

# EFTA SURVEILLANCE AUTHORITY

COMPETITION AND STATE AID DIRECTORATE

Case Handler: Rolf Egil Tønnessen  
Tel.: 286 1856

Brussels, 29 November 2001  
Doc. No: 01-9557-D

Norwegian Mission to the EU  
Rue Archimède 17  
1000 Bruxelles

**Subject: State aid – Regionally differentiated social security taxation  
("Geografisk differensiert arbeidsgiveravgift").**

Dear Sir/Madam,

On 22 September 1999 the EFTA Surveillance Authority decided<sup>1</sup> not to raise objections to the proposed new scheme of regionally differentiated social security contributions ("geografisk differensiert arbeidsgiveravgift") as notified by the Norwegian authorities. The system involves State aid in the meaning of Article 61(1) of the EEA Agreement, but the Authority found that the aid, as notified in its current form, could be exempted according to Article 61(3)(c) of the EEA Agreement. The approval of the system is limited in time, not going beyond 31 December 2003.

The European Commission decided on 21 December 2000<sup>2</sup> that a Swedish reduced social contributions aid scheme, as notified by the Swedish authorities, was incompatible with the common market. The scheme was a modification and extension of a scheme that expired by the end of 1999. The scheme provided for a reduction of 8 percentage points in the social security contributions payable for persons employed in mostly service sectors in the north of Sweden. The eligible area had a population coverage of 4.8% of the total Swedish population. The budget for the scheme for 2000 was SEK 313,7 million. The scheme was due to expire on 31 December 2000.

In its decision of 21 December 2000, the Commission concluded that the Swedish scheme did not satisfy the conditions regarding transport aid as specified in the Guidelines<sup>3</sup> on national regional aid<sup>4</sup>. The Commission considered that there was no direct link between the aid received by beneficiaries under the scheme and the additional costs of transport of goods actually incurred by these beneficiaries. The aid granted under the scheme was not quantifiable on the basis of an aid-per-kilometre ratio or on the basis of an aid-per-kilometre and an aid-per-unit-weight ratio. As a result, there was also no guarantee that there would be no over-compensation for the additional transport costs.

<sup>1</sup> Dec. No. 228/99/COL

<sup>2</sup> OJ L 244, 14.09.2001, p. 32.

<sup>3</sup> OJ C 74, 10.03.1998, p.8.

<sup>4</sup> In particular the criteria provided for in footnote 37 and in the first, second and third indents of Annex II of the Guidelines.

Page 2



In a letter from the European Commission to the Authority dated 19 February 2001, the Commission suggested that it might be appropriate for the Authority to examine the Norwegian system with a view to maintaining equal conditions of competition within the territory covered by the EEA Agreement. The Commission considered that such an examination appeared justified given the similar character of the two schemes and the identical nature of the rules regarding transport aid as laid down in the Commission's Guidelines on national regional aid and in the Authority's corresponding Guidelines.

The Commission and the Authority have further discussed the issue. The status of these deliberations is that, firstly, the Authority will start a technical assessment of the Norwegian system in order to identify certain sectors that can no longer benefit from lower contribution rates with the aim of formulating a proposal for appropriate measures so that equal conditions of competition within the territory covered by the EEA Agreement are re-established. Secondly, the Commission will fix its calendar for the review of the national regional aid guidelines and invite the Authority to preliminary exploratory discussions on the review of the transport aid provisions of the guidelines before proposals are presented in multilateral meetings. The timetable for this entails that agreement between the Commission and the Authority on the review of the transport provisions should be reached by June 2002. At the same time, the Authority should adopt a proposal for appropriate measures adjusting the Norwegian system of regionally differentiated social security contributions.

Norwegian officials were informed about the matter in meetings in Oslo on 18 September 2001 and in Brussels on 18 October 2001.

The Authority hereby invites your authorities to submit proposals for the review of the national regional guidelines, in particular the transport aid provisions of the guidelines. The proposals should be addressed to the Authority as soon as possible.

Yours faithfully,

Amund Utne  
Director