

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 817 final

Brussels, 10 December 1982

MEMORANDUM  
ON THE FINANCIAL AID AWARDED BY THE MEMBER STATES  
TO THE COAL INDUSTRY IN 1982

(Communication from the Commission to the Council)

COM(82) 817 final

## TABLE OF CONTENTS

	<u>Page</u>
<u>CHAPTER I</u>	
Introduction	1
<u>CHAPTER II</u>	
The situation in the common market for coal in 1982 and the trends in financial aid to the coal industry	
1. The situation in the common market for coal	3
2. The financial situation of the coal industry in the Community	5
3. The financial aids granted by the Member States to the coal industry in 1982	7
4. Compatibility of the financial aids planned for 1982 with the proper functioning of the common market	11
<u>CHAPTER III</u>	
Conclusions	15
<u>Annex</u>	
Survey of financial aids planned for 1982 and examination of their compatibility with the provisions of Decision 528/76	
I. Aids not related to current production	A/1
II. Financial aids relating to current production	A/7
<u>Tables</u>	

---

16

CHAPTER I

INTRODUCTION

1. This Memorandum examines the Member States' planned financial aids to coal-mining for 1982 to see whether they are compatible with Commission Decision No 528/76/ECSC<sup>1</sup> and with the proper functioning of the common market.
  
2. The 1982 Memorandum follows the same pattern as that of the previous year. The main section is devoted to the economic and financial problems of undertakings and to the competitive situation in the coal market. In the light of these data, the compatibility of the aids to current production with the proper functioning of the common market is examined in accordance with Article 3(1) of Decision No 528/76. The annex lists the individual measures and examines their compatibility with the other provisions of the Decision.
  
3. Pursuant to Article 2 of Decision No 528/76, the Commission received information regarding aid measures for 1982 from the Governments of the following States :
  - (a) the German Government, in letters dated 24 November 1981 and 9 March 1982;
  - (b) the French Government, in a letter dated 12 May 1982;
  - (c) the United Kingdom Government, in a letter dated 13 April 1982, and
  - (d) the Belgian Government, in a letter dated 8 June 1982.
  
4. As the above dates show, the Member States were late in sending information for 1982, for under Article 2 of the Decision the Commission should have been notified by 1 November 1981. The delays were due to the difficulties of

---

<sup>1</sup>OJ No L 63 of 11 March 1976, p.1.

forecasting coal-mining's revenue position for 1982, which provides the basis for calculating the level of subsidy last year. 1981 saw fairly marked price fluctuations in the world market for coal, and by the end of the year it was doubtful whether the level reached would hold steady in 1982. If it had, undertakings would have been able to adjust to the new level of prices, and (disregarding exchange-rate changes, which are hard to predict) this would have had a considerable effect on revenue expressed in national currencies. Problems also arose to some extent in the forecasting of undertakings' production costs owing to the effects of inflation. Finally, all governments in the coal-producing Member States had budgetary problems in 1982, which prompted them to calculate subsidies with special care.

5. Where the Commission obtained knowledge from the reports of Member State Governments of economic facts which are covered by the obligation of professional secrecy in Article 47 of the ECSC Treaty, these have not been included in the memorandum.
6. In calculating the amount of aid per tonne for 1982, the following output was used as a basis (million tonnes, t-t) :

Federal Republic of Germany	94.6
France	18.0
United Kingdom	124.5
Belgium	<u>6.3</u>
TOTAL	<u><u>243.4</u></u>

7. For converting the aid amounts expressed in national currencies into ECU, the following exchange rates were used : (average for first half of 1982)

1 ECU	= DM	2.43
	= FF	6.21
	= £	0.56
	=BFR	43.1

CHAPTER IITHE SITUATION IN THE COMMON MARKET FOR COAL IN 1982 AND THE TRENDS IN FINANCIAL AID TO THE COAL INDUSTRY1. The situation in the common market for coal

The memorandum describes only the most significant features of energy and coal market developments in 1982, specifically those which affect aid measures and the competitiveness of Community coal. The figures refer to estimates available at the time of writing (August 1982).

In 1982 there will hardly be an improvement in general economic expansion in the Community compared with the previous year. Real GDP is expected to rise by 1.0%, and total primary energy consumption will probably fall. As regards individual energy sources, oil consumption is expected to go on falling, while the consumption of nuclear energy should go up; the trend for coal consumption should show a decrease of about 1% in 1982.

The sectorial pattern of overall coal consumption will probably change only slightly in 1982. Power station demand for coal will fall by 3% and household demand for coal will fall as well, while "other industries" will probably consume more (+ 5.2 million t) than in 1981. Coal use in coke-ovens will fall (- 3.5 million t), because sales having suffered by the crisis in the steel industry.

Community coal supplies will fall in 1982 and production is expected to drop by four million tonnes; imports will probably be 1.5 million tonnes lower than in 1981.

Although consumption and supply are falling, the imbalance in last year's market, namely a glut, will not altogether disappear in 1982. Pithead stocks of Community coal will rise again therefore in 1982 by more than 7 million tonnes to over 53 million tonnes.<sup>1</sup> If coke stocks - which will also rise in 1982 by 1.5 million tonnes - are included, total coal and coke stocks held by Community producers will reach about 65 million tonnes by the end of the year.

This shows that there is not a very <sup>favourable</sup> trend in consumption on the Community coal market and that in the face of competition from imported coal, Community coal is finding it difficult to expand its markets and thus prevent a further increase in pithead stocks.

If the regional and geographical differences in conditions of competition which affect Community coal through transport costs and influence firms' sales policies are discounted, there was an increase in prices in 1981 on the world coal market, although this had petered out by year end. In the first quarter of 1982 prices in US-\$ were very soft and showing a tendency to fall slightly.

Table A

1. Imported coal prices

		US \$ per tonne	
<u>Quarterly average</u>	<u>Power-station coal (free-at-frontier c.i.f. prices)</u>	<u>As at</u>	<u>Coking coal (ARA c.i.f. prices)</u>
I 1981	59.92	2.1.1981	75.70
II 1981	63.54	1.4.1981	80.05
III 1981	61.15	1.7.1981	84.35
IV 1981	62.81	1.10.1981	86.55
I 1982	60.50 (*)	1.2.1982	82.45
		1.4.1982	82.20

\* Provisional

<sup>1</sup> Includes strategic stocks in the Federal Republic of Germany

As well as the trend of world coal market prices, on which Community firms align, it is the exchange rate against the dollar which determines undertakings' revenue in national currencies. In general, the US\$ went up in 1981/82, favourably affecting the revenue of undertakings in the Community. For 1982, therefore, some improvement in the revenue situation is to be expected (except in the case of France), and this has been reflected in aids. It is still true, however, that coal-mining undertakings will be unable to withstand competition from imported coal by themselves in 1982. Aids are required to enable them to stay in business.

## 2. The financial situation of the coal industry in the Community

Complete calculations for costs and revenue in 1981 have been obtained from undertakings, thus making it possible to compare trends with the previous year.

Table B

### Financial situation of the undertakings

	Production costs <sup>1</sup>			Revenue			Difference <sup>3</sup>	
	ECU		increase	ECU/t		increase	ECU/t	
	1980	1981	%	1980	1981	%	1980	1981
Federal Republic of Germany	74.0	85.0	+ 14.9	66.0	73.0	+ 10.6	- 8.0	- 12.0
Belgium	100.0	108.0	+ 8.0	47.0	60.0	+ 27.7	-53.0	- 48.0
France	76.0	81.0	+ 6.6	53.0	65.0	+ 22.6	-23.0	- 16.0
United Kingdom <sup>2</sup>	63.0	78.0	+ 23.8	53.0	65.0	+ 22.6	-10.0	- 13.0

<sup>1</sup>Total costs including capital service and depreciation.

<sup>2</sup>Includes open-cast mining.

<sup>3</sup>The losses per tonne are not fully comparable with the subsidies per tonne shown in Table 2 in the Annex, which were calculated in accordance with the method laid down in Decision No 528/76, because of the way in which subsidies are entered in company accounts.

It can be seen that production costs have risen - except in the United Kingdom - by around 8 to 15%. Generally speaking, the factors determining this trend have been the effects of inflation and the discrepancy between the rise in output per manshift (Community average/up <sup>1981</sup> 1.6% on 1980) and that in wages. In the United Kingdom, particular circumstances caused by various factors including the effects of high inflation had an unfavourable influence on production costs, although UK mining was able to increase its output per manshift underground by 2,6%.

Although the pattern of revenue varied from one country to another, the general trend was for earnings from Community coal to follow world market prices in 1981.

Only in Belgium and France did the discrepancy between costs and revenue in 1981 lead to an improvement in earnings; in the UK and the Federal Republic of Germany losses continued to rise.

At the time of writing, no exact figures for production costs and returns in 1982 were available. A further increase in production costs on the same scale as in previous years can be expected - except in the case of France - as the factors which caused production costs to rise (increase in materials costs, wages and interest) will continue unchanged in 1982. Fairly large cost increases are expected for the French coal-mining industry in 1982, according to French Government estimates, among other things because productivity can probably not be maintained at the high level reached in 1981.

Estimating the 1982 revenue from Community coal is difficult, since two opposing influences will be felt. First, world market coal prices, which rose continuously to the end of 1981 when they were at a high level, have already dropped during the first quarter of 1982, although it is difficult to judge whether and how far this will continue for the rest of the year; this causes uncertainty about the undertakings' pricing policy and the forecasting of the trend of revenue.



Second, for practical reasons, undertakings can only react to changes in world market prices with some delay. At the beginning of the year there was still a certain amount of room for them to catch up on 1981 price increases in the world coal market during 1982.

The above influences are reflected in the estimated returns for 1982. In general, apart from France, a major increase (compared with cost estimates) is to be expected, and an improved revenue situation seems possible as a result.

### 3. Financial aid granted by Member States to the coal industry in 1982

Aids granted under Articles 4 and 5 of Decision No 528/76 are compatible with the common market, provided they do not exceed certain limits. Aids under Article 4 are for social security benefits and those under Article 5 to help cover inherited liabilities. The explanations - to be found in the Annex, pp. A1 to A7 - show that permissible aid limits were not exceeded.

The figures are set out in Table 1 at the end of the Annex; as can be seen, there will be some increases in 1982 on the previous year's figures. As regards social measures within the meaning of Article 4, the increases (+ 5.7%) are the result of the constantly deteriorating ratio between the total number of men employed and those receiving unemployment benefits and increases in pensions.

The rise in the cost of covering inherited liabilities within the meaning of Article 5 (+ 0.6%) is the result partly of further pit closures and rationalization measures and partly of increased prices and costs in some categories of inherited liability (costs for closures, drainage, pensions, concessionary coal, etc).

Aids to current production are those direct and indirect measures which are defined in Articles 7 to 12 of Decision No 528/76 and which provide the criteria for judging the proper functioning of the common market. Details of these measures and what they cost are available in the Annex (page A7 and se. and Table 2).

Table C below provides an overall view of the trends in aids envisaged in 1982 vis-à-vis 1981.

Table C

Breakdown of aids

	Total sum		Amounts per tonne	
	million ECU		ECU	
	1981	1982	1981	1982
Federal Republic of Germany	1 162.3	754.8	12.42	7.97
Belgium	281.6	199.4	46.16	31.68
France	404.2	553.8	23.10	30.77
United Kingdom	845.7	718.4	6.77	5.76
Community	2 693.8	2 226.4	11.12	9.15

Of the total sums the following were allocated to:

direct measures	40.0	48.2	0.17	0.20
aids to coking coal	844.2	432.2	3.49	1.78
indirect measures	1 809.6	1 746.0	7.47	7.17
breakdown				
Art. 7 (Investment)	309.2	236.3	1.28	0.97
Art. 8 (Personnel)	98.7	111.2	0.41	0.46
Art. 9 (Stocks)	25.0	23.0	0.10	0.09
Art. 10 (Strategic reserves)	50.6	59.1	0.21	0.24
Art. 11 (Power station coal)	25.0	6.8	0.10	0.03
Art. 12 (Loss coverage)	1 301.1	1 309.6	5.37	5.38

While the sums per tonne for the Federal Republic of Germany in international comparison following the provisions of Decision 528/76 are correct statistically, they are only partly valid for substantial comparison with the other Community countries. This is due to the third electricity-from-coal law, which lays down that power stations must buy steam coal from the coal industry at break-even prices. The additional cost incurred by using Community coal is offset by increasing electricity prices. In 1981, this offset levy amounted to some DM 1 800 m (7.54 ECU per tonne). A figure of DM 1 700m (7.40 ECU per tonne) is estimated for 1982. This sum is not, however, included in the list of aids, since it is not a state aid.

The table shows, for the Community as a whole, that aid planned for 1982 will be less than that for 1981. The decrease is appreciable, with total aid for 1982 (almost 2 200 m ECU) amounting to 17.4% less than in the previous year; the decrease per tonne is of the same order of magnitude (-17.7%).

The country-by-country comparison shows that aids, in particular for coking coal and investment, will be reduced in all the Member States in question except France.

#### United Kingdom

The reduction of aids to the UK coal-mining industry from 845.7 m ECU in the 1981/82 coal marketing year to 718.4 m ECU for 1982/83 - a drop of 15.1% - has resulted chiefly from less aid being granted to cover losses. The UK Government has informed the Commission that the development of the NCB's business in the 1982/83 coal marketing year cannot be foreseen entirely and that it might be necessary to adjust the planned aids.

#### Belgium

The aids planned for 1982 will be considerably lower than in the previous year (199.4 m as against 281 m ECU, i.e. a drop of 29.2%). The main areas where the reductions will be made are aids to cover losses and aids for coking coal. By upping the Belgian coal prices to world market levels, it was possible to raise revenue by considerably more than the increase in production costs, with the result that the earnings situation has improved. It has not yet been possible, however, to halt production completely in the Southern coalfield - where the revenue situation is particularly unfavourable - for reasons of social and regional policy; closure was planned for 31 October 1981. The funding of the aid is guaranteed by credits from a finance company (Société Nationale pour le Financement des Charbonnages) to reduce the drain on public funds.

../..

France

By increasing aids from 404.2 m ECU in 1981 to 553.8 m ECU for 1982 ( a rise of 37%) France has taken the opposite approach to the other three Member States. The jump is almost entirely due to a necessary increase in aid for covering losses: it must be borne in mind that a large proportion of coking coal aid under Decision 73/287 is included in aid to cover losses under Article 12 of Decision No 528/76.

As pointed out on page 5, the expected cost increases for French coal-mining in 1982 will considerably exceed possible price rises. Here it should be remembered that the estimates <sup>of</sup> revenue per tonne were made in February/March 1982, with the result that the devaluation of the French franc on 14 June 1982 could not be taken into account. Earnings may therefore increase considerably during the year, with consequent improvements in the forecast revenue situation.

Federal Republic of Germany

Aids in 1982 to the German coal-mining industry will be about 35% less than in 1981 (754.8 m ECU against 1 162.3 m ECU). Aids to investment and for coking coal are the main categories concerned. In the latter case, they are provisional estimates subject to revision during the year.

Reductions in aid have been made possible firstly, by some improvement in the revenue position of coking coal. Secondly, the need to come into line with public spending cuts has meant a cut in the amount of aid granted. In order at least partially to offset the loss of public aid, the coal-mining industry will therefore have to seek its own remedies.

../..

The reasons for and circumstances surrounding the aid measures in each country in 1982 have<sup>been</sup> explained above. The measures are discussed from the viewpoint of their compatibility with the various criteria laid down in Decision No 528/76 in the Annex (see Chapter II, page A7). At this point, however, they must also be examined for compatibility with the proper functioning of the common market, in accordance with Article 3(1) of the same Decision.

4. Compatibility of the financial aids planned for 1982 with the proper functioning of the common market

(a) General aspects

- (i) The amounts of aid per tonne for 1982 cited in Table C on page 8 show that the United Kingdom amount is fairly small, and that there is a large gap particularly between it and those granted by Belgium and France; the German amount lies roughly in the middle. This difference in amount is not to be regarded as indicating a distortion of competition between coal producers. Essentially, the common market in coal consists of national markets which rarely give rise to competition from several Community producers. There are only a few "contested" areas in which several producers offer their products at the same time, but the quantities of coal sold in these areas are relatively small. Alignment by Community producers only applied to 0.3 million tonnes in 1981. In view of this, it may generally be assumed that competition will not be disrupted in 1982 because of the differences in the amount of aid granted.
- (ii) Supplies of coal and coke to the Community in 1982 can be assured at all times. Pit closures in 1982 as part of rationalization measures will have no effect on supplies. Pithead stocks, current production

../..

and imports enabled the demand to be met. It is therefore clear that aids will not jeopardize supplies in 1982.

- (iii) According to estimates available, there will be a slight drop in intra-Community coal trading in 1982. The total for 1982 will be some 18 million tonnes.

Table D

Coal deliveries to other Community countries

1.000 t

	Federal Republic of Germany	Belgium	France	United Kingdom	Total
1981	10 710	820	400	7 725	19 655
1982	9 660	735	360	7 290	18 045

The Table shows that Belgian and French deliveries to other Community countries are extremely low and consequently have little impact on competition between Community producers.

Deliveries of German coal, which account for 50% of total deliveries in intra-Community trade, mainly concern coking coal for coke-ovens in other Community countries. In the past few years these deliveries have steadily declined, having been affected by the crisis in the steel industry; the real competitive problems are hence not between Community producers but in relation to coking coal imported from non-member countries.

United Kingdom deliveries in intra-Community trade, which increased sharply in 1981 because the NCB had to contain the rise in pithead stocks and improve its cash position, compete almost exclusively with imported steam coal from non-Community countries. The NCB is making particular efforts this year to maintain and expand its sales.

It can be concluded from the foregoing that aid measures will have little influence on intra-Community trade and competition between producers.

- (iv) Output will be further rationalized in 1982. Four operational installations in the French coalfields of the Nord/Pas-de-Calais and Centre-Midi, are being closed, the closures being phased so that regional and social problems will be avoided; for reasons of rationalization, pits are also being closed in the United Kingdom, but at the time of writing it is not possible to say how many.

The aim of investment aid and subsidies granted under Article 5 of Decision No 528/76 is to rationalize Community coal production, remove the burden resulting from pit closures and maintain the competitiveness of those pits selected to ensure future supplies.

(b) Particular aspects affecting the trends in coal prices

Changes in prices of some coal sorts in a number of selected Community coalfields can be seen in the following Table.

Table E

Trend in coal list prices

(in national currency per tonne)

	Date	Steam coal			Coking coal		
		1.10.81	1.5.82	1.7.82	1.10.81	1.5.82	1.7.82
<u>Federal Republic of</u>							
<u>Germany</u>							
RAG	DM	257.- (1)	257.- (1)	257.- (1)	244.50	244.50	244.50
Saar	DM	271.- (2)	278.- (2)	278.- (2)	267.-	274.-	274.-
Aachen	DM	-	-	-	259.-	271.50	271.50
<u>Belgium</u>							
	bfrs.	3 600 (1)	3 775 (1)	4 025 (1)	3 280	3 455	3 655
<u>France</u>							
Lorraine	FF	486.- (1)	542.- (1)	542.- (1)	436.-	502.-	565.-
<u>United Kingdom</u>							
Scotland	£	50.10(1)	54.40(1)	54.40(1)	-	-	-
South Yorkshire	£	48.40(1)	52.50(1)	52.50(1)	-	-	-

1 High-volatile, nuts 5

2 High volatile, nuts 2

As can be seen from the Table, list prices for Community coal have risen; they were raised only slightly in the Federal Republic of Germany, but by 8 to 15% in the other Member States, between October 1981 and the summer of 1982.

This applies only to a comparison of list prices and world market prices. In practice the actual prices calculated by Community producers are lower than the list prices. It is only on this realistic basis that the proper functioning of the common coal market can be assessed.

The Commission is keeping a watch on the current trends in prices of steam coal and coking coal both on the world market and on the common market for coal. As stated above (page 4), prices in the world market did go up in 1981, but have fallen again since the first quarter of 1982. The Commission assumes that the producers have done all they can to align their actual earnings on this trend and that industrial users of coal have not received any indirect aids which would not be permitted under the provisions of Article 3(1) of Decision No 528/76.

C. Conclusions about the proper functioning of the common market

On the basis of the above considerations, the Commission concludes that there is unlikely to be any disturbance of the proper functioning of the common market in 1982 as a result of the aids granted by the Member States.

Concerning the production of the Community the Commission reminds the Governments of the Member States that the aspect of "maintenance of the level of Community's total coal production under satisfactory economic conditions" should not be neglected for the aid measures. The preface of the decision No.528/76 as well as the document COM(82)31 final (The Role for Coal in Community Energy Strategy) refer to this aspect.



CHAPTER IIIConclusions

1. The Commission has examined whether the measures proposed by each Member State for 1982 comply with the provision of Decision No 528/76 and concludes that the aids proposed by the Member States relating to current production in 1982 do so comply.
2. In its analysis of coal market trends, the Commission has established that there will be little change in the quantity of coal consumed in the Community in 1982. The competitive position of Community coal has improved slightly as a result of the steep rise in coal prices in 1981 on the world market. Aids have therefore diminished in all the Member States except France.

For the Community as a whole, aid has fallen by some 17.4% from 2 693.8 m ECU (1981) to 2 226.4 m ECU (1982); the average amount of aid per tonne in the Community has fallen from 11.12 ECU to 9.15 ECU. The differences between the amounts of aid per tonne in each coal-producing Member State have lessened.

A N N E X

Survey of financial aids planned by the Member States to the  
coal industry in 1982

Examination of the compatibility of the measures envisaged with  
Decision No 528/76/ECSC

Tables

I. Aids not related to current production

These aids are related to social measures and the covering of inherited liabilities deriving from earlier pit closures.

A. Description and assessment of financial measures in the social security field

Article 4 of Decision No 528/76/ECSC states that contributions by Member States to the financing of social security benefits shall be considered compatible with the Common Market, provided that, for undertakings in the coal mining industry, they bring the ratio between the burden per miner in employment and the benefits per person in receipt of benefit into line with the corresponding ratio in other sectors.

The following section is concerned solely with the amount of financial aid given in the social sector and, where appropriate, with cases where the limits set in Article 4 of Decision No 528/76/ECSC have been exceeded.

A.1) GERMANY, FRANCE, BELGIUM

In Germany DM8.570 million are envisaged in 1981 to cover the deficit in the surviving dependents pension scheme of the mining industry as a whole, some 80% - DM6.856 million - of which goes to the coal industry.

Information provided by the French Government shows that state aid to the French coal industry in the social sector in 1981 will amount to FF9 337.2 m. The following table gives details:

Source	Expenditure (in million FF)	Purpose
State	4 609.4	<u>Disability and old-age pensions insurance</u> Regular contribution amounting to 22% of wages subject to contribution, and additional State adjustment
General system	452.4	<u>Disability and old-age pensions insurance</u> Regular contribution to cover part of "exceptional expenditure" (amount fixed by law)
General system	1 457.5	<u>Insurance against industrial accidents and occupational diseases</u> Regular repayment of inherited liabilities
General system	1 110.8	<u>Sickness insurance</u> Treatment benefits
State	855.8	<u>Disability and old-age pensions insurance</u> "Exceptional expenditure" in coal mining industry within the meaning of Article 4 of Decision No. 528/76
General system	851.3	<u>Supplementary scheme : worker's retirement pensions</u>
<b>TOTAL</b>	<b>9 337.2</b>	

State contribution to the financing of social security benefits for the Belgian mining industry may be estimated at Bfrs. 32 120.7 Mio for 1982. The following table gives details

Source	Amount of State subsidies (BFR million)	Purpose
State	18 909.0 (1)	<u>Old-age pension and insurance of surviving dependants</u>
State	5 211.7	<u>Disability pensions insurance</u> Disability pensions
State	8 000.0	<u>Occupational diseases</u> 50% of the expenditure arising from miners' pneumoconiosis
<b>TOTAL</b>	<b>32 120.7</b>	

(1) Commission estimate

Calculations by the Commission reveal that Germany, France and Belgium have not exceeded the limits set in Article 4 of Decision No. 528/76:

- In Germany the undertakings' actual welfare expenditure is DM 194 m. (3.1%) higher than the normal expenditure defined in Article 4.
- In France the State subsidy to Charbonnages de France (FF 855.8m) causes actual social expenditure and normal expenditure to coincide.
- In Belgium the undertakings' actual social expenditure is BFR 281.7 m. higher than the normal expenditure defined in Article 4.

(ii) United Kingdom

Apart from the general social security system - into which the coal industry is integrated - almost all branches of industry in Britain have insurance systems of their own from which pensions are paid to retired workers. The British coal industry also has such a supplementary system in the form of a pension fund, into which the British Government will pay 259.7 m in the 1982/83 coal marketing year. However, this sum is only to balance out the ratio between working and retired miners, so that the limits set in Article 4 of Decision No 528/76 are not exceeded.

(iii) Summary of financial measures in the social security sector

As Table 1 in the Annex reveals, State intervention in the social security sector of the coal industry in 1982 will be 5.7% higher than in 1981 and will total 5 177 m ECU.

../..

B. Description and assessment of the financial measures to cover inherited liabilities

Pursuant to Article 5 of Decision No 528/76 measures taken by Member States to assist the undertakings to cover the costs arising from pit closures which are not related to current production and the sale of coal shall be compatible with the Common Market provided that the amounts involved in such measures do not exceed the amount of such costs, i.e. the inherited liabilities. Sums in excess thereof represent direct aid to current production and are to be regarded as aids under Articles 7 to 12 of Decision No 528/76.

(i) Germany

For 1982 the Federal Government has planned the following measures to cover inherited liabilities :

	<u>DM million</u>
- closure premiums	24.3
- dispensation from obligations arising under the Equalization of Burdens Law	-
Sub-total	<u>24.3</u>
- aid for water-control costs	141.0
- aid to cover expenditure resulting from contraction	61.0
- aid to cover inherited liabilities	49.2
- aid to cover Ruhrkohle AG's closure write-offs	48.0
TOTAL	<u>323.5</u>
	(133.1m ECU )

All the above items represent liabilities inherited by the undertakings, i.e. those resulting from the closure of pits in previous years, and therefore do not relate to current production.

These measures are aids already granted in previous years.

Through the German Coal Mining Association (Aktionsgemeinschaft Deutscher Steinkohlenbergbau) the Federal Government pays the undertakings concerned a premium of 20 DM/t of annual capacity for the closures carried out. These are made to rationalize production. The aid covers only a small fraction of the undertakings' actual closure costs.

The sum of DM 141.0m for water control costs will be paid to the Ruhr mining industry specifically to cover the financial burden rising from closures since 31 December 1966. As a result of pit closures, the Ruhr coal-mining industry bore a heavy burden in the form of constantly rising contributions to water control associations and the Ruhr Pumping Association (Pumpgemeinschaft Ruhr). The aid does not exceed the actual additional costs to be borne by the undertakings.

The sum of DM 61.0m to cover expenditure resulting from contraction is additional to the closure premiums which (as mentioned above) do not cover actual costs of closures. This measure concerns liabilities arising out of pit closures since 31 December 1972. The aid is spread over a period of five years in the form of a flat-rate payment of DM 30 for every tonne by which annual capacity is reduced, but not exceeding actual costs borne by the undertakings as a result of the closures.

The sum of DM 49.2m is aid for covering inherited liabilities arising from pit closures before 1 January 1973. The relevant German laws ensure that the aid does not exceed actual liabilities borne by undertakings.

The sum of DM 48.0m as aid towards closure write-offs only concerns Ruhrkohle AG. In previous years the Ruhrkohle AG has had to include write-offs of assets resulting from pit closures which could not be brought into the profit and loss account because this would have bankrupted the undertaking. A special item was therefore introduced on the assets side of the balance.

Taking into consideration the financial position of the undertakings, the public authority has therefore agreed to take over DM 480m. of the total sum - payable in 10 equal annual instalments - DM 48m.

All the above measures clearly meet the requirements of Article 5(1) of Decision No 528/76. The total sum involved in the measures is 133.1m ECU in 1982 and is included in Table 1 of the Annex.

(ii) France, United Kingdom

For 1982, the French Government has allocated a sum of FF 665.0m (107.1m ECU) as aid towards covering inherited liabilities borne by Charbonnages de France. This sum in aid is intended to cover the following inherited liabilities :

	FF m
- contribution to early retirement pensions	29.5
- premiums, lump sums for retrained personnel, cost of housing for those retiring early	50.3
- financial liabilities in respect of those retiring early	552.7
- concessionary allowances for those retiring early	<u>32.5</u>
<b>TOTAL</b>	665.0
	(=107.1m ECU)

Broken down between coalfields as follows :

Nord/Pas-de-Calais	452.2
Lorraine	56.7
Centre-Midi	156.1

The Commission estimates that the actual liabilities borne by the Charbonnages de France are the same as the sum granted in aid.

../..



-27-

A/7

In 1982 the British Government plans to introduce the following measures under Article 5 of Decision No 528/76 :

	£ million
- redundancy payments to miners affected by pit closures	18.0
- early retirement payments	17.4
- aid in respect of concessionary coal for pensioners	<u>14.4</u>
TOTAL	49.8
	(88.9 <sup>m</sup> ECU)

The United Kingdom measures cover inherited liabilities arising out of pit closures; these liabilities are the same as the sum granted in aid.

To summarize, it can be said that <sup>the</sup> French and United Kingdom measures listed above meet the criteria of Article 5(1) of Decision No 528/76.

(iii) Summary of the measures to cover inherited liabilities

As can be seen from Table 1 of the Annex, the planned state aids to cover inherited liabilities in 1982 will total 329<sup>m</sup> ECU for Community as a whole; an increase of 0.6 % over 1981.

II. Financial aid relating to current production

All aids that are not social measures within the meaning of Article 4 of Decision No. 528/76, or aids to cover inherited liabilities within the meaning of Article 5 are aids to current production.

Aid to current production may be granted directly or indirectly to undertakings.

..//..

A. Indirect financial aid to current production in the coal mining industry

Indirect financial aid covers all measures which Member Governments announce in accordance with the first paragraph of Article 2(1) of Decision No. 528/76 but which do not come into the category of the direct measures defined in Articles 7 to 12 of the Decision. Indirect measures are reported to the Commission under Decision No 528/76 and assessed according to the provisions of the ECSC Treaty.

Only Germany, France and Belgium have announced indirect measures to aid current production in the coal industry for 1982. The following measures were taken in previous years as well.

(i) Description of the German, Belgian and French measures

For 1982 the Federal Government has provided for special depreciation facilities in respect of expansion and rationalization measures in the underground sector of the coal industry. The sum of these special depreciations amounts to DM 70.0 million (28.8m ECU). The measure is based on paragraph 51 of the Income Tax Law and on paragraph 81 of the Income Tax Regulation and will give the German coal industry no competitive advantages vis-à-vis other Community coal producers, since the balance sheets of German coal mining undertakings in any case show losses which are partially reduced by direct aids.

The indirect financial measures planned by the Belgian Government involve the following sectors :

	<u>BFR million</u>
- expenditure on season tickets or cheap holiday tickets for miners, pneumoconiosis sufferers	13.7
- subsidies to the Miners' National Pensions Fund to compensate for new expenditure on welfare arising from the increase in the miners' annual holiday allowance, the introduction of newsickness benefits and longer annual holiday (Articles 32.12 and 32.14 in the budget of the Economic Affairs Ministry)	<u>461.9</u>
TOTAL	475.6
	(+ 11.0m ECU)

The French Government plans a state subsidy of FF 52.0m (3.4m ECU) for the research programme of the Centre d'Etudes et Recherches des Charbonnages de France (CERCHAR) in 1982.

(ii) Assessment of indirect financial aid to the coal industry

The Commission has examined the above-mentioned measures, which have been in force for several years, and does not consider that they violate the ban on subsidies set out in Article 4 of the ECSC Treaty.

(iii) Summary of indirect measures

Table 2 at the end of this annex gives the relevant figures for (ii). In 1982 direct aid to the coal industry rose to 48.2m ECU from 40.0m ECU in 1981.

B. Direct financial aid to current production in the coal-mining industry

(i) Federal Republic of Germany

(a) The extent to which direct financial aid to current production in the German coal mining industry is compatible with the provisions of Articles 7 to 12 of Decision No 528/76

The Federal Government proposes to continue in 1982 the direct aids already granted in 1981.

Legal basis under Decision No 528/76	Measures	Amount of aid			
		Total		Per t production	
		DM million	million ECU	DM	ECU
Art. 7(1) and (2)	Investment aid	478.4 <sup>1)</sup>	196.9	5.06	2.08
Art. 7(3) (3)	Promotion of innovation	67.0	27.6	0.71	0.29
Art. 8	Mineworkers' bonuses	220.0	90.5	2.33	0.96
Art. 10	Aid to security stocks	143.5	59.1	1.52	0.62
	TOTAL	908.9	374.1	9.62	3.95

<sup>1)</sup> Including the subsidy granted to the Eschweiler Bergwerksverein amounting to DM 168.0m to finance restructuring investments.

A/10

In addition to the aids mentioned above, the Federal Länder Governments are to grant coking coal aid to the value of DM 855m (351.9m ECU) in 1982, an aid to production pursuant to Decision No 73/287.

The investment aid of 196.9m ECU is intended for investment projects in pits, coking plants, briquetting plants and pithead power stations. In 1982, total investment in the German coal industry will come to some 410m ECU. Investment aid will represent just under 50% of total investments.

The investment aid is to be regarded as beneficial since it will promote the long-term stabilization of production in the German coalfields. The aid complies with the provisions of Article 7(1) of Decision No 528/76.

The sum of 27.6m ECU to promote innovation is intended to ensure that research results are applied to production as quickly as possible. The aid is lower than the costs borne by the undertakings and is granted in respect of individual projects which, when completed, are likely to prove their economic worth to coal-mining in the medium term. The purpose and amount of this aid show that it is compatible with Article 7(3) (3) of Decision No 528/76.

Mineworkers' bonuses, amounting to 90.5m ECU have applied since 1956. A bonus of DM 10 is paid for every shift worked underground. This bonus ensures that qualified mineworkers required for the German coal industry to increase its output stay in coal-mining. The measure therefore satisfies Article 8 of Decision No 528/76.

The sum of 59.1m ECU as aid towards maintaining long-term security stocks is a measure introduced by the Federal Government in order to increase the long-term security of energy supplies. For this purpose, the German Coal Mining Emergency Association (Notgemeinschaft Deutscher Steinkohlenbau) bought up 10 million tonnes of coal and coke. The Federal Government covers only part of the actual current cost of maintaining these stocks in 1982, by granting an aid of DM 143.5m ECU. The purpose and amount of the aid show that it satisfies Article 10 of Decision No 528/76.

The foregoing remarks show that the financial measures planned by the Federal Government for 1982 in favour of the German coal-mining industry satisfy Articles 7,8 and 10 of Decision No 528/76.

(b) The extent to which direct financial aids to current production in the German coal-mining industry are compatible with the proper functioning of the common market

An assessment of the extent to which German aids are compatible with the proper functioning of the common market requires consideration of all direct and indirect aids for current production in 1982 (Article 3(2) of Decision No 528/76).

The relevant figures are given in a summary table (see Table 2 at the end of this annex).

By this method of calculation, the total proposed aid under the German measures amounts to 754.8m ECU, or 7.97 ECU/t. In comparison with 1981, aids per tonne have fallen by 35.8%.

As regards the compatibility of German aids with the proper functioning of the common market, reference is made to the comments in the main body of this document (see page 11 et seq.).

A/12

(ii) FRANCE

(a) The extent to which direct financial aids to current production in the French coal-mining industry are compatible with the provisions of Articles 7 to 12 of Decision No 528/76

The French Government did not provide for any new aids in 1982, but continued with aids instituted in previous years; this involves only loss-covering aid;

Legal basis under Decision No 528/76	Measures	Amount of Aid			
		Total		Per t production	
		FF million	million ECU	FF	ECU
Article 12	(a) Cover for the losses by the central administration of Charbonnages de France	441.0	71.0	24.50	3.94
	(b) Cover for the coal-fields' operating losses	2 936.2 <sup>1)</sup>	472.8	163.12	26.27
TOTAL		3 377.2	543.8	187.62	30.21

<sup>1</sup>Including a portion of the coking coal aid.

In addition to the above-mentioned aids, an aid for coking coal of FF 10.0m (1.6m ECU) is to be granted in 1982. This figure is low, since part of the coking coal aid is covered by Article 12.

As regards the assessment of the aid granted in 1982 in accordance with Decision No 528/76, the aid sum of FF 3 377.2 million is expected to be less than the total losses of the Charbonnages de France. The amount of the aid therefore complies with the provisions of Article 12 of the Decision.

The following points are relevant in connection with aid to the individual coalfields :

- in 1982, aid to the Nord/Pas-de-Calais and Centre-Midi coalfields will be calculated in such a way that, as a result of the closure of further pits, there will be a reduction in production, which will mean that some 120 fewer persons will be employed in the coal industry. The aids will prevent severe economic and social disruption in areas where there are not yet adequate opportunities for re-employment. The aids to these coal-fields therefore satisfy Article 12(1) (1) and Article 12(2) of the Decision.
- The output planning of the Charbonnages de France in the Lorraine coal-field aims at long-term stabilization, since the coking coal produced in this coalfield is important for supplying the steel industry. The aid granted for this purpose complies with Article 12(1) (2) and Article 12(3) of the Decision.

(b) The extent to which direct aids to current production in the French coal mining industry are compatible with the proper functioning of the common market

Total direct and indirect aid to current production amounts to 553.8m ECU (30.77 ECU/t ; see Annex, Table 2), an increase of 33.2% in 1982 (23.10 ECU/t).

As regards the compatibility of French aids with the proper functioning of the common market (Article 3(1) of Decision No 528/76, reference is made to the comments in the main body of this document (see p. 11 et seq.).

A/14

(iii) Belgium

(a) the extent to which direct financial aids to current production in the Belgian coal mining industry are compatible with the provisions of Articles 7 to 12 of Decision No 528/76

In 1982, the Belgian Government intends to provide aid for investment, recruiting skilled workers and covering operating losses.

Legal basis under Decision No 528/76	Measures	Amount of aid			
		Total		Per t production	
		BFR million	ECU million	BFR	ECU
Art. 7(2)	Investment aid	510.0	11.8	81	1.87
Art. 8	Recruitment of skilled workers	20.0	0.5	3	0.07
Art. 12	Meeting operational losses :				
	Coal field : Campine	3 624.1	84.1	604	14.02
	Southern	575.2	13.3	2 018	46.67
	Sub-total	4 199.3	97.4	66.8	15.50
	TOTAL	4.729.3	109.7	752	17.44

In addition to the above aids, the Belgian Government intends to grant a coking coal aid (Decision NO 73/287) of BFR 3 390.0m (78.7m ECU) for the current production of the Campine coalfield. Total direct Belgian aid amounts to BFR 8 119.3m; it is divided between the two coalfields as follows :

Campine	: BFR	7 544.1m	=	1 257 BFR/t
Southern	: BFR	575.2m	=	2 018 BFR/t
TOTAL	: BFR	8 119.3m	=	1 292 BFR/t

Of the investment aid, a sum of BFR 510.0m will go to the Campine coal-field. Investment is particularly important for the latter, since it has to maintain the supply of coking coal for the Belgian steel industry. Belgian investment aid is therefore compatible with Article 7(2) of Decision No 528/76.



Aid for recruiting and training skilled workers (BFR 20.0m) has proved necessary in order to attract into Belgian coal-mining suitably qualified labour which can operate modern plant and machinery properly. The aid therefore complies with Article 8 of the Decision.

Aid totalling BFR 4 199.3m to cover operating losses is paid to the two Belgian coalfields for different reasons. The aid paid to the Campine coalfield will almost make up the difference between costs and returns. This almost complete covering of the difference between costs and revenue is necessary, because the coalfield is meant to supply the Belgian steel industry with coking coal and must therefore maintain its output. The purpose and amount of aid granted to cover losses in respect of the Campine coalfield therefore satisfy the tests of Article 12(1) (2) and Article 12(3).

The Southern coalfield, however, receives aid covering only part of the difference between costs and revenue. Here the intention is to ensure that only essentials are maintained and the pits remain viable until the coalfield can be closed down without friction, so that serious economic and social upheaval is avoided. For these reasons, the closure of the last pit, which was scheduled for 31 October 1981, has been postponed. The final closure date has not yet been fixed. From all this it can be seen that the aid to cover losses in the Southern coalfield is compatible with Article 12(1) (1) and Article 12(2).

- (b) The extent to which direct aids to current production in the Belgian coal mining industry are compatible with the proper functioning of the common market

In the Belgian coal mining industry, aids to current production total 199.4m ECU (31.68 ECU/t) for 1982 (see Annex, Table 2). Comparison with the 1981 figure (281.6m ECU) shows that there has been a reduction of almost 30%.

As regards the compatibility of Belgian aids to current production with the proper functioning of the common market, reference is made to the comments in the main body of this document (see p. 11 et seq.).

(iv) United Kingdom

(a) The extent to which direct financial aid to current production in the British coal mining industry is compatible with the provisions of Articles 7 to 12 of Decision No. 528/76

For the 1982/83 coal marketing year the British Government plans the following direct aids to current production :

Legal basis under Decision No. 528/76	Measures	Amount of aid			
		Total		Per t production	
		£ million	million ECU	£	ECU
Art. 8	Aid to attract skilled workers	11.3	20.2	0.09	0.16
Art. 9	Aid to producers' stocks	12.9	23.0	0.10	0.18
Art. 11	Aid to steam coal	3.8	6.8	0.03	0.05
Art. 12	Aid to cover losses	374.3	668.4	3.01	5.37
	TOTAL	402.3	718.4	3.23	5.76

The aid for attracting and keeping skilled workers ( £11.3m ) is intended to offset in part the NCB's costs arising from rationalization and the transfer of production to their best pits. This results in outgoings on removals, transport, etc. The aid is compatible with Article 8 of Decision No. 528/76.

When assessing the aid to cover costs for producers' stocks of coal and coke ( £12.9m ) it must be remembered that total pithead stocks and additional distributed stocks directly or indirectly financed by the producers will total more than 30 million tonnes by the end of 1982. Given a monthly production of

some 10.0 million tonnes, the volume of pithead stocks qualifying for aid under Article 9 of Decision No 528/76 would be 20 million tonnes. This means that the per-tonne grant in aid is £ 0.6. The actual costs of maintaining producers' stocks (including depreciation and interest) are considerably higher than the sum granted. The aid therefore complies with the provisions of Article 9 of Decision No 528/76.

The aid granted <sup>to</sup> power-station coal (£ 3.8m) is for deliveries of power station coal to Scotland. From the information provided by the British Government, the amount and purposes of the aid granted can be regarded as compatible with Article 11 of Decision No 528/76.

The aid given to cover losses (£ 374.3m) will largely cover the losses sustained by NCB pits in 1982/83. The aid is given to avoid serious economic and social disturbances in those coalfields where - in the event of pit closure - there are not yet adequate re-employment opportunities for redundant miners and to maintain existing production capacity so as to safeguard energy supplies. The aid is therefore compatible with Article 12 of the Decision.

- (b) The extent to which aids to current production in the British coal mining industry are compatible with the proper functioning of the common market.

In the 1982/83 coal marketing year aids to current production in the United Kingdom will total 718.4m ECU (5.76 ECU/t) (see Annex, Table 2). For 1982, this represents a drop of about 15% on the 1981 planned figures (845.7m ECU).

As regards the compatibility British aids to current production with the proper functioning of the common market, reference is made to the comments in the main body of this document (see page 11 et seq.).

Table 1

Aid not relating to current production

(million ECU)

	Social security measures pursuant to Article 4 of Decision No 528/76		Aids to cover inherited liabilities pursuant to Article 5 of Decision No 528/76		Infringements of Art. 5 (1982)
	Total	Infringements of Art. 4 (1982)	Total	Infringements of Art. 5 (1982)	
	1981	1982	1981	1982	
Federal Republic of Germany	2.682,4	2.821,4	188,0	133,1	-
Belgium	704,3	745,3	-	-	-
France	1.417,8	1.503,6	96,1	107,1	-
United Kingdom	91,3 <sup>1)</sup>	106,6 <sup>1)</sup>	43,0	88,9	-
<b>Total for the Community</b>	<b>4.895,8</b>	<b>5.176,9</b>	<b>327,1</b>	<b>329,1</b>	<b>-</b>

(1) The United Kingdom has an integrated social security system. The figure shown in this column covers only the special miner's pension fund, which exists side-by-side with the general social security system.

35

Aid for current production in 1982 (1)

Table 2

	Unit	Federal Republic of Germany	France	United Kingdom	Belgium	Community
<b>A. Aids under Decision No. 528/76</b>						
1. Infringement of Article 4 of Article 5	m ECU	-	-	-	-	-
	m ECU	-	-	-	-	-
<b>Total per tonne of production</b>	m ECU	-	-	-	-	-
	ECU	-	-	-	-	-
2. Direct measures per tonne of production	m ECU	28,8	8,4	-	11,0	48,2
	ECU	0,30	0,47	-	1,75	0,20
3. Indirect measures						
Article 7	m ECU	224,5	-	-	11,8	236,3
Article 8	m ECU	90,5	-	20,2	0,5	111,2
Article 9	m ECU	-	-	23,0	-	23,0
Article 10	m ECU	59,1	-	-	-	59,1
Article 11	m ECU	-	-	6,8	-	6,8
Article 12	m ECU	-	543,8	668,4	97,4	1.309,6
<b>Total per tonne production</b>	m ECU	374,1	543,8	718,4	109,7	1.746,0
	ECU	3,95	30,21	5,76	17,44	7,17
<b>B. Coking coal aid (Decision No. 73/287)</b>						
	m ECU	351,9	1,6	-	78,7	432,2
	ECU	3,72	0,09	-	12,49	1,78
<b>C. Total (A+B) Totals per tonne production</b>	m ECU	754,8 (2)	553,8	718,4	199,4	2.226,4
	ECU	7,97	30,77	5,76	31,68	9,15

(1) Planned figures  
 (2) Excluding aid granted under the Third Electricity-from-coal Law (= DM 1 700 m respectively 7,40 ECU per tonne).