# COMMISSION DECISION

## of 23 December 1992

## approving the grant of aid by Portugal to the coal industry in 1992

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

(93/135/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 13 October 1992 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 1992.

Under Decision No 2064/86/ECSC, the Commission is taking action on the following financial measures :

— aid to cover operating losses by the Carbonifera do Douro company, totalling Esc 871 200 000 during 1992,

— aid in building up a reserve intended to cover compensation for mining damage, for 1992, totalling Esc 50 000 000,

— aid to cancel a debt of Esc 94 029 000 owed to the Portuguese Department of Social Security for 1992.

The support measures for the coal industry proposed by Portugal meet the requirements of Article 1 (1) of the Decision. The Commission must therefore ensure that those measures meet the aims and criteria set out in that Decision and are compatible with the proper functioning of the common market in pursuance of Article 10 thereof.

II

For 1992 the Carbonifera do Douro company has provided for an operating loss of Esc 871 200 000 for that part of its activities associated with the production of 200 000 tonnes of coal.

The aid intended to cover operating losses must be viewed in the light of the objectives of Decision No 2064/86/ECSC, and in particular those of Article 2 (1) thereof as part of the implementation of the business strategy of the Carbonifera do Douro company notified to the Commission by the Portuguese Government in its letter of 16 April 1991.

The aim of the 'Carbonifera do Douro' business strategy is progressively to reduce the output and workforce of the Carbonifera do Douro company between 1990 and 1994, when total closure of the undertaking is planned.

The trend recorded in 1992 is consistent with the aim of the business strategy, namely a reduction of 11,5 %. This fall in output has not been sufficient to reverse the trend towards increased operating losses.

The matching of that level of aid to falling coal output, its transient nature and the implementation of a clearly-defined restructuring programme facilitating the implementation of regional development programmes are in line with the implementation conditions set out in Decision No 2064/86/ECSC. The aid to cover operating losses facilitates the business strategy of Carbonifera do Douro, as adopted by the Portuguese Council of Ministers in its discussions on 4 October 1990.

The aid proposed will cover the difference between the projected coverage 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 aid will contribute to solving the social and regional problems related to the reduction in coal production in accordance with the third indent of Article 2 (1) of the Decision.

In view of the foregoing, and the information supplied by the Portuguese authorities, the aid to be granted to the current production of the Portuguese coal industry in 1992 is compatible with the objectives of Decision No 2064/86/ECSC and with the proper functioning of the common market.

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

III

The Portuguese Government has, for 1992, provided for aid amounting to Esc 50 000 000 intended to build up a reserve to cover compensation for any damage due to coalmining which might appear after the planned closure of the mine in 1994.

That measure must be considered to be aid linked with current production, on which the Commission must give its opinion under Article 10 (2) of Decision No 2064/86/ECSC.

In reducing the cost of production the proposed aid will, by enabling the mine to be closed down more gradually, help to solve the social and regional problems related to the decline in coal production in accordance with the third indent of Article 2 (1) of the Decision.

IV

Aid amounting to Esc 94 092 000 is proposed in order to cover a proportion, equivalent to 13 monthly transactions, of the debt owed by Carbonifera do Douro to the Portuguese Department of Social Security before 2 November 1990.

That measure must be considered to be a cancellation of debts owed to the public authorities on which the Commission must give its opinion under Article 10 (2) of Decision No 2064/86/ECSC.

This measure is intended to cancel the company's debts before the closure of the mine in 1994 and will, by enabling the closure to be more gradual, help to solve the social and regional problems relating to developments in the coal industry in accordance with the third indent of Article 2 (1) of Decision No 2064/86/ECSC.

V

In view of the foregoing, the aid to be granted by the Portuguese Government to the coal industry in 1992 is compatible with the proper functioning of the common market.

Pursuant to Article 11 (2) of Decision No 2064/86/ECSC, the Commission must ensure that the direct aid to the current production which it authorizes is used exclusively for the purposes set out in Articles 3 and 6 thereof. It must therefore be informed of the amounts of the payments and the manner of their allocation,

HAS ADOPTED THIS DECISION:

*Article 1*

Portugal is hereby authorized to grant aid totalling Esc 1 015 229 000 to its coal industry for the 1992 calendar year.

This amount shall be broken down as follows:

— aid, amounting to Esc 871 200 000, to cover the operating losses of the Carbonifera do Douro company;

— aid, amounting to Esc 50 000 000, to provide funds to compensate for any damage due to mining operations which may appear after closure of the mine;

— aid to cover a debt of Esc 94 029 000 owed to the Portuguese Department of Social Security.

*Article 2*

The Portuguese Government shall inform the Commission by 30 June 1993, at the latest, of the actual amount of aid paid in 1992.

*Article 3*

This Decision is addressed to the Portuguese Republic.

Done at Brussels, 23 December 1992.

*For the Commission*

António CARDOSO E CUNHA

*Member of the Commission*