

The Northern Sparsely Populated Areas, NSPA, is a specific area of Europe, characterized by harsh climate, sparse population and long distances. The remoteness from larger markets leads to a competitive disadvantage that has to be addressed on a European level. At the same time the region is providing added value for Europe at large due to the combination of competence and natural resources needed in European industry and for economic growth.

1. Introduction

The NSPA welcome the opportunity to submit their comments to the European Commission on the regional aid guidelines. The NSPA network represents close collaboration between the four northernmost counties of Sweden (Norrbotten, Västerbotten, Jämtland, Västernorrland), the seven northernmost and eastern regions of Finland (Lapland, Oulu, Central Ostrobothnia, Kainuu, North Karelia, Pohjois-Savo and Etelä-Savo) and North Norway (Finnmark, Troms and Nordland) with a special focus on the European Cohesion Policy and regional development.

NSPA are of the opinion that the present rules on regional aid strike a good balance between the need for aid to support regional development, and the impact on competition. Thus, the main features of the rules should be maintained also after 31 December 2013.

The location of the NSPA area is illustrated below.

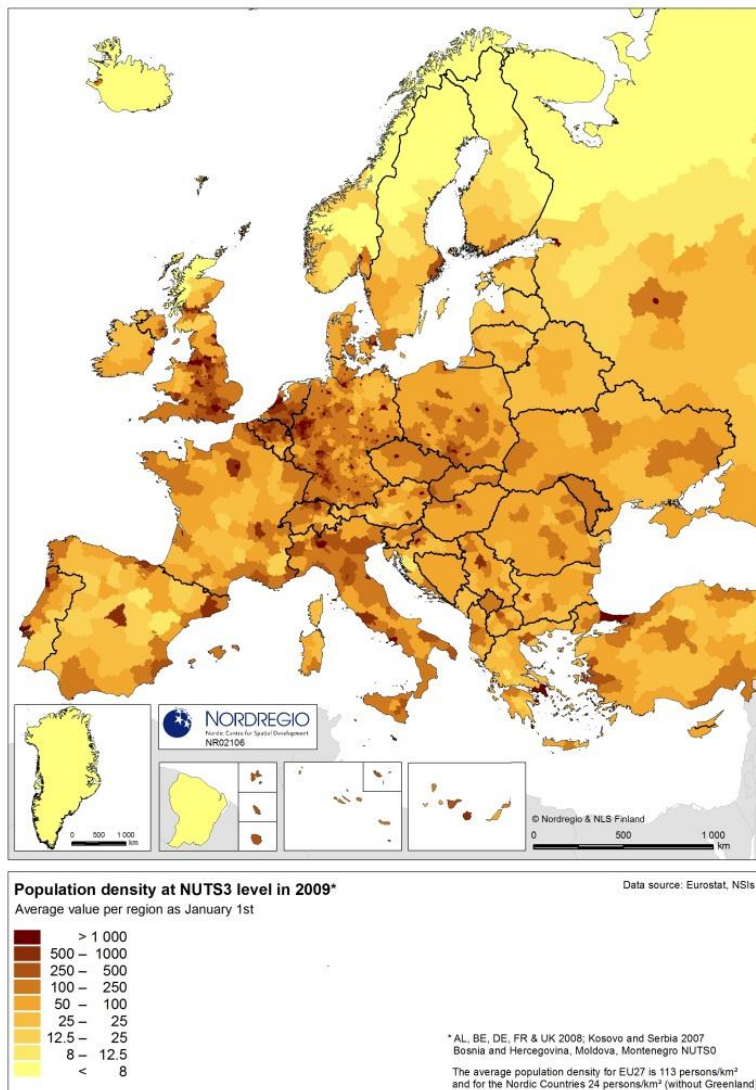


2. Low population density in the NSPA

The NSPA area is a low density population area. The area has a population density of 4.71 inhabitants per km². To put the figures of the NSPA in a European context, it could be mentioned that the population density in the EU-27 has been estimated to be 116.4 inhabitants per km².¹ The population density of the Netherlands is 492.2 inhabitants per km². Germany has a density of 229 inhabitants per km², while Belgium has a density of 356 inhabitants per km².

The map from Nordregio reproduced below illustrates the low population density in the NSPA area.² The dark brown areas are the most densely populated, while the light brown/yellow areas are the most sparsely populated. The whole area of the NSPA is coloured light brown/yellow as the area has a population density below 8 inhabitants per km². Most regions in Europe have a significantly higher population density than the northernmost counties and the arctic areas of the other Nordic countries.

Population density at NUTS 3 level in 2009 (Nordregio)



¹ Estimate for 2010 from Eurostat

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=demo_r_d3dens&lang=en

² The numbers for EU-27 deviate slightly as the map is based on the 2009 figures, while the numbers in the text are based on the 2010 estimates.

3. Regional aid as part of a sustainable policy for the Northern Sparsely Populated Areas

Due to the characteristics of the NSPA as highlighted above, the region is particularly affected by the regional guidelines and the current aid regime.

In light of future changes both geopolitically, with regard to natural resources and climate change, ensuring a sustainable development of the region should be at the heart of a common European policy. Maintaining the present level of population is important in order to ensure that competence and local knowledge is kept and further developed. The region suffers from ageing and declining population. A depopulation of these areas would be unfortunate in light of the challenges ahead.

The NSPA region is rich on both renewable and non-renewable resources. Energy, fisheries, fish farming, mining, forestry and tourism are important industries. NSPA is also home to the Sámi, the only indigenous people in Europe.³ These two factors; the indigenous population and the richness of resources, are specific regional traits that provides unique opportunities for the region and Europe at large, but require policies dealing with these challenges.

Without the possibility to support the region with State aid, a destabilizing depopulation could be the result. A well-targeted policy from both the EU and the state level could prevent depopulation and hopefully, in the long term, contribute to growth in both the region and in Europe as such.

3.1. Investment aid

NSPA believe that the present rules on the selection of the eligible regions for investment aid should remain the same as under the present guidelines. This is particularly the case for the low population density regions: areas which are made up essentially of NUTS-II geographic regions with a population density of less than 8 inhabitants per km², or NUTS-III geographic regions with a population density of less than 12.5 inhabitants per km².

The present rules with different aid ceilings for large enterprises and SME's addresses the differences between these enterprises in an appropriate manner. The rules give all enterprises an incentive to invest in the sparsely populated areas and thereby to stimulate economic development in these areas. As large enterprises may act as an engine for further development in remote parts of Europe with long distances to the market, such enterprises should still be given an incentive to invest in sparsely populated areas.

3.2. Operating aid in low density population areas

Most NSPA areas suffer from problems relating to a low degree of diversification of the industry, as well as problems resulting from remoteness, long internal and external travel distances, and harsh weather conditions.

The challenges in the northern regions are not of a pure temporary nature, but are more or less permanent. The main problem in the least populated regions is often a lack of profitable projects. In addition, without a sufficient population level, the area would not be able to

³ Reference is made to ILO Convention 169 concerning Indigenous and Tribal Peoples in Independent Countries from 1989.

provide, or attract, a work force able to handle the challenges ahead. Maintaining a skilled work force is essential to be able to exploit the natural resources like forestry, petroleum and minerals, which is needed for the future growth of Europe. For this reason, traditional investment aid alone may not always be the most adequate instrument to address the specific problems of these areas. Moreover, as investment aid favours capital over labour, the effects of such aid on the population development in the regions may not be as targeted as for example operating aid directly related to employment costs.

Some of the other possible aid measures, such as aid for job creation and employment aid under the regional aid guidelines, only apply in case of a net increase of jobs in connection with an investment project and for a limited period of time. Such measures alone may not be able to solve the more permanent challenges the NSPA are facing. Operating aid applied in addition to investment aid gives a better balance of aid for investments and aid for the use of labour. It is doubtful that other measures than operating aid are better suited to achieve the aim of preventing or reducing depopulation in the least populated areas. The NSPA fully support the views on operating aid presented by the Finnish, Swedish and Norwegian Governments in their letters sent to the Commission after the workshop 8-9 March 2011.

The present rules ensure that the States party to the EEA Agreement may use operating aid in certain areas where this is regarded necessary to prevent depopulation. It follows from the regional aid guidelines that a Member State who intends to grant operating aid has to demonstrate that the aid proposed is necessary and appropriate to prevent or reduce continuing depopulation.

This obligation ensures compliance with the general principles of State aid, namely that aid should not be granted unless aid is both necessary and appropriate. The obligation also ensures compliance with the State aid rules under changing factual circumstances. The present rules enable the States concerned to address well-identified problems and does not raise major competition concerns.

4. Concluding remarks

The present rules strike a good balance between the need for aid and the impact on competition. The main features of the rules should be maintained also for the period after 31 December 2013. For the northernmost, sparsely populated areas of Europe, it is important that the present rules on investment and operating aid continue to apply. Aid alone cannot necessarily prevent depopulation, but as part of an overall European and Nordic policy for the North, aid can contribute to create the right environment for economic and population growth in these areas.