

EFTA SURVEILLANCE AUTHORITY DECISION
No 253/01/COL
of 8 August 2001
on the map of assisted areas and levels of aid in Iceland (Aid No 00-002)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area ⁽¹⁾, 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 ⁽²⁾, in particular to Article 24 and Article 1 of Protocol 3 thereof,

Having regard to the Authority's Guidelines ⁽³⁾ on the application and interpretation of Articles 61 and 62 of the EEA Agreement,

Having called on interested parties to submit their comments pursuant to those provisions ⁽⁴⁾,

Whereas:

I. FACTS

1. Procedure

On 12 July 2000, the EFTA Surveillance Authority decided to open the formal investigation procedure provided for in Article 1(2) of Protocol 3 to the Surveillance and Court Agreement with regard to State aid in the form of regional aid in Iceland (Map of assisted areas) ⁽⁵⁾. The decision was taken after the Icelandic authorities on several occasions had been reminded that the Authority was obliged to open the procedure if a notification on the map of assisted areas was not submitted. The decision was published on 21 December 2000 in the *Official Journal of the European Communities* ⁽⁶⁾. Interested parties could submit their comments on the measures in question within one month from the date of publication. The Authority did not receive any comments.

By letter from the Icelandic Mission to the European Union dated 2 August 2000, received and registered by the Authority on 4 August 2000 (Doc. No 00-5486-A), the Icelandic authorities notified their proposal for areas eligible for regional aid in Iceland and the maximum aid ceilings which could be applied. Reference was made in this letter to Article 1(3) of Protocol 3 to the Surveillance and Court Agreement.

By letter dated 27 March 2001 (Doc. No 01-2146-D), the Authority requested additional statistical information regarding the municipalities in Iceland, including *i.a.* a detailed map showing the borders of the municipalities, the total population and the population density in each municipality.

The Icelandic authorities responded to this request for additional information by letter dated 23 May 2001, received and registered by the Authority on 23 May 2001 (Doc. No 01-3881-A). This letter contained three documents: a table with statistical data for each municipality, a map showing the borders of the municipalities in Iceland (with the areas eligible for regional aid marked), and a map showing the municipalities with a population density lower than 12,5 inhabitants per sq. km.

⁽¹⁾ Hereinafter referred to as the EEA Agreement.

⁽²⁾ Hereinafter referred to as the Surveillance and Court Agreement.

⁽³⁾ Procedural and Substantive Rules in the Field of State Aid (State Aid Guidelines), adopted and issued by the EFTA Surveillance Authority on 19 January 1994. Published in OJ L 231, 3.9.1994, and in the EEA Supplement thereto No 32 on the same date. The Guidelines were last amended 23 May 2001, not yet published.

⁽⁴⁾ OJ C 368, 21.12.2000, p. 12.

⁽⁵⁾ Dec. No. 135/00/COL.

⁽⁶⁾ See footnote 4.

By letter of 18 June 2001 (Doc. No 01-4602-D), the Authority agreed with the Icelandic authorities that the country could be divided into two areas, the capital area surrounding the capital Reykjavik and the rural area, the latter being eligible for regional aid. The Authority also agreed that the population density should be the major criterion for the selection of the eligible areas. However, the Authority was not convinced that the capital area should be delimited on the basis of electoral districts, as chosen by the Icelandic authorities in the notification dated 2 August 2000. Given the geographical and population size of the electoral districts, the Authority considered it justified that municipalities be used to delimit the rural area from the capital area. The Authority pointed out that the information at municipal level (submitted in the letter dated 23 May 2001) revealed that there were several municipalities within commuting distance from Reykjavik included in the proposed regional aid area that have a high population density (above 12,5 inhabitants per sq.km). Therefore, the Authority suggested to the Icelandic authorities that they exclude some municipalities with a high population density, and located close to Reykjavik, from the proposed assisted area.

By letter dated 12 July 2001 from the Icelandic Mission to the European Union, received and registered by the Authority on 13 July 2001 (Doc. No 01-5213-A), the Icelandic authorities submitted amendments to the earlier notification of 2 August 2000. The Icelandic authorities also provided further statistical and economic information about municipalities with a relatively high population density surrounding the capital area.

2. Background

The map of assisted areas applicable to the end of 1999 was approved on 28 August 1996 ⁽⁷⁾. 40,8 % of the Icelandic population lived in the assisted area at that time. The average population density of the assisted areas was 1,1 inhabitants per sq. km. The aid intensity approved was 17 % Net Grant Equivalent (NGE), with a top-up of 10 % gross for small and medium-sized enterprises (SMEs).

3. The contents of the proposed map

3.1. Methodology and coverage

The notification is based on 3 letters from the Icelandic authorities dated 2 August 2000, received and registered by the Authority on 4 August 2000 (Doc. No 00-5486-A), 23 May 2001, received and registered on 23 May 2001 (Doc. No 01-3881-A), and 12 July 2001, received and registered on 13 July 2001 (Doc. No 01-5213-A).

In their letter dated 2 August 2000, the Icelandic authorities proposed that the country should be divided into two areas, the capital area and the rural area. The Icelandic authorities suggested that only enterprises located in the rural area would be eligible for regional aid under the Article 61(3)(c) EEA derogation. The rural area was to consist of three rural electoral districts: North West Electoral District, North East Electoral District and South Electoral District. The total population coverage of the proposed regional aid area would be 38,2 % of the Icelandic population.

By letter of 12 July 2001, the Icelandic authorities submitted an amended notification. The geographical units in the amended notification are at NUTS ⁽⁸⁾ level V (municipalities). Four municipalities (Reykjanesbær, Sandgerdisbær, Gerdahreppur and Vatnsleysustrandarhreppur) were taken out from the assisted area proposed on 2 August 2000. This reduced the total population coverage of the assisted area to 33,2 %.

The indicator used in determining the assisted area is low population density. The Icelandic authorities point out that the population density of the assisted area is extremely low, only 0,92 inhabitants per sq. km. The Icelandic authorities also mention that the population trends in these areas are quite different from those of the capital area, and that the assisted areas are more dependent on fisheries and agriculture.

The total population of the proposed assisted area is 93 812 inhabitants.

⁽⁷⁾ Dec. No. 103/96/COL.

⁽⁸⁾ NUTS = Nomenclature of Territorial Statistical Units in the European Communities

The capital area not eligible for regional aid is defined as the capital Reykjavík and the adjoining municipalities of Kópavogsbær, Seltjarnarneskaupstadur, Gardabær, Hafnarfjardarkaupstadur, Bessastadahreppur, Mosfellsbær, Reykjanesbær, Sandgerdisbær, Gerdahreppur and Vatnsleysustrandahreppur. The capital area has a population of 189 033 inhabitants, which corresponds to 66,8 % of Iceland's total population.

3.2. Aid ceilings

The Icelandic authorities have proposed a general aid ceiling of 17 % NGE for the whole regional aid area. For small and medium-sized enterprises (SMEs), it is proposed that they should be eligible for a supplement of 10 % gross.

The proposed aid intensities are the same as the ones approved on 28 August 1996.

II. APPRECIATION

1. General remarks

The Authority has noted that the Icelandic authorities have not claimed that Iceland has any area that is eligible for regional aid under the derogation of Article 61(3)(a) of the EEA Agreement (or any of the other exemption clauses under Article 61). The Authority has thus examined the proposed regional aid map in the light of Article 61(3)(c) of the EEA Agreement and Chapter 25, Rules on regional aid, of its State Aid Guidelines.

Chapter 25.5(1) of the State Aid Guidelines states that 'the regions of an EFTA Member State eligible under the derogations and the ceilings on the intensity of aid for initial investment or the aid for job creation approved for each region together form an EFTA State's regional aid map'.

The establishment of the map itself does not involve aid in the meaning of Article 61(1) of the EEA Agreement. However, the authorisation of the map implies an endorsement of the granting of aid under the regional aid schemes. Furthermore, the approved maximum aid ceilings under the map will apply to these schemes.

The letters dated 2 August 2000 (Doc. No 00-5486-A), 23 May 2001 (Doc. No 01-3881-A) and 12 July 2001 (Doc. No 01-5213-A) together constitute a complete notification and forms the basis of the Authority's assessment. Consequently, the EFTA Surveillance Authority is obliged to assess whether the exemption clause under 61(3)(c) of the EEA Agreement is applicable.

2. Methodology and population coverage

The notified regions must, according to Chapter 25.3(16) of the State Aid Guidelines, 'conform to NUTS level III, or, in justified circumstances, to a different homogeneous geographical unit. Only one type of geographical unit may be submitted by each EFTA State'. The regions proposed must also form compact zones.

Given that the electoral districts proposed by the Icelandic authorities in their letter dated 2 August 2000 are too big to be suitable for delimiting the capital region from the region qualified for regional aid, the Authority considers it justified using municipalities (NUTS level V) to delimit the regional aid area. The Authority notes that the Icelandic authorities have notified only one type of geographical unit and that the proposed regional aid area forms a compact zone.

Chapter 25.3(17) of the State Aid Guidelines states: 'Subject to the ceiling for each Member State mentioned in paragraph (12), regions with a population density of less than 12,5 inhabitants per square kilometre may also qualify for the derogation in question.'

The Authority notes that the proposed assisted area has a total population of 93 812 persons and a population density of 0,92 inhabitants per square kilometre. The proposed map of the assisted area is covering 33,2 % of the total population in Iceland.

The Authority finds that this part of the proposal meets the relevant criteria of Chapter 25 of the State Aid Guidelines.

An overview of the municipalities covered by the regional map is given in Annex I to this Decision.

3. Aid ceilings

Chapter 25.4(16) of the State Aid Guidelines states *i.a.* that 'in the Article 61(3)(c) regions, the ceiling on regional aid must not exceed 20 % NGE in general, except in the low population density regions where it may be as high as 30 % NGE.'

Chapter 25.4(20) furthermore states that 'The ceilings indicated in paragraphs 15 to 19 may be raised by the supplements for SMEs, i.e. by 15 percentage points gross in the case of regions qualifying for exemption under point (a) and by 10 percentage points gross in the case of these regions qualifying for exemption under point (c). The final ceilings apply to the base for SMEs. These supplements for SMEs do not apply to transport firms.'

The Icelandic authorities have proposed a general maximum aid ceiling of 17 % NGE, with a top-up of 10 % gross for SMEs.

The Authority therefore concludes that the maximum aid intensities for regional investment aid, as proposed by Icelandic authorities, are in accordance with the Guidelines and can be accepted under the exemption clause in Article 61(3)(c) of the EEA Agreement.

The proposed top-up on the aid ceiling for SMEs of 10 % gross is admissible, according to the State Aid Guidelines, but it must be ensured that reference to a definition of SMEs consistent with the one stipulated in Chapter 10.2 of the State Aid Guidelines is laid down in the relevant national legal provisions.

The maximum aid intensities of the regional aid map are cumulative aid ceilings. This means that when a given investment project is to be awarded aid under more than one aid scheme, the cumulated intensity of aid granted to the project under different aid schemes must not exceed the relevant aid ceiling of the map of assisted areas.

4. Scope of the Decision and cumulation of aid

Regarding the scope of application of the map of assisted areas in Iceland, it should be pointed out that new plans to grant or alter aid with regional objectives, which respect the geographical delimitation and maximum aid intensities of the map, will need no further justification regarding their regional aspects. This, however, does not relieve the Icelandic authorities from their obligation to notify such plans in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement.

All specific notification obligations with regard to certain sensitive sectors (currently shipbuilding, steel, synthetic fibres and motor vehicles) remain applicable.

The map of assisted areas shall not be redrawn, save by way of exception, until the end of the approved validity of 31 December 2006. However, during that period, and subject to prior notification to and approval by the EFTA Surveillance Authority, the possibility of adjusting the map to reflect a change in circumstances is not ruled out.

Nevertheless, this Decision does not restrict the powers of the EFTA Surveillance Authority to review the map, in accordance with Article 1(1) of Protocol 3 to the Surveillance and Court Agreement, if necessary before the end of the period approved referred to above.

5. Conclusion

In light of the above, the Authority considers that the notified regional aid map for the period until the end of 2006 reflects the requirements set out in the State Aid Guidelines (Chapter 25) for aid under Article 61(3)(c) of the EEA Agreement, and is thereby eligible for the exemption under Article 61(3)(c) of the EEA Agreement. The Authority therefore closes the formal investigation procedure with a positive decision based on Article 61(3)(c) EEA,

HAS ADOPTED THIS DECISION:

1. The regional aid map for Iceland is considered compatible with the functioning of the EEA Agreement under Article 61(3)(c) of the EEA Agreement. Implementation of the measure is therefore authorised.
2. Without prejudice to Article 1(1) of Protocol 3 to the Surveillance and Court Agreement, the map of assisted areas shall be applicable from the date of this Decision until 31 December 2006.
3. This Decision is addressed to Iceland.

Done at Brussels, 8 August 2001.

For the EFTA Surveillance Authority

The President

Knut ALMESTAD

ANNEX I

MUNICIPALITIES IN THE ASSISTED AREA

Number	Municipality
1606	Kjósarhreppur
2300	Grindavíkurkaupstaður
3000	Akraneskaupstaður
3501	Hvalfjarðarstrandarhreppur
3502	Skilmannahreppur
3503	Innri-Akraneshreppur
3504	Leirár- og Melahreppur
3506	Skorradalshreppur
3510	Borgarfjarðarsveit
3601	Hvítársíðuhreppur
3609	Borgarbyggð
3701	Kolbeinsstaðahreppur
3709	Eyrarsveit
3710	Helgafellsveit
3711	Stykkishólmsbær
3713	Eyja- og Miklaholtshreppur
3714	Snæfellsbær
3809	Saubæjarhreppur
3811	Dalabyggð
4100	Bolungarvíkurkaupstaður
4200	Ísafjarðarbær
4502	Reykholahreppur
4604	Tálknafjarðarhreppur
4607	Vesturbyggð
4803	Súðavíkurhreppur
4901	Árneshreppur
4902	Kaldrananeshreppur
4904	Hólmavíkurhreppur
4905	Kirkjubólshreppur
4908	Bæjarhreppur
4909	Broddaneshreppur

Number	Municipality
5000	Siglufjarðarkaupstaður
5200	Sveitarfélagið Skagafjörður
5508	Húnaþing vestra
5601	Áshreppur
5602	Sveinsstaðarhreppur
5603	Torfalækjarhreppur
5604	Blönduósbær
5605	Svínavatnshreppur
5606	Bólstaðarhlíðarhreppur
5607	Engihlíðarhreppur
5608	Vindhælishreppur
5609	Höfðahreppur
5610	Skagahreppur
5706	Akrahreppur
6000	Akureyrarkaupstaður
6100	Húsavíkurkaupstaður
6200	Ólafsfjarðarkaupstaður
6400	Dalvíkurbyggð
6501	Grímseyjarhreppur
6504	Hríseyjarhreppur
6506	Arnarneshreppur
6513	Eyjafjarðarsveit
6514	Hörgárbyggð
6601	Svalbarðsstrandarhreppur
6602	Grýtubakkahreppur
6604	Hálshreppur
6605	Ljósavatnshreppur
6606	Bárðdælahreppur
6607	Skútustaðahreppur
6608	Reykðælahreppur
6609	Aðaldælahreppur
6610	Reykjahreppur
6611	Tjörneshreppur

Number	Municipality
6701	Kelduneshreppur
6702	Öxarfjarðarhreppur
6705	Raufarhafnarhreppur
6706	Svalbarðshreppur
6707	Þórshafnarhreppur
7000	Seyðisfjarðarkaupstaður
7300	Fjarðabyggð
7501	Skeggiastadahreppur
7502	Vopnafjarðarhreppur
7505	Fljótsdalshreppur
7506	Fellahreppur
7509	Borgarfjarðarhreppur
7512	Norður-Hérað
7605	Mjóafjarðarhreppur
7610	Fáskrúðsfjarðarhreppur
7611	Búðahreppur
7612	Stöðvarhreppur
7613	Breiðdalshreppur
7617	Djúpavogshreppur
7618	Austur-Hérað
7708	Sveitarfélagið Hornafjörður
8000	Vestmannaeyjabær
8200	Sveitarfélagið Árborg
8508	Mýrdalshreppur
8509	Skaftárhreppur
8601	Austur-Eyjafjallahreppur
8602	Vestur-Eyjafjallahreppur
8603	Austur-Landeyjahreppur
8604	Vestur-Landeyjahreppur
8605	Fljótshlíðarhreppur
8606	Hvollhreppur
8607	Rangárvallahreppur
8610	Ásahreppur
8611	Djúpárhreppur

Number	Municipality
8612	Holta- og Landsveit
8701	Gaulverjabæjarhreppur
8706	Hraungerðishreppur
8707	Villingaholtshreppur
8708	Skeiðahreppur
8709	Gnúpverjahreppur
8710	Hrunamannahreppur
8711	Biskupstungnahreppur
8712	Laugardalshreppur
8714	Þingvallahreppur
8716	Hveragerðisbær
8717	Sveitarfélagið Ölfus
8719	Grímsnes- og Grafningshreppur
9999	Almenningur