

COMMISSION OF THE EUROPEAN COMMUNITIES

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STRONGER COMMUNITY STRUCTURAL MEASURES TO ASSIST STEEL RESTRUCTURING AREAS

- Action Programme -

(Communication from the Commission to the Council
and the European Parliament)

Introductory remarks

1. The present communication relates to the proposals made by the Commission in its communication of 17 July 1985¹. It defines and sets out in practical terms the measures proposed in favour of the steel areas so that these can be applied without further delay.

The purpose of this action is to make a significant contribution to overcoming the grave economic and social conversion problems which have resulted in the Community steel areas from the restructuring of the steel industry the success of these measures is essential for both a steady recovery process in the sector and smooth conversion in the steel areas to new economic activities. The proposed action thus contributes to the aim of economic and social coherence of the Community which has taken on a new dimension with the Single European Act and which includes the industrial conversion areas as well as less developed areas. It has to be seen also in the framework of the efforts demanded by the European Council in The Hague towards the reduction of structural and long-term unemployment. In the preparation of the following proposals account has been taken of these more recent developments.

2. The attention of the Community has already in the past been drawn to the steel areas covered by this action and they have received considerable funds from the Community structural instruments (ECSC - conversion loans, quota and non-quota ERDF funds, ESF funds). The member States are required to make active use of the funds put at their disposal, since only in this way can the Community make an effective contribution towards overcoming the crisis. This is particularly so for the existing possibility of rebating ECSC

¹ COM(85) 384 final

conversion loans with the ERDF funds and in this way promoting job creating investments in industry. The sharply increasing demand for interest-rebated loans in recent years, particularly on the part of small and medium sized enterprises shows that the existing potential in this area is not yet exhausted. A number of other specific measures in favour of small and medium-sized enterprises also contribute to an increased mobilisation of this potential; these measures will be reinforced in the framework of the proposed action, e.g. technical counselling, technology transfer, promotion of risk capital, etc.

3. In the framework of the proposed action ECSC conversion loans will be granted under the new conditions laid down by the Commission. The development of the Community capital markets permits a reduction in the level of interest rebates for these loans without a considerable reduction of the comparative benefits. At the same time the resultant savings will allow for budgetary management with a lower volume of funds and thus take account of the difficulties of the ECSC budget. Nevertheless, in order to meet an even higher demand for interest rebates for ECSC conversion loans the Commission intends to propose a Community programme under Article 7 of the ERDF Regulation which also provides funds for this kind of interest rate subsidy. This programme should also enable the new Member States, Spain and Portugal, to benefit fully from the Community measures.
4. In the worst-affected steel areas of the Community, the integrated measures envisaged in July 1985 can now be carried through according to well defined modalities. This new approach should achieve an improved coordination of Community and national efforts and a stronger concentration of funds in the main areas affected. The synergetic and multiplier effects could be reinforced, and increased efficiency of this set of measures ensured, through carefully coordinated programming of the measures and their coherent

implementation over a period of several years. The realisation of these measures in a suitably organised framework should permit not only the participation of all competent bodies but also mobilise the responsible promoters on the spot, so that appropriate consideration of their interest is ensured.

5. It should also be recalled that the accompanying measures to the restructuring of the coal and steel industry ("volet social") will continue to be applied and will facilitate the adaptation process in the social field.

A. Preparatory work

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1. In its Communication to the Council¹ of 17 July 1985, the Commission decided, as part of an overall strategy for restoring normal conditions on the Community's steel market, to take back-up measures designed to "counteract the negative effects on employment which will flow from the restructuring of the steel industry".

Those measures were as follows :

- In all steel areas, increased use of loans (ECSC, NCI) and new measures to promote employment (in particular, facilitating access by small and medium-sized undertakings (SMUs) to risk capital, encouraging the establishment of new Business and Innovation Centres, encouraging subcontracting and assisting local employment initiatives).

- In the areas worst hit by the steel crisis, the above assistance measures (ECSC and NCI loans and new measures to promote employment) are to be implemented on a priority basis. In addition, in agreement with the Member States an integrated approach is to be adopted involving concentrated use of national and Community structural instruments. The Commission will for this purpose apply the priorities already provided for in various Regulations.

2. The work since carried out by the Commission has shown that a number of premises have changed in comparison with those contained in the Communication of 17 July 1985. In particular, the budgetary difficulties which have since emerged necessitate

¹ See document COM(85) 384 final: Stronger Community structural measures to assist steel restructuring areas (Commission Communication to the Council).

greater concentration of resources. The present Communication takes account of these changes. It suggests measures which despite these difficulties will permit realisation of the main aims of the political commitment it made on 17 July 1985.

B. Measures in favour of areas worst hit by the steel crisis
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The main theme of the Communication of 17 July 1985 was the application of an integrated approach in the areas worst hit by the steel crisis. The following conditions must be met before this approach can be applied :

- the worst-hit areas must be defined,
- the content of the integrated approach and the procedures to be applied under it must be specified, and
- the financing and budgetary problems must be resolved.

I. Definition of the regions

The Commission Communication of 17 July 1985 set out the basic criteria for defining the worst-hit areas. These criteria are to be applied as follows (see Annex I) :

1. In order to achieve the required concentration on the most important problems in the Community, the following threshold values were laid down :

- a large proportion of workers must be employed in ECSC industries : at least 10,000 in 1978;
- the area must depend to a significant extent on ECSC employment: at least 15%;
- restructuring of the steel industry must have had serious effects :

- . job losses between 1978 and 1984: at least 25%; furthermore future job losses if available are taken into account;
 - . general unemployment: above the Community average.
2. The above threshold values were, as a rule, applied at territorial level (NUTS)¹ III. In order to ensure that a proper basis existed within the areas defined in this way for as extensive an integration as possible of different structural instruments, only those areas were selected which are, at one and the same time, ECSC assisted areas and ERDF areas. As these areas are normally also ESF and national assisted areas, this method offers the greatest possible scope for integration.
3. This procedure gave 16 priority areas for the enlarged Community as enumerated in Annex I. They cover only 23 of the 67 areas which are presently designated in the framework of ECSC conversion policy, but some two thirds of the workforce in the steel industry in the (unenlarged) Community. Five of these areas are in the United Kingdom (Yorkshire and Humberside, South Wales, North Wales, North East and Strathclyde), three are in the Federal Republic of Germany (the Ruhrgebiet, Saarland and Braunschweig-Salzgitter), two in Belgium (Hainaut and Liège), two in France (Lorraine and Nord), two in Italy (Genova and Taranto) and two in Spain (Asturias and Vizcaya).

In the case of Portugal, the only steel area of any size, Setubal, fails to satisfy two of the tests put forward (workforce of approximately 4,500 instead of 10,000, dependency rate of approximately 6% instead of 15%). It is clear, however, that this areas must undertake major restructuring, which is likely to entail a reduction in the workforce of at least 2,000. This reduction will considerably

¹ Nomenclature des unités territoriales statistiques

accentuate the already difficult social and economic problems in the area. In view of this special situation, Serubal was included in the list of worst-hit areas.

4. Luxembourg poses a particular problem, being closely linked with the surrounding steel areas, particularly Lorraine and the Saar. Insofar as an integrated cross-border measure would cover the whole of this wide region, the Commission will make every effort to ensure that the advantages of the integrated approach will also be extended to the affected steel areas in Luxembourg in the interests of homogeneity and effectiveness.

II. Content of the integrated approach and procedures to be applied under it

According to the work carried out by the Commission the application of an Integrated Approach rests on the following basic rules¹ :

- the central element in the integrated approach is the establishment of integrated programmes drawn up in accordance with Community rules for each respective area, with the use of the various structural instruments to be planned on a multiannual basis and account to be taken of their interrelationships from the outset. The mobilisation of the endogenous development potential is an important aim of the measures. The drawing up of the programmes is a matter for the responsible bodies in the Member States with the possible participation of the promoters on the spot who play an important rôle for the success of the measures. The Commission should be allowed to take part in the preparation of these programmes and will provide technical assistance if requested.
- The approval of the programmes is done in the form of Commission decisions, which set out the detailed implementing arrangements and the financial contributions of the Member States and the Community.

¹ Doc. COM(86)401 : "Procedures and content for the implementation of an Integrated Approach" - Communication from the Commission to the Council and the European Parliament.

- The Commission will ensure that the approved programmes will fully benefit from the priority given to integrated measures in the relevant arrangements concerning financing instruments of the Community.
- Local steering committees will be set up with the task of monitoring the implementation of the integrated measures and of ensuring evaluation and information.

III. Measures and financing

1. Increased use of loans

Increased use of loans is a key element in the Commission Communication of 17 July 1985. It was to be based on an increase of 200 million ECU per year in ECSC conversion loans for steel areas. For this purpose, interest subsidies on conversion loans and NCI loans were to be increased by 50 million ECU a year. The additional resources required for these interest subsidies were to be found mainly by redirecting present financial resources from the ECSC budget or from the ERDF.

(a) Financing under the ECSC budget

The demand for ECSC loans has developed as follows in recent years :

Year	1983	1984	1985	1986
Million ECU	286	292	465	900

These figures show that demand for loans has sharply increased and even exceeded the expectations of the Commission.

On the other hand, resources available for interest subsidies in the ECSC budget have evolved as follows in recent years :

Year	1983	1984	1985
Million ECU	44	63	44

The Commission has made available 65 million ECU for 1986; in a generally contracting ECSC budget, 60 million ECU are planned for 1987. Given no change in the supply position, therefore, there will be a growing shortfall of resources for interest subsidies.

To prevent such a development, the Commission has reviewed the operating principles for ECSC conversion loans¹. The aim is, in the light of the capital market conditions at present prevailing in the Community, to bring down interest subsidies to a lower level that still represents a considerable incentive for firms, at the same time, permitting higher volume of lending from existing resources. Furthermore, other conditions governing the granting of conversion loans were adjusted with a view to concentrating more strongly on the most difficult problems.

(b) Financing through the ERDF

Under the new conditions, resources provided in the ECSC budget of approximately 60 million ECU per year can provide interest subsidies for conversion loans totalling 400 million ECU. For requirements in excess of this amount, financing through the ERDF must be envisaged.

It must be remembered, however, that the mechanisms of such financing differ appreciably from those applying to the ECSC budget. Whereas interest subsidies financed from the ECSC budget are directly managed by the Commission, resources provided from the ERDF are generally administered by the Member States (or by bodies nominated by them), which must

¹ Doc. SEC(86) 1221 : Amendment of the operating principles for loans under Article 56 of the ECSC Treaty.

make available their own share of the financing. The use of ECSC loans in the end depends on the Member States' readiness to submit applications. In the case of the special steel programme under the former non-quota section of the ERDF, in which specific provision was made for the interest subsidy instrument for ECSC loans, there has hitherto been very little use of this possibility. The Commission will examine with the Member States concerned how to make greater use of the above-mentioned possibilities of financing ECSC conversion loans in the context of the integrated measures.

Furthermore the Commission intends to present a Community programme under Article 7 of the ERDF Regulation in favour of the areas adversely affected by the restructuring of the steel industry. Such a programme will create room for financial manoeuvre for the new Member States as well as for those Member States which have almost used up their resources under the existing special steel programme. It will also take this opportunity of examining the possibilities of funding suitable mechanisms that will allow more intensive use to be made of financial resources under these programmes for interest rebates on conversion loans.

2. New measures

Under this heading, the Commission Communication of 17 July 1985 attached particular importance to facilitating access by SMUs to risk capital, to the establishment of Business and Innovation Centres and to the promotion of local employment initiatives. The situation in regard to these measures is as follows :

(a) Easier access by SMUs to risk capital :

Certain measures (risk evaluation studies regarding technical and commercial aspects) can already be financed in the framework of special programmes for steel areas under the former non-quota section of the ERDF, which cover 14 of the

hardest-hit areas in the Community of Ten. The Commission requires the Member States to strengthen these measures.

(b) Establishment of new Business and Innovation Centres

Considerable progress has been made here. Subsidies under budget Item 7731 have been used in recent years to assist the establishment of 13 centres, including six in the hardest-hit ECSC areas and two in other areas. This activity will be stepped up appreciably in 1986. It is planned to provide support for 20 more centres.

(c) Local employment initiatives

A substantial proportion of these initiatives (consultancy services, technology transfer, common services, market studies) are covered in the areas of the Community of Ten concerned by the list of measures provided for in the special ERDF "iron and steel" programmes.

The Commission also intends to step up this action through the planned Community programme under Article 7 of the ERDF Regulation. This will not only make it possible to place the designated areas in the new Member Countries on an equal footing with those in the Community of Ten but will also satisfy the need for resources in the latter areas in the foreseeable future.

Furthermore, the European Social Fund has taken a number of measures to promote local employment initiatives in its field of activity - measures which supplement those of the ERDF. The Commission will ensure that these measures are stepped up in the priority areas in the framework of the Social Fund Rules and Orientations.

C. Measures in other areas

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In accordance with the Communication of 17 July 1985, lending is to be increased in the other Community steel areas and the lastmentioned new measures are to be applied. This concerns (in the Community of Ten) 43 areas out of the present total of 67 ECSC areas. Twenty of them are ERDF areas, while nine are covered by the special "iron and steel" programme under the non-quota section.

As regards possible implementation of these measures, the situation is as follows :

1. ECSC conversion loans

These areas will continue to receive funds for interest subsidies on conversion loans in accordance with the operating principles as reviewed by the Commission.

Where the areas are covered by the existing special ERDF "iron and steel" programme, the Member States are required to make use also of the possibility of obtaining interest subsidies on ECSC loans provided for under that programme.

In other ERDF areas, the same possibility may be created under national programmes of Community interest (Article 10 of the ERDF Regulation) which can be requested by Member States.

2. New measures

As at point 1, the following situation applies :

- (a) Insofar as areas are covered by the special ERDF programmes the new measures under B.III.2. may be financed in the framework of these programmes.

- (b) For other ERDF areas, the Member States are required to submit applications under Article 15 of the ERDF Regulation. This permits application of the "measures to exploit the potential for internally generated development", which in principle cover the same software measures as the special ERDF programme (risk capital, local initiatives, technology transfer, common services).

- (c) In the areas mentioned, the Social Fund will equally, on request, use the resources at its disposal to provide support for the measures to promote local initiatives in the context of the Social Fund Rules and Orientations.

ANNEX IList of the worst-hit areasThe United Kingdom

Steel area :	North East	Counties of Durham and Cleveland
	North Wales	TTWAs of Wrexham and Shotton
	South Wales	TTWA of Llannelli (Dyfed), counties of Gwent, South Glamorgan, West Glamorgan
	Yorkshire and Humberside	Scunthorpe TTWA county of South Yorkshire
	Strathclyde	Strathclyde region

Germany

Steel area :	Ruhr	"Arbeitsmarktregionen" of Duisburg-Oberhausen, Bochum, Dortmund-Lüdinghausen, Gelsenkirchen
	Saar	Saarland
	Braunschweig-Salzgitter	"Arbeitsmarktregion" of Braunscheig-Salzgitter

France

Steel area :	Lorraine	"Département" of Moselle "Département" of Meurthe-et- Moselle
	Nord	"Arrondissements" of Valenciennes and Avesnes

Belgium

Steel area : Liège

"Arrondissement" of Liège

Hainaut

"Arrondissement" of Charleroi

Italy

Steel area : Taranto

the entire province

Genoa

the entire province

Spain

Steel area : Asturias

The entire province

Vizcaya

The "Valle del Nervion" steel basin of the province of Vizcaya including its extension into the adjacent province of Avala

Portugal

Steel area : Setubal

The entire province