COMMISSION DECISION

of 25 July 1990

ruling on financial measures by Spain in respect of the coal industry in 1988, 1989 and 1990

(Only the Spanish text is authentic)

(91/3/ECSC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community,

Having regard to Commission Decision No 2064/86/ECSC of 30 June 1986, establishing Community rules for State aid to the coal industry [1], and in particular Articles 2 (1) and 10 thereof,

Whereas :

I

By letter of 26 September 1989, the Spanish Government informed the Commission, pursuant to Article 9 (2) of Decision No 2064/86/ECSC, of the financial measures it intended to take during 1990 in order to give direct or indirect support to the coal industries.

By letter of 15 June 1990, in answer to the Commission's requests of 1 December 1989 and 12 January 1990, the Spanish Government communicated further information.

In its letter of 15 June 1990, pursuant to the provisions of Article 9 (2) of Decision No 2064/86/ECSC, the Spanish Government also notified the Commission of new financial measures it intended to take in respect of 1989 and 1988.

The following aid is submitted for the approval of the Commission pursuant to the abovementioned Decision :

— aid to cover operating losses in 1990 : Pta 50 830 million,

— additional aid to cover operating losses in 1989 and 1988 : Pta 2 026,9 million and Pta 369,1 million respectively,

— aid to sales of coal and coke to the Community iron and steel industry in 1990 : Pta 1 400 million,

— aid to the mining environment for 1990 : Pta 268 million,

— aid to promote innovation in 1990 : Pta 280 million.

II

The aid of Pta 50 830 million to cover operating losses aims at compensating the difference between average estimated costs and average estimated revenue in respect of production of 4 262 000 tonnes for each tonne of coal produced by the undertakings Hunosa, Figaredo and Minero Siderurgica de Ponferrada (as regards those of its activities concerned with the Camocha mine).

By Decisions 89/102/ECSC [2], 88/505/ECSC [3] and 87/454/ECSC [4], the Commission authorized aid to cover operating losses for 1989, 1988 and 1987 on the grounds that it would help the process of restructuring the coal industry, particularly by staggering the dates of closure of certain pits with no prospects of economic viability in the context of regional industrial redevelopment policy. The aid would thus help to solve the social and regional problems related to developments in the coal industry, pursuant to the third subparagraph of Article 2 (1) of Decision No 2064/86/ECSC.

Contrary to this restructuration objective, the Commission notes that aid to cover operating losses has increased by more than 70 % compared with 1986.

Developments over the last few years should therefore be judged in accordance with the objectives of Decision No 2064/86/ECSC, particularly those mentioned in Article 2 (1) thereof.

In this connection, it is clear that the procedures for granting the undertakings concerned aid to cover operating losses do not encourage the coal industry to become competitive again by means of restructuring, modernization and rationalization measures.

The fact that the amount of aid is related to the quantity of coal produced encourages the maintenance of production capacity which in the long term has no prospect of becoming profitable.

Moreover, this policy is not designed primarily to help solve the social and regional problems related to developments in the Spanish coal industry in accordance with the criteria and objectives in Decision No 2064/86/ECSC.

[1] OJ No L 177, 1. 7. 1986, p. 1.

[2] OJ No L 38, 10. 2. 1989, p. 39.
[3] OJ No L 274, 6. 10. 1988, p. 41.
[4] OJ No L 241, 25. 8. 1987, p. 16.

Since there is no prospect of a substantial proportion of production becoming profitable, it is not possible to authorize a continual automatic increase in aid.

In fact, the increases in the price of coal which have already taken place, or are expected, on the Spanish coal market should have resulted in a reduction in aid by reducing the non-competitiveness of this production capacity.

Consequently, the aid to cover operating losses planned for 1991 should not exceed the amount authorized in Decision No 89/102/ECSC, which includes additional aid for 1989 to cover operating losses by the Camocha mine, which is also the subject of this Decision, namely a total of Pta 50 034,8 million.

In view of the transitional nature of Decision No 2064/86/ECSC, which expires on 31 December 1993, and the need to make the Community coal industry profitable in the long term, there must be a phased reduction of Community aid and this must be accompanied by plans for restructuring, rationalization and modernization as mentioned in the conditions for implementing Decision No 2064/86/ECSC.

So that the Commission can check that the implementing conditions of Decision No 2064/86/ECSC have been fulfilled as regards the aid to cover operating losses, the Spanish Government should be asked to provide, before 31 December 1990, a plan, covering the period up to 31 December 1993 at the latest, for reducing the aforementioned aid.

III

The additional aid which the Spanish Government intends to grant in respect of 1988 and 1989 to cover operating losses is intended to make up the deficit of the Camocha mine, which belongs to Minero Siderurgica de Ponferrada, and to prevent immediate closure of this mine and the social and regional consequences which would ensue from sudden termination of production. Since, as was explained above, most of the production from the mine in question has no prospect of long-term profitability, it is essential in the short term to implement a plan to restructure activities.

IV

Under Article 12 of Decision No 2064/86/ECSC, coal undertakings are authorized to grant rebates on their list prices for production costs or deliveries of coking coal, blast furnace coke and coal for injection into blast furnaces for the iron and steel industry of the Community under long-term contract. The rebates allowed must not cause the delivered prices of Community coal and coke to work out lower than those which would be charged for coal from non-member countries and coke made from non-member country coking coal.

The aid for deliveries of coking coal, coke and coal for injection into blast furnaces of the iron and steel industry of the Community, which totals Pta 1 400 million, which has decreased by 46 % compared with 1989 as the result of a decline in deliveries, helps to make up the difference between the price charged on the world market and the cost of producing Spanish coal for production in the order of 215 000 tonnes. Hence the aid is compatible with the provisions of Article 4 of that Decision.

This aid for deliveries of coking coal, coke and coal for injection into blast furnaces of the iron and steel industry of the Community should help the process of rationalizing the coal industry, particularly by staggering the closure of certain pits as part of regional industry redevelopment policy. It thus helps to solve the social and regional problems related to developments in the coal industry as referred to in the third indent of Article 2 (1) of this Decision.

V

The Spanish Government has informed the Commission of its intention of granting the coal industry aid to the mining environment of Pta 268 million in 1990. This aid is for work on spoil heaps and water purification.

This aid has to be notified to the Commission under point (b) of Annex 2 as referred to in Article 9 (2) of Decision No 2064/86/ECSC and assessed in accordance with Article 10 (2) of that Decision.

In the Commission's opinion, the amount of aid is so small that it will not give the Spanish coal industry a competitive advantage over other coal undertakings in the Community. The aid is designed to improve the environment in the affected areas and thus help to solve the regional problems related to developments in the coal industry as referred to in the third subparagraph of Article 2 (1) of the Decision.

The Spanish Government has informed the Commission of its intention of granting aid to promote innovation in the coal industry in 1990. The aid amounts to Pta 280 million, which is 54 % less than in 1989, and will be divided among the following coalfields: Central Asturiana, Bierzo, Villablino, Narcea, León-Este, Palencia, Aragón, Catalonia and the Balearic Islands.

This aid is intended to ensure that research results find practical application in production as quickly as possible and should thus help to improve the competitiveness of the Spanish coal industry. The aid has to be notified to the Commission under point (b) of Annex 2 as referred to in Article 9 (2) of Decision No 2064/86/ECSC and assessed in accordance with Article 10 (2) of that Decision.

The aid is so small that it will not provide Spanish undertakings with any significant competitive advantage over other coal undertakings in the Community.

The measure will help to improve the competitiveness of the coal industry in accordance with the first subparagraph of Article 2 (1) of the Decision,

HAS ADOPTED THIS DECISION:

Article 1

The Spanish Government is hereby authorized to grant aid totalling Pta 51 982 800 000 to the Spanish coal industry for the 1990 calendar year. The total amount shall be made up of the following items:

1. an amount totalling Pta 50 034 800 000 in aid to cover operating losses;
2. an amount totalling Pta 1 400 000 000 in aid for the sale of coal and coke to the Community iron and steel industry;
3. an amount totalling Pta 268 000 000 in aid to the mining environment;
4. an amount totalling Pta 280 000 000 in aid to promote innovation.

Article 2

The Spanish Government is hereby authorized to grant additional aid totalling Pta 369 100 000 and Pta 2 026 900 000 to cover operating losses for 1988 and 1989 respectively to the Spanish coal industry.

Article 3

The Spanish Government shall submit to the Commission, by 31 December 1990, a plan for reducing, between now and 31 December 1993 at the latest, the aid to cover operating losses as part of a plan for the restructuring, modernization and rationalization of the Spanish coal industry.

Article 4

This Decision is addressed to the Kingdom of Spain.

Done at Brussels, 25 July 1990.

For the Commission

António CARDOSO E CUNHA

Member of the Commission