

ZAWIADOMIENIA DOTYCZĄCE EUROPEJSKIEGO OBSZARU GOSPODARCZEGO

URZĄD NADZORU EFTA

Zaproszenie do zgłaszania uwag zgodnie z art. 1 ust. 2 części I protokołu 3 do Porozumienia między państwami EFTA w sprawie ustanowienia Urzędu Nadzoru i Trybunału Sprawiedliwości w sprawie pomocy państwa w odniesieniu do programu pomocy regionalnej w zakresie transportu drewna okrągłego w Norwegii

(2009/C 35/07)

Decyzją nr 358/08/COL z dnia 11 czerwca 2008 r. zamieszczoną w autentycznej wersji językowej na stronach następujących po niniejszym streszczeniu, Urząd Nadzoru EFTA wszczął postępowanie na mocy art. 1 ust. 2 w części I protokołu 3 do Porozumienia pomiędzy państwami EFTA w sprawie ustanowienia Urzędu Nadzoru i Trybunału Sprawiedliwości. Władze Norwegii otrzymały stosowną informację wraz z kopią wyżej wymienionej decyzji.

Urząd Nadzoru EFTA wzywa niniejszym państwa EFTA, państwa członkowskie UE i zainteresowane strony do zgłaszania uwag w sprawie omawianego środka w ciągu jednego miesiąca od publikacji niniejszego zawiadomienia na poniższy adres Urzędu Nadzoru EFTA w Brukseli:

EFTA Surveillance Authority
Registry
35, Rue Belliard
B-1040 Brussels

Uwagi zostaną przekazane władzom norweskim. Zainteresowane strony zgłaszające uwagi mogą wystąpić z odpowiednio uzasadnionym pisemnym wnioskiem o objęcie ich tożsamości klauzulą poufności.

STRESZCZENIE

Procedura

Zgodnie z art. 1 ust. 3 części I protokołu 3 do Porozumienia o Nadzorze i Trybunale, pismem Ministerstwa Handlu i Przemysłu z dnia 31 października 2007 r. otrzymanym i zarejestrowanym przez Urząd tego samego dnia (nr referencyjny 449962), władze norweskie zgłosiły zamiar przyznania pomocy w formie dotacji regionalnych na transport okrągłego drewna.

W pismach z dnia 11 grudnia 2007 r. (nr referencyjny 454397) oraz z dnia 14 marca 2008 r. (nr referencyjny 469427) Urząd zwrócił się do władz norweskich z prośbą o udzielenie dodatkowych informacji oraz ujawnienie danych statystycznych. Władze norweskie udzieliły odpowiedzi odpowiednio dnia 1 lutego 2008 r. (nr referencyjny 463112) oraz 15 kwietnia (nr referencyjny 473559).

Ocena środka

Zgodnie ze zgłoszeniem celem programu pomocy regionalnej dla transportu okrągłego drewna jest promowanie rozwoju regionów usytuowanych w znacznej odległości od obszarów centralnych poprzez zwiększenie aktywności w sektorze leśnictwa. Założeniem zgłoszonego programu jest pobudzenie sprzedaży drewna w północnej Norwegii, a tym samym wzmocnienie przemysłu drzewnego i przyczynianie się do rozwoju równoważonego przemysłu w tym obszarze. Program dotyczy wyłącznie przedsiębiorstw z branży przetwórstwa drewna usytuowanych na obszarach o niskiej gęstości zaludnienia: Nordland, Troms oraz Finnmark.

Zgodnie z ust. 70 tiret drugim Wytycznych w sprawie krajowej pomocy regionalnej pomocy nie można przyznać na transport produktów przedsiębiorstw nieposiadających alternatywnej lokalizacji. Takie produkty należy wytwarzać w miejscu ich pochodzenia, lokalizacja jest więc określona. Okrągłe drewno można uznać za produkt nieposiadający alternatywnej lokalizacji. Na terytorium EOG pomoc na transport surowców lub półproduktów można zasadniczo przyznawać wyłącznie peryferyjnym regionom UE. Z tego względu Urząd ma wątpliwości, czy zgodnie z postanowieniami Wytycznych w sprawie krajowej pomocy regionalnej można przyznać pomoc na transport okrągłego drewna.

Jednakże należy rozważyć, czy pomoc na transport tych produktów można przyznać na rzecz regionów o najniższej gęstości zaludnienia zgodnie z ust. 69 Wytycznych w sprawie krajowej pomocy regionalnej.

Nawet jeżeli rzeczona pomoc mogłaby zostać przyznana na rzecz regionów o najniższej gęstości zaludnienia, Urząd ma wątpliwości, czy dodatkowe koszty transportu są wystarczająco uzasadnione w przypadku odległości nieprzekraczających 50 km.

Zasadniczo pomoc regionalną należy przyznawać w ramach wielosektorowych programów pomocy. W związku z powyższym Urząd ma również wątpliwości, czy przyznanie pomocy w ramach programu sektorowego, jak wspomniany powyżej, pozostaje w zgodzie z celami wytycznych w sprawie pomocy regionalnej.

Urząd zastanawia się również, czy uzasadnione jest ustalanie kwoty pomocy na podstawie zróżnicowanej skali odległości zamiast na podstawie stosunku pomoc na tonę/kilometr.

Wniosek

W świetle powyższych zastrzeżeń Urząd podjął decyzję o wszczęciu formalnego postępowania wyjaśniającego zgodnie z art. 1 ust. 2 części I protokołu 3 do Porozumienia między państwami EFTA w sprawie ustanowienia Urzędu Nadzoru i Trybunału Sprawiedliwości. Zainteresowane strony zaprasza się do nadsyłania uwag w terminie jednego miesiąca od publikacji niniejszej decyzji w *Dzienniku Urzędowym Unii Europejskiej*.

EFTA SURVEILLANCE AUTHORITY DECISION**No 358/08/COL****of 11 June 2008****on Regional Aid for Transport of Round Wood****(Norway)**

THE EFTA SURVEILLANCE AUTHORITY,

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

Having regard to the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice, in particular to Article 24 thereof,

Having regard to Article 1(2) of Part I and Articles 4(4) and 6 of Part II of Protocol 3 to the Surveillance and Court Agreement,

Having regard to the Authority's State Aid Guidelines on the application and interpretation of Articles 61 and 62 of the EEA Agreement ⁽¹⁾, and in particular the Chapter on National Regional Aid 2007-2013,

Having regard to the Authority's Decision No 226/06/COL of 19 July 2006 on the map of assisted areas and levels of aid (Norway),

Having regard to the Authority's Decision No 195/04/COL of 14 July 2004 on the implementing provisions referred to under Article 27 in Part II of Protocol 3 to the Surveillance and Court Agreement ⁽²⁾,

Whereas:

I. FACTS**1. Procedure**

Pursuant to Article 1(3) of Part I of Protocol 3 to the Surveillance and Court Agreement, the Norwegian authorities notified their intention to grant aid in the form of regional grants for the transportation of round wood by letter of 31 October 2007 from the Ministry of Government Administration and Reform, received and registered by the Authority on the same date (Event No 449962).

The Authority requested additional information and statistical figures from the Norwegian authorities with letters dated 11 December 2007 (Event No 454397) and 14 March 2008 (Event No 469427). The Norwegian authorities replied on 1 February 2008 (Event No 463112) and 15 April 2008 (Event No 473559) respectively.

⁽¹⁾ Guidelines on the application and interpretation of Articles 61 and 62 of the EEA Agreement and Article 1 in Part I of Protocol 3 to the Surveillance and Court Agreement, adopted and issued by the EFTA Surveillance Authority on 19 January 1994, published in OJ L 231, 3.9.1994 and EEA Supplement No 32/1994. The Guidelines were last amended on 19 December 2007. Hereinafter referred to as the State Aid Guidelines. They are accessible on: <http://www.eftasurv.int/fieldsOfWork/fieldStateAid/guidelines/>

⁽²⁾ Published in the OJ L 139, 25.5.2006, p. 37. EEA Supplement No 26, 25.5.2006, page 1. Amended by Authority Decision No 319/05/COL of 14 December 2005, published in the OJ C 286, 23.11.2006, p. 9, EEA Supplement No 57, 23.11.2006, page 31.

2. Description of the proposed measures**2.1. Background**

The Norwegian authorities notified an aid scheme for the transportation of round wood as existing aid in 1993. This scheme expired in 2006. Following the adoption of new guidelines for regional aid by the Authority applicable as of 1 January 2007, the Norwegian authorities have re-notified an aid scheme for the transportation of round wood in light of the new provisions for State aid guidelines for national regional aid. The scheme is called the regional grant for the transportation of round wood („Transporttilskudd til skogbruket”).

2.2. Objective of the aid measure

According to the notification, the aim of the scheme is to promote development in remote areas. Under the notified scheme, development in these areas should be achieved by increasing forestry activity. The scheme is designed to promote forestry activity by stimulating interest to buy wood where there is a need to develop economic activity. The notified scheme should stimulate the sale of timber in northern Norway and thus strengthen the wood industry and contribute to the development of sustainable industry in this area.

The wood industry in the north of Norway is made up of rather small units and few wood conversion enterprises. Forestry has traditionally been an important industry in central Norway, and the forestry infrastructure there is well developed. However, in the coastal areas forestry is a fairly new and relatively small industry, with the exception of North and South Trøndelag. According to the information provided by the Norwegian authorities, less than 5 % of Norwegian timber comes from the areas that comprise the round wood transportation scheme.

The Norwegian authorities have also explained that large parts of the coast have a less developed infrastructure than the more central part of Norway. Moreover, the distances for transportation are often long. This leads to higher transportation costs and consequently a more difficult trading situation. The costs of transportation form a larger share of the total costs than elsewhere, in terms of both direct and indirect costs.

Low prices in timber and high transportation costs together with the structure of the forestry industry contribute to the low economic activity in the area covered by the scheme. Thus the aim of the notified measure to reduce the disadvantages for the forestry industry in the three northernmost counties caused by long distances and high transportation costs. Therefore, the Norwegian authorities have explained that the scheme will thus be phased out once the industry has reached an economically viable.

2.3. National legal basis for the aid measure

The national legal basis for the notified scheme is the annual State budget (*St. prp. Nr. 1, Chapter 1149, item 71* ⁽¹⁾) and annual letters of allocation from the Ministry of Agriculture and Food to county governors or to the Norwegian Agricultural Authority. In addition, the Ministry of Agriculture and Food will adopt internal guidelines for the scheme („Regler for forvaltning av transporttilskudd i skogbruket”).

2.4. Recipients

The scheme targets wood processing undertakings situated in the north of Norway in the counties of Nordland, Troms and Finnmark. According to the notification, the Norwegian authorities estimate the number of beneficiaries to be less than 10 undertakings.

2.5. Eligible costs and overlap with other schemes

The notified scheme foresees the grant of operating aid aimed at reducing a firm's existing expenses. Aid is granted on the basis of a predefined set of eligible costs, which are additional transportation costs.

According to the notification, the proposed aid level, allocated in proportion to transportation distance, will only compensate for the additional transportation costs incurred in the eligible areas. In order to avoid overcompensation, aid can only be granted on supply of documented transportation costs. Applicants must demonstrate the existence of particularly high transportation costs and prove that there are no other possibilities available. Applicants must account for the total costs of transportation and show that the additional costs are due to long distances.

The following conditions must be met in order to receive grants from the scheme:

- aid may serve only to compensate for the additional costs of transportation, taking into account that these are considerably higher in northern Norway than in other parts of the country. Applicants must provide an estimate of the total costs of transportation and show that the additional costs are due to long distances. All payments are made in arrears and are based on applications outlining the actual transportation costs during the previous year,
- grants are restricted to transportation within national borders,
- aid must be objectively quantifiable in advance of the granting of funds. The amount of aid is based on maximum rates of NOK per km, as follows:

0-50 km:	no subsidy
50-149 km:	NOK 30 per m ³
150-299 km:	NOK 50 per m ³
300-450 km:	NOK 70 per m ³
450 km and more:	NOK 100 per m ³ ,
- aid must be based on the cheapest form of transport and the shortest route between the place of production and the place of processing. Applicants must provide an assessment of this in their application, and county governors will be able to control the assessment by means of local knowledge.

The Norwegian authorities have explained that there are no other schemes providing aid for the same costs. Nevertheless, beneficiaries will be asked to report any additional aid that they receive.

2.6. Budget and duration

The scheme for the regional grant for the transportation of round wood is based on annual budgets. The planned annual expenditure amounts to NOK 3 million (EUR 375 000) expressed in 2007 prices. The duration of the scheme is set to be 6 years, until 31 December 2012. The estimated overall amount of expenditure for the scheme corresponds thus to approximately NOK 18 million (EUR 2 250 000) expressed in 2007 prices.

The scheme will be administered by the County Governors of Nordland, Troms and Finnmark.

II. ASSESSMENT

1. Procedural requirements

Pursuant to Article 1(3) of Part I of Protocol 3 to the Surveillance and Court Agreement, „the EFTA Surveillance Authority shall be informed, in sufficient time to enable it to submit its comments, of any plans to grant or alter aid (...). The State concerned shall not put its proposed measures into effect until the procedure has resulted in a final decision”.

By submitting notification of the scheme for the regional aid for the transportation of round wood forwarded with a letter from the Ministry of Government Administration and Reform, received and registered by the Authority of 31 October 2007 (Event No 449962), the Norwegian authorities have complied with the notification requirement. By not putting the scheme into effect before getting the approval by the Authority, the Norwegian authorities have complied with the standstill obligation.

The Authority can therefore conclude that the Norwegian authorities have respected their obligations pursuant to Article 1(3) of Part I of Protocol 3 to the Surveillance and Court Agreement.

2. Presence of State aid

Article 61(1) of the EEA Agreement reads as follows:

„Save as otherwise provided in this Agreement, any aid granted by EC Member States, EFTA States or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Contracting Parties, be incompatible with the functioning of this Agreement.”

The notified aid scheme is funded by State resources in the form of annual budgetary allocations from the State budget.

The scheme will confer an advantage in favour of certain undertakings by relieving them of transportation costs that they would normally have to pay for from their own budgets. Moreover, the notified scheme is selective as only wood processing enterprises in the selected counties of Nordland, Troms and Finnmark can receive State support under the scheme.

(1) <http://www.regjeringen.no/nb/dep/lmd/dok/regpubl/stprp/2007-2008/Stprp-nr-1-2007-2008.html?id=483947>

The scheme has an actual or potential distorting effect on competition and affects trade within the EEA because the aid strengthens the position of the beneficiaries in relation to their actual or potential competitors in the EEA. In this respect, taking into account *inter alia* that the relevant sector is exposed to international competition, although the amount of round wood and the total production of processed wood in the area covered by the scheme is small in comparison with the national totals, the scheme might have distorting effects on competition.

As the scheme is notified, the Authority assumes that the Norwegian authorities have not made use of Regulation (EC) No 1998/2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid (so-called *de minimis* regulation). In line with this Regulation, grants to any one undertaking not exceeding EUR 200 000 over any given period of three fiscal years do not constitute State aid within the meaning of Article 61(1) of the EEA Agreement.

For the above mentioned reasons, the Authority considers that the notified measure constitutes an aid scheme within the meaning of Article 61(1) of the EEA Agreement read together with Article 1(d) in Part II of Protocol 3.

3. Compatibility of the aid

3.1. Introduction

The Authority has assessed the compatibility of the notified scheme for Regional aid for the transportation of round wood with Article 61(3)(c) of the EEA Agreement in light of the State Aid Guidelines on National Regional Aid ⁽¹⁾.

Article 61(3)(c) of the EEA Agreement concerns aid to facilitate the development of certain economic activities, where such aid does not adversely affect trading conditions to an extent contrary to the common interest of the Contracting Parties to the EEA Agreement.

Regional aid is designed to develop the disadvantaged regions by supporting investment and job creation in a sustainable context and, in exceptional cases, if the structural handicaps of the region concerned are too great, by granting operating aid. It promotes the expansion, modernisation and diversification of the activities of establishments located in those regions and encourages new firms to set up there.

3.2. Conditions on sectoral aid schemes under the Regional aid guidelines

According to paragraph 10 in Chapter 2 of the State Aid Guidelines on Regional Aid, regional aid should, as a general rule, be granted under a multisectoral aid scheme which forms an integral part of a regional development strategy with clearly defined objectives. Such a scheme may also enable the competent authorities to prioritise investment projects according to their interest for the region concerned. Where it is exceptionally envisaged to grant aid confined to an area or activity, it is the responsibility of the EFTA State concerned to demonstrate that the project contributes towards a coherent regional development strategy

⁽¹⁾ EFTA Surveillance Authority Decision No 85/06/COL of 9 April 2006 amending, for the fifty-sixth time, the procedural and substantive rules in the field of State aid by introducing a new Chapter 25.B: National Regional Aid 2007-2013.

and that, having regard to the nature and size of the project, it will not result in unacceptable distortions of competition.

The scheme on regional aid for the transportation of round wood is exclusively designed for the round wood sector. The Authority doubts whether the granting of aid in the framework of such a sectoral scheme is in line with the objective behind the regional aid guidelines. In various decisions of the Commission and the Authority, aid schemes to stimulate industrial activity in remote areas and areas of the north of countries like Norway, Sweden or Finland by providing compensation for additional transportation costs incurred by enterprises located in these regions have been approved ⁽²⁾. Contrary to the scheme for regional aid for the transportation of round wood, these schemes covered a broad range of economic sectors. The regional aid rules favour multisectoral aid schemes over sectoral ones. Thus, it is questionable whether the limited scheme in question, designed solely for the forestry sector, can be said to contribute to a coherent regional development strategy.

3.3. Geographical delimitation of the scheme

Chapter 5 of the State Aid Guidelines on Regional Aid concerns the grant of operating aid, i.e. aid which is aimed at reducing a firm's existing expenses. Operating aid is normally prohibited. However, in accordance with paragraph 70, operating aid which is not progressively reduced and limited in time may be granted in low population density regions to offset additional transportation costs.

Low population density regions are defined in paragraph 22(a) in Chapter 3 of the State Aid Guidelines on Regional Aid as the NUTS III regions or parts of the NUTS III regions with a population density of less than 12,5 inhabitants per km². The regional aid map for Norway approved by the Authority in July 2006 ⁽³⁾ is made up of such low population density regions. It follows that aid for transportation may only be granted within the area covered by the regional aid map for Norway.

It appears from the notification that the areas proposed to be covered by the notified scheme for the regional aid for the transportation of round wood, i.e. the counties of Nordland, Troms and Finnmark are within the regional aid map for Norway for 2007-2013. Therefore, the geographical delimitation of the scheme is in line with the provisions of paragraph 70 of the Guidelines on Regional Aid.

3.4. Conditions to grant aid to offset additional transportation costs

According to paragraph 70 of the Guidelines on Regional Aid, operating aid to offset additional transportation costs may be authorised by the Authority if it fulfils the following conditions:

- aid may serve only to compensate for the additional cost of transport, taking into account other schemes of assistance to transport. While the amount of aid may be calculated on a representative basis, systematic overcompensation must be avoided,

⁽²⁾ Authority's Decision No 143/07/COL of 24 April 2007 on the notified regional transport aid scheme in Norway; Commission's Decision on State Aid N 152/07 — Sweden, regional transport subsidy scheme; Commission's Decision on State Aid N 886/06 — Finland, regional transport subsidy scheme.

⁽³⁾ EFTA Surveillance Authority Decision No 226/06/COL of 19 July 2006 on the map of assisted areas and levels of aid (Norway).

- aid may be given only in respect of the extra cost of the transportation of goods produced in the low population density regions inside the national borders of the country concerned. It must not be allowed to become export aid. No aid may be given towards the transportation or transmission of the products of businesses without an alternative location (products of the extractive industries, hydroelectric power stations, etc),
- the aid must be objectively quantifiable in advance, on the basis of an aid-per-ton/kilometre ratio, and there must be an annual report which, among other things, shows the operation of the ratio or ratios,
- the estimation of additional costs must be based on the cheapest form of transport and the shortest route between the place of production or processing and commercial outlets using that form of transport. External costs to the environment should also be taken into account.

3.4.1. Aid towards the transportation of products of businesses without an alternative location

According to the second indent of paragraph 70 of the Regional Aid Guidelines mentioned above, aid should not be granted towards transport of the products of businesses without an alternative location. Such products have to be produced where they originate and location is therefore given. Round wood can be considered as a product without an alternative location. For this reason, the Authority has doubts whether aid can be granted for the transport of round wood in accordance with the provisions of the Regional Aid Guidelines ⁽¹⁾.

This doubt is reinforced by the fact that the regional aid guidelines adopted by the European Commission provide for aid towards transport of primary commodities, raw materials or intermediate products only in the so-called outermost regions of the European Community. According to paragraph 81 of the Commission's regional aid guidelines, „[f]or the outermost regions only, aid may also cover the cost of transporting primary commodities, raw materials or intermediate products from the place of their production to the place of final processing in the region concerned”.

This exception is not introduced in the Guidelines of the Authority, since there are no outermost regions in Norway, Iceland or Liechtenstein as outermost regions are only those defined as such under Article 299 EC Treaty ⁽²⁾.

⁽¹⁾ Reference is made to European Commission's Decision on State Aid 152/07 — Sweden — Regional transport subsidy scheme. Under the scheme approved with this Decision, aid can be granted for the transport of sawn wood products (*sågade trävaror*) up to a maximum of 28 000 m³ per production site and calendar year. For the translation of the different technical terms concerning forestry in Sweden, reference is made to:
<http://www.svo.se/episerver4/templates/SNormalPage.aspx?id=16854#S>

The notified scheme for transport aid foresees the grant of support to the transport of round wood which, in the opinion of the Authority, constitutes an unprocessed good without an alternative location within the meaning of the Regional Aid Guidelines.

⁽²⁾ Outermost regions in the EU are only the regions defined as such under Article 299 of the EC Treaty. There are seven „outermost regions”: Guadeloupe, French Guiana, Martinique and Réunion (the four French overseas departments), the Canaries (Spain), and the Azores and Madeira (Portugal). Those regions are distinguished by their low population density and considerable distance from mainland Europe. The outermost regions are the subject of a Declaration annexed to the EC Treaty and may benefit from specific measures on the basis of Article 299 of that Treaty. This Declaration acknowledges their considerable structural backwardness. The Declaration provides for the possibility of adopting specific measures to assist them as long as there is an objective need to promote their economic and social development.

However, the areas covered by the notified scheme, Nordland, Troms and Finnmark, qualify as least populated regions within the meaning of the Regional Aid Guidelines. It may therefore be considered whether transport aid schemes which are limited to so-called least populated regions ⁽³⁾ can be assessed on the basis of paragraph 69 and whether it is necessary that all conditions of paragraph 70 must be fulfilled.

The European Commission has recently approved a Swedish transport aid scheme which includes aid for transport of raw materials and semi-finished products into least populated regions ⁽⁴⁾ and assessed it under paragraph 80 of the Commission's Regional Aid Guidelines ⁽⁵⁾. The Commission stated thereby that the main conditions of paragraph 81 of the Regional Aid Guidelines were fulfilled. Therefore, it is not excluded that the Authority may approve an aid scheme on transport of raw materials and/or semi-finished products into least populated regions provided that the conditions of paragraph 69 and 70 of the Authority's Regional Aid Guidelines (apart from the prohibition on raw materials) are fulfilled.

The Authority harbours, however, other doubts as well concerning the compatibility of the scheme with the EEA Agreement. These are outlined in the following sections.

3.4.2. Additional costs of transport

The granting of transportation aid presupposes that additional costs of transportation exist for undertakings in the areas covered by the scheme. It is for the EFTA State concerned to demonstrate the existence of these costs. The Norwegian authorities have explained that there are additional costs linked to transportation in the areas covered by the notified scheme since the average transportation costs are higher in the north than in central parts of Norway.

The Norwegian authorities have explained that transportation costs may be divided into two main elements: costs for loading and reloading and costs for the actual transportation. The costs for loading and reloading are not affected by the distance of transportation. As a result, the total unit costs expressed as NOK/(m³ × km) decrease with longer transportation distances. This notwithstanding, Troms and Nordland are the two counties with the highest average transportation costs with figures corresponding to NOK 139/m³ and NOK 84/m³ respectively (no figures have been submitted for Finnmark). These average costs are well beyond the national average transportation costs of NOK 61/m³ for road transport.

⁽³⁾ Or in an outermost region in the case of the EU Member States.

⁽⁴⁾ European Commission's Decision on State Aid 152/07 — Sweden — Regional transport subsidy scheme.

⁽⁵⁾ Paragraphs 80 and 81 of the European Commission's Regional Aid Guidelines correspond to paragraphs 69 and 70 of the Authority's Regional Aid Guidelines, with the exception of the provisions regarding the outermost regions which have not been incorporated into the Authority's Regional Aid Guidelines.

TABLE

Total and average volumes, transport distances and transport costs for round wood by road in Norway

Source: Norwegian Institute for Forest and Landscape

Fylke	Totale transportkostnader (kr)	Volum Transportert (m ³)	Transportarbeid (m ³ × km)	Gjennomsnittlig transportavstand (km)	Gjennomsnittlig transportkostnad (kr/m ³)
Østfold	33 117 683	536 431	35 748 809	66,64	61,74
Akershus	35 554 394	579 872	38 022 607	65,57	61,31
Oslo	1 774 807	32 806	1 556 374	47,44	54,10
Hedmark	120 242 899	2 450 027	131 989 877	53,87	49,08
Oppland	69 476 796	999 361	76 256 385	76,31	69,52
Buskerud	68 753 248	1 022 608	77 987 917	76,26	67,23
Vestfold	19 408 615	362 979	18 735 733	51,62	53,47
Telemark	41 778 303	554 296	43 593 381	78,65	75,37
Aust Agder	17 624 710	266 540	18 329 947	68,77	66,12
Vest Agder	6 752 494	91 764	7 135 470	77,76	73,59
Rogaland	2 217 522	35 118	944 791	26,90	63,15
Hordaland	2 208 140	42 207	1 404 898	33,29	52,32
Sogn og Fjordane	2 576 421	33 908	1 712 787	50,51	75,98
Møre og Romsdal	6 020 469	77 363	5 727 539	74,03	77,82
Sør Trøndelag	19 567 654	263 954	19 933 878	75,52	74,13
Nord Trøndelag	29 863 350	461 869	32 356 517	70,06	64,66
Nordland	6 728 022	80 364	7 745 512	96,38	83,72
Troms	1 940 634	13 941	2 181 529	156,48	139,20
Norge	485 606 162	7 905 407	521 363 951	65,95	61,43

The Norwegian authorities have submitted a report prepared by the Norwegian Institute of Transport Economics (*Transportøkonomisk Institutt (TØI)*) in 2006 to demonstrate the existence of additional transportation costs for undertakings located in low population density areas in general and in the areas covered by the scheme in particular. Based on the information obtained from 26 randomly chosen undertakings in different parts of the country, the report concludes that undertakings located in the most remote and sparsely populated parts of Norway have a substantial disadvantage compared to more centrally located undertakings, due to higher direct and indirect transportation costs.

The Norwegian authorities have provided further statistics prepared by the Norwegian Institute for Forest and Landscape. These data show that when the transportation of round wood throughout Norway is assessed, the highest average transportation distances correspond to the counties of Nordland and Troms (no figures have been submitted for Finnmark).

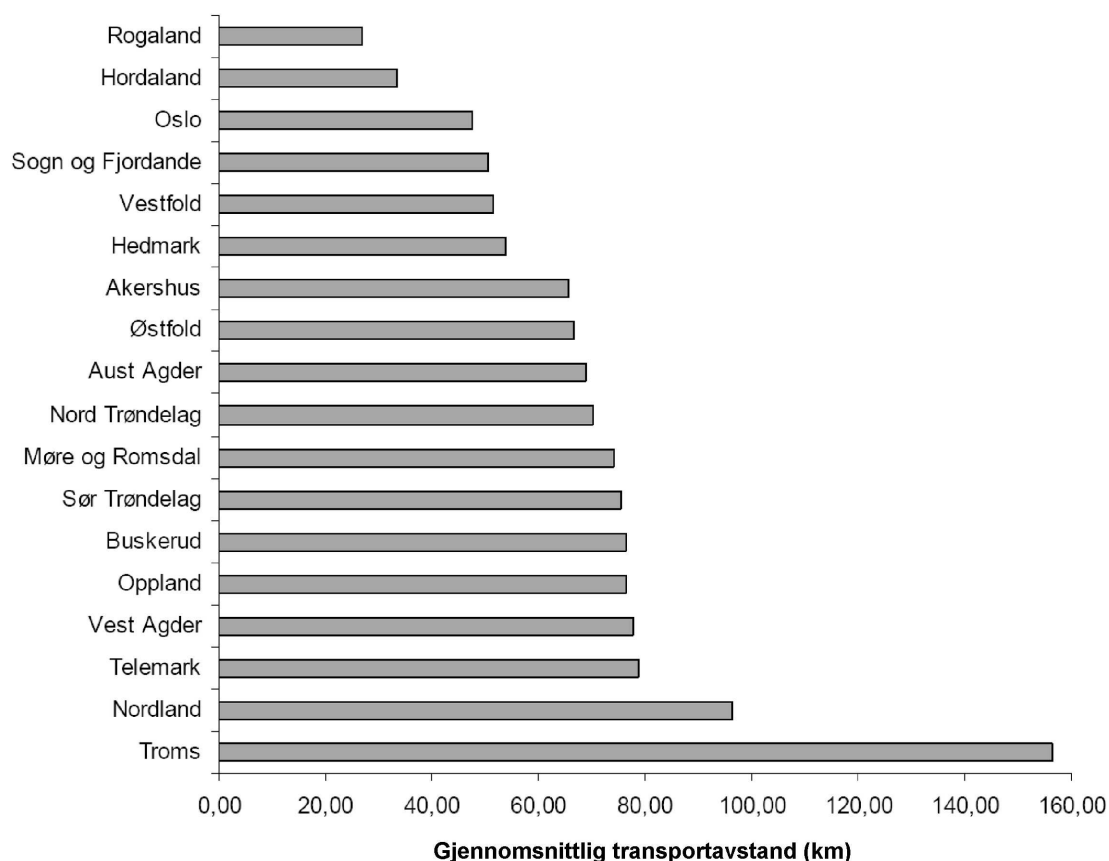


Figure: Average transport distance for timber for all counties 2007

Source: Norwegian Institute for Forest and Landscape

According to these data, the national average transportation distance is 66 km. The Norwegian authorities have explained that the situation in Troms is peculiar since it combines long average transportation distances (nearly 160 km in Troms) with a low total amount of wood transported (only 14 000 m³ in 2007). In Nordland, the transported volume is higher (80 000 m³ in 2007) and the average transportation distance a bit shorter, i.e. approximately 96 km. Timber from Troms is mainly in the form of round wood used for wallboard manufacturing whereas timber from Nordland is mainly wood used for pulp production (no information has been submitted for Finnmark).

Although the average transportation distance for timber is 66 km, the notified scheme for regional aid for the transportation of round wood foresees the grant of aid in steps, the shortest of which comprises the distance 50 to 149 km. The longer the distances the greater the amount of aid, ranging from NOK 30 per m³ for distances between 50 and 149 km to NOK 100 per m³ for distances of more than 450 km.

The Norwegian authorities have also explained that the reason for granting aid for distances as short as 50 km is that roads are difficult and in a poor condition in this part of the country. This adds a cost element to the final transportation costs undertakings have to pay. By way of example, the Norwegian authorities have mentioned that in Nordland only 25 to 30 % of the timber transport could be done on roads with the highest classification, whereas 93 % of the transport of pulp wood in the Oslo region can be carried out on this kind of roads.

As shown above, the Norwegian authorities have stated that both the transportation distances and costs in these areas are higher than the national average. In their view, the structure of the wood industry determines the transportation distance, which may have a substantial influence in the profitability of the sector. Additionally, the Norwegian authorities have explained that the quality and classification of roads is important when it comes to transportation costs. This is so because transportation costs are made up of two elements: costs for loading and reloading and costs for the actual transportation. Since loading and reloading costs are independent of the transportation distance, total unit costs decrease with increasing distance. The Norwegian authorities have further explained that northern Norway has a large amount of low quality timber. Therefore, the costs of transportation constitute a larger share of the total costs elsewhere in Norway.

A comparison of this scheme with other (multisectoral) transport subsidy schemes in other European countries shows that normally transportation costs are subsidised only for longer distances than 50 km. In the Swedish case for instance, aid for transportation for a company can only be granted for a stretch that exceeds 401 km. The Finnish regional transportation subsidy is payable for distances of not less than 266 km. There is only one exception: in the case that port operations are carried out in connection with rail or road transportation. In this case, the transportation subsidy can be paid for rail or road transportation covering a distance of not less than 101 km. The general Norwegian transport scheme covers distances over 350 km.

In the case in question, the Norwegian authorities have not notified a general multisectoral transportation aid scheme but a support scheme in favour of a very specific economic sector of wood processing. The objective of this scheme is to stimulate and promote local development of wood processing undertakings as a means to enhance business development in a remote area of Norway. According to the information provided by the Norwegian authorities, approximately 10 wood processing undertakings will benefit from the support granted under the scheme for the transportation of round wood.

While different local conditions of transportation could be relevant for an assessment of the scheme's compatibility with the EEA Agreement, in its preliminary assessment, the Authority questions whether it is justifiable to grant aid for transportation distances as short as 50 km (without prejudice to the final decision of the Authority).

Aid must be quantifiable in advance on the basis of an aid-per-ton/kilometre ratio

The Norwegian authorities have notified the grant of aid under this scheme on the basis of maximum grants on a differentiated scale of distances. This method does not directly comply with the requirement of the Regional Aid Guidelines that the aid be quantifiable on the basis of an aid-per-ton/kilometre ratio. The Norwegian authorities have explained for their administration, this option is a practical way of simplifying the granting of aid under the scheme and avoiding unnecessary rigid case-handling and administrative costs ⁽¹⁾. For all potential beneficiaries of the scheme, the aid is quantifiable in advance as a set maximum rate of aid per m³ per kilometre. The Authority questions whether this method is detailed enough to consider that the aid is quantifiable in advance in the meaning of the Regional Aid Guidelines.

Eligible means of transport

The eligible means of transport covered by the notified scheme are transportation of goods by rail, road or sea. Furthermore, transportation costs must be evaluated taking into account the most economic way of transport and the shortest way between the production site and the destination (e.g. place of processing) ⁽²⁾. Thus, the provision in indent 4 of the guidelines is complied with.

Summary

For the above-mentioned reasons, the Authority questions the compatibility of the proposed scheme with the EEA Agreement. In the EEA aid towards transport of raw materials or intermediate products can normally only be granted in the outermost regions of the EU. However, it can be considered whether transport aid for these products can be granted in the case of schemes limited to least populated regions.

⁽¹⁾ Further, the Norwegian authorities have committed to providing detailed annual reports of all counties in which the operating aid will be granted. The reports shall give a breakdown of the total expenditure of aid granted.

⁽²⁾ The Norwegian authorities have explained in the notification that in Finnmark, Nordland and Troms the wood industry is scattered and to some extent even non-existent, depending on the areas. In some cases it may be necessary to use boat transport. According to the figures provided by the Norwegian authorities, currently 30 % of the transported timber volume has been transferred by boat. The average costs for transportation by ship were NOK 118/m³ which implies an increase in the average transport cost from forest to industry of more than NOK 20/m³.

Even if such aid could also be granted in least populated regions, the Authority questions whether the existence of additional transport costs can be sufficiently justifiable for distances as short as 50 km.

The Authority further doubts whether the granting of aid in the framework a sectoral scheme such as the present is in line with the objective behind the regional aid guidelines.

Finally, the Authority raises the issue of whether the quantification of the aid amount on the basis of a differentiated scale of distances instead of on the basis of an aid-per-ton/kilometre ratio is justifiable.

Conclusion

Based on the information submitted by the Norwegian authorities, the Authority has doubts that the scheme for regional aid for the transportation of round wood can be regarded as complying with Article 61(3)(c) of the EEA Agreement, in combination with the requirements laid down in the Chapter on the Authority's State Aid Guidelines on Regional Aid. The Authority thus doubts that the scheme for Regional aid for transport of round wood is compatible with the functioning of the EEA Agreement.

Consequently, and in accordance Article 4(4) of Part II of Protocol 3, the Authority is obliged to open the procedure provided for in Article 1(2) of Part I of Protocol 3. The decision to open proceedings is without prejudice to the final decision of the Authority, which may conclude that the measures in question are compatible with the functioning of the EEA Agreement.

In light of the foregoing considerations, the Authority, acting under the procedure laid down in Article 1(2) of Part I of Protocol 3, invites the Norwegian authorities to submit their comments within one month of the date of receipt of this Decision.

In light of the foregoing considerations, within one month of receipt of this decision, the Authority requests the Norwegian authorities to provide all documents, information and data necessary for assessing the compatibility of the scheme for Regional aid for the transportation of round wood.

HAS ADOPTED THIS DECISION:

Article 1

The EFTA Surveillance Authority has decided to open the formal investigation procedure provided for in Article 1(2) of Part I of Protocol 3 against Norway regarding the notified scheme regional aid for the transportation of round wood.

Article 2

The Norwegian authorities are invited, pursuant to Article 6(1) of Part II of Protocol 3, to submit their comments on the opening of the formal investigation procedure within one month from the notification of this decision.

Article 3

The Norwegian authorities are requested to provide within one month of notification of this decision, all documents, information and data necessary for assessing the compatibility of the aid measure.

Article 4

This Decision is addressed to the Kingdom of Norway.

Article 5

Only the English version is authentic.

Done at Brussels, 11 June 2008.

For the EFTA Surveillance Authority,

Kurt JAEGER
College Member

Kristján Andri STEFÁNSSON
College Member
