

Format of the report from Member States under Article 9 of the SGEI Decision and paragraph 62 of the SGEI Framework

Article 9 of the SGEI Decision reads:

Each Member State shall submit a report on the implementation of this Decision to the Commission every 2 years. The reports shall provide a detailed overview of the application of this Decision for the different categories of services referred to in Article 2(1), including:

(a) a description of the application of this Decision to the services falling within its scope, including in-house activities;

(b) the total amount of aid granted in accordance with this Decision, with a breakdown by the economic sector of the beneficiaries;

(c) an indication of whether, for a particular type of service, the application of this Decision has given rise to difficulties or complaints by third parties;

and

(d) any other information concerning the application of this Decision required by the Commission and to be specified in due time before the report is to be submitted.

The first report shall be submitted by 30 June 2014.

Paragraph 62 of the Framework sets in principle identical reporting obligations for aid granted under the SGEI Framework.

Please structure your report as follows:

1. DESCRIPTION OF THE APPLICATION OF THE SGEI DECISION AND THE SGEI FRAMEWORK AND AMOUNT GRANTED

Please structure this part of your report by the following sections:

- 1) Hospitals (Art. 2(1)(b))
- 2) Social services (Art. 2(1)(c))
 - a) Health and long term care
 - b) Childcare
 - c) Access to and reintegration into the labour market

- d) Social housing
- e) Care and social inclusion of vulnerable groups
- 3) Air or maritime links to islands (Art. 2(1)(d))
- 4) Airports and ports (Art. 2(1)(e))
- 5) Other SGEI compensation not exceeding EUR 15 million (Art. 2(1)(a))
 - a) (please specify the respective sector)
 - b) ...
- 6) SGEI compensation under the Framework
 - a) (please refer to the Commission decision approving each measure)
 - b) ...

For each of the items outlined above please provide information in the form of the following table:

Clear and comprehensive description of how the respective services are organized in your Member State¹	
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.	The provision of airport services in remote areas. All support is to Highlands and Islands Airports Ltd (HIAL) which is wholly owned by Scottish Ministers and operates 11 airports in the Highlands and Islands of Scotland plus Dundee. Support is provided for both revenue and capital costs. Support is provided to HIAL as a whole and is not broken down by individual airport.

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.

Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.	Form of entrustment is through HIAL's Management Statement, Financial Memorandum and annual Grant letter.
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.	Not currently defined. See question 2 below.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.	N/A. No exclusive or special rights are assigned to HIAL.
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.	HIAL is non-profit making. Subsidy is provided to offset the difference between costs and revenue.
Explanation of the (typical) arrangements for avoiding and repaying any overcompensation .	The grant claim regime requires HIAL to provide evidence of the need for subsidy. Their accounts are monitored to ensure that, over the course of a financial year, they break even.
Amount of aid granted	
Total amount of aid granted. ² This includes all aid paid in your territory, including aid paid by regional and local authorities.	2012 - £24,176,000 2013 – £22,089,000
other quantitative information ³	

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

2. DIFFICULTIES WITH THE APPLICATION OF THE SGEI DECISION OR SGEI FRAMEWORK

Please be as specific as possible and include, if applicable, the sector for which the difficulties are relevant.

We have experienced difficulties adapting our existing mechanisms for the provision of airport services to remote and peripheral areas to the new SGEI Framework while continuing to ensure the provision of essential lifeline services. Highlands and Islands Airports Limited (HIAL) is a company wholly owned by Scottish Ministers and operates 11 airports in the Highlands and Islands of Scotland plus Dundee. The historical ownership structure of the company is such that there has been no set duration for the act of entrustment nor any review of the principle of whether HIAL should continue to have responsibility for it (as distinct from any review of their performance).

The reduction in the *de minimis* reporting level in relation to airport passengers requires a change in HIAL's subsidy provision. To date, HIAL's compensation has been calculated on a group wide basis which gives HIAL flexibility in resource allocation to address operational requirements. The new requirement to report individually on airports above a certain size means that such airports require separate ring fenced grant allocations which reduces overall operational flexibility.

We are currently attempting to adapt HIAL to the new Framework while at the same time ensuring that the vital lifeline functions they carry out of ensuring that people living in remote and peripheral areas have access to, for example health services, are maintained. This process has proven more difficult and has taken longer than originally envisaged.

3. COMPLAINTS BY THIRD PARTIES

Please be as specific as possible and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities.

4. MISCELLANEOUS

A. (non-compulsory)

If your Member State has **not** granted State aid for the provision of SGEI in certain sectors, information regarding other instruments to ensure the provision of those services (direct aid to users, compensation complying with all four Altmark criteria, *de minimis*

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.

aid...) could be useful. Please feel free to provide a brief description of these instruments and the areas in which they are used.

B. (non-compulsory)

Please describe in what respect the SGEI Decision and the SGEI Framework are easier to apply or more appropriate than the 2005 SGEI Decision and 2005 SGEI Framework.

C. (non-compulsory)

If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.