From: Ingeborg Djupvik
To: COMP STATE AID GREFFE
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The Confederation of Norwegian Enterprise would like to make the following comments concerning the ongoing public consultation on amendment to Regulation No 651/2014:

Draft Article 13 (b) on the scope of regional aid opens up in principle for aid to the transport and energy sectors in the outermost regions and in sparsely populated areas.

However, according to Article 15, the conditions for regional operating aid schemes seems to be different for these specific areas. In sparsely populated areas, operating aid schemes are permitted to compensate for additional transport costs of goods that have been produced or processed in the eligible areas, whereas in the outermost regions, operating aid schemes are allowed in order to compensate for ***all*** additional operating costs.

In the Explanatory Memorandum on the extension of the GBER to ports and airports, the above-mentioned distinction is further expanded upon. The Commission seems to recognize that the current distinction in GBER between additional transport costs and other additional costs in outermost regions does not correspond to the way operating schemes in those areas work. In practice, the schemes are horizontal in nature by way of tax exemptions applied to all undertakings operating in the region in question, and therefore compensate handicaps of companies in outermost regions without making a distinction between different cost elements. Moreover, the Commission further emphasizes that the current GBER provisions for additional transport cost impose a strict reimbursement system that experience has shown to be burdensome to apply.

The Confederation of Norwegian Enterprise would like to point to underline that that the above-mentioned considerations for making changes to regional operating aid schemes in outermost regions applies to sparsely populated areas as well.

In many sparsely populated areas, especially in the Nordic countries, depopulation has been high over the last decades. In some regions, the population growth has been close to zero and population density can be as low as 1.6 inhabitants per square km. Labor markets are often small and the capacity to restructure business is difficult. Urban industries, such as trade and financial services, are under-represented in many of these regions. Internal distances can be considerable and travel distance to markets outside the regions are even longer. Living conditions are harsh and outdoor temperature are low.

Labor markets are the most important factor influencing people´s choice of where to live. In order to prevent depopulation in these areas, some regional operating aid schemes are put in place by stimulating employment and to offset employment costs. A direct subsidy of labor costs is a good targeted instrument for achieving depopulation. Thus, the schemes are horizontal in nature and the subsidy of labor costs apply to all undertakings operating in the region without making a distinction between different cost elements. Also, due to the permanent character of handicaps of sparsely populated areas and the fact that operating aid schemes very often are horizontal, exclusions of certain sectors from the provisions on operating aid seems difficult to justify.

In conclusion, the Confederation of Norwegian Enterprise would therefore strongly recommend the Commission to equally simplify the rules applicable to regional operating aid in sparsely populated areas -be it under the GBER or under the Guidelines on regional aid.

Kind regards,
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