

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 18 April 1974

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MEMORANDUM

on

Additional financial measures by Member States
to assist the coal mining industry in 1972
and

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

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COMMISSION OF THE EUROPEAN
COMMUNITIES

Directorate-General for Energy

Brussels, 11 March 1974

M E M O R A N D U M

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PART ONE

Additional measures to assist the German and Belgian
coal mining industries in

1972

INTRODUCTION

1. In the "Supplementary Report on Financial Measures by Member States to Assist the Coal Mining Industry in 1972" (Doc. No. SEC(73)2272 final version on 19 June 1973) the additional measures to assist the coal mining industry announced by the German, Belgian and French governments for 1972 were presented and examined by the Commission.
2. The Commission was informed
 - by the Belgian Government in a letter of 11 July 1973
 - by the Federal German Government in a letter of 5 June 1973that the additional measures planned for 1972 were not sufficient to solve the problems experienced in the coal mining industries of the two countries. In both countries it was necessary once again to increase the aids provided for under Art. 9 of 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 "Supplementary Report on Financial Measures by Member States to Assist the Coal Mining Industry in 1972".
4. To convert national currencies into units of account, the following exchange rates have again been used :

1 u.a. = 50.00 Bfrs

= 3.66 DM

I. Measures additional to those planned for 1972 to assist the German coal mining industry

A. Measures proposed

5. As stated on pp. 4-5 of the Supplementary Report (Doc. No. SEC (73) 2272 final version), the Federal German Government had taken a number of measures to assist the biggest German coal mining concern - the Ruhrkohle AG (RAG). One of these measures involved a debt register claim of one thousand million DM to the RAG.
6. The granting of the debt register claim was intended to improve the liquidity of the undertaking. On the basis of this claim the RAG was able to obtain additional credits from banks.
7. According to the 1971 and 1972 annual reports published by the RAG,
 - in 1971 178 million DM in operating losses were not made good by public funds but were carried over to the financial year 1972;
 - in 1972 there were further operating losses of 567 million DM.

Thus at the end of 1972 the RAG's accumulated operating losses stood at 745 million DM.

8. In order not to jeopardise the existence of the RAG, the Federal German Government allowed the RAG to use 650 million DM of the thousand million DM claim mentioned above to cover part of its accumulated operating losses for 1971/72. After this financial measure, the RAG's outstanding operating losses at the end of 1972 amounted to 95 million DM, which was carried over to the financial year 1973.

9. The measure adopted by the Federal German Government shows that the register claim was used not only to improve liquidity but also to cover operating losses.

B. Compatibility of the German measures with the provisions of Arts. 6-9 of Decision No. 3/1

10. The RAG's accumulated operating losses of 745 million DM up to the end of 1972 exceed the capital stock of 500 million DM by almost 150%. With as little as 50% capital loss it would no longer have been possible to continue operations.
11. In general, the Federal State of North Rhine-Westphalia, in which the RAG chiefly operates, is at present in a very good economic and social position, despite the problems that may arise in certain sectors chiefly associated with coal mining (1). It is, however, clear that this situation would change immediately if the RAG were to cease operations and had to lay off within a relatively short period 170.000 workers whose jobs it currently provides. These facts show that coverage of operating losses is consistent with the provisions of Art. 9, § 1, Sub-para. 1, since the aid serves to prevent a drop in the level of market demand, which would cause serious economic and social disturbances in a region where there are not sufficient short-term opportunities for reemployment for such a large number of workers.
12. As for the apportionment of aid according to the difference between production costs and revenue, it must be stated that aid covers only 87% of the accumulated operating losses for the financial years 1971/72, which were incurred almost exclusively in mining operations.

(1) See the Commission Decision of 17 February 1971 relating to investment premiums in German coal fields (Official Journal No. L 57, 10.3.1971, p. 19).

This means that the aid is also consistent with the provisions of Art. 9, § 2 of Decision No. 3/71.

13. Aid is being paid for two preceding financial years (1971 and 1972). Further aids granted to the undertaking from public funds in these two financial years and presented and examined in the relevant Commission Memoranda were counted as extraordinary profits in the assessment of losses. The back payment of aid is thus in accordance with Art. 9, § 5 of Decision No. 3/71.
14. From the facts set out above it can be concluded that the partial covering of RAG production losses from public funds for the financial years 1971 and 1972 is consistent with the provisions of Art. 9 of Decision No. 3/71.

C. Compatibility of the German measures with the proper functioning of the Common Market

15. In order to examine whether the aid to cover RAG operating losses is compatible with the proper functioning of the Common Market (Art. 3, § 1 of Decision No. 3/71), amounts per tonne of production must be worked out. To achieve this, the total amount of 650 million DM must be divided proportionally between the financial years 1971 and 1972 and added to the amount of aid already approved by the Commission for 1971/72.

The aid covers 87% of RAG operating losses. If this percentage is applied equally to both financial years, 155 million DM of the 650 million DM total relates to 1971 and 495 million DM to 1972 (42.3 million u.a. and 135.2 million u.a. respectively).

16. With regard to the Federal Republic's coal mining industry as a whole, the following amounts of aid for 1971 and 1972 emerge :
(total amounts including indirect aids)

		<u>1971</u>	<u>1972</u>
Original amounts	million u.a. (1)	210.1	261.1 (2)
Additional amounts	million u.a.	<u>42.3</u>	<u>135.2</u>
Total	million u.a.	252.4	396.3
		=====	=====
Per tonne produced	u.a.	<u>2.16</u>	<u>3.65</u>
		=====	=====

(1) see Doc. No. SEC (72) 2272 final version, Table A

(2) Figure altered owing to aid for coking coal

17. Compared with 1971, the total amount of German aid in 1972 was higher by 143.9 million u.a. (= + 57%); the increase per tonne produced being 69%.

As a result of the sharp rise, the amounts of German aid - which in previous years were far lower than in other Community countries - came much nearer the levels of aid granted in the Netherlands and France.

As far as can be ascertained from the completed list of overall external trade figures, this state of affairs has not had any adverse effects on intra-Community trade in coal. The increase in imports of coal by the Federal Republic from other Community countries is the result of a temporary increase of 200,000 tonnes in imports from the Netherlands. For 1973 a sharp decrease in these imports is expected; in 1974 they should stop altogether as coal production in the Netherlands is being halted.

	Imports of coal by the Federal Republic from other Community countries	1,000 tonnes	Exports of coal to other Community countries by Federal Republic
1970	1,161		14,408
1971	1,125		13,194
1972	1,461		11,964

The drop in German coal exports to other Community countries is the result of a weakening of the steel market in 1971/72.

18. Although the granting of aid to cover RAG losses resulted in a considerable narrowing of the gap between subsidy levels in the Federal Republic and other Community countries it also led, since it benefitted only one undertaking, to differences in subsidy levels for 1972 between the RAG and the other German concerns.

If the 495 million DM in aid is related to production (82.7 million tonnes), the RAG received about 6 DM per tonne to cover losses. The other German coal mining concerns received no such aid, as they either suffered no operating losses, or the losses were so slight or the attendant circumstances so different that the Federal German Government regarded aid as not being urgently necessary. At this point, the reader is expressly referred to the basic principles laid down in Chapter II of Part Two of this document (Points 38, 45 and 46).

In view of this fact and the increase in the practice of price aligning in 1972 (see Table 11 in the Appendix to Part Two of this document), the Commission carried out a survey of the present state of market competition. This revealed that, although the individual German coal mining concerns compete with the RAG in certain branches of their production, there were no definite signs that distortions of competition in the Community coal market had been brought about by the granting of aid to the RAG to cover its losses. However, the quantity sold under conditions of price alignment was 300,000 tonnes higher in 1972 than in 1971. These transactions were carried out exclusively by undertakings not forming part of the RAG, and in many cases prices were aligned with RAG prices. These instances of price alignment are, however, not the result of the special aid received by the RAG, but an indirect result of competition between German coal as a whole and coal imported from third countries; and between German coal and other alternative

sources of energy. All the German undertakings are defending themselves against this competition. The RAG's price structure does not indicate that the RAG is undercutting with its own prices those of imported alternative sources of energy.

Thus, in view of the situation obtaining in 1972, the Commission has no doubt as regards the proper functioning of the coal market. It would like, however, to draw the attention of the Federal German Government to the limits which could be imposed on further differentiation in amounts of aid between the individual German undertakings and which must be adhered to in order to guarantee the proper functioning of the market.

It should be pointed out here that the application of a differentiated aid policy to different coal mining undertakings in the same country can result in other sectors of industry being affected; in this case, for example, the steel industry, which owns a considerable proportion of the pit installations. Even if competition in the coal sector is not disturbed by differing levels of aid, it can affect competition in the steel industry which, like coal, is also subject to the ECSC Treaty.

19. Further criteria for examining the proper functioning of the coal market are :

- The prices charged by the RAG for coking and steam coal do not result in the indirect aiding of industrial coal consumers;
- The shutting down of five unproductive RAG pits (total production capacity about 5 million tonnes pa) in 1972 has led to rationalization and a further concentration of production on pits where productivity is highest.

20. Thus we can conclude by stating that the 650 million DM bond issued to cover accumulated RAG operating losses for 1971/72 is compatible with the proper functioning of the Common Market.

D. Summary

21. The following table shows the financial measures planned to assist the German coal mining industry for 1972.

1. Direct aids

Relevant Article of Decision No. 3/71	Measure	Aid amounts			
		total		per t produced	
		million DM	million u.a.	DM	u.a.
Art. 6	Aktionsgemeinschaft Drainage costs	93.0	25.4	0.86	0.23
		25.5	7.0	0.24	0.07
Art. 7 § 1	Investment aid	160.0	43.7	1.47	0.40
Art. 7 § 3	Miner's premium	67.0	18.3	0.62	0.17
Art. 9	Payment of redemption instalments	53.7	14.7	0.49	0.13
	Covering RAG losses	495.0	135.2	4.56	1.25
	Total Arts. 6-9 of Decision No. 3/71	894.2	244.3	8.24	2.25
	Aid to coking coal under Decision No. 70/1	224.2	61.3	2.07	0.56

2. Indirect aids

Aids for power station coal	332.0	90.7	3.06	0.84
3. <u>Summary</u>				
Total amounts	1,450.4	396.3	13.37	3.65
In U.S. dollars (Central rate \$ 1 = 3.22 DM)		\$ 452.8 million		\$ 4.17/t

II. Measures additional to those planned for 1972 to assist the Belgian coal mining industry

A. Measures proposed

22. As stated on page 16 of the Supplementary Report (Doc. No. SEC (73) 2272 final version), the Belgian Government had applied under the provisions of Art. 9 of Decision No. 3/71 for aid amounting to 4,808.5 million Bfrs to cover operating losses.

In a letter of 11 July 1973, the Belgian Government applied for the aid to cover operating losses to be increased by 428.7 million Bfrs - i.e. by about 9% - to 5,237.2 million Bfrs. The total amount is spread over the coalfields in the following proportions :

	<u>Campine</u>	<u>South Belgian Coalfield</u>	<u>Total</u>
Original amounts	1,731.5	3,077.0	4,808.5
Additional amounts	401.5	27.2	428.7
Total	<u>2,133.0</u>	<u>3,104.2</u>	<u>5,237.2</u>
Increase	+ 23.2%	+ 0.9%	+ 8.9%

The Belgian Government further informed the Commission that the aid for pumping costs to drain ground water, originally 50 million Bfrs, had been reduced by 17.6 million Bfrs to 32.4 million Bfrs, and aid for training personnel, originally 12.9 million Bfrs, by 8.1 million Bfrs to 4.8 million Bfrs.

Thus, in relation to the total aid granted to the Belgian coal mining industry, the net increase for 1972 is 403.0 million Bfrs.

B. Compatibility of the Belgian measures with the provisions of Art. 9 of Decision No. 3/71

23. The increase in Belgian aid affects not so much the South Belgian Coalfield but almost exclusively the Campine coalfield. Thus for the South Belgian Coalfield - for which the aid increase is only 0.9% - the statements on pp. 15-23 of Doc. No. SEC (73) 2272 final version remain valid.

In the case of the Campine Coalfield, a subsequent increase in aid of 23% was necessary, because the original aid estimates would only have been sufficient to cover 55% of operating losses. As a result of the increase in aid, these losses are now covered to the extent of 66%, so that the only producing concern in the Campine Coalfield (Kempense Steenkolenmijnen) is able to meet its current liabilities.

24. Whereas the level of direct aid originally planned for the Campine Coalfield was 323 Bfrs/t (= 6.46 u.a.), the amount is now 369 Bfrs/t (= 7.38 u.a.)

This increase of about 1 u.a./t does not necessitate any fundamental changes in the criteria for examining aids as laid down in Doc. SEC (73) 2272 final version. The regional and social problems in this coalfield continue unchanged. The aid only partially covers the difference between costs and revenue.

25. These facts show that the increase in aid requested by the Belgian Government to cover operating losses for 1972 does not conflict with the provisions of Art. 9 of Decision No. 3/71.

(1) See Doc. No. SEC (73) 2272 final version, page 24.

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

26. With the increase in Belgian aid to the coal industry, the gap between Belgium and the other Community countries has widened further. To examine whether this has an adverse effect on the proper functioning of the Common Market, the Commission carried out an investigation with particular reference to the house coal market. German undertakings situated near the border with Belgium pointed out that Belgian house coal prices were very low (This being the reason for the increase in Belgian aid) and that the German undertakings, which by comparison receive considerably less aid, were forced to make price sacrifices which were barely tolerable in view of the overall financial situation of these undertakings.

The investigation carried out by the Commission revealed that the price level of Belgian house coal is largely determined by the prices of Russian anthracite light fuel oil prices, by contrast, playing a negligible part with the level for coking coal being similarly determined by corresponding US prices. Russian anthracite is a price-determining factor on the markets in Northern France, Belgium and the Netherlands and the quantities sold annually in this area are the result of the coal importing policies pursued by the governments concerned. The attendant problems are thus an aspect of the overall policy on energy and coal and must be dealt with in this context. As long as the Belgian Government allows imports of cheap Russian anthracite and low-price Australian and American coking coal, the Belgian producers will be forced to align prices, with all the consequences this entails for prices and aid. The fact that German coal mining undertakings have to gear themselves to these prices is not a direct consequence of the Belgian Government's aid policy, but a result of the prices for imported coal. The Commission found no evidence

that import prices were being undercut by Belgian producers. This statement applies at least to the general situation. An examination of the price policies being pursued by the Belgian coal trade with respect to individual customers did not fall within the scope of the Commission's inquiry.

Therefore the Commission is of the opinion that the planned increase in aid to the Belgian coal mining industry to cover losses for 1972 can be considered as compatible with the proper functioning of the Common Market.

D. Summary

27. The following table shows the direct and indirect aids planned to assist the Belgian coal mining industry for 1972.

1. Direct aids

Relevant Article of Decision No. 3/71	Measures	Campine		South Belgian Coalfield		Total	
		total	per t prod.	total	per t prod.	total	per t prod.
		mil. Bfrs	Bfrs	mil. Bfrs	Bfrs	million Bfrs	
Art. 6	Payment of pumping costs	-	-	32,4	10	32,4	3
Art. 7 § 2 § 3	Investment aid	138,8	19	74,0	22	212,8	20
	Vocational training	4,3	1	0,5	0	4,8	0
Art. 9	Depreciation aid	79,9	11	37,8	12	117,7	11
	Original aid to cover losses	1731,5	237	3077,0	962	4808,5	458
	Additional aid to cover losses	+401,5	+55	+ 27,2	+ 9	+428,7	+41
	Total Arts. 6-9 of Dec.No 3/71	2356,0	323	3248,9	1015	5604,9	533
	Aid to coking coal	337,5	46	7,9	2	345,4	33
	Total direct aids	2693,5	369	3256,8	1017	5950,3	566

2. Indirect aids

Figures from Dec No. SEC(73) 2360 final version

195,5 19

3. Summary

Figures in Bfrs

6145,8 585

Figures in u.a.

122,9 11,7

Figures in US \$ (Central rate \$ = 44,8 Bfrs)

137,2 13,07

III. Final remarks

28. The increase in aid to the coal mining industries of the Federal Republic of Germany and Belgium affects the overall pattern of aids for 1971 and 1972. The following table shows that the total amount of aid for 1971 is 9.4% higher and the amount per tonne 13.2% higher than in 1970. For 1972 the total amount is 32.3% higher and the amount per tonne is 43.6% higher than the corresponding 1971 figures. The upward trend in aid, observed since 1965, has thus continued at an increased rate.

Total amounts of direct and indirect aid
(Whole Community; in million u.a.)

	1965	1969 (1)	1970(1)	1971 (1)	1972
1. Direct measures under Dec. No. 3/65 and 3/71	81.7	427.7	332.4	414.3	558.5
2. Aid to coking coal	-	74.2	87.4	45.5	71.4
3. Indirect measures	45.3	98.4	84.3	91.9	100.0
Totals	127.0	600.3	504.1	551.7	729.9
Compared with previous year	..	- 1.1%	-16.0%	+ 9.4%	+32.3%
Aid per t produced	0.57	3.40	2.96	3.35	4.81

(1) Actual payments

Of the total amount of 558.5 million u.a. direct aid planned for 1972, 432.1 million u.a. (= 77.4%) relates to aids provided for under Art. 9 of Decision No. 3/71 and 126.4 million u.a. (= 22.6%) to aids for positive and negative rationalization (Arts. 6 and 7 of Decision No. 3/71.

in million u.a.

	Aids under Arts. 6 and 7	Aids under Art. 9	Total
Federal Republic of Germany	94.4	149.9	244.3
Belgium	5.0	107.1	112.1
France	26.1	161.3	187.4
Netherlands	0.9	13.8	14.7
Community	126.4	432.1	558.5

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

Table A

Summary of the direct and indirect measures to assist the coal mining industry (1)

	Unit	Germany		Belgium		France		Netherlands		Community	
		1971	1972	1971	1972	1971	1972	1971	1972	1971	1972
A. Aids under Decision No. 3/71											
(Excess amount, Art. 4)	million u.a.	(19,7)	(3,7)	(-)	(-)	(-)	(-)	(-)	(-)	(19,7)	(3,7)
Article 6	million u.a.	26,8	32,4	0,7	0,6	18,7	26,1	-	0,9	46,2	60,0
Article 7	million u.a.	66,1	62,0	3,4	4,4(2)	-	-	-	-	69,5	66,4
Article 8	million u.a.	-	-	-	-	-	-	-	-	-	-
Article 9	million u.a.	42,3	149,9	64,5	107,1	176,1	161,3	15,7	13,8	298,6	432,1
Total Arts.6-9	million u.a.	135,2	244,3	68,6	112,1	194,8	187,4	15,7	14,7	414,3	558,5
per metr.ton prod.	u.a.	1,16	2,25	6,24	10,68	5,90	6,29	4,13	5,07	2,51	3,68
		(1,33)	(2,28)							(2,64)	(3,71)
		(3)	(3)							(3)	(3)
B. Aid to coking coal under Dec. No. 70/1											
Totals	million u.a.	34,0	61,3	6,5	6,9	5,0	3,2	-	-	45,5	71,4
per metr.ton prod.	u.a.	0,29	0,56	0,59	0,66	0,15	0,11	-	-	0,28	0,47
C. Total A + B											
Totals	million u.a.	169,2	305,6	75,1	119,0	199,8	190,6	15,7	14,7	459,8	629,9
per metr. ton prod.	u.a.	1,45	2,81	6,83	11,34	6,05	6,40	4,13	5,07	2,79	4,15
Indirect measures	million u.a.	83,2	90,7	4,6	3,9	4,1(4)	5,4(4)	-	-	91,9	100,0
per metr. ton prod.	u.a.	0,71	0,84	0,42	0,37	0,12	0,18	-	-	0,56	0,66
Total amounts (C + indirect measures)											
Totals	million u.a.	252,4	396,3	79,7	122,9	203,9	196,0	15,7	14,7	551,7	729,9
per metr. ton prod.	u.a.	2,16	3,65	7,25	11,71	6,17	6,58	4,13	5,07	3,35	4,81
		(2,33)	(3,68)							(3,47)	(4,84)
		(3)	(3)							(3)	(3)

(1) 1971 : actual payments

1972 : planned aids

(2) Incl. aids for miners' vocational training

(3) Incl. the sum which exceeds Art. 4 of Decision No. 3/71

(4) Incl. aid for the reduction of interest payable by Charbonnages de France

r/15

Table B

Pattern in aids granted by member states under the provisions of Arts. 3 - 5 of Decision No. 3/65 and Arts. 6 - 9 of Decision No. 3/71 (1)

Member States	Aids under Arts. 3 - 5 of Decision No.3/65					Decision No. 3/71 Articles 6 - 9		Change in 1972 compared with 1971	
	1966	1967	1968	1969	1970	1971 (1)	1972(2)	absolute	%
<u>GERMANY (FR)</u>									
million DM	141,9	413,7	458,7	297,5	271,4	495,0	894,2	+ 399,2	+ 80,6
million u.a.	35,47	103,42	114,65	74,37	74,15	135,2	244,3	+ 109,1	+ 80,6
u.a./t	0,27	0,89	0,98	0,64	0,63	1,16	2,25	+ 1,09	+ 94,0
<u>FRANCE</u>									
million FF	329,8	598,6	1059,9	1278,9	975,0	1.081,6	1.041,0	- 40,6	- 3,8
million u.a.	66,80	121,25	214,60	259,00	175,54	194,8	187,4	- 7,3	- 3,8
u.a./t	1,33	2,55	5,13	6,38	4,69	5,90	6,29	+ 0,39	+ 6,6
<u>BELGIUM</u>									
million Bfrs	272,51	3.607,7	3873,9	3.832,0	3.293,53	3.430,0	5.604,9	+2.174,9	+ 63,4
million u.a.	54,50	72,15	77,48	76,60	65,87	68,6	112,1	+ 43,5	+ 63,4
u.a./t	3,11	4,40	5,24	5,80	5,78	6,24	10,68	+ 4,44	+ 71,2
<u>NETHERLANDS</u>									
million fl	22,8	40,7	64,9	64,1	60,95	56,8	53,2	- 3,6	- 6,3
million u.a.	6,30	11,20	17,90	17,69	16,84	15,7	14,7	- 1,0	- 6,3
u.a./t	0,61	1,35	2,59	3,07	3,74	4,13	5,07	+ 0,94	+ 22,8
<u>COMMUNITY</u>									
u.a.	163,07	308,02	424,63	427,66	332,40	414,2	558,5	+ 144,3	+ 34,8
u.a./t	0,87	1,63	2,35	2,43	1,95	2,51	3,68	+ 1,17	+ 46,6

(1) Actual payments
(2) Planned aids

Table C

Development of Production (1)

in million t (t = t)

	1967	1968	1969	1970	1971	1972	Change in 1972 compared with 1971	
							absolute	%
Germany (2)	116,5	117,1	116,9	116,8	116,9	108,5	- 8,4	- 7,2
France (2)	47,6	41,9	40,6	37,3	33,0	29,8	- 3,2	- 9,7
Belgium	16,4	14,8	13,2	11,4	11,0	10,5	- 0,5	- 4,5
Netherlands	8,3	6,9	5,8	4,5	3,8	2,9	- 0,9	- 23,7
Community	188,8	180,7	176,5	170,0	164,7	151,7	- 13,0	- 7,9

(1) Official statistics; not including Italy

(2) Not including small pits

0

2/17

P A R T T W O

Memorandum on the Financial Measures by Member State
to Assist the Coal Mining Industry
in 1973

INTRODUCTION

1. Part Two of the present report deals with financial measures planned by the Member States to assist the coal mining industry in 1973.
2. At the beginning of 1973 Denmark, the United Kingdom and Ireland joined the European Community. This has given rise to changes and also to new problems regarding subsidies, to which particular reference is made in the following text.

This statement does not refer to Denmark and Ireland. No coal is produced in Denmark. In 1972 Ireland produced about 70,000 tonnes of coal, a quantity equal to the production of one small pit. The Irish Government has not informed the Commission of any aids to this sector. Therefore the following text does not mention these two countries in dealing with state aid to the coal mining industry.

On the other hand, the accession of the United Kingdom to the European Community means a considerable expansion in the Common Market in coal. In 1973 Britain will produce an estimated 140 million tonnes of coal. As the production of the Six in 1973 will also be in the region of 140 million tonnes, this means a doubling of output by the enlarged Community. However, this fundamental change in quantity does not necessarily lead to new problems of competition and subsidies, particularly if it is borne in mind that trade in coal between Britain and the continental Community countries has been small in relation to production. In 1972 Britain imported 0.6 million tonnes of coal from the Community and exported 1.7 million tonnes to the Community.

The fact that the British coal mining industry also needs aid is of vital importance in this context. This report must therefore also

deal, on the basis of Decision No. 3/71, with the system of aid applied by the British Government since its introduction in 1973 and examine its effect on competition between British and continental coal.

Such an analysis proves to be very difficult not only because attention must be paid to subsidy problems under these special conditions of competition, but also because account must be taken of other institutional factors in Britain which have nothing to do with subsidies and which affect the pits' production costs and revenue and hence the position as regards competition. However, no documentary material for comparison on this subject is yet available to the Commission.

3. The following report has been adapted as follows to take account of the new situation existing since 1973 :

- in order to ensure that the figures for the whole Community can be compared properly with those of previous years, the figures for the Community of the Six, Britain and the enlarged Community have been listed separately in the statistical tables.
- The layout of the report is the same as in previous years, as it has always proved satisfactory for practical purposes. However, in order to keep to a minimum the increase in volume as a result of Britain's entry, the long-standing measures adopted by the Six have been described more briefly. On the other hand, British measures have been presented and assessed in detail to give a close insight into conditions in the British coal mining industry (See also Chapter I).
- A few special problems encountered in recent years in the practical application of aid in some Member States are dealt with in a separate chapter (see Chapter II).

4. It is regrettable that the present report can only be submitted to the Council at this very late date. There are two main reasons for this :

- In 1973 Britain introduced a system of aid to the coal mining industry which necessitated time-consuming parliamentary and administrative procedures before a clear decision could be made on the actual measures to be adopted. In addition, there are also difficulties involved in the practical application of the Community system of aid as laid down in Decision No. 3/71. This resulted in the British Government's report not reaching the Commission until mid-October 1973. Knowledge of the facts contained in it was essential to the preparation of a report on the enlarged Community.

- It was not until July 1973 that the Commission was able to issue Decision No. 73/287/ECSC (1) "concerning coal and coke for the iron and steel industry in the Community", Article 9 of which states that aid to coking coal must be taken into account when examining the proper functioning of the Common Market. Understandably, the governments of the Member States did not take any decisions on the payment of aid to coking coal until Decision No. 73/287 was published. Even when this report was being compiled, the information on this supplied by some Member States was incomplete, so that the present report is also incomplete in this respect. The Commission, however, feels it can accept this disadvantage in order to avoid further delay.

5. There is one more aspect in which this 1973 report must be considered incomplete. The Federal German Government has planned special measures

(1) Official Journal of the European Communities, Volume 17 No. L 259 of 15 September 1973, page 36 ff.

to assist the coal mining industry as part of a new energy programme. At the time of writing this report, the Commission had not yet received details about this for 1973. It is to be expected that there will be changes in the aid figures for the Federal Republic in this report. (e.g. settlement of older liabilities).

The incomplete data on aid to coking coal and on the German measures will possibly have to be supplemented by an additional report for 1973.

6. In accordance with the provisions of Art. 2, § 1 of Decision No. 3/71, the Commission has received data on the financial measures planned for 1973 from the governments of the following Member States :

- the German Government

Letters of 10 November 1972
9 January 1973
1 March 1973
28 September 1973

- the Belgian Government

Letters of 22 November 1972
27 February 1973
25 July 1973

- the French Government

Letter of 13 December 1972

- the Dutch Government

Letters of 3 November 1972
18 January 1973

- the Italian Government

Letter of 13 November 1972

- the Luxembourg Government

Letter of 5 December 1972

- the Danish Government

Letter of 26 January 1973

- the British Government

Letter of 4 October 1973

The Commission regrets that for 1973 it again proved impossible to keep to the time limits proposed in Decision No. 3/71. It draws the attention of the governments of the Member States to the fact that the whole aim and purpose of this Decision fails to be achieved if the Commission is informed too late of the measures adopted by the individual Member States and can only examine and assess them after some delay.

7. In cases where economic information supplied to the Commission by the governments of the Member States is covered by the obligation of professional secrecy as under Art. 47 of the ECSC Treaty, it has not been included in this report.
8. As in previous years, calculation of undertakings' standard level of social insurance charges - under Art. 4 of Decision No. 3/71 - has not been included in the statistical appendix. The figures in Chapter IV show only the calculations relating to state subsidizing of social benefit schemes in the coal mining industry. The complicated and extensive calculations of the standard charge as described in Art. 4 of Decision No. 3/71 are being kept for reference by the responsible Commission department and may be inspected on request.
9. The basis for calculating the aid per tonne produced for 1973 was the production estimates submitted by the governments of the Member States (see Appendix, Table 15).
10. In order to compare the amounts of aid and the amounts per tonne expressed in national currencies, it is necessary in the international context to convert them into a single currency or accounting unit. In previous years the conversion was made into US dollars or European units of account. Until 1971 this did not give rise to any significant problems because the exchange rates between the individual national currencies and between them and the US dollar were fixed.

From 1972 onwards the international monetary situation became more fluid, with fixed parities constantly being changed or even abandoned altogether - the change to floating. In the Memorandum on aids to the coal mining industry in 1972, the amounts of aid expressed in national currencies were converted into units of account, on the basis of the old rates (those of 1971), despite the changes that had occurred in the actual exchange rates, as it was impossible to do otherwise.

However, 1973 saw such great changes in international relative monetary values that it is necessary to adapt the figures presented in this report in such a way that the national figures can be compared and validly interpreted. Special attention must be given to the difficulties involved to prevent the amounts of aid per tonne being wrongly interpreted in an international comparison.

For the countries dealt with in this report, the situation for 1973 is that the German, French, Belgian and Dutch currencies are fixed in relation to each other and can only fluctuate within a margin of $\pm 2.25\%$. Yet all these currencies are subject to daily fluctuation in relation to the US dollar (block floating).

On the other hand, the British pound sterling is floating not only against the US dollar but also against all currencies, including those of the other Community countries. This raises the question of how to find a conversion key for the currencies of the Member States which will provide values that at least come near to supplying valid information and which will thus be representative of 1973 as a whole.

In a preliminary document the Commission has set out and submitted to the Council relative values of the national currencies against the

unit of account but no decision has yet been taken. The exchange rates contained in this document - which in any case have more practical value for 1973 than the old 1972 rates - are the provisional basis on which calculations have been made and are as follows :

1 u.a. =	3.22 DM	
	49.00 Bfrs	
	5.554 FF	
	3.52 fl	(1)
	£ 0.5000	

(1) Not taking into account the 5% revaluation of the guilder in 1973.

These values reflect only approximately the real exchange rates between the currencies of the Member States. In particular it must be taken into account that coal transactions between British and other Community countries may be based on exchange rates current at the time but possibly varying considerably from the above values. Thus it is advisable not to base any detailed examination of problems involving competition, subsidies or prices on the above exchange rates, but to use the actual rates at which the coal transaction was carried out.

Apart from the conversion of national currencies into units of account, the total amounts of direct aid shown in Chapter IV for each country have been expressed in US dollars. This is to give the reader an idea of the relation between direct aids and prices of imported US coal. The exchange rates here are those obtaining in summer 1973 and are as follows :

1 u.a.	2.45 DM
	35.00 Bfrs
	4.15 FF
	2.65 fl
	£ 0.39

CHAPTER I

The British coal mining industry within the context of the enlarged
Common Market in coal

11. As already mentioned in the introduction, the accession of the United Kingdom in 1973 has involved a considerable enlargement of the Common Market in coal in terms of the quantities of coal produced. In 1973 production is expected to grow from approximately 140 million tonnes for the Community of the Six to over 280 million tonnes for the enlarged Community.
12. This report is not concerned with the new supply problems resulting from this enlargement, either within the Common Market in coal or in relation to the overall energy policy of the enlarged Community. The Commission has already produced other documents in this connection dealing with coal balances and estimates for 1973.
13. The Commission considers it essential to the proper understanding of this Memorandum that the reader should be acquainted with the economic and financial basis of the British coal industry, and should know how this basis compares with that of the coal mining industry of the former Community of the Six.

The following account is therefore given without reference to subsidies, and has been deliberately limited to general remarks, as it is intended purely as background information. A thorough investigation, and in particular, an investigation of the situation as regards costs and revenues, is not as yet possible as no precisely comparable documentation on this topic is available for the British coal mining industry at present. The figures given below, which are largely derived from the last annual report of the National Coal Board (NCB) for the financial year 1972/73 do, however, provide a useful indication of possible distortions of competition in the enlarged coal market. Such problems differ fundamentally from those posed by the situation obtaining up to 1972 in the Community of the Six.

14. The British coal mining industry was nationalized in 1946. As a result of nationalization a single undertaking - the National Coal Board - was established and is now responsible for 99% of all production in the country. For administrative purposes, the production of the NCB is divided among 18 coal fields.

In its annual reports the NCB issues figures not for the calendar year but for the financial year of the coal industry, which runs from the beginning of April to the end of March.

15. Besides the NCB, there are collieries holding production licences, which are responsible for 1% of total production in the country.

16. Total British production for the financial year 1972/73 is shown in the following table :

1,000 tonnes; t = t

NCB

Underground mines	131,833
Open-cast mines	<u>10,278</u>
TOTAL	142,111
Licensed collieries	<u>1,422</u>
	<u>143,533</u>

It should be noted that no coal is mined in open-cast workings in the Community of the Six.

17. Coal production in Great Britain is to a certain extent concentrated in the Midlands coalfield.

These are seven adjacent fields (1), which have very low production costs, are conveniently situated for exporting coal and which produced 68 million tonnes in the financial year 1972/73.

18. At the end of March 1973 the NCB owned 281 pits. Annual production per pit is a bare 0.5 million tonnes, while in the Community of the Six 1972 production from only 135 pits was 151.8 million tonnes - the equivalent of 1.1 million tonnes year per pit. The corresponding figure for the Federal Republic of Germany is 1.7 million tonnes per year.

There are about 200 licensed pits in the United Kingdom. Some are one-man pits, each producing only 600 - 700 tonnes of coal per year.

19. The main type of coal mined in the United Kingdom is steam coal. About 20% of total British production is used in coking plants, and 50% is burnt in power stations, whereas in the Community of the Six the mining of coking coal predominates and 50% of total production is used to make coke, while 30% is consumed in power stations.

This difference in the type of coal produced or in the structure of the coal market is one of a number of factors which explain the lower profits per tonne achieved in the British pits as compared with the Community.

20. The NCB has fewer facilities for processing coal in its own works (e.g. by the production of briquettes, coke and electricity), than is normal in the Community of the Six. Of the total turnover of the NCB, which amounted to £ 1,000 million in 1972/73, 82.5% was accounted for

(1) The fields in question are :

- North Yorkshire
- Doncaster
- Barnsley
- South Yorkshire
- North Derbyshire
- North Nottinghamshire
- South Nottinghamshire

by coal, and only 17.5% by briquettes, coke, electricity and other products, whereas Ruhrkohle AG had a turnover of 6,700 million DM of which 54.4% was accounted for by coal. The 1972 turnover of the Charbonnages de France was 5,100 million FF, of which only 35.8% resulted from the sale of coal.

If one considers that financial losses in the coal mining industry are mainly incurred in the pits, while coal up-grading is profitable, it is clear that the NCB is at a disadvantage compared with other undertakings in the Community.

21. 1972 production per shift in underground mines was as follows :

United Kingdom	3,460 kg
Community of the Six	3,661 kg
Federal Republic of Germany	4,249 kg

These figures show that productivity in the British coal industry is slightly lower than on the Continent. The gap between the British and German coal industries is greater and productivity is some 20% higher in the Federal Republic of Germany.

The lower rate of productivity per man-shift in the British coal industry is, however, compensated for if annual productivity (i.e. the amount of coal produced per man/year) is taken into consideration, as the British miner works more shifts per year than his counterpart in the Community of the Six. Annual productivity in the British coal mining industry is thus roughly comparable with that in the Community of the Six at about 700 tonnes per man/year.

22. At the end of 1972 the NCB employed a total of 330,000 men, of whom 190,000 were working in underground mines.

The corresponding figures for the Community of the Six are 365,000 men and 207,000 men.

23. In the financial years 1972/73 wages and salaries per shift - i.e. wages excluding social charges and concessionary coal - amounted to £ 7,70 for the British coal mining industry.

For purposes of comparison with the Community of the Six, the British rate of pay per shift must be converted into other Community currencies. For this conversion the exchange rates obtaining in the summer of 1973 were used. These were :

£ = 5.83 DM
88.00 Bfrs
10.00 FF

If the British rate per shift of £ 7.70 is converted at these exchange rates it is the equivalent of

45 DM
678 Bfrs
77 FF

The 1972 rates on the Continent were as follows :

in the German coal mining industry : 65 DM
in the Belgian coal mining industry : 950 Bfrs
in the French coal mining industry : 100 FF

While the comparison of wage costs may not be statistically accurate in individual cases, it is nonetheless clear from the above scales that British wages, when converted at the exchange rates obtaining in the summer of 1973 (1) are 25-30% lower than in the three most important coal-producing countries in the Community of the Six. This difference has a considerable effect on competition and relative prices, as labour costs represent a large proportion of the total costs of production.

(1) For the purposes of wage comparison the rates of exchange do not reflect the relative purchasing power of the pound and other currencies.

24. In addition to differences in wage costs as such, there are further disparities in the statutory social charges borne by undertakings. In the coal mining industry of the Community of the Six, social charges amount to 80 - 90 % of simple wage costs. The equivalent figure for Great Britain is only 30 - 35%.

The discrepancy in these social charges can be explained in terms of the social security systems applying to the mining industry. In the Community of the Six there is a special social security system for mining, which results in heavy costs, as miners receive large pensions and the financial burdens cannot entirely be brought into line with the general system of industrial social security. In Great Britain mining is completely integrated in the general social security system, miners pensions are the same as elsewhere in industry and abnormal insurance costs entailed in mining are spread equally over all branches of industry within the general industrial pensions system.

25. According to the annual report of the NCB for 1972/73, total production costs, including depreciation and interest payments to the Minister of Power, were as follows : (expressed as costs per tonne)

Underground mines	£	7.80
Open-cast mines	£	5.41
		<hr/>
Total	£	7.63
		<hr/> <hr/>

In the seven low-cost coalfields in the Midlands, which produced 68 million tonnes in 1972/73, total costs were £ 6.63 per tonne.

Labour costs account for 50 - 55% of overall costs in Great Britain. This figure is thus somewhat lower than in the Community of the Six (57%).

If British production costs are converted into other Community currencies at the rates obtaining in summer 1973, the following sets of figures emerge :

British coal production costs per tonne for the financial year 1972/73 were :

	in German currency	in Belgian currency	in French currency
Underground mines	45.47 DM	686 Bfrs	78.00 FF
Open-cast mines	31.54 DM	476 Bfrs	54.10 FF
NCB total	44.48 DM	671 Bfrs	76.30 FF
of this :			
for the seven Midlands coalfields	38.65 DM	583 Bfrs	66.30 FF

By comparison, production costs of the following coal mining industries for 1972 were : (1)

German	approx. 84 DM/t
Belgian	approx. 1,600 Bfrs/t
French	approx. 150 FF/t

Any comparison of these costs should allow for a reduction of 5% in the German, Belgian and French costs, as the comparability of depreciation and service of capital is uncertain. But even if the above production costs for the countries of the Six are reduced by 5%, there is still a considerable difference between them and the converted British figures. In some cases British production costs are not even half those of the Six. The costs of the least profitable British coalfield, Kent (£ 11.94/t = approx. 70 DM), are still lower than those of the best coalfield of the Six.

(1) Because of the obligation of professional secrecy only round national averages have been given.

26. It is very important to note that the differences in costs between the British coal mining industry and the Six only arose in 1973 and were the result of alterations in exchange rates. Recently the exchange rate for the British pound has been continually worsening whilst other Community currencies, e.g. the German mark, have been upvalued. In September 1971 the exchange rate of the pound sterling and the German mark was still 1 : 8.78 : in summer 1973 the £ was worth only 5.83 DM. This represents a change of 34%, which has accordingly worsened the competitive position of the German coal mining industry and improved that of the British coal mining industry.

There can be no doubt that the British coal mining industry is - on the basis of the new exchange rates - a powerful competitor in the Common Market in coal. The new competitive situation will chiefly make itself felt in the steam coal market and not in the coking coal market.

27. Many factors, but more especially prices, will determine whether British coal will lead to intense competition on the Common Market in steam coal in future. For 1973 it can be expected that deliveries of steam coal will increase to a certain extent. Total NCB revenue from all types of coal in the financial year 1972/73 is : (per tonne)

Underground mines	£ 6.87
Open-cast mines	£ 7.21
	<hr/>
Total	£ 6.89
	=====

In the seven Midlands coalfields revenue amounted to £ 6.11.

When these amounts are converted into the currencies of other Community countries at the above-mentioned rates, the following values per tonne are obtained :

	<u>in DM</u>	<u>in Bfcs</u>	<u>in FF</u>
Total NCB revenue	40.1	606	68.
Total revenue of the seven Midlands coalfields	35.62	538	61.10

These values are 30-50% lower than the corresponding revenue figures in the countries of the Six.

When considering whether this difference might have some effect on the steam coal producers of other Community countries from 1974/75 onwards, the following points must be borne in mind :

- Quantities available will determine whether more British steam coal can be exported to other Community countries.
- The competitiveness of British coal depends on future movements in exchange rates.
- The above-mentioned difference in revenue between British coal and that of other Community countries will decrease in the second half of 1973, as British coal prices have been raised by 7.5% with effect from 1.7.1973.
- The above-mentioned difference in revenue is further reduced by the fact that British steam coal has an average calorific value of only 6,000 kcal/kg, while top grade coal - at least in the Federal Republic - has a calorific value of about 6,800 kcal/kg. This makes a difference of 13-15%.
- If British coal is to be exported to buyers on the Continent, the price difference will be increasingly eaten up by transport costs. The British coal industry will certainly seek to concentrate its sales efforts on those areas on the Continent which are most easily accessible by sea

(coastal areas and places situated on inland waterways) and where the highest prices are paid for steam coal. Transport costs would, however, limit any further penetration of the Continental coal market.

- At present it is impossible to assess accurately whether other coal producers will in future experience repercussions as a result of increased sales of British steam coal on the Continent and, if so, what form these repercussions will take. In the power stations situated in coastal areas of the North Sea and the Atlantic, there is in any case little coal burned which is mined in the Community coalfields. The ever-increasing demand for fuel by power stations also raises the question whether British steam coal will oust other Community producers from their traditional positions or whether it will help to check the increasing use of fuel oil in new power stations. The fluctuating price of fuel oil makes any assessment of future developments impossible. Besides, it must be assumed that British coal on the Continent will also be in competition with steam coal from Third Countries, especially from Poland and South Africa.

28. These facts show that it is hardly possible to make any reasonably safe predictions regarding the course of developments, even for the immediate future up to 1974/75. It can only be stated that, judging by the competitive situation as it was in 1972/73, conditions do exist which might possibly lead to more intense competition in the Common Market in steam coal. Should more intense competition in fact arise, this would mean the beginning of a new trend, since steam coal has hitherto played hardly any part at all in the intra-Community coal trade of the Six.

CHAPTER II

General Problems in Granting Aid

29. The granting of aids to the Community coal industry by the Commission from 1965 to 1973 had its legal basis in Decisions Nos. 3/65 and 3/71. Decision No. 3/71 will remain in force until the end of 1975.

30. As regards the practice in granting subsidies in past years, it may be observed - at least up to 1970 - that the aid measures adopted were not continually altered but were carried on from year to year, though with changes in the amounts of aid granted each time. This has made the Commission's work easier.

Analysis of the competition among the Community coal producers reveals a certain lack of cohesion in the Common Market in Coal during the last few years. As production declined, the coal producers withdrew from the geographical fringe of their marketing area, because in the fringe zones the competition is normally more intense than at the point of production and because the producers in the fringe areas of the market can obtain only very low net profits from a mine.

A reduction in the geographical range of market outlets necessarily entailed a lessening of competition among Community producers, so that at least no aggravating problems as regards competition and the proper functioning of the Common Market in coal have arisen from the fact of the great differences in the amounts of aid per tonne.

31. In spite of these trends it is quite obvious that the differences in the aids granted between the individual Member States increased considerably between 1965 and 1972 and that the risks to the proper

functioning of the Common Market have thereby become greater, especially since the accession of the United Kingdom. Some figures for 1965 and 1972 will show the growing differences between the amounts of aid :

Financial measures to assist the
Community coal mining industry

(All direct and indirect aids, but not including
state subsidies to the social insurance systems
for the mining industries)

	u.a./t saleable output	
	<u>1965</u>	<u>1972</u>
Federal Republic of Germany	0.38	3.65
Belgium	1.15	11.71
France	0.98	6.58
Netherlands	<u>-(1)</u>	<u>5.07</u>
Community of Six	0.57	4.81

(1) Aid amounting to 0.67 u.a./t was given to the Dutch coal mining industry for the first time in 1966.

32. Apart from the tendency towards increasing difference it may be observed, as regards the last few years (1970-3), that measures were increasingly adopted which were certainly accompanied by economic advantages for the undertakings concerned but which either could not be included within the framework of Decision No. 3/71 or the ECSC Treaty or which, in so far as they could be identified as measures, could not be quantified.
33. The Commission takes this development as a ground for making some fundamental observations, on the one hand, on the meaning and purpose of Decision No. 3/71 and, on the other, on the practices of the governments of Member States in granting subsidies in the past. The following statements are intended to emphasize to the governments of Member States that, in adopting a new form of aid, they should not only proceed from considerations of national expediency but must also take into account the principle of clarity and the measurability of the aid.

Aid is certainly allocated in the national sphere, but it also has repercussions in the Community sphere and thereby inevitably affects Community interests.

This state of affairs is connected not only with the question of the proper functioning of the Common Market in coal but also with the fact that the Commission's task, which is in itself already a difficult one, is becoming more difficult. If the aid measures are adopted in a form which leads to "window-dressing" and to the undermining of the legal basis of Decision No. 3/71, this jeopardizes the clarity of the whole common system. This must necessarily result in disturbances which not only affect the Common Market in coal but are also contrary to the interests and obligations of the Member States. The Member States have unanimously given their assent to the principles of Decision No. 3/71 and have thereby set up for themselves a binding framework for their subsidy policies.

34. Even if the principle of clarity and measurability of the aids were strictly observed by all the governments of the Member States, we have to consider that exact international comparability of the subsidies per tonne covered by Decision No. 3/71 can in any case never be achieved, because the national energy policies of the individual Member States have not yet been co-ordinated. Decision No. 3/71 covers only subsidies and purely protectionist measures, such as taxes on competitive forms of energy, coal import quotas and duties on imports from third countries. Member States which give their coal mining industries strong protection from competing energy industries through the above-mentioned protectionist measures (the disadvantage of this is that it raises energy price levels on the home market) can make the subsidies correspondingly lower in comparison with Member States which give their aid to the coal mining industry exclusively in the form of subsidies and consequently have to accept a high charge on the national budget. Only a general co-ordination

of coal policy within the framework of Community energy policy could help to produce a better assessment of subsidy amounts granted.

35. The principles of Decision No. 3/71 are simply and clearly formulated.

The financial problems of the social insurance systems in the coal-mining industries - as distinguished from the actual aids - are covered in a special article (Article 4). According to this, the insurer's financial deficits may be covered, within certain limits, by state subsidies.

As regards the actual, i.e. direct aids, certain costs can be reimbursed to unprofitable undertakings in the coal mining industry and operating losses can be made good out of public funds. This reimbursement refers to costs such as closure costs, investment costs, training costs and the costs of holding stocks. Coverage of operating losses is limited to the difference between costs and revenue. Aid measures based on these criteria can be recorded, calculated and thus verified.

In addition to these principles for the granting of direct aids to undertakings, it is laid down in Art. 5, § 2 of Decision No. 3/71 that all other forms of aid, i.e. mainly indirect measures, which come within the scope of the treaties (the ECSC Treaty and the EEC Treaty) are to be examined by the Commission in accordance with the rules and procedures laid down in the Treaties and, if necessary, authorized. Measures of this kind generally ensure comprehensibility and verifiability of course, but this does not exclude the possibility that difficulties may arise in the distribution of an aid amount to individual undertakings in a country (and consequently of the amount per tonne of coal produced).

36. The comprehensibility and verifiability of aid are important criteria and not only from the above-mentioned point of view of the international comparability of national data concerning the subsidy amount. It should

be borne in mind that comprehensibility must also be ensured in cases where subsidies cause distortions in the conditions of competition which necessitate interventions by the Commission. Such interventions must be based on accurate calculation, in order to ascertain the influence of the different national subsidies on pricing. In calculations of this kind, aggravating problems arise from the mere fact that the national subsidy systems are different. If incomprehensible or unverifiable amounts of aid are embodied in the national subsidy systems, any attempt to make calculations of this kind and to eliminate distortions to competition on this basis is doomed to failure.

37. The aims of all measures taken under Decision No. 3/71 are as follows :

- To reduce the costs incurred by undertakings through a cut-back in production,
- To avoid regional and social problems arising through over-hasty pit closures,
- To avoid temporary difficulties in coal supplies.

38. The general character of Decision No. 3/71 follows from these aims.

In so far as the Decision is based on Art. 95, § 1 of the ECSC Treaty, it constitutes an exceptional provision, by which an important rule in the ECSC Treaty (the ban on subsidies, in accordance with Article 4c) was invalidated. However, this does not mean that the Treaty was altered. The fact that an exception was made by Decision No. 3/71 means that the exception can be of only temporary duration and that the financial expenditure connected with it must be kept to a minimum. Otherwise the exception is indefensible. Though it is difficult to lay down definite criteria for it, this principle has consequences as regards the practice in granting subsidies. Subsidies cannot be increased to an unlimited extent and cannot be granted for long periods in order to stabilize production. If these principles are departed from in the

subsidy measures taken by the Member States, the Treaty must be altered in order to legalize such measures.

39. A precondition for the authorization of aids by the Commission—besides the above-mentioned legal criteria for the forms and purposes of the aid — is that the conditions of competition and thereby the proper functioning of the Common Market in coal will not be disturbed.

This principle focusses on the repercussions of the aid and not on the aid as such. The amounts of aid per tonne of coal may present large differences from country to country or coalfield to coalfield and may nevertheless be authorized by the Commission, if no obstacles to the proper functioning of the Common Market in coal are to be expected from these differences. Consequently, no claim for higher aid amounts can be made by producers who receive lower subsidies, solely on account of the differences in the subsidies. It is impossible to deduce from Decision No. 3/71 that the governments of Member States have any obligation to standardize the amounts of aid at a high level. Moreover, such a principle would be economically absurd.

40. The Commission would stress at this point that some simplification is essential when verifying that differing amounts of aid do not interfere with equal conditions of competition.

If we postulate the clarity of market prices, this situation already exists for large areas of the Common Market in coal. In 1971, approximately 99.5% of the coal produced in the Community of Six was sold under conditions in which competition among the Community coal producers at

least played no recognizable part. (1)

It should be expressly pointed out that only competition among the Community coal producers in market sales must be taken into consideration here and indeed only in coal, as Decision No. 3/71 refers explicitly to collieries only and not to coal up-grading concerns. This principle has been embodied in Decision No. 3/71, in order to avoid the transfer of the aid to other economic activities.

Competition from substitute forms of energy is very intense, though Community coal receives extensive support through protectionist measures and subsidies. There is also large-scale trading at aligned prices in this connection. But here it is rather a question of an area of competition being superimposed on the normal competition among Community producers in the coal sphere. This superimposition unfortunately makes analysis of the proper functioning of the Common Market in coal extraordinarily difficult. In comparison with the problems created by competition from other forms of energy, as regards the Community's overall coal production, the problems posed by competition among the Community's coal producers are very slight.

In 1972, only 0,6% of the total output (1.0 million tonnes of coal) was sold at aligned prices—according to information received by the Commission from the undertakings — in cases of price alignments on competitive tenders from other Community producers. In these transactions, the price competition among the coal producers is obvious; it is expressed in discounts on the prices, mainly in the market for

(1) Price alignments for coking coal made under Decision No. 70/1 are not included.

house and steam coal. If the undertakings involved in these transactions were granted different subsidy amounts it would theoretically have to be assumed (cum grano salis) that this would create different competitive conditions and consequently distortions. The greater the differences in the subsidies, the greater the distortions would be. But even this assumption can only be made theoretically and applied only with reservations to the present practical problems.

In practice, it may be observed that in 1964, when there was no subsidy system at all in the Community coal mining industry, 7.9 million tonnes of coal (3,4% of the total output) were sold at aligned prices in competition among the producers in the Community. Even without aid, a certain amount of competition existed and still exists, based on natural conditions and leading to price alignments. It would therefore be illogical to infer that in 1972 with a sale of 1.0 million tonnes (= 0.6% of the total output) there was competition which was distorted to this extent by different subsidies; here also natural differences in competition still play a part. However, it is generally impossible to specify to what extent this is the case. Here the specific situation must be analysed on a case-by-case basis. In view of the insignificance of the quantities concerned here, the Commission is in any case dependent on the co-operation and the reports of the undertakings concerned, for in an overall analysis of the whole Common Market, exceptional cases of local distortion in the conditions of competition will not come to light.

Even if distortions are taken as grounds for special investigations it remains uncertain, considering the above-mentioned multifarious factors involved in competition, whether it will be possible to single out and quantify in isolation the individual motives and reasons, leading to transactions at aligned prices. The Commission is aware of the problems latent here, but it realizes that a perfect subsidy

system guaranteed to exclude every distortion, however slight, is impossible in practice.

Clear distortions of the conditions of competition through subsidies would be taken by the Commission as reasons for intervention, in order to mitigate or eliminate the effects on the market. From this point of view the Commission has also, in its analysis of the conditions of competition in 1972-3 in the first and second parts of this Memorandum considered the problems of the closely grouped coalfields in the Aachen, Limburg and southern Belgium zone and in the Saar-Lorraine zone. Transactions at aligned prices are concentrated in these zones and are of much greater importance for the undertakings active there than is apparent from the Community framework as a whole. Documents available show that the total amount of coal sold at aligned prices has increased, especially in the second half of 1972 and also in 1973. In view of the changes in exchange rates which took place in 1972-3, these transactions also have a greater effect on prices. These circumstances induced the Commission to investigate in detail the position of these undertakings.

41. The above explanations have, in the main, dealt with the fundamental problems of a general character connected with Decision No. 3/71. In addition, there are the special problems which have resulted from the practical measures taken by Member States between 1965 and 1973. They also are imported and are therefore described in the following pages, in which reference is made to the practical measures taken in each case.
42. As regards the Belgian measures, it may be observed that the Belgian Government has consistently adhered to the principles behind the forms of aid; nevertheless one important aim in the granting of aid has not yet been achieved. In its aid measures, the Belgian Government restricts itself almost exclusively to meeting the operating losses of the undertaking, in order to prevent regional and social problems arising. It follows from the character of Decision No. 3/71 that aid of this kind to the coal mining industry must be supplemented by

measures for the improvement of the economic structure of the coalfields. The greater the operating losses and consequently the amounts of aid, the greater the need to restructure the coalfields, so that subsidies can be reduced or their growth at least checked. If we consider from this point of view the development which has taken place in the Southern Belgian Coalfield, doubts arise as to whether the Government acted in accordance with this principle. Between 1970 and 1973, subsidies per tonne in this coalfield almost doubled and reached the exorbitant level of over 20 u.a./t, while at the same time the annual decrease in the number of jobs in the coal mining industry in this district slowed down remarkably in comparison with the period 1965-70.

It should be pointed out, as a positive feature of the Belgian subsidy policy that the form of aid chosen by the Belgian Government (loss-covering) is completely straight forward. This form of aid results, of course, in heavy burdens on the national budget.

43. In the Netherlands, aids granted to the privately owned pits is in keeping with the provisions and aims of Decision No. 3/71. As the Dutch Government wished to avoid granting aid to the State-owned pits (and thus burdening the national budget), these companies were integrated into a big Dutch nationalized energy combine. The nationalized pits constitute a small, loss-making part of a large and very profitable combine. The result of this is that the covering of the losses incurred by these pits can no longer be included under Decision No. 3/71. It is a matter of an internal profit-and-loss adjustment and is no longer connected with the granting of aid from public funds. Nevertheless, it is not impossible that pits of this kind may pursue a low-price policy which may disturb the proper functioning

of the Common Market.

The related problems will not be considered any further here, as there is only one solitary case and in 1974-5 coal production in the Netherlands will cease.

44. The Governments of the Federal German Republic, France and the United Kingdom gave their coal mining industries a large part of their aid in a form which ensured clarity and comprehensibility, thus fulfilling one of the basic conditions of Decision No. 3/71. However, this was no longer the case with some of the measures taken, particularly from 1970-1 onwards, as the following list shows :

- The Federal German Government took a series of measures in the form of guarantees, liquidity improvements and interest reliefs.
- At the end of 1971, the French Government increased the interest-free capital resources of Charbonnages de France by 769 million FF (= + 80%); these resources had been drastically reduced by the writing-off of losses (after subsidy) in the preceding years. Moreover, at the same time a sum of 1,350 million FF was waived from the long-term debts owed by Charbonnages de France to the State, which was equivalent to reducing the total amount of borrowed capital by 26%. This cancellation was necessary, as Charbonnages de France was no longer in a position, owing to the constant reductions in capacity, to pay interest on these loans or to repay them.
- Under the Coal Industry Act of 1973, the British Government had a revaluation of the fixed assets inserted in the balance sheet of the National Coal Board (NCB), as at the end of March 1973, with the result that the value of the plant used in its mining operations was reduced by £ 275 million, i.e. by 43%. This proved to be necessary, as, in view of the declining competitiveness of British coal, the value of the plant shown in the books was too high and an adjustment had to be made to the new economic conditions which had come about since 1971. Likewise, in accordance with

the provisions of the Coal Industry Act of 1973, the NCB was allowed to write off its accumulated operating losses up to 1972-3 which were approximately 175 million. It was out of the question that the losses would ever be recovered from profits. Thus, the indebtedness of the NCB to the National Loans Fund was reduced by a sum of 450 million, which is equivalent to a 52% reduction of the NCB's total indebtedness.

It is clear that undertakings which receive subsidies as measures of support and have to make constant reductions in capacity must reflect these events in their accounts. (1) For reasons of budget policy, the governments of Member States have recourse to guarantees, liquidity improvements and debt cancellations, as these measures place no direct burden on the national budget, as is the case with a direct subsidy, for example. But it must be made clear that such measures also lead to reductions in production costs and in the last analysis have the same effect as a subsidy. Reduction of the value of the plant, for example, leads to reductions in depreciation; after debt cancellation, interest burdens are smaller.

No one, not even the Commission, is in a position to assess the cost of these consequences. However, it is certain that competition among the coal producers, i.e. pricing policy (even if it is dictated only partly by movements in costs), (2) is influenced by these effects. Owing to their lack of clarity, it is difficult

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- (1) In 1970, the different steel undertakings in the Federal German Republic were induced, as joint owners of Ruhrkohle AG (RAG), to abandon 700 million DM of their collection claims. This is only mentioned in passing. It was a step taken by private owners for the benefit of an associated company.
 - (2) Only in the United Kingdom and the Federal German Republic do the net profits of the coal mining industry still bear a certain relation to the production costs. They cover about 85-90% of these costs. In France and Belgium, the net profits in 1972 were only sufficient to cover 66% and 57% of the production costs respectively.

to include these measures under Decision No. 3/71. The German measures, such as guarantees and liquidity improvements, which were mainly taken to assist a private undertaking (the RAG), can certainly be taken within the framework of Decision No. 3/71 but have the drawback that the economic advantage which accrues to the undertakings cannot be calculated.

Here it may be pointed out quite generally that the undertakings in the Community coal mining industry are varyingly placed with regard to the possibilities of adapting their capital structure to changed economic facts. Practical experience shows that relatively speaking, nationalized undertakings can more easily secure from their government a cancellation of debts or an increase in capital resources than can private undertakings from their owners.

45. Here we may enter on a further question, which has a certain connection with ownership problems and is especially important as regards the position in the individual member countries.

In France and the United Kingdom, the coal mining industry is nationalized. Even if the individual French coalfields receive different subsidy amounts, this creates no problems as regards competition among the coalfields, as sales and prices are co-ordinated centrally. In Great Britain, the "areas" are in any case only administrative units.

In Belgium, the coal mining industry has private undertakings. Even if the two coalfields, Campine and South, are granted different amounts of aid, this will be of hardly any importance as regards competition between the two. These two coalfields operate on different markets; in the Campine - in which only one undertaking remains - only coking

coal is produced and in the South Belgian Coalfield only steam coal and house coal. The individual undertakings in the South Belgian Coalfield sell their steam coal to the power stations at uniform prices, determined on the basis of calorific values and fixed by the Belgian energy pool.

In the Netherlands there is only one coalfield and one private and one state undertaking are active in it. The state undertaking is part of an energy combine. It is impossible to determine whether competition problems arise here, since only the private undertaking which receives subsidies; the state-owned coal producer making a profit-and-loss adjustment within the combine

There remains the Federal German Republic, whose mining industry is in an exceptional position. There is one state undertaking (the Saarbergwerke) working one coalfield. In addition, there are five private undertakings. In the Aachen coalfield there are the Eschweiler-Bergwerksverein (EBV), which is owned by ARBED, the Luxembourg steel concern, and the firm Sophia-Jacoba which is a subsidiary of a Dutch holding company. Sophia-Jacoba produces only house coal. In the Lower Saxony coalfield, there is only the Preussische Bergwerks- und Hütten-Aktiengesellschaft (Preussag). Ninety-three per cent of the coal produced in the Ruhr coalfield is mined by Ruhrkohle AG (RAG), 3.3% by the Auguste-Victoria mining union, which is owned by Badische Anilin- und Sodafabrik AG (BASF), and 3.7 % by two EBV pits. If different subsidies per tonne are granted to the German coalfields or undertakings, difficult problems will appear in an analysis of the competitive position. This applies especially to the Ruhr coalfield, in which three undertakings are active so that their marketing areas are very closely connected. These facts show that here we have fundamentally different conditions from those found in an international comparison of subsidies and conditions of competition among the coalfields or undertakings within the framework of the whole Community. This has been referred to in detail in Part I of this Memorandum, which deals with German aids given to the RAG in 1972. A state of affairs like this, which is rooted in the conditions of ownership

and the structure of the undertakings in the Federal German Republic, requires special care on the part of the Federal Government which grants the subsidies, in order to avoid trouble among the undertakings.

46. Finally, we may consider the problem of proportioning the subsidy amount to the amount of the financial losses incurred by the undertaking. On the one hand, it must be observed that undertakings such as Charbonnages de France, the NCB or the RAG have several mines with different profit capacities. In the overall results from all the pits in an undertaking, the profits of the productive pits are used to offset or reduce the losses of the relatively less productive pits. The remaining overall loss sustained by the undertaking is consequently less than the total loss made by the unproductive pit. On the other hand, many undertakings make profits on coal processing and other activities which may no longer have anything to do with coal. If these profits are set off against the total losses on the mining operations, the overall loss made by the undertaking is again less than that on the mining operations alone. Thus, in relation to operational efficiency, three levels of loss determination arise for each undertaking in the coal mining industry :

- The losses on the unprofitable pits
- The losses on all pits
- The losses made by the undertaking

The actual level of the subsidies which the undertakings receive to cover their operating losses therefore depends on the following two criteria :

- On the one hand, whether the undertaking controls profitable pits or up-grades coal. From the latter viewpoint, the actual conditions differ very much. Measured against total turnover, the proportion of the net profits from the sale of coal in 1972 amounted to the following percentages :

National Coal Board	82.5%
Ruhrkohle AG	54.4%
Charbonnages de France	35.8%
Eschweiler-Bergwerksverein	Approx. 30.0% (estimated)
Saarbergwerke (combine)	28.0%

- On the other hand, which evaluation basis the governments use to determine the amount of aid.

Practice in Belgium, France, the United Kingdom and the Netherlands to date has shown that the governments take the undertaking's losses as a measure in assessing the level of aid and even on this basis the losses have been covered only to the extent of 80-90% by the aid. The amount of loss not covered represented a capital loss which the undertakings themselves had to bear. The governments of these countries therefore insist that the undertakings shall use the profits from the remunerative parts of their operations to cover the losses on the mining operations, before state assistance is given and the residual losses are partially compensated.

In the Federal German Republic, only operating losses in the RAG have so far been covered. The other German undertakings (whose balance sheets in many cases showed profits, at least in 1971, since the losses on their mining operations were more than compensated for by the profits on other parts of their businesses, were not granted any aid to cover the losses on their mining operations under Art. 9 of Decision No.3/71. These undertakings - like the RAG - only receive aid given under Arts. 6-7 of Decision No. 3/71 or on the basis of the regulations on power station coal and coking coal. Aid of this kind is not orientated towards the undertakings' results; undertakings which distribute profits, for example, from coal up-grading or other activities also receive it.

Thus, the governments of the member countries have hitherto proceeded in a uniform manner, as concerns assessment of the aid amount on the basis of Art. 9 of Decision No. 3/71; they have taken the undertaking's results as their basis.

The Commission has not raised any objection to this practice, as in each case the aid was less than the losses on the mining operations. The legal principle laid down in Article 9 would make possible the granting of aid up to a maximum of the difference between the average cost of coal production and the average net revenue obtainable, if the survival of the undertaking is endangered and if it is shown that the cessation of its operations "would cause serious disturbances in economic and social conditions in any region where sufficient opportunities for re-employment do not yet exist". This means that within an undertaking the losses of the unprofitable pits cannot be covered by aid but that the profits from remunerative pits must if possible be used to cover losses. As regards the governments' practice in granting subsidies, this is a discretionary clause. The governments are not actually obliged by Decision No. 3/71 to give aid and, if they do so on regional and social grounds, they may if they wish keep it below the maximum permitted limit. In so far as this results in differences in the aid granted between the individual undertakings of one and the same country the diversity, as such, is irrelevant to the problems arising from Decision No. 3/71. Only if distortions in the conditions of competition among the undertakings result from the differences in aid - which is by no means inevitable - must the Commission intervene in accordance with Decision No. 3/71.

47. It follows inevitably from the restriction of aids to pits, in accordance with Article 9, that any losses on coal up-grading or other economic activities of the undertakings cannot be covered by aid under Decision No. 3/71.

48. In conclusion, reference should be made to the following points :

The profitability of the German coal mining undertakings in general deteriorated from 1972-3 onwards. Not only has the RAG shown losses which were covered by aid, but the other German mining companies belonging to other undertakings also reached the loss threshold or actually made losses. In accordance with the principles stated

in Point 46, the Federal German Government has not taken this as a reason for granting these mining companies aid to cover their losses, for many of these companies form parts of combines which, as a whole, operate at a profit. As mentioned above, differences in subsidies do not necessarily lead to distortions in the conditions of competition on the Common Market in coal, but it must be realized that such differences have consequences for the owners of the pits and that therefore possible effects in other economic spheres cannot be excluded. This is of importance, for example, for the Community steel industry, which also comes under the ECSC Treaty.

The resulting problems will not be further investigated at this juncture, as Decision No. 3/71 relates exclusively to coal mining. It is important to remember that the effects of differentiated aids to cover losses may extend beyond the sphere of coal mining.

CHAPTER III

Consistency of the tonnage forecasts with
regard to the Community's overall supply
of coal and coke

A. General remarks

49. In accordance with the regulation in Art. 3, § 1 of Decision No. 3/71, the Commission is required to examine the consistency of tonnage forecasts with regard to the Community's overall supply of coal and coke. All the Community countries are concerned here, not only those which have coal mining industries and grant them aid. Luxembourg, Italy and Denmark have also informed the Commission of their ideas as to the future trend in their coal requirements. No corresponding information for Ireland has been received however, in view of the low Irish coal consumption (about 0.7-0.8 million tonnes annually), this does not involve any appreciable difficulties as regards evaluation of the Community's overall supply position. In tables 1-8 in the Appendix, the Commission has inserted for Ireland figures based on the data given in the annual coal balances.
50. In analysing the figures for the coal trade in Tables 1-8 one has to bear in mind, with regard to the Community's overall energy supply position, that the government estimates were prepared in the autumn of 1972 or at the beginning of 1973 and therefore do not take into account in any way the critical situation in oil supplies which arose in the autumn of 1973. Up to the time of writing, the Commission has had no opportunity to discuss with the governments of the Member States what conclusions must be drawn, both as regards the Community's coal production and as regards the importation of coal from third countries, in order to mitigate the consequences of the oil crisis for the Community.

In view of these factors, it must be assumed that the figures for coal supplies in Tables 1-8 do not reflect the latest position in the thinking of the governments of Member States as prompted by the oil crisis.

51. The figures in Tables 1-8 in the Appendix are, statistically speaking, "national" figures reported by the Member States; they have not been converted to a comparable basis and cannot in all cases be compared with the figures published by the Community Statistical Office for 1971 and 1972. In so far as the Member States gave maximum and minimum values in their advance estimates, mean values have been inserted in the tables, in order to enable the reader to calculate the sum totals for the Community.

B. Consistency of the forecasts for Community supplies of coal and coke

52. The forecasts of the Community's coal supplies are presented in the Appendix, Tables 1-4. A general survey shows that, leaving aside the oil crisis, no shortage of coal will arise in the Community before 1975 or 1977.

From the information available for 1973, it appears that coal production will probably decrease further. In 1977, it is calculated that 75.5 million tonnes will be produced in the Federal German Republic. This figure is below the production level of 83 million tonnes mentioned in the energy programme drawn up by the Federal German Government. At the time of writing, the energy programme was not yet available.

This production decrease is connected with the solution of regional problems and is not based on the energy supply situation as it existed at the end of 1973, in which distortions are to be expected, necessitating counter-measures which will probably have effects on coal also.

These new conditions will not be reflected in the production estimates for 1973 but will perhaps become apparent in the estimates for subsequent years.

53. If we consider the growth of supply and demand in the individual countries, supply surpluses of some 6-10 million tonnes are to be expected in the Federal German Republic and the United Kingdom for 1974-5. This will be manifested in an increase in stocks held. In view of the oil crisis, the stocks may be regarded as an important factor in increasing the flexibility of the coal supplies.

In intra-Community trade, the estimates for imports generally coincide with the estimates for exports. On the other hand, it is not impossible that the United Kingdom will in future supply certain quantities of coal in intra-Community trade.

54. With regard to the Community's supplies of coke, Table 5 in the Appendix shows that the Community's coke production will remain constant in the long term. Within this overall trend, a strong expansion of coke production in the steelworks coking plants is to be expected, while production from colliery coking plants is declining.

Figures for coke supplies to the individual member countries show that in the next few years certain supply surpluses of the order of 2-3 million tonnes may also arise. The Federal German Republic and the United Kingdom would be particularly affected by this. The future economic situation in steel production and also the difficulties in oil supplies will chiefly decide whether these estimates prove to be correct. From the figures it may be assumed that future coke supplies will not be subject to any shortages.

The figures on the structure of the Community's coke requirements indicate a trend towards a further increase in the needs of the steel industry, while consumption of coke for other heating purposes shows a declining trend.

In intra-Community trade in coke, there is good agreement between importers' wishes and export plans for the Community as a whole.

55. The above observations reveal that in general the consistency of coal and coke supplies in the Community's overall supply position (cf. Art. 3, § 1, Sub-para. 1, of Decision No. 3/71) is assured, taking into consideration the intra-Community trade and the fact that the situation was not fully clear at the time when this report was written.

CHAPTER IV

Description and authorization of the financial measures
connected with social security

56. In accordance with Art. 4 of Decision No. 3/71, state measures to finance welfare benefits are to be considered compatible with the Common Market in so far as their effect is to bring the ratio between the charges per actively employed mineworker and the benefits per recipient in the undertakings of the coal mining industry down to the level of the corresponding ratio in other industries.

The relevant calculations have not been included in the Appendix. The documents are available at the appropriate office of the Commission (Directorate-General for Social Affairs) and may be inspected on request.

In the following pages, therefore, reference will only be made to the total amounts of the financial measures in the field of social welfare benefits and, where appropriate, to cases where the limits set in Art. 4 have been exceeded.

A. GERMANY

57. In the Federal German Republic, a sum of 4,559 million DM has been earmarked for 1973 to cover the deficit in the widows' and orphans' insurance fund for the mining industry as a whole; of this, approximately 80% (3647 million DM) has been allotted to the coal mining industry.

For 1973, the Commission's calculations of the planned state subsidies to the social welfare insurance fund - excluding unemployment insurance - yield an amount which is about 313 million DM below the maximum limit permitted under Art. 4. This means that the actual, statutory, social security charge on the undertakings is about 10.9% greater than the "standard charge" mentioned in Art. 4. The state subsidies are therefore in conformity with the provisions of Art. 4.

Summary

Origin	Amount of state subsidy (in million DM)	Application
State	3,647	Pension insurance fund To cover deficit
Total	3,647	

B. BELGIUM

58. The Belgian Government estimates that for 1973 state expenditure on the mining industry for social security benefits will be 12,553 million Bfrs. The calculations made by the Commission regarding the amount of aid compatible with Art. 4 of Decision No. 3/71 show that the actual charge on the undertakings, after payment of the state subsidies, is about 139 million Bfrs greater than the standard charge. The financial measures therefore do not exceed the limit laid down in Art.4.

Summary (1)

Origin	Amount of state subsidy (in million Bfrs)	Application
State	5,443.4	Old age and widows' and orphans' insurance fund Regular statutory contribution
State	470.2	Old age and widows' and orphans' insurance fund Contribution to cover deficit
State	3,461.0	Disablement insurance Disablement pensions
State	3,178.4	Occupational diseases 50% of the expenditure on cases of silicosis among mineworkers
Total	12,553.0	

(1) The coal mining industry contributes 100% to the mining industry's social welfare insurance fund.

C. FRANCE

59. According to information supplied by the French Government, state expenditure on the coal mining industry for social welfare benefits in 1973 will amount to 2762.5 million FF.

According to the Commission's calculations, the extra charge on Charbonnages de France compensable by a state subsidy will amount to 370.5 million FF. The French Government has reported that it will grant aid to the amount of 370.5 million FF, which covers the compensable extra charge exactly. State expenditure assigned in 1973 to the coalmining industry for social welfare benefits therefore conforms to the criteria laid down in Art. 4.

Summary

Origin	Amount of expenditure (in million FF)	Application
State	896.0	<u>Disablement and old age insurance</u> Regular contribution of 22% of the contributory part of the wage and the balance paid by the state
General insurance system	530.0	<u>Disablement and old age insurance</u> Regular contribution to pay part of the "anomalous charge" (amount fixed by decree)
General insurance system	491.0	<u>Insurance against industrial accidents and occupational diseases</u> Regular compensation for the old charges
General insurance system	295.0	<u>Health insurance</u> Benefits for treatment
State	370.5	<u>Disablement and old age insurance</u> "Anomalous charge" on the coal mining industry within the meaning of Art.4 of Decision No. 3/71
General insurance system	180.0	<u>Supplementary system : workers old age insurance</u>
Total	2762.5	

D. NETHERLANDS

60. Since coal production in the Netherlands is due to cease in 1974, the Netherlands Government was compelled to enact on 22 September 1972 a law to continue the payment of social insurance benefits. As the coal mining industry is becoming increasingly unable to contribute

to total social insurance revenue, provision had to be made to ensure that, when coal production ceased, the social insurance funds would be in a position to pay the miners' retirement pensions. On account of the new arrangements, a breakdown of the state subsidies on the previous pattern is no longer possible.

For 1973, the following subsidies are to be granted :

- An estimated subsidy of 18.5 million fl to the insurance companies responsible for the workers' and salaried employees' pensions insurance;
- A direct subsidy of 22.0 million fl to undertakings in the Dutch coal mining industry (1), which is intended to cover the cost of restructuring and redeploying the redundant workforce and should consequently be included under the provisions of Art. 4 Of Decision No. 3/71.

The following summary shows the financial measures taken by the Netherlands Government in the social welfare sector in 1973 :

Origin	Amount of subsidies (in million fl)	Application
State	18.5	old-age and widows' and orphans' insurance
State	22.0	Restructuring and redeployment of redundant work force
Total	40.5	

A comparison between the anomalous charges on the Dutch coal mining industry and the financial measures taken by the Dutch Government in the field of social welfare insurance shows that the two amounts are equal and therefore the limit fixed in Art. 4 of Decision No.3/71 is not exceeded.

E. UNITED KINGDOM

61. Unlike the other coal producing countries in the Community, the United Kingdom has a general system of social welfare insurance against old age, accidents and sickness, which covers all trades and industries,

(1) This is categorized as "objective aid. Of the total amount (22.0 million fl), 13.0 million fl are to be paid to the privately owned mines and 9.0 million fl to the state-owned mines in 1973 (estimated amounts).

including the coal mining industry. This is an integrated system, in which, on the one hand, all industrial establishments, including the coal mines, bear equal financial burdens and, on the other, all insured persons, including the miners, receive equal benefits. Hence, on the basis of this general system, calculations under Art. 4 of Decision No. 3/71 - which is based on the assumption of a separate social insurance system for the coal mining industry - are not required.

However, alongside the general system, there is another fund - independent of the NCB - from which old-age pensions are paid to former miners in addition to the benefits from the general system. In the Coal Industry Act of 1973, Section 5, the British Government agreed to pay into this fund in the financial year 1973-4 a sum of £ 6.5 million, which would enable the old-age pensions of all miners who had paid contributions for more than 10 years to be increased. Consequently, the benefits which former miners receive from the fund are greater by £ 6.5 million than the charges borne by the NCB. The actual charge which the NCB bears is therefore less than the "standard charge" referred to in Art. 4 of Decision No. 3/71.

This amount of £ 6.5 million, which exceeds the limit mentioned in Art. 4, must be considered against the background of the other financial measures taken by the British Government. According to Art. 68 of the ECSC Treaty, the manner in which the social security 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 Art. 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 £ 6.5 million and its effects on the competitive position of British coal in the Community must 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/91). Examination showed that the British aid did not disturb the proper functioning of the Common Market in 1973; the above-mentioned sum of £ 6.5 million is consequently consistent with Art. 67 of the ECSC Treaty.

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

62. As the following table shows, government measures in the field of social security insurance will cost the Community of Six about 1,898,000 million u.a. in 1973. In comparison with 1972, there is thus an increase—partly due to changes in foreign-exchange rates - of 21.7% (338.9 million u.a.) in the state subsidies given under Art. 4 of Decision No. 3/71.

As regards the United Kingdom, the subsidy of £ 6.5 million given by the British Government falls outside the scope of Art. 4 and is accordingly judged on the basis of Art. 67 of the ECSC Treaty.

Data in millions of units of account

Year	Federal German Republic	Belgium	France	Netherlands	Community of Six	United Kingdom	Enlarged Community
1965	579.4	110.2	249.2	9.8	898.6	..	..
1966	568.1	117.4	270.8	14.1	970.4	..	..
1967	642.5	128.3	309.9	14.1	1094.8	..	..
1968	683.6	131.1	326.3	15.4	1156.4	..	..
1969	691.2	142.6	372.8	13.2	1219.8	..	..
1970	805.5	162.5	338.0	12.6	1318.6	..	..
1971	816.4	192.1	380.8	11.4	1400.7	..	..
1972	918.3	206.9	423.1	10.5	1558.8	..	..
1973	1132.6	256.2	497.4	11.5	1897.7	-	1897.7
1973/72 as %	+ 23.3	+ 23.8	+ 17.6	+ 9.5	+ 21.7	./.	./.

CHAPTER V

Indirect financial measures to assist the coal mining industry

63. Indirect financial measures are considered to be all those which are notified by Member States in accordance with Art. 2, § 1, Sub-para. 1 of Decision No. 3/71, but do not qualify as indirect measures as defined in Arts. 6-9 of that 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

For 1973 the Federal Republic of Germany proposes the following measures :

- Law to promote the use of coal in power stations (1st Electricity-from-Coal Law). Expected amount to cover tax deficit: 50 million DM
- Law to guarantee sales of coal to the electricity sector (2nd Electricity-from-Coal Law); Expected aid : 160 million DM

Aids granted under the 1st Electricity-from-Coal Law are considerably lower in 1973 (50 million DM) than in 1972 (200 million DM). This decrease is explained by the fact that some of the tax concessions for capital expenditure on power stations in 1966-1968 have ended.

64. In 1972 the Federal Government issued an administrative order designed to provide arrangements to continue after the partial ending of the 1st and 2nd Electricity-from-Coal Laws. Under these, power station operators are guaranteed financial advantages for an additional capacity of 6,000 Mw, on condition that this new capacity is obtained from coal. No aid payments under these new arrangements are expected for the year 1973.

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

65. Measures under the 1st and 2nd Electricity-from-Coal Laws have been granted for a number of years now. The Commission has examined these measures and decided that they in no way infringe the ban on subsidies imposed under Art. 4 of the ECSC Treaty.

The Federal Government's administrative order regarding arrangements to continue after expiry of the Electricity-from-Coal Laws was similarly examined in 1972 by the Commission, which again found no infringement of Art. 4 of the ECSC Treaty.

3. Summary of all indirect German measures for 1973

	Total amounts		Amount per t produced	
	million DM	million u.a.	DM	u.a.
- To promote use of coal in power stations	50.0	15.53	0.49	0.15
- To guarantee sales of coal in the electricity sector	160.0	49.69	1.58	0.49
Total	210.0	65.22	2.07	0.64

B. Belgium

1. Indirect measures to assist the Belgian coal mining industry

66. Financial measures for indirect assistance to the coal mining industry planned by the Belgian Government for 1973 are as follows :

million Bfrs

- Expenditure for season tickets and cheap holiday travel vouchers for miners, plus costs of treatment for pneumoconiosis (Art. 33.09 in the 1973 Budget of the Ministry for Social Affairs) 18.8
- 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 (Art. 32.12, Art. 32.14 and Art. 01.04 in the 1973 Budget of the Ministry for Economic Affairs) 234,9

2. Authorisation 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 Art. 4 of the ECSC Treaty.

3. Summary of all indirect Belgian measures

	Total amounts		Amount per t produced	
	mill. Bfrs	mill u.a.	Bfrs	u.a.
- Cheap travel vouchers	18.8	0.38	1.88	0.04
- National Miners' Pension Fund, miners holiday pay	234.9	4.79	23.49	0.48
Total	253.7	5.17	25.37	0.52

C. France

67. In 1973, 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" (CERCHAR). This totalled 16.0 million FF (= 2.9 million u.a. or 0.10 u.a. per ton produced).

The 1973 subsidy to CERCHAR was an indirect measure of a special nature which in no way affects the competitive position of French coal production.

D. Netherlands

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

E. United Kingdom

69. 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

70. The following table illustrates the pattern of indirect measures to assist the coal mining industry in the various countries of the Community. The 1973 total for the Community of Six is 73.3 million u.a. This is 24.4% lower than in 1972, due to the cut-back in German aids to coal used in power plants.

Figures in million u.a.

Year	F.R. Germany	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
72/73 in %	-28.1	+33.3	+26.1	-	-24.4	-	..

CHAPTER VI

Direct financial measures to assist the coal mining industry

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

A. GERMANY

1. Direct measures

71. In 1973 the Federal Government proposes to grant the following direct aids to the German coal mining industry:

	<u>in million DM</u>
- Aktionsgemeinschaft Deutsche Steinkohlenreviere :	
- Equalization of burdens subsidies	21.0
- Closure premiums	75.0
- Aid to cover drainage costs	30.0
- Miner's premium	110.0
- Aid for capital expenditure	160.0
- Payment of redemption instalments due from RAG on government-secured collection claims held by the original companies	56.9

These aids are a continuation of financial measures previously granted and paid in 1972.

As regards the miner's premium, it should be noted that the amount paid for 1973 is 110 million DM, which is considerably higher than in 1972 (67 million DM). The increase is due to the Federal Government's intention to double the miner's premium as from 1 April 1973.

72. At this point it should be mentioned that the Federal Government will be paying 46.7 million DM to RAG (Ruhrkohle AG) in 1973, as a partial repayment on the 1,000 million DM debt register claim granted to RAG in November 1971. This payment, which will be continued up to 1997 at a fixed annual rate of 46.7 million DM, is not shown in the above table for the following reasons: up to 31 December 1972 RAG has already been obliged to write off 550 million DM of the debt register claim as a loss. This loss has been dealt with in Part I of this document (see page I/2)

as an aid for 1971/72 under Art. 9 of Decision No. 3/71. Available information suggests that the outstanding balance of 350 million DM will also be required in 1973 to cover the loss. A final decision will not be reached until 1974 when the balance sheet is drawn up, and the Federal Government has thus not made any declaration on this to the Commission as yet. Statistics on direct German aids for 1973 are therefore incomplete. It is quite certain that the total amount of the debt register claim, 1,000 million DM, will, under Art. 9 of Decision No. 3/71 be written off as a loss. Once the Federal Government has been informed, the matter will be examined in a supplementary report.

An annual repayment instalment of 46.7 million DM on the lost debt register claim cannot be registered a second time as an aid under Decision No. 3/71. This is simply the fulfilment of a promise of payment by the Federal Government vis-à-vis banks from which the RAG has borrowed on the basis of its debt register claim.

73. In 1973 the RAG enjoyed advantageous interest terms as a result of the debt register claim granted to it - the outstanding balance of 350 million DM, but it is not possible to calculate the value of these.

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

a) Aktionsgemeinschaft Deutsche Steinkohlenreviere

74. The equalization of burdens aid totalling 21 million DM requested in 1973 will be paid to the Equalization of Burdens Fund by the Government, with the effect of discharging the obligations of collieries which have closed. The amount of the aid is equal to the amount of the costs no longer payable by the undertakings. The measure is thus in accordance with the provisions of Art. 6, § 1, Sub-para. 1, Figure e fo Decision No. 3/71.

A premium of 75 million DM is proposed in 1973 for closure within the Aktionsgemeinschaft Deutsche Steinkohlenreviere. The pits of Bochum, Emil-Fritz, Poertingsiepen, Carl Funke, Adolf und Camphausen, with a production capacity of 5.6 million tonnes per year, will be closed.

75. The closure premiums paid by the Aktionsgemeinschaft Deutsche Steinkohlenreviere to coal mining undertakings for pit closures are paid at a flat rate of 15 DM per tonne produced. This amount was assessed from the balance sheet of Ruhrkohle AG for 1971. This provides the following picture of the future obligations of coal mining undertakings in respect of mining damage, pensions and concessionary coal.

	<u>Continuing obligations in respect of mining damage and social charges</u>		
	<u>in DM/t produced</u>		
	<u>1969</u>	<u>1970</u>	<u>1971</u>
Mining damage	10.58	12.16	13.29
Pensions	5.62	5.54	6.47
Concessionary coal	6.11	6.05	6.29
Total	<u>22.31</u>	<u>23.75</u>	<u>26.05</u>

The above charges only are in excess of the 15/DM/t closure premiums paid by the Federal Government.

The flat-rate aid is thus not higher than the expenditure occasioned by the closure and meets the provisions of Art. 6, § 2 of Decision No. 3/71.

b) Aid for drainage costs

76. The sum of 30 million DM applied for as an aid to cover drainage costs is paid, under the inherited liabilities agreement between the Federal Government and the RAG, to the coal mining industry of the Ruhr which bears financial liabilities as a result of the closures made after 31 December 1966. The aid applied for is required, on the one hand, to cover part of amounts payable to the water supply associations of the Ruhr coalfield and, on the other hand, to provide part of contributions payable to the Pumpgemeinschaft Ruhr.

The amount of the aid is based on the actual additional expenditure incurred by undertakings for drainage work.

The purpose and amount of the aid are thus consistent with the provisions of Art. 6, § 1 of the Decision No. 3/71.

c) Granting of the miner's premium

77. Since 22 January 1968 and up to 31 March 1973 both shift workers and piece workers have received a unit premium of 2.50 DM for every shift worked under ground. This premium is financed by reducing the miners' liability to wages tax, i.e. government tax revenue is reduced and the net income of the miners is raised accordingly.

The Federal Government proposes to double this premium to 5 DM with effect from 1 April 1973. It points out that not only has there been a rise in expenditure by undertakings to ensure stability in the numbers of qualified personnel, but that an adjustment to the changed situation is also necessary in view of the general rise in wages and costs, in order to maintain incentives for younger, qualified mine workers to stay in the industry.

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

Undertakings incur high costs as a result of their own measures to recruit, appoint, train and adapt their personnel. Total outlays for this are approximately three times the aid of 110 million DM requested for 1973.

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

d) Granting of investment aids

78. The Federal Government proposes to give financial assistance to individual investment projects under an investment programme totalling 160 million DM.

The aid may not be higher than 30% of total expenditure on the investment projects. The amount of the aid breaks down as follows among the various coalfields or undertakings:

(in million DM)

Ruhrkohle AG	122
Saarbergwerke AG	15
Eschweiler Bergwerksverein	12
Auguste Victoria	4
Preussag AG	4
Sophia Jacoba	3
	<u>160</u>

The aid is intended for capital expenditure in collieries, coking plants, briquette making plants and pithead power stations.

The purpose and amounts of the aid applied for show that it is a measure consistent with the provisions of Art. 7, § 2 of Decision No. 3/71.

e) Payment of instalments due from the RAG on government-secured collection claims

79. For 1973 the Government proposes to make payments totalling 56.9 million DM (instead of the RAG) as a redemption instalment to former colliery owners holding a government-secured collection claim against the RAG,

The RAG made a loss in 1972 and will again sustain considerable losses in 1973. Government agreement to pay the redemption instalments may be regarded as a measure designed to prevent the RAG from bankruptcy which would endanger the jobs of some 160,000 people.

The Federal Government's assumption of responsibility for paying redemption instalments on the secured collection claims is thus in line with the provisions of Art. 9, § 1, Sub-para. 1 of Decision No. 3/71.

80. If the aid is assessed on the basis of the difference between production costs and revenue, it is found that the aid will cover only a fraction of the RAG's expected operating losses in 1973.

The aid is therefore consistent with the provisions of Art. 9, § 2 of Decision No. 3/71.

3. Compatibility of the German aids with the proper functioning of the Common Market

81. Examination to establish that the German aids are compatible with the proper functioning of the Common Market requires the summarization of all indirect and direct measures to be taken to assist the coal mining industry in 1973 (Art. 3, § 2 of the Decision No. 3/71).

The relevant figures are shown in a summary table (see Appendix, Table 9).

Using this calculation basis, the value of the proposed measures totals 410.2 million u.a. i.e. 4.04 u.a. per tonne produced. It is clear, even from the incomplete figures, that the aid total is 3.5% higher than in 1972. The amount of aid paid per tonne has risen from 3.65 u.a. to 4.04 u.a., i.e. by 10.7%. In comparison with Belgium, France and the Netherlands, aids received by the German coal mining industry (per tonne) are lower, although they are twice as high as those granted in Great Britain.

82. These observations on the pattern of German aids for 1973 in comparison with 1972 and in comparison to the aids granted in the other Community countries are based on provisional and incomplete data for the German coal mining industry. The German aid totals indicated above do not include:

- The sum of several hundred million DM which the Government is expected to pay towards covering Ruhrkohle AG's 1973 deficit;
- Any other measures under the Federal Government's new energy programme (partial repayment of older liabilities).

It is quite possible that the 1973 aid total for the German coal mining industry - including aid amounts not yet known - may be more than 5.00 u.a. per tonne.

83. As regards the compatibility of the German aid totals with the proper functioning of the Common Market, the following points may be noted:

- a) Consistency with the tonnage forecasts drawn up for 1973, with regard to the Community's overall supply position for coke and coal is guaranteed, as outlined on page II/37, and the requirements of Art. 3, § 1, Sub-para. 1 of Decision No. 3/71 are thus met.
- b) The pattern of intra-Community trade in coal (see Appendix, Table 10) shows that German coal exports to other countries of the Community will probably be somewhat down on those for 1972 (by 5%). This decline is more or less the same in all Community countries which import coal from Germany and confirms a trend which has been discernable for a number of years. Although production and sales of home-produced coal in the other Community countries is declining in 1973, German coal cannot take advantage of this new room for manoeuvre as it is unable to compete, on the energy markets of the other Community countries, with fuel oil, natural gas and imported coal. Coal imports from third countries are advancing in Belgium and the Netherlands by leaps and bounds. The minimal amount of competition still existing among the hard coal producers of the Community of Six is more than made up for by competition with imported forms of energy and natural gas.
84. Movements of coal between the Federal Republic and Great Britain reveal that there has so far been virtually no market for German coal in Great Britain. The small quantities of German coal supplied to Great Britain are mainly coking coal which is used in British coking plants as a blending additive. Although the German aids are higher than the British ones, German coal is not likely to interfere with sales of British coal within Great Britain. The reason for this is that production costs of British coal are considerably lower than in the German coal mining industry (1).
85. Nor is it likely, on the coal market of the Federal Republic, that the relatively higher German aids will interfere with sales of British coal in 1973. Supplies of British coal to the German market will be

(1) The exact comparability of production costs is currently under discussion by the Western European Coal Producers' Research Committee. Final results are not yet available.

considerably higher than in 1972 (see Appendix, Table 10). The position of British coal on the German market is difficult, not because the aids for German coal are relatively higher but because British coal at delivered prices has to meet competition from imported coal from third countries and competition from fuel oil. The same adjustment has to be made by German coal.

In the light of the above circumstances it becomes apparent that German aids granted in 1973 will not interfere with the proper functioning of the Common Market in coal (Art. 3, § 1, Sub-para. 1 of Decision No. 3/71).

- c) As regards the pricing of German coal, the volume of transactions concluded in 1972 at aligned prices rose in comparison with 1971 (see Appendix, Table 11). The increase in transactions at aligned prices is particularly marked in sales of German coal to Northern France, Belgium and the Netherlands. The reasons for this will be carefully investigated when dealing with the aids for these countries.
- d) Under Art. 3, § 1, Sub-para. 2 of Decision No. 3/71, examination must be made of the pricing of German coal. The two principal coal consumers are coking plants and power stations.

The list prices for coking coal - not taking into account supplements or reductions for quality - are as follows :

(in DM/t)

	<u>from 1 Jan. 1971</u>	<u>on 1 Jan. 1972</u>	<u>on 1 Sept. 1973</u>
Ruhrkohle AG	92.00	96.00	101.50
Saarbergwerke	96.00	100.50	106.00
Aachen	90.00	95.00	102.00

86. In a communication of September 1972 to the associations of the ECSC coal mining and iron and steel industries, the Commission of the European Communities announced that the Community had in autumn 1972 imported supplies of coking coal from countries with a free market economy at a price of \$ 24.20 per tonne (= 77.90 DM/t) cif ARA. Recent

details on the cif import price in US \$ are not officially available, as Community undertakings have ceased declaring their cif import prices now that Decision No. 70/1 on coking coal has lapsed. It is likely however, to rise further to \$ 26 per tonne by summer 1973. The floating of the DM and the US \$ (2.45 DM = US \$ 1) will mean in any event that cif import prices expressed in DM will in 1973 be considerably lower than the list prices for coking coal produced by the German coal mining industry.

German list prices for steam coal - not taking into account supplements or reductions for quality - are as follows :

(in DM/t)

	<u>from 1 Jan. 1971</u>	<u>on 1 Jan. 1972</u>	<u>on 1 Sept. 1973</u>
Ruhrkohle AG	91.00	95.00	99.60
Saarbergwerke	94.50	98.50	103.70

These steam coal prices are far higher than the equivalent price for imported coal or fuel oil. In summer 1973 the price of fuel oil delivered to the power plants was approximately 75 - 80 DM/t ce. Application of the two "Electricity-from-Coal Laws" provides a legislative assurance that aids for electricity from coal (210 million DM, cf. page II/46) will not result in the delivered prices for Community coal exceeding the equivalent price for fuel oil.

87. As a result of the oil crisis which began in October 1973 and the subsequent raising of the crude oil price by the OPEC countries, the price of heavy fuel oil has also risen sharply. A result of this could be a reduction in aids to steam coal. It is unlikely that this aid will be cut completely in 1973, since the considerable gap existing in September 1973 between the production cost of German steam coal and fuel oil prices must first be closed before the relevant aids can be stopped

88. The conclusion prompted by the above details is that German coking coal and steam coal prices will not lead to the indirect aiding of industrial coal consumers in 1973 and are thus consistent with the provisions of Art. 3, § 1, Sub-para 2 of Decision No. 3/71.
- e) The closure of five unprofitable pits in the German coal mining industry represents a rationalization measure in 1973 and a further concentration of production on the most productive pits. In relation to the other Community countries also (see Appendix, Table 12) the production pattern in the Federal Republic is increasingly leading to the concentration of Community production on those coalfields with the most productive pits (Art. 3, § 1, Sub-para 3 of Decision No. 3/71).
- f) It may thus be concluded that the German measures to assist the coal mining industry are compatible with the proper functioning of the Common Market.

4. Summary

89. Direct aids requested for 1973 to assist the German coal mining industry under Decision No. 3/71 are shown in the table below.

Relev. Art. of Decision No. 3/71	Measure	Aid amounts			
		Total		p.t. produced	
		mill. DM	mill. u.a.	DM	u.a.
Art. 6	-Aktionsgemeinschaft	96.0	29.8	0.95	0.29
	-Drainage costs	30.0	9.3	0.30	0.09
Art. 7§1	Investment aid	160.0	49.7	1.58	0.49
Art. 7§3	Miner's premium	110.0	34.2	1.08	0.34
Art. 9	Payment of redemption instalments	56.9	17.7	0.56	0.18
	Total Arts. 6-9 of Decision No. 3/71	452.9	140.7	4.47	1.39
Figures in \$ US \$ 1 = 2.45 DM		184.9		1.82	

Pro memoria:

Coking coal aids (1) under Decision No. 73.287

production aid
sales aid

585 million DM
73 million DM
658 million DM =
204.3 million u.a.

(1) Provisional figures

B. BELGIUM

1. Direct measures

90. Direct aids to the coal mining industry envisaged by the Belgian Government for 1973 are financial aids previously provided in 1972, which are granted in accordance with the provisions set out in a "Specification".

	<u>million Bfrs</u>
- Costs of pumping to remove ground water	50.0
- Aids for miners' vocational training	7.6
- Investment aids	218.1
- Coverage of outstanding operating losses	6,603.0

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

a) Costs of pumping to remove ground water

91. This aid, totalling 50.0 million Bfrs, is to be paid in 1973 to the undertaking "Espérance et Bonne Fortune" in the Southern Coalfield. This undertaking is contending with penetration by ground water from the Gosson-Kessales No. 2 pit closed in 1966 and the Patience et Beaujone "Bure aux femmes" pit closed in 1969. The Belgian Government communication specifies that the aid will only be paid up to the amount of the cost incurred by ground water drainage and duly substantiated; "Espérance et Bonne Fortune" must submit statements of expenditure on this to the Belgian Government. The aid is thus consistent with Art. 6, § 1, Sub-para. 2 of Decision No. 3/71.

b) Aids for miners' vocational training

92. For 1973 the Belgian Government proposes to refund to coal mining undertakings part of the costs incurred by these for the vocational training of mine workers. The Belgian coal mining industry expended some 40 million Bfrs for this purpose in 1971, with 474 mine workers receiving training. Expenditure for 1973 will be about the same. Payment of aid totalling 7.6 million Bfrs will thus cover about 19 % of this expenditure.

This aid is thus consistent with Art. 7, § 3 of Decision No. 3/71.

c) Investment aids

93. Investment aids - total envisaged for 1973 : 218.1 million Bfrs - will only be granted for pits and further processing plants which are not intended for closure in 1973. The aid is paid for investment projects individually.

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

The Belgian Government has announced the following investment projects :

	Aid amount <u>million Bfrs</u>		Aid amount <u>million Bfrs</u>
Campine coalfield :		South Belgian coalfield :	
Loading equipment roadway haulage, skips	36.0	Railway haulage, working areas	16.6
Crushing equipment, de-dusting flotation	121.0	Crushing equipment, fil- tering plants flotation	41.7
		Rescue Centre, ground water drainage	2.8
Total	157.0	Total	61.1

No reduced-interest loans as defined in Art. 54 of the ECSC Treaty are being applied for in respect of these investment projects. Taking account of the above criteria, the proposed investment aid is consistent with the provisions of Art. 7, § 2 of Decision No. 3/71.

d) Aids to cover operating losses

94. Taking as a basis the provisions of Art. 9 of Decision No. 3/71, authorization of the aid to cover operating losses requires consideration of the following amounts envisaged for 1973 : (in million Bfrs)

	Campine Coalfield	South Coalfield	Total
Coverage of operating losses	3,377.4	3,225.6	6,603.0

In 1972 the total for both coalfields was 5,237.2 million Bfrs; the figure for 1973 is 26.1% higher. The aid per tonne of production comes to 482 Bfrs for the Campine Coalfield and 1,075 Bfrs for the South Belgian Coalfield. The Commission has already drawn attention to the unusually high amount of aid sought for the Belgian coal mining industry in its "Supplementary Report on Financial Measures by Member States to assist to Coal Mining Industry in 1972" (see Doc. No. XVII/271/1/72). For 1973 the aid amounts per tonne for the two coalfields show the following changes :

	<u>Aids to cover losses (Bfrs per t produced)</u>		
	<u>Campine Coalfield</u>	<u>South Belgian Coalfield</u>	<u>Total</u>
1972	292	970	499
1973	482	1,075	660
Change	+ 65%	+ 11%	+ 32%

It is clear from this that the financial position has worsened, particularly in the Campine Coalfield. Assuming the exchange rate of the US dollar against the Belgian franc to be 1:35, 1973 aids for the Campine Coalfield total $\$$ 13.77 per tonne and $\$$ 30.71 per tonne for the South Belgian Coalfield.

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

- Prevention of serious economic and social disturbances in the regions where the coalfields are located (Art. 9, § 1, Sub-para. 1),
- The aid may at most cover the difference between costs and revenue (Art. 9, § 2).

d₁) As regards prevention of serious economic and social disturbances

95. in the regions where the coalfields are located, it should be mentioned first and foremost that, without exception the Belgian pits would not be viable without aids to make good their operating losses.

In 1972, performance-related revenue amounted to only 63.7% of the full costs of pits in the Campine Coalfield and only 43% in the South Belgian Coalfield.

96. Secondly it has been noted that manpower in 1972 fell from 15,900 to 14,300 men in the South Belgian Coalfield (- 11.2%) and from 21,300

to 20,000 men in the Campine Coalfield (-6.0%). Belgian coal production declined from 11.0 million t in 1971 to 10.5 million t in 1972. Production for 1973 is expected to be less than 10 million t.

The Belgian Government has decided to close four pits in 1973 in the South Belgian Coalfield, so that only twelve pits remain in production by the end of 1973. These closures will affect some 4,000 workers. In comparison to previous years, when manpower was reduced by 2,000 - 3,000 men per year, the South Belgian Coalfield closures planned for 1973 will accelerate the pace of manpower cuts which, in view of the very high aids required by this coalfield, appears appropriate and necessary.

As regards the Campine Coalfield, the Belgian Government pointed out that only five large production units are still operating in this coalfield. Since it is not possible to close the pits gradually, workers are made redundant in large batches. In 1973 production is to be cut back by 0.5 million t, and some 2,000 underground workers will be made redundant. According to the Belgian Government a higher number of redundancies would not be justifiable as yet, since regional and social difficulties should be avoided at all costs.

97. In view of these social conditions in the Belgian regions where the coalfields are located, the aid requested for 1973 to cover operating losses can be considered, purely formally speaking, as consistent with the provisions of Art. 9, § 1, Sub-para. 1 of Decision No. 3/71.

The Commission emphasizes forcefully, however, that the Belgian Government must take energetic and effective steps to make its coalfield economically viable. Production must be increased, in view of the exorbitantly high aid granted. As in 1972 the Commission thus repeats that the South Belgian Coalfield no longer has any hope of surviving and that production in this coalfield should be stopped as soon as possible. The sharp increase in the 1973 aids also gives the Campine Coalfield cause for serious concern. Although this coalfield is an important producer of coking coal for coke supplies to the Belgian steel industry, it would appear appropriate to

revise the production targets set for 1975 in the "1970 Coal Programme" and intensify measures towards structural reorganization. Decision No. 3/71 offers no basis in law for the long-term maintenance of production.

- d₂) The following criterion concerns evaluation of the amount applied for on the basis of the difference between production costs and revenue. According to the Commission the Belgian coal mining industry's operating losses in 1973 will total some 8,600 million Bfrs.

	Campine		South Belgian Coalfield		Total	
	million Bfrs	Bfrs/t	million Bfrs	Bfrs/t	million Bfrs	Bfrs/t
Expected pit operating losses in 1973	-4,500.0	- 643	-4,100.0	-1,367	-8,600.0	- 860
Aid requested to cover 1973 operating losses	3,377.4	482	3,225.6	1,075	6,603.0	660
Aid to coking coal (1)	..	..	..	..	..	..
Release from costs as a result of aid under Art. 7 § 2	-	-	-	-	-	-
Art. 7 § 3	6.7	1	0.9	0	7.6	1
Total aids	3,384.1	483	3,226.5	1,075	6,610.6	661
Result after payment of aid	-1,115.9	-160	- 873,5	- 291	- 1,989.4	-199

(1) Figures not yet available

The above figures show that aids applied for to cover operating losses in 1973 will be lower than the difference between the pits' full production costs and revenue and are thus consistent with Art. 9, § 2 of Decision No. 3/71.

- d₃) It may be concluded from the above observations that the aids to cover operating losses applied for by the Belgian Government for 1973 are consistent with the provisions of Art. 9 of Decision No 3/71.

3. Compatibility of the Belgian measures with the proper functioning of the Common Market

98. To decide whether the Belgian measures are compatible with the proper functioning of the Common Market (Art. 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 (Art. 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 9). It is clear from these that total aids requested for the Belgian coal mining industry in 1973 will be 145.5 million u.a. or 14.55 u.a. t; compared with 1972 they have thus risen by 24.3 % per tonne produced. (1). The amount of aid requested for 1973 for the Belgian coal mining industry is the highest in the Community.

99. As regards the compatibility of the Belgian aid total with the proper functioning of the Common Market, the following points may be noted :
- a) Consistency with the tonnage forecasts drawn up for the individual Belgian coalfields and undertakings for 1973, with regard to the Community's overall supply position for coke and coal means that the requirements of Art. 3, § 1, Sub-para. 1 of Decision No. 3/71 are met.
 - b) The pattern of intra-Community trade in coal (see Appendix, Table 10) shows that Belgian coal exports to other countries of the Community will fall sharply in comparison with 1972. Belgian coal imports from other Community countries will fall from 3.4 million tonnes in 1972 to 3.1 million tonnes in 1973. The decline in Belgian exports is due to a drop in production, whilst the decrease in Belgian coal imports may be attributed to competition from coal imported from third 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 1973 (Art. 3, § 1, Sub-para. 1 of Decision No. 3/71).

(1) Excluding aids to coking coal.

c) Pricing for Belgian coal in 1972 did not include any price alignments on cheap supplies of Community coal (see Appendix, Table 11).

100. The fact that Belgian aids were so high prompted the Commission to make a careful examination of the coal price problems on the Belgian market. A number of German undertakings receiving considerably lower aids had protested, saying that Belgian coal prices were very low so that the German producers were forced to sell at greatly reduced prices in order to stay in the market.

101. Investigation of the problem requires strict separation of cause and effect. The high Belgian subsidies are the effect, not the cause of the low Belgian prices. The cause is the competition offered by alternative forms of energy such as coal and fuel oil imported from third countries. It is shown under Point d below that the Belgian coal prices are not lower than the equivalent prices for imported energy and thus do not result in the indirect aiding of industrial coal consumers in Belgium. For details of the market in house coal the reader is referred to Part I of this Memorandum (see page I/11).

d) under Art. 3, § 1 Sub-para. 2 of Decision No. 3/71 an examination must be made to see whether or not the aids requested for 1973 will lead to the indirect aiding of industrial consumers. The two most important industrial consumers of coal are coking plants and power stations.

The basis to be taken in examining the coking coal prices is the relationship of Belgian to American coal prices. The comparative prices appear as follows (in Bfrs/t and ignoring quality differences)

Prices on	List price at pit-head	Discount	Net price at pit-head	Price of US coking coal cif Antwerp	
	1.6.71	1,145	-	1,145	mid-71
1.1.72	1,145	-	1,145	beginning of 72	1,125
1.1.73	1,145	-	1,145	end of 1972	1,075
				mid-1973	970

102. According to Belgian figures the cif import price of US coking coal was \$ 24.40/t at the end of 1972, i.e. about 1,075 Bfrs. More recent figures ^{are} only unofficial. They show that dollar prices for imported US coking coal are tending slightly upwards. In 1973, however, Belgium also received its first supplies of cheap Australian coal. Devaluation of the US \$ means that the cif price for US coking coal in summer 1973 works out at about 970 Bfrs/t. The price expressed in Belgian francs has thus fallen (see preceding table).

As the list prices for Belgian coking coal are considerably higher, the Belgian producers grant price discounts, which means less revenue for the mines. In any event, Belgian pricing for coking coal does not infringe the provisions of Art. 3, § 1 of Decision No. 3/71.

103. List prices for Belgian steam coal appear as follows :

Prices on	High volatile nuts 2		High volatile nuts 5	
	Bfrs	Index	Bfrs	Index
1 June 1971	1,095	100.0	1,095	100.0
1 Jan. 1972	1,095	100.0	1,095	100.0
1. Jan. 1973	1,095	100.0	1,095	100.0

Discounts on the list prices are given in the case of deliveries to power stations. Under the Belgian energy price pool for power station fuel supplies, these discounts create a uniform price per thermal unit for the various energy sources used. Price uniformity - based on delivered prices to power stations, including freight - is arrived at mainly from the comparative prices for coal and fuel oil. The pattern in prices for heavy fuel oil has evolved as follows :

	<u>\$/t fuel oil</u>	<u>\$/tce</u>
January 1972	13.46	9.42
October 1972	10.96	7.67
July 1973	approx. 12.00	8.40

As a result of heavy ^{supply} surpluses, prices for heavy fuel oil dropped sharply in 1972, which meant that revenue from deliveries of Belgian power station coal also went down. From 1973 onwards prices rose again to some extent, but up to autumn the recovery was by no means as marked as the earlier decrease s.

Under the Belgian energy price pool, the delivered prices for Belgian power station coal were raised accordingly. Prices can be expected to rise again from October/November as fuel oil prices were increased abruptly as a result of the oil crisis. It is not possible at present to assess how far this will permit the operating losses of the Belgian coal mining industry and consequently the amount of aids granted to be cut. In any event the Belgian prices system, based on the energy pool, means that Belgian prices for power station coal are constantly adapted to the fuel oil price current at the time.

104. The above observations show that the pricing system for Belgian steam coal entails no infringement of the provisions of Art. 3, § 1 of Decision No. 3/71.

e) The rationalization and concentration of production on the most productive pits will be ensured in 1973 by the closure of four unprofitable pits in the Southern Coalfield. In relation to the other Community countries also (see Appendix Table 12), the development of Belgian coal production means that Community production is increasingly concentrating on countries with the most productive pits (Art. 3, § 1, Sub-para. 3 of Decision No. 3/71).

f) The problem of preventing serious economic and social disturbances in the Belgian regions where the coalfields are located has already been commented on earlier (see page II/62).

g) It may be stated in conclusion that the Belgian measures planned for 1973 are compatible with the proper functioning of the Common Market.

4. Summary

105. Indirect aids to the Belgian coal mining industry requested for 1973 under Decision No. 3/71 are summarized in the following table :

Relevant Article of Decision No. 3/71	Measure	Campine		South Belgian Coalfield		Total	
		Total amounts	per t produced	Total amounts	per t produced	Total amounts	per t
		million Bfrs	Bfrs	million Bfrs	Bfrs	million Bfrs	Bfrs
Art. 6	Payment of pumping costs	-	-	50.0	16.67	50.0	5.00
Art 7 § 2 § 3	Investment aid	157.0	22.43	61.1	20.37	218.1	21.81
	Aid for miners' vocational training	6.7	0.96	0.9	0.37	7.6	0.76
Art. 9	Coverage of losses	3377.4	482.49	3225.6	1075.20	6603.0	660.30
	Total: Arts. 6-9 of Decision No. 3/71	3541.1	505.88	337.6	1112.54	6878.7	687.87
	Total amounts in u.a.	72.3	10.33	68.1	22.70	140.5	14.04
	Figures in \$US (\$1 = 35 Bfrs)	101.2	14.46	95.4	31.80	196.6	19.66

Pro memoria:

Aid to coking coal (1)

(1) Figures not yet available.

C. FRANCE

1. Direct measures

106. The French Government has applied for authorisation to grant the following direct aids in 1973 :

- Aid to reduce the total interest payable by Charbonnages de France 34.6 million FF
- Aid to cover extraordinary structural reorganization costs 155.0 million FF
- Aid to cover operating losses (1) 1,043.0 million FF
- Additional aid to cover remaining or new financial losses 125.0 million FF

All the above measures are a continuation of aids previously granted and paid in 1972.

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

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

107. The increase from 16.9 million FF (1972) to 34.6 million FF (1973) in the aid to reduce the total interest payable by Charbonnages de France is occasioned by the payment of special premiums for loans contracted in previous years which come to an end in 1973.

The aid in question 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 Art. 67 of the ECSC Treaty. This measure will then be consistent with the Treaty, provided it entails none of the effects described in Art. 67 paras. 2 and 3. If this is the case, the measure must be examined for its effects on the competitive position of French coal in the Community, in that part of the Memorandum which deals

- (1) Includes 74 million FF aid to reduce the price of power station coal. This was not indicated separately, being simply a point of accounting procedure.

with the consistency of the French financial measures with the criteria set for the proper functioning of the Common Market (see page / 74 hereafter).

b) Aid to cover extraordinary structural reorganization costs

108. The proposed amount of 155.0 million FF will be paid directly to Charbonnages de France as a state-owned undertaking working for the French Government, in order to permit more rational implementation of social programmes for redundant or prematurely retired mine workers. Probable expenditure by Charbonnages de France breaks down among the various coal fields as follows : (in million FF)

	Nord/Pas- de- Calais	Lorraine	Centre- Midi	Total
1. Extraordinary expenditure for miners made redundant by closures	26.8	6.8	20.4	54.0
2. Premature retirement	48.7	5.5	14.8	69.0
3. Fuel oil payments to prematurely retired miners	0.5	0.2	0.3	1.0
4. Retirement adjustment payments under the C.A.N. system	17.0	4.5	9.5	31.0
Total	93.0	17.0	45.0	155.0

109. Since the above social measures apply to persons no longer connected with the mining industry, expenditure incurred by Charbonnages de France for these is not regarded as operating expenditure and is not included with production costs. On the contrary, they are measures of a purely social nature which receive partial financing from the Commission under Art. 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 Art. 6, para. 1, sub-para. 1 of Decision No. 3/71

c) Aids to cover operating losses

110. As in 1972 the French Government has envisaged two forms of aid for 1973 to cover colliery operating losses :

- an aid paid to each coalfield individually and calculated on the basis of the current profits position of the various coalfields;
- an 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 up. This aid, then, is not paid to the coalfields.

The following table shows the aid amounts envisaged for 1973 :

	Nord/Pas-de-Calais	Lorraine	Centre-Midi	Total
1. Aids to cover coalfields' (1) operating losses (million FF)	488.0	270.4	286.6	1,043.0
per t produced (FF)	42.43	24.36	54.00	37.38
2. Additional aid to cover residual and new financial losses incurred by the central administration of Charbonnages de France. (million FF)				125.0
per t produced (FF)				4.48
Total aids to cover losses (million FF)				1,168.0
per t produced (FF)				41.86

111. Under Art. 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 (Art. 9. para. 1, Sub-para. 1)
- The aid may at most cover the difference between costs and revenue (Art. 9, para. 2).

(1) Including 74.0 million FF for power station coal.

c₁) As regards prevention of serious economic and social disturbances in certain French regions where coalfields are located, it should be mentioned first and foremost that - almost without exception - the French pits would not be viable unless subsidized. In 1973 average performance-related revenue for the French pits will probably cover only some 60 to 65% of total production costs.

112. Secondly it should be noted that a 1977 production target of 18 million tonnes has been set. In all probability this means that total manpower in the French coal mining industry will fall to about 50,000 men. Compared to the total labour force of some 100,000 men at the end of 1972 this means an annual reduction of some 10,000 men. Cuts in 1973 will probably be 8,000 to 9,000 men. The pattern for past years shows that manpower has been reduced by about 10,000 men per year,

The French Government has provided the Commission with overall employment figures for its coal mining industry and has also announced the probable closure in 1973 of six pits in the Nord/Pas-de-Calais and Centre-Midi coalfields, affecting some 3,500 men.

It is fair to assume, in view of the scale of the proposed redundancies, that accelerated cuts in manpower may lead to difficulties of the kind described in Art. , para. 1, Sub-para. I of Decision No. 3/71. The aids envisaged for 1973 are thus consistent with this Decision.

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

	Nord/Pas- de Calais	Lorraine	Centre- Midi	Total
Aid to reduce interest	6.6	17.8	10.2	34.6
Aid to cover losses	483.0	270.4	284.6	1,043.0
Aid to coking coal	-	-	-	-
Direct aid under Art. 4 of Decision No. 3/71 (1) to compensate for anomalies in social charges	195.3	100.0	75.2	370.5
Total aid to each coalfield	689.9	388.2	370.0	1,448.1

Additional aid to cover financial losses incurred

by the central administration of Charbonnage de France

125.0

1,573.1

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

113. The French Government has submitted documents and vouchers to the Commission on the cost and profits position of collieries in the various French coalfields. These show that the French coal mining industry as a whole may be expected to sustain financial losses of some 1,700 million FF in 1973. Operating losses for 1973 may be expected to be even higher as a result of the U.S. dollar devaluation. Direct aids will cover only some 85% of total losses sustained by Charbonnages de France in 1973. The aid requested to cover operating losses is thus consistent with the provisions of Art. 9, para. 2 of Decision No. 3/71

- c₃) It may be concluded that the aids to cover operating losses applied for by the French Government for 1973 are consistent with the provisions of Art. 9 of Decision 3/71 .

3. Compatibility of the French measures with the proper functioning of the Common Market.

(1) Estimated breakdown per coalfield.

114. Under Art. 3 para. 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 9. For 1973 - excluding aid to coking coal - the total amount is 247.3 million u.a. or 8.87 u.a. t produced. Compared with 1972 the amount per tonne produced has risen by 34.8%

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

115. As regards the compatibility of the French aid totals with the proper functioning of the Common Market, the following points may be noted :

- a) Consistency with the tonnage forecasts drawn up for the individual French coalfields for 1973, with regard to the Community's overall supply position for coke and coal is guaranteed. The requirements of Art. 3 para. 1, Sub-para. 1 of Decision No. 3/71 are thus met.
- b) The pattern of intra-Community trade in coal (see Appendix, Table 10) gives reason to suppose that French coal exports to other countries of the Community will decline from 0.76 million tonnes in 1972 to 0.65 million tonnes in 1973. French coal imports from other Community countries are also likely to fall from 6.8 million tonnes to some 6.4 million tonnes in 1973. The decline in French coal exports to other Community countries is due to the fall in production. The fall in French imports of coal from other Community countries is due to a general decrease in coal consumption in France. French coal imports from third countries, which declined in 1972 as a result of the unfavourable climate in the steel industry, are moving upwards again in 1973.

It becomes clear from the above that there is not likely to be any disruption of the pattern of trade in coal between France and the other Community countries in 1973 (Art. 3, para. 1, Sub-para 1

of Decision No. 3/71).

- d) Price-aligned sales of French coal declined in 1972 in comparison with 1971 (see Appendix, Table 11). The same trend may be expected for 1973. Despite this indication of less intense competition, the Commission has tried to obtain greater clarification of the price situation in France, particularly in view of the fact that the French aids are considerably higher than the German and British aids and that obstacles must not be put in the way of these two low-cost producers. This applies particularly to coal from the Saar exported to France. Investigation has revealed a parallel with the Belgian coal market (see page II/66) in that the low prices for French coal may be attributed to alternative forms of energy imported from third countries. It is shown under Point e) below that the French coal prices are not lower than the equivalent prices for imported energy and thus do not result in the indirect aiding of industrial coal consumers in France. For details of the market in house coal the reader is referred to Part I of this Memorandum (see page I/II).
- e) Under Art. 3, para. 1, Sub-para. 2 of Decision No. 3/71 an examination must be made to see whether the aids requested for 1973 will lead to the indirect aiding of industrial consumers.

The most important industrial consumers of coal are power stations and coking plants.

116. List prices for French steam coal are as follows : (in FF/t)

	On 1 Jan. 1972	On 1 Jan. 1973	From 1 Sept. 1973
<u>Nord/Pas-de-Calais</u>			
High volatile nuts 2	124.00	124.00	136.00
nuts 5	117.50	117.50	129.50
<u>Lorraine</u>			
High volatile nuts 2	125.00	125.00	125.00
nuts 5	108.50	108.50	108.50

Under the 1964 agreement between Electricité de France (EdF) and Charbonnages de France, EdF power stations undertook to pay, in respect of steam coal supplied by Charbonnages de France, not the list price but a price higher

than the equivalent price for heavy fuel oil or imported steam coal. In exchange for this the French Government gave EdF the right to cover its remaining fuel requirements with fuel oil or imported coal, as it deems fit.

Even allowing for the fact that Charbonnages de France received a direct aid of 74 million FF for steam coal in 1973 (about 10.00 FF/t), the net prices payable by power stations for French steam coal are higher than the prices for heavy fuel oil (about 90.00 FF/tce) or imported coal. The steam coal prices thus do not lead to the indirect aiding of industrial consumers and are consistent with the provisions of Art. 3, para. 1 Sub-para. 2 of Decision No. 3/71.

The oil crisis which began in October 1973 has led to a sharp increase in fuel oil prices, which the French coal mining industry may follow with its steam coal prices. It is not possible to know at present whether the aids proposed for 1973 can be reduced as a result.

117. List prices for French coking coal are as follows :

(in FF/t; without supplements or reductions for quality)

	on 1 Jan. 1972	On 1 Jan. 1973	From 1 Sept. 1973
Nord/Pas-de-Calais	140.00	140.00	143.00
Lorraine	128.00	136.00	136.00

Expressed in U.S. Dollars ($\$ 1 = 5.115 \text{ FF}$) the list prices valid on 1 January, 1973 were $\$26.90/\text{t}$ (Lorraine) and $\$27.37/\text{t}$ (Nord^{Pas}-de-Calais). The average cif import price for U.S. coking coal, however, was $\$26.40/\text{t}$ under the supply contracts current in autumn 1972. If one bears in mind that the quality of French coking coals is about 10 - 15% inferior to that of U.S. coking coal and that the parity of the U.S. dollar was about 4.15 FF in summer 1973, it will be found that the French coking coal prices do not lead to the indirect aiding of coking coal consumers, so that the provisions of Art. 3, para. 1 Sub-para. 2 of Decision No. 3/77 are met.

f) Six pits are scheduled for closure in the French coal mining industry in 1973.

This measure will assist rationalization and the concentration of production on the most productive pits. In relation to the other Community countries (see Appendix, Table 12) the decline in coal production in France is increasingly leading to the concentration of Community production on those coalfields with the most productive pits (Art. 3, para 1, sub-para 3 of Decision No. 3/71).

- g) The question of preventing serious economic and social disturbances in the French coal mining regions has been outlined earlier (see page II/73).
- h) The details outlined under Points a) to g) lead to the conclusion that the proposed French aid measures for 1973 are compatible with the proper functioning of the Common Market.

4. Summary

118. Direct aids requested for 1973 to assist the French coal mining industry under Decision No. 3/71 are shown in the table below :

Relevant Article of Decision No. 3/71	Measure	Total amounts per t produced			
		million FF	million FF	FF	u.a.
Art. 6	To cover extraordinary structural reorganization costs				
	Nord/Pas-de-Calais	93.0	16.7	8.09	1.45
	Lorraine	17.0	3.1	1.53	0.28
	Centre-Midi	45.0	8.11	8.54	1.54
	Total	155.0	27.9	5.56	1.00
Art. 9	a) To cover coalfields' operating losses (1)				
	Nord/Pas-de-Calais	488.0	87.9	42.43	7.64
	Lorraine	270.4	48.7	24.36	4.39
	Centre-Midi	284.6	51.2	5.400	9.72
	Total	1043.0	187.8	37.38	6.73
	b) To cover financial losses incurred by the central administration of Charbonnages de France				
Total aids	Total	1323.0	238.2	47.42	8.54
Figures in U.S. dollars (1 \$ = 4.15 FF)		318.8		11.43	

Pro memoria - Aid to coking coal (2) under Decision No. 73/287

(1) Including 74 million FF for power stations coal. (2) Figures not yet available

D. NETHERLANDS

1. Direct Measures

119. The Netherlands Government has applied for the following direct measures to assist the coal mining industry :

- A "subjective" aid to privately owned pits; the 1973 budget allocation for this is 26.9 million fl
- An "objective" aid to all coal mining undertakings totalling 28.0 million fl
- Payment of accrued interest totalling 5.8 million fl
- Coverage of closure costs for private pits totalling 4.0 million fl

The above aids are all measures first taken in previous years and continued in 1973.

120. It should be pointed out that measures to assist the Netherlands coal mining industry entered on a final phase in 1973, as hard coal production is to be discontinued in 1974. At the time of compiling this report, however, it was not known whether this plan might be revised as a result of the oil crisis. State-owned mines are to cease production at the end of 1973.

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

a) Of the "objective" aid totalling 28 million fl, 6 million fl represent a back payment to the state-owned pits for the year 1971. This amount had previously been approved by the Commission on the basis of the Memorandum on Financial Measures to assist the Coal Mining Industry in 1971 (see Doc. No, XVII/191/1/71 page 60).

The remainder of the "objective aid totalling 22 million fl will be paid during 1973 to the state-owned and privately owned pits to pay for the restructuring and redeployment of the redundant work force. This measure must thus be assessed on the basis of Art. 4 of Decision No. 3/71. According to the facts outlined on page II/ the scope of Art. 4 is not exceeded, so that an assessment under Arts. 6-9 of Decision No. 3/71 is not required.

Of the total "objective" aid for 1973 approximately 13.0 million fl have been allocated to the privately owned pits and 9.0 million fl to the state-owned pits. The amount for the privately owned pits will be paid in 1973, and that for the state-owned pits in 1975.

- b) It is clear from the documents submitted to the Commission that the aid of 4.0 million fl to cover closure costs in the privately owned pits is to be used to cover costs of that amount arising out of exceptional expenditure by the companies where closures are taking place.

The form and amount of the aid are thus in accordance with Art. 6, para. 2 of Decision 3/71.

- c) The 'subjective' aid (1) amounting to 26.9 million fl and the payment of accrued interest amounting to 5.8 million fl cover operating losses and are to be considered under Art. 9 of Decision No, 3/71.

Subjective aids are paid only to privately owned pits.

Payments of accrued interest - for aids to the coal mining industry promised in previous years by the Dutch Government but not yet paid - are divided as follows:

5.1 million fl are allocated to the privately owned pits and 0.7 million fl to the state-owned pits.

The two aids to cover operating losses are allocated as follows between privately owned and state-owned pits: (in million fl)

	State-owned pits	Privately owned pits	Total
Subjective aid	-	26.9	26.9
Accrued interest	0.7	5.1	5.8
Total	<u>0.7</u>	<u>32.0</u>	<u>32.7</u>

(1) The "subjective" aid includes certain amounts paid to the private undertakings to cover their costs for recruitment and training of qualified personnel.

According to Art. 9 of Decision No. 3/71 these aids must be examined in the light of the following criteria :

- Prevention of serious disturbances in economic and social conditions in the coal mining regions (Art. 9, para 1, Sub para 1).
- The aid must not exceed the difference between costs and revenue (Art. 9 para. 2).

c₁) As regards prevention of serious disturbances in economic and social conditions in the Limburg area, it should first of all be noted that the mines could not survive without aids. In 1972 performance-related revenue covered not more than 70% of total costs. Secondly, according to the plans of the Dutch Government the labour force in the mines will be reduced as follows :

	<u>Numbers employed</u>
mid-1972	10,200
end of 1972	8,600
end of 1973	4,900
end of 1974	800

The reduction of the labour force from 8,600 to 4,900 in 1973 represents a drop of 43%. As mentioned above, the Dutch coal mining industry is now phasing out production. In consequence of this development, the aids proposed to cover operating losses in 1973 will help prevent economic and social difficulties and are thus consistent with the provisions of Art. 9 para. 1 Sub-para. 1 of Decision No. 3/71.

c₂) The following criterion is applied for the calculation of the amount of aid to cover the difference between production costs and revenue. The assessment of the aids from this point of view is based as in previous years on the sums actually paid over to the undertakings in 1973 rather than the sums pledged.

The following aids falling within this category are thus to be allocated in 1973 (in million fl) :

	<u>State-owned pits</u>	<u>privately owned pits</u>	<u>total</u>
"Subjective" aid	-	26.9	26.9
Accrued interest	0.7	5.1	5.8
"Objective" aid	6.0 (1)	13.0 (2)	19.0
Aid to coking coal	-	-	-
Aids under Art. 6 of Decision No. 3/71	-	4.0	4.0
	<u>6.7</u>	<u>49.0</u>	<u>55.7</u>
Total			

(1) Back payment for 1971

(2) Estimate

The calculations of the Commission indicate that the proposed aids to the state-owned pits (6.7 million fl) will be significantly less than the operating losses of the mines, It is thus clear that the limits set in Art.9, para. 2 of Decision No. 3/71 have been respected as regards the state-owned pits.

For the privately owned pits the anticipated operating losses for 1973 were estimated by the Dutch Government at a figure approximately equal to the amount of aid (49.0 million fl).

In view of the special position of the Netherlands, which has restricted its coal production to a small number of pits, and considering the uncertainties as regards costs and the problem posed by the inclusion in the calculations of the accrued interest and the closure or "objective" aid, the proposed aid to the privately owned pits can be regarded as conforming to the provisions of Art. 9, para. 2 of the Decision.

c₃) One may conclude that the aids to the state-owned and privately owned pits proposed by the Dutch Government are in accordance with Art. 9 of Decision No. 3/71.

3. Compatibility of the Dutch aids with the proper functioning of the Common Market.

According to Art. 3 of Decision No. 3/71 all proposed aids must be taken into account in determining whether the Dutch aids are compatible with the proper functioning of the Common Market.

The relevant figures have been given in a summary table (cf. Appendix, Table 9) in order to permit a comparison with other Community countries. This table shows that the Dutch Government has proposed aids of 10.3 million u.a. or

5.42 u.a./t to be paid in 1973 under Arts. 6 and 9 of Decision No. 3/71. The rate of aid per tonne of coal has increased by 6.9% over 1972.

121. As regards the compatibility of the Dutch aids as a whole with the proper functioning of the Common Market, the following remarks are limited to a few general considerations, as Dutch production will amount in 1973 to no more than 1.9 million tonnes, or some 0.7% of the entire production of the enlarged Community.

The following observations may be made :

- Exports of Dutch coal to other Community countries will fall significantly in 1973.
- The amount of Community coal imported by the Netherlands is very small, as 1973 imports of coal from third countries are 50% up on those of 1972.
- Price alignment has been discontinued.
- The aids to the coal mining industry cannot indirectly aid industrial consumers of coal, as production is virtually limited to house coal for private use. As regards the prices of coal for household consumption, we refer to the remarks on page I/II, which also apply to the Dutch coal market.

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

4. Summary.

122. The 1973 direct aids proposed for the Dutch coal mining industry under Decision No. 3/71 are set out in the following table :

Relevant Article of Decision No. 3/71	Measure	Total amounts	
		million of fl	million of ua.
Art. 6 § 2	Payments to cover closure costs in privately owned pits	4.0	1.1
Art. 9	"subjective" aids	26.9	7.6
	payment of accrued interest	5.8	1.6
	Total	<u>36.7</u>	<u>10.3</u>
	per ton produced	<u>19.32</u>	<u>5.42</u>
	In US dollars (\$1 = 2.65 fl)		
	Total	US \$ 13.8 million	
	per ton produced	US \$ 7.26 million	

E. UNITED KINGDOM

123. 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 1973 to the end of March 1974. Not only the financial year of the NCB but also the government fiscal year refers to this period. All figures quoted below therefore refer to the financial year 1973/74 of the coal industry; it is not possible to produce figures for the calendar year 1973.

1. Direct measures

124. The British Government intends to grant the following direct aids to the coal mining industry for the financial year 1973/74:

	<u>£ Million</u>
- Aid to cover expenditure on pensions	12.5
- Aid to cover severance pay to miners made redundant or the cost of vocational training of personnel	10.0
- Aid to cover expenditure incurred by the NCB through premature retirement of miners	5.0
- Aid to cover expenditure incurred through the supply of concessionary coal to redundant miners between the ages of 55 and 65	0.3
- Aid for the adaptation and stabilization of the work force	3.7
- Aid for holding of stocks	5.2
- Coverage of NCB's operating losses in the first quarter of 1973	23.5
- Coverage of NCB's expected operating losses for the financial year 1973/74	56.0
- Aid for power station coal	14.0

In addition to the above direct aids which are to be considered under Decision No. 3/71, the British Government will pay the coal mining industry coking coal aid of £11 million on the basis of Decision No. 73/287/ECSC.

125. All 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.

126. The legal basis for the aids is largely provided by the Coal Industry Act of 1973. Only a small number of measures are based on the Coal Industry Acts of 1965 and 1967; they were continued under the Coal Industry Act of 1973. The system of British Government aid to the coal mining industry is embodied in the Coal Industry Act of 1973. It is planned for a period of several years ahead - in the case of most of the above aids for three years with the possibility of extension to five years - and sets out the forms and amounts of aid. Out of the total sum allocated for the entire period, a certain proportion is made available for payment every year, after consultation between the British Government and the NCB. The above sums thus represent the first instalment made available for payment in the financial year 1973/74 under the three-year programme.

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

a) Aid to cover expenditure on pensions

127. This aid dates from the Coal Industry Act of 1967. The Coal Industry Act of 1973 continues the aid and makes provision for a maximum payment of £ 60 million for the years from 1973/74 to 1975/6. If the measure, after prior approval by Parliament, is continued till 1978, a maximum of £100 million may be paid. For 1973/74 provision has been made for a first instalment of £12.5 million. This aid is granted to retired miners. The resulting expenditure incurred by the NCB is no longer related to coal production and is partially covered by the aid. The NCB acts as the government's agent in paying the aid to the pensioners.

It is clear from the purpose and form of the aid that it conforms to the criteria of Article 6, § 1, Sub-para.1.

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

128. This aid was introduced by the Coal Industry Act of 1965. The Coal Industry Act of 1973 continues the aid and makes provision for payment of a maximum

of £60 million for the years 1973/4 to 1975/6. If the measure, after prior approval by Parliament, is continued until 1978, a maximum of £100 million may be paid. For 1973/4 provision has been made for a first instalment of £10 million.

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.

129. It is clear from the purpose and form of the aid that it conforms to the criteria of Art. 6, §1, Sub-para. 1 and Art. 7, § 3 of Decision No. 3/71.

c) Aid to cover expenditure incurred by the NCB through premature retirement of miners

130. This aid was introduced in the Coal Industry Act of 1967. The Coal Industry Act of 1973 continues the aid and makes provision for the payment of a maximum of £40 million in the years 1973/4 to 1975/6. For 1973/4 provision has been made for a first instalment of £5 million.

The aid is given to miners retired before the statutory retirement age. Such retirements became necessary in the period 1967/70 because of the reduced production (as a result of inadequate demand). The pensions expenditure 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 of Art. 6, § 1, Sub-para. 1 of Decision No. 3/71.

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

131. Expenditure incurred by the NCB through the supply of concessionary coal to miners between the ages of 55 and 60 made redundant during 1973 is fully reimbursed by the Government, while for redundant miners between the ages of

60 and 65 the aid will cover 50% of the cost of concessionary coal. The provision made for aid in 1973/74 amounts to £0.3 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 of Art. 6, § 1, Sub-para 1 of Decision No. 3/71.

e) Aid for the adaptation and stabilization of the work force

132. It is estimated that in 1973/74 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
- Travelling expenses
- Reimbursement of temporary loss of income.

In order to meet these expenses the British Government will grant the NCB a subsidy of £3.7 million in 1973/74.

It is clear from the purpose and form of the aid that it conforms to the criteria of Art. 6, § 1, Sub-para. 1 of Decision No. 3/71.

f) Aid for holding of stocks

133. The 1973 Coal Industry Act (Section 7) provides that the British Government may grant a subsidy of not more than £40 million to the NCB in the period 1973/74 - 1975/76 to help meet the cost of holding stocks. If the measure, after prior approval by Parliament, is extended till 1978, the maximum sum payable may be increased to £70 million. For 1973/74 provision has been made for a first instalment of £5.2 million.

The British Government estimates that the stocks held by the NCB at the end of March 1974 will be 17.5 million tons of coal and 1.3 million tons of coke. Monthly statistics so far available for 1973 fully confirm this trend.

Given an estimated annual production (for 1973) of 140 million tons, monthly production would amount to 12 million tons. Stocks (18.8 million tons of coal and coke) would thus exceed monthly production by 6.8 million tons. This difference is the amount for which aid can be granted under the provisions of Art. 8 of Decision No. 3/71.

134. According to NCB estimates, supplemented in part by the Commission, the costs of building and transporting stocks and of interest amount to £/per ton for coal and £2.10 per ton for coke. The British Government provides aid of £0.72 per ton for coal and £1.03 per ton for coke towards meeting these costs. On the basis of the stocks for which aid can be granted (5.8 million tons of coal and 1.0 million tons of coke) the amount of aid can be calculated at £4.2 million for coal and £1.0 million for coke - a total of £5.2 million. It is clear from the above that the measure conforms to the criteria of Art. 8 of Decision No. 3/71.

g) Coverage of NCB's expected operating losses

135. Operating losses incurred by the NCB for the period 1 January 1973 to the end of March 1974 are covered by means of the following aids:

- Writing off of operating losses in the first quarter of 1973	£23.5 million
- Payments to cover operating losses in the financial year 1973/74	£56.0 million
- Aid for power station coal	£14.0 million
	<u>£93.5 million</u>
	Total

136. Cumulative operating losses for the NCB in the financial years 1971/72 and 1972/73 totalled £174.6 million. It is estimated that £23.5 million of these losses were incurred in the first quarter of 1973, which must be included in these calculations as the United Kingdom has been a member of the European Community since 1 January 1973. Under the Coal Industry Act of 1973 the NCB was authorized by the British Government to write off this cumulative deficit and to reduce the public funds borrowed from the Government by the same amount.
137. The operating losses to be covered in the financial year 1973/74 are the losses sustained on current production. Provision has been made in the Coal Industry Act for the allocation of a sum not exceeding £210 million for this purpose in the financial years 1973/74 to 1975/76.

The £56 million payment is the first instalment made available.

138. The aid for power station coal is granted to the NCB under the Coal Industry Act of 1973 for extra coal supplies delivered to British Power stations. In the Coal Industry Act of 1973 a maximum of £50 million has provisionally been allocated for this aid for the period 1973/74 to 1975/76. In exceptional circumstances, only this maximum allocation may be increased to £100 million. The £14 million payment is the first instalment for 1973/74.

Under Art. 9 of Decision No. 3/71 the above aids for the purpose of covering losses must be examined in the light of the following criteria:

- Prevention of serious disturbances in economic and social conditions in the mining regions in which sufficient opportunities for re-employment do not yet exist (Art. 9, § 1, Sub-para. 1);
- The aid may not exceed the difference between the average cost of coal production and the average revenue available (Art. 9, § 2).

- 81) With respect to the regional and social problems in the British mining regions, it should be noted that the 1973 increase in production over 1972 (about 20 million tons) was not caused by the grant of aid to cover losses, but by a "recovery effect" as there had been a sharp drop in production in 1972 as a result of strikes.

139. The Commission has been informed by the British Government that in 1973 17 small pits with an annual capacity of 1.3 million tons will cease production. About 8,000 workers will be affected by the closures. If one adds the 8,000 men who are expected to be made redundant through rationalization of current production, the total cuts would amount to 16,000 men.

The British Government points out in very general terms that other regions besides a large part of the mining areas have weak economic structures and that it is not possible to speed up the redevelopment process.

Redevelopment has been carried out as far as resources allowed, but only limited funds are available.

It is clear from this situation that if the NCB had to close down and over 300,000 workers currently employed by the NCB were suddenly to be made redundant, insuperable regional and social problems would arise. It is thus obvious that payments to cover operating costs are consistent with the provisions of Art.9, § 1, Sub-para. 1, as they serve to prevent a drop in production dictated by market forces, with the serious disturbances of social and economic conditions which would result in many areas in which there are not sufficient short-term opportunities for the re-employment of such a large labour force.

g₂) The following criterion is applied in calculating the proposed amount of aid to cover the difference between the average cost of coal production and revenue obtained. Given an anticipated production of 140 million tons, (including open-cast production) the losses incurred in coal production may be estimated at £122 million (i.e. £0.87/t). For the assessment of this figure the calculations of the British Government, which were restricted to the losses incurred in underground coal workings, were supplemented by those of the competent department of the Commission, with the inclusion of open-cast workings, which normally operate at a profit, so that an average figure could be obtained for total production.

It is clear from the figures quoted above that the proposed aid to cover operating losses of £93.5 million (i.e. £0.67 per ton) will be lower than the difference between the average cost of coal production and the revenues of the collieries, and will thus be consistent with Art. 9, § 2 of Decision No. 3/71.

3. Compatibility of the British aids with the proper functioning of the Common Market.

140. In assessing the compatibility of the British aids with the proper functioning of the Common Market, (Art. 3, § 1 of Decision No. 3/71) it is necessary

to consider not only the aids governed by these Decisions, but also all other measures to assist the British coal mining industry (Art. 3, § 2 of Decision No. 3/71).

For purposes of comparison with other Community countries the relevant figures have been shown in a summary table (cf. Table 9). It is clear from the calculations that total British aids, including payments exceeding the limits set in Art. 4 of Decision No. 3/71, will amount to £147.7 million. (= 295.4 million u.a. = 2.11 u.a./t). In comparison with all other community countries the aids proposed for the British coal mining industry give the lowest rate of aid per ton produced.

141. The following remarks may be made with regard to the compatibility of the British aids as a whole with the proper functioning of the Common Market:
- a) The consistency of the tonnage forecasts for the British coal mining industry for 1973, with regard to the Community's overall supply of coke and coal, is in accordance with the provisions of Art. 3, § 1, Sub-para 1 of Decision No. 3/71.
 - b) The development of intra-Community trade in coal shows that the United Kingdom does not import any significant quantities of coal from other Community countries (cf. Appendix, Table 10). It is anticipated, on the other hand, that in 1973 exports of British coal to other Community countries will increase in comparison with 1972; steam coal accounts for most of the exports. This development is explained at least in part by a "recovery effect", as 1972 exports were affected by the British miners' strike.

It is, however, probable that the increase in exports is explained partly by the greater competitiveness of British coal. This point is discussed in detail in Chapter I of this Memorandum. This examination reveals that the competitiveness of British coal in 1973 has been greatly strengthened by the decline in value of the British currency. The British aids, which are the lowest per ton in the Community, do not contribute significantly to the superior competitiveness of British coal. This applies only to the aids.

It is not yet possible to determine whether other factors affecting the competitive position of British coal and coal from other Community countries must be taken into consideration, e.g. the differences in social costs mentioned in paragraph 24 of Chapter II. The Commission is aware that institutional factors may cause distortions of competition as their effect on production costs varies from country to country. This question cannot be examined until comparable cost figures are available.

142. On the basis of the aids granted no distortions of the trade in coal between the United Kingdom and the rest of the Community is anticipated for 1973 (Art.3, § 1, Sub-para. 1 of Decision No. 3/71).

c) The Commission has not as yet been notified of any price alignment of British coal with other Community producers (cf. Appendix, Table 11).

d) As a result of the accession of the United Kingdom to the Community, the NCB published list prices as required by the rules of the ECSC Treaty. Seventeen price lists giving pit-head prices for steam and coking coal were established for each of the seventeen NCB areas.

The steam coal price takes into account the calorific value of the coal and also the following factors:-

- Reductions for ash content
- Surcharge at various rates depending on grade
- Reductions or surcharges for sulphur content.

The coking coal price is also based on the calorific value; the price is adjusted to take account of several factors, e.g. ash content of the coke, K factor, grade, sulphur content.

143. The price levels for the individual areas vary according to the production costs in these areas.

The prices in all seventeen areas cannot be given here in detail. In broad outline the system is as follows:

- In the low-cost coalfields of the Midlands steam coal prices on 1 January 1973 ranged from \$12 to \$18/t (1), while in the other areas they were over \$20/t. It may be taken that in the first half of 1973 the 35 million tons of coal delivered to power stations by the NCB were sold at an average pit-head price of about \$15/t. When allowance is made for the price increase of 7.5% introduced in the summer of 1973 it is likely that the average pit-head price for the further 35 million tons to be delivered to power stations in the second half of 1973 will be of the order of \$16/t. If transport costs are added the resulting delivery prices, according to the power station operators, are higher in all cases than the equivalent prices for fuel oil or natural gas, especially if the differences in the operating costs of coal- and oil-fired power stations are taken into account.
 - On 1 January 1973 pit-head prices for coking coal in the Midlands ranged from \$18 to \$25/t, while in the other coalfields the prices were as high as \$26 -27/t. These prices, too, were increased on average by 7.5% from 1 July 1973. If transport costs are added the resulting delivered prices to steel industry coking plants are marginally higher than the cif prices for imported US coking coal, which amount to about \$25-26/t.
144. It is clear from the above that pricing of British coal does not involve indirect aid to the coal consumers. There has been no infringement of Art. 3, § 1, Sub-para. 2.
- e) The prevention of serious disturbances of economic and social conditions in the British mining areas (Art. 3, § 1, Sub-para. 4 of Decision No.3/71) has already been discussed.
 - f) It is clear from these observations that the British aids to the coal mining industry are compatible with the proper functioning of the Common Market.

(1) at the rates of exchange obtaining at that time.

4. SUMMARY

145. The following table shows the direct aids to the British coal mining industry proposed under Decision No. 3/71 for the financial year 1973/74:

Relevant Article of Decision No. 3/71	Measure	Total amounts		per t produced	
		£ million	million u.a.	£	u.a.
Art. 6	- Payments to cover expenditure on pensions	12.5	25.0	0.09	0.18
	- Severance and retraining	10.0	20.0	0.07	0.14
	- Premature retirement	5.0	10.0	0.04	0.07
	- Concessionary coal	0.3	0.6	0.00	0.00
Art. 7	Adaptation and stabilization of personnel	3.7	7.4	0.03	0.05
Art. 8	Aid for holding of stocks	5.2	10.4	0.04	0.07
Art. 9	- Operating losses carried over from the first quarter of 1973	23.5	47.0	0.17	0.34
	- Other operating losses for the financial year 1973/74	56.0	112.0	0.40	0.80
	- Aid to power station coal	14.0	28.0	0.10	0.20
Total under Arts. 6 - 9 of Decision No. 3/71		130.2	260.4	0.93	1.86
In US Dollars (\$1 = £0.39)			333.8		2.38

pro memoria:

Aid to coking coal under Decision No. 3/71

= £ 11 million

= 22 million u.a.

CHAPTER VII

Summary and Conclusions

146. This report has reviewed the financial measures proposed by the Member States of the enlarged Community to assist the coal mining industry in 1973. The consistency of these measures with the provisions of Decision No. 3/71 was examined for each individual country. To this end, the Commission conducted special studies of the position as regards prices and competition among those coal producing countries in which the situation seems complicated by the widely varying amounts of aid granted. It emerged from this investigation that the aids planned by the governments of the Member States for 1973 do not impair the proper functioning of the Common Market in coal.

In view of the accession of the United Kingdom to the Common Market a special chapter has been devoted to an overall comparison of the British coal mining industry with those of the Community of the Six.

147. As regards the size of the coal market, the coal production of the enlarged Community in 1973 will rise by about 13 million tons in comparison with 1972. This increase is explained by the rise in British production which is some 22 million tons higher, as a certain recovery effect has made itself felt in 1973 as compared with 1972, when there was a sharp drop in production as a result of strikes. In the other Community countries, production has declined by 9 million tons as compared with 1972.

In 1973 coal imports by the enlarged Community from third countries are expected to show no significant change from the previous year.

For 1973 a slight increase in coal consumption is forecast as a result of developments in the United Kingdom. A comparison of supply and demand indicates that a fairly rapid build-up of stocks can be expected in the Federal Republic of Germany and the United Kingdom.

The above trends apply to the situation until October/November 1973 i.e. until the advent of the oil supply crisis. It is possible that this crisis will create an entirely new situation with regard to the assessment of coal mining activities. The effect on the coal mining industry in 1973 will, however, be slight as the 1 - 2 remaining months of the year are too short a period for any measures taken to have a significant effect on the figures for the first ten months.

148. The financial position of the Community coal mining industry in 1973 may be described as extremely difficult. Wage increases in all Community countries greatly exceeded increases in productivity, and prices for mining materials have also increased in line with the general rise in prices. These two factors alone cause large increases in production costs which cannot be covered by a corresponding rise in revenues. Consequently colliery losses have increased, as have the subsidies.
149. As regards the financial measures to cover deficits incurred through the financing of welfare benefits in accordance with Art. 4 of Decision No. 3/71, sums paid in 1973 will total almost 1,900 million u.a. (cf. page II/44). The increase over 1972 is of the order of 21.7% and is thus greater than the increase in 1972. The increase is explained in part by alterations in the exchange rate of the unit of account against the national currencies. In part too, the increase is accounted for by the steady growth of the financial deficits incurred through the financing of welfare benefits, as the ratio of contributors to recipients of benefits has been progressively reduced. The financial measures taken under Art. 4 of Decision No. 3/71 are not directly related to current production, as these are costs arising out of the past.
150. As was mentioned at various points in Chapters V and VI the list of direct and indirect aids considered in this Memorandum is still incomplete. Nonetheless, the total spent on aid in the Community of the Six in 1973 amounts to over 800 million u.a., 11.4% above the corresponding figure for the previous year. The inclusion of the United Kingdom in the calculations brings the total to over 1,000 million u.a. As the rate of aid per ton of coal produced is, however, lower in the United Kingdom than in all the countries of the

former Community of the Six, the rate of aid per ton for the enlarged Community in 1973 (i.e. 3.89 u.a.) is lower than the rate of aid per ton in the Community of the Six in 1972 (i.e. 4.81 u.a./t).

Totals for direct and indirect aids

(Totals expressed 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	558.5	529.6	260.4	790.0
2. Aid to coking coal	45.5	71.4	204.3	22.0	226.3
3. Indirect measures	91.9	100.0	79.4	-	79.4
Total	551.7	729.9	813.3	282.4	1.095.7
Change from previous year	+ 9.4%	+32.3%	+11.4%	..	..
Aid per ton produced (in u.a.)	3.35	4.81	5.75	2.02	3.89

The table shows that significant increases occurred, particularly in respect of coking coal. The explanation is that the gap between the production costs for Community coal and the price for coking coal from third countries became much wider in 1973 as a result of currency movements; on the basis of Decision No. 73/287 this difference may be partially offset by production or marketing aids.

151. Of the total amount of direct aid for which provision has been made in 1973 (i.e. 790 million u.a.) 559 million u.a. (or 70%) are allocated to aid under Art. 9 of Decision No. 3/71 and 231 million u.a. (or 29.2%) to aid for rationalization and holding of stocks. (Arts. 6 - 8 of Decision No. 3/71).

Million u.a.

	Aids			Total
	Art. 6 + 7	Art. 8	Art. 9	
Federal Republic of Germany	123.0	-	17.7	140.7
Belgium	5.6	-	134.8	140.4
France	27.9	-	210.3	238.2
Netherlands	1.1	-	9.2	10.3
United Kingdom	63.0	10.4	187.0	260.4
Total	220.6	10.4	559.0	790.0

STATISTICAL APPENDIX

NOTES ON TABLES 1 to 8

Tables 1 to 8 summarize the data submitted to the Commission by Member States for the purposes of the tonnage forecasts under Art. 2, § 1, sub-para. 4 of Decision No. 3/71. Tables 1 to 4 contain forecasts for the development of coal production, imports and exports and sales. Tables 5 to 8 contain the same data for coke.

A number of Member States expressed their estimate figures in the form of an upper and a lower bracket. In the summary tables a mean value had to be taken, lying midway between the two figures, for if the upper and lower limits for production, imports and exports were taken into account the calculation of the sales or supply totals would be unduly complicated.

Table 1

Development of Community coal production by coalfields
(in million tonnes; figures from national sources)

	1971	1972	Estimates		(1)
			1973	1975	1971
1. Federal Republic of Germany					
Ruhr	87,1	79,6	74,4	..	..
Saar	10,7	10,4	9,2	..	..
Aachen	10,2	9,3	8,9	..	..
Lower Saxony	2,8	2,5	2,3	..	..
Small collieries	0,3	0,2	0,2	..	..
Total	111,1	102,0	95,0	83,9	75,5
2. Belgium					
Campine	7,3	7,5	7,0	6,8	5,5
South Belgian Coalfield	3,7	3,4	3,0	2,4	1,6
Total	11,0	10,9	10,0	9,2	7,1
3. France					
Nord/Pas-de-Calais	14,5	12,9	11,5	..	..
Lorraine	11,5	11,2	11,1	..	..
Centre-Midi	6,9	6,3	5,3	..	..
Total	32,9	30,4	27,9	22,8	18,0
4. Netherlands					
Limburg	3,6	2,8	1,9	-	-
5. Italy					
Sulcis	0,3	0,2	-	-	-
6. Community of the Six	158,9	146,3	134,8	115,9	100,6
7. United Kingdom					
Underground workings					
NCB Collieries	135,6	119,5	139,0	..	..
Licensed collieries	0,8				
Open-cast workings (UCB)	10,7				
Other production	2,3	2,3	2,0		
Total	149,4	121,8	141,0	130,0	130,0
8. Ireland	0,1	0,1	0,1	0,1	0,1
9. Enlarged Community	308,4	268,2	275,9	246,0	230,7

(1) mean figures

Table 2
Development of coal production and external trade in coal
(in million metr. tons; figures from national sources)

	1971	1972	Estimates (1)		
			1973	1975	1977
1. Federal Republic of Germany					
Production	111,1	102,0	95,0	83,9	75,5
+ imports	8,3	7,5	7,5	6,8	6,5
- exports	14,4	13,2	13,0	12,1	10,0
Computed supply on the domestic market	105,0	96,3	89,5	78,6	72,0
2. Belgium					
Production	11,0	10,9	10,0	9,2	7,1
+ imports	5,3	5,8	6,0	6,4	7,2
- exports	0,4	0,4	0,4	0,4	0,4
Computed supply on the domestic market	15,9	16,3	15,6	15,2	13,9
3. France					
Production	32,9	30,4	27,9	22,8	18,0
+ imports	13,6	11,7	10,7	12,6	12,4
- exports	0,8	0,8	0,9	0,6	0,5
Computed supply on the domestic market	45,7	41,3	37,7	34,8	29,9
4. Netherlands					
Production	3,6	2,8	1,9	-	-
+ imports	3,2	3,1	4,5	4,6	4,4
- exports	1,6	1,4	1,0	0,0	0,0
Computed supply on the domestic market	5,2	4,5	5,4	4,6	4,4
5. Italy					
Production	0,3	0,3	-	-	-
+ imports	12,0	11,5	12,9	14,9	14,8
- exports	-	-	-	-	-
Computed supply on the domestic market	12,3	11,7	12,9	14,9	14,8
6. Luxembourg					
Production	-	-	-	-	-
+ imports	0,2	0,3	0,3	0,3	0,3
- exports	-	-	-	-	-
Computed supply on the domestic market	0,2	0,3	0,3	0,3	0,3
7. Denmark					
Production	-	-	-	-	-
+ imports	2,2	2,2	3,4	3,0	..
- exports	-	-	-	-	-
Computed supply on the domestic market	2,2	2,2	3,4	3,0	..
8. United Kingdom					
Production	149,4	121,8	141,0	130,0	130,0
+ imports	4,2	5,0	2,0	2,8	2,8
- exports	2,6	1,8	3,0	4,0	4,0
Computed supply on the domestic market	151,0	125,0	140,0	128,8	128,8
9. Ireland					
Production	0,1	0,1	0,1	0,1	0,1
+ imports	0,9	0,8	0,9	0,8	..
- exports	-	-	-	-	-
Computed supply on the domestic market	1,0	0,9	1,0	0,9	..
10. Enlarged Community					
Production	308,4	268,2	275,9	246,0	230,7
+ imports from third countries	33,3	32,4	33,6	39,1	..
- exports to third countries	1,1	1,5	1,0	1,4	..
Computed supply on the domestic market	340,4	299,1	308,5	283,7	..

(1) Mean figures

Table 1

Development of domestic sales of coal
(in million metr. tons; figures from national sources)

	1971	1972	Estimates (1)		
			1973	1975	1977
1. Federal Republic of Germany					
Coking plants (2)	51,7	46,9	46,0	42,8	41,0
Power stations	38,3	35,4	32,0	27,6	25,0
Household consumption (3)	4,1	3,4	3,4	3,1	2,5
Other consumers	9,7	8,1	6,9	5,1	3,5
Total domestic sales	103,8	93,8	88,3	78,6	72,0
2. Belgium					
Coking plants	8,5	9,2	9,4	9,8	9,7
Power stations (4)	2,9	2,8	2,6	2,2	1,6
Household consumption	3,1	2,9	2,8	2,4	2,0
Other consumers	1,2	1,1	1,0	0,8	0,6
Total domestic sales	15,7	16,0	15,8	15,2	13,9
3. France					
Coking plants	16,0	15,0	14,7	15,7	15,4
Power stations	16,8	13,7	11,1	10,3	8,0
Household consumption	5,5	4,7	3,9	8,8	6,5
Other consumers	9,7	8,6	7,6		
Total domestic sales	48,0	42,0	37,3	34,8	29,9
4. Netherlands					
Coking plants	2,3	2,7	4,0	4,2	4,2
Power stations	1,2	0,7	0,7	0,2	-
Household consumption	0,6	0,4	0,3	0,2	-
Other consumers	0,8	0,6	0,5	-	0,2
Total domestic sales	4,9	4,4	5,5	4,6	4,4
5. Italy					
Coking plants	9,3	9,6	11,2	13,2	13,3
Power stations	1,6	0,9	0,8	1,0	1,0
Household consumption	0,5	0,4	0,4	0,3	-
Other consumers	0,8	0,7	0,5	0,4	0,5
Total domestic sales	12,2	11,6	12,9	14,9	14,8
6. Luxembourg					
Coking plants	-	-	-	-	-
Power stations	-	-	-	-	-
Household consumption	0,0	0,0	0,0	0,0	0,0
Other consumers	0,2	0,3	0,3	0,3	0,3
Total domestic sales	0,2	0,3	0,3	0,3	0,3
7. Denmark					
Coking plants	0,1	0,1	0,1	0,1	-
Power stations	2,0	1,7	3,0	3,0	3,0
Household consumption	0,1	0,1	0,1	0,1	0,1
Other consumers	-	-	-	-	-
Total domestic sales	2,2	2,0	3,2	3,2	3,1
8. United Kingdom					
Coking plants	26,1	23,7	27,4	22,0	22,0
Power stations	76,2	69,0	78,5	77,5	77,5
Household consumption	20,7	17,5	15,5	12,5	26,5
Other consumers	18,4	12,8	12,6	14,0	
Total domestic sales	141,4	123,0	134,0	126,0	126,0
9. Ireland					
Coking plants	0,0	0,0	0,0	..	..
Power stations	0,0	0,0	0,0	..	..
Household consumption	0,8	0,8	0,8	..	..
Other consumers	0,1	0,1	0,1	..	..
Total domestic sales	0,9	0,9	0,9	0,9	0,9
10. Enlarged Community					
Coking plants	114,0	107,2	112,8	107,8	105,6
Power stations	139,0	124,2	128,7	121,8	116,1
Household consumption	35,4	30,2	27,2	48,9	43,6
Other consumers	49,9	32,3	29,5		
Total domestic sales	329,3	293,9	298,2	278,5	265,3

(1) Mean figures

(2) Including utilization in gas-works

(3) Including briquettes

(4) Only rthead power stations and publicly owned power stations

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Table 4
Development of external trade in coal
 (in million metr. tons; figures from national sources)

	1971	1972	Estimates (1)		
			1973	1975	1977
1. Federal Republic of Germany					
Imports from Community countries	1,2	1,5	2,0	1,3	..
Imports from third countries	7,0	6,0	5,5	5,5	..
Total imports	8,3	7,5	7,5	6,8	6,5
Exports to Community countries	13,3	12,0	12,2	11,4	..
Exports to third countries	1,1	1,2	0,8	0,7	..
Total exports	14,4	13,2	13,0	12,1	10,0
2. Belgium					
Imports from Community countries	3,5	3,1	3,0	3,2	..
Imports from third countries	1,8	2,7	3,0	3,2	..
Total imports	5,3	5,8	6,0	6,4	7,2
Exports to Community countries	0,4	0,4	0,4	0,4	0,4
Exports to third countries	-	-	-	-	-
Total exports	0,4	0,4	0,4	0,4	0,4
3. France					
Imports from Community countries	6,5	6,4	5,9	5,5	..
Imports from third countries	7,2	5,3	4,8	7,1	..
Total imports	13,7	11,7	10,7	12,6	12,4
Exports to Community countries	0,8	0,7	0,6	0,6	..
Exports to third countries	0,1	0,1	0,1	0,0	..
Total exports	0,9	0,8	0,9	0,6	0,5
4. Netherlands					
Imports from Community countries	1,3	0,6	0,6	0,2	..
Imports from third countries	1,9	2,5	3,9	4,4	..
Total imports	3,2	3,1	4,5	4,6	4,4
Exports to Community countries	1,5	1,3	1,0	0,0	-
Exports to third countries	0,1	0,1	0,0	-	-
Total exports	1,6	1,4	1,0	0,0	0,0
5. Italy					
Imports from Community countries	3,4	2,9	2,5	2,5	..
Imports from third countries	8,6	8,6	10,4	12,4	..
Total imports	12,0	11,5	12,9	14,9	14,8
Exports to Community countries	-	-	-	-	-
Exports to third countries	-	-	-	-	-
Total exports	-	-	-	-	-
6. Luxembourg					
Imports from Community countries	0,2	0,3	0,3	0,3	0,3
Imports from third countries	-	-	-	-	-
Total imports	0,2	0,3	0,3	0,3	0,3
Exports to Community countries	-	-	-	-	-
Exports to third countries	-	-	-	-	-
Total exports	-	-	-	-	-
7. Denmark					
Imports from Community countries	-	-	-	-	-
Imports from third countries	2,2	2,2	3,4	3,0	..
Total imports	2,2	2,2	3,4	3,0	..
Exports to Community countries	-	-	-	-	-
Exports to third countries	-	-	-	-	-
Total exports	-	-	-	-	-
8. United Kingdom					
Imports from Community countries	0,3	0,6	0,2	..	..
Imports from third countries	3,9	4,4	1,8	2,8	2,8
Total imports	4,2	5,0	2,0	2,8	2,8
Exports to Community countries	2,6	1,7	2,9	3,3	..
Exports to third countries	0,0	0,1	0,1	0,7	..
Total exports	2,6	1,8	3,0	4,0	4,0
9. Ireland					
Imports from Community countries	0,2	0,1	0,1	0,1	..
Imports from third countries	0,7	0,7	0,8	0,7	..
Total imports	0,9	0,8	0,9	0,8	..
Exports to Community countries	-	-	-	-	-
Exports to third countries	-	-	-	-	-
Total exports	-	-	-	-	-
10. Enlarged Community					
Imports within the Community	16,7	15,5	14,6	13,1	..
Imports from third countries	33,3	32,4	33,6	39,1	..
Exports within the Community	18,6	16,1	17,3	15,7	..
Exports to third countries	1,3	1,5	1,0	1,4	..

(1) Mean figures

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Table 5

Development of coke production in the Community countries by types
of coking plant
(in million metr. tons; figures from national sources)

	1970	1971	Estimates (1)	
			1972	1975
1. Federal Republic of Germany				
Steelworks coking plants	7,6	7,7	7,2	7,8
Colliery coking plants	29,9	26,7	26,7	24,0
Independant coking plants	-	-	-	-
Total coke production	37,5	34,4	33,9	31,8
2. Belgium				
Steelworks coking plants	5,5	6,5	6,7	7,0
Colliery coking plants	0,8	-	-	-
Independant coking plants	0,5	0,5	0,5	0,5
Total coke production	6,8	7,0	7,2	7,5
3. France				
Steelworks coking plants	5,1	4,7	4,6	5,7
Colliery coking plants	7,4	7,0	6,8	6,5
Independant coking plants	-	-	-	-
Total coke production	12,5	11,7	11,4	12,2
4. Netherlands				
Steelworks coking plants	1,3	1,3	2,2	2,6
Colliery coking plants	-	-	-	-
Independant coking plants	0,7	0,7	0,7	0,7
Total coke production	2,0	2,0	2,9	3,3
5. Italy				
Steelworks coking plants	4,7	5,2	6,3	7,7
Colliery coking plants	-	-	-	-
Independant coking plants	2,2	1,9	1,9	2,0
Total coke production	6,9	7,1	8,2	9,7
6. Luxembourg				
Steelworks coking plants	-	-	-	-
Colliery coking plants	-	-	-	-
Independant coking plants	-	-	-	-
Total coke production	-	-	-	-
7. Denmark				
Steelworks coking plants	-	-	-	-
Colliery coking plants	-	-	-	-
Independant coking plants	-	-	-	-
Total coke production	-	-	-	-
8. United Kingdom				
Steelworks coking plants	11,9	10,7	12,9	12,0
Colliery coking plants	4,7	3,9	4,7	4,0
Independant coking plants	3,5	3,0	3,4	1,0
Total coke production	20,1	17,6	21,0	17,0
9. Ireland				
Steelworks coking plants	-	-	-	-
Colliery coking plants	-	-	-	-
Independant coking plants	-	-	-	-
Total coke production	-	-	-	-
10. Enlarged Community				
Steelworks coking plants	36,1	36,1	39,9	42,8
Colliery coking plants	42,8	37,6	38,2	34,5
Independant coking plants	6,9	6,1	6,5	4,2
Total coke production	85,8	79,8	84,6	81,5

(1) Mean figures

Table 6

Development of coke production and external trade in coke
(excluding gas-works coke)

(in million metr. tons; figures from national sources)

	1971	1972	Estimates (1)	
			1973	1975
1. Federal Republic of Germany				
Production	37,5	34,4	33,9	31,8
+ imports	0,4	0,8	0,5	0,3
- exports	9,0	8,2	7,0	7,0
Computed supply on the domestic market	28,9	27,0	27,4	25,1
2. Belgium				
Production	6,8	7,0	7,2	7,5
+ imports	1,0	0,8	0,6	0,8
- exports	0,5	0,5	0,5	0,3
Computed supply on the domestic market	7,3	7,3	7,3	6,0
3. France				
Production	12,5	11,7	11,4	12,2
+ imports	2,8	3,0	3,2	3,1
- exports	0,6	0,6	0,6	0,5
Computed supply on the domestic market	14,7	14,1	14,0	14,6
4. Netherlands				
Production	2,0	2,0	2,9	3,3
+ imports	1,2	1,1	0,2	0,2
- exports	0,6	0,7	0,7	0,7
Computed supply on the domestic market	2,6	2,4	2,4	2,6
5. Italy				
Production	6,9	7,1	8,2	9,7
+ imports	0,1	0,1	0,1	0,0
- exports	0,4	0,5	0,5	0,5
Computed supply on the domestic market	6,6	6,7	7,6	9,2
6. Luxembourg				
Production	-	-	-	-
+ imports	3,4	3,3	3,4	3,0
- exports	-	-	-	-
Computed supply on the domestic market	3,4	3,3	3,4	3,0
7. Denmark				
Production	-	-	-	-
+ imports	0,2	0,2	0,2	0,2
- exports	-	-	-	-
Computed supply on the domestic market	0,2	0,2	0,2	0,2
8. United Kingdom				
Production	20,1	17,6	21,0	17,0
+ imports	-	-	-	-
- exports	0,6	0,4	0,7	0,8
Computed supply on the domestic market	19,5	17,2	20,3	16,2
9. Ireland				
Production	-	-	-	-
+ imports	0,0	0,0	0,0	0,0
- exports	-	-	-	-
Computed supply on the domestic market	0,0	0,0	0,0	0,0
10. Enlarged Community				
Production	85,8	79,8	84,6	81,5
+ imports	0,6	0,7	0,4	0,3
- exports	2,8	2,7	2,4	2,2
Computed supply on the domestic market	83,6	77,8	82,6	79,6

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Table 7

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Development of domestic sales of coke-oven coke
(in million metr. tons; figures from national sources)

	1971	1972	Estimates (1)	
			1973	1975
1. Federal Republic of Germany				
Steel industry	18,0	17,6	18,3	19,3
Household consumption	4,1	3,8	3,3	2,3
Other consumers	2,3	2,1	1,8	1,4
Total domestic sales	24,4	23,5	23,4	23,0
2. Belgium				
Steel industry	6,6	6,8	6,8	7,6
Household consumption	0,1	0,1	0,1	0,1
Other consumers	0,5	0,4	0,4	0,3
Total domestic sales	7,2	7,3	7,3	8,0
3. France				
Steel industry	11,7	11,7	11,7	12,7
Household consumption	0,6	0,4	0,4	} 2,3
Other consumers	2,1	2,0	1,9	
Total domestic sales	14,4	14,1	14,0	15,0
4. Netherlands				
Steel industry	2,3	2,2	2,2	2,6
Household consumption	0,0	0,0	0,0	0,0
Other consumers	0,2	0,2	0,2	0,2
Total domestic sales	2,5	2,4	2,4	2,8
5. Italy				
Steel industry	5,0	5,5	6,7	8,2
Household consumption	0,5	0,4	0,4	0,3
Other consumers	0,8	0,8	0,8	0,7
Total domestic sales	6,3	6,7	7,9	9,2
6. Luxembourg				
Steel industry	3,4	3,3	3,4	3,0
Household consumption	0,0	0,0	0,0	0,0
Other consumers	0,0	0,0	0,0	0,0
Total domestic sales	3,4	3,3	3,4	3,0
7. Denmark				
Steel industry	0,1	0,1	0,1	0,1
Household consumption	0,1	0,1	0,1	0,1
Other consumers	-	-	-	-
Total domestic sales	0,2	0,2	0,2	0,2
8. United Kingdom				
Steel industry	12,2	11,3	13,5	12,0
Household consumption	4,3	3,9	4,0	3,2
Other consumers	1,8	1,4	1,0	0,8
Total domestic sales	18,3	16,6	18,5	16,0
9. Ireland				
Steel industry	-	-	-	-
Household consumption	0,0	0,0	0,0	0,0
Other consumers	-	-	-	-
Total domestic sales	0,0	0,0	0,0	0,0
10. Enlarged Community				
Steel industry	59,3	58,5	62,7	65,2
Household consumption	9,7	8,7	8,3	} 11,7
Other consumers	1,7	6,9	6,1	
Total domestic sales	70,7	74,1	77,1	76,9

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Table 8
Development of external trade in coke
 (in million metr. tons; figures from national sources)

	1971	1972	Estimates (1)	
			1973	1975
1. Federal Republic of Germany				
Imports from Community countries	0,2	0,4	0,2	0,1
Imports from third countries	0,2	0,4	0,3	0,2
Total imports	0,4	0,8	0,5	0,3
Exports to Community countries	7,7	7,2	6,5	6,5
Exports to third countries	1,3	1,0	0,5	0,5
Total exports	9,0	8,2	7,0	7,0
2. Belgium				
Imports from Community countries	0,9	0,7	0,6	0,8
Imports from third countries	0,1	0,1	-	-
Total imports	1,0	0,8	0,6	0,8
Exports to Community countries	0,2	0,2	0,2	0,1
Exports to third countries	0,3	0,3	0,3	0,2
Total exports	0,5	0,5	0,5	0,3
3. France				
Imports from Community countries	2,8	3,0	3,2	3,1
Imports from third countries	-	-	-	-
Total imports	2,8	3,0	3,2	3,1
Exports to Community countries	0,3	0,3	0,3	0,3
Exports to third countries	0,3	0,2	0,3	0,2
Total exports	0,6	0,5	0,6	0,5
4. Netherlands				
Imports from Community countries	1,0	1,0	0,2	0,2
Imports from third countries	0,2	0,1	0,0	0,0
Total imports	1,2	1,1	0,2	0,2
Exports to Community countries	0,3	0,5	0,4	0,4
Exports to third countries	0,3	0,2	0,3	0,3
Total exports	0,6	0,7	0,7	0,7
5. Italy				
Imports from Community countries	0,1	0,1	0,1	0,0
Imports from third countries	0,0	0,0	0,0	0,0
Total imports	0,1	0,1	0,11	0,0
Exports to Community countries	0,0	0,0	0,0	0,0
Exports to third countries	0,4	0,5	0,5	0,5
Total exports	0,4	0,5	0,5	0,5
6. Luxembourg				
Imports from Community countries	3,4	3,3	3,4	3,0
Imports from third countries	-	-	-	-
Total imports	3,4	3,3	3,4	3,0
Exports to Community countries	-	-	-	-
Exports to third countries	-	-	-	-
Total exports	-	-	-	-
7. Denmark				
Imports from Community countries	0,1	0,1	0,1	0,1
Imports from third countries	0,1	0,1	0,1	0,1
Total imports	0,2	0,2	0,2	0,2
Exports to Community countries	-	-	-	-
Exports to third countries	-	-	-	-
Total exports	-	-	-	-
8. United Kingdom				
Imports from Community countries	-	-	-	-
Imports from third countries	-	-	-	-
Total imports	-	-	-	-
Exports to Community countries	0,4	0,0	0,2	0,3
Exports to third countries	0,2	0,4	0,5	0,5
Total exports	0,6	0,4	0,7	0,8
9. Ireland				
Imports from Community countries	0,0	0,0	0,0	0,0
Imports from third countries	-	-	-	-
Total imports	0,0	0,0	0,0	0,0
Exports to Community countries	-	-	-	-
Exports to third countries	-	-	-	-
Total exports	-	-	-	-
10. Enlarged Community				
Imports within the Community	8,5	8,6	7,8	7,3
Imports from third countries	0,6	0,7	0,4	0,3
Exports within the Community	8,7	8,2	7,6	7,6
Exports to third countries	2,8	2,7	2,4	2,2

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Table 9

Summary table of direct and indirect measures to assist the coal mining industry

	Unit	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
A. Aids under Decision No. 3/71															
(exceeding the provisions of Art. 4)	million u.a.	(3,7)	-	-	-	-	-	-	-	(3,7)	-	..	(13,0)	..	(13,0)
Art. 6	"	32,4	39,1	0,6	1,0	26,1	27,9	0,9	1,1	60,0	69,1	..	55,6	..	124,7
Art. 7	"	62,0	83,9	4,4(1)	4,6(1)	-	-	-	-	66,4	88,5	..	7,4	..	95,9
Art. 8	"	-	-	-	-	-	-	-	-	-	-	..	10,4	..	10,4
Art. 9	"	149,9	17,7	107,1	134,8	161,3	210,3	13,8	9,2	432,1	372,0	..	187,0	..	559,0
Total Arts. 6-9		244,3	140,7	112,1	140,4	167,4	238,2	14,7	10,3	629,5	529,6	..	260,4	..	790,0
Per metr. ton produced	u.a.	2,25	1,39	10,63	14,04	6,29	8,54	5,07	5,42	3,66	3,75	..	1,86	..	2,61
		(2,23)								(3,71)					(2,55)
		(2)								(2)					(2)
B. Coking coal aid under Decisions No. 70/1 or 73/287															
Total amounts	million u.a.	61,3	204,3	6,9	..	3,2	..	-	-	71,4	204,3	..	22,0	..	226,3
Per metr. ton produced	u.a.	0,56	2,01	0,63	..	0,11	..	-	-	0,47	1,45	..	0,16	..	0,60
C. Totals A+B															
Total amounts	million u.a.	325,6	345,0	119,0	140,4	190,6	238,2	14,7	10,3	629,9	733,9	..	282,4	..	1.016,3
Per metr. ton produced	u.a.	2,81	3,40	11,34	14,04	6,40	8,54	5,07	5,42	4,15	5,19	..	2,02	..	3,61
Indirect measures	million u.a.	92,7	65,2	3,9	5,1	5,4(3)	9,1(3)	-	-	100,0	79,3	..	-	..	79,4
Per metr. ton produced	u.a.	0,84	0,64	0,37	0,51	0,18	0,33	-	-	0,66	0,56	..	-	..	0,28
Totals (C + indirect measures)															
Total amounts of aid	million u.a.	396,3	410,2	122,9	145,5	196,0	247,3	14,7	10,3	729,9	813,3	..	282,4	..	1.095,7
Per metr. ton produced	u.a.	3,65	4,04	11,71	14,55	6,58	8,67	5,07	5,42	4,61	5,75	..	2,02	..	3,89
		(3,63)								(4,84)			(2,11)		(3,93)
		(2)								(2)			(2)		(2)

- (1) Including aids for miners' vocational training
- (2) Including the sum in excess of the limits set in Art. 4 of Decision No. 3/71
- (3) Including aid to lower the rate of interest paid by the Charbonnages de France

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Table 10

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Development of intra-Community trade in coal (1)

1,000 t

Exporting countries	Germany			Belgium			France			Netherlands			Community of Six			United Kingdom			Enlarged Community		
	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973	1971	1972	1973
Germany	-	-	-	263	373	300	476	498	440	386	590	300	1.125	1.461	1.040	1.506	1.060	1.900	2.631	2.521	2.940
Belgium	2.710	2.545	2.468	-	-	-	196	180	140	622	632	450	3.528	3.357	3.050	66	32	60	3.594	3.389	3.110
France	5.846	-	5.625	203	229	75	-	-	-	410	336	300	6.459	6.454	6.000	466	299	400	6.925	6.753	6.400
Netherlands	1.412	379	615	12	10	-	-	15	15	-	-	-	1.441	404	630	68	120	50	1.509	524	620
Italy	3.389	2.905	2.500	-	-	-	64	28	50	3	1	-	3.456	-	-	-	-	40	3.619	2.964	2.590
Luxembourg	166	217	270	22	29	15	39	44	5	10	6	-	237	296	290	-	-	-	237	296	290
Total for Community of Six	13.923	11.935	11.470	500	641	390	792	765	650	1.431	1.565	1.050	16.246	14.906	13.560	2.269	1.541	2.450	18.515	16.447	16.010
Denmark	3	3	-	-	-	-	-	-	-	-	-	-	3	3	-	5	-	10	8	3	10
Ireland	15	9	30	-	-	-	-	-	-	24	24	5	39	33	35	171	120	75	210	153	110
United Kingdom	161	300	100	-	-	-	-	-	-	100	300	100	261	600	200	-	-	-	261	600	200
Enlarged Community	13.702	12.247	11.600	500	641	390	792	765	650	1.555	1.889	1.155	16.549	15.542	13.795	2.445	1.661	2.535	18.994	17.203	16.330

(1) 1972 : provisional figures
 (2) 1973 : estimates

Table 11

Development of price alignment with respect to Community coal (1)
(excluding Italy, Luxembourg and Denmark)

1.000 t

	1970			1971			1972		
	Production t = t	Exports to other Com- munity coun- tries	Quantities to which price align- ment applies (2)	Production t = t	Exports to other Commu- nity coun- tries	Quantities to which price align- ment applies (2)	Production t = t	Exports to other Commu- nity coun- tries	Quantities to which price align- ment applies (2)
German coal	116.798	11.646	1.673	116.885	9.968	638	108.454	8.813	936
Belgian coal	11.362	552	-	10.960	478	-	10.500	612	-
French coal	37.321	925	529	32.980	689	156	29.740	693	107
Dutch coal	4.545	1.510	13	3.795	1.418	-	2.907	1.558	2
British coal	-	-	-	-	-	-	-	-	-

(1) Price alignment with Community coal only; excluding price alignments under Decision No. 70/1

(2) Price alignment with respect to quantities supplied to users in the producing country and other Community countries

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Table 12

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Summary table showing rationalization and concentration of production (1)

	Production per shift in underground workings			No. of pits at end of year			Coal production			Total employees		
	in kg		% change			% change	million t t = t		% change	1.000		% change
	1971	1972	1971/1972	1971	1972	1971/1972	1971	1972	1971/1972	1971	1972	1971/1972
Group A (2)												
Lorraine	4.387	4.445	+ 1,3	7	6	- 1	11,5	10,9	- 5,5	25,0	24,0	- 4,2
Ruhr	4.137	4.354	+ 5,2	54	49	- 5	96,4	88,9	- 8,4	195,1	175,4	- 11,2
Saar	3.792	3.945	+ 4,0	6	6	-	10,7	10,4	- 2,9	26,6	24,6	- 8,1
Group A total	4.126	4.320	+ 4,7	67	61	- 6	118,6	110,2	- 7,6	246,7	224,0	- 10,1
Group B (3)												
Limburg	3.348	3.240	- 3,3	4	3	- 1	3,8	2,9	- 31,0	22,3	19,6	- 13,8
Campine	3.037	3.076	+ 1,3	5	5	0	7,3	7,3	+ 0	21,3	20,1	- 6,0
Aachen	3.268	3.664	+ 12,1	5	4	- 1	6,9	6,5	- 6,2	17,6	15,6	- 12,8
Centre-Midi	2.611	2.703	+ 3,5	18	17	- 1	6,9	6,2	- 11,3	21,7	19,6	- 10,7
Nord/Pas-de-C.	1.997	2.024	+ 1,4	20	17	- 3	14,5	12,6	- 15,1	62,6	55,9	- 12,0
South Belgium	2.060	1.985	- 3,8	17	15	- 2	3,7	3,2	- 15,6	15,9	14,3	- 11,2
Group B total	2.479	2.551	+ 2,9	69	61	- 8	43,1	38,7	- 11,4	161,4	145,1	- 11,2
	3.514	3.661	+ 4,2	136	122	- 14	161,7	148,9	- 8,6	408,1	369,1	- 10,6

(1) Includes only those coalfields which provide the Commission with data on costs and revenue

(2) Coalfields with higher production per shift than the Community average

(3) Coalfields with lower production per shift than the Community average.

Table 13

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Development of aids by Member States under Arts. 3-5 of Decision No. 3/65 and Arts. 6-9 of Decision No. 3/71

	Aids under Arts. 3 - 5 of Decision No. 3/65				Decision No. 3/71 Arts. 6 - 9			Change 1972/1973	
	1967	1968	1969	1970	1971	1972(1)	1973 (1)	absolute change	% change
GERMANY (FED. REP.)									
in million DM	413,7	458,7	297,5	271,4	495,0	894,2	452,9	- 441,3	- 49,4
in million u.a.	103,4	114,7	74,4	174,2	135,2	244,3	140,7	- 103,6	- 42,4
in u.a./t	0,89	0,98	0,64	0,63	1,16	2,25	1,39	- 0,86	- 38,2
FRANCE									
in million FF	598,6	1059,9	1278,9	975,0	1081,6	1041,0	1323,0	+ 282,0	+ 27,1
in million u.a.	121,3	214,6	259,0	175,5	194,8	187,4	238,2	+ 50,8	+ 27,1
in u.a./t	2,55	5,13	6,38	4,69	5,90	6,29	8,54	+ 2,25	+ 35,6
BELGIUM									
in million Bfrs	3607,7	3873,9	3832,0	3293,5	3430,0	5604,9	6878,7	+ 1273,8	+ 22,7
in million u.a.	72,2	77,5	76,6	65,9	68,6	112,1	140,4	+ 28,3	+ 25,2
in u.a./t	4,40	5,24	5,80	5,78	6,24	10,68	14,04	+ 3,36	+ 31,5
NETHERLANDS									
in million fl	40,7	64,9	64,1	60,9	56,8	53,2	36,7	- 16,5	- 31,0
in million u.a.	11,2	17,9	17,7	16,8	15,7	14,7	10,3	- 4,4	- 29,9
in u.a./t	1,35	2,59	3,07	3,74	4,13	5,07	5,42	+ 0,35	+ 6,9
COMMUNITY OF THE SIX									
in million u.a.	308,0	424,6	427,7	332,4	414,2	558,5	529,6	- 28,9	- 5,2
in u.a./t	1,63	2,35	2,42	1,95	2,51	3,68	3,75	+ 0,07	+ 1,9
UNITED KINGDOM									
in £ million	..	..	..	..	..	..	130,2	.. ..	..
in million u.a.	260,4
in u.a./t	1,86
ENLARGED COMMUNITY									
in million u.a.	790,0
in u.a./t	2,81

(1) Estimates

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Table 14
Aids to coking coal under Decision No. 1/67 or Decision No. 70/1

Recipients	1969	1970	1971	1972	1973 (1)
<u>GERMANY (FED. REP.)</u>					
in million DM	245,0	257,8	124,3	224,2	658,0
in million u.a.	61,3	70,4	34,0	61,3	204,3
in u.a./t	0,52	0,60	0,29	0,56	2,01
<u>FRANCE</u>					
in million FF	46,3	50,0	28,0	18,0	..
in million u.a.	9,4	9,0	5,0	3,2	..
in u.a./t	0,23	0,24	0,15	0,11	..
<u>BELGIUM</u>					
in million Bfrs	432,1	402,0	324,8	345,4	..
in million u.a.	8,6	8,0	6,5	6,9	..
in u.a./t	0,65	0,70	0,59	0,66	..
<u>NETHERLANDS</u>					
in million Fl.	0,4	-	-	-	-
in million u.a.	0,1	-	-	-	-
in u.a./t	0,02	-	-	-	-
<u>COMMUNITY OF THE SIX</u>					
in million u.a.	79,4	87,4	45,5	71,4	204,3
in u.a./t	0,45	0,51	0,28	0,47	1,45
<u>UNITED KINGDOM</u>					
in £ million	..	..	..	..	11,0
in million u.a.	22,0
in u.a./t	0,16
<u>ENLARGED COMMUNITY</u>					
in million u.a.	226,3
in u.a./t	0,80

(1) Estimates

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Table 15

Development of production (1)

in million tons (t = t)

	1968	1969	1970	1971	1972	1973 (2)	Change 1972/1973	
							Absolute change	% change
Germany	117,1	116,9	116,8	116,9	108,5	101,5	- 7,0	- 6,5
France	41,9	40,6	37,3	33,0	29,8	27,9	- 1,9	- 6,4
Belgium	14,8	13,2	11,4	11,0	10,5	10,0	- 0,5	- 5,0
Netherlands	6,9	5,8	4,5	3,8	2,9	1,9	- 1,0	- 34,5
Community of the Six	180,7	176,5	170,0	164,7	151,7	141,3	- 10,4	- 6,9
United Kingdom	166,7	153,0	144,6	147,1	119,5	140,0	+ 20,5	+ 17,2
Enlarged Community	347,4	329,5	314,6	311,8	271,2	281,3	+ 10,1	+ 3,7

(1) Official statistics; excluding Italy and Ireland; excluding small collieries

(2) Estimates

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