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REPORT FROM THE COMMISSION TO THE COUNCIL

on

the financial aid awarded by the Member

States to the coal industry in 1975

COM(75) 360 final.

SUMMARY

This document deals with the financial aids that the governments of the Member States propose to award the Community's coal industry in 1975. According to Decision No 3/71/ECSC the Commission is obliged to examine these aids and submit a report on them to the Council for consultation. The coal industry's profitability situation has considerably improved in 1975 compared with last year. The increase in profitability has been achieved not by reducing mining costs but by considerably increasing coal prices. Raising the prices of Community coal to the price level of imported coal and heating oil is a suitable way of increasing the profitability of the undertakings and accordingly reducing State aids.

Few problems of competition will arise among the Community's coal producers in 1975 as a result of the relatively low aids for the coal industry. The proper functioning of the common market in coal will not be affected by the existing differences in aid granted by the individual Member States. The Commission therefore concludes that the aids applied for by the governments of the Member States for 1975 conform to the provisions of Decision No 3/71.

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INTRODUCTION

1. This report discusses the financial measures the Member States propose to take for the benefit of the coal industry in 1975.
2. The Community's coal supply situation for 1975 is favourable in respect of sales and the development of prices. The governments of some Member States sent the Commission medium-term forecasts about the development of future supply. Other governments did not consider themselves to be in a position to send the Commission statistical forecasts on this subject. The Commission has therefore based the examination of the reliability of the Community's coal and coke supply situation on the coal balance-sheet drawn up for 1975.¹ This document contains the following forecasts for the Community in 1975 :
 - (a) Coal production in the Community will reach a higher level in 1975 than in 1974, mainly because a relatively low output was achieved in 1974 as a result of the miners' strike in the United Kingdom (see Table 5 in the statistical annex)
 - (b) The Community's coal imports from non-Member States should rise by 50 % to 40.2 million metric tons in 1975 compared with 1974. This development can be considered favourable to the Community's coal supply as it contributes to further diversification of the sources of supply without harming Community production.
 - (c) The Community's coal exports to non-Member States will drop in 1975 compared with last year.

¹ Doc. No XVII/28/75 of 13 February 1975. "The General State of the Coal Market, Prospects for 1975".

(c) Trade in coal and coke within the Community will drop slightly in 1975 as compared with 1974. This development represents a return to normal. Trade in coal and coke within the Community had risen 4.8% in 1974 compared with 1973, owing to the effects of the oil crisis and to the short-term influences of the steel output situation. On the whole, the estimated demand for coal and coke in 1975 corresponds to the output estimated by the producer countries, ensuring continuous supply.

(d) Pithead stocks of Community coal and coke are expected to rise slightly to approximately 1 million tonnes in 1975. But if steel production in the Federal Republic of Germany evens out at a lower level than that estimated, a further increase in pithead stocks, especially those of hard-coal coke, could result. In view of the low level of pithead stocks, a certain increase is to be welcomed as this increases the possibility of cushioning unforeseeable fluctuations in demand.

3. Apart from minor exceptions, the prices for Community coal, imported coal and heating oil have become aligned. To judge by the present position, the few still outstanding alignments should be made during the course of the year.
4. No new aid measures have been reported for 1975.
5. The aid contributions anticipated for 1975 are considerably lower than the subsidies approved for 1973 and 1974. Sales will cover approximately 85 to 90% of production costs in 1975. Related to the Community as a whole, the aids have developed as follows :

COMMUNITY AS A WHOLE

	in million u.a.			u.A./per tonne produced		
<u>A. Direct aids under Decision No 3/71</u>						
Article 6	105.6	223.5	232.2	0.39	0.95	0.87
Article 7	95.9	90.2	190.2	0.36	0.37	0.71
Article 8	7.4	3.8	-	0.03	0.01	-
Article 9	793.4	421.9	221.2	2.95	1.76	0.83
Total	1002.3	744.4	643.6	3.73	3.09	2.41
<u>B. Coking coal aid under Decision No 73/287</u>	279.1	101.1	42.6	1.04	0.42	0.16
<u>C. Indirect aids</u> ¹	79.4	117.7	22.6	0.30	0.49	0.08
Grand total (A+B+C)	1360.8	963.2	708.8	5.07	4.00	2.65

¹ Inclusive aid to reduce the interest burden

The table reveals that there has been a considerable reduction in total aids in 1975 and that the structure has changed.

(i) The aids under Article 6 concerning the repayment of "inherited" burdens hardly changed from 1974 to 1975 when calculated on a u.a./per tonne basis. These aids concern coal industry expenditure that is no longer in relation to current production.

(ii) The aids under Article 7 for investment and recruitment of skilled labour have doubled in 1975 compared with last year. This reveals the considerable increase in rationalisation and the extension of underground operations in 1975, a fact that is to be welcomed in view of the new factors surrounding the Community's energy supply and policy orientation.

(iii) The aids to cover operating losses (0.99 u.a. per tonne)¹ now amount to only 37% of total aids ; the corresponding percentage for 1973 and 1974 were 79% and 53% respectively. Operating losses requiring aids will arise basically only in the Belgian and French coal industry in 1975.

The following document and the tables in the statistical annex provide a country-by-country breakdown of all aids. The Netherlands are no longer included in the document as coal production was discontinued in December 1974.

6. The relatively low aids and the fact that no new measures were taken in 1975 have largely eliminated problems of competition of the type that existed in previous years and has made it possible to compile a very concise memorandum.
7. Compared to previous years, the governments of the Member States informed the Commission of their proposed aids for 1975 at an earlier stage. The Commission has therefore been able to present the Council with the memorandum on financial aids to the coal industry relatively early.
8. Under Article 2(1) of Decision No 3/71/ECSC; the Commission has received particulars of financial measures proposed for 1975 from the governments of the following Member States :

from the German government

letter of 28 February 1975
of 2 April 1975

from the Belgian government

letter of 4 March 1975 and 9 June 1975

from the French government

letter of 13 February 1975

from the British government

letter of 4 March 1975

¹ Including aid for coking coal

from the Danish government

letter of 19 November 1974

from the Luxembourg government

letter of 25 November 1974

from the Dutch government

letter of April 1975

9. When the governments of the Member States supplied the Commission with economic data subject to professional secrecy contained in Article 47 of the ECSC Treaty, they are not included in the following report.
10. When calculating aids per tonne of production, the estimates of production supplied by the governments of the Member States were used as a basis for 1975 (see Table 5 of the annex).
11. The following exchange rates were used for converting the sums of aid expressed in national currencies into units of account :

1 u.a. = DM	3.22
= Bfrs	49
= FF	6.03
= £	0.54

CHAPTER I

Description and assessment of the financial measures in the
social security sector

Under Article 4 of Decision No 3/71, State interventions in the financing of social benefits are considered compatible with the common market where their effect is to bring the ratio between the charge per actively employed mineworker and the benefits per recipient down to the level of the ratio obtaining in other industries.

The following text refers only to financial measures in the social benefits sector and, where they arise, to infringements of the limits set in Article 4 of Decision No 3/71.

A. GERMANY, BELGIUM, FRANCE

Germany has set aside DM 5 221 million for 1975 to cover the deficit in the insurance of surviving dependants for the whole mining sector; approximately 80% (= DM 4.657 million) is allocated to the coal industry.

State expenditure on welfare benefits in the Belgian coal industry can be estimated at Bfrs 17 010.5 million for 1975. The following table contains the details.

Source	Amount of State subsidies (million Bfrs)	Purpose
State	7 040.0 ¹	<u>Old-age pension and insurance of surviving dependants</u> Regular compulsory contribution
State	1 030.2	<u>Old-age pension and insurance of surviving dependants</u> Contribution to cover the deficit
State	4 313.1	<u>Disability pensions insurance</u> Disability pensions
State	4 627.2	<u>Occupational diseases</u> 50% of the expenditure arising from miner's pneumoconiosis
Total	17 010.5	

¹ Commission estimate

According to information provided by the French government, State expenditure on welfare benefits in the French coal-mining industry will amount to FF 3 854.0 million in 1975. The following table contains the details

Source	Expenditure (in million FF)	Purpose
State	1 734.0	<u>Disability and old age pensions insurance</u> Regular contribution amounting to 22% of wages subject to contributions, and additional State adjustment
General System	300.0	<u>Disability and old age pensions insurance</u> Regular contribution to cover part of 'exceptional expenditure' (amount fixed by law)
General System	660.0	<u>Insurance against industrial accidents and occupational diseases</u> Regular repayment of old debts
General system	382.0	<u>Sickness insurance</u> Treatment benefits
State	488.0	<u>Disability and old age pensions insurance</u> 'Exceptional expenditure' in coal-mining industry as defined by Article 4 of Decision No 3/71
General System	284.0	<u>Supplementary scheme : workers' retirement pensions</u>
Total	3 854.0	

Calculations conducted by the Commission or the governments reveal that the Federal Republic, Belgium and France have not exceeded the limits set in Article 4 of Decision No 3/71 :

In the Federal Republic the undertaking's actual welfare expenditure is DM 250 million (8.4% higher than the normal expenditure defined in the Article 4.

In Belgium the undertaking's actual social expenditure is Bfrs 160.0 million higher than the normal expenditure defined in Article 4.

In France the State subsidy awarded to the Charbonnages de France (FF 488 million) means that effective social expenditure and normal expenditure coincide.

B. UNITED KINGDOM

Apart from the general social security system into which the coal industry is integrated, the United Kingdom possesses a special fund for paying additional benefits to former miners. The British government will pay £ 16.0 million into the fund in the 1975/76 coal marketing year. This is the amount by which pensions payments to former miners are higher than the expenditure incurred by the National Coal Board and the limits set in Article 4 of Decision No 3/71 are consequently exceeded.

Article 68 of the ECSC Treaty states that the methods used for fixing welfare benefits shall not be affected by the Treaty if a change in the arrangements for the financing of social security does not produce any of the effects specified in Article 67(2) or 67(3) : i.e. if the change in the arrangements of finance does not provoke a serious disequilibrium. In these circumstances, the effects of the £ 16.0 million on the competitive position of British coal in the Community must be subjected to an examination embracing all aids. The examination conducted in Chapter III revealed that the British aids do not disturb the proper functioning of the common market.

C. Summary of financial measures in the social security sector

As the following table reveals, State intervention in the social security sector of the mining industry will amount to approximately 2 433 million u.a. for the Community¹ in 1975. Compared to 1974, this involves an increase of 18.0% (371.7 million u.a.) in the State subsidies awarded under Article 4 of Decision No 3/71.

¹ Great Britain excluded.

in million u.a.

Year	Federal Republic	Belgium	France	Community 1
1974	1 296.8	276.1	486.0	2 060.9
1975	1 446.3	347.2	639.1	2 432.6
74/75 in %	+ 11.4	+ 25.8	+ 31.5	+ 18.0

¹ As the United Kingdom possesses an integrated social security system, it is not shown in the table above.

CHAPTER II

Indirect financial aid to the coal industry

Indirect financial aid covers all measures which Member governments announce in accordance with the first paragraph of Article 2(1) of Decision No 3/71 but which do not come into the category of the direct measures defined in Articles 6 to 9 of the Decision. Indirect measures are reported to the Commission under Decision No 3/71 and assessed according to the provisions of the ECSC Treaty.

Only Germany, Belgium and France have announced indirect aid to the coal industry for 1975. No new measures have been taken.

A. Description of the German, Belgian and French measures

Germany proposes the following measure in 1975 :

Law to promote the utilization of coal in power stations (1st Electricity Generating Law). Probable reduction in tax revenue : DM 30.0 million

The indirect financial measures planned by the Belgian government in 1975 involve the following sectors :

Expenditure on season tickets or cheap holiday tickets for miners, pneumoconiosis sufferers. Bfrs 18.0 million

Subsidies to the Miners' National Pensions Fund to compensate for new expenditure on welfare arising from the increase in the miners' annual holiday allowance, the introduction of new sickness benefits and longer annual holiday (Article 32.12, Article 32.14 and Article 0104 in the Economic Affairs Ministry's 1974 Budget) Bfrs 454.5 million

Total Bfrs 472.5 million

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The French government plans a State subsidy of FF 22.0 million for the research programme of the 'Centre d'Etudes et de Recherches des Charbonnages de France' (CERCHAR) in 1975.

B. Assessment of indirect financial aid to the coal industry

The Commission has examined the abovementioned measures which have already been in force for several years and does not consider that they violate the ban on subsidies set out in Article 4 of the ECSC Treaty.

C. Summary of indirect measures

The following table illustrates the development of indirect measures in the various Community countries. Germany registered a considerable drop in 1975 as earlier measures have been abolished under the electricity generating laws. From 1975 onwards, electricity users will have to cover any extra expenditure involved in coal-fired power stations as opposed to oil-fired power stations by paying higher electricity charges.

(million u.a.)

Year	Germany	Belgium	France	Community
1973	65.2	5.2	2.9	73.3
1974	105.3	5.4	3.0	113.7
1975	9.3	9.6	3.6	22.5
75/74 in %	- 91.2	+77.8	+20.0	- 80.2

CHAPTER III

Direct financial aid to the coal industry

The provisions of Decision No 3/71 define direct aids to coal industry undertakings as those which come under Article 6 to 9 of this Decision.

A. FEDERAL REPUBLIC OF GERMANY

1. Description of direct measures

In 1975 the German government will retain unchanged the direct aid measures that were already in force in 1974. The following measures are involved :

Legal basis under Decision No 3/71	Measure	Amount of aid			
		Total		per tonne	
		million DM	million u.a.	DM	u.a.
Article 6(2)	Aktionsgemeinschaft scheme	127.5	39.6	1.24	0.39
Article 6(1)	Aid for water handling costs	60.0	18.6	0.59	0.18
Article 6(1)	Aid to cover expenditure resulting from closures	72.0	22.4	0.70	0.22
Article 6(1)	Aid to cover "inherited" burdens	157.5	48.9	1.54	0.48
Article 6(1)	Closure write-offs	48.0	14.9	0.47	0.15
Article 7(1)	Investment aid	422.5	131.2	4.12	1.28
Article 7(3)	Mineworkers' bonuses	123.0	38.2	1.20	0.37
Article 7(1)	Grants for new ideas	28.0	8.7	0.27	0.08
Article 9(1)	Cover for RAG's amortization instalments	63.4	19.7	0.62	0.19
Article 9(1)	Cover for losses at Ibbenbüren	30.0	9.3	0.29	0.09
Total for measures taken under Articles 6 to 9 of Decision No 3/71		1 131.9	351.5	11.04	3.43

For coking coal aids figures for 1975 are not yet available.

The aids awarded under Article 6 cover "inherited" debts which have nothing to do with current production; they have hardly changed between 1974 (DM 456.8 million) and 1975 (DM 465 million).

The aids awarded under Article 7 rose from DM 264.1 million in 1974 to DM 573.5 million in 1975. This increase, covering investment and the recruitment of skilled labour is to be welcomed in view of the Community's new line on coal policy. The investment aid total of DM 422.5 million comprises normal aid of DM 197.5 million and special investment aid of DM 225.0 million awarded under the measures to revive general economic activity.

The aids awarded under Article 9 to cover operating losses, have hardly changed between 1974 and 1975. In 1975 this aid is only of academic importance to the German coal industry. It results from earlier agreements between the coal-mining industry and the Federal Government and does not indicate that the German coal industry is genuinely in need of subsidy. The revenue situation of the German coalmining undertakings in 1975 is relatively good. If the revenue situation of underground operations alone is considered (excluding upgrading and other activities) and if total depreciation and interest on invested capital are including in the production costs, the total production costs are slightly higher than revenue, thus permitting aid of this type under the provisions of Article 9 of Decision No 3/71.

2. The extent to which the direct aid to the German coal industry is compatible with the provisions of Articles 6 to 9 of Decision No 3/71.

The Commission has examined the extent to which the direct aid is compatible with Articles 6 to 9 of Decision No 3/71. It can be assumed that there has been no change in the basic content of the direct aids from 1974 to 1975, so that only the change in the amounts of aid granted

need be taken into account for the purposes of the examination. From the latter point of view it was found that the measures are compatible with the Articles listed in the table above. The reasons specified in document SEC(75) 1104 on page II/16 et seq for 1974 are equally valid in 1975.

3. The extent to which the German aids are compatible with the proper functioning of the common market

The assessment of the extent to which the German aids are compatible with the proper functioning of the common market requires consideration of all direct and indirect measures to be taken on behalf of the coal industry in 1975 (Article 3(2) of Decision No 3/71).

These figures are recorded in Table 1 of the annex.

By this method of calculation, the total sum of proposed aid amounts to 360.8 million u.a., or 3.52 u.a. per tonne of production. The amount of aid per tonne of production has dropped by approximately 12% in comparison with 1974.

The following points must be established when considering the extent to which the total amount of German aids is compatible with the proper functioning of the common market :

- a) In view of the relatively good sales position on the domestic market and the fact that deliveries to other Community countries have returned to normal, the German aids are not expected to disturb the proper functioning of the common market for coal.
- b) The prices for German steam coal and coking coal have developed as follows (DM per tonne) :

<u>Steam coal</u> ¹	1 September 1974	1 November 1974	15 January 1975
Ruhrkohle AG	126.1	126.10	145.50
Saarbergwerke	133.-	133.-	154.00
<u>Coking coal</u>			
Ruhrkohle AG	127.90	142.90	158.00
Saarbergwerke	138.00	154.50	172.50
Aachen	125.00	140.00	155.00

¹ Bituminous coal, Nuts 5

Both the prices for steam coal and coking coal correspond to the equivalent prices for heavy heating oil and coking coal imported from the United States, so that there is no indirect subsidizing of industrial consumers. The German coal prices therefore conform to the provisions of the second paragraph of Article 3(1) of Decision No 3/71.

- c) The rationalization and concentration of production on pits where productivity is highest is guaranteed for 1975 by the closure of two or three marginal underground workings. The undertakings attempt to make up for this loss of production by increasing the output in existing pits (third paragraph of Article 3(1) of Decision No 3/71.
- d) From the details given under points a) to c) it may be concluded that the measures envisaged for 1975 for the German coal industry are compatible with the proper functioning of the common market.

B. BELGIUM

1. Description of direct measures

The direct aids to the coal industry planned by the Belgian government for 1975 are the same as those in force in 1974.

Legal basis under Decision No 3/71	Measure	Campine		Southern coal-field		Overall	
		Total	Per tonne	Total	Per tonne	Total	Per tonne
		Million Bfrs	Bfrs	Million Bfrs	Bfrs	Million Bfrs	Bfrs
Article 7(2)	Investment aid	235.0	37	25.8	15	260.8	32
Article 9	Loss cover	-	-	2871.2	1641	2871.2	354
	Total under Articles 6 to 9 of Decision No 3/71	235.0	37	2897.0	1655	3132.0	387
	Total in u.a.	4.8	0.76	59.1	33.77	63.9	7.89

Coking coal aids for the Campine coalfield will probably total Bfrs 1 579.8 million in 1975. The coking coal aids were as high as Bfrs 1 382.9 million in 1974.

The investment aids have been increased from Bfrs 150.0 million for 1974 to Bfrs 260.8 million for 1975; the aids to cover operating losses will drop by a third from the 1974 total of Bfrs 4 453.0 million to Bfrs 2 871.2 million for 1975. The revenue situation has been improved by considerably increasing the price of Belgian coal.

2. The extent to which the direct aid to the Belgian coal industry is compatible with the provisions of Articles 6 to 9 of Decision No 3/71

The Commission has examined the extent to which the direct measures planned for 1975 are compatible with the provisions of Articles 6 to 9 of Decision No 3/71 and found that they conform to these provisions.

The relevant points listed on page II/28 et seq of document SEC(75) 1104 also apply for 1975.

The investment aid is intended to finance various schemes in the coal production and coal upgrading sector. This measure conforms to Article 7(2) of Decision No 3/71.

The cover for operating losses will only apply to the southern coalfield in 1975. The aid will remain below the probable operating losses of this coalfield. The economic and social conditions of these coalfields have only improved slightly in 1974/75 and continue to demand slow implementation of the process of pit closures because of the question of reemploying redundant miners (Article 9 of Decision No 3/71).

3. The extent to which the Belgian aids are compatible with the proper functioning of the common market

Assessment of the extent to which the Belgian aids are compatible with the proper functioning of the common market (Article 3(1) of Decision No 3/71) must cover not only those aids applied for under Decision No 3/71 but also all other aids to the coal industry (Article 3(2) of Decision No 3/71).

For the purposes of comparison with other Community countries, the relevant figures are given in Table 1 of the annex. This reveals that the total aids to the Belgian coal industry applied for in 1975 will reach a sum of 105.7 million u.s. or 13.06 u.s. per tonne; they have fallen by approximately 18% per tonne of production compared with 1974.

The following points must be established when considering the extent to which the total amount of Belgian aids is compatible with the proper functioning of the common market :

- a) The relatively small quantities of Belgian coal (approximately 500 000 tonnes) which will probably be delivered to other Community countries (see Table 2 of the annex) are not expected to disturb the proper functioning of the common market in coal in 1975.
- b) The listed prices for Belgian steam coal and coking coal have developed as follows : (Bfrs per tonne)

<u>Steam coal</u>		<u>Coking coal</u>	
1 July 1974	2 050	1 July 1974	2 000
1 November 1974	2 050	1 November 1974	2 000
15 January 1975	2 450	15 January 1975	2 500

Price rebates of Bfrs 200 per tonne are sometimes granted on the listed prices applicable from 15 January 1975 onwards.

Even taking into account the price rebates, the prices of both steam coal and coking coal correspond to the equivalent prices for heavy heating oil and coking coal imported from the United States, so that there is no indirect subsidizing of industrial consumers. The Belgian coal prices therefore conform to the provisions of the second paragraph of Article 3(1) of Decision No 3/71.

- c) The rationalization and concentration of production on pits where productivity is highest is guaranteed in 1975 by the closure of two unprofitable pits in the southern coalfield. In relation to the other Community countries, the trend in Belgian production leads to Community production being concentrated to an ever-increasing extent on underground workings where productivity is highest (third paragraph of Article 3(1) of Decision No 3/71).
- d) It must be stated in conclusion that the Belgian measures planned for 1975 are compatible with the proper functioning of the common market.

C. FRANCE

1. Description of the direct measures

The French government has applied for permission to grant the following direct aids in 1975 :

Legal basis under Decision No 3/71	Measure	Totals		Per tonne	
		million FF	million u.a.	FF	u.a.
Article 6 (1)	Cover for exceptional redeployment costs	278.0	46.1	11.98	1.99
Article 9	a) Cover for the coal-fields' operating losses ¹	682.4	113.2	29.41	4.88
	b) Cover for the losses of the central administration of the Charbonnages de France	123.0	20.4	5.30	0.88
	Total aids	1083.4	179.7	46.69	7.75

¹ Including aid of FF 64.0 million to reduce the price of power station coal; this is not recorded separately as it occurs merely for bookkeeping purposes.

In addition to abovementioned aids, the following aids are to be granted in 1975 :

- (i) A coking coal aid of FF 6.6 million (= 1.1 million u.a.) in accordance with Decision N° 73/287. The corresponding amount for 1974 was FF 104.6 million (= 16.6 million u.a.).
- (ii) Aid of FF 0.5 million (= 0.1 million u.a.) to reduce the interest burden of the Charbonnages de France. The corresponding amount for 1974 was FF 25.5 million (4.0 million u.a.).

At 179.7 million u.a., the total amount of direct aids recorded in the table above is 24 % lower than last year's corresponding figure (234.3 million u.a.).

All the measures listed above are a continuation of aids already existing in 1974.

2. The extent to which the direct aid to the French coal industry is compatible with the provisions of Articles 6 to 9 of Decision No 3/71

a) Aid to reduce the interest burden of the Charbonnages de France

The aid, totalling FF 0.5 million in 1975, to reduce the interest burden of the Charbonnages de France is general aid to the Charbonnages de France which is to be assessed not within the framework of Decision No 3/71 but according to Article 67 of the ECSC Treaty. As in previous years, examination reveals no violation of the provisions of Article 67 of the Treaty.

b) Aid to cover exceptional redeployment costs

The proposed sum of FF 255.0 million is to be paid directly to the Charbonnages de France and represents compensation for non-operational expenditure assumed by the Charbonnages de France as a nationalized concern on behalf of the French government in order to ensure more rational implementation of welfare plans for redundant or prematurely-retired miners. The probable expenditure of the Charbonnages de France is divided as follows among the various welfare burdens : (in million FF)

1) Extraordinary expenditure on miners redundant as a result of closures	43.0
2) Early retirement	169.0
3) Reimbursement of heating costs to prematurely-retired miners	6.0
4) Compensation to retired miners under the C.A.N. scheme	60.0
	<hr/>
Total	278.0
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The abovementioned welfare measures apply to persons no longer in the mining industry and the expenditure assumed by the Charbonnages de France for this purpose is not considered as operational expenditure and therefore not included in production costs. It is instead a case of pure welfare measures.

In the circumstances outlined above, the measure conforms to the provisions of the first paragraph of Article 6(1) of Decision No 3/71.

c) Aids to cover operating losses

As in 1974, the French government has provided for two types of aid to cover pits' operating losses in 1975;

Aid to coalfields	FF 682.4 million
Aid to the central administration	FF 123.0 million
	<u>FF 805.4 million</u>
	=====

According to estimates made by the French government, the amount of this aid will be lower than the probable operating losses of the Charbonnages de France in 1975. If the operating losses are reduced in 1975 by increasing French coal prices further, the aid will be cut accordingly. Under these criteria, the aids conform to the provisions of Article 9(2) of Decision No 3/71.

In view of the economic and social conditions in the French coalfields, no basic improvements will occur in 1975. Because of the general energy supply problems, a temporary maintenance of production will also help to avoid temporary bottlenecks in supply. For these reasons, the aid to cover operational losses is compatible with Article 9(1) of Decision No 3/71.

3. The extent to which the French measures are compatible with the proper functioning of the common market

Under Article 3(2) of Decision No 3/71, both indirect and direct aids are to be considered when examining whether aids are compatible with the proper functioning of the common market.

Table 1 of the annex contains the overall figures. The total amount calculated for 1975 was 184.5 million u.a. or 7.96 u.a. per tonne, including coking coal aid. This figure is 29% lower than in 1974. It should be pointed out at this juncture that the aids applied for in 1975 are maximum amounts which may be reduced in the light of the trend in French coal prices.

Comparison with other Community countries reveals that the French aids for 1975 are roughly on the same level as in Belgium, though considerably higher than in the United Kingdom and the Federal Republic of Germany.

The following points must be established when considering the extent to which the total amount of French aid is compatible with the proper functioning of the common market:

- a) Only slight changes are to be expected in 1975 in French coal deliveries and imports of coal from other Community countries within the Community's internal coal trade. Deliveries will probably drop by approximately 12% and imports by approximately 7% compared with last year's figures. The reduction of quantities imported is linked with the deterioration of the French steel industry's economic situation.

Price alignments will probably not be operated for French coal in 1975.

This development gives rise to the conclusion that French coal, which receives relatively high aids compared with other Community countries, is not placed at a disadvantage on the Community market because of differences in subsidies. The proper functioning of the common market in coal, as defined in the first paragraph of Article 3(1) of Decision No 3/71, is not affected by the French aids.

b) The list prices for coking coal in France developed as follows in 1974/75 : (in FF per tonne)

	15 January 1974	1 July 1974	3 November 1974	1 April 1975
Nord/Pas-de-Calais	180.-	275.-	360.-	360.-
Lorraine	180.-	253.-	310.-	310.-

These prices correspond to the equivalent prices of coking coal imported from the United States and therefore require no further comment.

The listed prices for steam coal in France developed as follows in 1974/75 (in FF per tonne)

	15 January 1975	1 July 1974	3 November 1974	1 April 1975
<u>Nord/Pas-de-Calais</u>				
Bituminous coal,				
Nuts 2	145.-	198.50	198.50	..
Nuts 5	139.-	194.50	194.50	..
<u>Lorraine</u>				
Bituminous coal,				
Nuts 2	132.-	184.-	184.-	216.-
Nuts 5	113.-	160.-	160.-	192.-

The quantities supplied by the Charbonnages de France to the EDF (Electricité de France) are delivered at prices aligned to the equivalent prices for heating oil as a result of special agreements. On the other hand, the French steam coal prices for industry in general (1.8 million tonnes are expected to be sold in 1975) still lie 15 to 20 % below the equivalent price level for heating oil. But it must be borne in mind that the real competitor of French steam coal on this restricted market is not so much heating oil as steam coal imported from Australia and the United States of America, some of it mined from pits under French ownership¹. According to information

¹ France's coal imports from non-EEC Members have developed as follows :
 1973 5.4 million metric tons 1974 8.8 million metric tons
 1975 10.4 million metric tons

provided by the French government, this coal costs 2.5 cts per thermie (1 thermie = 3967.09 BTU while French steam coal is sold to industrial consumers at 2.63 cts per thermic.

In these circumstances the Commission concludes that France's policy on coal prices for 1975 does not violate the provisions of the second paragraph of Article 3(1) of Decision No 3/71.

- c) The rationalization and concentration of production on pits where productivity is highest is guaranteed in 1975 by the closure of one or two unprofitable pits (third paragraph of Article 3(1) of Decision No 3/71).
- d) In conclusion, it can be seen from the factors discussed under points a) to c) above, that the measures envisaged for 1975 for the French coal industry are compatible with the proper functioning of the common market.

D. UNITED KINGDOM

It must be pointed out by way of introduction that the British government's aid payments to the British coal industry apply to the coal marketing year, which runs from the beginning of April 1975 to the end of March 1976. The British government's financial year is the same as the NCB's. The following figures all refer to the 1975/76 financial year; no figures can be compiled for the 1975 calendar year.

1. Description of direct measures

Legal basis under Decision No 3/71	Measure	Total		Per tonne	
		£ million	million u.a.	£	u.a.
Article 6(1)	To cover expenditure on pensions	13.7	25.4	0.10	0.19
Article 6(1)	Severance payments and retraining	6.5	12.0	0.05	0.09
Article 6(1)	Early retirement	1.5	2.8	0.01	0.02
Article 6(1)	Concessionary coal	0.8	1.5	0.01	0.01
Article 7(3)	Retraining and retention of labour force	3.7	6.8	0.03	0.05
Grand total under Articles 6 to 9 of Decision No 3/71		26.2	48.5	0.20	0.36

Apart from the abovementioned direct aids under Decision No 3/71, the British government plans to award the coal industry a coking coal aid of £ 5.0 million under Decision No 73/287/ECSC.

All the abovementioned direct aids are a continuation of measures already taken by the British government on behalf of the coal industry in the 1973/74 financial year. The measures are based on the Coal Industry Acts of 1965, 1967 and 1973.

The direct aids to the British coal industry will be considerably lower in 1975 than in 1974 because of the drastic price increases for coal. The reduction from £ 73.7 million in 1974 to £ 26.2 million in 1975 is approximately 64.5%.

The British government estimates that the National Coal Board (NCB) will not make^a loss in the 1975/76 financial year. Aids are only being granted to cover "inherited" debts (Article 6 of Decision No 3/71) and to recruit skilled labour (Article 7(3)).

2. The extent to which direct aid to the British coal industry is compatible with the provisions of Articles 6 to 9 of Decision No 3/71.

The Commission has examined the extent to which the direct aids are compatible with Articles 6 to 9 of Decision No 3/71. It was assumed that there had been no change in the basic content of the direct British aids between the 1974/75 and 1975/76 coal marketing years, so that only the ^{change} in the amounts of aid needed to be assessed. From the latter point of view, it was found that the measures are compatible with the Articles specified in the table above. The reasons put forward for 1974 on page II/51 et seq of document (SEC(75) 1104 still apply for 1975.

3. The extent to which British aids are compatible with the proper functioning of the common market

Assessment of whether the British aids are compatible with the proper functioning of the common market (Article 3(1) of Decision No 3/71) must relate not only to the aids provided for in this Decision but also to all measures for the benefit of the British coal industry (Article 3(2) of Decision No 3/71).

For the purposes of comparison with other Community countries, these figures are recorded in Table 1 of the annex. The calculations reveal that the total British aids, including those outside the framework of Article 4 of Decision No 3/71, will amount to £ 47.2 million (= 87.4 million u.s. = 0.66 u.s. per tonne). Compared to all other Community countries, the proposed aid for the British coal industry is the lowest per tonne produced. Because of the favourable development in the revenue situation, the total aids awarded to the British coal industry in 1975/76 per tonne of production will be 57.4% lower than the corresponding figure in the 1974/75 coal marketing year.

With regard to the compatibility of total British aids with the proper functioning of the common market, no problems of competition between British coal and that of other Community countries are expected to arise in view of the general market situation in 1975.

Supplies of British coal to other Community countries will return to normal in 1975 (approximately 2.5 million tonnes, see Table 2 of the annex) following the drop to 1.4 million tonnes as a result of the strike and the shortage of coal in the United Kingdom.

No price alignments to meet those of other producers in the Community have been notified to the Commission for 1974 in respect of British coal.

The prices of British coal have been increased considerably, though they have yet to reach the level of the equivalent prices for heating oil and coking coal imported from the United States. This fact is immaterial for assessing the aids granted in the 1975/76 coal marketing year as the British coal industry does not receive any aids to cover operating losses under Article 9 of Decision No 3/71.

Further rationalisation will take place in 1975/76; the closure of two or three unprofitable pits is planned.

In these circumstances, it can be concluded that the proposed aids for the benefit of the British coal industry are compatible with the proper functioning of the common market.

CHAPTER IV

Summary and conclusion

1. The following remarks refer to the financial measures which the Member States of the enlarged Community have planned for the benefit of the coal industry in 1975 or the 1975/76 coal marketing year. The compatibility of the measures with the provisions of Decision No 3/71 was examined for each country individually. Examination revealed that as far as can be seen, the aids planned by governments for 1975 will not affect the proper functioning of the common market in coal.
2. With reference to the quantitative trend on the coal market Community coal production will be approximately 25 million tonnes higher in 1975 than in 1974. This is to be attributed to the fact that British production was particularly low in 1974 because of the effects of a strike.

The producer's coal stocks, largely cleared in 1974, will rise only slightly in 1975.

Community imports of coal from non-Member States are expected to be approximately 2 million tonnes (5%) higher in 1975 than 1974.

These various factors influencing the way supply has developed result from coal consumption, which should rise in the Community by approximately 10 million tonnes in 1975 compared with 1974.

3. The favourable trend in both the sales of Community coal and the prices - which were increased in alignment with the rising prices of heating oil and coal imports from non-Member States - has accordingly improved the coal industry's revenue situation for 1975. Production costs have also risen as a result of wages and prices increases in mining equipment, but these increases in expenditure were more than compensated for by price rises.

The German and the British coalfields will probably cover their current production costs in this way in 1975. Certain operating losses are still being incurred in the French coalfields and the southern Belgian coalfield, although they are considerably lower than in 1974. These coalfields must still be granted aids to cover their losses.

4. The sum of financial measures to cover the deficits of social insurance institutions under Article 4 of Decision No 3/71 will total 2 400 million u.a. in 1975. This sum is 18% higher than in 1974 and reveals the increasingly disproportionate ratio between contributors under employment and recipients of benefit.
5. The total aids to the coal industry will drop by 254.4 million u.a. (26.4%) overall and by 1.35 u.a. (33.7%) per tonne in 1975 compared with 1974.

Total amounts of indirect and direct aids (million u.a.)

	Community		
	1973	1974	1975
1. Direct measures under Decision No 3/71	1.002.3	744.4	643.6
2. Coking coal aid	279.1	101.1	42.6
3. Indirect measures	79.4	117.7	22.6
Total	1 360.8	963.2	708.8
Change as against the previous year	..	- 29.2	- 30.0
Amount of aid per tonne of production (u.a.)	5.07	4.00	2.65

The table shows that reductions mainly took place in the direct measures under Decision No 3/71 and in coking coal aid, as the revenue situation and competitive position of the Community's coal industry have improved.

6. The direct aids planned for 1975 total 643.6 million u.a., of which 221.2 million u.a. (34.4%) are aids under Article 9 of Decision No 3/71 and 422.4 million u.a. (65.6%) are aids for rationalization and cover for "inherited" burdens (Articles 7 and 6 of Decision No 3/71).

million u.a.

	Aids		Total
	Articles 6 & 7	Article 9	
Germany	322.5	29.0	351.5
Belgium	5.3	58.6	63.9
France	46.1	133.6	179.7
United Kingdom	48.5	-	48.5
Total	422.4	221.2	643.6

The aid to cover operating losses (Article 9) has dropped by approximately half from 431.3 million u.a. in 1974 to 221.2 million u.a. in 1975. Related to Community production, this aid amounted to 0.83 u.a. per tonne in 1975, compared with 1.76 u.a. in 1974 and 2.95 u.a. in 1973.

STATISTICAL ANNEX

Table 1 : Special survey of indirect aid and direct aid to the coal industry

Table 2 : Development of the intra-Community coal trade

Table 3 : Development of aid awarded by Member States under Articles 6 to 9 of Decision No 3/71

Table 4 : Coking coal aid under Decision No 73/287

Table 5 : Trend in coal production

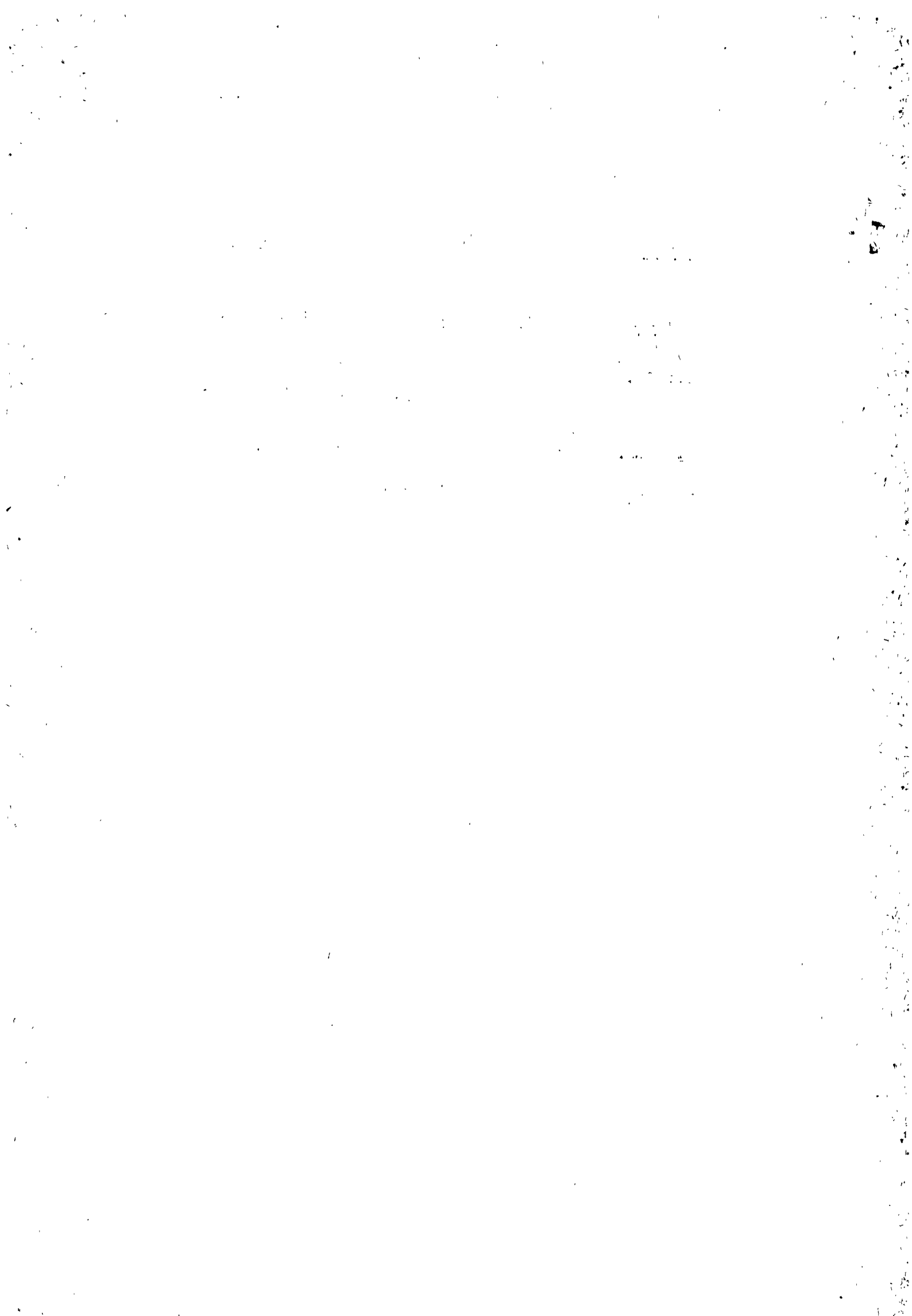


Table 1
Special survey of the indirect and direct aid to the coal industry¹

	Unit	Germany		Belgium		France		Netherlands		United Kingdom		Community	
		1974	1975	1974	1975	1974	1975	1974	1975	1974	1975	1974	1975
A. Aids under Decision No 3/71 (Infringement of Article 4)	million u.a.	(12,4)	-	-	-	-	-	-	-	(15,7)	(29,6)	(28,1)	(23,6)
Article 6	million u.a.	141,8	144,4	1,0	-	40,4	46,1	-	-	45,3	41,7	208,5	232,2
Article 7	million u.a.	82,0	178,1	3,1	5,3	-	-	-	-	5,1	6,8	90,2	130,2
Article 8	million u.a.	-	-	-	-	-	-	-	-	3,8	-	3,8	-
Article 9	million u.a.	34,1	29,0	40,8	52,6	123,2	133,6	18,2	-	84,9	-	421,9	221,2
Total under Art. 6 to 9	million u.a.	257,9	351,5	34,9	62,9	234,3	179,7	18,2	-	139,1	48,5	744,4	513,6
Per tonne	u.a.	2,55	3,43	11,72	7,39	10,23	7,75	22,75	-	1,29	0,36	3,09	2,41
B. Coking coal aid under Decision No 70/1 and 73/287	million u.a.									(1,43)		(3,21)	(2,52)
Totals	u.a.									(2)		(2)	(2)
Per metric ton	u.a.	43,5 ⁽⁴⁾	(4)	28,2	32,2	16,6	1,1	-	-	12,8	9,3	101,1	42,6
	u.a.	0,43	-	3,48	3,98	0,72	0,05	-	-	0,12	0,07	0,42	0,16
C. Total A + B	million u.a.	301,4	351,5	123,1	96,1	250,9	180,8	18,2	-	151,9	57,8	845,5	626,2
Totals	u.a.	2,98	3,43	15,20	11,87	10,95	7,80	22,75	-	1,41	0,43	3,51	2,57
Indirect aids	million u.a.	105,3	9,3	5,4	9,6	7,0 ³⁾	3,7 ³⁾	-	-	-	-	117,7	22,5
Per tonne	u.a.	1,04	0,09	0,67	1,19	0,31	0,16	-	-	-	-	0,49	0,08
Grand totals (C + indirect aids)	million u.a.	406,7	360,8	128,5	105,7	257,9	184,5	18,2	-	151,9	57,8	963,2	708,8
Totals	u.a.	4,02	3,52	15,87	13,05	11,26	7,96	22,75	-	1,41	0,43	4,00	2,65
Per tonne	u.a.	(4,14)								(1,55)	(0,66)	(4,11)	(2,76)
	u.a.	(2)								(2)	(2)	(2)	(2)

¹ Planned aids

² Including the sum exceeding the terms of Article 4 of Decision No 3/71

³ Including aid to reduce the interest of the Charbonnages de France

⁴ Preliminary

5

4

Table 2

Importer	Exporter	Germany		Belgium		France		Netherlands		United Kingdom		Community	
		1974	1975	1974	1975	1974	1975	1974	1975	1974	1975	1974	1975
Germany		-	-	330	240	370	340	380	-	300	800	1 380	1 380
Belgium		4 250	3 780	-	-	125	75	370	-	325	490	5 070	4 345
France		6 685	5 990	75	235	-	-	290	-	490	750	7 540	6 975
Netherlands		850	300	25	35	-	5	-	-	170	400	1 045	740
Italy		3 130	3 400	-	-	10	25	-	-	60	25	3 200	3 450
Luxembourg		490	600	5	-	5	5	-	-	-	-	500	605
Denmark		-	5	-	-	-	-	-	-	-	5	-	10
Ireland		20	25	-	-	-	-	-	-	90	75	110	100
United Kingdom		75	200	-	-	-	-	25	-	-	-	100	200
Community		15 500	14 300	435	510	510	450	1 065	-	1 435	2 545	18 945	17 805

¹ 1974 : Provisional statistics; excluding imports from Ireland. 1975 : forecasts.

Table 3

Development of aid awarded by Member States under
Articles 6 to 9 of Decision 3/71

	Aid totals				Difference between 1974 and 1975	
	1972	1973	1974	1975	in abso- lute terms	in %
<u>GERMANY</u>						
in million DM	896.4	452.9	830.9	1 131.9	+ 301.0	+ 36.2
in million u.a.	244.9	140.7	257.9	351.5	+ 93.6	+ 36.2
in u.a. per tonne	2.26	1.36	2.55	3.43	+ 0.88	+ 34.5
<u>FRANCE</u>						
in million FF	1 036.8	1 408.5	1 477.7	1 083.4	- 394.3	- 26.7
in million u.a.	186.7	253.6	234.3	179.7	- 54.6	- 23.3
in u.a. per tonne	6.27	9.87	10.23	7.75	- 2.48	- 24.2
<u>BELGIUM</u>						
in million Bfrs	5 557.3	5 434.4	4 653.0	3 132.0	-1521.0	- 32.7
in million u.a.	111.1	110.9	94.9	63.9	- 31.0	- 32.7
in u.a. per tonne	10.58	12.60	11.72	7.89	- 3.83	- 32.7
<u>NETHERLANDS</u>						
in million Fl	50.1	36.7	61.3	-	-	-
in million u.a.	13.8	10.3	18.2	-	-	-
in u.a. per tonne	4.76	5.72	22.75	-	-	-
<u>UNITED KINGDOM</u>						
in billion	..	243.4	73.7	26.2	- 47.5	- 64.5
in million u.a.	..	486.8	139.1	48.5	- 90.6	- 65.1
in u.a. per tonne	..	3.78	1.29	0.36	- 0.93	- 72.1
<u>COMMUNITY</u>						
million u.a.	..	1 002.3	744.4	643.6	- 100.8	- 13.5
in u.a. per tonne	..	3.73	3.09	2.41	- 0.68	- 22.0

Table 4

Coking coal aid under Decision No 73/287

Recipient	1973	1974	1975 ¹
<u>GERMANY</u>			
in million DM	608.0	140.0 ²	-
in million u.a.	188.8	43.5	-
in u.a. per tonne	1.83	0.43	-
<u>FRANCE</u>			
in million FF	110.9	104.6	6.6
in million u.a.	20.0	16.6	1.1
in u.a. per tonne	0.78	0.72	0.05
<u>BELGIUM</u>			
in million Bfrs	1 973.6	1 382.9	1 579.8
in million u.a.	40.3	28.2	32.2
in u.a. per tonne	4.58	3.48	3.98
<u>UNITED KINGDOM</u>			
in million u.a.	15.0	6.8	5.0
in u.a. per tonne	30.0	12.8	9.3
in u.a. per tonne	0.23	0.12	0.07
<u>COMMUNITY</u>			
in million u.a.	279.1	101.1	42.6
in u.a. per tonne	1.04	0.42	0.16

¹ Estimates

² Preliminary

Table 5
Development of production¹

in million tonnes

	1972	1973	1974	1975 ²	Differences between 1974 and 1975	
					in absolute terms	on %
Germany	108.5	103.4	101.2	102.5	+ 1.3	+ 1.3
France	29.8	25.7	22.9	23.2	+ 0.3	+ 1.3
Belgium	10.5	8.8	8.1	8.1	-	-
Netherlands	2.9	1.8	0.8	-	- 0.8	..
The Six	151.7	139.7	133.0	133.8	+ 0.8	+ 0.6
United Kingdom	118.2	128.9	108.0	132.9	+ 24.9	+ 23.1
Enlarged Community	269.9	268.6	241.0	266.7	+ 25.7	+ 10.7

¹ Official statistics, excluding Italy and Ireland and excluding small pits

² Estimates