheet total at the end of 1997 was 58.1 million (EUR 6.62 million). The biggest owner has 21.5% of the capital in the company. This information therefore confirms that the company qualifies as a small and medium-sized enterprise (SME) within the meaning of the SME-definition in Chapter 10 of the State Aid Guidelines. The relevant aid ceiling is therefore 15% NGE plus a SME supplement of 10% (gross).

With reference to the above information on the breakdown of the project costs, NOK 70.8 million relate to costs in fixed production assets. The eligible investment costs are therefore NOK 70.8 million (EUR 8.07 million).

The investment grant from the Rural Development Fund is taxable. Taking into account the corporate tax rate of 28%, the grant of NOK 3 million constitutes NGE amounting to NOK 2.16 million, corresponding to 3.05% of the eligible investment costs. The aid intensity is therefore below the relevant maximum aid ceiling for regional investment aid as referred to above. It must therefore be concluded that the proposed aid from the Rural Development Fund to Granvin Bruk P/L qualifies for exemption under Article 61(3)(c) of the EEA Agreement, as aid to facilitate the development of certain economic areas, without adversely affecting trading conditions to an extent contrary to the common interest.

HAS ADOPTED THIS DECISION:

The EFTA Surveillance Authority has decided not to raise objections to the proposed plans by the County Commissioner of Hordaland to award a grant of NOK 3 million (EUR 0.34 million) from the Rural Development Fund ("Bygdeutviklingsfondet") in support of certain investments by Granvin Bruk P/L, as notified by the Norwegian authorities by letters of 29 October 1998 (Doc.No.98-7166-A) and 11 January 1999 (Doc.No.99-276- A).

Done at Brussels, 10 March 1999

For the EFTA Surveillance Authority

Knut Almestad
President

Bernd Hammermann
College Member