

The transport subsidy

– inadequate documentation and unclear achievement of objectives

Summary and recommendations

The Swedish National Audit Office (Swedish NAO) has audited whether the transport subsidy effectively contributes to achieving the intended purposes and thereby the objective of regional development, while at the same time the climate impact of the grant is regularly assessed and taken into account.

The transport subsidy aims to compensate for cost disadvantages as well as stimulate a higher degree of refinement for businesses in the four northernmost counties. The subsidy was introduced in 1971 and the annual payments of the subsidy have for a long time amounted to about SEK 350–450 million.

The overall conclusion of the audit is that it is unclear to what extent the transport subsidy contributes to achieving the intended purposes and thereby the regional development objective. In addition, the climate impact of the subsidy has so far neither been assessed nor taken into account. This can largely be explained by deficiencies in the Government's decision support data that form the basis for the design of the subsidy. The Swedish Agency for Economic and Regional Growth has developed several procedures to verify the accuracy of data from subsidy applicants, but has not ensured that the controls are fully appropriate. This means that there is a risk of incorrect payouts and that the funds are therefore not used effectively.

Audit findings

The actual transport cost disadvantages are unclear

Due to several uncertainties in the model-based data that have affected the design of the subsidy, there is a risk that current subsidy levels do not correspond to the companies' actual transport cost disadvantages. In addition, there is no information on transport distances in the data the Swedish Agency for Economic and Regional Growth collects from subsidy grant applicants, which limits the possibility of analysing actual differences in transport costs.

Unclear contribution to increased degree of refinement and development of the business sector

It is unclear to what extent the transport subsidy has affected the companies' degree of refinement. However, much suggests that the transport subsidy has only to a limited extent stimulated the degree of refinement, development or change in the business sector in the subsidy area. One reason is that the design of the subsidy limits the possibilities of doing this.

The majority of the payments are concentrated to a constant group of companies that apply for subsidies every year. The total number of applicant companies has decreased over time, as has the number of new applicants. The industry distribution has been relatively constant and the wood products industry is still the largest recipient industry. The majority of the payments to the wood products industry are still made for relatively unrefined goods, such as sawn and planed wood products, and this has long been the case.

The climate impact of the subsidy has so far neither been assessed nor taken into account.

The climate impact of the transport subsidy has never been assessed properly, and the actual climate impact, as well as the development of it, is unclear. An assessment of the climate impact of the transport subsidy constitutes crucial reference data to enable the Government to take into account whether, and if so how, the subsidy's climate impact could be reduced. Consequently it is a deficiency that the Government has not yet prepared such reference data.

The Swedish Agency for Economic and Regional Growth has not fully ensured appropriate controls

The Swedish Agency for Economic and Regional Growth has developed several procedures to verify the accuracy of data from subsidy applicants. However, according to the assessment made by the Swedish NAO, the Agency for Economic and Regional Growth has not ensured that the controls are fully appropriate. The system for selecting controls built up by the Agency for Economic and Regional Growth entails a risk that systematic errors can escape discovery for a long time, and there are also shortcomings in the documentation of controls.

The Government's decision support data needs to be strengthened

There are deficiencies in the documented decision support data that forms the basis for the design of the subsidy. In some cases, the Government has not taken sufficient measures to minimise uncertainty in the data or to ensure that relevant decision support data has been provided. One way to reduce the uncertainty in the data on estimated cost disadvantages would be to provide supplementary data based on actual transport costs. The analyses of the transport subsidy initiated by

the Government also need to have a broad perspective instead of being limited to a single issue.

Recommendations

The Swedish NAO recommends that the Government conduct a thorough review of the design of the transport subsidy. This review should include:

- quality-assurance of analyses of transport cost disadvantages based on actual transport costs
- investigation of whether a change in the design of the subsidy can improve the contribution to both increased degree of refinement and to ensuring as low a climate impact as possible.

If this cannot be done within the framework of the tasks concerning additional costs and climate adaptation already given to the Swedish Agency for Economic and Regional Growth, the Government should take the initiative for further tasks.

The Swedish NAO's recommendations to the Swedish Agency for Economic and Regional Growth:

- Start collecting data on the transport distance for each mode of transport when processing the transport subsidy applications. This data is needed to assess the climate impact of the subsidy. The transport distance data is also needed to improve the control of applications and it also enables supplementary analysis of transport cost disadvantages.
- Further develop procedures and control systems so that documentation is improved, margins of error can be analysed more simply and the risk of systematic errors escaping detection for longer periods of time is reduced.