European Commission: Financial Restructuring Plan for Portuguese Public Broadcaster Endorsed

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The European Commission has approved the financial restructuring agreement signed between the Portuguese government and the public service broadcaster RTP in September 2003. This decision was reached after the restructuring plan was found to be in line with EC Treaty state aid rules. The agreement will run until 2019 and aims to progressively reduce RTP's EUR 1 billion debt which was accumulated as a result of long-term under-financing of its public service tasks. Three reasons were found to have caused this chronic shortage of financial resources: the annual compensations payments received by RTP were subject to VAT thereby reducing their net value; the state neglected to pay the full amounts due to RTP under the concession agreements and the concession agreements denied RTP the possibility of claiming compensation for the full costs of public service provision.

This approval marks the culmination of an investigation process which the Commission initiated after receiving complaints from Portuguese commercial broadcasters between 1993 and 2003. These complaints raised concerns about the commercial behaviour and financing system of RTP and led the Commission to take its first decision on the matter in October 2003. It found several ad hoc state aid measures granted to RTP between 1992 and 1998 to be compatible with EC Treaty rules as these measures did not exceed the net public service costs. In March 2006, following commitments from the Portuguese authorities to increase transparency and proportionality, the Commission closed its enquiry into RTP' s new financing scheme introduced in 2003 (see IRIS 2006-5: 7). The overall amount of the state aid measures included in the financial restructuring plan, together with the ad hoc measures granted to RTP until 2003, were found to be compatible with EC Treaty state aid rules as they did not exceed the public service costs.

The Commission bases its decisions for the public broadcasting sector on Article 86(2) of the EC treaty and on the principles set out in its Communication on the application of state aid rules to public service broadcasting (2001). The approval of the Portuguese restructuring agreement is in line with previous decisions (see IRIS 2003-10: 4); other cases related to public service broadcasters' funding are still pending (see IRIS 2005-4: 4).

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"State aid: Commission endorses financial restructuring plan for Portuguese public broadcaster RTP", press release of 5 July 2006, IP/06/932

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