

Letter from: Veiko Tali, Secretary-General, Estonian Ministry of Finance

To: Carles Esteva Mosso, SG

Date: 30 December 2011

Our ref: 12.1-2./16647

Subject: Services of General Economic Interest: report submitted pursuant to the decision of 28 November 2011

Pursuant to Article 8 of Commission Decision of 28 November 2005 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, we hereby submit information on State aid in the form of public service compensation granted in Estonia in 2009-2011.

The general and statistical information is set out by field and is in accordance with Article 2(1) of the Commission's 2005 Decision.

The information concerns the following fields:

- postal services (Article 2(1)(a) of the Commission's 2005 Decision);
- the small-airport subsidy (Article 2(1)(d));
- support for small ports (Article 2(1)(d)).

I Postal services — compensation for the service of delivering periodical publications throughout Estonia (Article 2(1)(a))

1. Entrustment

Under the Postal Act [*Postiseadus*], the obligation to deliver periodical publications throughout Estonia is conferred on the provider of the universal postal service. The Act also lays down the general nature of the obligation to provide a public service and the conditions for ensuring that the obligation is fulfilled.

The duration of the public service in question is not laid down in either the Postal Act or in other legal instruments or contracts. Instead, it is a statutory responsibility of the provider of the universal postal service.

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.

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.

2. Amount of compensation, and overcompensation

The Minister for Economic Affairs and Communications establishes the requirements for the revenue and cost accounting of the provider of the universal postal service, and the Postal Act regulates the keeping of separate accounts. The provider of the universal postal service must keep activity-based accounts.

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.

The cost accounting by the provider of the universal postal service is based on a cost model approved by the Estonian Competition Authority. In order to apply activity-based accounting, the provider of the universal postal service draws up a cost model and presents it to the Competition Authority for approval. The conformity of the cost model to the requirements laid down in the Postal Act and legal instruments enacted on the basis thereof is assessed by an auditor. All subsequent amendments to the cost model are to be made in consultation with the Competition Authority.

At least once every two years, the Competition Authority checks the conformity of the cost accounting of the provider of the universal postal service to the requirements laid down in the Postal Act and legal instruments enacted on the basis thereof and publishes the results of those checks.

3. Monitoring and annual reports

A contract for the use of appropriations from the State budget earmarked for the delivery of periodical publications is to be kept for seven years after its expiry.

4. Statistical information (2009-2011)

- number of beneficiaries: 1;
- average amount of compensation (2009-2011): EUR 1 278 233 per year;
- maximum yearly amount of compensation for an SGEI: EUR 1 278 233 per year;
- total amount of compensation granted each year in that sub-category — EUR 1 278 233 million (2009), EUR 1 278 233 million (2010), EUR 1 278 233 million (2011);
- potential existence of unlimited or individual guarantees — the contract signed by the provider of the universal postal service and the State and the State's 100% holding in the provider of the universal postal service are considered to be guarantees.

II Small-airport subsidy (Article 2(1)(d))

1. Entrustment

In order for a subsidy to be granted to the small airports (Kärdla, Kuressaare, Tartu and Pärnu), each year the Ministry of Economic Affairs and Communications signs contracts for the use of earmarked appropriations from the State budget with Tallinna Lennujaam AS. The aim of the contracts is to ensure that the necessary infrastructure for regional development exists at Kärdla, Kuressaare, Tartu and 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.

2. Amount of compensation, and overcompensation

It is laid down in the contract for the use of appropriations (compensation) from the State budget earmarked for subsidising the small airports 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.

3. Monitoring and annual reports

The monitoring function is performed by the Ministry of Economic Affairs and Communications on the basis of direct reporting.

4. Statistical information (2009-2011)

- number of beneficiaries: 4;
- average amount of compensation (2009-2011): EUR 1 022 586 per year;
- maximum yearly amount of compensation for an SGEI: EUR 1 406 056;

- total amount of compensation granted each year in that sub-category: EUR 830 851 (2009), EUR 830 851 (2010), EUR 1 406 056 (2011);
- potential existence of unlimited or individual guarantees: the fact that the State has a 100% holding in the airports can be taken as a guarantee;
- in relation to the management of the airport (Article 2(2)(d)), please explain what are the activities of the airport constituting a service of general economic interest: activities directly linked to the main activities of the airport in accordance with points 53(i), (ii) and (iii) of the Communication from the Commission laying down *Community guidelines on financing of airports and start-up aid to airlines departing from regional airports* (OJ C 312, 9.12.2005, p. 1), i.e. ensuring that the necessary infrastructure for regional development exists at the small airports for scheduled flights to be operated, ground handling services and rescue services to be provided, and rescue and emergency flights to be operated.

III Support for small ports (Article 2(1)(d)).

1. Entrustment

AS Saarte Liinid is owned 100% by the Estonian State and its main task according to its statutes is to manage and develop ports in order, amongst other things, to ensure the provision of a public service connection between islands and the mainland and between the islands themselves. The obligation to ensure a transport connection with small islands arises from the Act on permanent connections with small islands [*Püsiühendusega väikesaarte seadus*], an obligation which the State performs through AS Saarte Liinid. The objective is to organise the high-quality transport of ships, passengers, vehicles and goods in the public interest in the 15 ports managed by the company (including the port of Piirisaar-Laaksaar).

2. Amount of compensation, and overcompensation

A call for tenders was launched to reconstruct the port of Piirisaar-Laaksaar; this will ensure there is no overcompensation. The obligation to issue a call for tender arises, *inter alia*, from Regulation No 39 of the Minister for Economic Affairs and Communications of 29 May 2007.

3. Monitoring and annual reports

The monitoring function is performed by the Ministry of Economic Affairs and Communications on the basis of direct reporting.

4. Statistical information (2009-2011)

- number of beneficiaries: 1;
- average amount of compensation (2009-2010): EUR 800 510 per year;
- maximum yearly amount of compensation for an SGEI: EUR 1 264 627;
- total amount of compensation granted each year in that sub-category: EUR 1 264 627 (2009), EUR 336 393 (2010). Comment: the project ended in 2010;
- potential existence of unlimited or individual guarantees: the fact that the State has a 100% holding in the ports can be taken as a guarantee.