

Country report for 2009–2011 regarding Services of General Economic Interest (SGEI) according to the Commission's SGEI Decision

Documents from the Åland Government:

Report 1) pursuant to Commission Decision 2005/842/EC

Report 2) pursuant to Commission Decision 2005/842/EC

Report 1

Report on Services of General Economic Interest

submitted in accordance with Article 8 of Commission Decision 2005/842/EC

The reporting model used is "Reporting form 1"

1. Brief description of the SGEI to be reported, and of the service providers

The Åland Government grants support for the building of rental housing and for the maintenance of the quality of the service infrastructure of this housing.

Service providers receiving this support may do so irrespective of their legal status. The recipients of this support include private individuals, private and municipally-owned limited companies, municipalities, tenant-owner housing associations and non-profit organisations. The aid is granted in return for an undertaking to maintain the housing as rental housing for a long period of time; 10–45 years, depending on the type of aid. The rental housing is rented to tenants according to a set of priorities in which the applicants' need of housing is examined. The most important target groups are vulnerable groups on the housing market such as the homeless, the disabled, immigrants, families with children and the elderly. Only when the needs of these groups have been met is the housing rented to others.

Aid is granted for capital costs only, in the form of a low-interest loan or as an interest subsidy on loans obtained on the open credit market. The aid takes the form of an interest rate which is lower than that on the open market. Since the aid tracks the actual interest rate and credit amount, there is little risk of overcompensation. If a service provider is in breach of the rules of the aid, it is required to repay the aid plus interest for the entire period of aid.

Aid is not granted for the variable costs of the actual service provision.

The aid is granted mainly for investment in real property, under four aid schemes:

1. Housing loans for the production of rental housing;
2. Interest subsidy for the production of rental housing;
3. Support to housing owners with loans for rental housing, who are in financial difficulties;
4. Guarantees for the new production of rental housing.

1. Housing loans for the production of rental housing

The loan can be granted for the construction of rental housing. It may be granted irrespective of the legal form of the principal. The housing is rented to the public, with priority given to vulnerable groups on the housing market. The loan is granted for a period of 35–45 years, at a

lower rate of interest than the market rates. During the term of the loan, the principal is obliged to maintain the housing as rental housing. The rents are controlled at levels corresponding to cost price, which includes the cost of good operating finances, capital costs and a reasonable yield on equity. The level of interest is determined by the Åland Government following an application by the owner of the housing. No rent control is applied to loans issued between 1999 and 2009 (apart from a general stipulation regarding reasonable levels of rent). In practice, it has transpired that the same rent-setting method is used for all rental housing for which provincial loans have been granted.

Starting from 2009, housing loans have only been granted to service providers in locations where the security value of the real estate is low, i.e. in the outlying islands and the peripheral areas of the Åland mainland.

2. Interest subsidy for the production of rental housing

The aid is granted on the same basis as the housing loans described in point 1, and is also conditional in the same way as housing loans issued after 2002. The interest subsidy is paid at the rate of half of the interest, ensuring, however, that the customer's interest always exceeds 2.0% or 2.5% (depending on when the aid was granted). The term of the interest subsidy is approximately 35 years for subsidies granted before 2009, and 10 or 30 years for subsidies granted from 2009.

3. Support to housing owners with loans for rental housing, who are in financial difficulties;

This type of support is used to a very limited degree and the amounts used are small. The support given has focused on service providers of housing on extremely weak housing markets in the outlying islands. The housing market is weak in the sense that demand for rental housing varies greatly over time, and the range of rental housing is small and in practice linked to companies which have received housing loans from the Åland Government.

4. Guarantees for the new production of rental housing.

Guarantees for the production of rental housing have been issued for loans granted an interest subsidy (see point 2). The guarantee is issued for 20–50% of the production value. Security for the guarantee is provided in the form of a mortgage in the real estate with secondary priority, but within 95% of the market value. No charge is levied.

2. How has the public service obligation been entrusted to the service provider?

The service is governed by the following documents:

- Provincial Act on Housing Production (1999:40);
- Provincial Act on Support for Housing Production (1982:14);
- Provincial Act on Support for Improvements to Housing (1982:13);
- Decision of the Åland Government (17.1.2002) regarding rules for granting housing loans for rental housing, and older corresponding rules;
- Decision of the Åland Government (16.11.2009) regarding rules for the granting of interest subsidies for the production of new rental housing, tenant-owner housing and the installation of elevators in existing housing stocks, and older corresponding rules;
- Decision of the Åland Government (20.1.2009) regarding guarantees for housing loans.

2.1 General nature and content of the service, and its duration

The construction and maintenance of a stock of social rented housing. Conditions for receiving aid are laid down in legislation and subordinate rules. The value of the aid is channelled towards usefulness for tenants. The aid is granted in return for an undertaking to maintain the housing as rental housing for a long period of time: 10–45 years, depending on the type of aid.

2.2. Enterprises and area of operation

The aid can be granted to all applicants who meet the general requirements. An important requirement is an assessment of whether the applicant can fulfil its obligations for the entire term of the loan. According to the legislation, the aid has a regional policy aspect. The authority tries to grant support to ensure that housing is built within the entire province, with good regional spread.

2.3. Existence of exclusive or special rights

No special rights are granted, other than that beneficiaries in areas with weak housing markets can obtain a stay of loan repayments, or in exceptional cases capitalisation of the interest on the loan.

2.4 Description of methods for calculating, controlling and examining payments

The maximum amount of the loan or the interest subsidy loan is 90% of the total cost of the project. If the project costs are lower than the original budget, the amount of the loan is reduced, or the overpaid sums are recovered if the loan has been disbursed.

2.5 Measures to prevent overpayment and any recovery

The granting of aid, and its size, is laid down in law and subordinate rules and is managed by a single authority, which means that excess aid, or overcompensation, cannot arise in practice.

3. Which guidance has been given to service providers?

The aid is standardised in written regulations. All public aid is channelled via a single authority, which rules out the possibility of cross-subsidisation. The aid system is constructed so that overcompensation cannot occur.

4. How are the operations of the service provider controlled?

Beneficiaries are obliged to report on their financial circumstances each year. Beneficiaries are also obliged, on request, to submit other types of information, and to participate in inspections. The inspection work is usually carried out by officials within the administration whose task it is to manage the aid. Inspections additional to this may also be carried out by external auditors.

5. Which are the most common observations during controls?

All actors comply with the rules, and no cases of recovery of aid have occurred during the 2009–2011 period.

6. The information must be stored for ten years

The documents are stored permanently in the authority's archive in accordance with the Åland Archive Act (2004:13).

7. Statistics

	No beneficiaries		Subcategory (2.1 a–d)	Average aid amount	Highest amount in a year (to a single beneficiary)	Total amount of aid
Loans for production of rental housing	2009	55	2.1.b	21.300	445.000	1.170.000
	2010	56		19.600	418.000	1.100.000
	2011	57		16.500 (*	357.000 (* (#	940.000 (*
Interest subsidy for the production of rental housing	2009	17	2.1.b	19.400	147.500	329.000
	2010	17		16.500	134.800	280.000
	2011	18		8.500**	0**	170.000**
Support for housing owners with loans for rental housing who are in financial difficulties	2009	1	2.1.b	1.200	1.200	1.200
	2010	3		10.100	20.000	30.300
	2011	1		5.400	5.400	5.400
Guarantees for the new production of rental housing	2009	5	2.1.b	7.280	28.400	36.000
	2010	5		6.900	28.000	34.500
	2011	5		6.500 (***	28.000 (***	32.400 (***

* an estimated reduced interest, i.e. the value of the difference between the interest charged and the interest on the Finnish Government's benchmark loan.

** estimated figures for Q4/2011 are included.

*** estimated using a guarantee charge of 0.4% of the capital.

it should be noted that the aid to the biggest beneficiary was distributed over a large number of housing projects during the 1978–2008 period.

The number of homes in receipt of financial support via the above systems amounts to some 1 950, with a total dwelling area of 99 000 m². The average area per dwelling is thus approximately 51 m². Of this amount, 400 homes are serviced housing for the elderly and 96 are homes intended for students.

The Åland Government's outstanding balance as per 31.10.2010 was EUR 63.9 million, which is approximately EUR 38 000 per mortgaged home.

Report 2

SGEI PURSUANT TO COMMISSION DECISION 2005/842/EC

Report according to "Reporting form 1"

1.1) Brief description of the SGEI to be reported, and of the service providers

Air traffic

The Provincial Government maintains air traffic on the Mariehamn- Stockholm Arlanda route, according to its public service obligation.

Ferry traffic

The Provincial Government procures traffic on some routes in the Åland archipelago. The traffic is operated by private enterprises, which maintain the traffic according to a timetable established by the Åland Government. According to the contract, the traffic operators keep the income from the traffic they operate, and receive monthly aid for the traffic.

Public transport

The Provincial Government has contracts with traffic operators to run local public transport. According to the agreements entered into for the January 2011–May 2013 period, the transport operator/enterprise keeps the income from the transport operated and receives aid per reported scheduled kilometre. The Åland Government receives annual reports from the municipalities on the design of regional public transport and establishes schedules, ticket prices and charges. Bus timetables are coordinated, where possible, with the ferry schedules of the archipelago transport. The transport operator/enterprise is obliged to keep statistics of the transport.

Rural and feeder transport which is judged economically justifiable and which is provided by each respective municipality is granted aid by of the Åland Government. The transport must be ongoing and be coordinated with regular passenger services. Municipalities are able to receive support of up to 80% of the direct costs associated with the transport. No fees are charged for this transport, due to the established maximum charge for regular passenger services.

1.2 How has the obligation to provide public services been entrusted to the service provider?

The special decision made by the Åland Government lays down that enterprises whose bids have been accepted are to be entrusted, through contracts, with a special public service obligation under the Community Framework. The decision also makes clear that the contracts must contain the following points:

1. The exact meaning of the obligations associated with the provision of a public service;
2. The company and area involved, defined by the Åland Government in this decision;
3. Exclusive or special rights granted to the company;
4. The methods for calculating, controlling and reviewing payment;
5. Measures to prevent and repay any overpayments;

6. Compensation/subsidy of the public service may not be greater than is needed to cover the costs arising from the fulfilment of the obligations associated with the provision of a public service, with a view to the revenues associated therewith and a reasonable profit for fulfilling these obligations.

The Government's view is that the size of the subsidy is to be the difference between a market rent and the highest rent offered. "Reasonable profit" refers to return on capital which, as a rule, may not be higher than the average yield for the sector in question in recent years.

At the end of each period, the enterprise reports statistics of utilisation of the public service.

Air traffic is operated according to the PSO, and is procured. Ferry traffic is procured and operated according to a timetable laid down by the Åland Government.

1.3 What guidance has been given to service providers to avoid cross-subsidisation and overpayments, and to ensure a correct allocation of costs?

When contracts are concluded with enterprises, they are required to submit statistics and annual accounts.

1.4 Have controls been carried out of the operations of SGEI providers? How many controls have been carried out? Who carried them out? Have auditors from outside the administration been used?

Annual and periodic controls are carried out by the procuring body. No external auditors have been used.

1.5 Which are the most common observations during controls? Has overpayment occurred, for example, and have any repayment claims been issued?

Controls have revealed that the service provider is managing the task according to the contract. No repayment claims have been issued.

1.6 Information on the provision of the SGEI is to be kept for at least ten years. How has fulfilment of this obligation been ensured in practice, for the SGEI in question?

Information on the provision of SGEI is archived according to the Åland Government's archive plan.

1.8 Miscellaneous

Nothing else to report on SGEI.