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# Summary: State Aid to the Swedish Industry 2005



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## Summary

This report shows the extent of state aid given to the Swedish industry in 2005. Both the WTO and the EU have special regulations that limit the scope of national aid and impose demands on openness and on-going reporting of the aid paid out. In Sweden state aid is used not only within the industrial policy but also within other policy areas.

The sum of all state aid in the report increased in 2005 to SEK 28.4 billion, an increase of 4.2 billion or 16 per cent. Most of the increase the last year can be explained by the fact that the energy tax was raised for households and the service sector, with no corresponding increase for the industrial sector. That is reflected in the statistics as an increase in tax expenditures related to the use of energy of almost 3.3 billion or 20 per cent to 19.7 billion.

Among the aid categories other than tax expenditures related to the use of energy, there is an upwards trend in employment aid, with increases of 16 per cent in 2004 and 22 per cent in 2005. The upwards trend in energy aid was broken in 2005. A decrease in R&D aid by 9 per cent in 2005 has partly accounting reasons. Miscellaneous aid category decreased by 75 per cent in 2004 and increased by 246 per cent in 2005 to 817 million. The latter is explained partly by an increase in the aid of the National Board of Housing, Building and Planning, for smaller rented dwellings and student accommodation. More impact though, had the new aid for treatment of polluted areas, amounting to 416 million in 2005. The other aid categories had smaller variations during this period.

Some selected facts:

- Apart from the tax expenditures related to the use of energy, the largest aid system was the tax reduction granted by the Board for Shipping Support, that amounted to SEK 1.70 billion in 2005 (1.68 previous year).
- Individual Recruitment Incentive, which is under the administration of the National Labour Market Board, amounted to SEK 1.55 billion (1.18).
- Energy aid in the form of excise duty reduction in favour of carbon dioxide neutral fuels amounted to SEK 926 million (826). It supports producers and importers of biofuels (bioethanol and biogas).
- Start-up grants amounted to SEK 892 million (816). Aid administered by the National Labour Market Board.
- Regional transport aid in 2005 amounted to 380 million (359). There is a closer description of the transport aid scheme, considering the renewal of the scheme in the period 2007-2013. Many of the beneficiaries would be heavily affected by a decrease of grants. Transport aid equals 1 per cent or more of the turnaround among 23 per cent of the beneficiaries. With the aid, fewer beneficiaries have profitability difficulties than among other companies in the four most northern counties. Among profitable beneficiaries, four out of ten earned one tenth or more of their profit from the regional transport aid.

The Swedish Institute for Growth Policy Studies (ITPS) is a Government Agency responsible for providing policy intelligence to strengthen growth policy in Sweden. ITPS primarily provides the Government Offices, Members of the Swedish Parliament, other state authorities and agencies with briefings based on statistical material, policy papers and key analyses. Business policy and regional development policy are areas given high priority.

Changes in policy should be based on:

- Statistic data and analyses of the structure and dynamics of industry
  - to obtain an up-to-date view of future challenges and opportunities.
- Evaluation of results and effects of policy measures and programmes
  - to provide benchmarks and learn from measures implemented earlier.
- Policy intelligence in order to look outwards and ahead
  - what issues are likely to come on the growth policy agenda in the future?

These represent the principal missions of ITPS.