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REPORT FROM THE COMMISSION TO THE COUNCIL

MONITORING OF ARTICLE 95 ECSC STEEL AID CASES
ELEVENTH REPORT, APRIL 1999

Monitoring of Article 95 ECSC steel aid cases
Eleventh Report, April 1999

Summary

The Commission presents its Eleventh Report on the Monitoring of Article 95 ECSC steel and iron ore aid cases pursuant to its decisions of 4 April 1994[1], 21 December 1994[2] and 29 November 1995[3].

As indicated in the previous monitoring report and in accordance with the above mentioned decisions, this eleventh report will not cover the following companies : CSI, Sidenor, Ilva and Sew Freital except for those issues still outstanding. For all the other monitored companies, while full reports are received from the concerned member states, only the relevant information to the respect of the imposed conditions are here reported.

1. Irish Steel, Ireland

Investments carried out at Irish Ispat up to 31.12.98 are in line with the planned ones.

Reported production and sales for the financial year 1998/99 (from July 1998 to June 1999), are in line with the imposed limitations. Commission services visited Irish Ispat on 24.2.99 and obtained internal plant records confirming the reported figures.

Results for the financial year 1998 show a profit for 74,000 IR£

2. Siderurgia National, Portugal

The Spanish company MEGASA purchased in the second half of 1998 the 44,8% share of RIVA group in SN Longos owning now 89,6 % of the company. The monitoring is focused on following up the plan submitted by MEGASA for installation of the electric arc furnace, which according to the plan should be operational in July 2001. The required reduction of workforce at SN Serviços is thereby further delayed until this date. For this reason the Commission intends to extend the monitoring until 15 September 2001.

In 1998 SN Serviçios made a loss of PTE -581 million.

3. Eko-Stahl, Germany

The privatisation of EKO Stahl was completed when Cockerill Sambre Stahl GmbH took over the rest 40% of the shares of the company on 23 December 1998.

The yearly capacity limitation to 900 kt/y of the new hot-rolling mill is ensured by an electric device, the orderly functioning of which is monitored by the Commission.

In 1998 EKO Stahl recorded a profit of DEM 50 million.

4. Voest-Alpine, Austria

The price charged for iron ore was in line in market prices and higher than the price of imported iron ore in 1998.

In 1998 VAEG reported a loss of ATS –51,819 million. ATS 49 million of the loss was covered by state aid, whereas the remaining ATS 2,819 million was covered by income from other than iron-ore related activities.

VAEG was paid in 1998 ATS 2 million more closure aid than authorised by the Commission decision. This was due to the extraordinary costs resulting from large reduction of personnel not foreseen in the plan. Under these exceptional circumstances and considering that Austria paid ATS 2 million less closure aid than authorised in 1997, this excess is accepted by the Commission.

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1 Decisions No 94/257-261/ECSC (O.J. No L 112, 3.5.1994, p. 52, 58, 64, 71, 77)
2 Decision No 94/1075/ECSC (O.J. No L 386, 31.12.1994, p. 18)
3 Decision No 96/269/ECSC (O.J. No L 94, 16.4.1996, p. 17)

5. Outstanding issues from previously monitored companies.

ILP - Investments completed during the second part of the year 1998 did not modify the total production capacity of the company.

The arbitration of the dispute between Riva and IRI on the price paid for ILP, is not concluded yet. Hopefully, a jugdement will be given by the end of this year.

ACERALIA - During the second part of 1998, the total production capacity of the company has not been modified.

AHV-Ensidesa Capital – Social aid paid to the company during the last six months of 1998 was in line with the approved aid.

Workforce reductions have followed the restructuring plan [and will be continued in the next period].

Acenor – Social aid paid to the company during the last six months of 1998 was in line with the approved aid.

Ilva in Liquidazione – The liquidation of Ilva in Liquidazione was practically concluded at the end of 1998. All aid has been paid since the end of 1997. All other conditions has been fulfilled.

Freital – The only condition that the Commission still monitors is that no increase in the remaining capacity, other than through improvements in productivity, will take place until the end of the year 2000
According to the information submitted by Germany, no increase of remaining capacity took place on the second half of 1998.

Monitoring of Article 95 ECSC steel aid cases
Siderurgia Nacional, EKO Stahl, Irish Steel, Voest Alpine Erzberg

Overview

Company	aid Article 95 ECSC		aid Steel Aid Code		Capacity reduction				Redundancies		remarks
					Required		achieved				
	authorized	granted	Authorized	granted	kt/y	Date	kt/y	date	Plan	Achieved	
SN	60.12 bn Esc = 306 MECU	100 %	5.925 bn Esc	2.293 bn Esc	140	31.12.95	100%	31.12.95	1798	1439 = 80 %	redundancies behind plan, new electric furnace now planned to be fully operational July 2001.
EKO	900.62 mio DM = 461 MECU	100%	385 mio DM	100%	361	31.1.95	100%	28.2.95	8800	8532	Investments slightly exceeded the foreseen restructuring plan,all authorised aid was paid up before end of 1998.
IRISH STEEL	38.298 M.IR£ (47.7 MECU)	38.298 M.IR£ (47.7 MECU)							205 by 1996	209 by 1996	
VAEG	408 mio ÖS= 29.7 MECU	192 mio ÖS = 47 %	-	-	-	-	-	-	99	50	pricing in line with decision, more redundancies carried out in 1998 as planned.

Monitoring of Article 95 ECSC steel aid cases
Eleventh Report, April 1999

Irish Steel, Ireland

I. Introduction

The Commission decided on 7 February 1996 (Commission Decision 96/315/ECSC)[4] to approve aid under Article 95 ECSC linked to the sale of Irish Steel Ltd (ISL) to Ispat International amounting to a maximum of IRL£ 38.298 million, serving various purposes toward the restructuring of Irish Steel (for details see the previous monitoring reports).

Under the terms of the decision the aid was approved subject to various conditions (for details see previous monitoring reports).
At present, the only remaining conditions to be monitored are the respect of the production and sales limitations and the five years production capacity freeze up to the end of May 2001.

The seventh monitoring report on Irish Ispat Ltd. (formerly Irish Steel Ltd.) covers the period up to 31.12.98, based on information submitted by the Irish authorities on 15 March 1999 in accordance with the Commission's decision.

Commission representatives visited Irish Ispat on 24.2.99 and were able to obtain internal plant reports (weekly melt shop and mill production reports, sales records and invoices) allowing them to verify the reported sales and production figures.

II. Production

Actual production of finished products in the period going from the end of June 1998 to the end of December 1998 was 148,997 tonnes. or 2.5 % above the level of production during the corresponding previous period. In order to respect the production limitation of 356,000 tonnes imposed by the decision for the period Jul. 98/Jun.99, production during the first half of 1999 should not exceed 207,001 tonnes. The following table summarizes the situation :

(thousands tonnes)

Finished Products Production				
year	Jul to Dec.	Jan. to Jun.	Total	limitation /year
95/96	123	172	295	320
96/97	138	160	298	335
97/98	145	185	330	350
98/99	149		149	356

Sizes of beams produced were within the current range of sizes as communicated to the Commission in November 1995.

Total billet production for the period Jul. 1998 to Dec. 1998, was 161,375 tonnes . Production of billets for sale outside the company for the monitored period was 125 tonnes (the limitation laid down by the Commission decision for the year 98/99 is of 80,000 tonnes).

III. Sales

Sales of finished products in the monitored period totalled 154,101 tonnes compared with total sales in corresponding previous period of 141,126 tonnes (8.4 % higher).

[4] OJ L121 of 21/5/1996, p. 6

The breakdown of sales by market for the period Jul.98/Dec.98 shows that approximately 96% of sales or 147,480 tonnes went to European markets as defined under the decision (i.e. Community, including domestic market in Ireland, plus Switzerland and Norway); they represent 46% of the 320,000 tons limitation imposed by the Commission decision for the 98/99 period.

The Irish authorities have also provided information on prices. The Commission has examined this information and concluded that the prices are within the normal range.(DG III to confirm)

Production for sale to Community markets of ISL's largest U beams (Imperial), HE beams (metric) and IPE beams during the second half of 1998, was 15,327 tonnes. Total production for sale of these products into the European Community, plus Switzerland and Norway, during the first six months of the 98/99 period was 15,325 tonnes; a maximun of 19,675 tonnes can be produced during the fist six months of 1999 in order to remain within the annual limitation of 35,000 tonnes as laid down in the decision.

Monitoring of Article 95 ECSC steel aid cases
Eleventh Report, April 1999

Siderurgia Nacional, Portugal

I. Introduction

On 12 April 1994 the Commission approved [6] PTE 60.12 billion[7] aid to the Portuguese public steel undertaking *Siderurgia Nacional* under Article 95 of the ECSC Treaty (see details in the previous monitoring reports).
This aid was **paid** in 1994 and 1995.

In September 1994 the Commission approved under the Fifth Steel Aid Code: [8]
PTE 4.925 billion in social aid,
PTE 1.000 billion in aid for environmental protection.

By end of 1998, social aid amounting to PTE 2.356,59 billion has been paid. The remaining social aid and the environmental aid may still be disbursed.

Authorisation of the aid was subject to several conditions. The following conditions are still monitored by the Commission :
replacement of the blast furnace at Seixal by an electric arc furnace (**outstanding**),
total workforce to be reduced by 1 798 employees by the end of 1996 (**delayed**),

Due to the delay in installation of the electric furnace and the delay in reduction of workforce resulting from it, the Commission decided to extend the monitoring until 15 September 2000.

This report covers developments up to 30 December 1998 on the basis of information provided by the Portuguese Government in its eleventh monitoring report, which was submitted, in line with the Commission's request, on 15 March 1999. The present report concentrates on the conditions still monitored by the Commission.

During the second half of 1998 Spanish company Metalurgica Galaica (MEGASA) purchased 44,8% share of Italien RIVA group in SN Longos. MEGASA now owns 89,6% of the shares of the company. The Portuguese State still holds 10% of the shares in *SN Longos* and intends to sell them only once the restructuring plan has been completed, i.e. after the new electric arc furnace has been installed at Seixal. 0,6% of the shares are held by the workers.

II. Investments

SN Longos – Electric arc furnace

Under the initial restructuring plan (*PERG*), the blast furnace was to be replaced by an electric arc furnace by the beginning of 1996. The Portuguese Government's decision to privatise the operating companies immediately, which was not envisaged by the initial restructuring plan, and the approach taken by the authorities of leaving the final investment decision to the new private shareholders in *SN Longos* have led to a two-year delay in installation of the electric arc furnace.

After acquisition of the shares of RIVA group, the only investor left, MEGASA, has submitted the following plan for installation of the furnace :

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6 OJ L 112, 3 5.1994, p. 52.
8 OJ C 390, 31.12.1994, p. 18.

Definition of the project and lay-out of the furnace	April 1999
Analysis and attribution of the offers	September 1999
Engineering details	December 1999
Study and attribution of construction	January 2000
Construction	June 2000
Installing the equipment	November 2000
Cold tests	December 2000
Start of operations	January 2001
Furnace fully operational	July 2001

The Commission is following the progress of the plan step by step.

It needs to be stressed that when the derogation was granted under Article 95 of the ECSC Treaty, replacement of the blast furnace by an electric arc furnace was regarded as a key feature of the necessary industrial restructuring of *Siderurgia Nacional*. The restructuring cannot therefore be regarded as complete until that investment has been carried out. Although there is currently no indication that the delay will make it necessary to grant further aid to *SN Serviços*, the Commission has to monitor the completion of the aided restructuring. Therefore the Commission is considering whether it may be necessary, in the light of the current timetable for the replacement of the blast furnace, to extend further the monitoring period until 15 September 2001.

III. Evolution of workforce

Reduction of the workforce is still lagging behind the initial plan. This delay affects only *SN Serviços* and will therefore have no impact on the viability of the privatised companies. The 447 workers still kept on by *SN Serviços* are necessary to operate the blast furnace, which was initially scheduled to cease production by the end of 1996 but can only be closed once the new electric arc furnace to be installed by *SN Longos* at Seixal enters into operation. The delay in implementing the initial plan concerned altogether 359 workers as at the end of 1995. The following tables show the evolution of the workforce and the forecasts:

1997, 1998 and forecasts for the period until 2001

	1997	1998	1999*	2000*	2001*
SN Longos + Lusosider	925	784	709	645	718
SN Serviços	1078	985	862	700	63**
Total workforce	2003	1769	1571	1345	791
Reduction per year	233	234	198	226	-554
Planned total workforce	1410	1410	1410	1410	1410
Deviation without delay in replacing blast furnace	146	-	-	-	
Deviation from plan	593	359	161	-65	-619

* Expected reductions during years 1999 -2001.
** Workers needed for dismantling the installations

SN Longos is likely to increase its workforce once the new electric arc furnace is put into service, so that the total workforce of the privatised companies will increase slightly after the closure of the blast furnace. The initial target of 1 410 employees set by the restructuring plan is expected to be achieved during 2000 and at latest during 2001 after closure of the blast furnace.

Financing of redundancies :

	Nature	Number of workers	Art 56 ECSC	State (Art 56 ECSC)	Company[1]	Total
			Costs in PTE million			
1993 - 1996	Early retirement	510	174.4	174.4	34 3	383.1
	Redundancy[2]	442	266.1	266.1	986 1	1518.3
	Other	67	-	-	-	-
	Total3	**1019**	**440.5**	**440.5**	**1020.4**	**1901.4**
1997	Early retirement	140	25.8	25.8	2.0	53.6
	Redundancy[2]	119	23.4	23.4	1086.2	1133
	Other	20	-	-	-	-
	Total3	**279**	**49.2**	**49.2**	**1088.2**	**1186.6**
1998	Early retirement	101	20.5	20.5	-	40.9
	Redundancy[2]	78	15.8	15.8	706.0	737.6
	Other	13	-	-		
	Total3	**193**	**36.3**	**36.3**	**706.0**	**778.6**
Total		**1491**	**526.0**	**526.0**	**2814.6**	**3866,6**

1 In accordance with Article 4(1) of the Fifth Steel Aid Code, a contribution from the State defrays 50% of these costs.
2 Through mutual agreement (negotiated redundancy).
3 These figures do not correspond to the net reduction in the workforce given in the previous table because the companies have hired some new employees.

In the second half of 1998 PTE 63,59 million in social aid authorised under Article 4 of the Fifth Steel Aid Code was disbursed.

IV. Sales

The sales of billets on the Portuguese market by *SN Serviços* go exclusively to *SN Longos*. The average prices achieved by the different product groups were given in the monitoring report. The Commission has compared these prices with the average market prices and considers them to be within the normal range [to be confirmed by DG III].

V. Financial performance

SN Serviços

The Portuguese authorities provided a full set of financial data and financial ratios in line with the Annex to the Commission's Decision.

(PTE million)	1997	1998 *
Sales and services performed	24 044	21 741
Other income	31	89
Cost of sales	14 389	13 977
Personnel costs	4 280	4 143
Depreciation + provisions	1 161	1 381
Net financial charges	807	226
Other costs	4 291	3 534
Operating result	6	- 1 430
Gross profit	509	- 581

* Provisional figures.

VI. Aid

The aid authorised under Article 95 of the ECSC Treaty has been paid in six instalments between March 1994 and June 1995 as explained in the fourth monitoring report. The environmental aid approved under Article 3 of the Fifth Steel Aid Code has not so far been paid. The use of the social aid approved under Article 4(1) of the Fifth Steel Aid Code is explained above under II.3 (financing of redundancies).

Monitoring of Article 95 ECSC steel aid cases
Eleventh Report, April 1999

EKO Stahl GmbH, Germany

I. Introduction

On 21 December 1994 the Commission authorised [10] DEM 900.62 million [11] aid to *EKO Stahl GmbH* under Article 95 of the ECSC Treaty (see details in the previous monitoring reports).

On 21 December 1994 the Commission further approved [12] regional investment aid of DEM 385 million under Article 5 of the Fifth Steel Aid Code.

Authorisation of the aid was subject to several conditions. The following conditions are still monitored by the Commission:
the new hot-rolling mill to reach a capacity of 900 kt/y by the end of 1997 and to be kept at that level until the end of January 2000 (**monitored**, see II.2),
the output of the new hot-rolling mill to be used only for further processing in the company's own cold-rolling facilities (so far **observed**).

This report covers developments up to 31 December 1998 on the basis of the information provided by the German Government in its eighth monitoring report submitted to the Commission on 15 March 1999. The present report concentrates on the two conditions still monitored by the Commission.

The privatisation of Eko Stahl was completed when Cockerill Sambre Stahl GmbH took over the rest 40% of the shares on 23 December 1998 from the Bundesanstalt für vereinigungsbedingte Sonderaufgaben. In this context a purchase price of DM 40 million was paid and the shareowner's loan of BvS of DM 60 million was redeemed.

II. Investments

The investment programme of *EKO Stahl* has been implemented according to plan. The foreseen investments for restructuring of EKO Stahl have been carried out by 31 December 1998. The total investments 1995 – 1998 were DM 1105.9 million. No public finance was used to finance the amount of DM 5.9 million exceeding the foreseen restructuring volume of DM 1100 million.

III. Capacity limitation

Limitation of the capacity of the new hot-rolling mill to 900 kt/y up until the end of January 2000 and thereafter to 1.5 million t/y up until the end of January 2005 is guaranteed by an electronic device that makes it technically impossible to exceed those ceilings. This technical solution was accepted in principle by the Commission in early 1996. For further details on the system, see the fifth monitoring report. The system has operated reliably and the records of the quantities produced have been regularly submitted to the Commission.

IV. Output of the new hot-rolling mill

Hot-rolled strip produced in the new hot-rolling mill is used exclusively in the cold-rolling mill.

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10 OJ L 386, 31 12 1994, p. 18

11 DEM 1 million = ECU 511 299.72 (1 1.1999).

12 OJ C 18, 17 1 1997, p. 7.

V. Production, sales, turnover

First and second half of 1998

	Production (kt)		Sales (kt)		Turnover (DEM million)	
	1st half 1998	2nd half 1998	1st half 1998	2nd half 1998	1st half 1998	2nd half 1998
Pig iron	938.8	878,1	0.6	0.7	0.2	0.3
Slabs	1.094.4	955.8	503.4	453.8	234,3	182.8
Hot-rolled wide strip[5]	570.2	460.4	0.0	0.0	0.0	0.0
Cold-rolled strip	20.2	15.6	23.2	17.1	16.8	11.4
Cold-rolled thin sheet	400.8	363.9	393.3	328.7	302.4	247.4
Electrical sheet	21.9	28.3	21.9	26.2	18.8	21.3
Galvanised thin sheet	142.4	147.8	139.3	172.3	139.0	171.4
Coated thin sheet	53.7	55.8	53.0	53.6	71.6	73.3
Total finished cold-rolled products	**639.0**	**611,4**	**630.7**	**597.9**	**548.6**	**524.8**
Miscellaneous					66.7	55.8
Total turnover					**849.8**	**763.7**

The capacity year is from July to July. Consequently, the restriction of 900 kt/y is observed from 01.07. to 30.06.

V. Aid

The total amount of aid authorised by the Commission under Article 95 of the ECSC Treaty and Article 5 of the Fifth Steel Aid Code was used by end of 1998 was granted by the end of 1994 in the manner explained in the third monitoring report. The BvS and the *Land* of Brandenburg instructed independent chartered accountants to check that the funds were used in accordance with contractual obligations.

The following table shows the use of the authorised aid up to the end of 1998:

(DEM million)	Authorised	1994	1995	1996	1997	1998	Total
Compensation of losses up to end 1994	362.60	362.60	0.0	0.0	0.0	0.0	362.60
Compensation of losses 1995-1997 1)	220.00	0.00	20.0	100.0	100.0	0 0	220.00
BvS contribution to investments	275.00		32.6	103.0	118.6	20.8	275.00
BvS contribution to repair and maintenance 2)	39.00	0.00	0.3	16.7	22.0	0.0	39.00
Aid element of guarantee 3)	4.02	4.02	0.0	0.0	0.0	0.0	4.02
Total aid under Article 95 ECSC	**900.62**	**366.62**	**52.9**	**219.7**	**240.6**	**20.8**	**900.62**
Regional investment aid	380.00	0.00	45.0	142.3	163.9	28.8	380.00
Investment allowance	5.00	0.00	5.0	0.0	0.0	0.0	5.00

1) Calculated losses relate to the purchase of the hot-rolling mill from HES (see Article 1(2) of the Commission Decision of 21 December 1994).

2) Of which DEM 33 million cover the cost of a new sinter strand to replace one of the two old sinter strands that were initially to be repaired.

3) The aid element of the THA/BvS guarantee, which covers a DEM 60 million loan for financing modernisation of the cold-rolling mill, was calculated on the basis of a three-year period of validity. *EKO Stahl* consequently refinanced the loan on 31 December 1997, thereby terminating the guarantee.

One of *EKO Stahl*'s contractual obligations is to pay interest to the BvS on the amounts received until they are effectively spent for the contractual purposes, so as to avoid the aid exceeding the maximum amount authorised by the Commission. In order to comply with that obligation the company instructed the bank managing the separate accounts into which the aid is paid to transfer automatically to the BvS the interest received on maturing time deposits. During the second half of 1998, the BvS received DEM 0.168 million interest.

Monitoring of Article 95 ECSC steel aid cases
Eleventh Report, April 1999

Voest Alpine Erzberg GmbH, Austria

I. Introduction

On 29 November 1995 the Commission approved [17] state aid to *Voest Alpine Erzberg GmbH* (VAEG) to enable it to close down its mining operations gradually up to the year 2002. Approved aid amounts to ATS 272 million [18] to cover operating losses over the period 1995-2002 and ATS 136 million to cover the costs of closing down mines safely and in an environmentally friendly manner.

The following annual ceilings were approved for the different types of aid are indicated below in the table under point 4.

Authorisation of the aid was subject *inter alia* to the following conditions:
- the annual aid ceilings and the production ceiling as given in the table above were not to be exceeded (so far **observed**),
- the amount of operating aid was not to exceed the difference between production costs and revenues (so far **observed**),
- the price charged for iron ore was to be in line with market prices and was not to be lower than the price of imported iron ore (so far **observed**).

This report covers developments up to 30 December 1998 on the basis of information provided by Austria in its seventh monitoring report, which was submitted, in line with the Commission's request, on 15 March 1999. The seventh report of Austria summarizes the situation as regards the whole year 1998, instead of only the second half of 1998.

II. The New monitoring report

1. The company

The company *Voest Alpine Erzberg Gesellschaft mbH* (VAEG) is owned by *ÖIA Bergbauholding Aktiengesellschaft*, which in turn belongs to *Österreichische Industrieholding Aktiengesellschaft*, an industrial holding company wholly owned by the Austrian State. VAEG is involved in the mining of low-density iron ore (~32 % Fe). The company has only one client, *Voest Alpine Stahl AG* (VASA), which was privatised in the autumn of 1995.

2. Operating aid

(a) Production and sales

In 1998, VAEG produced 1.300.000,00 tonnes of iron ore with an average content of 33.00% Fe and 496.724,54 tonnes of low grade products which VASA can use for the blast-furnace burden (*Möllerzusatzmaterial*). These quantities were sold and delivered to VASA.

(b) Production costs

The production costs for the standard-grade iron totalled ATS 189.89 million, i.e. ATS 145.54 per tonne in 1998. The production costs for the low grade products totalled ATS 29.238 million, i.e. ATS 58,86 per tonne. These amounts include closure and rehabilitation operations carried out in 1998. A detailed overview of production costs is given in the Annex.

17 OJ L 94, 16.4.1996, p. 17.

18 ATS 1 million = ECU 72,672.00 (1.1.1999).

(c) Pricing

The standard-grade iron ore was sold at ATS 139.50 per tonne. This standard price was set in December 1997 for the whole of 1998.

The low-grade material (*Möllerzusatzmaterial*) was sold at ATS 76 per tonne, fixed on the basis of the market price for lime gravel (*Kalkschotter*).

The average price for deliveries of iron ore and low-grade material (*Möllerzusatzmaterial*) results in ATS 104.44 per tonne. Including the costs of transport to VASA/Linz, the price charged was ATS 697 1 per tonne Fe.

The information submitted by Austria in its seventh report confirm the information given by Voest Alpine Rohstoffbeschaffungs GmbH, a subsidiary of Voest-Alpine Stahl AG responsible for the purchase of raw material, that the above price per tonne Fe for iron ore is higher than the comparable price payable for imported iron ore [to be confirmed by DG III].

It may therefore be concluded that the prices charged in 1998 were not lower than required under Article 2 of the Commission's Decision of 29 November 1995.

(d) Operating aid paid in 1998

The total losses incurred by VAEG in 1998 were ATS 51.819 million.

Of the total losses sustained in 1998, approximately ATS 21.099 million related to closure operations, ATS 7.978 million of which results of reduction of personnel. Further details on losses are given in the Annex.

The company requested ATS 49 million in aid to cover losses in 1998. The Austrian Government granted this whole amount which was disbursed in instalments during year 1998. The amount paid by Austrian government includes the maximum amount of operating aid authorised by the Commission, ATS 36 million. The rest of losses not covered by the aid, ATS 2.819 million, were covered by income from operations not relating to iron-ore activities.

3. Closure aid

The authorised maximum amount of closure aid for 1998 is ATS 11 million. In 1998 ATS 13 million was paid. The excess is caused by extraordinary large reduction of personnel in production activities, from 274 heads to 230 heads. Such great reduction was not foreseen in the plan, which indicates no reduction in 1998 and only total of 254 heads for 1999. Considering this and the fact that Austria paid ATS 2 million less closure aid than authorised in 1997, it is decided not to raise objections to the excess payment due to the exceptional circumstances.

4. Aid payments in relation to aid authorised

	Total aid		Operating aid		Closure aid	
(ATS million)	Authorised	Paid	Authorised	Paid	Authorised	Paid
1995	50	47	45	42	5	5
1996	50	48	42	40	8	8
1997	50	48	39	39	11	9
1998	47	49	36	36	11	13
1999	57		34		23	
2000	52		30		22	
2001	52		26		26	
2002	50		20		30	
Total	**408**	**192**	**272**	**157**	**136**	**35**

5. Evolution of workforce

The plan for reducing the workforce is as follows:

Workforce	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Production	280	276	273	273	254	242	210	181
Closure operations	6	10	13	13	20	20	31	34
Total	**286**	**286**	**286**	**286**	**274**	**262**	**241**	**215**

Departing from the above plan, the workforce in production was reduced to 230 in 1998.

Annex   Comparison of production costs and revenues in 1998

	Iron ore		Low-grade product		Closure and securing	Total	
Production (tonnes)	1 300.000:00 t		496.724 54 t				
Costs	(ATS thousand)	(ATS/tonne)	(ATS thousand)	(ATS/tonne)	(ATS thousand)	(ATS thousand)	(ATS/tonne)
Production	32.612	25.09	10.630	21.40		43.242	24 07
Extraction	51.619	39.71	11.738	23.63	13.121	76.478	42.57
Processing	48 440	37.26	6.403	12.89		54.843	30.52
Quality control	11.865	9.13	224	0.45		12.089	6.73
Transport	13.464	10.36	243	0.49		13.707	7 63
Overheads	31.187	145.54				31.187	17.35
Total cost of sales	**189.187**	**145.54**	**29.238**	**58.86**	**13.121**	**231.546**	**128.87**
Reduction of personnel					**7.978**	**7.978**[6]	
Revenue							
Sales (tonnes)	1.300.000,00 t		496.408,32 t			1.796.408,32 t	
Selling price	181.350	139.50	37.727	76.00		219.077	
Deduction for difference in quality	31.402					31.402	
Subtotal	149.948		37.727			187.675	104.47
Increase in stocks: 266,03 t	30	111.00				30	
Total	149.978		37.727		0	187.705	
Difference							
Operating result	- 39 209		**8.489**		**-21.099**	**-51.819**	
Aid							
	36. 000				**13.000**	**49.000**[7]	

Extraordinary cost resulting from the reduction of personnel
The difference of ATS -2.819 million is covered by income from non-iron-ore related activities.