

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.

This report is submitted pursuant to Commission Decision 2005/842/EC and concerning state aid compensation granted in 2012 and 2013 for airports (Article 2(1)(d) of the Decision) and for postal services (Article 2(1)(a) of the Decision) . The report also covers state aid granted in January 2014 for district heating (Article 2(1)(a) of the Decision).

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))

No state aid was granted.

2) Social services (Art. 2(1)(c))

- a) Healthcare 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

No state aid was granted.

3) Air or maritime links to islands (Art. 2(1)(d))

No state aid was granted.

4) Airports and ports (Art. 2(1)(e)¹)

| Clear and comprehensive description of how the respective services are organized in your Member State ² | |
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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>In the field of aviation, aid is paid to Tallinna Lennujaam AS for the operation of small airports.</p> <p>In order for a subsidy to be granted to small airports (Kärdla, Kuressaare, Tartu and Pärnu airports), each year the Ministry of Economic Affairs and Communications signs contracts with Tallinna Lennujaam AS for the use of earmarked appropriations from the State budget. The aim of the contracts is to ensure that the necessary infrastructure for regional development exists at Kärdla, Kuressaare, Tartu and</p> |

¹ Pursuant to Commission Decision 2005/842/EC, compensation for airports and ports fell under Article 2(1)(d) of the Decision.

² 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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| | Pärnu airports for scheduled flights to be operated, ground handling services and rescue services to be provided, and rescue and emergency flights to be operated. |
| Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them. | Contracts for the use of targeted support from the State budget. |
| Explanation of the (typical) duration of entrustments and the range of durations of entrustments. Please also specify the proportion of entrustments to be implemented over a period over more than 10 years. | Entrustments are of unlimited duration, but one-year contracts for the aid provided for the performance of public services are entered into every year. |
| Explanation whether (typically) exclusive or special rights are assigned to the undertakings. | No. |
| Explanation of the (typical) compensation mechanism as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used. Is a methodology based on cost allocation or the net avoided cost methodology used? | Direct subsidy. A methodology based on cost allocation is used. |
| Explanation of the (typical) arrangements for avoiding and repaying any overcompensation . | The contract stipulates that the state may at any moment inspect the effectiveness and impact of the use of the allocated funds. The company is also required to present to the State a report on the use of the aid. The contract stipulates that the recipient of aid is required to use that aid for the activities specified in the contract, and submit regular reports regarding those activities. Under the contract, if aid is not used under the conditions provided for, the entrepreneur is required to return it. |

| Amount of aid granted | |
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| Total amount of aid granted ³ . This includes all aid paid in your territory, including aid paid by regional and local authorities. | <p>Aid for small airports:</p> <p>In 2012 the figure was EUR 1 400 000.</p> <p>In 2013 the figure was EUR 1 400 000.</p> |
| Other quantitative information ⁴ | The aid is granted to one company (AS Tallinna Lennujaam), which further distributes the aid to four small airports, in order to ensure the performance of public tasks there: Kärkla, Kuressaare (incl. Ruhnu), Tartu and Pärnu (incl. Kihnu). |

5) Other SGEI compensation not exceeding EUR 15 million (Art. 2(1)(a))

a) Postal services (NACE 53.1)

| Clear and comprehensive description of how the respective services are organized in your Member State ⁵ | |
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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 distribution of national periodical publications in rural areas.</p> <p>Section 36¹ of the Postal Act [Postiseadus] makes the provider of the universal postal service responsible for delivering national periodical publications. The Act also lays down the general nature of the obligation to provide a public service and the conditions for ensuring that the obligation</p> |

³ As stipulated in Article 9 b) of the SGEI Decision and Para. 62 b) of the SGEI Framework. Please present data concerning calendar years.

⁴ 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.), the size of the undertakings, etc. Should such other quantitative 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.

⁵ 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>is fulfilled.</p> <p>The Postal Act does not explicitly designate or name the provider of the service of delivering periodical publications, but in accordance with the Act this can only be the provider of the universal postal service. Therefore, the provider of the public service in question is the company providing the universal postal service.</p> |
| Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them. | Contract for the use of appropriations (compensation) from the State budget. |
| Explanation of the (typical) duration of entrustments and the range of durations of entrustments. Please also specify the proportion of entrustments to be implemented over a period over more than 10 years. | Entrustments are of unlimited duration, but one-year contracts for the aid provided for the performance of public services are entered into every year. |
| Explanation whether (typically) exclusive or special rights are assigned to the undertakings. | No. The provider of the universal postal service has not been granted any exclusive or special right to provide the service of delivering periodical publications throughout Estonia. |
| 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>Direct subsidy.</p> <p>The State pays aid to providers of universal postal services on the basis of a payment schedule. Upon submitting an invoice for their services, providers of universal postal services will lower the rates specified in contracts entered into with publishers for distributing publications in rural areas by the amount found by dividing the aid allocated from the State budget by the number of copies distributed in rural areas (aid per copy).</p> |

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| Explanation of the (typical) arrangements for avoiding and repaying any overcompensation. | <p>It is laid down in the contract for the use of appropriations (compensation) from the State budget earmarked for the delivery of periodical publications that the State has the right at any time to check that the appropriation is being used in a targeted and effective manner. The company is also required to present to the State a report on the use of the aid.</p> <p>If the number of copies of periodical publications delivered over a one-year period is lower than the predicted figure, the provider of the universal postal service will distribute the unused amount for that calendar year among publishers in January of the following year.</p> <p>If the number of copies of periodical publications delivered over a one-year period is greater than the predicted number of copies, the provider of the universal postal service will recalculate the unit of aid.</p> |
| Amount of aid granted | |
| Total amount of aid granted ⁶ . <u>This includes all aid paid in your territory, including aid paid by regional and local authorities.</u> | <p>Aid for postal services:</p> <p>In 2012 the figure was EUR 1 278 000.</p> <p>In 2013 the figure was EUR 1 278 000.</p> |
| Other quantitative information⁷ | Number of aid beneficiaries: 1 |

b) District heating (NACE 35.3)

⁶ As stipulated in Article 9 b) of the SGEI Decision and Para. 62 b) of the SGEI Framework. Please present data concerning calendar years.

⁷ The Commission would welcome any 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.

| Clear and comprehensive description of how the respective services are organized in your Member State ⁸ | |
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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>Under Section 2(1) of the District Heating Act, ‘district heating’ means the production of heat and distribution thereof through a network with the aim of supplying customers with heat by way of district heating systems. Pursuant to Section 6(1) of the Local Government Organisation Act, the functions of a local government include organising housing and utilities (incl. district heating) in the rural municipality or city in question.</p> <p>In the case referred to in this report, the public service operator (heating generator) was required by a decision of Kõue Municipal Council to use fuels generated from renewable energy sources as the primary source of fuel for a period of 10 years.</p> |
| Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them. | In the particular case referred to in this report, the entrustment was issued in the form of a municipal council decision. The compensation for heat generation was set by another municipal council decision. |
| Explanation of the (typical) duration of entrustments and the range of durations of entrustments. Please also specify the proportion of entrustments to be implemented over a period over more than 10 years. | In this particular case the duration of the service is 10 years. |
| Explanation whether (typically) exclusive or special rights are assigned to the undertakings. | No. |

⁸ 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>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> | <p>Direct subsidy.</p> <p>A methodology based on cost allocation is used.</p> |
| <p>Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.</p> | <p>In the particular case referred to in the report, the arrangements for avoiding and repaying any overcompensation were laid down in the municipal council decision as follows:</p> <p>Avoidance of overcompensation; repayment:</p> <ul style="list-style-type: none"> - Beneficiaries' costs must be reasonable and usual, taking into account the averages for the region and area; - The beneficiary's expenditures are to be made in the most economical manner possible, in accordance with the principles laid down in Section 3 of the Public Procurement Act; - The beneficiary shall present to the aid provider every two years an analysis of which methods could be applied to increase the effectiveness and reduce the losses and expenses of the heating system, providing estimated financial indicators regarding these measures; - The beneficiary's net profit from heat generation is to be used for investment in heating infrastructure or to reduce the cost of the heat produced; - The beneficiary's maximum price of heat shall be set in accordance with Section 8(3) of the District Heating Act, such that they cover the necessary operating costs, including expenditures for heat generation, distribution and sale, investments in performing required |

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| | <p>actions and fulfilling development requirements, meeting environmental requirements, quality and safety requirements and ensuring justified returns. In order to increase the profitability of activities, rates shall be reduced (the price ceiling will remain the same).</p> <ul style="list-style-type: none"> - Every two years, the beneficiary shall present to the aid provider a report on the impact of the compensation on the beneficiary's activities, broken down by all of the beneficiary's significant revenue and cost categories and using the relevant financial accounts. If calculations show that the compensation exceeded the amount required, the beneficiary must repay the excess aid within two months from approval of the report by the aid provider; - The aid provider is entitled to prepare its own analysis of compensation, and if the report specified in point 3.6 is not submitted, it is required to do so and also to demand repayment of the excess aid specified in point 3.6; - Average market interest is to be paid on amounts not repaid by the deadline. |
| Amount of aid granted | |
| Total amount of aid granted ⁹ . This includes all aid paid in your territory, including aid paid by regional and local authorities. | The figures in 2014: EUR 700 355.80 |
| Other quantitative information¹⁰ | Number of aid beneficiaries: 1 |

⁹ As stipulated in Article 9 b) of the SGEI Decision and Para. 62 b) of the SGEI Framework. Please present data concerning calendar years.

¹⁰ The Commission would welcome any 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

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| | (compensation for investments in heat generation) |
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6) SGEI compensation under the Framework

- a) (please refer to the Commission decision approving each measure)
- b) ...

No compensation was granted under the Framework.

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.

N/A

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.

N/A

4. OTHER

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

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.

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.