# COMMISSION DECISION

## of 17 July 1991

## approving the grant of aid by Portugal to the coal industry in 1990

**(Only the Portuguese text is authentic)**

(91/548/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],

Whereas:

I

By letter of 7 December 1990 the Portuguese Government informed the Commission, in accordance with Article 9 (2) of Decision No 2064/86/ECSC, of the financial measure it intends to take to support the coal industry in 1990.

By letter of 16 April 1991 the Portuguese Government submitted further information, in response to the Commission's letter of 25 January 1991, on the business strategy of the undertaking Carbonifera do Douro, as required by Article 2 of Commission Decision No 91/2/ECSC [2].

Aid to cover operating losses in 1990 of the undertaking Carbonifera do Douro totalling Esc 828 290 000 for production of about 0,22 million tonnes has been submitted by the Portuguese Government for approval by the Commission in accordance with that Decision.

II

The increase in aid compared with 1989 must be viewed in the light of the objective of Decision No 2064/86/ECSC, in particular those of Article 2 (1) thereof.

For a number of years, the undertaking Carbonifera do Duoro has been implementing a modernization and rationalization plan which has led to some improvement in productivity. However, this improvement has not been fully reflected in production costs, which have risen steadily by over 30 % since 1985.

In addition, the undertaking Carbonifera do Douro has devised a business strategy aimed at progressively reducing its production and workforce between 1990 and 1994, when total closure of the undertaking is planned. This strategy was necessary partly because difficulties in mechanizing the mine were pushing up production costs and partly because prospects for coal prices did not indicate any improvement in the competitiveness of the undertaking's production capacity.

In the long term, this state of affairs would lead to a continual decline in competitiveness and mounting operating losses which would have to be covered by ever higher subsidies.

The aid proposed will cover the difference between projected average costs and projected average revenue for each tonne produced. The aid will not exceed expected operating losses and hence complies with the conditions laid down in Article 3 (1) of the Decision.

This measure will facilitate gradual closure of the mine and hence contribute to solving the social and regional problems related to developments in the coal industry, in accordance with the third indent of Article 2 (1).

III

In view of the foregoing and of the information supplied by the Portuguese authorities, the aid to be granted to the current production of the Portuguese coal industry in 1990 is compatible with the objectives of Decision No 2064/86/ECSC and with the proper functioning of the common market.

IV

Pursuant to Article 11 (2) of Decision No 2064/86/ECSC, the Commission must ensure that the direct aid to current production which it authorizes is used exclusively for the

[1] OJ No L 177, 1. 7. 1986, p. 1.
[2] OJ No L 5, 1. 7. 1986, p. 25.

purposes set out in Articles 3 and 6 thereof. It must therefore be informed of the amoutns of the payments and the manner in which they are apportioned,

HAS ADOPTED THIS DECISION

*Article 1*

Portugal is hereby authorized to grant aid totalling Esc 828 290 000 to the coal industry to cover operating losses for the 1990 calendar year.

*Article 2*

Portugal shall inform the Commission at the latest by 31 December 1991 of the actual amount of aid paid in 1990.

*Article 3*

This Decision is addressed to the Portuguese Republic.

Done at Brussels, 17 July 1991.

*For the Commission*

Antonio CARDOSO E CUNHA

*Member of the Commission*