

11 June 2014

SGEI report for Finland

ANNEX 2

Ministry of Employment and the Economy administrative branch

Compensation not exceeding an annual amount of EUR 15 million for the provision of services of general economic interest in other areas (Article 2(1)(a))

1) Expert and advisory services concerning the promotion of entrepreneurship – Finpro ry

| Clear and comprehensive description of how the respective services are organized in your Member State¹ | |
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| Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible. | <p>With the general grant provided for supporting the activities of Finpro ry, the Finnish government offers SMEs reaching out to the international markets high-quality expert and advisory services in 58 export centres located in 50 countries. SMEs can use most of the services free of charge. Finpro ry is a state official association that promotes Finnish exports and whose range of tasks is unmatched by any other organisation in Finland. Finpro's funding, supervision and monitoring are the responsibility of the Ministry of Employment and the Economy (hereafter the Ministry).</p> <p>Finpro's services cover the following:</p> <ul style="list-style-type: none">- Free expert and advisory services for SMEs in Finland and in target markets- Free market information and networking services for SMEs- Maintenance of core activities agreed with the Ministry in the export centre network |

¹ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

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| | <ul style="list-style-type: none"> - Development of the export centre network structure and core activities - Information services, for which only direct costs are charged or a lower charge is made - Participation in innovation and foresight projects agreed with the Ministry or other Ministry-associated organisations - Economic policy and development as determined by the Ministry - Organisation of Finnish participation at world fairs - Promotion of direct foreign investment under a separate Annex concerning the Invest in Finland initiative - The tasks listed in the collaboration agreement between the Ministry for Foreign Affairs and Finpro (in 2006 and its Annex of 2009) - Organisation of ministerial and high-level official delegations and travel arrangements - Developing prospects for internationalisation among chosen sectors using the input of sector leaders - Other specialist tasks as specified by the Ministry - The relevant vital head office functions - Communications and marketing services - Enterprise development and consultation services using the local expertise of the target area in the export centre network - Consultations within Finland - The integration of the Invest in Finland foundation with Finpro took place in 2012. This is an official, non-financial, initiative funded fully by the Ministry. |
| <p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector,</p> | <p>Finpro's general grant to produce services is awarded yearly under the budget approved by Parliament for that year in response to an application from Finpro.</p> |

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| please attach them. | The Ministry and Finpro each year conclude a performance agreement that determines the content and aims of the services. |
| Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years. | The state has awarded a general grant to Finpro and the organisations that promote it since 1972. Finpro is under a public service obligation (annual agreement of 16 January 1993) to provide SGEI services free of charge to offices outside the export centre network and 10 offices in Finland. |
| Explanation whether (typically) exclusive or special rights are assigned to the undertakings. | Finpro ry is a Finnish state official association that promotes exports and that receives funding from the state budget. |
| Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used. | <p>The Ministry has awarded a general grant to fund Finpro's activities since 1972. The grant is awarded on application one year at a time. A separate report on how the general grant is spent must be sent the Ministry, which checks and approves it. The Ministry ensures that the general grant is spent as provided under the law and the guidelines. It can only be used for activities included in the performance agreement between the Ministry and Finpro. Restrictions or other regulations can be imposed on the use of the general grant when the decision is taken to award it.</p> <p>Finpro is under a public service obligation (annual agreement of 16 January 1993) to provide SGEI services free of charge to offices outside the export centre network and 10 offices in Finland.</p> <p>The Ministry's general grant can be used to cover costs such as the following:</p> |

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| | <ul style="list-style-type: none"> - Invest in Finland - fully funded; - Staff pay and statutory indirect employee costs, rents on business premises, costs of Finpro members' information services, other information and publicity in Finland; - Pay and statutory indirect employee costs of staff of the export centre network, rent on business premises, housing costs of the heads of export centres; - Other costs of accommodation and accommodation running costs, depreciation and other unavoidable costs (membership fees, newspapers and magazines, professional literature, staff training, office supplies). <p>The general grant awarded by the Ministry to Finpro in 2013 contributed to 54 % of its costs.</p> |
| <p>Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.</p> | <p>The performance agreement between the Ministry and Finpro and the general grant award decision specify that the general grant can account for up to 75 % of costs. The grant is paid in advance, but its final instalment is confirmed afterwards when the actual costs have been realised. To verify this, Finpro sends in a report every year on how the general grant for the previous year was spent. If too much has been paid in advance, the Ministry recovers the relevant amount immediately.</p> |
| <p>Amount of aid granted</p> | |

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| Total amount of aid granted.² <u>This includes all aid paid in your territory, including aid paid by regional and local authorities.</u> | The Ministry paid Finpro the following sums in the form of a general grant: 2012: EUR 20,910,000 2013: EUR 18,980,000 |
| Other quantitative information³ | |

2 As stipulated in Article 9 b) of the SGEI Decision and Para. 62 b) of the SGEI Framework. Please provide a breakdown by calendar year.

³ The Commission would welcome data that you might have on aid granted under the SGEI Decision and the SGEI Framework, for example number of beneficiaries per sector, average amount of aid, amount per aid instrument (direct subsidy, guarantee, etc.), size of the undertakings, etc. Should such other quantitative information data not be readily available in a Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

COMPLAINTS BY THIRD PARTIES

The European Commission's Directorate-General for Competition received a complaint on 19 June 2013 (SA.36862 CP/2013) that related to allegedly illegal state aid to Finpro and FinNode. The complaint suggested that Finpro, being in receipt of state funding, was distorting the market in chargeable consultation services.

Following talks and correspondence between the Finnish authorities and the Commission, the Commission asked for an official commitment on the part of Finpro to transfer all its financial activities to a company, and the yearly general grant would in future be in respect of Finpro's non-financial activities only. At the same time the Commission called into question the SGEI nature of Finpro's activities, since Finpro's financial services (chargeable consultation) were for companies and not citizens.

On 20 March 2014, Finland gave an assurance that its financial activities would be corporatised by the end of September 2014, and that the general grant out of the state budget would in future only be used for non-financial activities. On 2 April 2014, the Commission declared that it was ending the handling of the complaint against Finpro. The transfer of Finpro's chargeable consultation services to a private consultation company took place on 6 June 2014 and, following a transitional period, the chargeable consultation unit will be entirely separated from Finpro ry by the end of August.

2) Ensuring the electricity supply – Tunturiverkko Oy

| Clear and comprehensive description of how the respective services are organized in your Member State ⁴ | |
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| Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible. | <p>The public service obligation, which applies to all electricity system operators in Finland and thus also to Tunturiverkko Oy, is provided in the Finnish Electricity Market Act (386/1995). Electricity system operations are natural monopolies and provisions on them are contained in the Electricity Market Act. General obligations concerning system operations are defined in Chapter 3 of the Act. These include the obligation to develop the electricity system.</p> <p>Electricity system operations entail the establishment of an electricity system for those who need the transmission of electrical power and other network services. They include the design of the</p> |

⁴ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial. Since cases falling under the SGEI Framework will be limited in number, the Commission expects a detailed description of each concrete measure.

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| | <p>electrical network, its construction, maintenance and use, connecting the electrical equipment of customers to the mains, measurement of electricity consumption, and other operations as required for the transmission of electricity and for other network systems.</p> <p>To deliver electricity system operations, the company needs an electricity system licence under the Electricity Market Act. An electricity system licence is granted if the applicant has the technical, economic and organisational capabilities needed for conducting its electricity system operations. The licence granted to an electricity system operator specifies the licensee's geographical area of responsibility where the company has an exclusive right to operate. The licence is granted by the electricity market authority.</p> <p>The electricity system operator has obligations associated with his activities, the main ones being the obligation to develop the electricity system, the obligation to connect electricity consumption sites and power generating installations, and the obligation to transmit electricity.</p> <p>It is the task of the electricity market authority to ensure that operators fulfil their obligations. It also uses pre-established methods to ensure that the charges made for electricity system services are reasonable.</p> |
| <p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.</p> | <p>The entrustment was given under the decision of the Ministry of Employment and the Economy of 10 December 2009. The public service obligation was given in the electricity system licence issued pursuant to the Electricity Market Act.</p> <p>The entrustment represents the endeavour</p> |

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| | <p>to ensure that the charges for the transmission of electricity in the Utsjoki area remain moderate by helping the local electricity network company Utsjoki Electricity Cooperative to merge with Inergia Oy. The aid is being granted to the new company Tuntutiverkko Oy, which is formed of these two undertakings.</p> <p>The municipality of Utsjoki is located in northern Lapland, one of Europe's most sparsely populated areas according to Eurostat. The population density there is approximately 0.2 inhabitants per square kilometre, while the EU average is 117 and in Finland it is 17.9. For this reason, the Utsjoki region has more than twice the amount of the electricity system per inhabitant compared to the average for other electricity network companies in Finland. Furthermore, the municipality's population has fallen by almost 10 % in the past 10 years, which has in turn reduced the customer base of the company. These unusual circumstances make it challenging to run an electricity system in the area profitably and at a competitive price.</p> <p>The electricity networks in the Utsjoki region were mainly constructed in the 1960s and 1970s with a state contribution of more than 80 %. Without the aid, the network would not have been built to its current extent. The technical service life of its components (40 – 50 years) has been exceeded in many places and the network requires urgent refurbishment to maintain reliability at a level required by law.</p> |
| Explanation of the (typical) duration of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years. | The entrustment was given for the period 2011-2019. |
| Explanation whether (typically) exclusive or special rights are assigned to the undertakings. | In Europe, electricity system operations are seen as natural monopolies, where it is not economically viable to construct competing electricity networks. The entrustment does not extend the scope of |

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| | the duties and rights described for the company in the Electricity Market Act. |
| Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used. | Tunturiverkko Oy was granted a total of EUR 1,000,000 in subsidies by a decision of the Ministry of Employment and the Economy dated 10 December 2009. The aid has been granted to cover the costs incurred in investment to replace the electricity system in the area covered by the Utsjoki Electricity Cooperative made by the network company set up following the merger of the Utsjoki Electricity Cooperative and Inergia Oy. The subsidy will be no more than 50 % of the total costs for each area/site. The operator will be liable for the remainder. Payments are being made in the period 2011-2019. |
| Explanation of the (typical) arrangements for avoiding and repaying any overcompensation. | <p>The provisions on the repayment and claw-back of discretionary Government transfers in the Finnish Act on Discretionary Government Transfers (688/2001) apply. In addition, the electricity market authority ensures that the transmission charges made by Tunturiverkko Oy are reasonable.</p> <p>The subsidy was granted in 2009 and this took account of Commission Decision 2005/842/EC on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest. The arrangement also accords with the latest Commission SGEI decision.</p> |
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| Amount of aid granted | |
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| Total amount of aid granted. ⁵ <u>This includes all aid paid in your territory, including aid paid by regional and local authorities.</u> | The total amount of aid granted is a maximum of EUR 1,000,000 in the period 2011-2019. EUR 150,000 was paid in 2012 and EUR 110,254 in 2013. |
| Other quantitative information ⁶ | |

⁵ As stipulated in Article 9 b) of the SGEI Decision and Para. 62 b) of the SGEI Framework. Please provide a breakdown by calendar year.

⁶ The Commission would welcome data that you might have on aid granted under the SGEI Decision and the SGEI Framework, for example number of beneficiaries per sector, average amount of aid, amount per aid instrument (direct subsidy, guarantee, etc.), size of the undertakings, etc. Should such other quantitative information data not be readily available in a Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.