COMPLAINT REGARDING RESTRICTION ON FREE MOVEMENT OF GOODS AND FREEDOM OF ESTABLISHMENT ARISING FROM THE NORWEGIAN GOVERNMENT’S DECISION TO CLOSE THE FM RADIO NETWORK IN NORWAY

1 Introduction

The Norwegian Local Radio Association (Norsk Lokalradioforbund – hereinafter referred to as “NLF”) hereby formally submits a complaint regarding the Norwegian Government’s decision to close the FM radio network (hereinafter referred to as the “FM network”) partly from 2017, and in full from 2022 (hereinafter referred to as “the decision”). Please find attached the complaint form as Annex 1 to this letter.

NLF organises and represents about 100 local radio stations in Norway. The Norwegian Government has decided to close the FM radio network as part of a strategy to launch the Digital Audio Broadcasting (DAB) technology platform for radio transmissions. The Norwegian Broadcasting Corporation (Norsk rikskringkasting – hereinafter referred to as “NRK”) plays a central role in the nationwide transition from FM to DAB technology.

In NLF’s view, the Norwegian Government’s decision to close large parts of the FM network in 2017, and to close the remaining parts of the FM network from 2022, will have tremendous impact on the continued operations of the members of NLF – in many cases the result may be that individual radio stations must shut down its activity. NLF contends that the FM and DAB networks can and should coexist as long as there is audience demand for FM, and that a decision to discontinue FM transmissions (when they find that FM no longer serves a consumer need) should be left to the individual stations. NLF’s member stations have made significant investments in their transmission networks, which will be rendered useless when the network closure is carried out.

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1 www.lokalradio.no.
NLF and its members are concerned about the effects that the closing of the national FM networks as well as the forced closing of the local FM networks in large cities will have (and already has had) on the free movement of goods and on the freedom of establishment in the Norwegian radio market. NLF argues that by making this decision, the Norwegian authorities have in practice recognized that the DAB network would not have been adopted in a free market process, and that a complete DAB migration at this time was possible only through a deliberate effort by the government and key national players.

NLF is of the view that Norwegian authorities, in its eagerness to facilitate change and modernisation within the radio sector, in reality have created unequal competition conditions far beyond what is appropriate, in favour of a few large market actors and one technology – contrary to the principles of technological neutrality and an actor-driven process. The market structure which the Norwegian authorities – in NLF’s opinion – have assisted in establishing, where a few large companies are now dominating the field, will have great impact on the competitive conditions in the radio market today and in the decades to come. NLF is therefore also concerned that the measures taken by Norwegian authorities in this case involves state aid and that it also may raise issues of EEA competition law, which will be addressed in a separate letter to the Competition and State Aid Directorate. Please see this letter attached as Annex 2.

In a letter of 15 September 2015 to the Norwegian Ministry of Culture (hereinafter referred to as “the Ministry”), NLF highlighted that the EEA aspects of closing the FM network to a very limited degree are mentioned or discussed in the publicly available documents constituting the basis for the decision. In that letter, NLF therefore invited the Ministry to describe its view of how the proposed closing of the FM network was in accordance with the EEA Agreement, and to provide documentation of its prior evaluations in that regard. Please find NLF’s letter to the Ministry attached as Annex 3 to this letter. The Ministry responded by letter 4 December 2015. The Ministry’s responses to NLF’s inquiries will briefly be outlined throughout this complaint. However, in NLF’s view, the Ministry did not provide adequate explanations of how the measures taken are in accordance with Norway’s obligations under the EEA Agreement. Please see the Ministry’s letter, with attachments, attached as Annex 4 to this letter.

Therefore, NLF is now reaching out to the EFTA Surveillance Authority (hereinafter referred to as “the Authority”), in the hopes that the Authority will be able to secure detailed information about the Norwegian authorities’ evaluations and viewpoints on the compatibility of their measures in light of the obligations contained in the EEA Agreement. NLF asks the Authority to investigate whether Norway is in breach of its obligations arising from Articles 11 and 31 of the EEA Agreement, and, if appropriate, initiate the formal infringement procedure on the matter, in accordance with Article 31 of the Surveillance and Court Agreement.

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2 NLF notes that alongside DAB, newer and better technologies for digital broadcasting are Digital Radio Mondiale (DRM) and HD-Radio.

3 A related issue of great concern to the NLF regards access to the FM network in tunnels for local radio stations, as the Norwegian Public Roads Administration (Statens vegvesen – hereinafter referred to as “NPRA”) is currently installing DAB transmission networks in tunnels on national highways, potentially to the detriment of local radio stations who have had tunnel access until now. As the DAB transmissions network is installed by the NPRA and thus exclusively with state funds, NLF is concerned that this process may contain state aid to selected, commercial radio stations, as well as a restriction in the freedom for local radio stations to conduct their business on equal terms in the radio market. NLF will gladly expand on these concerns in a subsequent letter upon further request from the Authority.
2 Background

In the Ministry’s 2011 white paper on the digitisation of the radio medium (Meld. St. 8 (2010-2011)), the Ministry established several national criteria which had to be fulfilled before the FM network could be permanently closed. These criteria were, in short⁴:

- NRK’s radio services must have digital coverage equivalent to that of P1’s [NRK’s main radio station] coverage on the FM network,
- The commercial blocs in the DAB network must be developed to cover at least 90% of the population,
- The digital radio services must represent a technological and content-based added value to listeners,
- There must be affordable and technically satisfactory solutions for digital radio transmissions in cars,
- At least half of daily radio listeners must listen to the radio on a digital radio platform.⁵

In a press release of 16 April 2015, the Norwegian Government made known its conclusion that the abovementioned national criteria for closing the FM network had been met, and that the FM network thus would be closed from 2017. The Ministry proposed a strategy for local radio station migration to the new DAB network in the white paper on framework conditions for local radio in connection with digitisation of the radio medium (Meld. St. 24 (2014-2015)). As far as NLF can see, the white paper does not discuss whether other digital transmission technologies than DAB may be more suitable (and affordable) for the local radio sector.

In accordance with the Ministry’s conclusions regarding transition to DAB technology in Meld. St. 24, larger commercial local radio stations in and around Oslo, Bergen, Trondheim and Stavanger (hereinafter referred to as “the large cities”) are equated with the commercial, national radio stations. Consequently, these commercial, but local radio stations are not allowed to continue its broadcasts on the FM network after 2017, and must start transmissions on the DAB network. In contrast, smaller niche stations and commercial, but local radio stations outside the large cities will be allowed to keep broadcasting on the FM network in a transitional period of five years, until the end of 2022.

3 The right of free movement of goods in Article 11 of the EEA Agreement

Article 11 of the EEA Agreement establishes the right of free movement of goods within the EEA, and the provision forbids “quantitative restrictions on imports and all measures having equivalent effect”. A measure having equivalent effects as a quantitative import restriction will, amongst other things, be measures leading to a less favourable treatment of goods originating from another Member state.⁶ Similarly, any measure preventing goods from an

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⁵ NLF notes that the measurement of this criterion included listening for one minute or more to podcasts and streaming web/internet-based radio, as well as radio transmissions on TV cable networks, which in NLF’s view is not relevant for the assessment of DAB radio listening numbers.
⁶ Case C-110/05 Commission v Italy, para 37.
EEA State from entering the market of another EEA State will also constitute a “measure having equivalent effects” pursuant to Article 11.7

Of central importance to the issue of whether there exists a restriction on the free exchange of goods is thus whether a measure in one EEA State negatively affects market access of goods from other EEA States. In its case C-142/05 Mickelsson and Roos, the Court of Justice of the European Union (CJEU) stated that “[e]ven if the national regulations at issue do not have the aim or effect of treating goods coming from other Member States less favourably, [...] the restriction which they impose on the use of a product in the territory of a Member State may, depending on its scope, have a considerable influence on the behaviour of consumers, which may, in turn, affect the access of that product to the market of that Member State”.8 Consequently, restrictions on the use of a product will usually be regarded as a restriction on the free movement of goods between EEA States.

NLF underlines that closing the FM network will have great impact on the demand for FM radios to be used at home and in cars. FM radios will be nearly useless in the larger cities from 2017, and in the remaining parts of the country from 2022. FM broadcasting equipment, which local radio stations have purchased for instance from France (but also from other EEA States), will in practice be prohibited to use after the closing of the FM network. The situation the Norwegian authorities now are in the process of establishing for the radio market have strong similarities with the situation in C-142/05 Mickelsson and Roos, which concerned the right to use personal watercrafts in Swedish waterways.9 NLF is therefore of the view that the closing of the FM network constitutes a restriction on the free movement of goods.

In its letter to NLF, amongst several arguments offered in relation to the issue of free movement of goods, the Ministry first stated that there is no prohibition on use of the FM network after 2022, because it has not yet been decided what will happen with the licences of niche radio stations and local radio stations outside the large cities after 2022. Moreover, the Ministry argued that the current digitisation of radio transmissions is not similar to the situation in C-142/05 Mickelsson and Roos, as the digitisation process in the Ministry’s view does not involve a prohibition or restriction on the use or sale of a specific product. Furthermore, the Ministry maintained that because the Norwegian authorities’ procedures were in accordance with the e-com directives10, the procedures were also compatible with the general provisions of the EEA Agreement.

As NLF has stated above, it is of the view that the situation at hand here is indeed comparable to the situation in Mickelsson and Roos, as the possibility for use of FM radios and FM broadcasting equipment will be drastically limited or practically impossible after 2017/2022 as a result of the measures taken by Norwegian authorities. To the Ministry’s point regarding the compatibility of some of its’ procedures with the directives on e-communications, NLF rejects the Ministry’s assertion that compatibility with secondary EEA law exempts the Ministry from its obligation to ensure that it acts in a manner compatible with primary EEA law. In regards of the Ministry’s statement that there will not be a prohibition on the use of the FM network for radio broadcasting after 2022, NLF is surprised to hear this, as a closure/switch-off of the FM network has been communicated in most official documents concerning the digitisation process. For example, in the white paper on the digitisation of the radio

7 Case C-110/05 Commission v Italy, para. 37.
8 Case C-142/05 Mickelsson and Roos, para. 26, with further reference to C-110/05 Commission v Italy, para. 56.
9 Similar issues were raised by the Authority as regards the restrictions on use of personal watercrafts.
medium in Meld. St. 8 (2010-2011)\textsuperscript{11} the Ministry states, inter alia, that “discontinuation of FM will necessitate the replacement of many analogue radio devices,”\textsuperscript{12} “many of the smallest local radio stations may not be able to continue on the terrestrial network when the FM network is shut down,”\textsuperscript{13} and:

> “current policy […] presupposes that a switch-off date for FM will be set when at least half of all households have acquired digital radio sets. That goal will most likely be reached around 2020, given current sales numbers for digital radios. If so, 2026 emerges as a probable date for FM switch-off. The Ministry believes that it will be advantageous if the digitisation process is faster than this. The period of cost-intensive double distribution will otherwise be very long. In a social perspective it will be undesirable to use large amounts of resources to uphold the FM network, which in a few years will be discontinued anyways”\textsuperscript{14} (emphasis added).

Furthermore, in the white paper on framework conditions for local radio in connection with digitisation of the radio medium (Meld. St. 24 (2014-2015)), the Ministry amongst other things state that: “A condition for discontinuing each individual licencing area for FM is that a network providing local radio stations in the area an opportunity to broadcast on DAB has been established.”\textsuperscript{15}

NLF maintains that the switch-off of the FM network from 2017/2022 involves a restriction on the free movement of goods, contrary to Article 11 of the EEA Agreement.

4 The right of freedom of establishment in Article 31 of the EEA Agreement

4.1 The restriction on the freedom of establishment

Article 31 of the EEA Agreement prohibits EEA States from maintaining or introducing restrictions on the freedom of establishment of undertakings from other EEA States. A restriction will be considered to exist when national measures make it harder or less attractive for undertakings to make use of the freedom of establishment, even if the measures do not discriminate on the basis of nationality.\textsuperscript{16} According to case law of the CJEU, all national measures affecting market access of undertakings from other Member states, thus hindering


\textsuperscript{12} Our translation. Meld. St. 8 (2010-2011) section 5.2.1 reads, in Norwegian: “Avvikling av FM vil fore til at mange analoge radioapparat må skiftast ut.”

\textsuperscript{13} Our translation. Meld. St. 8 (2010-2011) section 5.2.4 reads, in Norwegian: “Ein del av dei minste lokalradioane vil kanskje ikkje kunne halde fram via det jordbundne nettet når FM-nettet blir slakt.”


\textsuperscript{16} See, inter alia, case C-400/08 Commission v Spain, para. 63.
intra-Community trade, is considered to be a restriction on the freedom of establishment, even if the measures at issue apply without distinction.\(^{17}\)

The prohibition on use of the FM network for commercial, local radio stations in the four largest cities in Norway from 2017, and in the country as a whole from 2022, has the result that it will be less attractive for undertakings to establish themselves in Norway.

As of 2017, Norway will be the only country in the world to prohibit radio broadcasts on the FM network in the large cities, and as of 2022, nationwide. The decision of Norwegian authorities to close the FM network in 2017/2022 have gotten a lot of attention abroad.\(^{18}\) It cannot be ruled out that potential radio undertakings from outside Norway have refrained from establishing themselves in the Norwegian radio market as a direct result of the Norwegian authorities’ decision to close the FM network within a short amount of time, while the FM network at the same time will be in use in Norway’s neighbouring countries far into the foreseeable future. Closing the FM network makes starting new radio stations less attractive also for Norwegian undertakings.

Furthermore, the Ministry has discussed alternative uses for the FM network after the completion of the transition to the DAB network. For instance, it has stated that “discontinuation of the FM broadcasts has the result that the frequency spectrum that today is used for FM, can be made available for other uses […] specific examples are translation services, information services for instance on ferry docks and at tourist attractions, traffic information systems for cars, wireless microphones, etc.”\(^{19}\)

However, NLF notes that pursuant to international frequency agreements, the frequencies used for FM broadcasting is only available for radio broadcasting.\(^{20}\) Therefore, NLF doubts that the potential alternative uses for the FM network proposed by the Ministry are feasible. As no other EEA States have decided to discontinue FM radio broadcasting at this point, the international regulation of the FM network covering Norway still applies. The result is that these economic resources (as the FM frequencies are) will, in principle, still be available for either FM transmissions or other digital broadcast technologies such as DRM and HD-Radio in Norway. On this basis, NLF cannot see why a switch-off of FM transmissions is deemed necessary, or why potential radio station operators both from Norway and from other EEA States from 2017/2022 and onwards may not use the FM network as intended under the international agreement on FM frequency use for radio broadcasting, and in accordance with the principle of freedom of establishment.

NLF is of the view that the decision to close the FM network from 2017/2022 can be regarded as a restriction on the freedom of establishment under Article 31 of the EEA Agreement. Pursuant to Article 31 EEA, such restrictions are prohibited.

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\(^{17}\) Case C-400/08, para. 64.


\(^{19}\) Our translation. Meld. St. 8 (2010-2011) section 5.1.14 reads, in Norwegianian: “Avvikling av FM-sendingane fører til at frekvensspekteret som i dag blir nyttet til FM, kan frigjøres for annen bruk […] Koncrete dome er tolkatenester, informasjonstjenester for eksempel på ferjekaiar og ved turistattraksjonar, trafikkinformasjonssystem for bilar, trädansse mikrofonar mv.”

4.2 No possible justifications for the restriction

A national measure which constitutes a restriction on the freedom of establishment can be maintained only if the restriction is “justified by overriding reasons relating to the general interest, provided that the restrictions are appropriate for securing attainment of the objective pursued and do not go beyond what is necessary for attaining that objective”.21

The CJEU has determined several relevant reasons relating to the general interest which may justify a restriction on the freedom of establishment – for instance the protection of creditors, workers, social welfare or public policy. However, purely economic objectives cannot constitute an overriding reason in the public interest which may justify a restriction on the freedom of establishment.22

As grounds for prohibiting commercial, local radio stations from broadcasting in the large cities in Norway, the white paper on digitisation of the radio medium Meld. St. 8 (2010-2011) states in point 6.5.2 that “the largest commercial, local radio stations [probably] to some degree [operate] in the same market as [P4 and Radio Norge, two main commercial nationwide radio stations in Norway], that is to say that they compete for the same advertisement revenue. The authorities should therefore make sure that these undertakings are provided with as equal and fair competitive conditions as possible”.23

In the view of NLF, such an objective as cited above from the Ministry’s white paper cannot be regarded as an overriding reason related to the public interest that may justify a restriction on the freedom of establishment. Even though it cannot be excluded that competition objectives in certain instances may constitute such an overriding reason in the public interest, normally such an objective will not be relevant.

However, in NLF’s view there is reason to question whether the closing of the FM network promotes competition at all, as it instead appears to be a desired limitation of competition between radio market undertakings. The measure is intentionally crafted in such a way that competition for DAB radio stations from existing undertakings on the FM network is limited or non-existent. The closing of the FM network thus constitutes a forced, government-driven migration from one technological platform to another, while what normally signifies free competition is that the market itself demands new technology leading to such a shift in technology. NLF cannot see that the objectives mentioned thus far will be able to justify a restriction on the freedom of establishment.

The Ministry, in its letter to NLF, states that one of the main goals of the digitisation of radio is to promote competition, diversity and to encourage an increase in radio services. NLF underlines in this regard that the Ministry’s statement on this issue does not answer the concerns presented by NLF, mainly that the current process is taking place contrary to principles of free competition, and contrary to the stated objective of the Ministry that the digitisation is to be an “actor-driven process”.24 In the view of NLF, there cannot really have been an actor-driven process when governmental agencies have steadily and over a long

21 Case C-400/08, para. 73.
22 Case C-400/08, para. 74.
23 Our translation. Although not strictly essential to the issue of justifications, NLF questions the factual basis for the assertion made in the white paper regarding the threat of competition from the local radio stations in the large cities, as NLF maintains that the commercial, local radio stations in the large cities holds a combined and total market share of 4 per cent, and is able to attract approximately 1 per cent of potential national advertising revenue.
24 Meld. St. 8 (2020-2011), section 1.1.
period of time directed all efforts towards the introduction of DAB as the next (and only) viable radio transmission platform. A true actor-driven process would have consisted of the government refraining from choosing one radio transmission platform over another, instead allowing market actors to decide for themselves which platform they preferred, and also let the market decide when discontinuing FM radio services would be appropriate due to a lack of audience. In this connection, NLF would like to direct the Authority’s attention to the EU cases T-461/13 and T-462/13, where the General Court of the European Union in relation to questions of state aid stressed the importance of technological neutrality in relation to the introduction of a new, digital TV platform in Spain.  

The Ministry further states in its letter that frequency resources both on the FM and the DAB networks are limited goods and that a licensing system is necessary, in accordance with the e-com directives and the telecommunications package. In the Ministry’s view, compliance with these directives mean that general EEA rules are also complied with. NLF repeats as stated in section 3 above that in maintaining this viewpoint, the Ministry is mistaken on what obligations they have under the EEA Agreement. In NLF’s view, as a general rule, compliance with secondary EEA law in one area does not automatically mean that all provisions in primary EEA law is complied with. Although NLF is not completely confident that the licence tendering process for the nationwide DAB network has been sufficiently open and transparent so as to inform potential radio station undertakings within all of the EEA about the possibilities to enter the DAB radio market in Norway, NLF does not dispute the Ministry’s use of licenses for either the FM or DAB network – but rather the underlying process concerning the introduction of DAB as the chosen radio transmissions platform and the forced migration from the FM network, which potentially deters undertakings from starting new radio stations in Norway.

NLF therefore maintains that the decision constitutes a restriction on the freedom of establishment, contrary to Article 31 of the EEA Agreement.

5 Final remarks and measures sought

The measures taken by Norwegian authorities in connection with closing the FM network involves a restriction on both the free movement of goods, and on the freedom of establishment.

In addition to constituting restrictions on the free movement of goods and the freedom of establishment contrary to Articles 11 and 31 of the EEA Agreement, the Norwegian authorities’ decision to close the FM network raises issues concerning the freedom of enterprise. The EFTA Court has concluded that “the freedom to conduct a business lies […] at the heart of the EEA Agreement and must be recognised in accordance with EEA law and national law and practices”.  

Closing the FM network constitutes a serious interference with the freedom of undertakings to conduct radio business, and this interference must be taken into account when assessing the legality of the restrictions which this measure constitutes.

The decision of the Norwegian authorities to close the FM network constitutes a restriction on the free movement of goods and on the freedom of establishment, contrary to Articles 11 and 31 of the EEA Agreement. Consequently, the Authority is asked to open infringement

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26 Case E-10/14 Enes Deveci, para. 64.
proceedings and to, if appropriate, initiate the formal investigation procedure on the matter at hand.

We hope that the information contained in this letter, combined with information requested from the Norwegian authorities, is sufficient to assess the present complaint. NLF naturally remains at the Authority’s disposition, and will provide further assistance and information as the Authority sees fit, either by way of additional letters, a telephone conference or a meeting with the Authority.

Yours faithfully,
ALT law firm

[Signature]
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