COMMISSION DECISION

of 29 May 1996

authorizing the granting of aid by Portugal to the coal industry in 1995 and 1996

(Only the Portuguese text is authentic)

(Text with EEA relevance)

(96/576/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 3632/93/ECSC of 28 December 1993 establishing Community rules for State aid to the coal industry [1], and in particular Articles 2 (1) and 9 thereof,

Whereas:

I

By letter of 4 October 1995 Portugal informed the Commission, in accordance with Article 9 (1) of Decision No 3632/93/ECSC, of the financial measures it intended to take to support the coal industry in 1995 and 1996. Furthermore, by letter of 5 March 1996 Portugal sent additional information requested by the Commission.

Pursuant to Decision No 3632/93/ECSC, the Commission is to give its decision on the following financial measure:

— aid to the Carbonífera do Douro company totalling Esc 345 950 000, the first part being granted in 1995 and the second in 1996, to cover exceptional social-welfare expenditure to compensate workers who lose their jobs as a result of measures taken to restructure the Portuguese coal industry.

The support measures for the coal industry proposed by Portugal meet the requirements of Article 1 (1) of Decision No 3632/93/ECSC. The Commission must therefore give a decision, pursuant to Article 9 (4) of the Decision, on the conformity of those measures with the aims and criteria set out in the Decision and their compatibility with the proper functioning of the common market. In its assessment of the measures notified, the Commission needs to check, pursuant to Article 9 (6) of the abovementioned Decision, whether they are in conformity with the plan to reduce activity in the Portuguese coal industry, which was endorsed by Decision No 94/994/ECSC [2].

II

The activity-reduction plan leading to the final closure of the Douro coal mines was examined by the Commission in the light of the general objectives set out in Article 2 (1) and the specific criteria and objectives set out in Article 4 of Decision No 3632/93/ECSC. Coal production in Portugal was concentrated almost exclusively in the Douro Basin coal mines by the Carbonífera do Douro company, which was responsible for operations in the Pejão and São Pedro da Cova coalfields. Since the late 1980s, the company has suffered operating losses which have been covered by State aid. The losses are due mainly to difficult geological conditions, gradual exhaustion of resources, difficulties in disposing of the output and poor-quality coal. All these factors combined affected the economic viability of the operation. Furthermore, almost the only client, Electricidade de Portugal, decided to convert the Tapada do Outeiro thermal power station to natural gas from the beginning of 1995, so there is no longer an outlet for the coal produced.

The aim of the activity-reduction plan for the Carbonífera do Douro company was gradually to reduce the output and workforce of Germunde, the only coal mine left in operation, between 1990 and 1994, when final closure was planned. At the same time an action plan was proposed, principally to create new activities to improve the employment situation in the Castelo de Paiva region and thereby offset the job losses resulting from the closure of the mine.

III

Meanwhile, the Portuguese authorities confirmed the final closure of the Germunde mine on 31 December 1994 and guaranteed that, since then, there has no longer been any subsidized coal production in Portugal. The proposed aid for 1995 and 1996 is therefore solely intended to cover exceptional costs, in accordance with Article 5 of Decision No 3632/93/ECSC.

The aid to cover exceptional social costs, totalling Esc 345 950 000, is intended to provide partial cover for the compensation to be paid to some 49 employees of the Carbonífera do Douro company who lost their jobs on 31 December 1994 as a result of the final closure of the mining operations.

[1] OJ No L 329, 30. 12. 1993, p. 12.
[2] OJ No L 379, 31. 12. 1994, p. 3.

This aid is not connected to current production and must be regarded as covering inherited liabilities. In accordance with Article 5 (1) of Decision No 3632/93/ECSC, such aid, which is explicitly defined in the Annex to the Decision, namely the cost of paying social welfare benefits resulting from the pensioning-off of workers before they reach statutory retirement age, other exceptional expenditure on workers who lose their jobs as a result of restructuring and rationalization, and the payment of pensions and allowances outside the statutory system to workers who lose their jobs as a result of restructuring and rationalization and to workers entitled to such payments before the restructuring, may be considered compatible with the common market provided that the amount paid does not exceed costs. The Commission has ensured that this last condition has been met, since the measure in question has also been the subject of a request for conversion aid, in accordance with Article 56 of the ECSC Treaty.

IV

Accordingly, the aid to be granted by Portugal to the coal industry in 1995 and 1996 is compatible with the proper functioning of the common market,

HAS ADOPTED THIS DECISION:

Article 1

Portugal is hereby authorized to grant aid totalling Esc 345 950 000 to its coal industry for 1995 and 1996 to cover the compensation to be paid to workers who lost their jobs as a result of the closure of the mining operations of the Carbonífera do Douro company.

Article 2

Portugal shall inform the Commission, by 30 September 1996 at the latest, of the amount of aid actually paid in respect of 1995 and, by 30 September 1997 at the latest, of the aid actually paid in respect of 1996.

Article 3

This Decision is addressed to the Portuguese Republic.

Done at Brussels, 29 May 1996.

For the Commission

Christos PAPOUTSIS

Member of the Commission