GZ 2023-0.665.114

To the President and the Members of the EFTA Court

WRITTEN OBSERVATIONS OF THE REPUBLIC OF AUSTRIA

according to Article 20 of the Statute and Article 97 of the Rules of Procedure of the EFTA Court

in

CASE E-8/23

Trannel International Limited v Staten v/ Kultur- og likestillingsdepartementet

The Republic of Austria, represented by Albert Posch and Julia Schmoll, Director-General and Director at the Constitutional Service of the Federal Chancellery respectively, submits the following observations in Case E-8/23, request for an Advisory Opinion from the Oslo District Court (Oslo tingrett), dated 6 July 2023.

I. Background of the Case and Referred Questions

- (1) According to the information given by the Oslo District Court, the request for an Advisory Opinion has the following (legal) background:
- (2) The Norwegian State has awarded the (state-owned) foundation Norsk Rikstoto an exclusive right to offer horse race betting in Norway on the basis of the Act of 18 March 2022 No 12 on gaming for a period of 10 years (from 1 January 2023 till 31 December 2032). Norsk Rikstoto has had the exclusive right to offer totalisator betting (horse race betting) since 1982 on the basis of the (now-repealed) Totalisator Act of 1927.
- (3) Under Norwegian national law, profits from horse race betting are distributed in their entirety to organisations that promote equestrian sport, horse husbandry and Norwegian horse breeding. In the event of repeated or material breach of provisions laid down in or adopted on the basis of the Norwegian Gaming Act, the Norwegian Gambling Authority may impose conditions for continued operation or withdraw the authorisation or licence. The holder of the right to offer horse race betting is not obliged to operate.
- (4) Trannel International Limited, an international gaming company, whose application for authorisation to offer totalisator betting in Norway has not been dealt with by reference to

the authorisation currently held by Norsk Rikstoto, brought an action before the Oslo District Court for declaratory judgement, seeking to have the award of an exclusive right to Norsk Rikstoto declared to be ineffective, arguing that the public contract has been concluded without having been publicised.

- (5) The Oslo District Court, unsure as to whether Directive 2014/23/EU¹ applies to the award of such an exclusive right to offer totalisator betting, more precisely whether the exclusive right was awarded through a "services concession" under Article 5(1)(b) of Directive 2014/23/EU, has made a request to the EFTA Court for an Advisory Opinion on the interpretation of Directive 2014/23/EU. The questions read as follows:
- 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

¹ Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts, OJ 2014 L 94, 1.

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?

II. Legal Observations

1. On Questions 1 und 4:

- (6) By its first and fourth question, which in the view of the Republic of Austria should be examined together, the referring court essentially wants to know, which criteria are relevant for assessing whether an award of an exclusive right for gaming is to be regarded as an (administrative) "authorisation" or a "service concession", and more precisely whether Directive 2014/23/EU applies to the award of an exclusive right to offer totalisator betting to a foundation that is organised in a similar manner to that of Norsk Rikstoto.
- (7) In the view of the Republic of Austria, Directive 2014/23/EU does not apply to the award of an exclusive right to offer totalisator betting to a foundation such as Norsk Rikstoto. This is so because of the following reasons:
- (8) Directive 2014/23/EU applies to the award of works or services concessions to economic operators. According to its Article 5(1)(b) a "services concession" is "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 [...] 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". The award of a services concession "shall involve the transfer to the concessionaire of an operating risk in exploiting those [...] services encompassing demand or supply risk or both. The concessionaire shall be deemed to assume operating risk where, under normal operating conditions, it is not guaranteed to recoup the investments made or the costs incurred in operating ... the services which are the subject-matter of the concession." Recital 14 of Directive 2014/23/EU clarifies that certain Member States acts such as authorisations or licences should not qualify as concessions.
- (9) The Republic of Austria emphasises on the onset that a clear distinction needs to be made between the concept of "authorisation" and "concession".
- (10) The Republic of Austria however first notes that the term "concession" is used in different ways throughout the Member States. The Republic of Austria refers to the Commission's Report from 28th July 2023 on the functioning of Directive 2014/23/EU on the award of concession contracts and on the impact on the internal market of the exclusions set out in

Article 12²: The Commission pointed out that the term "concession" is not used in a homogenous way in the Member States. The Commission found that in the majority of the Member States, national legislation often also uses the term "concession" to refer to other legal concepts, such as authorisations or licences (c.f. page 6 of the Report).

- (11) The Republic of Austria secondly points to the fact that there is no coherent legislative or terminological approach drawing a clear distinction between the award of a concession on the one hand and the award of an authorisation or licence on the other hand:
- (12) This is, firstly, evident from the legal texts: Pursuant to Recital 14 of Directive 2014/23/EU an act is to be qualified as an authorisation or licence if it "establishes the conditions for the exercise of an economic activity, including a condition to carry out a given operation".

 Recital 14 further elaborates that such an authorisation or licence is normally granted "on request of the economic operator and not on the initiative of the contracting authority or the contracting entity" and that "the economic operator remains free to withdraw from the provision" of the services in question. Recital 14 finally distinguishes those authorisations or licences from "concession contracts", which "provide for mutually binding obligations where the execution of the [...] services are subject to specific requirements defined by the contracting authority or the contracting entity, which are legally enforceable".
- (13) Recital 14 of Directive 2014/23/EU states that Directive 2006/123/EC³ applies in the case of authorisations and licences. Article 4(6) of Directive 2006/123/EC defines an "authorisation scheme" as "any procedure under which a provider or recipient is in effect required to take steps in order to obtain from a competent authority a formal decision, or an implied decision, concerning access to a service activity or the exercise thereof". Recital 39 of Directive 2006/123/EC, however, elaborates that the concept of "authorisation scheme" should cover, inter alia, "the administrative procedures for granting authorisations, licences, approvals or concessions" (highlight added). Article 4(1) of Directive 2009/73/EC⁴ also explicitly designates "concessions" as a kind of authorisation.
- (14) According to Article 1(3) of Directive 94/22/EC⁵ "authorisation" means "any law, regulation, administrative or contractual provision or instrument issued thereunder by which the competent authorities of a Member State entitle an entity to exercise, on its own behalf and at its own risk, the exclusive right to prospect or explore for or produce hydrocarbons in a

² See COM(2023) 460 final.

³ Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, OJ 2006, L 376, 36.

⁴ Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, OJ 2009, L 211, 94: "In circumstances where an authorisation (for example, licence, permission, concession, consent or approval) is required".

⁵ Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorizations for the prospection, exploration and production of hydrocarbons, OJ 1994, L 164, 3 as amended by Regulation (EU) 2018/1999, OJ 2018, L 328, 1.

geographical area. An authorisation may be granted for each activity separately or for several activities at a time."

- (15) That fact that the terms "authorisation" and "concession" are not always used in a coherent way, is secondly also evident from the case law of the ECJ:
- (16) The ECJ has drawn a line between "authorisations" and "concessions" by pointing out that an "authorisation" to engage in an economic activity is an agreement that other than a "concession" does not oblige the tenderer to engage in the transferred activity. This point is also emphasised by the Commission in its Report on the functioning of Directive 2014/23/EU: It stresses in particular that concessions are to be distinguished from "authorisations" or "licences" and elaborates that whereas an authorisation or licence provides a contractor with the right to exploit that authorisation or licence, a concessionaire is under an obligation to do so. 7
- (17) In joint cases C-458/14 and C-67/15, Promoimpresa the ECJ stated that the characterisation of an act as "concessions", which were granted by public authorities for State-owned maritime and lakeside property used for tourist and leisure-oriented business activities, in national law is irrelevant. The ECJ concluded that such "concessions" may be characterised as "authorisations" within the meaning of the provisions of Directive 2006/123/EC insofar as they constitute formal decisions, which must be obtained by the service providers from the competent national authorities in order to be able to exercise their economic activities. The ECJ recalled that a "services concession" is characterised, inter alia, "by a situation in which the right to operate a particular service is transferred by the contracting authority to the concessionaire and that the latter enjoys, in the framework of the contract which has been concluded, a certain economic freedom to determine the conditions under which that right is exercised and, in addition, is, to a large extent, exposed to the risks of operating the service".8
- (18) In joint cases C-724/18 and C-727/18, *Cali Apartments* the ECJ noted with reference to Directive 2006/123 that an "authorisation" is a formal decision, or an implied decision, concerning the access to a service activity or the exercise thereof.⁹
- (19) In his opinion in Case C-292/21, CNAE and Others, Advocate General Emiliou argued that "concessions" which were granted by the competent public authorities in relation to the provision of road-safety awareness and training courses for drivers who have lost points on their driving licences constitute formal decisions, which must be obtained by the service providers from the competent national authorities for them to be able to exercise their economic activities. Advocate General Emiliou concluded that these "concessions" may therefore be characterised as "authorisations" within the meaning of the provisions of the

⁶ ECJ judgment of 14 November 2013, C-221/12, Belgacom, para 33.

⁷ C.f. footnote 13 on page 6 of the Report.

⁸ ECJ judgment of 14 July 2016 in joint cases C-458/14 and C-67/15, *Promoimpresa*, para 41 and 46.

Services Directive 2006/123/EC.¹⁰ In its recent judgment in case C-348/22, Autorità Garante della Concorrenza e del Mercato [Commune de Ginosa], the ECJ held "that an authorisation, such as a concession for the occupation of State-owned maritime property, is to be granted for an appropriate limited period and may not be open to automatic renewal", ¹¹ similarly implying that "concessions" are to be considered as a kind of "authorisation".

- (20) In Case C-110/20, Regione Puglia, the ECJ did not distinguish between the concept of an "authorisation" and a "concession", stating that the rules contained in Directive 94/22 (which basically regulate the granting of authorisations for the prospection, exploration and production of hydrocarbons) are part of the body of public procurements rules. The ECJ further elaborated that it is for the Member States to ensure that any application for an operating permit is subject to the procedures and requirements imposed by Article 3 of Directive 94/22 and that "the requirements of transparency and non-discrimination are observed, since those principles are of particular importance for attaining the objective, pursued by the public procurement rules, of giving equal access to the market to all interested entities". 12
- (21) These examples of the case law show that the terms "authorisation" and "concession" are often used as synonyms.
- (22) As stated on the onset, the Republic of Austria however takes the view that both concepts should and must be clearly distinguished, because of the different legal consequences i.e. the applicable material regime and remedies following from the classification as "authorisation" or "concession".
- (23) As regards the (first) question of the Oslo District Court as to which criteria are relevant for assessing whether the award of an exclusive right is to be regarded as an (administrative) "authorisation", the following criteria can be derived from the jurisprudence of the ECJ:
- (24) As a general rule an "authorisation" is usually granted on request of the economic operator and enables an economic operator to "enter" a (specific) market. This means that without the authorisation the relevant economic activity cannot be performed at all (in the specific market). The authorisation thus establishes the conditions for the exercise of an economic activity. An authorisation regularly does not oblige the economic operator to perform the authorised activity: The economic operator can either make use of the authorisation, return it or simply "do nothing". It is only in some exceptional cases that there might be an obligation to perform the authorised activity. However, even in these cases the granting authorities cannot force the economic operator to perform the activity. The (only) consequence of the

⁹ ECJ judgment of 22 September 2022 in joint cases C-724/18 and C-727/18, Cali Apartments, para 47.

¹⁰ Opinion of Advocate General Emiliou in Case C-292/21, CNAE and Others, para 54.

¹¹ ECJ judgment of 23 April 2023, C-348/22, Autorità Garante della Concorrenza e del Mercato [Commune de Ginosa], para 68 (highlight added).

¹² ECJ judgment of 13 January 2022, C-110/20, Regione Puglia, para 34 and 45.

non-performance would be the withdrawal of the authorisation. An authorisation can be granted via a decision (formal or implied unilateral act) or an (public) agreement.

- (25) In contrast, the award of an exclusive right is likely to be classified as a "(services) concession" according to Directive 2014/23/EU, if this right is granted on the basis of 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, even if it might be very limited. Legal or contractual arrangements to compensate the economic operator for losses associated with the performance of the service in question therefore indicate that the right is not a concession. In contrast to an authorisation, in the case of a concession there is also an obligation of the economic operator to perform the respective activity, which can be legally enforced in court. Furthermore, concessions can only be granted via a contract.
- (26) Against this background and on the basis of the information provided by the Oslo District Court, the Republic of Austria takes the view that the award of the exclusive right to offer horse race betting as described in the request for an Advisory Opinion is to be classified as an authorisation (and not as a services concession under Directive 2014/23/EU):
- (27) The exclusive right allows the economic operator to offer horse race betting and is therefore a prerequisite to enter the specific betting market. It entitles the respective economic operator to offer this kind of gambling. The Republic of Austria does not overlook the fact that there is also a kind of remuneration in the case at hand, since the foundation generates a turnover (albeit for a specific purpose) from offering horse race betting and there is also an operating risk being transferred to the economic operator. However, the element of a remuneration is not decisive since there is no legally enforceable obligation of the foundation to operate horse race betting.¹³
- (28) In any case, the authority awarding the right has no means to legally enforce the operation of horse race betting. The authority is only entitled to withdraw the authorisation if its preconditions change and in the event of a serious or repeated breach of obligations. A breach of the conditions laid down in the authorisation may not be sanctioned by means of remedies for breach of contract. It is precisely the legal enforceability of an operating obligation, however, that is an essential element of a concession under Directive 2014/23/EU. Moreover, the award of the exclusive right to offer the horse race betting in Norway is

¹³ C.f. the submissions of the defendant on page 19 of the (english translation of the) request for an Advisory

¹⁴ C.f. the wording of the authorisation on page 12, the submissions of the plaintiff on page 15 and the submission of the defendant on page 19 of the (english translation of the) request for an Advisory Opinion.

apparently granted by royal decree¹⁵ and not by a contract, which is also a clear indication for its qualification as an authorisation.

- (29) The Republic of Austria therefore takes the view that Directive 2014/23/EU is not applicable to the award of the respective exclusive right.
- (30) This interpretation is also supported by Recital 35 of Directive 2014/23/EU. That Recital states that Directive 2014/23/EU 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. According to this recital, it is furthermore appropriate to exclude from the scope of Directive 2014/23/EU "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.
- (31) At last the Republic of Austria opposes the plaintiff's argument that the ECJ already referred to the "award of a concession for the operation of horse race betting [...] as a service concession" in case C-203/08, Sporting Exchange. In this judgment, the ECJ precisely did not come to the conclusion that the award of a right to operate horse race betting is to be qualified as a service concession. Rather, the ECJ held that "the issue of a single licence is not the same as a service concession" and referred to the fact that the principle of equal treatment and the obligation of transparency must nevertheless be complied with. 17
- (32) The ECJ also stated, however, that the principle of equal treatment and the consequent obligation of transparency are (only) applicable to procedures for the grant of a licence to a single operator or for the renewal thereof in the field of games of chance, insofar as the operator in question is not a public operator whose management is subject to direct State supervision or a private operator whose activities are subject to strict control by the public authorities.¹⁸
- (33) The Republic of Austria agrees that the principle of equal treatment and the obligation of transparency are also applicable to the award of the exclusive right to offer horse race betting. This fact alone, however, does not render the award of an exclusive right a "service concession".

¹⁵ C.f. the submissions of the defendant on page 19 of the (english translation of the) request for an Advisory Opinion.

¹⁶ C.f. the submissions of the plaintiff on page 15 of the request for an Advisory Opinion.

¹⁷ C.f. ECJ Judgment of 3 June 2010, C-203/08, Sporting Exchange, para 46.

¹⁸ C.f. ECJ Judgment of 3 June 2010, C-203/08, Sporting Exchange, para 62.

2. On Question 2:

- (34) By its second question, the referring court asks, if the adoption of Directive 2014/23/EU has entailed any changes regarding the distinction between authorisations and service concession contracts.
- (35) In the opinion of the Republic of Austria, this is not the case: The concept of "services concessions" already existed a long time before Directive 2014/23/EU was adopted. In the context of Service Directive 92/50/EEC the Commission had already proposed to include "services concessions" in the (then) EC procurement regime. Although the Council rejected this idea and eliminated all references to "services concessions" in the final text of Directive 92/50/EEC it was the common understanding, that "services concessions" (as a legal concept) were excluded from the scope of this Directive. Article 1(4) of Directive 2004/18/EC defined a "service concession" as a contract of the same type as a public service contract except for the fact that the consideration for the provision of services consists either solely in the right to exploit the service or in this right together with payment. This definition was introduced to clarify that Directive 2004/18/EC does not apply to "services concessions" (see Article 17 of said Directive). More importantly, this definition has not changed and is still found in Directive 2014/23/EU. This shows that the legal concept of "services concessions" existed well before Directive 2014/23/EU entered into force. The same is true for the concept of "authorisations".
- (36) The Republic of Austria also points to the Report of the Commission on the functioning of Directive 2014/23/EU once more: The Commission emphasises that Directive 2014/23/EU still recognises two different systems that are to be distinguished from each other: authorisations and licences on the one hand and concessions on the other hand.²²

3. On Question 3:

(37) By its third question, the Oslo District Court essentially wants to know, whether the fact that the distribution of any profit of the party awarded the exclusive right is regulated by the State

¹⁹ See the proposals for a Council Directive relating to the coordination of procedures for the award of public service contracts OJ C 23 of 31.1.1991, p. 1, and OJ C 250 of 25.9.1991, p. 4. The original proposal for a definition of a "services concessions" can be found in Art. 1 (h) and read: "a 'public service concession' is a contract other than a public works concession within the meaning of Article 1 (d) of Directive 71/305/EEC, concluded between an authority and another entity of its choice whereby the former transfers the execution of a service to the public lying within its responsibility to the latter and the latter accepts to execute the activity in return for the right to exploit the service or this right together with payment. Contracts for the award of rights to perform broadcasting activities are excluded from this definition."

²⁰ See the Commissions submissions in Case C-331/92, *Gestión Hotelera Internacional SA*, cited at no 23 of the AG opinion.

²¹ See in this regard the references above to Directives 2006/123/EC, Directive 94/22/EC and the jurisprudence of the ECJ dating before the entry into force of Directive 2014/23/EU.

²² C.f. page 6 of COM(2023) 460 final.

to the benefit of third parties has an impact on the qualification as an "authorisation" or a "services concession".

- (38) The Republic of Austria takes the view that 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". This follows from the case law of the ECJ cited above, according to which it is only required that a turnover as such is generated in the case of "concessions" in order to qualify it as a contract for pecuniary interest.
- (39) The ECJ had not yet had the opportunity to clarify this aspect in the case of "authorisations". The Republic of Austria is of the opinion that the question of how the turnover is distributed is irrelevant in the case of "authorisations". It is however in both situations not necessary that the turnover remains at the free disposal of the economic operator.

4. On Questions 5 and 6:

- (40) By its fifth question, the Oslo District Court wants to know, whether it is of significance for the application of the exemption of Article 10(1) first subpara of Directive 2014/23/EU that the legislative materials (preparatory works) assume that the exclusive right is to be awarded to a specific exclusive right provider. By its sixth and final question, the Oslo District Court asks, whether it is of significance for the assessment whether the exemption under Article 10(1) of Directive 2014/23/EU applies that the foundation was awarded the exclusive right in question under the previous legislation as well uninterruptedly every five years.
- (41) In the Republic of Austria's view, these questions can remain unanswered, as the award of the exclusive right in question is to be qualified as an "authorisation" and Directive 2014/23/EU is therefore not applicable.
- (42) As to the final question the Republic of Austria nonetheless submits that it must be answered in the negative. The mere fact that the foundation was awarded the exclusive right before cannot have any effect on the assessment, whether the exemption under Article 10(1) of Directive 2014/23/EU applies.

III. Proposal for answering the questions

- (43) In the light of the above considerations the Republic auf Austria proposes to answer questions 1 to 4 of the Oslo District Court 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.

Vienna, 18th October 2023 For the Republic of Austria: Dr. Albert Posch, LL.M. Dr. Julia Schmoll

