

COMMISSION OF THE EUROPEAN COMMUNITIES

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MEMORANDUM

on

additional financial measures by Member States to
assist the coal-mining industry in 1973

and

the financial measures by Member States to assist
the coal-mining industry in 1974

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PART ONE

Additional measures to assist the French and British
coal-mining industries in 1973

I/o

XVII/356/74

Synopsis

This document deals with subsidies for the coal mining industry of the Community which are to be granted by member governments for the years 1973 and 1974. In accordance with Decision no 3/71, the Commission is obliged to examine these subsidies and to submit a report thereon to the Council for consultation.

An unforeseeable drop in receipts by the French and British coal industries made an increase in previously estimated subsidies for the year 1973 inevitable. The Commission has ascertained that these additional measures are in accordance with Decision no 3/71. The relevant explanations are contained in the first part of the document.

The Commission analyses and examines the subsidies proposed for the year 1974 in the second part of the document. It has been ascertained that prices of Community coal were greatly raised in 1974 on the pattern of steep increases in the prices of imported coal and heating oil and resulted in a drop in the operating losses of the pits and of subsidies compared to 1973. The Commission concludes that the subsidies for the year 1974 are in accordance with Decision no 3/71.

INTRODUCTION

1. In the "Memorandum on financial measures by the Member States to assist the coal-mining industry in 1973" (Doc. No SEC(74) 1377 of 8 April 1974) the financial measures to assist the coal-mining industry announced by the Member States for 1973 were presented and examined by the Commission.
2. The Commission was informed
 - by the British Government in a letter of 20 March 1974 and
 - by the French Government in a letter of 15 February 1974that the financial measures planned for 1973 were not sufficient to solve the problems experienced in the coal-mining industries of the two countries. In those countries it was necessary to increase the aids provided for under Decision No 3/71.
3. In the following text these aid increases are presented and examined, reference being made in each case to the relevant sections and figures in the "Memorandum on financial measures by the Member States to assist the coal-mining industry in 1973".
4. To convert national currencies into units of account, the following exchange rates have been used :
 - 1 u.a. = L 0,5
 - = FF 5.554
5. New figures were available in the case of certain aids - especially in the case of aid to coking coal in Belgium and France, Tables A and B in the Appendix contain ^{updated} figures for these items instead of the figures given in document No SEC(74) 1377.

I. Measures additional to those planned for 1973 to assist the French coal-mining industry

A. Measures proposed

As stated on page II/8 of the 1973 memorandum (Doc. No SEC(74) 1377), the French Government had applied for aid amounting to FF 1 323.0 million to assist Charbonnages de France, under Decision No. 3/71. This amount included aid to coking coal totalling FF 110.9 million.

In its letter of 15 February 1974 the French Government requested that the amounts of aid for which the application was originally submitted should be amended or increased as follows :

	(million FF)		
	Original amounts	Amendment	New amounts
1. To cover operating losses :			
(a) of the coalfields (1)	932.1	+ 154.9	1 087.0
(b) of the central administration	125.0	+ 4.5	129.5
(c) total	1 057.1	+ 159.4	1 216.5
2. To cover exceptional conversion costs	155.0	+ 37.0	192.0
Total	1 323.0		1 519.4
plus : aid to coking coal	110.9		110.9
Total	1 323.0		1 519.4

(1) excluding aid to coking coal but including aid to power-station coal (FF 74.0 million)

The aid to cover operating losses can be broken down as follows between the various coalfields : (million FF)

	Nord/P.-de-Calais	Lorraine	Centre-Midi	Total
Original amounts	436.8	212.9	282.4	932.1
Additional amounts	- 26.4	+ 37.8	+143.5	+154.9
Total	410.4	250.7	425.9	1 087.0

Aid to the payment of interest by the central administration of Charbonnages de France

Total aids to cover operating losses

129.5
1 216.5

per tonne produced (FF)

47.33

B. Compatibility of the French measures with the provisions of Decision No 3/71

The increase in French aid to cover operating losses concerns only the Lorraine and Centre-Midi coalfields. The increase proved necessary because the operating losses were even greater in 1973 than originally estimated. According to the information at the Commission's disposal on actual costs and revenue for 1973, this development occurred for the following reasons :

- the production costs in the coalfields in question rose more sharply than expected;
- although the returns per tonne rose in the fourth quarter (effects of the partial alignment of prices to the rising prices of fuel oil), the average returns per tonne rose only slightly (some 3 %) for 1973 as a whole compared to 1972;
- in 1973 the total production figures of Charbonnages de France were not approximately 28 million tonnes (as planned) but only 25.7 million tonnes, so that the total revenue from sales of coal was lower.

Thus it can be seen that operating costs have risen. The increase in aid will cover the probable operating losses for 1973; the measure is therefore compatible with the provisions of Article 9 (2) of Decision No 3/71;

As regards the prevention of serious economic and social disturbances in certain regions of France, no new criteria other than those set out on page II/73 of doc. No SEC(74) 1377 need to be examined in connection with the authorization of increases in aid to cover losses. The social problems remain unchanged and the increase in aid is therefore based on the criteria under Article 9 (1) (1) of Decision No 3/71.

As regards the increase in aid to cover exceptional conversion costs, more recent calculations made by the French Government have revealed the need to increase such aid from FF 155 million to FF 192 million. This amount corresponds to the actual expenditure which Charbonnages de France will have to effect in order to cover costs which are no

longer connected with coal production. The measure is therefore compatible with the provisions of Article 6 (1) of Decision. No 3/71.

C. Compatibility of the increased French aid with the proper functioning of the Common Market

The figures summarized in Table A (in the Appendix) show that aid totalling 282.7 million u.a. (= 11.00 u.a./tonne) is be granted to the French coal-mining industry for 1973. The amount of aid per tonne of output was 67.7 % higher in 1973 than in 1972. The sharp increase can be attributed to the differing trends of costs and returns. Higher prices for mining supplies, the low increase in output per man-shift (2.1 % up in 1973 on 1972) and sharp wage increases exceeding 15 % have all helped to bring about a 13 % increase in production costs, while the average returns for 1973 rose by only 3 %.

The French coal-mining industry received almost twice as much aid per tonne for 1973 than did the German, British and Dutch coal-mining industries; French aid was 38 % lower than the aid granted to the Belgian coal industry.

The following comments can be made with regard to the compatibility of the total amount of French aid with the proper functioning of the Common Market;

- (a) There was no indication in 1973 that trade in coal between France and the other Community countries could give rise to distortion of competition between the French coal-mining industry and the coal-mining industries of other Community countries. France's total imports of coal were approximately the same in 1973 as in 1972. Although a slight increase was recorded in the amount of French coal supplied to Germany, this did not result from changes in the conditions of competition but from changes in the internal arrangements of the Saarland mining companies.

(b) The list prices for French steam coal moved as indicated below in 1973 : in FF/tonne

	<u>1 January 1973</u>	<u>1 September 1973</u>	<u>16 Dec. 1973</u>
<u>Nord/Pas-de-Calais</u>			
High-steamcoal	124.00	136.00	145.00
Nuts 2			
Nuts 5	117.50	129.50	139.00
<u>Lorraine</u>			
High-steamcoal			
Nuts 2	125.00	125.00	132.00
Nuts 5	108.50	108.50	113.00

Between the beginning and end of the year prices rose by 17-18 % in the Nord/Pas-de-Calais coalfield and by 5-6 % in the Lorraine coalfield. The increase did not occur until the fourth quarter of 1973, so that the average annual returns of the French coal mines were only some 3 % up on 1972.

The movement of steam coal prices in the fourth quarter of 1973 scarcely took into account the fact in the fourth quarter that prices for heavy fuel oil - following the outbreak of the oil crisis in October 1973 - were almost double those recorded in the summer of 1973 ¹.

The following explanations can be given for this :

- Although the price of imported steam coal and of natural gas also rose, they did not double as did the price of heavy fuel oil;
- Never before had there been such a sharp rise in the price of fuel oil. For reasons of caution and market strategy the French producers had to wait a few weeks before raising the price of steam coal in order to ascertain whether the increased oil prices would be maintained - thus constituting a new market price. By raising the list prices on 16 December 1973 the French coal

¹ As a result of marked fluctuations in the price of fuel oil and the complete impossibility of obtaining an overall view of the situation, there were no uniform market prices for fuel oil in November/December 1973, so that the statement that the price of fuel oil doubled only reflects a general trend.

mining industry took the first step towards following the general tendency for higher energy prices.

- In considering the time it takes for rival fuels to react to rising prices, it should be remembered that the French coal producers cannot adjust their coal prices immediately for institutional reasons. It takes several weeks before administrative measures can be implemented. Furthermore, many supply contracts involve agreements on fixed prices to be applied for a period of 6 - 12 months, so that higher list prices are not immediately reflected in higher returns for the mining companies.
- Before the oil crisis, the price of French steam coal supplied to Electricité de France (EdF) was some 20 - 30 % higher than the equivalent price of fuel oil. Thus a doubling of the price of fuel oil could lead to a doubling of the price of steam coal too; the increase applied to the price of coal must be smaller if the prices of coal and fuel oil are to be made equal.

Thus it can be seen that the time that French steam coal had to react to the increase in the price of fuel oil in the fourth quarter of 1973 was relatively short and that the rapid price movements made it even more difficult to gain an overall view of the situation on the market, so that immediate, complete reactions were not to be expected. In these circumstances it can be said that the increase in French aid for 1973 to cover losses sustained by Charbonnages de France is compatible with the provisions of Article 3 (1) (2) of Decision No 3/71.

- (c) The list prices for French coking coal need not be subjected to any special examination in this memorandum as Decision No 73/287/ECSC¹

¹ OJ No L 259, 15 September 1973, p 36 ff.

concerning coal and coke for the iron and steel industry in the Community has been in force since the summer of 1973. Pursuant to that Decision, the difference between the import prices of coking coal and the French production costs is constantly recorded and the maximum amounts of aid to coking coal are calculated on that basis. According to the French Government's calculations, aid to coking coal totalling FF 110.9 million should be granted for 1973.

- (d) From the comments under points (a) to (c) it may be concluded that the proposed increase in aid to the French coal-mining industry for 1973 is compatible with the ^{proper} functioning of the Common Market.

D. Summary

The direct and indirect aids proposed for the French coal-mining industry for 1973 are indicated in the following table :

Relevant Article of Decision No	Measure	Total amounts		per tonne produced	
		million FF	million u.a.	FF	u.a.
3/71					
Article 6	To cover exceptional conversion costs	192.0	34.6	7.47	1.35
Article 9	(a) To cover the operating losses of the coal-fields ¹	1 087.0	195.7	42.30	7.61
	(b) To cover the losses sustained by the central administration of Charb. de France	129.5	23.3	5.04	0.91
	Total	1 408.5	253.6	54.81	9.87
	In US \$ (S 1 = FF 4.15)	339.4		13.21	

NB : aid to coking coal pursuant to Decision No 73/287 = FF 110.9 million
 = 20.0 million u.a.
 = 0.78 u.a. per tonne

¹ Including aid to power-station coal (FF 74 000 000), but excluding aid to coking coal.

II. Measures additional to those planned for 1973 to assist the British coal-mining industry

A. Measures proposed

On the basis of Article 9 of Decision No 3/71, the British Government had applied to the Commission for authorization of aid amounting to £ 93.5 million to cover the NCB's losses (see page II/89 of document SEC (74) 1377).

In its letter of 20 March 1974 the British Government applied for authorization of an increase of £ 150 million (= 300 million u.a.) in aid to cover the NCB's operating losses sustained in the coal marketing year 1973/74.

The NCB's increased losses are exceptional losses which arose not in the course of operation but as a result of strikes.

On 12 November 1973 the British miners began an overtime ban, following the breakdown of the wage negotiations. This situation, which continued until 11 February 1974, led to a loss of production of approximately 10 million tonnes and hindered the general operation of the pits considerably, since the maintenance work on the machines and general clearing-up operations normally carried out as overtime work were neglected.

An all-out strike began on 11 February 1974 because the Government would not grant the wage increases demanded by the British miners.

The all-out strike lasted until 11 March 1974 and gave rise to a loss of production of a further 10 million tonnes. After the strike the NCB's operational equipment had to be restored to working condition, which proved costly.

B. Compatibility of the British measure with the provisions of Article 9 of Decision No 3/71

As regards the prevention of economic and social disturbances in the British coalfields, no new aspects other than those set out on page II/90 of doc. No SEC(74) 1377 need to be examined in connection with the authorization of increases in aid. The covering of operating losses is therefore compatible with the provisions of Article 9 (1) ⁽¹⁾ of Decision No 3/71.

As regards the amount of aid compared with the operating losses sustained in the coal marketing year 1973/74, the NCB's annual report since published reveals that - following the payment of aid under the Coal Industry Act 1973 for the coal marketing year 1973/74 - the remaining loss to be covered amounts to £ 130.7 million (= 261.4 u.a.).

Although in its letter of 20 March 1974 the British Government applied for authorization to increase of £ 150 million in its aid to cover the NCB's losses, this was a provisional estimate. The actual additional losses which must be covered by the grant of aid amount to only £ 130.7 million, according to the NCB's annual report. This additional aid, which must be authorized by the Commission, would cover the full amount of the operating losses sustained by the NCB in the coal marketing year 1973/74.

The measure can therefore be considered compatible with the provisions of Article 9 (2) of Decision No 3/71 if aid amounting to £ 130.7 million is granted instead of aid totalling £ 150 million as originally requested.

C. Compatibility of the increased British aid with the proper functioning of the Common Market

In order to enable comparisons to be made with the other Community countries, Table A in the Appendix contains total figures for the aid granted to the NCB in the coal marketing year 1973/74. It must be pointed out here that the aids shown on page II/95 of document SEC (74) 1377 were

amended upon receipt of the final figures and that the new figures are given in Table A in the Appendix. The amount of the increase in aid to cover losses is shown in the table as £ 130.7 million and not as £ 150 million as originally proposed.

On this basis, the calculations show that total British aid, including aid granted outside the framework of Article 4 of Decision No 3/71, for the coal marketing year 1973/74 amounted to £ 266,7 million (= 533.4 million u.a. = 4.15 u.a./tonne). Despite the increase in aid to cover losses, the British coal-mining industry receives a relatively low amount of aid per tonne produced compared with the other Community countries.

The following comments can be made with regard to the compatibility of the total amount of British aid with the proper functioning of the Common Market :

- (a) There was no indication in 1973 that any distortion of competition could arise in the United Kingdom and the other Community countries as a result of the differences in the amounts of subsidies granted. As a result of the overtime ban by the British miners in the fourth quarter of 1973, British industry was faced with a fuel shortage to some extent. The difficulties encountered in obtaining energy supplies in general as a result of the oil crisis and the miners' strike meant that the British market had to be supplied principally with British fuels and that the NCB's pithead stocks were reduced.
- (b) The list prices of British steam coal changed as follows in certain coalfields in 1973 : (in £ tonne)

	<u>1 January 1973</u>	<u>1 July 1973</u>	<u>31 December 1973</u>
<u>South Wales</u>			
High-volatile steamcoal			
Nut 2	7.90	8.45	8.45
Nut 5	-	-	-
<u>Scottish</u>			
High-volatile steamcoal			
Nut 2	9.65	10.80	10.80
Nut 5	9.30	10.05	10.05
<u>North Yorkshire</u>			
High-volatile steamcoal			
Nut 2	7.25	7.80	7.80
Nut 5	6.50	7.05	7.05

The price increase on 1 July 1973 was necessary because of the higher costs. There were no price increases in the fourth quarter, i.e. during the period when the oil crisis began. It was not until April 1974, i.e. after the miners' strike, that British coal prices were increased by 28-50%.

The main reason by British steam coal price did not follow the sharply rising prices of fuel oil in the fourth quarter was the same as in the case of the price of French steam coal, i.e. :

- The NCB tended to wait until it had an overall view of the situation on the market, which was not possible at first, before raising its prices.
- The prices of natural gas and imported steam coal rose relatively slowly compared with the price of fuel oil in the fourth quarter.
- A certain amount of time is required to implement the administrative measures which are necessary before prices can be raised.
- The British coal-mining industry was in an exceptional situation in the fourth quarter of 1973 as a result of the overtime ban. At that time it was not possible to ascertain the extent to which costs would increase if the British miners' wage demands were met. The full effect on costs could not be ascertained until a final solution had been found

to the wages problem, as they should to be taken into account when deciding on price increases.

Thus it can be seen that there were important reasons for not immediately adapting the prices of steam coal to the changed situation on the market. In these circumstances, the increase of £ 130.7 million in British aid for the coal marketing year 1973/74 to cover costs can be considered compatible with the provisions of Article 3 (1) (2) of Decision No 3/71.

- (c) The list prices for British cooking coal do not need to be subjected to any special examination in this memorandum as Decision No 73/287/ECSC concerning coal and coke for the iron and steel industry in the Community has been in force since the summer of 1973.
- (d) From the comments under points (a) to (c) it may be concluded that the proposed increase in British aid for the coal marketing year 1973/74 is compatible with the proper functioning of the common market.

D. Summary

The direct aids for the British coal-mining industry for the coal marketing year 1973/74 applied for under Decision No 3/71 are indicated in the following table. In the case of the aids granted under Articles 6 - 9 the figures given on page II/95 of document No SEC(74) 1377 have been amended to take into account the latest situation.

Relevant Article of Decision no 3/71	Measure	Total amounts		per tonne produced	
		£ million	million u.a.	£	u.a.
Article 6	Severance payments and retraining	10.0	20.0	0.08	0.16
	Early retirement	4.5	9.0	0.03	0.06
	Concessionary coal	0.4	0.8	0.00	0.00
Article 7	Adaptation and stabilization of personnel	3.7	7.4	0.03	0.06
Article 8	Aid for holding of stocks	3.7	7.4	0.03	0.03
Article 9	Original amount ¹	90.4	180.8	0.70	1.40
	Additional amount				
Total under Articles 6 - 9 of Decision No 3/71		243.4	486.8	1.89	3.78
In US Dollars (\$ 1 = £ 0.39)		624.1		4.84	

pro memoria :

Aid to coking coal under Decision No 73/287/ECSC

= £ 15 million

= 30 million u.a.

¹ Including aid to power station coal (£ 15.4 million)

III. Final remarks

The increase in aid to the coal-mining industries of France and the United Kingdom affects the overall pattern of aids for 1973. The following table shows that, for the Community of the Six, the total amount of aid for 1973 is 15.9% higher and the amount per tonne 25.8% higher than in 1972. Thus the upward trend in aid continued in 1973. The effects of the rise in oil prices and in the prices of imported coal on coal prices and aid in the Community did not therefore make themselves felt in 1973, as price increases were not implemented until the autumn of that year.

Total amounts of direct and indirect aid

in million u.a.

	Community of the Six			United Kingdom	Enlarged Community
	1971	1972	1973	1973	1973
1. Direct measures under Decision No 3/71	414.3	556.5	515.5	486.8	1 002.3
2. Aid to coking coal	45.5	71.4	249.1	30.0	279.1
3. Indirect measures	91.9	100.0	79.4	-	79.4
Totals	551.7	727.2	844.0	516.8	1 360.8
Compared with previous year	+9.4%	+31.9%	+15.9%	..	..
Aid per tonne produced (u.a.)	3.35	4.30	6.04	4.02	5.07

The table shows that considerable increases occurred only in the case of aid to coking coal in 1973.

Of the total amount of 1 002.3 million u.a. of aid proposed for the coal-mining industries in the enlarged Community for 1973, 793.4 million u.a. (= 79%) relates to aids provided for under Article 9 of Decision No 3/71 and 208.9 million u.a. (= 21%) to aids for rationalization and maintenance of stock levels (Articles 6, 7 and 8 of Decision No 3/71).

	Aids under Articles 6, 7 and 8	Aids under Article 9	Total
Germany	123.0	17.7	140.7
Belgium	5.6	105.3	110.9
France	34.6	219.0	253.6
Netherlands	1.1	9.2	10.3
United Kingdom	44.6	442.2	486.8
Community	208.9	793.4	1 002.3

Detailed figures relating to aids and the trend in production are contained in the tables A, B and C below.

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Table A
Summary of the direct and indirect measures to assist the coal-mining industry 1)

Unit	Germany		Belgium		France		Netherlands		Community of the Six		United Kingdom		Eire	
	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973
A. Aids under Decision No 3/71														
(Excess amount, Art. 4)														
Article 6	33,4	39,1	0,62	1,02	26,2	34,6	0,7	1,1	75,8	88,5	29,8	16,6	29,8	106,6
Article 7	61,6	83,9	4,4	4,6	-	-	-	-	66,0	66,0	7,4	7,4	7,4	7,4
Article 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Article 9	149,9	17,7	106,1	105,3	160,5	219,0	13,1	9,2	429,6	331,2	442,2	442,2	442,2	173,4
Total Articles 6-9	244,9	140,7	111,1	110,9	186,7	253,6	13,8	10,3	556,5	515,5	486,8	486,8	486,8	106,3
per tonne produced	2,26	1,36	10,58	12,60	6,27	9,81	4,76	5,72	3,67	3,69	3,78	3,78	3,78	3,73
(2,29)	(3)								(3,69)	(3)	(3,90)	(3,90)	(3,90)	
B. Aid to coking coal under Decision No 70/1														
Totals	61,3	188,8	6,9	40,3	3,2	20,0	-	-	71,4	249,1	30,0	30,0	30,0	279,1
per tonne produced	0,26	1,83	0,66	4,58	0,11	0,78	-	-	0,47	1,78	0,23	0,23	0,23	1,04
C. Total A + B														
per tonne produced	305,6	329,5	119,0	151,2	190,6	273,6	13,8	10,3	627,9	764,6	516,8	516,8	516,8	1289,4
Indirect measures	2,81	3,19	11,34	17,18	6,40	10,65	4,76	5,72	4,14	5,47	4,02	4,02	4,02	4,77
per tonne produced	90,7	65,2	3,9	5,1	5,44	9,14	-	-	100,0	79,4	-	-	-	79,4
Total amount (C + indirect measures)	0,84	0,63	0,37	0,58	0,18	0,35	-	-	0,66	0,57	-	-	-	0,30
Totals	396,3	394,7	121,9	156,3	195,3	289,7	13,8	10,3	727,9	844,0	516,8	516,8	516,8	1389,8
per tonne produced	3,66	3,82	11,61	17,76	6,56	11,00	4,76	5,72	4,80	6,04	4,02	4,02	4,02	5,07
(3,69)	(3)								(4,82)	(3)	(4,14)	(4,14)	(4,14)	

1) 1972 : actual payments
 1973 : planned aids
 2) Including aids for miners' vocational training
 3) Including the sum which exceeds Article 4 of Decision No 3/71
 4) Including aid for the reduction of interest payable by Charbonnages de France

Table B

Pattern of aids granted by Member States under the provisions of Articles 3 - 5 of Decision No 3/65 and Articles 6 - 9 of Decision No 3/71

Member States	Aids under Articles 3-5 of Decision No 3/65						Decision No 3/71, Articles 6-9			Change in 1973 compared with 1972		
	1967	1968	1969	1970	1971	1972	1973 (1)	absolut	in %			
<u>GERMANY (FR)</u>												
million DM	413,7	458,7	297,5	271,4	495,0	896,4	452,9	- 443,5	- 49,5			
million u.s.	103,4	114,7	74,4	74,2	135,2	244,9	140,7	- 104,2	- 42,5			
u.s./tonne	0,89	0,98	0,64	0,63	1,16	2,26	1,36	- 0,90	- 39,8			
<u>FRANCE</u>												
million FF	598,6	1.059,9	1.278,9	975,0	1.081,6	1.036,8	1.408,5	+ 371,7	+ 35,9			
million u.s.	121,3	214,6	259,0	175,5	194,8	186,7	253,6	+ 66,9	+ 35,8			
u.s./tonne	2,55	5,13	6,38	4,69	5,90	6,27	9,87	+ 3,60	+ 57,4			
<u>BELGIUM</u>												
million Bfrs	3.607,7	3.873,9	3.832,0	3.293,5	3.430,0	5.577,3	5.434,4	- 122,9	- 2,2			
million u.s.	72,2	77,5	76,6	65,9	68,6	111,1	110,9	- 0,2	- 0,2			
u.s./tonne	4,40	5,24	5,80	5,78	6,24	10,58	12,60	+ 2,02	+ 19,1			
<u>NETHERLANDS</u>												
million Fl	40,7	64,9	64,1	60,9	56,8	50,1	36,7	- 13,4	- 26,7			
million u.s.	11,2	17,9	17,7	16,8	15,7	13,8	10,3	- 3,5	- 25,4			
u.s./tonne	1,35	2,59	3,07	3,74	4,13	4,76	5,72	+ 0,96	+ 20,2			
<u>COMMUNITY OF THE SIX</u>												
million u.s.	308,0	424,6	427,7	332,4	414,2	556,5	515,5	- 41,0	- 7,4			
u.s./tonne	1,63	2,35	2,42	1,95	2,51	3,67	3,69	+ 0,02	+ 0,5			
<u>UNITED KINGDOM</u>												
million £	..	..	..	..	..	..	243,4	..	..	
million u.s.	..	..	..	..	..	..	486,8	..	..	
u.s./tonne	3,78			
<u>ENLARGED COMMUNITY</u>												
million u.s.	1.002,3			
u.s./tonne	3,73			

1) Planned aids

I 18

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Table C

Development of production (1)

in million tonnes
(tonne for tonne)

	1968	1969	1970	1971	1972	1973	Change in 1973 compared with 1972 absolute	Change in 1973 compared with 1972 in %
Germany	117,1	116,9	116,8	116,9	108,5	103,4	- 5,1	- 4,7
France	41,9	40,6	37,3	33,0	29,8	25,7	- 4,1	- 13,8
Belgium	14,8	13,2	11,4	11,0	10,5	8,8	- 1,7	- 16,2
Netherlands	6,9	5,8	4,5	3,8	2,9	1,8	- 1,1	- 37,9
COMMUNITY OF THE SIX	180,7	176,5	170,0	164,7	151,7	139,7	- 12,0	- 7,9
United Kingdom (2)	166,7	153,0	144,6	147,1	118,2	128,9	+ 10,7	+ 9,0
ENLARGED COMMUNITY	347,4	329,5	314,6	311,8	270,0	268,6	- 1,4	- 0,5

(1) Official statistics; not including Italy

(2) Not including small pits

PART TWO

Memorandum on the financial measures by Member States
to assist the coal-mining industry in
1974

INTRODUCTION

1. This second part of the present report discusses the financial measures to assist the coal-mining industry proposed by the Member States for 1974.
2. The outbreak of the oil crisis in the autumn of 1973 together with the rapidly-increasing price of imported US coking coal have created a radically new situation for the Community coal-mining industry in 1974. In the new attitude towards coal manifested by the governments of the Member States and the Commission, the Community coal-mining industry is looked upon as an essential factor in the security of energy supplies. The massive price increases for heating oil and imported coking coal enable the Community coal-mining industry to adapt its prices to the new market situation and thus to reduce its operating losses. Naturally the adaptation of the price of Community coal of those of competing energy carriers has in 1974 not yet been completely accomplished in all cases. The main reasons for this were considerations of general economic policy and endeavours to preserve the maximum price stability, factors which the Commission has borne in mind as far as possible when assessing and testing aid measures.
3. As a result of the shortage of supplies on the Community coal market, there have been no problems of competition between the Community coal producers in 1974.
4. The present report contains no observations on the consistency of the coal and coke supply situation in the Community. Some governments had indeed sent the Commission statistical estimates of the future trend of supplies, but the calculations had been made before the outbreak of the oil crisis and had therefore been overtaken by events. In view of the extremely confused situation, several governments declared themselves incapable of compiling medium-term estimates for three to five years ahead. As regards the short-term outlook, it may be assumed that certain supply difficulties could arise in 1975, since the quantities available from current production, drawings from stocks and imports

- may not be sufficient to cover the increased demand completely; a vital factor will be the manner in which the steel market develops.
5. In view of this coal supply situation, the Commission is convinced that the aids envisaged in Article 9 of Decision No 3/71 will not only help in certain countries to avoid economic and social difficulties (Article 9 (1) 1), but will also ensure that temporary difficulties in coal supplies can be reduced or eliminated (Article 9 (1) 2).
 6. Most aids for the year 1974 represent measures which have already been taken in earlier years. The description and evaluation of these measures has therefore been kept very short in this paper. On the other hand, measures which were freshly introduced in 1974 are represented and analysed thoroughly.
 7. There has been considerable delay in presenting this report to the Council. This has been due to the surprising and fundamental changes which have taken place in the world energy market. Many governments had presented their calculations on the estimated aids for 1974 as early as the end of 1973 or the beginning of 1974. But these calculations had been made before the outbreak of the oil crisis and showed an exceptional increase in aids for 1974 by comparison with 1973. In view of the position which actually arose in the energy economy, the Commission could not base its approval for aids upon governmental calculations based on outdated premises. In the spring of 1974, therefore, it asked the governments to make fresh calculations. This caused an appreciable delay, but resulted in the provision of meaningful data. The revised reports from the Member Governments to the Commission do not show an increase in aids for 1974 by comparison with 1973, but rather an appreciable diminution.
 8. Under Article 2 (1) of Decision No 3/71, the Commission has received data from the governments of the following Member States concerning the proposed financial measures for 1974 :

- from the German Government

Letter of 14 January 1974
28 June 1974
30 August 1974

- from the Belgian Government

Letter of 4 December 1973
14 May 1974
6 August 1974

- from the French Government

Letter of 21 January 1974
25 May 1974
23 June 1974
27 July 1974
19 September 1974
21 October 1974

- from the Netherlands Government

Letter of 11 February 1974
22 April 1974

- from the Luxembourg Government

Letter of 23 January 1974

- from the Danish Government

Letter of 22 January 1974

- from the UK Government

Letter of 14 February 1974
7 October 1974

9. In so far as the reports from the Member States Governments gave the Commission knowledge of economic facts covered by professional secrecy in the sense of Article 47 of the ECSC Treaty, such facts are not included in the present report.
10. As in previous years, the statistical appendices to this report do not include a calculation of the standard burden of social insurance charges on the undertakings - in accordance with Article 4 of Decision No 3/71. The figures in Chapter I show only the data on the state subsidies to the coal-mining social insurance system. The complicated and laborious calculations of the normal charge in accordance with Article 4 of Decision No 3/71 are kept available by the competent departments of the Commission and can be examined on request.

11. The production estimates by the Member State Governments were taken as a basis for 1974 in calculating the aids per tonne produced (see Table 6 in Annex).
12. The following exchange rates were used for the conversion into units of account or US dollar of the amounts of aid expressed in national currencies :

1 u.a.	=	3.22 DM
	=	49.00 Bfrs
	=	6.305 FF
	=	3.36 Fl
	=	0.53 £
	=	1.27 S
1 US dollar ¹	=	2.50 DM
	=	40.00 Bfrs
	=	4.85 FF
	=	2.65 Fl
	=	0.42 £

¹ Average rate for June/July 1974

CHAPTER IPresentation on assessment of financial measures in the social insurance sector

Under Article 4 of Decision No 3/71 measures of state intervention in the financing of welfare benefits shall be considered compatible with the Common Market where their effect is to bring the ratio between the charge per actively-employed mineworker and the benefit per recipient down to the level of the ratio obtaining in other industries.

The relevant calculations are not included in the annex to this memorandum. The data are kept available by the competent departments of the Commission (Directorate-General for Social Affairs) and can be seen on request.

This paper therefore deals only with financial interventions in the welfare benefits sector, and where appropriate with action overstepping the limits set in Article 4 of Decision No 3/71.

A. GERMANY

In the Federal German Republic, DM 5.228 million are provided for 1974 to cover the deficit in the surviving dependants' insurance for the whole mining industry; about 80% of this sum is allocated to the coal-mining industry (= DM 4 182 million).

The Commission's calculations for 1974 - excluding unemployment insurance - indicate a sum for the proposed state interventions in social insurance which is DM 40 million in excess of the maximum permissible sum under Article 4 of Decision No 3/71. This means that the actual statutory social charge on the undertaking is 1.4% lower than the "normal charge" defined in accordance with Article 4 of Decision No 3/71.

The sum of DM 40 million, which exceeds the limiting value set in Article 4 of Decision No 3/71, should be assessed in the context of the other financial measures of the Federal Government. Under Article 68 of the ECSC Treaty, the form in which welfare benefits are determined is not affected by the Treaty if a change in the financing of social insurance does not have any of the effects named in Article 67 (2) and (3), i.e., if it does not lead to a serious disturbance of balance. Under these conditions, the excess contribution and its effects on the competitive position of German coal in the Community is discussed in that part of the memorandum which deals with the "compatibility of the German measures with the criteria for the good functioning of the Common Market" (see below page II/23). The examination shows that the overstepping of the limits of Article 4 of Decision No 3/71 does not stop the good functioning of the Common Market in 1974; in consequence the above sum of DM 40 million is compatible with Article 67 of the ECSC Treaty.

* * *

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Summary

Origin	Amount of state subsidy (in million DM)	Purpose
State	4 182	Pension insurance fund Covering of deficit
Total	4 182	

B. BELGIUM

The state financial expenditure for the Belgian mining industry in the welfare benefits sector may be estimated at Bfrs 13 527.5 million for 1974.

According to the calculations made by the Commission concerning the amount of grant in aid which is compatible with Article 4 of Decision N°o 3/71, the effective charge on the undertaking after payment of the

state aid of Bfrs 155.6 million is higher than the normal charge. The measures of financial intervention do not therefore overstep the limiting value set by Article 4 of Decision No 3/71.

Summary ¹

Origin	Amount of state subsidy (in million of Bfrs)	Purpose
State	5 866.3 ²	Old-age and survivors' insurance Regulation statutory contribution
State	734.4	Old-age and survivors' insurance Contribution to covering deficit
State	3 857.0	Workers' old-age and disability insurance Disability pension
State	2 950.00	Industrial diseases 50% of the expenditure is on coal-miners' pneumoconiosis
State	120.3	Cover for other losses
Total	13 528.0	

¹ The contribution of the coal-mining industry to mining social insurance is 100%

² Commission's estimates

C. FRANCE

According to data supplied by the French Government, the state financial expenditure for the coal-mining industry in the social insurance sector in the year 1974 amounts to FF 3 063.9 million.

According to the Commission's calculations, the amount of excess charge on the Charbonnages de France which can be compensated by a state subsidy will amount to FF 338.9 million. The French Government has stated that it provides a grant of FF 338.9 million, which exactly covers the excess charge which can be compensated. The state financial expenditure envisaged for 1974 for the coal-mining industry in the social insurance sector thus corresponds to the criteria of Article 4 of Decision No 3/71.

SUMMARY

Origin	Amount of expenditure (in millions of FF)	Purpose
State	892.0	<u>Disability and old-age insurance</u> Regular contribution of 22% of the total wage on which contributions are paid, and supplementary compensation from the State.
General Social Insurance System	642.0	<u>Disability and old-age insurance</u> Regular contribution to take over of part of the "abnormal charge" (contribution laid down by decree)
General Social Insurance System	582.0	<u>Insurance for industrial accidents and professional diseases</u> Regular compensation for previous charges
General Social Insurance System	374.0	<u>Sickness insurance</u> Benefits for treatment
State	338.9	<u>Disability and old-age insurance</u> "Abnormal charge" on the coal-mining industry in the sense of Article 4 of Decision No 3/71
General Social Insurance System	235.0	<u>Supplementary system : workers' retirement pension</u>
Total	3 063.9	

D. NETHERLANDS

In the Netherlands, coal production is being discontinued at the end of 1974. The Netherlands Government introduced a law on 22 September 1972 in order to ensure that on the cessation of production the Social Insurance Funds were in a position to continue to pay pensions to pensioned coal-miners. Through this new legal decree, a separate determination of the state subsidies to be granted to the coal-mining industry for the provision of pensions will no longer be possible as from 1974. With the cessation of production, coal-miners' pensions will be provided in the framework of the General Insurance Systems.

E. UNITED KINGDOM

In the United Kingdom there is a general social insurance system for old-age, accident and disease, which covers the entire industrial economy

including the coal-mining industry. There is thus an integrated system in which on the one hand all industrial undertakings - including those of the coal-mining industry- bear equal charges and on the other hand all insured persons obtain equal benefits, including coal-miners. On the basis of this general system it is therefore not necessary to make calculations in the framework of Article 4 of Decision No 3/71 - which assumes a special coal-mining social insurance system.

Together with the general system, there also exists a fund independent of the National Coal Board from which old-age pensions are paid to former coal-miners by the British Government in addition to the benefits of the general systems. Through the Coal Industry Act 1973 (Section 5), the UK Government has declared itself ready to pay a contribution of £ 8.3 million into this Fund in the coal marketing year 1974/75, in order that the old-age pensions of all coal-miners who have paid contributions for more than 10 years may be increased. To the amount of the contribution of £ 8.3 million the benefits which former coal-miners received from the Fund are higher than the charges borne by the NCB. The actual burden on the undertaking is thus less than the "normal charge" defined under Article 4 of Decision No 3/71.

The amount of 8.3 million pounds which exceeds the limit mentioned in Article 4 of Decision No 3/71 must be considered against the background of the other financial measures taken by the British Government. Under Article 63 of the ECSC Treaty, the manner in which the welfare benefits are fixed is not affected by the Treaty if a change in the way in which the social welfare insurance is financed has none of the effects mentioned in Article 67(2) and (3), i.e., if such a change does not lead to a serious disturbance of the existing equilibrium. Under these conditions, the sum of 8.3 million pounds and its effects on the competitive position of British coal in the Community will be examined in the section of this memorandum which deals with "the compatibility of the British financial measures with the criteria for the proper functioning of the Common Market" (see page II/55). Examination showed that the British aid did not disturb the proper functioning of

the Common Market in 1974; the above-mentioned sum of 8.3 million pounds is therefore consistent with Article 67 of the ECSC Treaty.

F. Summary of the financial measures planned in connection with social security

As the following table shows, government measures in the field of social security of the coal-mining industry amount will cost the Community about 2,061 million u.s. in 1974. In comparison with 1973 there is thus an increase of about 8.6% (163.2 million u.s.) in the state subsidies paid under Article 4 of Decision No 3/71.

Figures in millions of u.s.

Year	FGR	Belgium	France	Netherlands	Community
1965	529.4	110.2	249.2	9.8	898.6
1966	568.11	117.4	270.8	14.1	970.4
1967	642.5	128.3	309.9	14.1	1 094.8
1968	683.6	131.1	326.3	15.4	1 156.4
1969	691.2	142.6	372.8	13.2	1 219.8
1970	805.5	162.5	338.0	12.6	1 318.6
1971	816.4	192.1	380.8	11.4	1 400.7
1972	918.3	206.9	423.1	10.5	1 558.8
1973	1 132.6	256.2	497.4	11.5	1 897.7
1974	1 298.8	276.1	486.0	..	2 060.9
73/74 in %	+ 14.7	+ 7.8	- 2.3	..	+ 8.6

¹ Since Great Britain has an integrated system, it is not shown in the above table.

The indirect financial measures to assist the coal-mining industry

Indirect financial measures are considered to include all measures which are notified by the Member States in accordance with Article 2(1) 1 of Decision No 3/71, but which do not form part of the direct measures under Article 6 - 9 of the Decision. The Commission is notified of indirect measures under Decision No 3/71 and rules on them in accordance with the provisions of the ECSC Treaty.

A. GERMANY

1. Indirect measures

The Federal German Republic proposes the following measures for 1974 :

- Law to promote the use of coal in power stations (First Electricity-from-Coal Law). Expected amount to cover tax deficit	90.0 million DM
- Law to guarantee sales of coal to the electricity sector (Second Electricity-from-Coal Law) Expected aid	249.0 million DM
- Supplementary regulation	105.0 million DM

The Federal government has issued an administrative order designed to provide arrangements to continue after the partial ending of the First and Second Electricity-from-Coal Laws. Under this order power station operators are ensured financial advantages if new power production capacities are created using coal as fuel. It is estimated that in 1974 aid payments amounting to 105.0 million DM will be made under this order.

2. Assessment of indirect measures to assist the German coal-mining industry

Measures under the First and Second Electricity-from-Coal Laws have been taken for several years now. The Commission has examined these measures and has decided that they in no way infringe the ban on subsidies imposed under Article 4 of the ECSC Treaty.

The Federal government's administrative order regarding arrangements to continue after the expiry of the Electricity - from - Coal Laws was similarly examined by the Commission, which again found no infringement of Article 4 of the ECSC Treaty.

3. Summary of all indirect German measures for 1974

	Total amounts		Amount per tonne produced	
	Millions of DM	Millions of u.a.	DM	u.a.
- To promote use of coal in power stations	90.0	27.95	0.91	0.28
- To guarantee sales of coal in the electricity sector	249.0	77.33	2.52	0.78
- Supplementary regulation	105.0	32.61	1.06	0.33
Total	444.0	137.89	4.49	1.39

B. BELGIUM

1. Indirect measures to assist the Belgian coal-mining industry

Financial measures for indirect assistance to the coal-mining industry planned by the Belgian Government for 1974 are as follows:

	<u>Million Bfrs</u>
- Expenditure for season tickets and cheap holiday travel vouchers for miners, plus costs of treatment for pneumoconiosis (Article 33.09 in the 1974 Budget of the Ministry for Social Affairs)	19.5
- Additional payments to the National Miners Pension Fund to counterbalance new social charges arising out of the raising of miners' annual holiday money, the introduction of new sickness benefits and a longer period of annual leave (Article 32.12, Article 32.14 and Article 01.04 in the 1974 Budget of the Ministry for Economic Affairs)	245.2

2. Authorization of indirect Belgian measures

The above measures have been granted for a number of years now. The Commission has examined them and established that there is no infringement of Article 4 of the ECSC Treaty.

3. Summary of all indirect Belgian measures

	Total amounts		Amount per tonne produced	
	Million of Bfrs	Millions of u.a.	Bfrs	u.a.
- Cheap travel vouchers	19.5	0.40	2.24	0.05
- National Miners Pension Fund and miners holiday pay	245.2	5.00	28.18	0.57
Total	264.7	5.40	30.42	0.62

C. FRANCE

In 1974, as in previous years, the French Government granted a government subsidy to the research programme of the "Centre d'Etudes et de Recherches des Charbonnages de France" (CHERCHAR). This totalled 19.0 million FF (= 3.0 million u.a. or 0.13 u.a. per tonne produced).

The 1974 subsidy to CHERCHAR was an indirect measure of a special nature which in no way affects the competitive position of French coal production.

D. NETHERLANDS

No indirect financial measures to assist the coal-mining industry were announced by the Netherlands Government.

E. UNITED KINGDOM

No indirect financial measures to assist the coal-mining industry were announced by the British Government.

F. Summary of all indirect measures to assist the coal-mining industry

The following table illustrates the pattern of indirect measures to assist the coal-mining industry in the various countries of the Community. The 1974 total for the Community of Six is 146.3 million u.a. This is 100% higher than in 1973, due to the increase in German aids to power station coal resulting mainly from a new measure (supplementary regulation).

figures in million u.a.

Jahr	FRG.	Belgium	France	Nether-lands	Community of Six	United Kingdom	Enlarged Community
1969	85.0	4.3	2.6	-	91.9	...	...
1970	76.3	3.6	2.3	-	82.2	...	...
1971	83.2	4.6	2.3	-	90.1	...	...
1972	90.7	3.9	2.3	-	96.9	...	...
1973	65.2	5.2	2.9	-	73.3	-	73.3
1974	137.9	5.4	3.0	-	146.3	-	146.3
74/73 in	+111.5	+ 3.8	+ 3.4	-	+ 99.6	-	+ 99.6

Chapter IIIDirect financial measures to assist the coal industry

Under Decision No 3/71 direct aids to coal-mining undertakings are considered to be those defined in Articles 6 - 9 of that Decision.

A. GERMANY1. Direct measures

In 1974 the German Government is to continue aid measures which were operative in preceding years and to introduce a number of new measures.

1 (a) Measures which were operative in preceding years and which are to be continued in 1974 :

	<u>Millions of DM</u>
- Aktionsgemeinschaft Deutsche Steinkohlereviere :	
- Financial aid for the equalization of burdens	21.8
- Closure premiums	180.0
- Aid to cover water-pumping	39.0
- Miner's premium	94.0
- Investment aid	160.1
- Payment of redemption instalments due from Ruhrkohle AG on government - secured claims held by the original asset-owning companies	50.0

	<u>Millions of DM</u>
1 (b) New measures proposed for 1974 :	
- Subsidies towards burdens resulting from the contraction of the coal industry	99.0
- Subsidies towards the inherited liabilities of the coal industry	69.0
- Promotion of development and innovation ¹ in the coal industry	10.0

¹ Testing of newly-developed technical aggregates

- | | |
|--|------|
| - Discharging Ruhrkohle AG of liability for instalments in respect of the special item for the compensation of amounts written off as a result of closures | 48.0 |
| - Measures in favour of Freussag AG | 60.0 |

1(c) It should be mentioned at this point that RAG (Ruhrkohle AG) will be paid a total of DM 70.0 million in 1974 as an interest payment on and redemption of the DM 1 thousand million debt register claim granted to it in November 1972. This payment is to be continued at a fixed annual rate of DM 70 million until 1976 and thereafter at a higher rate. As early as 1972 RAG had already been obliged to write off DM 650 million of the stabilization reserve as a contra item to the debt register claim to cut its losses. This amount was mentioned in the memorandum for 1972 and was approved by the Commission.

The yearly payments on the debt register claim cannot again be regarded as aid under Decision No 3/71. They simply represent the fulfilment of a promise by the German Government to pay banks from which RAG has borrowed on the basis of its debt register claim.

In 1974 RAG enjoyed advantageous interest terms as a result of its debt register claim - i.e. the outstanding balance of DM 350 million - but it is not possible to quantify their implications.

2. Consistency of the direct measures to assist the German coal industry with the provisions of Articles 6 - 9 of Decision No 3/71

2(a) Measures operative in preceding years which will be continued in 1974

Aktionsgemeinschaft Deutsche Steinkohlenreviere

The financial aid for the equalization of burdens (totalling DM 21.8 million) requested in 1974 will be paid by the German Government to the Equalization of Burdens Fund) to discharge

the liabilities of collieries which have been closed down. The amount of the aid is equal to the amount of the liabilities discharged. The measure is thus in accordance with the provisions of Article 6(1)(e) of Decision No 3/71.

The closure premiums (DM 180 million in 1974) paid to coalmining undertakings by the Aktionsgemeinschaft Deutsche Steinkohlenreviere amounted to DM 15 per tonne up to and including 1973 and were increased to DM 20 per tonne in 1974 as they were well below the actual costs involved. The undertakings' outstanding obligations in respect of mining damage and social charges alone can be estimated as DM 30-35 per tonne in 1974.

This lump-sum aid does not exceed the expenditure/entailed by the closure and complies with the provisions of Article 6(2) of Decision No 3/71.

Aid to cover water-pumping

The sum of DM 39 million applied for as aid to cover/water-pumping costs is to be paid to the Ruhr coal industry which has financial liabilities as a result of closures made after 31 December 1966. The aid applied for is to cover part of the contributions to the water boards of the Ruhr coalfield and also the partial repayment of contributions to the Pumpgemeinschaft Ruhr.

The amount of the aid was calculated on the basis of the additional expenditure actually incurred by the undertakings in respect of pumping work

The purpose and amount of the aid are thus consistent with the provisions of Article 6(1) of Decision No 3/71.

Granting of the miner's premium

Shift workers and piece workers receive a unit premium of DM 5 for every shift worked underground. This premium is financed by reducing the miner's liability to wages tax, i.e. government tax revenue is reduced and the miners' net income is raised accordingly.

The miner's premium helps the coal industry to maintain the stability in the numbers of qualified personnel which is absolutely essential if productivity is to be increased.

Coalmining undertakings incur high costs through their own measures for recruiting, appointing, training and re-training personnel. The total outlay involved is approximately three times the sum of DM 94.0 million requested for 1974.

The purpose and amount of the miner's premium applied for show that the measure is consistent with the provisions of Article 7(3) of Decision No 3/71.

Granting of investment aids

In 1974 the German Government proposes to give financial assistance to individual investment projects as part of an investment programme totalling DM 160.1 million.

The aid may not exceed 30% of total expenditure on these investment projects.

The aid is aimed at capital investment in collieries, coking plants, briquette plants and pithead power stations.

The purpose and amount of the aid applied for show that the measure is consistent with the provisions of Article 7(2) of Decision No 3/71.

Payment of redemption instalments due from Fuhrkohle AG
on government-secured "bringing in" claims

For 1974 the German Government proposes to make payments on behalf of RAG totalling DM 50.0 million, as a redemption instalment to former colliery-owners holding a government-secured claim against RAG in proportion to the assets they brought in.

RAG made a loss in 1973; payment of the redemption instalments by the Government is a measure aimed at resolving RAG's financial difficulties and also at preventing temporary supply difficulties on the market for coal.

The German Government's assumption of responsibility for payment of redemption instalments on the secured bringing in claims is thus in line with the provisions of Article 9(1)(2) of Decision No 3/71.

2(b) New measures planned for 1974

To provide guidelines for coal and energy policy the German Government :

- (I) Adopted the Law of 15 May 1968 on the conversion and reorganization of the German coal industry (Coal Law) (Bundesgesetzblatt I p. 365)
- (II) Submitted to the German Bundestag its outline energy policy programme (energy programme) (Bundestagsdrucksache No 7/1057 of 3 October 1973).

The energy programme was up-dated in autumn 1974 to take account of the far-reaching changes that had taken place on the world market for energy since the preceding autumn. The German Government based some of the following new measures for 1974 on the Coal Law or the energy programme.

Subsidies towards burdens resulting from the contraction of the coal industry

German coal-mining undertakings which, as part of their programme to adjust production to market conditions, closed down pits leading to a lasting reduction in coal production after 1 January 1973 are to be paid subsidies towards the burdens resulting from reduced production (contraction burdens) (point 62 of the energy programme). A lump sum of DM 30 per tonne of reduced annual production capacity is to be paid over a period of five years ; however, the aid is not to exceed the undertakings' actual contraction burdens.

The subsidy for 1974 is to total DM 99.0 million and will supplement the closure premium which, as explained above, is not enough to cover the costs entailed by the closures.

The purpose and amount of the aid applied for show that the measure is consistent with the provisions of Article 6(1)(1) of Decision No 3/71.

Subsidies towards the inherited liabilities of the coal industry

This measure is also to supplement the above-mentioned closure premium.

The inherited liabilities comprise costs in respect of mining damage, pension obligations and obligations regarding the free coal allowance as a result of pit closures before 1 January 1972 (point 62 of the energy programme) . The aid in question (DM 69.0 million in 1974) is a subsidy towards the burdens actually entailed for the undertakings.

The purpose and amount of the aid applied for show that the measure is consistent with the provisions of Article 6(1)(1) of Decision No 3/71.

Promotion of development and innovation in the coal industry

In accordance with the aims of the Law on the conversion and reorganization of the coal industry it is essential to the speedy and lasting reorganization of the industry for the results of research to get beyond the development and innovation stage and to be applied in the production process as quickly as possible.

In view of the coal industry's tight income situation it lacks the financial resources to finance this urgent project on its own. The aid for 1974 (DM 10 million) represents a subsidy towards the financial burdens actually incurred.

The aid is to be granted in respect of individual projects which are likely to have a concrete economic effect on the coal industry in the medium term.

The purpose and amount of the aid shows that the measure is consistent with Article 7(1) of Decision No 3/71.

Relief for Ruhrkohle AG in respect of liability for the special item for the equalization of amounts written off as a result of closures

This measure (aid proposed for 1974 - DM 48 million) is a special measure to assist RAG.

In previous years RAG had to make special arrangements to write off amounts in respect of asset value lost as a result of pit closures. Under Article 8(2) of the 1969 Tax Amendment Law (Bundesgesetzblatt I, p. 1211, of 18 August 1969) RAG is entitled to enter a special

item on the assets side of the balance sheet which is then written off in instalments in subsequent years. In 1969 it was assumed that the undertaking's income situation in subsequent years would be good enough to enable these instalments to be included in the calculation of production costs and/or income.

As the trend in subsequent years turned out to be very unfavourable RAG is no longer in a position to bear the additional burden of these amounts written off in earlier years.

In RAG's balance sheet as at 31 December 1973 the special item for the equalization of amounts written off in respect of closures amounted to about DM 700 million.

To allow RAG to write off part of the special item, the German Government is to assume liability for the payment of the sum of DM 480 million. The total amount will not bear interest and will be paid in equal instalments over 10 years (DM 48.0 million in 1974).

Special amounts written off in respect of pit closures represent closure costs. The aid is intended to reduce these costs and so its purpose and amount is consistent with Article 6(1) of Decision No 3/71.

Measures to assist Preussag AG Kohle

Preussag AG's Ibbenbüren colliery (in Lower Saxony) has been running at a loss for a number of years and was therefore to be closed in 1973/74. In view of energy policy considerations (prevention of temporary supply difficulties) and of the importance of the mine for the Ibbenbüren area, in terms of regional and social policy, the German Government decided to grant aid in order to keep the mine in operation.

As the undertaking is in economic difficulties and is unable to secure the funds required, for further capital expenditure, a conditional and repayable subsidy is to be granted to offset part of its losses. Provision has been made for the sum of DM 40 million in the Federal Budget for 1974; as North-Rhine Westphalia is required to contribute a third of the aid (another DM 20 million), the total aid for 1974 would amount to DM 60 million.

The purpose and amount of the aid show that the measure is consistent with the provisions of Article 9(1) and (2).

3. Compatibility of the German aids with the proper functioning of the common market

In order to examine the compatibility of the German aids with the proper functioning of the common market they must be analyzed in the light of all the indirect and direct measures to be taken to assist the coal industry in 1974 (Article 3(2) of Decision No 3/71).

The relevant figures are given in a summary table (see Table 1 in the Annex).

Using this calculation basis, the value of the proposed measures totals 395.8 million u.a., i.e. 3.99 u.a. per tonne produced. These figures do not include coking coal aid. According to the information available the German Government is not going to award coking coal aid in 1974.

The figure of 3.99 u.a. per tonne produced shows that German aids for 1974 are slightly higher than those for 1973. Aids to the German coal industry in 1974 are to be somewhat lower than those in the other countries of the Community (see Table 1 in the Annex).

The following points may be noted as regards the compatibility of the German aids with the proper functioning of the common market:

(a) Demand for coal in the Community soared in 1974 in comparison with 1973 as a result of changes in the situation regarding the supply of petroleum. By the end of 1974 the German coal industry's stocks will have diminished considerably. Certain bottlenecks in supply can be expected in 1975 as it will not be possible to meet demand either by increasing the sales of coal stocks or by stepping up imports from non-member countries. In view of these market difficulties :

- (1) deliveries of German coal to other Community countries will increase considerably in 1974 (see Table 2 in the Annex);
- (2) far less coal will be imported into Germany from other Community countries in 1974 (see Table 2 in the Annex);
- (3) little German coal was sold at aligned prices in 1973; in 1974 transactions including price alignments stopped completely.

It can be concluded from all this that German coal, which receives fairly low aid in comparison with other Community countries is not adversely affected when sold in the Community. The German aids are not of a kind to impede the proper functioning of the common market for coal under Article 3(1)(1) Decision No 3/71.

(b) Under Article 3(1)(2) of Decision No 3/71 the pricing of German coal must be examined.

Excluding supplements or reductions for quality, German list prices for steam coal ¹ developed as follows (in DM per tonne) :

	<u>On 1 September 1973</u>	<u>On 15 Jan. 1974</u>	<u>On 1 Sept. 74</u>
Ruhrkohle AG	99.60	107.00	126.00
Saarbergwerke	103.70	112.00	133.00

¹ High-volatile Nuts 5

The price of heavy fuel oil was about DM 200 per tonne in summer 1974, corresponding to about DM 140 per tce. The price of German steam coal has been lagging behind the price of heavy fuel oil and by summer 1974 had still not quite caught up. However, it can be expected that :

(i) it will not be possible to increase the price per calorie of German steam coal to exactly the same level as the price per calorie of heavy fuel oil, as coal-fired power stations have higher running costs than oil-fired ones. In many cases, the difference in running costs will be offset in the price per calorie when contracts are concluded;

(ii) the price of steam coal will probably be increased by DM 8 - 10 per tonne shortly.

The above considerations show that, due allowance having been made for the practical factors and the foreseeable price trend, the measure does not contradict the provisions of Article 3(1)(2) of Decision No 3/71.

German list prices for coking coal developed as follows in 1973/74 (in DM per tonne);

	<u>On 1 sept.</u> <u>1973</u>	<u>On 15 Jan.</u> <u>1974</u>	<u>On 1 Sept.</u> <u>1974</u>	<u>On 1 Nov.</u> <u>1974</u>
Ruhrkohle AG	101.50	103.70	127.90	142.80
Saarbergwerke	106.00	113.50	138.00	154.50
Aachen	102.00	102.00	125.00	140.00

Between September 1973 and November 1974 prices increased by some 40 to 50%.

The price of German coking coal had thus tended to follow the trend in the price of imported US coking coal for which the average cif price was some \$ 52 per tonne in 1974 (= DM 130 per tonne).

A few contracts have been arranged for American coking coal at even higher prices; this does not reflect the general situation on the market but may well be indicative of future trends in the price of coking coal.

The Commission continuously monitors the price trend on the market for coking coal in order to decide under Decision No 73/287 whether aids to coking coal are required. The pricing of German coking coal shows that it is in line with the provisions of Article 3(1) of Decision No 3/71.

- (c) The closure of five or six unprofitable pits in 1974 represents a further rationalisation measure and the further concentration of production on the most productive pits. The undertakings are endeavouring to increase production in the remaining pits in order to offset this drop in production (Article 3(1)(3) of Decision No 3/71).
- (d) It can be concluded on the basis of the observations made under points a - c that the measures to assist the German coal industry in 1974 are compatible with the proper functioning of the common market.

4. Conclusion

The direct aids requested for 1974 to assist the German coal industry under Decision No 3/71 are given in the table below.

Relevant Article of Decision No 3/71	Measure	Amount of aid			
		Total		Per tonne produced	
		DM million	million u.a.	DM	u.a.
Article 6	Aktionsgemeinschaft	201.8	62.7	2.04	0.63
	Aid towards water-pumping costs	39.0	12.1	0.39	0.12
	Aid towards contraction burdens	99.0	30.7	1.00	0.31
	Aid towards inherited liabilities	69.0	21.4	0.70	0.22
	Amounts written off in respect of closures	48.0	14.9	0.48	0.15
Article 7	Investment aid	160.1	49.7	1.62	0.50
	Miner's premium	94.0	29.2	0.95	0.29
	Promotion of innovation	10.0	3.1	0.10	0.03
Article 9	Payment of RAG's redemption instalments	50.0	15.5	0.51	0.16
	Offsetting of Ibbenbüren losses	60.0	18.6	0.61	0.19
	Total - Articles 6-9 of Decision No 3/71	803.9	257.9	8.40	2.60
	Figures in \$ US (\$1 = DM 2.50)	332.4		3.36	

Token entry :

Coking coal aid under Decision No 3/71 :

Production aid
Sales aid

No data available
No data available

B. BELGIUM1. Direct measures

The direct aids to the coal-mining industry envisaged by the Belgian Government for 1974 are financial aids previously provided in 1973, which are granted in accordance with the provisions set out in a "Specification".

	<u>million Bfrs</u>
- Cost of pumping to remove ground water	50.0
- Investment aids	150.0
- Coverage of outstanding operating losses	4 453.0

2. Compatibility of the direct measures to assist the Belgian coal-mining industry with the provisions of Article 6-9 of Decision No 3/71(a) Cost of pumping to remove ground water

This aid, totalling Bfrs 50.0 million, is to be paid in 1974 to the undertaking "Espérance et Bonne Fortune" in the Southern coal-field. This undertaking is contending with the penetration of ground water from abandoned pits. The Belgian Government communication specifies that the aid will be paid only up to the amount of the cost incurred by ground water drainage and duly substantiated.

The aid is thus consistent with Article 6(1)(2) of Decision No 3/71.

(b) Investment aids

Investment aids - total envisaged for 1974 : Bfrs 150.0 million - will be granted only for pits and processing plants which are not intended for closure in 1974. The aid is paid for each investment project separately.

Aids amounts payable to the undertakings will cover all or part of the capital expenditure on the production or up-grading of coal.

The Belgian Government has announced the following investment projects :

	<u>Amount of aid million Bfrs</u>		<u>Amount of aid million Bfrs</u>
Campine coalfield :		South Belgian coal- field :	
Loading equipment, roadway haulage, skips	85.0	Roadway haulage, workshops	10.0
Crushing equipment, de-dusting, flotation	30.0	Crushing equipment, filtering plants, flotation, ground water drainage	25.0
Total	115.0	Total	35.0

No reduced-interest loans as defined in Article 54 of the ECSC Treaty are being applied for in respect of these investment projects.

Taking into account the above criteria, the proposed investment aid is consistent with the provisions of Article 7(2) of Decision No 3/71.

(c) Aids to cover operating losses

Taking as a basis the provisions of Article 9 of Decision No 3/71 authorization of the aid to cover operating losses requires consideration of the following amounts envisaged for 1974 : (in million Bfrs)

	Campine coalfield	South coalfield	Total
Coverage of operating losses	1 611.7	2 841.3	4 453.0

In 1973 the total for both coalfields, which, however, also included aid to coking coal, was Bfrs 6 603.0 million. If aid to coking coal (Bfrs 1 382.9 million) is added to the proposed amount to cover ope-

rating losses for 1974 (Bfrs 4 453.0 million), the amount of aid totals Bfrs 5 835.9 million. Despite a very sharp increase in production costs in 1974 (some 20%), it was possible to reduce operating losses, and consequently the amount of aid, by approximately 16%, by raising coal prices even more sharply, in accordance with the price trends on the world energy market. The raising of Belgian coal prices in the summer of 1974 will probably enable operating losses, and the aids, to be reduced still further. The amount of Bfrs 4 453.0 million quoted above should therefore be regarded as a maximum.

Under Article 9 of Decision No 3/71, amounts of aid to cover losses must be examined on the basis of the following criteria :

- Prevention of serious economic and social disturbances in the South Belgian Coalfield (Article 9(1)(1)),
- Continued production in the Campine Coalfield in order to prevent temporary bottlenecks in supplies of coking coal (Article 9 (1)(2)),
- The aid may at most cover the difference between costs and returns (Article 9(2)).

(c₁) As regards prevention^{of} serious economic and social disturbances in the South Coalfield, it should be mentioned first and foremost that the pits would not be viable without aids to make good their operating losses.

In 1973 performance-related revenue amounted to only 38.1% of the full costs of pits in the South Belgian Coalfield.

Secondly it has been noted that manpower in 1973 fell from 14 600 to 11 800 men (= - 19.2%) in the South Belgian Coalfield. Production in the South Belgian Coalfield declined from 3.2 million tonnes (1972) to 2.6 million tonnes (1973) (= - 19 %). Production for 1974 is expected to be less than 2.4 million tonnes.

The Belgian Government has decided to close two pits in 1974 in the South Belgian Coalfield, so that only ten pits will remain in production by the end of 1974. These closures will affect 1 500 workers.

In view of these social conditions in the South Belgian Coalfield, the aid requested for 1974 to cover operating losses can be considered as consistent with the provisions of Article 9(1)(1), of Decision No 3/71.

- (c₂) As regards continued production in the Campine Coalfield - where revenue in 1973 amounted to only 52.6% of the full costs of the pits - in order to prevent temporary bottlenecks in supplies of coking coal, it must be pointed out that this coalfield, where production fell from 7.3 million tonnes (1972) to 6.3 million tonnes (1973) as a result of the ban on the recruitment of new workers¹ imposed by the Belgian Government in 1973, is of exceptional importance to the Belgian steel industry. As the steel industry's market situation is very favourable, its demand for coking coal and coke is high. The drop of 1 million tonnesⁱⁿ coal production in 1973 alone caused coal imports to rise from 6.2 million tonnes (1972) to 7.2 million tonnes (1973). Imports are expected to rise to 8.5 million tonnes in 1974. In view of the difficult situation throughout the world as regards supplies of coking coal, it will not be easy to increase Belgium's imports of coking coal still further, whether it be from other Community countries or from non-member countries. Thus the stabilization of production in the Campine Coalfield planned by the Belgian Government for 1974 will help to prevent temporary bottlenecks from arising in supplies of coking coal; the aid is therefore consistent with Article 9(1)(2) of Decision No 3/71.

- (c₃) The following criterion concerns the assessment of the amount applied for on the basis of the difference between production costs and returns. According to the Commission, the Belgian coal mining industry's operating losses in 1974 will total some Bfrs 8 thousand million.

¹ Discussions are currently in progress on lifting the ban.

	Campine		South Belgian coalfield		Total	
	million Bfrs	Bfrs/tonne	million Bfrs	Bfrs/tonne	million Bfrs	Bfrs/tonne
Expected pit operating losses in 1974	4 620	722	3 429	1 491	8 049	925
Aid requested to cover 1974 operating losses	1 611.7	252	2 841.3	1 235	4 453.0	512
Aid to coking coal	1 382.9	216	-	-	1 382.9	159
Relief from costs paid out of aid under Article 7(2)	115.0	18	35.0	15	150.0	17
Total aids	3 109.6	486	2 876.3	1 250	5 985.9	688
Result after payment of aid	-1 510.4	-236	- 552.7	- 241	-2 063.7	-237

The above figures show that aids applied for to cover operating losses in 1974 will be lower than the difference between the pits' full production costs and their returns and are thus consistent with Article 9(2) of Decision No 3/71.

- (c₄) It may be concluded from the above observations that the aids to cover operating losses applied for by the Belgian Government for 1974 are consistent with the provisions of Article 9 of Decision No 3/71.

3. Compatibility of the Belgian measures with the proper functioning of the common market

To decide whether the Belgian measures are compatible with the proper functioning of the common market (Article 3(1) of Decision No 3/71), examination must be made not only of aids covered by and applied for under Decision No 3/71, but of all other measures to assist the coal-mining industry (Article 3(2) of Decision No 3/71).

For the purposes of comparison with other Community countries, the relevant figures are shown in a summary table (see Appendix, Table 1). It is clear from these that total aids requested for the Belgian coal-mining industry in 1974 will be 128.5 million u.a. or 14.77 u.a./tonne; compared with 1973 they have thus risen by 16.8% per tonne produced. The amount of aid requested for 1974 for the Belgian coal-mining industry is relatively high compared with the other Community countries. The Netherlands is the only Community country in which such aid is higher.

As regards the compatibility of the Belgian aid total with the proper functioning of the Common Market, the following points may be noted :

- a) The pattern of trade in coal within the Community (see Appendix, Table 2) shows that Belgian coal exports to other countries of the Community will fall sharply in 1974 in comparison with 1973. Belgian coal imports from other Community countries will fall from 3.8 million tonnes in 1973 to 3.6 million tonnes in 1974. The decline in Belgian coal imports may be attributed to competition from coal imported from non member countries, which provides a steadily-increasing proportion of Belgian coal supplies. As a result, there is not likely to be any disruption of the pattern of the coal tonnages traded between Belgium and the other Community countries in 1974 (Article 3 (1)(1) of Decision No 3/71).
- (b) Pricing for Belgian coal in 1973 did not include any pricing alignments on offers of lower-priced supplies of Community coal (see Appendix, Table 3).
- (c) Under Article 3(1)(2) of Decision No 3/71 an examination must be made to see whether or not the aids requested for 1974 will lead to the indirect aiding of industrial consumers. The two most important industrial consumption sectors for coal are the coke-ovens and the power stations.

List prices for Belgian coking coal moved as follows in 1973/74 :
(in Bfrs/tonne)

2 January 1973	1 145
1 July 1973	1 145
2 January 1974	1 300
1 July 1974	2 000
1 November 1974	2 000

Thus the price of Belgian coking coal is tending to follow the price trend recorded for imported US coking coal. According to the Commission, the indicative cif price for imported coking coal amounted to approximately \$52/tonne (= approximately Bfrs 2 100/tonne) in the summer of 1974. Thus the price of Belgian coking coal is comparable with that of US coking coal, taking into account a reduction in price for inferior quality. It must be pointed out that the Commission constantly monitors price movements on the market in coking coal under Decision No 73/287 in order to be able to ascertain the amounts of aids to coking coal.

List prices for Belgian steam coal¹ moved as followed in 1973/74 :
(in Bfrs/tonne)

2 January 1973	1 095
1 July 1973	1 095
2 January 1974	1 350
1 July 1974	2 050
1 November 1974	2 050

The movement of the prices for Belgian steam coal follows the pattern of prices for heavy heating oil , although several months later because of the length of supply contracts. Under the Belgian energy price pool for power-station fuel supplies, uniform prices per unit of heat are introduced by aligning the prices of the various sources of energy utilized and also for Belgian steam coal. This plan, which can only be implemented slowly, will prevent the power stations from being subsidized indirectly.

¹ High-volatile steamcoal Nuts 5

The above observations show that, in view of the practical aspects which must be borne in mind when deciding on price changes, the pricing system for Belgian steam coal entails no infringement of the provisions of Article 3(1) of Decision No 3/71.

- (d) The rationalization and concentration of production on the pits with the highest productivity will be ensured in 1974 by the closure of two unprofitable pits in the Southern Coalfield. In relation to the other Community countries also, the trend in Belgian coal production means that Community production is becoming increasingly concentrated on collieries with the highest productivity (Article 3 (1)(3) of Decision No 3/71).
- (e) It may be stated in conclusion that the Belgian measures planned for 1974 are compatible with the proper functioning of the Common Market.

4. Summary

Indirect aids to the Belgian coal-mining industry requested for 1974 under Decision No 3/71 are summarized in the following table :

Relevant Article of Decision No 3/71	Measure	Campine		South Belgian coal-field		Total	
		total amounts	per tonne prod.	total amounts	per tonne prod.	total amounts	per tonne prod.
		million Bfrs	Bfrs	million Bfrs	Bfrs	million Bfrs	Bfrs
Article 6	Payment of pumping costs	-	-	50.0	22	50.0	6
Article 7 (2)	Investment aid	115.0	18	35.0	15	150.0	17
Article 9	Coverage of losses	1 611.7	252	2841.3	1 235	4 453.0	512
Total : Articles 6 -9 of Decision No 3/71		1 726.7	270	2 926.3	1 272	4 653.0	535
Total amounts in u.a.		32.2	5.50	59.7	25.96	94.9	10.91
Figures in US dollars (\$ 1 = Bfrs 40)		43.2	6.75	73.2	31.83	116.4	13.37

Pro memoria :

Aid to coking coal under Decision No 73/287

= Bfrs 1 382.9 million
 = 28.2 million u.a.
 = 3.24 u.a./tonne

C. FRANCE1. Direct measures

The French Government has applied for authorization to grant the following direct aids in 1974 :

- Aid to reduce the total interest payable by Charbonnages de France	FF 25.5 million
- Aid to cover exceptional structural reorganization costs	FF 255.0 million
- Aid to cover operating losses ¹	FF 1091.7 million
- Aid to cover financial losses sustained by the central administration	FF 131.0 million

All the above measures are a continuation of aids previously granted and paid in 1973.

2. Consistency of the direct measures to assist the French coal-mining industry with the provisions of Article 6 and 9 of Decision No 3/71

(a) Aid to reduce the total interest payable by Charbonnages de France

The aid to reduce the total interest payable by Charbonnages de France is the application of a general measure to assist Charbonnages de France and should be assessed on the basis not of Decision No 3/71 but of Article 67 of the ECSC Treaty. This measure will then be consistent with the Treaty provided it entails none of the effects described in Article 67 (2) and (3). If this is the case, the measure must be examined to ascertain its effects on the competitive position of French coal in the Community, in that part of the Memorandum which deals with the consistency of the French financial measures with the criteria set for the proper functioning of the Common Market (see page II/42 hereafter).

¹ Includes FF 65.3 million of aid to reduce the price of power station coal. This was not indicated separately, being simply a point of accounting procedure.

(b) Aid to cover exceptional structural reorganization costs

The proposed amount of FF 255.0 million is to be paid directly to Charbonnages de France and represents the repayment of non-operating expenditure incurred by Charbonnages de France as a state-owned undertaking on behalf of the French Government, in order to permit more rational implementation of social programmes for redundant or early-retired mine workers. Probable expenditure by Charbonnages de France can be broken down among the various coalfields as follows : (in million FF)

	Nord/Pas-de-Calais	Lorraine	Centre-Midi	Total
1. Exceptional expenditure on miners made redundant by closures	29.6	7.9	31.5	69.0
2. Early retirement	93.0	8.0	30.0	131.0
3. Fuel oil payments to early-retired miners	2.4	0.3	1.3	4.0
4. Retirement adjustment payments under the CAN system	32.0	6.8	12.2	51.0
	157.0	23.0	75.0	255.0

Since the above social measures apply to persons no longer connected with the mining industry, expenditure incurred by Charbonnages de France for these persons is not regarded as operating expenditure and is not included in production costs. On the contrary, they are measures of a purely social nature which receive partial financing from the Commission under Article 56 of the Treaty. The aid is designed to cover expenditure which is not directly connected with coal production and sales.

The above details show the measures to be consistent with the provisions of Article 6(1)(1) of Decision No 3/71.

(c) Aid to cover operating losses

As in 1973, the French Government has envisaged two forms of aid for 1974 to cover colliery operating losses :

- aid paid to each coalfield individually and calculated on the basis of the current profits position of the various coalfields;
- aid paid exclusively to the central coalfields administration (Charbonnages de France) and designed to cover any residual losses payable by the administration and to prevent financial losses from increasing as a result of new interest liabilities on the new credits taken. This aid is therefore not paid to the coalfields.

The following table shows the aid amounts envisaged for 1974 :

1. Aid to cover coalfields' operating losses (million FF) ¹ per tonne produced (FF)	1 091.7 46.46
2. Additional aid to cover residual and new financial losses incurred by the central administration of Charbonnages de France (million FF) per tonne produced (FF)	131.0 5.57
Total aids to cover losses (million FF) per tonne produced (FF)	1 222.7 52.07

Under Article 9 of Decision No 3/71 the aid amounts shown in the above table must be examined on the basis of the following criteria :

- Prevention of serious economic and social disturbances in the coal-mining regions (Article 9 (1)(1)).
- The aid may at most cover the difference between costs and returns (Article 9 (2)).

¹ Including FF 65.3 million for power station coal.

(c₁) As regards the prevention of serious economic and social disturbances in the French coalfields, the following points must be made with regard to developments in 1974 :

- The French coal industry's financial returns position improved somewhat by the summer of 1974 as a result of sharp price rises. Performance-related revenue, which, in 1973, covered only some 60% production costs, covered approximately 80% of such costs in the second quarter of 1974. The French coal-mining industry is attempting to improve its financial position still further in the third and fourth quarters of 1974 by introducing more price increases. Whether or not such efforts will meet with success will depend on whether the financial implications of the strike which broke out in the autumn of 1974 can be kept within reasonable limits.

- The position in respect of financial returns differs from coalfield to coalfield. Whereas the Lorraine Coalfield's losses are relatively low, a large number of pits in the Nord/Pas-de-Calais and Centre-Midi Coalfields have relatively high losses. This situation had to be borne in mind when the French Government revised the production targets for 1980/85. The general increase in energy prices led the French Government to investigate and re-assess the coal reserves. The original production targets for 1985 (13 million tonnes) were subsequently raised by some 4 million tonnes to 17 million tonnes and the development prospects for the Lorraine Coalfield were considered to be favourable. This must also be remembered when authorizing aid to cover operating losses for 1974. Aid for the Lorraine Coalfield, in which one pit is to be closed in 1974 ¹, should be granted not for regional and social reasons but because of the problem of temporary bottlenecks in supplies of coking coal to the French steel industry.

¹ Because of the strike, no definite decision has yet been reached on the closure of the pit.

In the other coalfields, Nord/Pas-de-Calais and Centre-Midi, on the other hand, regional and social difficulties are the principal problems. In view of the less favourable development prospects for these coalfields - on account of their less favourable financial returns position and the foreseeable exhaustion of the coal reserves in many pits - four pits will probably be closed in those coalfields in 1974. The process of adapting production to sales possibilities must be directed by means of subsidies in such a way as to avoid the occurrence of regional and social problems in both coalfields.

Under these circumstances it may be concluded that the aids to cover operating losses applied for by the French Government for 1974 are consistent with the provisions of Article 9(1)(1) and (2) of Decision No 3/71.

(c₂) Examination of the amount of the aid requested in relation to the difference between costs and returns must be based on the aids shown in the following table :

	million FF
Aid to reduce interest	25.5
Aid to cover losses ¹	1 091.7
Aid to coking coal ²	104.6
Direct aid to compensate for anomalies in social charges	339.0
Total aid to coalfields	1 560.8
 Additional aid to cover financial losses incurred by the central administration of charbonnages de France	 131.0
	1 691.8
	=====

The above table shows all aid measures relevant to the collieries' cost and returns position.

- 1 Including aid to power station coal amounting to FF 65.3 million
2 Provisional amount; no decision has been taken yet on the final amount

In view of the uncertainty as to the way in which the strike will develop and as to its financial implications, it is not yet possible to estimate the probable operating losses which will be sustained by Charbonnages de France in 1974. Revenue will probably increase considerably during the second half of the year as a result of increases in the prices of French coal.

The French Government thinks that if the strike which began in the autumn of 1974 is of short duration, the amount of aid quoted above (FF 1 091.7 million) could be reduced by some FF 400 million. In any case, the amount of aid requested is a maximum amount. The French Government has informed the Commission that the amount of aid actually granted will under no circumstances be higher than the amount of the operating losses,

Thus the aid to cover operating losses for 1974 is consistent with the provisions of Article 9 (2) of Decision No 3/71.

- (c₃) It may therefore be concluded that the aids to cover operating losses applied for by the French Government for 1974 are consistent with the provisions of Article 9 of Decision No 3/71.

3. Compatibility of the French measures with the proper functioning of the common market

Under Article 3 (2) of Decision No 3/71, examination of the aids to decide whether they are compatible with the proper functioning of the common market must cover both indirect and direct aids.

The summarized figures are shown in the Appendix, Table 1. For 1974 - including aid to coking coal - the total amount is 257.9 million u.a., or 10.99 u.a./tonne produced. The amount has hardly changed compared

with 1973; it must be pointed out, however, that the figure quoted for 1974 is a maximum figure which might be reduced by FF 400 million (63.4 million u.a.). The amount quoted for aid to coking coal is also a provisional amount.

Compared to the other countries of the Community, French aids are lower than those granted in Belgium but a good deal higher than those granted in the United Kingdom and Germany.

As regards the compatibility of the French aid totals with the proper functioning of the common market, the following points may be noted :

- (a) The changed situation on the world market in oil has led to increased demand for coal in France in 1974 compared to 1973. The pithead stocks held on the French coalfields are falling rapidly. France is endeavouring above all to meet the increased demand by raising the volume of coal imports from non-member countries. Coal imports from non-member countries will probably rise from 5.4 million tonnes in 1973 to 9 million tonnes in 1974. Furthermore, as regards trade in coal within the Community :
- exports of French coal to other Community countries will decline in 1974 (see Appendix, Table 2),
 - French coal imports from other Community countries will rise by approximately 0.5 million tonnes in 1974 (see Appendix, Table 2),
 - Price-aligned sales of French coal were minimal in 1973 (see Appendix, Table 3).

It may therefore be concluded that French coal, which receives relatively large amounts of aid compared with the coal-mining industries in the other Community countries, is not placed in an advantageous position as regards sales within the Community on account of the differences in the amounts of subsidies. The proper functioning of the common market in coal on the basis of Article 3(1)(1) of Decision No 3/71 is not impaired by the French aid.

- (b) Under Article 3(1)(2) of Decision No 3/71, the pricing of French coal must be examined.

List prices for French steam coal moved as follows, not taking into account quality premiums or penalties :(in FF/tonne)

	1 Sept. <u>1973</u>	15 Jan. <u>1974</u>	1 Sept. <u>1974</u>	3 Nov. <u>1974</u>
<u>Nord/Pas-de-Calais</u>				
High volatile nuts 2	136.00	145.00	198.50	198.50
nuts 5	129.50	139.00	194.50	194.50
<u>Lorraine</u>				
High volatile nuts 2	125.00	132.00	184.00	184.00
nuts 5	108.50	113.00	160.00	160.00

In the summer of 1974 the price of heavy fuel oil was approximately FF 300.-/tonne (upward trend); this corresponds to approximately FF 210.-/tce. Although the prices for French steam coal are following the upward price trend for heavy fuel oil, they have not yet reached the equivalent price level. There is therefore still a certain amount of scope for introducing price increases for French steam coal, so that the amount of aid to cover operating losses could be reduced correspondingly. However, it is almost impossible to gauge the extent to which prices could be increased, since it must be remembered that the price per calorie of French steam coal cannot be raised right up to the level of the price per calorie of heavy fuel oil, because coal-fired power stations have higher operating costs than power stations using heavy fuel oil; in addition freight costs must also be taken into account.

List prices for coking coal moved as followed in 1973/74 : (in FF/tonne)

	1 Sept. <u>1973</u>	15 Jan. <u>1974</u>	1 July <u>1974</u>	3 Nov. <u>1974</u>
Nord/Pas-de-Calais	143.00	180.00	275.00	360.00
Lorraine	136.00	180.00	253.00	270.00

The price increase between September 1973 and November 1974 amounted to approximately 100% in the Lorraine Coalfield and 150% in the Nord/Pas-de-Calais Coalfields.

The price of French steam coal is thus following that of imported American coking coal, the average cif price of which was some \$ 55.-/tonne in the autumn of 1974. Taking into account freight costs, differences in quality, etc., the French coking coal prices applicable in November 1974 were at the same level.

The Commission keeps a constant watch on price movements on the market in coking coal in order to be able to decide, pursuant to Decision No 73/287, whether aid for coking coal is necessary.

It may therefore be concluded that although the French coking coal prices will have been adapted fully to the situation on the market by the end of 1974, the steam coal prices will not. The Commission is aware of the fact that the French steam coal prices have been increased considerably; it is also aware of the difficulties and the advisability in the interest of the economy as a whole, not to raise the general price index in France, which is already climbing steeply, by introducing further increases in coal prices. Under these circumstances, and in view of the fact that steam coal prices will probably be increased in the coming year, the Commission has come to the conclusion that the French prices policy in respect of coking coal for 1974 is compatible with the provisions of Article 3(1)(2) of Decision No 3/71.

- (c) Rationalization and the concentration of production on the most productive pits in 1974 will be ensured by the closure of 5 or 6 marginal pits (Article 3(1)(3) of Decision No 3/71).

(d) From the details set out under points (a) to (c) it may be concluded that the proposed French aid measures for 1974 are compatible with the proper functioning of the Common Market.

4. Summary

Direct aids requested for 1974 to assist the French coal-mining industry under Decision No 3/71 are shown in the table set out below :

Relevant Article of Dec. No 3/71	Measure	Total amounts		per tonne prod.	
		million FF	million u.a.	FF	u.a.
Article 6	To cover exceptional structural reorganization costs	255.0	40.4	10.85	1.72
Article 9	(a) To cover coalfields' operating losses	1 091.7	173.1	46.46	7.37
	(b) To cover losses incurred by the central administration of Charbonnages de France	131.0	20.8	5.57	0.89
Total aids		1 477.7	234.3	62.88	9.98
In US Dollars (\$ 1 = FF 4,85)		304.7		12.97	

¹ Including FF 65.3 million for power station coal

pro memoria

Aid to coking coal under Decision No 73/287

= FF 104.6 million

= 16.6 million u.a.

= 0.71 u.a./tonne

D. NETHERLANDS1. Direct measures

The Netherlands Government has applied for authorization of the following direct measures to assist the coal-mining industry:

- a "subjective" aid to privately-owned pits totalling Fl 56.3 million
- payment of accrued interest totalling Fl 5.0 million

The state-owned pits in the Netherlands coal mining industry were closed at the end of 1973. The privately-owned pits will be closed at the end of 1974; this will mean the end of coal mining in the Netherlands. The aid quoted above is to be granted only to privately-owned pits and is to cover special costs related to the closure of pits and social costs, which cannot be shown separately.

2. Consistency of the direct measures to assist the Netherlands coal-mining industry with the provisions of Articles 6-9 of Decision No 3/71

The aid quoted above is purely aid to cover operating losses in the privately-owned pits. The measures must therefore be examined to ascertain whether they are consistent with the provisions of Article 9 of Decision No 3/71.

The Netherlands Government has informed the Commission that the labour force employed in the coal-mining industry at the beginning of 1974 numbered approximately 5 000. Social measures and plans to create new employment opportunities for the persons affected by the closure of the pits have been drawn up so that the labour force can be reduced to a few hundred by the end of 1974. Supplementary plans are currently being worked out for the remainder of the labour force so that they can be reintegrated in the economy without encountering any social problems.

As regards the calculation of the amount of aid to cover the difference between production costs and revenue, costs have risen extremely steeply

during the production downturn. Despite several price increases, revenue has not risen to the same extent, so that operating losses have increased sharply.

The aid is not expected to exceed the probable operating losses.

It may thus be concluded that the aids applied for by the Netherlands Government for 1974 are consistent with the provisions of Article 9 of Decision No 3/71.

3. Compatibility of the Netherlands aids with the proper functioning of the common market

In the final phase of the cessation of production in the Netherlands, operating losses, and therefore aids too, have risen extremely sharply. Total aids for 1973 amounted to 5.72 u.a./tonne and will reach 18.24 u.a./tonne in 1974 (see Appendix, Table 1); this means that they will have tripled. The sharp increase in aids and losses can be attributed to higher production costs for the small amount produced (only 1 million tonnes). With high overheads, and a 44% decline in production (from 1.8 million tonnes in 1973 to 1.0 million tonnes in 1974), the costs per tonne produced must necessarily rise very steeply. The Netherlands aids are therefore the highest in the Community.

As regards the compatibility of the total Netherlands aids with the proper functioning of the common market, the following remarks are limited to a few general considerations, as Netherlands production will amount to no more than 1 million tonnes, or some 0.4% of the entire production of the enlarged Community in 1974.

The following observations may be made :

- Exports of Netherlands coal to other Community countries will fall considerably in 1974.

- The amount of Community coal imported by the Netherlands will rise relatively steeply in 1974; similarly imports of coal from non-member countries will, in 1974, be 30% up on the 1973 level. As a result of the cessation of its domestic production, the Netherlands must start to rely on imports for its supplies of coal.
- Price alignment has been discontinued.
- The aids to the coal industry cannot indirectly aid industrial consumers of coal as production is limited to house coal for private use.

In these respects the aids proposed for 1973 are broadly compatible with the proper functioning of the common market.

4. Summary

The direct aids for 1974 proposed for the Netherlands mining industry under Decision No 3/71 are set out in the following table:

Relevant Article of Dec. No 3/71	Measure	Total amounts	
		million Fl	million u.a.
Article 9	"subjective" aids	56.3	16.8
	Payment of accrued interest	5.0	1.4
	Total	61.3	18.2
	per tonne produced	Fl 61.30	18.24 u.a.
	In US-\$ (\$ 1 = Fl 2.65)		
	Total		\$ 23.1 million
	per tonne produced		\$ 23.13

E. UNITED KINGDOM

It must be pointed out first of all that the aids paid by the British Government to the British coal-mining industry cover the financial year of the coal industry from the beginning of April 1974 to the end of March 1975. Both the financial year of the NCB and the Government fiscal year cover this period. All figures quoted below therefore refer to the financial year 1974/75 of the coal industry; it is not possible to produce figures for the calendar year 1974.

1. Direct measures

The British Government intends to grant the following direct aids to the coal industry for the financial year 1974/75:

	<u>£ million</u>
- Aid to cover severance pay to miners made redundant or the cost of vocational retraining of personnel	8.5
- Aid to cover expenditure incurred by the NCB through early retirement of miners	3.5
- Aid to cover expenditure incurred through the supply of concessionary coal to redundant miners between the ages of 55 and 65	0.7
- Aid for the adaptation and stabilization of the workforce	3.8
- Aid for holding of stocks	1.6
- Cover of the NCB's expected operating losses for the financial year 1974/1975	50.0
- Aid for power station coal	-

In addition to the above direct aids which are to be granted under Decision No 3/71, the British Government wishes to grant the coal industry aid to coking coal amounting to £ 11.5 million on the basis of Decision No 73/287/ECSC.

All direct aids listed above represent the continuation of measures which were implemented in the financial year 1973/74 by the British Government for the benefit of the coal industry. The measures are based on the Coal Industry Acts of 1965, 1967 and 1973.

All the aids are paid to the NCB, which is responsible for 99% of British coal production. No aids have been reported for the licensed collieries which are responsible for 1% of British coal production.

2. Consistency of the direct measures to assist the British coal industry with the provisions of Articles 6-9 of Decision No 3/71

(a) Aid to cover severance pay to miners made redundant or the cost of vocational retraining of personnel

This aid was introduced by the Coal Industry Act of 1965. The Coal Industry Act of 1973 provides for the continuation of the aid and for the payment of £ 8.5 million for 1974/75.

The aid is given to miners who leave the industry as a result of closures and to those who are retrained and/or re-employed in the coal mining industry. Not more than 50% of the expenditure thus incurred by the NCB may be covered by the aid.

It is clear from the purpose and form of the aid that it conforms to the criteria set out under Article 6 (1) (1) and Article 7 (3) of Decision No 3/71.

(b) Aid to cover expenditure incurred by the NCB through early retirement of miners

This aid was introduced in the Coal Industry Act of 1967. The Coal Industry Act of 1973 provides for the continuation of the aid and for the payment of £ 3.5 million for 1974/75.

This aid is given to miners retired before the statutory retirement age. Such retirements became necessary in the period 1967/70 because of the decline in production (as a result of inadequate demand). The expenditure on pensions incurred by the NCB is no longer related to coal production and is fully covered by the aid. The NCB makes the payments, which are fully reimbursed by the British Government by means of the aid.

It is clear from the purpose and form of the aid that it conforms to the criteria set out under Article 6 (1) (1) of Decision No 3/71.

(c) Aid to cover expenditure incurred by the NCB through the supply of concessionary coal

Expenditure incurred by the NCB through the supply of concessionary coal to miners between the ages of 55 and 60 who have been made redundant is reimbursed in full by the Government while for redundant miners between the ages of 60 and 65 the aid is to cover 50% of the cost of concessionary coal. The provision made for aid for 1974/75 amounts to 0.7 million £. The aid covers NCB expenditure which is no longer related to coal production.

It is clear from the purpose and form of the aid that it conforms to the criteria set out under Article 6 (1) (1) of Decision No 3/71.

(d) Aid for the adaptation and stabilization of the workforce

It is estimated that in 1974/75 the NCB will incur expenditure amounting to £ 7.5 million as a result of the necessary reorganization of personnel during rationalization of production. In order to maintain the stability of qualified personnel, miners affected by the reorganization must be compensated for the expenses involved. These expenses include :

- Removal expenses
- Resettlement expenses
- Travel expenses
- Reimbursement of temporary loss of income.

In order to meet these expenses the British Government will grant the NCB a subsidy of £ 3.8 million in 1974/75.

It is clear from the purpose and form of the aid that it conforms to the criteria set out under Article 6 (1) (1) of Decision No 3/71.

(e) Aid for holding of stocks

The 1973 Coal Industry Act (Section 7) provides that the British Government may grant a subsidy to the NCB to help meet the cost of holding stocks. Provision has been made for a subsidy of £ 1.6 million to be granted for 1974/75.

The British Government estimates that the stocks of coal and coke held by the NCB at the end of March 1975 will exceed the limit laid down in Article 8 of Decision No 3/71. The measure would therefore be consistent with the provisions of that Article.

(f) Coverage of the NCB's expected operating losses

The operating losses to be covered in the financial year 1973/74 are the losses which are expected to be sustained on current production. The amount is estimated at £ 50.0 million.

No aid to power station coal will be granted to the NCB for the financial year 1974/75.

Under Article 9 of Decision No 3/71 the above aids to cover losses must be examined in the light of the following criteria:

- Maintenance of production to prevent temporary bottlenecks in supplies of coal and energy (Article 9 (1) (2) and to prevent regional and social problems (Article 9 (1) (1),
- The aid may not exceed the difference between costs and returns (Article 9 (2)).

(f₁) As regards the prevention of temporary bottlenecks, it must be pointed out that the general energy supply picture in the United Kingdom

is very unclear on account of the difficult situation as regards oil supplies. Because of the difficult situation on the world coal market, a drastic increase in imports is not possible. The NCB is therefore making every effort to maintain production levels and thus to obviate the danger of an energy shortage.

In addition to the question of security of energy supplies, the British Government has also informed the Commission that a number of small, uneconomic pits, the exact number of which is not yet known, is to be closed in 1974. A large number of the coalfields are situated in regions which are structurally weak and where the general unemployment rate is relatively high. Economic and social difficulties must therefore be taken into consideration when closing pits.

It is therefore clear that the proposed aid to cover operating losses sustained by the NCB in the financial year 1974/75 is consistent with the provisions of Article 9 (1) (1) and (2) of Decision No 3/71.

- (f₂) The following criterion is applied in calculating the proposed amount of aid to cover the difference between the average cost of coal production and the revenue obtained .

Production costs will be much lower in the financial year 1974/75 than in 1973/74 as they became very inflated in 1973/74 on account of the strike. However, it will not be possible to reduce costs to the desirable level in 1974/75 because the strike has also had certain implications for 1974/75. Furthermore, the wage increases granted following the strike are much greater than the probable increase in output per man-shift, so that this has led to higher costs, which have risen still further as a result of increases in the prices of equipment and materials due to the general inflationary trend.

Considerable improvements in revenue are expected in the financial year 1974/75, as a result partly of higher production figures and partly of repeated price increases.

The British Government thinks that these costs and revenue trends for 1974/75 will give rise to a considerable reduction in the NCB's operating losses. The aid applied for (£ 50.0 million) will be paid only when the NCB provides proof of operating losses. The aid applied for is therefore consistent with the provisions of Article 9 (2) of Decision No 3/71.

3. Compatibility of the British aids with the proper functioning of the common market

In assessing the compatibility of the British aids with the proper functioning of the common market (Article 3 (1) of Decision No 3/71) it is necessary to consider not only the aids governed by that Decision but also all other measures to assist the British coal mining industry (Article 3 (2) of Decision No 3/71).

For the purposes of comparison with other Community countries, the relevant figures have been shown in a summary table (see Appendix, Table 1). The calculations show that total British aids, including payments exceeding the limits set in Article 4 of Decision No 3/71, will amount to £ 76,4 million (= 165.8 million u.a. = 1.44 u.a./tonne). In comparison with all other Community countries, the aids proposed for the British coal-mining industry yield the lowest rate of aid per tonne produced. On account of the favourable movement of costs and revenue, total aids to the British coal industry in the financial year 1974/75 per tonne produced will be 65.2% lower than in the financial year 1973/74.

The following remarks may be made with regard to the compatibility of the total British aids with the proper functioning of the common market:

- (a) Trade in coal between the United Kingdom and other Community countries has tended to decline in 1974 as compared with 1973 (see Statistical Appendix, Table 2). This is partly due to the general coal shortage in the common market which arose as a result of the oil crisis. It is also due in part to the fact that in the summer of 1974 the British Government, with the Commission's permission, introduced a temporary embargo on the export of coal in order to enable the effects of the strike in the British coal industry on British energy supplies to be overcome more easily.

In view of this situation on the market, no problems of competition arise between British coal and coal produced in other community Countries. No adverse effects on trade in coal as a result of the differences in amounts of aid are expected in 1974 (Article 3 (1) (1) of Decision No 3/71).

- (b) The Commission has not been informed of any alignments of British coal prices on the prices ^{imposed} by other Community producers in 1973 (see Appendix, Table 3).
- (c) The price of British coal moved as follows in 1974 compared with other sources of energy:

- The NCB introduced its first price increases in 1974 on 1 April, when it raised them by 48 - 50% in the Midlands and by 28% in the other coalfields, in order to follow the trend at least of oil and imported coal prices. A second price increase took place on 1 October 1974, when prices were raised by 20 - 30%. In October the price of steam coal was \$ 34 - 36/tonne in the Midlands and \$ 40 - 45 in the other coalfields, while the equivalent price of fuel oil, taking into account freight costs and ease of handling, was \$ 50-55/tce. Thus it is clear that price of British steam coal could be increased still further without giving rise to any marketing difficulties. However, it is doubtful whether this would mean that the NCB would not make an operating loss for the financial year 1974/75. Most of the losses to be covered by the

aid occurred in the second and third quarters. The price increase introduced on 1 October is expected to enable the NCB to achieve a fairly balanced financial position, so that further aids to cover losses will not be required. Whether this will actually be so will appear in time. The Commission is currently assuming that this will be the case. Under these circumstances it may therefore be concluded that although the price of British steam coal had not reached the equivalent price of fuel oil by October 1974, the NCB can nevertheless almost cover its costs with prices at their current level. As aid to cover costs would therefore not be required for the fourth quarter of 1974 and the first quarter of 1975, the terms of Article 3 (1) (2) of Decision No 3/71 would be met.

- In October 1974 the price of British coking coal was some \$ 38/tonne in the Midlands and \$ 46/tonne in the other coalfields. According to the Commission, the indicative cif import price of American coking coal amounted to approximately \$ 52/tonne in the summer of 1974. Therefore there was still scope for further rises in the price of British coking coal too. As regards the authorization of differences in the price of British and imported coking coal, it is necessary to examine the same aspects as in the case of the price of steam coal as indicated above.

- (d) It may therefore be concluded that the aids proposed for 1974/75 to assist the British coal mining industry are compatible with the proper functioning of the common market.

4. Summary

The following table shows the direct aids to the British coal mining industry proposed under Decision No 3/71 for the financial year 1974/75:

Relevant Article of Dec. No 3/71	Measure	Total amounts		per t produced	
		£ million	million u.a.	£	u.a.
Article 6	- Severance and retraining	8.5	16.0	0.07	0.14
	- Early retirement	3.5	6.6	0.03	0.06
	- Concessionary coal	0.7	1.3	0.01	0.01
Article 7	Adaptation and stabiliza- tion of workforce	3.8	7.2	0.03	0.06
Article 8	Aid for holding of stocks	1.6	3.0	0.01	0.03
Article 9	NCB's operating losses	50.0	94.3	0.43	0.82
	Total under Articles 6-9 of Decision No 3/71	61.1	128.4	0.58	1.12
	In US \$ (\$ 1 = £ 0.42)	162.1		1.41	

pro memoria :

Aid to coking coal under Decision No 73/287

= £ 11.5 million
= 21.7 million u.a.

CHAPTER IV

Summary and conclusions

1. This report has reviewed the financial measures proposed by the Member States of the enlarged Community to assist the coal mining industry in 1974 or in the financial year 1974/75. The consistency of these measures with the provisions of Decision No 3/71 was examined for each individual country. It emerged from this investigation that the aids planned by the governments of the Member States for 1974 do not impair the proper functioning of the common market in coal.
2. As regards the size of the coal market, the Community's coal production will decline by approximately 20 million tonnes compared with 1973. This can be attributed partly to the strike in the British coal industry and partly to the closure of pits and labour shortages in the other Community countries.

Pit head stocks have declined considerably during 1974. The amount of coal imported into the Community from non-member countries is expected to be some 10 million tonnes (= 30%) higher in 1974 than in 1973.

The various factors which have caused supply to develop in the way it has have resulted from the trend in coal consumption which, in 1974, was some 5 million tonnes up on 1973 in the Community's power stations and coking plants alone. If consumption remains at its high level as a result of economic developments in 1975, the possibility of certain supply difficulties arising cannot be ignored.

3. The favourable trend as regards sales of Community coal in terms of volume, and also as regards prices - which were raised in order to align them more on the rising prices of fuel oil and imported coal - has led to an improvement in the financial position of the coal mining industry in 1974. Although production costs have also risen as a result of higher wages and rising prices of mining materials, the increased costs were more than compensated for by raising the price of Community coal - in some coalfields

by more than 100% between September 1973 and October 1974. However, taking 1974 as a whole, the sharp increases could not cover the total operating losses sustained in the coal industry, so that aid to cover losses is still necessary. In 1974, the Community coal prices were not raised suddenly but in several stages, i.e. losses were still relatively high in the first two or three quarters of 1974. It was only in the fourth quarter that some coalfields could achieve a fairly balanced financial position, so that there was less need for subsidies.

4. The Commission has noted that in many cases the prices of Community coal have not yet been aligned completely on the equivalent level of prices of fuel oil and imported American coking coal. Consumers have therefore been able to obtain Community coal more cheaply than they would have been able to purchase the substitute products on the world market, but applications for authorization for aid to cover operating losses were nonetheless submitted, contrary to the provisions of Decision No 3/71. As indicated in Chapter III in the case of some countries, the Commission realizes, however, that an adequate and rapid increase in the prices of Community coal would be difficult and from an economic point of view - not welcomed by the Governments in the interests of general price stability; however, the Commission has pointed out to the Governments of the Member States that the coal industry must in 1975 be able to adopt a prices policy whereby indirect subsidies to consumers of coal would be avoided ~~what ever~~ the circumstances (Article 3 (1) (2) of Decision No 3/71) and whereby it would be clear which parts of the industry or coalfields can compete with the high energy prices.
5. As regards the financial measures to cover deficits incurred through the financing of welfare benefits in accordance with Article 4 of Decision No 3/71, sums paid in 1974 will total almost 2 100 million u.a. The increase over 1973 is of the order of 9% and is indicative of the constantly-growing imbalance between employed contributors and recipients of benefits.
6. Total aids to assist the coal-mining industry in 1974 have fallen by 410.3 million u.a. (= 30.2%) in the case of the total amount and by 1.22 u.a. (= 24.1%) per tonne produced compared with 1973.

Totals for direct and indirect aids (in million u.a.)

	Community of the Six			United Kingdom		Enlarged Community	
	1972	1973	1974	1973	1974	1973	1974
1. Direct measures under Decision No 3/71	556.5	515.5	605.3	486.8	128.4	1.002.3	733.7
2. Aid to coking coal	71.4	249.1	44.8	30.0	21.7	279.1	66.5
3. Indirect measures	100.0	79.4	150.3	-	-	79.4	150.3
Total	727.9	844.0	800.4	516.8	150.1	1.360.8	950.5
Change from previous year in %	+32.0	+15.9	- 5.2	..	-71.0	..	-32.2
Aid per tonne produced (in u.a.)	4.80	6.04	6.06	4.02	1.31	5.07	3.85

The table shows that reductions in aid occurred mainly in the case of direct measures under Decision No 3/71 and of aid to coking coal, since the financial returns position and the competitive position of the Community's coal industry improved in 1974.

7. Of the total amount of direct aid for which provision has been made in 1974 (i.e. 733.7 million u.a.), 431.3 million u.a. (or 58.8%) have been allocated to aid under Article 9 of Decision No 3/71 and 302.4 million u.a. (or 41.2%) to aid for rationalization and holding of stocks (Articles 6-8 of Decision No 3/71).

million u. a.

	Aids			Total
	Articles 6 + 7	Article 8	Article 9	
Germany	223.8	-	34.1	257.9
Belgium	4.1	-	90.8	94.9
France	40.4	-	193.9	234.3
Netherlands	-	-	18.2	18.2
United Kingdom	31.1	3.0	94.3	128.4
Total	299.4	3.0	431.3	733.7

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STATISTICAL ANNEX

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Table 1
Summary of the direct and indirect measures to assist the coal-mining industry 1

Unit	Germany		Belgium		France		Netherlands		Community of Six		United Kingdom		Enlarged Community	
	1973	1974	1973	1974	1973	1974	1973	1974	1973	1974	1973	1974	1973	1974
A. Aids under Decision No 3/71														
(Excess amount, Article 4)	million u.s.													
Article 6	39,1	141,8	-	-	-	-	-	-	-	-	-	-	-	-
Article 7	83,9	82,0	1,0	1,0	34,6	40,4	1,1	-	75,8	183,2	29,8	23,9	(16,6)	(16,6)
Article 8	-	-	4,6	3,1	-	-	-	-	88,5	85,1	7,4	7,2	7,4	105,6
Article 9	17,7	34,1	-	-	-	-	-	-	-	-	7,4	3,0	7,4	95,9
Total Art. 6-9	140,7	257,9	105,3	90,8	219,0	193,9	2,2	18,2	351,2	337,0	442,2	94,3	793,4	3,0
per tonne produced	1,36	2,60	12,60	10,91	9,87	9,98	5,72	18,24	3,69	4,58	3,78	1,12	1,002,3	733,7
B. Aid to coking coal under Decision No 70/1 or 73/287														
Totals	188,8	-	40,3	28,2	20,0	16,6	-	-	249,1	44,8	30,0	21,7	279,1	66,5
per tonne produced	1,83	-	4,58	3,24	0,78	0,71	-	-	1,78	0,34	0,23	0,19	1,04	0,27
C. Total A + B														
Totals	329,5	257,9	151,2	123,1	273,6	250,9	10,3	18,2	764,6	650,1	516,8	150,1	1.281,4	809,2
per tonne produced	3,19	2,60	17,18	14,15	10,65	10,69	5,72	18,24	5,47	4,92	4,02	1,31	4,77	3,22
Indirect measures per tonne	65,2	137,9	5,1	5,4	9,1	7,04	-	-	79,4	150,3	-	-	79,4	150,3
per tonne produced	0,63	1,39	0,58	0,62	0,35	0,30	-	-	0,57	1,14	-	-	0,30	0,62
Total amounts (C + indirect measures)	394,7	395,8	156,3	128,5	282,7	257,9	10,3	18,2	844,0	800,4	516,8	150,1	1.360,8	959,5
per tonne produced	3,82	3,99	17,76	14,77	11,00	10,99	5,72	18,24	6,04	6,06	4,02	1,31	5,07	3,85
		(4,12)	(3)						(3)		(3)		(3,44)	(3,85)

1 planned aids
 2 including aids for miners' vocational training
 3 including the sum which exceeds Article 4 of Decision No 3/71
 4 including aid for the reduction of interest payable by Charbonnages de France

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Table 2

Development of the coal trade within the Community 1

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Supplier countries Importer countries	Germany		Belgium		France		Netherlands		Community of the Six		United Kingdom		Enlarged Community				
	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973			
Germany	-	-	373	379	255	400	597	400	590	547	325	1.060	1.561	600	2.521	3.084	1.580
Belgium	2.545	3.066	-	-	-	150	146	150	632	478	250	32	117	100	3.389	3.807	4.650
France	5.889	5.995	229	200	150	-	-	-	336	367	250	299	507	600	6.753	7.069	7.660
Netherlands	379	381	10	10	25	15	6	15	-	-	-	120	127	-150	524	524	1.040
Italy	2.905	2.730	-	-	-	55	29	55	1	-	-	30	42	45	2.964	2.801	3.200
Luxembourg	217	215	29	41	5	5	42	5	6	5	-	-	-	-	296	303	340
Total Community of the Six	11.935	12.387	641	630	435	625	820	625	1.565	1.397	825	14.906	15.234	16.975	-	-	-
Denmark	2	1	-	-	-	-	-	-	-	-	-	3	5	10	5	6	10
Ireland	11	16	-	-	-	-	-	-	23	3	15	125	100	75	159	119	110
United Kingdom	228	178	38	34	-	-	4	-	231	68	10	-	-	-	530	284	200
Enlarged Community	12.176	12.582	679	664	435	625	824	625	1.819	1.468	850	1.669	2.459	1.580	17.841	17.997	18.790

1 1973 : provisional figures, without deliveries from Ireland

2 1974 : estimates

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Table 3

Trend of price alignments on Community coal ¹
(without Italy, Luxembourg, Denmark and Ireland)

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	1971			1972			1973		
	Production t=t	Deliveries in other Community countries	Quantity affected by price align- ment (2)	Production t=t	Deliveries in other Community countries	Quantity affected by price align- ment (2)	Production t=t	Deliveries in other Community countries	Quantity affected by price align- ment (2)
German coal	116.885	9.968	638	108.454	8.813	936	103.394	9.620	30
Belgian coal	10.960	478	-	10.500	612	-	8.842	623	-
French coal	32.980	689	156	29.740	692	107	25.682	753	4
Netherlands coal	3.795	1.418	-	2.942	1.557	2	1.829	1.460	-
United Kingdom coal	..	..	..	..	..	..	130.183	2.312	-

¹ only price alignments for coal on Community coal; without price adjustments effected under Decision No 70/1

² price alignments on deliveries in own country and in other Community countries

Table 4

Pattern of aids granted by Member States under the provisions of Articles 3-5 of Decision No 3/65 and Articles 6-9 of Decision No 3/71

	Aids under Articles 3-5 of Decision No 3/65				Aids under Articles 6-9 of Decision No 3/71				Change in 1974 compared with 1973	
	1968	1969	1970	1971	1972	1973	1974	absolute	in %	
<u>GERMANY (FR)</u>										
million DM	458,7	297,5	271,4	495,0	896,4	452,9	830,9	+ 378,0	+ 83,5	
million u.s.	114,7	74,4	74,2	135,2	244,9	140,7	257,9	+ 117,2	+ 83,3	
u.s./%	0,98	0,64	0,63	1,16	2,26	1,36	2,60	+ 1,24	+ 91,2	
<u>FRANCE</u>										
million FF	1.059,9	1.278,9	975,0	1.081,6	1.036,8	1.408,5	1.477,7	+ 69,2	+ 4,9	
million u.s.	244,6	259,0	175,5	194,8	186,7	253,6	234,3	- 19,3	- 7,6	
u.s./%	5,13	6,38	4,69	5,90	6,27	9,87	9,98	+ 0,11	+ 1,1	
<u>BELGIUM</u>										
million sfrs	3.873,9	3.832,0	3.293,5	3.430,0	5.557,3	5.434,4	4.653,0	- 781,4	- 14,4	
million u.s.	77,5	76,6	65,9	68,6	111,1	110,9	94,9	- 16,0	- 14,4	
u.s./%	5,24	5,80	5,78	6,24	10,58	12,60	10,91	- 1,69	- 13,4	
<u>NETHERLANDS</u>										
million fl	64,9	64,1	60,9	56,8	50,1	36,7	61,3	+ 24,6	+ 67,0	
million u.s.	17,9	17,7	16,8	15,7	13,8	10,3	18,2	+ 7,9	+ 76,7	
u.s./%	2,59	3,07	3,74	4,13	4,76	5,72	18,24	+ 12,52	+ 218,9	
<u>Community of the Six</u>										
million u.s.	424,6	427,7	332,4	414,2	556,5	515,5	605,3	+ 89,8	+ 17,4	
u.s./%	2,35	2,42	1,95	2,51	3,67	3,69	4,58	+ 0,89	+ 24,1	
<u>UNITED KINGDOM</u>										
million £	..	..	..	..	..	243,4	68,1	- 175,3	- 72,0
million u.s.	..	..	..	..	..	486,8	128,4	- 358,4	- 73,6
u.s./%	..	..	..	..	..	3,78	1,12	- 2,66	- 70,4
<u>ENLARGED COMMUNITY</u>										
million u.s.	..	..	..	..	..	1.002,3	733,7	- 268,6	- 26,8
u.s./%	..	..	..	..	..	3,73	2,97	- 0,76	- 20,4