State aid: €314.6 million capital injection from PostNord to Post Danmark does not constitute State aid; Denmark and Sweden need to recover €66 million of incompatible aid from PostNord

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The European Commission has found that an internal capital injection of DKK 2.34 billion (approximately €314.6 million) from PostNord to Post Danmark does not constitute State aid within the meaning of EU rules. At the same time, the Commission has found that two capital injections from Denmark and Sweden to PostNord, for a total of SEK 667 million (approximately €66 million) constitute incompatible State aid. Consequently, Denmark and Sweden have to recover respectively SEK 267 million (approximately €26.4 million) and SEK 400 million (approximately €39.6 million) from PostNord.

Executive Vice-President Margrethe Vestager, in charge of competition policy said: "In today's increasingly digital reality, ordinary mail has been gradually replaced by digital communications. This puts a strain on the activities of postal operators, which continue to offer a service that is fundamental for citizens. With the decisions taken today, we help restore a level playing field in the Danish and Swedish postal services markets, while ensuring that Post Danmark can transform itself to be ready for an increasingly digital future."

Post Danmark is the national postal operator in Denmark and a wholly owned subsidiary of PostNord, which is incorporated in Sweden. PostNord is owned by the Danish State (40%) and by the Swedish State (60%).

In October 2017, the Danish and Swedish authorities agreed to carry out capital injections (i) in PostNord and (ii) in Post Danmark via PostNord.

In November 2017, the Commission received a complaint from the Association for the Danish road transport of goods (ITD) alleging that certain Danish and Swedish capital injections to Post Danmark amounted to illegal State aid.

On 14 June 2019, the Commission opened an in-depth investigation to examine whether the following three capital injections carried out in 2018 were in line with EU State aid rules:

- A capital injection of DKK 2.34 billion (approximately €314.6 million) by PostNord into Post Danmark;
- A capital injection of SEK 267 million (approximately €26.4 million) by Denmark into PostNord;
- A capital injection of SEK 400 million (approximately €39.6 million) by Sweden into PostNord.

The Commission examined the capital injections under Article 107(1) Treaty on the Functioning of the European Union (TFEU). The Commission’s assessment focused in particular on whether the capital injections were carried out on terms that a private investor operating under market conditions would have accepted (the Market Economy Operator Principle – “MEOP”) and, as a result, whether they conferred a selective advantage on PostNord or Post Danmark with respect to their competitors.

The Commission’s assessment showed that:

- In Denmark, the volume of letters declined dramatically due to an increase in digital communications. PostNord injected capital into Post Danmark, aiming at helping Post Danmark to implement a new production model in response to this massive e-substitution of letters. The Commission found that this capital injection involves State resources as it concerns funds of a public undertaking. Furthermore, the decision to inject capital from PostNord into Post Danmark has to be imputed to Denmark and Sweden, as it results from the agreement concluded in October 2017. Considering that the expected return on the capital injection for PostNord outweighs the amount invested, the Commission has found that PostNord has operated in the same way as a private investor would have done under the same circumstances.
- The capital injections by Denmark and Sweden into PostNord, aiming at keeping PostNord in
investment grade territory (for listed companies this means a positive credit rating), were not in line with the conditions that a private investor would have accepted. In particular, (i) the risk of potential loss of investment grade in absence of the capital injections has not been sufficiently demonstrated; (ii) the negative financial effect resulting from a potential loss of investment grade has not been demonstrated to be bigger than the cost of these capital injections. These capital injections therefore constitute State aid within the meaning of EU State aid rules.

- The capital injections by Denmark and Sweden into PostNord amount to incompatible State aid, as no compatibility grounds have been proposed by Denmark and Sweden or have been identified by the Commission.

The Commission therefore concluded that:

- The capital injection by PostNord into Post Danmark does not constitute State aid within the meaning of EU State aid rules.

- The SEK 667 million (approximately €66 million) capital injections from Denmark and Sweden into PostNord gave the company an unfair economic advantage over its competitors that amounted to incompatible State aid. The Commission therefore ordered Denmark and Sweden to recover the incompatible aid from PostNord.

**Background**

PostNord is mainly active on the Swedish, Danish, Norwegian and Finnish markets for postal services, and provides courier, cargo and logistics solutions in the Nordic region and in the rest of Europe. PostNord is also the mother company of Post Danmark, which is the largest provider of postal services in Denmark and has been entrusted with the universal service obligation since its establishment in 1995.

The Danish postal service market has been liberalised since 2011, in accordance with the Postal Directive, and since then Post Danmark operates in full competition with other relevant postal service providers.

Under EU State aid rules, public interventions in favour of companies can be considered free of State aid when they are made on terms that a private operator would have accepted under market conditions (MEOP). If this principle is not respected, public interventions involve State aid within the meaning of Article 107 of the Treaty on the Functioning of the European Union, because they confer an economic advantage on beneficiaries that their competitors do not have. The Commission then proceeds to assess whether such aid can be found compatible with EU State aid rules.

As a matter of principle, EU State aid rules require that incompatible State aid has to be recovered in order to remove the distortion of competition created by the aid. There are no fines under EU State aid rules and recovery does not penalise the company in question. It simply restores the level playing field with respect to competitors.

The non-confidential version of the decision will be published in the State aid register on the competition website under the case numbers SA.49668 (Denmark) and SA.53403 (Sweden) once possible confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the Competition weekly e-News.

**Press contacts:**

- Arianna PODESTA (+32 2 298 70 24)
- Maria TSONI (+32 2 299 05 26)
- Giulia ASTUTI (+32 2 295 53 44)

General public inquiries: Europe Direct by phone 00 800 67 89 10 11 or by email

IP/21/4662