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WORKING LANGUAGE

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**Subject: State aid No N 515/2007 – Sweden
Scheme of aid to Posten AB – prolongation 2008**

Sir,

I. Procedure

1. By electronic notification on 6 September 2007 Sweden notified a prolongation for the year 2008 of the scheme of aid to Posten AB.
2. On 27 September 2007 the Commission sent a request for additional information, to which Sweden replied on 15 November 2007.

II. Background

3. Sweden had previously notified the scheme of aid for the operations of Posten AB related to the provision of basic cashier services for the years 2006 and 2007 under N642/05. The Commission decided not to raise objections on 22 November 2006 on the basis of Article 86 (2) of the EC Treaty.
4. Similar aid for the years 2002-2005 had been approved in 2002 (N749/01).

III. Description of the measure

5. The measure is a prolongation for the year 2008 of the previously approved aid scheme (N642/05).

H.E. Mr. Carl Bildt
Minister of Foreign Affairs
Gustav Adolfs torg 1
SE – 103 23 Stockholm

6. The notified measure is aimed at compensating Posten AB for the costs incurred by its subsidiary, Svensk Kassaservice AB, "SKS" (Swedish Cashier Services). SKS provides a set of basic bank and cashier services in the whole territory of Sweden.
7. The Swedish authorities have qualified basic cashier services as a Service of General Economic Interest (SGEI). The Swedish authorities referred to the previous decision of the Commission (N642/05) as regards the public service mission, entrustment, and control of overcompensation.
8. The notified measure concerns only the year 2008. The provision of the service will be discontinued during the year 2008, which will therefore be the final year of operations. According to the Swedish authorities, in the future they intend to mandate a public authority, the Swedish National Post and Telecom Agency to provide similar services directly.
9. The notified amount of compensation for the year 2008 is 200 million SEK (22 million EUR). In 2006 and 2007 the amount of annual compensation has been 400 million SEK (44 million EUR).
10. In the year 2008, the compensation of 200 million SEK is estimated to cover only partly the losses incurred by the beneficiary in the provision of the basic cashier services, which are forecast to be approximately 340 million SEK

IV. Assessment of the measure

11. According to Article 87 (1) of the EC Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market.
12. The measure at stake obviously provides the beneficiary (Posten AB) with an advantage and involves a transfer of State resources as the funds are paid out of the State budget.
13. By contributing to the financing of a cashier service which is in competition with other operators who provide basic financial services through their own means, the measure is capable of distorting competition.
14. The Commission remarks that banking sector shows important flows of foreign investment. Subsidies can therefore alter investment decisions between sectors and between Member States. Thus the aid measure may affect intra-Community trade in this sector.
15. The Commission notes that public service was awarded neither as a result of an open public procurement procedure, nor did the Swedish authorities establish that the level of compensation was determined by reference to costs of a typical undertaking within the sector. Therefore the Commission considers that at least the fourth criterion of Altmark judgement is not fulfilled in the case of Posten AB.

16. In light of the foregoing, the measure at stake constitutes State aid within the meaning of Article 87 (1) of the EC Treaty.

Compatibility of the aid

17. The aid scheme for previous years has been declared compatible by the Commission under Article 86 (2) EC Treaty. The presently notified aid presents the same characteristics in terms of public service mission, entrustment, and overcompensation.

Genuine public service

18. The Commission has previously accepted the qualification of the service at stake as a service of general economic interest. Indeed, the provision of basic cashier services throughout the Swedish territory in order to offer to the Swedish population the same basic services at the same costs is a classic case of public services. The services are restricted to the most elementary financial transactions and are mainly used by the less dynamic and less affluent layers of population who are not used to the more modern means of banking. Consequently SKS's services can be qualified as services of general economic interest under Article 86(2) of the Treaty.

Entrustment

19. The Commission has in its previous decision (N642/05) accepted the entrustment and parameters for the calculation of compensation. These parameters remain identical also for the year 2008. The entrustment is sufficiently clear and transparent and contains all the elements required by the Framework for State aid in the form of public service compensation. Consequently, the second criterion can be deemed to be fulfilled.

No overcompensation

20. The Commission has in its previous decision (N642/05) accepted the methods of cost-allocation, and has concluded in its assessment that the cost allocation within Posten AB is fair and the cost based transfer prices between Posten AB and SKS are not overcharged. This cost-allocation system remains the same, therefore Posten AB is not likely to be overcompensated neither as result of an improper cost allocation, nor by virtue of overstatement of the SGEI costs.

21. In the year 2008 the amount of compensation will be lowered to half of the level applied in 2006 and 2007. This reflects the decision to close down the operations of SKS during the second half of the year 2008. The compensation is forecast to cover only partly (57%) the losses incurred by the SKS in the provision of the basic cashier services.

22. Conditions for the control of overcompensation set in the previous decision N642/05 have been respected by the Swedish authorities. In particular, the auditors' statement concerning control of compensation has been submitted to the Commission. Financial reports submitted by the Swedish authorities also confirm the forecasts presented in the previous notification.

23. Therefore the Commission takes the view that the third criterion (no overcompensation) can be deemed to be fulfilled.

IV. Decision

The Commission has accordingly decided to consider the aid to be compatible with Article 86(2) the EC Treaty.

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http://ec.europa.eu/community_law/state_aids/index.htm

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State aid greffe
SPA 3 6/5
B-1049 Brussels
Fax No: + 32 2 296.12.42

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission