

# COMMISSION OF THE EUROPEAN COMMUNITIES

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MEMORANDUM FROM THE COMMISSION  
ON THE FINANCIAL AID AWARDED BY THE MEMBER STATES  
TO THE COAL INDUSTRY IN 1980

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CHAPTER I

INTRODUCTION

1. This memorandum examines the financial aid awarded to the coal industry by the Member States in 1980 from the point of view of its compatibility with the provisions of Commission Decision No. 528/76/ECSC (1) and with the proper functioning of the common market.
  
2. The 1980 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 on the coal market. The compatibility of aids to current production with the proper working of the common market pursuant to Article 3(1) of Decision No. 528/76 is examined on the basis of these data. The annex describes individual measures and their compatibility with the other provisions of Decision No. 528/76.
  
3. Under Article 2 of Decision No 528/76, the Commission received information regarding aid measures for 1980 from the Governments of the following Member States:
  - the German Government,  
in a letter dated 15 November 1979  
10 January 1980
  
  - the French Government,  
in a letter dated 2 October 1980
  
  - the British Government,  
in letters dated 16 September 1980  
19 September 1980
  
  - the Danish Government,  
in a letter dated 25 April 1980
  
  - the Belgian Government,  
in a letter dated 17 July 1980

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(1) Official Journal of the European Communities No L63 of 11 March 1976 p.1.

4. Where the Commission obtained knowledge from the reports of Member State Governments of economic facts which are covered by the obligation of professional secrecy as set out in Article 47 of the ECSC Treaty, these have not been included in this memorandum.
5. In calculating the amount of aid per tonne for 1980, the following output was used as a basis (million tonnes, t-t):

Germany	93.5
France	18.0
United Kingdom	124.0
Belgium	6.3
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TOTAL	241.8
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6. For converting the aid amounts expressed in national currencies into European units of account, the following exchange rates were used:  
(annual average for 1980)

1 EUA =	DM 2.52
=	FF 5.86
=	£ 0.61
=	BFR 40.00

CHAPTER II

The situation on the common market for coal in 1980 and the trends  
in financial aid to the coal industry

1. The situation on the common market for coal

This memorandum deals only with the most significant details of coal market developments, specifically those which are of importance for the granting of aids and the competitive situation. The figures refer partly to estimates and partly to those final results already available for 1980 at the time this report was drawn up (November 1980).

In 1980, the general economic expansion in the Community fell off in comparison with 1979. Real GDP will probably grow by 1.0 - 1.5%, with a corresponding effect on the total consumption of primary energy, which will probably show a slight downturn for 1980 compared with 1979. As regards individual sources of energy, it is expected that oil consumption will show a relatively sharp drop, while that of gas and nuclear power will rise; coal consumption will probably remain at the same level.

Coal consumption stabilized at a high level (312 million tonnes (t=t) in both 1979 and 1980), and while, quantitatively, 1980 may not have been a boom year, it has certainly not been a bad one.

The structure of total coal consumption by sector changed only slightly in 1980. Power-station demand for coal will increase by 5 million tonnes and household demand for coal will hardly change at all, while "other industries" will probably consume an extra 2 million tonnes between them. This increase is offset, however, by a drop in the amount of coking coal consumed, as coke sales have suffered because of the crisis in steel production.

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On the supply side, both Community production and imports rose in 1980 up (+3 million and +8-9 million tonnes respectively compared with 1979). As demand was stable, this surplus meant that producers' stocks increased by 4 million tonnes in 1980 after dropping by 6 million in 1979.

Although the volume of sales was relatively stable, Community coal production in 1980 was under competitive pressure from imported coal, and this led to a slight deterioration in the companies' financial positions. Competitive pressure from oil continued to ease as a result of OPEC price rises. Community coal producers will be unable to stand up to this pressure on their own. This means that aids will be necessary to strengthen the capacity of Community coal to compete and to maintain Community coal production. This is in the interests of the Community's long-term plans for maintaining levels of Community production.

Although some Community coal producers raised their prices in 1980 to keep up with the cost trend, there is no mistaking the fact that it is very difficult to obtain acceptance for such increases in the market. Earnings per tonne rose very slightly with all that this implies for the financial situation of the mining companies (failure to cover costs). For all the general difficulties in obtaining acceptance for increases in the prices of Community coal, two exceptions must be noted :

- The competitiveness of British coal is better than that of other producers;
- Under the provisions of the third electricity-from-coal law, Community coal can be sold to German power stations at cost-covering prices, an arrangement from which the German coal industry profits most. The additional costs borne by the power stations are offset from a fund maintained by a levy on electricity consumption.

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Apart from the special situation in the Federal Republic of Germany, however, it is to be noted that prices on the Community steam coal market are increasingly determined by the supply situation on the world market.

Polish and South African steam coal is being offered at prices of \$ 50/t cif Europe. These prices are far below the corresponding prices for heating oil or natural gas. The Community coal industry is repeatedly forced to align its own prices on the low prices for imported steam coal.

Prices of imported coking coal continued to rise. The Commission has found that an average price of \$ 70/t was being paid for deliveries under long-term contracts from the USA and Australia in the first half of 1980. Short-term contract quantities are being put on the market at a price of \$ 60/t.

Generally speaking in 1980 there were moderate price rises on the Community coal market, and the quantity handled remained constant. As regard the competitiveness of Community coal, it should be noted that not only prices but also changes in currency parities exert a decisive influence on the situation, since the prices of this imported energy source are calculated in US dollars.

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

Despite the competitive situation on the Community coal market described above, the undertakings have increased prices per tonne considerably in 1980 (see Table D, page 13) and thereby could keep pace - particularly - with the trend of production costs.

These costs continued to rise in 1980 but the increase in individual countries varied with individual conditions. It was due mainly to the discrepancy between the rise in output per man/shift and in wages and to the overall effects of inflation. The average increase in output per man/shift for the Community was a mere 2%. Average wage increases for 1980 - however much they varied from country to country - were well above the increase in output per man/shift and, in

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view of the high labour-cost-intensity of coal mining (60% of the total production costs are labour costs), the increase in labour costs certainly affected overall output.

It is not yet possible to give exact figures for production costs and returns for 1980. On a Community basis, the companies' financial situation has hardly deteriorated at all in comparison with 1979, and has in fact more or less stabilized. As a result aids in 1980 stabilized too.

The returns from coal sales only partially covered production costs.

Table A

Production costs<sup>(1)</sup> and returns of Community coal mines in 1979

(EUA/t t=t)

	Production Costs	Returns	Difference
Germany	66,-	59,-	- 7,-
Belgium	93,-	43,-	-50,-
France	68,-	43,-	-25,-
Britain (2)	48,-	41,-	- 7,-

(1) Full costs, including capital service and depreciations; rounded-off figures

(2) Including opencast mining

It should be pointed out that the losses per tonne (in the above table), for reasons concerning the entry of subsidies in company accounts, 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.



3. The trends in financial aids by the Member States to the coal industry in 1980

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 relevant explanations are to be found in the Annex on pages A1 to A7. From these it can be seen that permissible aid limits were not exceeded.

The figures are in Table 1 of the Annex; they show that in 1980, in comparison with 1979, there were some increases. As regards social measures within the meaning of Article 4, the increases (+ 6.9%) are mainly the result of the constantly deteriorating ratio between the total number of men employed and those receiving unemployment benefits.

The rise in the cost of covering inherited liabilities within the meaning of Article 5 (+ 1.2%) is partly the result of further pit closures because of rationalization 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 et seq. of Table 2).

Table B below provides an overall view of the trends in aids envisaged in 1980 vis-à-vis 1979.

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Evolution of aids

Table B

	Total sums		Amounts per tonne	
	million EJA		EJA	
	1979	1980	1979	1980
Germany	1 023.5	1 098.7	10.98	11.75
Belgium	296.8	298.2	48.65	47.33
France	477.3	461.4	25.66	25.64
Britain	279.2	287.4	2.31	2.32
Community	2 076.8	2 145.7	8.70	8.87
of the total sums the following were allocated to:				
direct measures	34.9	24.4	0.15	0.10
aids to coking coal	735.8	844.9	3.08	3.49
indirect measures	1 306.1	1 276.4	5.47	5.28
breakdown				
Art. 7 (Investments)	337.6	339.1	1.41	1.40
Art. 8 (Personnel)	48.8	82.3	0.20	0.34
Art. 9 (Stocks)	19.1	20.3	0.08	0.08
Art. 10 (Strategic reserves)	48.4	53.4	0.20	0.22
Art. 11 (Power station coal)	13.7	19.2	0.06	0.08
Art. 12 (Loss coverage)	838.5	762.1	0.51	3.16

The figures in the preceding table show that the aids (target figures) per tonne of output in 1980 will change as follows vis-à-vis 1979 :

Germany	+ 7.0%	+ 0.77 EJA/t
Belgium	- 2.7%	- 1.32 EJA/t
France	- 0.1%	- 0.02 EJA/t
Britain	+ 0.4%	- 0.01 EJA/t
Community	+ 1.5%	+ 0.13 EJA/t

The increased rate of subsidy per tonne in the Federal Republic of Germany is largely determined by purely statistical means because the coke subsidy for 1979 has been underestimated. Apart from a rise in the miner's premium, aids to the German coal industry were hardly increased at all.

The reduction in aids to the Belgian coal industry is explained by the closure of some very unprofitable pits in the southern coalfield.

In France and the United Kingdom the rates of subsidy per tonne hardly altered in 1980 from what they had been in 1979. As previously explained, this is largely due to the trend in sales; losses from mining operations have stabilized, even if at a high level.

The tendency for aids to stabilize is shown in the trend in the rates of subsidy per tonne for the whole Community; the annual percentage increase on each previous year is as follows:

1978	+ 75.0%
1979	+ 14.0%
1980	+ 1.9%

It should be pointed out at this point that while the sum of 11.75 EUA per tonne for Germany in this international comparison following the provisions of Decision No. 528/76 is correct statistically and according to the definition, it is only partly valid for a genuine comparison with the other Community countries. This is due to the third electricity-from-coal law, which lays down that German power stations must buy steam coal from the coal industry at break-even prices. The additional cost incurred by the electricity companies using coal instead of oil is offset by increasing electricity prices. In 1980, this offset levy will amount to some 2.1 thousand million DM (8.90 EUA per tonne of coal output). This sum is not included in the list of aids, since it is not a state aid.

The information contained in Chapter II of <sup>the</sup>Annex (see page A7) shows that the financial measures planned by the Member States for 1980 are compatible with the criteria set out in Articles 7 to 12 of Decision No. 528/76. However, it is necessary that all aids be examined for compatibility with the proper functioning of the common market as set out in Article 3(1) of Decision No. 528/76.

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4. Compatibility of the financial measures planned for 1980 with the proper functioning of the common market

a) General points of view

a.1) The amounts of aid per tonne for 1980 cited in Table B on page 8 show that the British amount is very 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 the competition between coal producers. Essentially, the common market in coal consists of national markets which are hardly subject to competition from several Community producers. There are only a few so-called 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 on the prices of other Community producers applies to 0.7 million tonnes (0.3% of Community output) in 1979. In view of this, it may be assumed that competition will not be disrupted in 1980 because of the differences in the amount of aid granted.

a.2) Supplies of coal and coke to the Community in 1980 were at all times assured. Pit closures in 1980 as part of rationalisation measures had no effect on supplies. Pithead stocks, current production and imports enabled rising demand to be met. It is therefore clear that aids did not jeopardize supplies in 1980.

a.3) According to results so far available, there was in 1980 a drop in intra-Community coal trading. The total for 1980 was some 16.4 million tonnes.

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It is clear that supplies from the Federal Republic of Germany in particular are decreasing; this is because new markets for German coal have been found in Germany and this has led to higher earnings than would have been possible from exports to other Community countries.

Table C

Coal deliveries to other Community countries

1 000 t

	Germany	Belgium	France	Britain	Total
1979	14 550	245	485	2 410	17 690
1980	13 415	285	380	2 300	16 380

Most deliveries of German coal to other Community countries (14.3% of production) are deliveries of coking coal. Because of the specific use to which this coal is put the real competitive problems are not between Community producers, but in relation to coking coal imported into the Community non-member states.

Belgian coal traded within the Community (4% of production) is sold in France and Germany for steam-raising and for domestic heating. The amounts are small and have to compete with coal imported from non-Community countries.

French deliveries to other Community countries (2.1% of production) chiefly involve steam coal supplied to the south German market by the Lorraine coal-field.

United Kingdom deliveries to other Community countries (2% of production) involve steam coal sold mainly to the Federal Republic of Germany, Belgium, France and the Netherlands. In the light of overall British production, these exports are relatively small and, in view of the size of pithead stocks, it might well be asked why this relatively cheap coal has not become more firmly established on the continental market. This is due to the competition from coal imported from non-Community countries : prices for South African, Australian,

and US steam coal, cif Europe, were about \$ 50/t. Power stations in other Community countries would demand that British prices be brought down to that level, but the British producer is not always prepared to do this. Contracts or sales are therefore relatively rare.

Generally speaking, the conclusion can be drawn that aid measures have little influence on intra-Community trade.

- a.4) Output was further rationalized in 1980. Three unprofitable pits in the French coalfields of the Nord/Pas-de-Calais and Centre-Midi, were closed, the pace of the closures being so arranged that regional and social problems will be avoided; the same applies to the closure of two pits in Belgium's Southern coalfield. For reasons of rationalization, three pits were closed in Britain.

In 1980, the Government of the Federal Republic is granting investment aids to facilitate modernization of pits.

The aim of all aids and closures is to rationalize coal production in the Community, remove the burden of unprofitable installations, and maintain the competitiveness of those pits selected to ensure future supplies.

b) Particular aspects affecting the trends in coal prices

- b.1) Changes in coal prices in a number of selected Community coalfields can be seen from the following table :

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Trend in coal list prices

(in national currency per tonne)

	Date :	Steam Coal (1)			Coking Coal (2)		
		15.1.80	1.4.80	1.10.80	15.1.80	1.4.80	1.10.80
<u>Germany</u>							
RAG	DM	185.-	210.50	230.50	187.-	207.50	217.-
Saar	DM	206.- (3)	244.- (3)	230.- (3)	204.-	221.-	227.-
Aachen	DM	-	-	-	197.-	216.-	227.-
<u>Belgium</u>							
	Bfrs	2 850.-	2 850.-	3 250.-	2 650	2 650.-	3 020
<u>France</u>							
Nord/Pas-de-Calais	FF	-	-	-	-	-	-
Lorraine	FF	381.-	419.-	419.-	385.-	385.-	385.-
<u>Britain</u>							
Scotland	£	37.40	44.90	44.90	42.40	47.50	47.50
South Yorksh.	£	35.50	41.10	41.10	38.-	42.90	42.90

1. High-volatile coal, nuts 5
2. Medium or high-volatile
3. High-volatile, nuts 2

As the table shows, coal prices rose almost everywhere in 1980 but it did not always prove possible to gain acceptance for these prices in the market.

b.2) As provided for by the third electricity-from-coal law, German steam coal prices are linked to the production costs of the mining industry; i.e. prices are relatively high. There are no indirect aids to power stations.

The prices for German coking coal given in the table are listed prices. The prices actually charged are sligned on prices for imported coking coal so that there are no indirects aids to industrial consumers.

b.3) There were no problems in 1980 as regards British prices for steam or coking coal; prices are such as to be unlikely to lead to indirect aids to industrial consumers.

b.4) French steam coal is sold at prices aligned on a composite price formed from the relatively low price for imported non-Community steam coal and the price of fuel oil. This does not have the effect of causing indirect aids to industrial coal consumers. The same applies to coking coal prices, which are the same as those for imported coking coal.

b.5) As provided for by Belgium's energy price pool, the prices of Belgian steam coal are based on those of rival fuels. This does not have the effect of indirect aids to industrial coal consumers. Nor do the prices of coking coal constitute indirect aids to the Belgian steel industry.

c. Conclusions about the proper functioning of the common market

On the basis of the preceding facts, the Commission has come to the conclusion that the aids granted by the governments of the Member States should not disrupt the proper functioning of the common market in 1980.

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CHAPTER III

Conclusions

1. The Commission has examined the compatibility of the measures envisaged for 1980 with the provisions of Decision No. 528/76 in each Member State and has come to the conclusion that the aids for current production envisaged by the Member States in 1980 are compatible with the provisions of Decision No. 528/76.
2. In 1980, the total quantity of coal sold in the Community stabilized at a high level. The competitiveness of Community coal stayed at much the same level as before, so the financial results of the Community mining undertakings and the rates of aid per tonne altered only slightly. The amount of aid has risen only slightly, from 2 076.8 million EJA (1979) to 2 145.7 million EJA in 1980; the Community average for aid per tonne of production rose from 8.70 to 8.87 EJA. The differences between the aid sums granted by the coal-producing Member States have diminished.
3. Finally, the Commission emphasises that the aids of the Member States serve not only to solve national problems of energy supply and employment but also help to guarantee the stabilization of coal production with the intention of furthering the security of the Community's energy supplies.

A N N E X

Surveys of financial aid awarded by the Member States to the coal industry in 1980

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

Tables

-17-

1/1

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 out in Article 4 of Decision No. 528/76/ECSC have been exceeded.

A.1) GERMANY, FRANCE, BELGIUM

In Germany DM8.350 million are envisaged in 1980 to cover the deficit in the surviving dependents pension scheme of the mining industry as a whole, some 80% - DM6.680 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 1980 will amount to FF 7.857.6 million. The following table gives details:

A/2

Source	Expenditure (in million FF)	Purpose
State	4 074.0	<u>Disability and old-age pensions insurance</u> Regular contribution amounting to 22% of wages subject to contribution, and additional State adjustment
General system	439.0	<u>Disability and old-age pensions insurance</u> Regular contribution to cover part of "exceptional expenditure" (amount fixed by law)
General system	1 232.0	<u>Insurance against industrial accidents and occupational diseases</u> Regular repayment of inherited liabilities
General system	902.0	<u>Sickness insurance</u> Treatment benefits
State	629.6	<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	581.0	<u>Supplementary scheme: worker's retirement pensions</u>
TOTAL	7 857.6	

State contribution to the financing of social security benefits for the Belgian mining industry may be estimated at Bfrs. 25 457.2 million for 1980. The following table gives details

Source	Amount of State subsidies (in million BFRS)	Purpose
State	11 172.4 (1)	<u>Old-age pension and insurance of surviving dependants</u>
State	1 916.5	<u>Old-age pension and insurance of surviving dependants</u> Contribution to cover the deficit
State	4 631.0	<u>Disability pensions insurance</u> Disability pensions
State	7 737.3	<u>Occupational diseases</u> 50% of the expenditure arising from miner's pneumoconiosis
TOTAL	25 457.2	

(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 378 million (9.8%) higher than the normal expenditure defined in Article 4.
- In France the State subsidy to Charbonnages de France (FF 629.6 million) causes actual social expenditure and normal expenditure to coincide.
- In Belgium the undertakings' actual social expenditure is Bfrs 291.6 million higher than the normal expenditure defined in Article 4.

A.2) BRITAIN

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 pensions fund, into which the British Government will pay £41.1 million in the 1980/81 coal marketing year. However, this sum is only to balance out the ratio between working and retired miners, so that the limits set out in Article 4 of Decision No. 528/76 are not exceeded.

A.3) 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 1980 will be 6.9% higher than in 1979 and will total 4.695 million ECU.

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

Pursuant to Article 5 of Decision 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 pursuant to Article 7 to 12 of Decision No. 528/76.

B.1) GERMANY

For 1980 the Federal Government has planned the following measures to cover inherited liabilities :

	<u>million DM</u>
- closure premium	52.0
- dispensation from obligations arising under the Equalization of Burdens Law	<u>3.0</u>
Sub-total	55.0
- aid for water-control costs	115.0
- aid to cover expenditure resulting from contraction	82.0
- aid to cover inherited liabilities	170.2
- aid to cover Ruhrkohle AG's closure write-offs	<u>48.0</u>
TOTAL	470.2
	(= 186.6 million EUA)

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

These measures are aids already granted in previous years.

Through the Aktionsgemeinschaft Deutscher Steinkohlenbergbau (Action Association of German Coal Mining Undertakings), the Federal Government pays the undertakings concerned a premium of DM 20/t of annual capacity for all closures.

These closures are made to rationalize production. The aid covers only a small fraction of the actual costs that have to be borne by the undertakings in connection with the closures.

The public authorities will pay DM 3.0 million to the equalization of burdens fund as aid to cover the equalization of burdens payments, and thereby release closed pits from their obligation. The level of the aid is equivalent to the costs charged.

The sum of DM 115.0 million for water control costs will be paid to the Ruhr mining industry specifically to cover the financial burden arising 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 Pumpgemeinschaft Ruhr (Ruhr pumping association). The aid does not exceed the actual additional costs to be borne by the undertakings.

The sum of DM 82.0 million 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 170.2 million is aid for covering inherited liabilities concerns those 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 48.0 million as aid towards closure write-offs only concerns Ruhrkohle AG. In previous years the Ruhrkohle AG has had to include depreciation for assets lost as a result of pit closures which could not, however, be included in the profit and loss account since this would have bankrupted the undertaking. A special item was therefore introduced on the assets side of the balance and on 31 December 1979, this amounted to DM 168 million.

Because of the unfavourable economic situation, the undertaking is not in a position to write off this special item in annual instalments; the public authorities have therefore agreed to take over DM 480 million of the total sum - payable in 10 equal annual instalments of DM 48 million.

All the above measures clearly meet the requirements of Article 5(1) of Decision No. 528/76. The total sum involved in these measures in 1980 is 186.6 million EUA and is included in Table 1 of the Annex.

### 3.2) FRANCE, UNITED KINGDOM, BELGIUM

For 1980, the French Government has allocated a sum of FF 571.6 million (=97.5 million EUA) as aid towards covering inherited liabilities borne by Charbonnages de France. This sum in aid is intended to cover the following inherited liabilities :

	<u>million FF</u>
- contribution to early retirement pensions	30.2
- premiums, lump sums for retrained personnel, cost of housing for those retiring early	77.1
- financial liabilities in respect of those retiring early	447.7
- concessionary allowances for those retiring early	<u>16.6</u>
TOTAL	571.6
	(=97.5 million EUA)

Broken down between coalfields as follows:

Nord/Pas-de-Calais	368.5
Lorraine	57.9
Centre-Midi	145.2

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

In 1980 the British Government plans to introduce the following measures under Article 5 of Decision No. 528/76:

	<u>million £</u>
- redundancy payments to miners affected by pit closures	8.0
- early retirement payments	2.5
- aid in respect of concessionary coal for pensioners	6.8
TOTAL	<u>17.3</u>
	(= 28.4 million EUA)



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

For 1980 the Belgian Government has set aside a sum of Bfrs 10 million (0.3 million EUA), as aid towards covering inherited liabilities in its Southern coalfield. Of this sum Bfrs 8 million is to be used to cover damage from subsidence and Bfrs 2 million to cover water control charges. The Commission estimates that the costs arising out of subsidence and water control following pit closures for which undertakings in the Southern coalfield are responsible, are the same as the sum granted in aid.

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

B.3) 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 1980 will total 313 million EUA for the Community as a whole; an increase of 1.2% over 1979.

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.

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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 1980. The following measures were taken in previous years.

A.1) Description of the German, Belgian and French measures

For 1980 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 18.2 million (=7.2 million EUA). 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 in 1980 involve the following sectors :

	<u>million Bfrs</u>
- expenditure on season tickets or cheap holiday tickets for miners, pneumoconiosis sufferers	13.6
- 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 new sickness benefits and longer annual holiday (Articles 32.12 and 32.14 in the budget of the Economic Affairs Ministry)	402.9
<u>TOTAL</u>	<u>416.5</u>

(= 10.4 Mio ERE)

The French Government plans a state subsidy of FF 40.0 million (=6.8 million EUA) for the research programme of the "Centre d'Etudes et de Recherches des Charbonnages de France (CERCHAR)" in 1980.

A.2) Assessment of indirect financial aid to the coal industry

The Commission has examined the above-mentioned measures, which have already 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.

A.3) Summary of indirect measures

Table 2 of the statistical annex gives the relevant figures under A/2. Direct aid to the coal industry fell from 34.9 million EUA in 1979 to 24.4 million EUA in 1980, partly because of a change in the bookkeeping method applied to one type of aid in Belgium.

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

B.1) 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 7-12 of Decision No. 528/76.

The Federal Government proposes to continue in 1980 the direct aids already granted in 1979.

Legal basis under Doc. No 528/76	Measures	Amount of aid			
		Total		Per to production	
		m DM	m EUA	DM	EUA
Art. 7(1)	Investment aid	755.1	299.6	8.08	3.20
Art. 7(3) sub. s. 3	Promotion of innovation	71.0	28.2	0.76	0.30
Art. 8	Mineworkers' bonuses	190.0	75.4	2.03	0.81
Art. 10	Aid to security stocks	134.5	53.4	1.44	0.57
	TOTAL	1.150.6	456.6	12.31	4.88

In addition to the aids mentioned above, the Federal Government is to grant a coking coal aid to the value of DM 1 600 million (= 634.9 million EUA) in 1980, an aid to production pursuant to Decision No 287/73.

The investment aid of 299.6 million EUA is intended for investment projects in pits, coking plants, briquetting plants and pithead power stations. In 1980, total investment in the German coal industry will come to some 410 million EUA. Investment aid will represent 73% of total investments.

In relation to the Community's new policy for coal, this 1980 investment aid, which increased slightly vis-à-vis 1979, 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 28.2 million EUA 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), subsection 3 of Decision No. 528/76.

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Mineworkers' bonuses, amounting to 75.4 million EUA, have applied since 1956. A bonus of DM 5 was paid for every shift worked underground up to March 1980 when it was doubled to DM 10. This bonus ensures that qualified mineworkers required for the German coal industry to increase its output stay in coal mining. The measure therefore meets the provisions of Article 8 of Decision No. 528/76.

The sum of 53.4 million EUA as aid towards building up 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 Notgemeinschaft Deutscher Steinkohlenbergbau (Emergency Association of German Coal Mining Undertakings) brought up 10 million tonnes of coal and coke. The Federal Government covers only part of the actual current cost of maintaining these stocks in 1980, by granting an aid of DM 134.5 million. The aim and sum involved show that the measure meets the requirements of Article 10 of Decision No. 528/76.

The foregoing remarks show that the financial measures planned by the Federal Government for 1980 in favour of the German coal mining industry comply with the provisions of Articles 7,8 and 10 of Decision No. 528/76.

- b) The extent to which direct financial measures in favour of 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 1980 (Article 3(2) of Decision No. 528/76)

The relevant figures are given in a summary table (see Statistical Annex, Table 2).

By this method of calculation, the total proposed aid under the German measures amounts to 1 098.7 million EUA, i.e. 11.75 EUA/t. In comparison with 1979 aids per tonne have risen by 7%.

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 10 onwards)

B.2) FRANCE

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

The French Government did not provide for any measures in 1980, but continued with aids instituted in previous year; this involves only loss-covering aid;

Legal basis under Decision No. 528/76	Measures	Amount of Aid			
		Total		Per t production	
		M FF	M EUA	FF	EUA
Article 12	(a) Cover for the losses by the central administration of Charbonnages de France	350.0	59.7	19.44	3.32
	(b) Cover for the coal-fields' operating losses	2 305.8 <sup>(1)</sup>	393.5	128.10	21.86
	<b>TOTAL</b>	<b>2 655.8</b>	<b>453.2</b>	<b>147.54</b>	<b>25.18</b>

(1) Including a portion of the coking coal aid

In addition in the above-mentioned aids, an aid for coking coal of FF 8.0 million (1.4 million EUA) is to be granted in 1980. This figure is low, since part of the coking coal aid is covered by Article 12.

In assessing the figures given in the above table, it must be pointed out that, although the French Government continued in 1980 the agreement concluded with the Charbonnages de France in 1978 on the granting of a flat-rate aid of some 100 FF/tce, the aid amount had to be increased beyond the flat-rate ceiling, as the losses sustained by pits increased beyond the expected figures.

As regards the assessment of the aid granted in 1980 within the limits of Decision No. 528/76, the aid sum of FF 2 655.8 million is expected to be less than the total losses of the Charbonnages de France. The amount of the aid is therefore in line with the provisions of Article 12 of the Decision.

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

- In 1980, 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 2 143 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 coalfields therefore comply with the provisions of Article 12(1) subsection 1 and Article 12(2) of the Decision.
- The output planning of the Charbonnages de France in the Lorraine coalfield 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), subsection 2 and Article 12(3) of the Decision.

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

Total and indirect aid to current production amounts to 461.4 million EUA for 1980 (= 25.64 EUA/t ; see Annex, Table 2). In comparison with 1979 (25.66 FF/t), this means that the amount of aid has stabilized in 1980.

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. 10 onwards).

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B.3) Belgium

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

In 1980, the Belgian Government intends to provide investment aid and aid to cover operating losses

Legal basis under Decision No. 528/76	Measures	Amount of aid			
		Total		Per t production	
		M Bfrs	M EUA	Bfrs	EUA
Art. 7(1)	Investment aid	450.0	11.3	71	1.79
Art. 12	Aid to cover losses				
	Coal : Campine	4 029.6	100.7	672	16.78
	Southern	957.6	23.9	2 736	68.29
	Sub-total	4 987.2	124.6	792	19.78
	TOTAL	5 437.2	135.9	863	21.57

In addition to the above aids, the Belgian Government intends to grant a coking coal aid (Decision No. 73/287) of Bfrs 6 076.9 million (= 151.9 million EUA) for the current production of the Campine coalfield. Total direct Belgian aid amounts to Bfrs 11 514.1 million; it is divided between the two coalfields as follows:

Campine : Bfrs 10 556.3 million = 1 759,- Bfrs/t  
 Southern : Bfrs 957.8 million = 3 193,- Bfrs/t  
 TOTAL : Bfrs 11 514.1 million = 1 828,- Bfrs/t

Of the investment aid sum of Bfrs 450.0 million will go to the Campine coalfield and 0.2 million to the Southern coalfield. In the Campine coalfield, special investments are envisaged on behalf of the Eisdien colliery (Bfrs 100 million) and the amount of Bfrs 350 million will cover other investments, so that the coalfield can maintain the supply of coking coal for the Belgian steel industry. The investment aid for the Southern coalfield will enable it to carry out the most essential repairs, so that the technical safety of the pits is not jeopardized.



Belgian investment aid is therefore compatible with the provisions of Article 7(2) of Decision No 528/76.

Aid totalling Bfrs 4 987.2 million 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 returns 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 comply with the provisions of Article 12(1), subsection 2, and Article 12(3) of Decision No. 528/76.

The Southern coalfield, however, receives aid covering only part of the difference between costs and returns. Here the intention is to ensure that only essentials are maintained and the pits remain viable in the short-term only so that the coalfield can be closed down as planned within a period (by about 1981) which will ensure that serious economic and social disturbances over the re-employment of redundant miners are avoided. Two pits in the Southern coalfield were closed in 1980, affecting approximately 816 miners. From all this it can be seen that the aid to cover losses in the Southern coalfield is compatible with Article 12(1), subsection 1, and Article 12(2).

- b) The extent to which direct measures in favour of 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 298.2 million EUA (= 47.33 EUA/t) for 1980 (see Annex, Table 2). Comparison with the 1979 figure (296.8 m EUA) shows that the amount has stabilized in 1980.

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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. 10 onwards).

B.4) 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 7-12 of Decision No. 528/76

For the coal marketing year 1980/81, 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	
		M £	M EUA	£	EUA
Art. 8	Aid to attract skilled workers	4.2	6.9	0.03	0.06
Art. 9	Aid to producers' stocks	12.4	20.3	0.10	0.16
Art. 11	Aid to steam coal	11.7	19.2	0.09	0.15
Art. 12	Aid to cover losses	112.4	184.3	0.91	1.49
	TOTAL	140.7	230.7	1.13	1.86

In addition to these aids, aid to coking coal of 34.6 million (56.7 m EUA) is being granted in 1980

The aid for attracting and keeping skilled workers (£ 4.2 million) 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 (£ 12.4 million), it must be remembered that total pithead stocks and additional distributed stocks directly or indirectly financed by the producers total about 22 million tonnes. 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 is 12 million tonnes. This means that the per-tonne grant in aid is £ 1.0. 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 to steam coal (£ 11.7 million) is a sum 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 awarded as compatible with Article 11 of Decision No. 528/76.

The aid given to cover losses (£ 112.4 million) will almost completely cover the losses sustained by NCB pits in 1980/81. The aid given to avoid serious economic and social disturbances in those coalfields where there are not yet adequate re-employment opportunities and to maintain existing production capacities so as to safeguard energy supplies. The aid is therefore compatible with Article 12 of the Decision.

5) The extent to which direct financial measures in favour of current production in the British coal mining industry are compatible with the proper functioning of the common market

In the coal marketing year 1980/81, aid to current production in the United Kingdom will total 287.4 million EUA (= 2.32 EUA/t) (see Annex, Table 2). Comparison with the 1979 figure ( 279.2 million EUA) shows that the amount has stabilized in 1980.

As regards the compatibility of 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 10 onwards).

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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 (1980)
	Total		Total		
	1979	1980	1979	1980	
Federal Republic of Germany	2 507.7	2 650.8	203.2	186.6	-
Belgium	628.6	636.4	0.7	0.3	-
France	1 202.0	1 340.9	78.7	97.5	-
United Kingdom	52.1 (1)	67.4 (1)	26.6	28.4	-
Total for the Community	4 390.4	4 695.5	309.2	312.8	-

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

Aid for current production in 1980 (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	million EUA million EUA	- -	- -	- -	- -	- -
Total per tonne of production	million EUA	-	-	-	-	-
2. Direct measures per tonne of production	million EUA	7.2 0.08	6.8 0.38	- -	10.4 1.65	24.4 0.10
3. Indirect measures						
Article 7	million EUA	327.8	-	-	11.3	339.1
Article 8	million EUA	75.4	-	6.9	-	82.3
Article 9	million EUA	-	-	20.3	-	20.3
Article 10	million EUA	53.4	-	-	-	53.4
Article 11	million EUA	-	-	19.2	-	19.2
Article 12	million EUA	-	453.2	184.3	124.6	762.1
Total per tonne production	million EUA	456.6 4.88	453.2 25.18	230.7 1.86	135.9 21.57	1 276.4 5.28
<b>B. Coking coal aid (Decision No. 73/287)</b>						
per tonne of production	million EUA	634.9 6.79	1.4 0.08	56.7 0.46	151.9 24.11	844.9 3.49
<b>C. Total (A+B) Totals</b>						
per tonne of production	million EUA	1 098.7 11.75(2)	461.4 25.64	287.4 2.32	298.2 47.33	2 145.7 8.87

(1) Planned figures  
(2) Excluding aid under the 3rd electricity-from-coal law