E-8/23-18



REPORT FOR THE HEARING

in Case E-8/23

REQUEST to the Court under Article 34 of the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice by Oslo District Court (*Oslo tingrett*), in the case between

Trannel International Limited

and

Staten v/Kultur- og likestillingsdepartementet (*the Norwegian State, represented by the Ministry of Culture and Equality*)

concerning the interpretation of Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts, in particular Article 5(1)(b) and Article 10(1) thereof.

I Introduction

1. By letter of 6 July 2023, registered at the Court on 13 July 2023, Oslo District Court (*Oslo tingrett*) made a request for an advisory opinion in the case pending before it between Trannel International Limited and the Norwegian State, represented by the Ministry of Culture and Equality (*Staten v/Kultur- og likestillingsdepartementet*).

2. The case before the district court concerns an action by Trannel International Limited seeking to have the award of an exclusive right to offer horse race betting to the foundation Norsk Rikstoto declared ineffective under Section 13 of the Norwegian Public Procurement Act (*anskaffelsesloven*). At issue is whether the award of an exclusive right to offer horse race betting to Stiftelsen Norsk Rikstoto constitutes a "services concession" under Article 5(1)(b) of Directive 2014/23/EU, and, if so, whether the exemption for services concession contracts concluded on the basis of an exclusive right provided for in Article 10(1) of that directive applies.

II Legal background

EEA law

3. Directive 2014/23/EU of 26 February 2014 of the European Parliament and of the Council on the award of concession contracts (OJ 2014 L 94, p. 1; and EEA Supplement 2018 No 84, p. 509) ("the Concession Contracts Directive") was incorporated into the EEA Agreement by Decision of the EEA Joint Committee No 97/2016 of 29 April 2016 (OJ 2017 L 300, p. 49; and EEA Supplement 2017 No 73, p. 53). The Concession Contracts Directive was added as point 6f of Annex XVI (Procurement) to the EEA Agreement. Constitutional requirements were indicated by Iceland, Liechtenstein and Norway. The requirements were fulfilled by 14 November 2016 and the decision entered into force on 1 January 2017.

4. Recital 11 of the Directive reads:

Concessions are contracts for pecuniary interest by means of which one or more contracting authorities or contracting entities entrusts the execution of works, or the provision and the management of services, to one or more economic operators. The object of such contracts is the procurement of works or services by means of a concession, the consideration of which consists in the right to exploit the works or services or in that right together with payment. Such contracts may, but do not necessarily, involve a transfer of ownership to contracting authorities or contracting entities, but contracting authorities or contracting entities always obtain the benefits of the works or services in question.

5. Recital 14 of the Directive reads:

In addition, certain Member State acts such as authorisations or licences, whereby the Member State or a public authority thereof establishes the conditions for the exercise of an economic activity, including a condition to carry out a given operation, granted, normally, on request of the economic operator and not on the initiative of the contracting authority or the contracting entity and where the economic operator remains free to withdraw from the provision of works or services, should not qualify as concessions. In the case of those Member State acts, the specific provisions of Directive 2006/123/EC of the European Parliament and of the Council apply. In contrast to those Member State acts, concession contracts provide for mutually binding obligations where the execution of the works or services are subject to specific requirements defined by the contracting authority or the contracting entity, which are legally enforceable.

6. Recital 35 of the Directive reads:

This Directive should not affect the freedom of Member States to choose, in accordance with Union law, methods for organising and controlling the

operation of gambling and betting, including by means of authorisations. It is appropriate to exclude from the scope of this Directive concessions relating to the operation of lotteries awarded by a Member State to an economic operator on the basis of an exclusive right granted by means of a procedure without publicity pursuant to applicable national laws, regulations or published administrative provisions in accordance with the TFEU. That exclusion is justified by the granting of an exclusive right to an economic operator, making a competitive procedure inapplicable, as well as by the need to retain the possibility for Member States to regulate the gambling sector at national level in view of their obligations in terms of protecting public and social order.

7. Article 1(1) and (2) of the Directive, entitled "Subject-matter and scope", reads:

1. This Directive establishes rules on the procedures for procurement by contracting authorities and contracting entities by means of a concession, whose value is estimated to be not less than the threshold laid down in Article 8.

2. This Directive applies to the award of works or services concessions, to economic operators by:

(a) Contracting authorities; or

(b) Contracting entities, provided that the works or services are intended for the pursuit of one of the activities referred to in Annex II.

- 8. Article 5(1)(b) of the Directive, entitled "Definitions", reads:
 - (1) 'concessions' means works or services concessions, as defined in points (a) and (b):
 - ...
 - (b) 'services concession' means a contract for pecuniary interest concluded in writing by means of which one or more contracting authorities or contracting entities entrust the provision and the management of services other than the execution of works referred to in point (a) to one or more economic operators, the consideration of which consists either solely in the right to exploit the services that are the subject of the contract or in that right together with payment.

9. Article 10(1) and (9) of the Directive, entitled "Exclusions applicable to concessions awarded by contracting authorities and contracting entities", reads:

1. This Directive shall not apply to services concessions awarded to a contracting authority or to a contracting entity as referred to in point (a) of Article 7(1) or to an association thereof on the basis of an exclusive right.

This Directive shall not apply to services concessions awarded to an economic operator on the basis of an exclusive right which has been granted in accordance with the TFEU and Union legal acts laying down common rules on access to the market applicable to activities referred to in Annex II.

...

9. This Directive shall not apply to service concessions for lottery services, which are covered by CPV code 92351100-7, awarded by a Member State to an economic operator on the basis of an exclusive right. For the purpose of this paragraph, the notion of exclusive right does not cover exclusive rights as referred to in Article 7(2).

The grant of such an exclusive right shall be subject to publication in the Official Journal of the European Union.

National law

10. Directive 2014/23/EU is implemented in Norwegian law by Section 2 of Act of 17 June 2016 No 73 on public procurement ("the Public Procurement Act") (*lov 17. juni 2016 nr. 73 om offentlige anskaffelser (anskaffelsesloven)*) and the Norwegian Regulation of 12 August 2016 No 976 on concession contracts ("the Concession Contracts Regulation") (*forskrift 12. august 2016 nr. 976 om konsesjonskontrakter (konsesjonskontraktforskriften)*). The Public Procurement Act and the Concession Contracts Regulation apply in respect of public authorities who conclude concession contracts for services having an estimated value equal to or exceeding NOK 100 000, exclusive of value added tax, see Section 2 of the Public Procurement Act and the first paragraph of Section 1-1 of the Concession Contracts Regulation.

11. Section 1-2 of the Concession Contracts Regulation, entitled "Concession contract" reads:

1. A concession contract is a services contract or a works and service contract the consideration of which consists either solely in the right to exploit the services or works or in that right together with payment, and the operating risk of which is transferred from the contracting authority to the supplier.

2. The operating risk relating to the services or works may encompass demand or supply risk or both. The operating risk shall be deemed to have been transferred where the supplier, under normal operating conditions, is not guaranteed to recoup its investments made or costs incurred in the operations. The risk transferred to the supplier shall involve real exposure to the fluctuations in the market, such that any potential estimated loss incurred by the supplier shall not be merely negligible.

12. Section 2-3 of the Concession Contracts Regulation, entitled "Exception for concession contracts entered into on the basis of an exclusive right", reads:

The Public Procurement Act and the Regulation shall not apply in respect of services concession contracts concluded by the contracting authority with:

a. a contracting authority as referred to in letters (a) to (d) of the first paragraph of Section 1-3 who has an exclusive right to provide the service, or

b. suppliers who have an exclusive right to provide the service. This applies only when the exclusive right is awarded in accordance with EEA rules allowing for the performance of supply activities. If the rules do not lay down transparency requirements, the contracting authority shall publish notice of conclusion of the contract under Section 9-4.

13. The award of an exclusive right to offer totalisator betting was previously regulated by Act of 1 July 1927 No 3 on totalisator betting ("the Totalisator Act") (*lov 1. juli 1927 nr. 3 om veddemål ved totalisator*) and Regulation of 24 August 2007 No 1011 on totalisator betting ("the Totalisator Regulation") (*forskrift 24. august 2007 nr. 1011 om veddemål ved totalisator*).

14. On 1 January 2023, a new Act of 18 March 2022 No 12 on gaming ("the Gaming Act") (*lov 18. mars 2022 nr. 12 om pengespill*) entered into force. That act replaced the Totalisator Act of 1927, Act of 24 February 1995 No 11 on lotteries, etc., ("the Lottery Act") (*lov 24. februar 1995 nr. 11 om lotterier mv.*) and Act of 28 August 1992 No 103 on gaming, etc., (*lov 28. august 1992 nr. 103 om pengespill mv.*). The Totalisator Regulation of 2007 was replaced by Regulation of 13 March 2023 No 327 on distribution of profits from horse race betting (*forskrift 13. mars 2023 nr. 327 om fordeling av overskuddet fra pengespill på hest*).

15. Section 4 of The Gaming Act prohibits offering gaming services without authorisation.

16. Section 14 of the Gaming Act, entitled "The exclusive right to offer horse race betting", reads:

The King may grant an exclusive right to offer horse race betting to a provider whose purpose is:

a. to facilitate the provision of a responsible range of gaming services;

b. to prevent negative consequences of gaming;

c. to support horse husbandry, equestrian sport and horse breeding.

The Ministry shall be entitled to appoint a majority of the members of the provider's board.

The King may lay down conditions in the authorisation to facilitate attainment of the objectives of the Act. Authorisation shall be granted for 10 years at a time.

Profits from horse race betting are to go to organisations that promote equestrian sport, horse husbandry and Norwegian horse breeding. The provider is to operate efficiently, so that as much as possible of the income from the provider's betting services is directed towards those purposes. The Ministry shall issue regulations on the distribution of the profits from horse race betting.

17. Section 15 of the Gaming Act, entitled "The exclusive right holders' offer of gaming", reads:

Norsk Tipping and the party holding authorisation to offer horse race betting under Section 14 may not offer or market gaming on behalf of others.

The Ministry shall issue regulations on which gaming the exclusive right providers may offer in order to attain the purposes referred to in letters (a) and (b) of Section 1, and which gaming requires authorisation from the Norwegian Gambling Authority.

The exclusive right providers shall set the gaming rules for the gaming they offer.

The Norwegian Gambling Authority may grant authorisation for temporary trials of new gaming types and other measures intended to facilitate attainment of the purposes referred to in letters (a) and (b) of Section 1. The Ministry may issue regulations on permission for temporary trials.

18. The first and fourth paragraphs of Section 34 of the Gaming Act, entitled "Withdrawal of authorisation or licence", read:

...

In the event of repeated or material breach of provisions laid down in or adopted on the basis of this Act, the Norwegian Gambling Authority (Lotteritilsynet) may impose conditions for continued operation or withdraw an authorisation or licence. Where the authorisation has been granted by the King under Section 14, the King shall confirm a withdrawal before it is implemented. An authorisation or licence may be withdrawn for a maximum of two years. If an authorisation or licence is withdrawn, the Norwegian Gambling Authority shall determine how affected gaming is to be liquidated.

III Facts and procedure

19. Stiftelsen Norsk Rikstoto is a commercial foundation established by the Norwegian Trotting Association (Det Norske Travselskap) and the Norwegian Jockey Club (Norsk Jockeyklubb) in 1982. Foundations are independent, self-owned legal entities, see Act of 15 June 2001 No 59 on foundations ("the Foundations Act") (*lov 15. juni 2001 nr. 59 om stiftelser (stiftelsesloven)*). Since 1982, Norsk Rikstoto has had an exclusive right to offer totalisator betting (horse race betting) on the basis of the now repealed Totalisator Act of 1927. Under the Totalisator Act, the exclusive right was awarded by the King for five years at a time.

20. On 9 December 2022, Norsk Rikstoto was awarded an exclusive right to offer horse race betting in Norway by the King in Council. The authorisation was granted for 10 years, with effect from 1 January 2023.

21. Trannel International Limited applied for authorisation to offer horse race betting in Norway. In its reply, the Ministry of Culture and Equality informed Trannel International that the application would not be considered on the merits referring to the Norwegian regulation on totalisator betting, the concession currently held by Norsk Rikstoto and the established exclusive rights model governing the gambling and gaming sector in Norway.

22. Trannel International Limited brought the case before Oslo District Court seeking a declaratory judgment deeming the award of an exclusive right to offer horse race betting ineffective. Trannel International argues that the award is in breach of EEA law, in particular the Concession Contracts Directive and the fundamental EEA law principles of equal treatment, non-discrimination and transparency.

23. Against this background, Oslo District Court decided to refer the following questions to the Court:

- 1. Which factors are key under EEA law for the determination of whether an award of an exclusive right for gaming is to be regarded as an administrative authorisation scheme falling outside the scope of the public procurement rules, or whether it is to be regarded as an award of a "services concession" under Article 5(1)(b) of Directive 2014/23?
- 2. Have the adoption and entry into force of Directive 2014/23 and its regulation of concession contracts entailed any change for how to draw the line between public contracts in the form of services concession contracts, on the one hand, and administrative authorisation schemes, on the other?

- 3. What significance does the fact that any profits of the party awarded the exclusive right are controlled by the State through regulation, to the benefit of third parties, have for the determination of whether one is dealing with an administrative authorisation scheme or a services concession contract?
- 4. Is the award of an exclusive right to offer horse race betting to a foundation organised in a manner similar to that of Stiftelsen Norsk Rikstoto, a "services concession" under Article 5(1)(b) of Directive 2014/23?
- 5. Is it of significance for whether the exception under the first subparagraph of Article 10(1) of Directive 2014/23 applies that the national legislation does not specifically name the holder of the exclusive right, but that the preparatory works assume that the exclusive right is to be awarded to a specific exclusive right provider, although this is not laid down in statute because an obligation may not be imposed on the foundation to offer gaming?
- 6. Is it of significance for whether the exception under the first subparagraph of Article 10(1) of Directive 2014/23 applies that the foundation was also awarded an exclusive right on the basis of previous national legislation, including that the foundation was awarded an exclusive right for horse race betting uninterruptedly under that previous national legislation, although for five years at a time, until such time as the exclusive right was awarded again after new legislation entered into force on 1 January 2023?

IV Written observations

24. Pursuant to Article 20 of the Statute of the Court and Article 90(1) of the Rules of Procedure, written observations have been received from:

- Trannel International Limited, represented by Johanne Førde and Thomas Nordby, advocates;
- the Norwegian Government, represented by the Ministry of Culture and Equality, represented by Kristine Møse and Helge Røstum, acting as Agents;
- the Austrian Government, represented by Dr Albert Posch and Dr Julia Schmoll, acting as Agents;
- the Belgian Government, represented by Liesbet Van den Broeck, Antoine De Brouwer and Aurélie Van Baelen, acting as Agents, and Philippe Vlaemminck, Robbe Verbeke, and Valentin Ramognino, advocates;

- the EFTA Surveillance Authority ("ESA"), represented by Kyrre Isaksen, Ewa Gromnicka, and Melpo-Menie Joséphidès, acting as Agents; and
- the European Commission ("the Commission"), represented by Geert Wils and Giacomo Gattinara, acting as Agents.

V Proposed answers submitted

Trannel International Limited

25. Trannel International Limited submits that the questions referred should be answered as follows:

- I. Regarding the second question, the adoption and entry into force of Directive 2014/23/EU did not entail any change for how to draw the line between services concessions, on the one hand, and administrative authorisations, on the other hand, compared to Directive 2004/18/EC.
- II. Regarding the first question, the award of an exclusive right to offer gaming services in a Member State in a similar manner to that in the present case shall be regarded as a "services concession" pursuant to Article 5(1)(b) of Directive 2014/23/EU.
- III. Regarding the third and fourth question, the award of an exclusive right to offer horse betting services to a commercial foundation organised in a manner similar to that of Stiftelsen Norsk Rikstoto, where the profits of the grantee of the exclusive right is controlled by the state via regulatory means, constitutes a "services concession" within the meaning of Article 5(1)(b) of Directive 2014/23/EU.
- IV. Regarding the fifth and sixth question, the derogation provided in Article 10(1) of Directive 2014/23/EU is not applicable to an award of a services concession without the existence of a law, regulation, or published administrative provision giving an exclusive right prior to the award of a services concession, that meaning, it is irrelevant whether a single provider has been singled out in the preparatory works of the national gaming legislation when this is not reflected in the final legislation, and that it does not bear any significance that the recipient continuously has been awarded this exclusive right in the past.

The Norwegian Government

26. The Norwegian Government submits that the questions referred should be answered as follows:

1. In order for a grant of an exclusive right to offer games of chance on horses to be a "services concession" under Article 5(1)(b) of Directive 2014/23, it

must provide for mutually binding obligations where the performance of the service is subject to specific requirements which are legally enforceable. The contracting authority must receive a service pursuant to that contract in return for consideration, the service being of direct economic benefit to the contracting authority. An authorisation scheme, on the other hand, does not establish mutually binding obligations that are legally enforceable, but regulates the exercise of an economic activity by establishing the conditions of the pursuit thereof.

- 2. The adoption of Directive 2014/23 and its regulation of concession contracts has not altered the distinction between services concessions, on the one hand, and administrative authorisation schemes, on the other.
- 3. In the determination of whether one is dealing with an administrative authorisation scheme or a services concession, the fact that any profits of the party holding the exclusive right are controlled by the State through regulation, and distributed to the benefit of third parties, indicates that the arrangement is not a services concession falling under Directive 2014/23, but a regulatory arrangement, ensuring strict control with the exercise of the economic activity.
- 4. The award of an exclusive right to offer games of chance on horses to a foundation organised in a manner similar to that of Stiftelsen Norsk Rikstoto is not a "services concession" under Article 5(1)(b) of Directive 2014/23.
- 5. The requirement in the first subparagraph of Article 10(1), that the services concession must be awarded "on the basis of an exclusive right", means that there must exist a legal basis for the exclusive right, other than merely the award of the concession itself. That basis may be "any law, regulation or published administrative decision".

The decisive factor when assessing whether there exists such a basis in national law, is whether national law effectively establishes an exclusive right for the contracting authority or contracting entity, which substantially affects the ability of other economic operators to carry out the same activity. That must depend on a concrete assessment and an analysis of national law. The context and regulatory framework of national law is of relevance including whether the contracting authority or contracting entity has held an exclusive right uninterruptedly under both the previous and current regulatory framework. It is not a condition that the holder of the exclusive right under national law is explicitly named in the text of the legislation, regulation or the administrative provision.

The Austrian Government

27. The Austrian Government submits that the first to fourth questions referred should be answered as follows:

1. An authorisation is normally granted on request of the economic operator and enables an economic operator to "enter" a (specific) market, meaning that without the authorisation the relevant economic activity cannot be performed at all. An authorisation establishes the conditions for the exercise of an economic activity and usually does not oblige the economic operator to perform the authorised activity. In any case the granting authorities cannot enforce the economic operator to perform the activity. The consequence of the non-performance would be the withdrawal of the authorisation. An authorisation can be granted via a decision (formal or implied unilateral act) or a (public) agreement.

In contrast a services concession under Directive 2014/23/EU is a contract for pecuniary interest where the consideration for the provision of services consists in the right to exploit the service. For the qualification as a concession, it is furthermore essential that an operating risk is transferred to the economic operator, although it might be very limited. Legal or contractual arrangements to compensate the economic operator for losses associated with the performance of the service indicate that no operating risk has been transferred. Contrary to authorisations, there is also an obligation of the economic operator to operate the respective activity, which can be legally enforced in court. Concessions can only be granted via a contract.

- 2. The award of an exclusive right to offer horse race betting to a foundation organised in a manner similar to that of Stiftelsen Norsk Riskstoto is to be qualified as an authorisation and not as a services concession under Article 5(1)(b) of Directive 2014/23/EU.
- 3. The adoption of Directive 2014/23/EU has not entailed any changes regarding the distinction between authorisations and services concessions.
- 4. The fact that the profit generated by horse race betting is to be used for a specific purpose is of no relevance for the classification of the award of the exclusive right as an authorisation or a services concession.

The Belgian Government

28. The Belgian Government submits that the first to third and fifth and sixth questions referred should be answered as follows:

First, second and third questions

EU law requires that the concept of "service concession" and "administrative authorization" shall be distinguished based on the following factors:

• Service concessions are contracts for pecuniary interest by which a contracting authority entrusts the performance and management of services to one or more economic operators.

- a) There must be a consideration, either solely of the right to exploit the services subject of the contract or of this right accompanied by a price;
- *b)* The operating risk is transferred to the concessionaire;
- c) Concession contracts entail mutually binding commitments, under which the performance of services is subject to specific requirements defined by the contracting authority, which requirements are enforceable in courts.
- Administrative authorizations are those were the operator receives permission to operate a service but is under no obligation to do so.
 - a) Authorizations have no contractual basis;
 - b) In the case of an authorization granted to a single operator, the operator must be subject to adequate control by the authorities, which is a matter for the national court to determine, including of the fact that any profits of the exclusive service provider are controlled by the State.

Fifth and sixth question

The fact that national legislation does specifically name the holder of the exclusive right is not per se relevant. By contrast, it is significant that the preparatory works assume that the exclusive right is to be awarded to a specific exclusive right provider for the application of the exception under the first subparagraph of Article 10(1) of Directive 2014/23/EU.

Furthermore, the fact that the foundation was awarded an exclusive right on the basis of previous national legislation, including that the foundation was awarded an exclusive right for horse race betting uninterruptedly under that previous national legislation, although for five years at a time, until such time as the exclusive right was awarded again after new legislation entered into force on 1 January 2023 is relevant but not determinant for the application of the exception under the first subparagraph of Article 10(1) of Directive 2014/23/EU.

ESA

- 29. ESA submits that the Court should answer the questions referred as follows:
 - 1. The factors for determining whether an award of an exclusive right for gaming is to be regarded as an administrative authorisation scheme or a services concession under Article 5(1)(b) of the Concessions Directive are set out in that provision, as well as in Recital 14 of the Directive.

- 2. Case law from the European Courts from before the adoption of the Concessions Directive is, as a starting point, still relevant for the determination of whether an award of an exclusive right is to be regarded as an administrative authorisation scheme, falling outside the scope of the Directive, or an award of a services concessions under the Directive.
- 3. The fact that the profits are controlled by the State through regulation and distributed to the benefit of third parties has no significance in determining whether the agreement is a concession or an administrative authorisation.
- 4. The award of an exclusive right to offer horse race betting to a foundation organised in a manner similar to Stiftelsen Rikstoto is not a services concession under Article 5(1)(b) of the Concessions Directive.
- 5. It is of no relevance, for whether the exception under the first subparagraph of Article 10(1) of the Concessions Directive applies, that the national legislation does not specifically name the holder of the exclusive right.
- 6. It is of no significance under the first subparagraph of Article 10(1) of the Concessions Directive that Rikstoto was awarded an exclusive right uninterruptedly under the previous national legislation.

The Commission

30. The Commission submits that the Court should answer the questions referred as follows:

As regards the first and fourth questions:

Provided that no pecuniary interest is involved and that no mutually binding obligations are provided for, which only the referring court can assess, the agreement at issue in the case at stake in the main proceedings does not qualify as a services concession within the meaning of Article 5(1)(b) of Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, p. 1-64).

As regards the second question:

The adoption and entry into force of Directive 2014/23 and its regulation of concession contracts has not entailed a change for how to draw the line between public contracts in the form of services concession contracts, on the one hand, and administrative authorisation schemes, on the other.

As regards the third question:

In order to determine whether one is dealing with an administrative authorisation scheme or a services concession contract, it is of no significance that any profits of the party awarded the exclusive right are controlled by the State through regulation, to the benefit of third parties, provided that the regulation of the State neither impacts the actual generation of the profit nor its receipt by the party awarded the exclusive right.

As regards the fifth and sixth questions:

In order to apply Article 10(1) of Directive 2014/23, it is immaterial that the national legislation does not specifically name the holder of the exclusive right, but that the preparatory works assume that the exclusive right is to be awarded to a specific exclusive right provider, although this is not laid down in statute because an obligation may not be imposed on the foundation to offer gaming; for the same purpose, it is also immaterial that the foundation was granted an exclusive right in the past.

Michael Reiertsen Judge-Rapporteur