

COMMISSION OF THE EUROPEAN COMMUNITIES

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MEMORANDUM

on

the financial aid awarded by the Member States to the
coal industry in
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CHAPTER IINTRODUCTION AND SUMMARY

1. Decision N° 3/71¹ empowered the Commission to authorize such financial aids by the Member States for the Community's coal industry as would facilitate :
 - rationalization of production and its concentration on the pits best fitted to supply the Community with energy; and
 - the continued adjustment of production to the state of the energy market in so far as this did not lead to serious disturbances in economic and social conditions in regions where the development potential is as yet insufficient.
2. The pursuit of these aims over a period of five years (1971-75) furthered rationalization and decreased production to meet market conditions. There was virtually no investment in new production capacity.
3. Since 1973 events on the world energy market, particularly the oil market, have created a new situation for the Community. The price of energy has shot up, and considerable problems of security of supply have arisen. The Commission and Council have drawn attention to the need for measures to reduce dependence on energy imports as far as possible, i.e. to increase domestic supplies.

Where the Community's coal-mining industry is concerned, the Commission therefore considers it appropriate to stabilize production while taking into account the natural and technical situation in the individual fields under satisfactory economic conditions².

¹ OJ of 5.1.1971, page 7

² Medium-term guidelines for coal 1975 to 1985, OJ No. C 22 of 30.1.1975

At the sessions of 17 December 1974¹ and 13 February 1975¹, the Council also resolved that the Community's coal production should be maintained at its current level under satisfactory economic conditions.

4. In view of these new energy policy directives, a new basis had to be created in order to halt the present contraction of the coal-mining industry and achieve the aims detailed above. In autumn 1975 the Commission submitted to the Council a draft decision in order to obtain the Council's approval. After approval by the Council the Commission published in the Official Journal of 11 March 1976, Decision N° 528/76/ECSC regarding the Community system of measures taken by the Member States to assist the coal-mining industry.
5. On 23 October 1976, in addition to Decision N° 528/76, and after consulting the Council, the Commission published Decision N° 2514/76/ECSC². The aim of this implementing decision is to achieve greater comparability between the annual communications from the Member States to the Commission and make it easier for the Member States to calculate what sums they may grant in aid.
6. The new system of aid to apply for a period of ten years, came into force on 1 January 1976. In basis and structure it differs entirely from Decision N° 3/71. There is therefore no common denominator for comparing the sums in aid set out in this memorandum for 1976 and those granted for 1975.

In accordance with Decision N° 528/76 the following text distinguishes between aid not relating to current production (Chapter III) and aid relating to current production (Chapter IV).

¹ OJ N° C 153 of 9.7.1975

² OJ Volume 19 N° L 292 of 23.10.1976, page 1

The aids dealt with in Chapter III are social security measures to cover inherited liabilities arising from the closure of pits in previous years.

The fact that the previous statistical treatment of aids was discontinued by the new 1976 decision does not mean that all the Member States have proceeded to introduce entirely new measures. On the contrary, almost all the measures taken in 1976 are a continuation of measures already applied in 1975, the only difference being the aim and the larger sums involved.

7. The total sum of aid to current production for the Community as a whole is given in the following table.

<u>A. Legal basis pursuant to Decision N° 528/76</u>	<u>Million EUA</u>	<u>EUA/t</u>
1. Infringements of Article 4	30.5	0.12
2. Infringements of Article 5	-	-
3. Indirect measures	37.0	0.15
4. Direct measures	661.7	2.67
thereof : Article 7 (Investment aid)	110.8	0.45
Article 8 (Aid to finance training)	43.8	0.18
Article 9 (Aid for producers' stocks to cover fluctuations in demand)	36.0	0.15
Article 10 (Aid to security stocks)	27.6	0.11
Article 11 (Aid to steamcoal for power stations)	2.5	0.01
Article 12 (Aid to cover losses)	441.0	1.77
Total (A)	729.2	2.94
<u>B. Aid to coking coal pursuant to Decision N° 73/287</u>	49.7	0.20
Total (A + B)	778.9	3.14

The aid referred to in points 1 and 2 of the table concerns measures in respect of social security systems (Article 3) and the covering of inherited liabilities (Article 5). Aid to current production includes only those sums which actually exceed the undertakings' liabilities.

8. Under Article 2(1) of Decision N° 528/76 the Member States must inform the Commission not later than 1 November each year of the measures they intend to introduce in the following year, including forecasts of availabilities and dispositions of coal. In view of the new decision, N° 528/76, the deadline set for communicating the said measures is 30 June 1976 (Article 2(2)).

The Commission notes with regret that none of the Member States met this deadline. Submission of this memorandum to the Council has been greatly delayed in consequence. The Commission draws the attention of the Member States to the fact that a delay in the notification could lead to the consequence that the aids might not be approved. According to Article 6, § 3 of Decision N° 528/76, the aids cannot be paid without the Commission's agreement. In the contrary case there would be a violation of Community law. It is consequently in the Member States' own interest to make a point of meeting the deadline laid down in Decision N° 528/76.

9. Pursuant to Article 2(2) of Decision N° 528/76 the Commission has received communications on measures due to be adopted in 1976 from the Governments of the following Member States

- from the Government of the Federal Republic of Germany
communications of 28 June 1976 and
19 October 1976
- from the French Government
communications of 26 September 1976
14 February 1977
- from the Belgian Government
communication of 17 November 1976
- from the Government of the Netherlands
communication of 5 October 1976
- from the Luxembourg Government
communication of 18 August 1976
- from the United Kingdom Government
communications of 16 June 1976,
25 October 1976 and
4 November 1976
- from the Irish Government
communication of 15 July 1976
- from the Danish Government
communication of 31 October 1976

The Commission has received no communication from the Italian Government.

10. Any information coming under the heading of professional secrecy as covered by Article 47 of the ECSC Treaty, and included in the economic data submitted in the communications of the Member State Governments, was not incorporated in this report.
11. For the purpose of calculating sums in aid per tonne of output, the estimated 1976 output as supplied by the Member States' Governments was used as a basis (See Annex, Table 4).
12. The following rates of exchange were used for converting sums granted in aid expressed in national currency into European units of account :

1 EUA	=	Bfrs	44.3
	=	DM	2.90
	=	FF	5.21
		£	0.59

13. The conclusions of the Commission are set out in Chapter V.

CHAPTER II

General trends in the coal market and the situation in the
Community's coal-mining undertakings in 1976

This memorandum does not go into the details of trends in the coal market; only the most important factors are dealt with and only in so far as they affect the granting of aid and the situation as regards competition.

Compared with 1975, demand for coal rose slightly in 1976. This is partly due to a temporary improvement in the economic situation in the steel industry and partly to the fact that power stations increased their coal burn as a result of increased electricity consumption and because of the summer drought. The rise in demand, was relatively small however so that it proved possible to reduce, but not use up, the 1975 surplus in 1976. As a result, coal and coke stocks held by Community producers rose to the unusually high level of over 50 million t in 1976. In the Federal Republic of Germany alone stocks at the end of 1976 were as high as 12 million t coal and 12 million t coke ¹.

In view of the limited scope for further stocking of current production the Community's production had to be cut from 256 million t (1975) to 247 million t (1976) - see Annex Table 4). By contrast (and taking the Community as a whole), imports of coal from non-member countries rose slightly in 1976 compared with 1975 (+ 1 million t). Trends in coal imports differed from Member State to Member State - in the Federal Republic, the United Kingdom and Italy coal imports decreased, whilst imports of coal from non-member countries into France and Belgium increased.

¹ Expressed in terms of coal this is equivalent to approximately 16 million t coal.

Totals for intra-Community trade in coal and coke will be lower in 1976 than in 1975 (see Annex, Table 3 for figures on intra-Community trade in coal).

Financially, undertakings were in greater difficulties than in 1975.

There were heavy cost increases as a result of :

- (i) wages increasing disproportionately faster than productivity;
- (ii) prices of mining material and equipment rising;
- (iii) high cost of holding pithead stocks.

Cost increases were only partly absorbed by price increases so that undertakings had lower revenue in 1976 than in 1975.

Particular attention is drawn to the fact that everything points to the difficulties in the coal market in 1975/76 having been due chiefly to short-term economic causes. Through grants in aid in 1976 the Member States' Governments contributed towards maintaining productive capacity in the Community's good coalfields. Only marginal collieries were closed down. Decreases in the output of undertakings in 1976 was due to internal measures introduced with the aim of achieving a better balance in the market and preventing as far as possible an increase in pithead stocks.

CHAPTER III

Financial aid not related to current
production

These aids concern social security measures and the covering of inherited liabilities arising from pit closures in previous years.

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

Under Article 4 of Decision N° 528/76, 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 N° 528/76.

A₁) GERMANY, BELGIUM, FRANCE

Germany has set aside DM 6 387 million for 1976 to cover the deficit in the insurance of surviving dependants for the whole mining sector; approximately 80 % (DM 5 110 million) is allocated to the coal industry.

State expenditure on welfare benefits in the Belgian coal industry can be estimated at Bfrs 20 310.4 million for 1976. The following table contains the details.

Source	Amount of State subsidies (million Bfrs)	Purpose
State	8 448.0 ¹	<u>Old-age pension and insurance of surviving dependants</u> Regular statutory contribution
State	1 150.8	<u>Old-age pension and insurance of surviving dependants</u> Contribution to cover the deficit
State	4 550.0	<u>Disability pensions insurance</u> Disability pensions
State	6 161.6	<u>Occupational diseases</u> 50% of the expenditure arising from miner's pneumoconiosis
Total	20 310.4	

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 4 420.6 million in 1976. The following table contains the details

Source	Expenditure (in million FF)	Purpose
State	2 132.0	<u>Disability and old-age pensions insurance</u> Regular contribution amounting to 22% of wages subject to contribution, and additional State adjustment
General system	275.0	<u>Disability and old age pensions insurance</u> Regular contribution to cover part of "exceptional expenditure" (amount fixed by law)
General system	735.0	<u>Insurance against industrial accidents and occupational diseases</u> Regular repayment of inherited liabilities
General system	471.0	<u>Sickness insurance</u> Treatment benefits
State	448.6	<u>Disability and old-age pensions insurance</u> "Exceptional expenditure" in coal-mining industry within the meaning of Article 4 of Decision N° 528/76
General system	359.0	<u>Supplementary scheme: workers' retirement pensions</u>
Total	4 420.6	

Calculations 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 528/76:

- (i) In the Federal Republic the undertakings' actual welfare expenditure is DM 640 million (16.3%) higher than the normal expenditure defined in the Article 4.
- (ii) In Belgium the undertakings' actual social expenditure is Bfrs 249.6 million higher than the normal expenditure defined in Article 4.
- (iii) In France the State subsidy to Charbonnages de France (FF 448.6 million) means that actual social expenditure and normal expenditure coincide.

A₂) 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 £ 18.0 million into the fund in the 1976/77 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 528/76 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 mentioned 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 £ 18.0 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.

A₃) Summary of financial measures in the social security sector

As Table 1 in the Annex reveals, State intervention in the social security sector of the mining industry will amount to approximately 3 099.6 million EUA for the Community in 1976 (not including the United Kingdom).

B. Description and assessment of the financial measures to cover inherited liabilities

Pursuant to Article 5 of Decision No 528/76 measures taken by Member States to assist undertakings to cover the costs arising from pit closures which are not related to current production and the sale of coal shall be compatible with the common market provided that the amounts of such measures do not exceed the amount of such costs, i.e. the inherited liabilities. Any sums in excess of the above represent direct aid to current production and are to be regarded as aid pursuant to Articles 7-12 of Decision No 528/76.

B₁) Federal Republic of Germany

For 1976 the Federal Government has planned the following measures to cover inherited liabilities :

	<u>million DM</u>
Aktionsgemeinschaft scheme :	
Closure premiums	37.5
Dispensation from obligations arising under the Equalization of Burdens Law	<u>22.5</u>
Sub-total	60.0
Aid for water-control costs	67.5
Aid to cover expenditure resulting from contraction	71.2
Aid to cover inherited liabilities	187.0
Aid to cover the RAG's closure write-offs	48.0
Total	<u>433.7</u>

(= 149.6 million EUA)

All the above liabilities represent liabilities inherited by the undertakings, i.e. those resulting from the closure of pits in previous years, and therefore do not relate to current output.

These measures constitute aids also granted in previous years.

Through the Aktionsgemeinschaft Deutscher Steinkohlenbergbau (association of German coal-mining undertakings), the Federal Government pays the undertakings concerned a premium of DM 20/t of annual capacity for all closures undertaken in 1976. These closures are undertaken to rationalize production. The aid covers only a small fraction of the actual costs that have to be borne by undertakings in connection with closures.

The public authorities will pay DM 22.5 million to the equalization of burdens fund as aid to cover the equalization of burdens payments, and thereby release closed pits from their obligations. The level of the aid is equivalent to the costs charged.

The sum of DM 67.5 million for water control costs will be paid to the Ruhr-mining industry specifically to cover the financial burden arising from closures since 31 December 1966. As a result of pit closures, the Ruhr coal-mining industry bore a heavy burden in the form of constantly rising contributions to water control associations and the Pumpgemeinschaft Ruhr (Ruhr pumping association). The aid does not exceed the actual additional costs to be borne by undertakings.

The sum of DM 71.2 million to cover expenditure resulting from contraction is additional to the closure premiums which (as mentioned above) do not cover actual costs of closures. This measure concerns liabilities arising out of pit closures since 31 December 1972. The aid is spread over a period of five years in the form of a flat-rate payment of DM 30 for every tonne by which annual capacity is reduced, but not exceeding actual costs borne by undertakings as a result of the closures.

The sum of DM 187.0 million as aid for covering inherited liabilities concerns these inherited liabilities arising from pit closures before 1 January 1973. The relevant German laws ensure that the aid does not exceed actual liabilities borne by undertakings.

The sum of DM 48.0 million as aid towards closure write-offs only concerns Ruhrkohle AG. In previous years the Ruhrkohle AG has had to include depreciation for assets lost as a result of pit closures which could not, however, be included in the profit and loss account since this would have bankrupted the undertaking. A special item was therefore introduced on the assets side of the balance sheet and on 31 December 1975 this amounted to DM 731 million.

Because of the unfavourable economic situation, the undertaking is not in a position to write off this special item in annual instalments and the public authorities have therefore agreed to take over DM 480 million of the total sum - payable in 10 equal annual instalments of DM 48 million.

All the above measures show that the requirements of Article 5(1) of Decision No 528/76 are met. The total sum involved in these measures in 1976 is 149.6 million EUA and is included in Table 1 of the Annex.

B₂) BELGIUM, FRANCE, UNITED KINGDOM

For 1976, the Belgian Government has set aside a sum of Bfrs 38 million (0.9 million EUA) as aid towards covering inherited liabilities in its Southern coalfield. Of this sum Bfrs 12 million is to be used to cover damage from subsidence and Bfrs 26 million to cover water control charges. The Commission estimates that the costs arising out of subsidence and water control following pit closures, for which undertakings in the Southern coalfield are responsible, are the same as the sum granted in aid.

For 1976, the French Government has allocated a sum of FF 267.4 million (51.3 million ECU) as aid towards covering inherited liabilities borne by Charbonnages de France. This sum in aid is intended to cover the following inherited liabilities :

	<u>Million FF</u>
Contribution to early retirement pensions	3.8
Premiums, lump sums for retained personnel, cost of housing for those retiring early	44.6
Financial liabilities in respect of those retiring early	211.7
Concessionary allowances for those retiring early	7.3
Total	<u>267.4</u>

Broken down between coalfields as follows :

Nord/Pas-de-Calais	171.5
Lorraine	25.4
Centre-Midi	70.5

The Commission estimates that the actual liabilities borne by the Charbonnages de France are the same as the sum granted in aid.

In 1976 the British Government planned to introduce the following measures under Article 5 of Decision No 528/76 :

	<u>Million £</u>
Redundancy payments to miners affected by pit closures	4.9
Early retirement payments	1.4
Aid in respect of concessionary coal for pensioners	3.3
Total	<u>9.6</u> (16.3 million ECU)

The United Kingdom measures cover inherited liabilities arising out of pit closures; these liabilities are the same as the sum granted in aid.

To summarize, it can be said that the Belgian, French and United Kingdom measures listed above meet the criteria of Article 5(1) of Decision No 528/76.

B₃) Summary of the measures to cover inherited liabilities

As can be seen from Table 1 of the Annex, the planned state aids to cover inherited liabilities in 1976 will total 218.1 million ECU for the Community as a whole.

CHAPTER IV

Financial aid relating to current production

All aids that are not social measures within the meaning of Article 4 of Decision No 528/76, or aids to cover inherited liabilities within the meaning of Article 5, are aids to current production. Aids to current production are the basis for achieving the aims set out in Article 1 of Decision No 528/76 and for assessing the relative competitive position of Community coal producers.

Aid to current production may be granted directly or indirectly to undertakings.

A. Indirect financial aid to current production in the coal mining industry

Indirect financial aid covers all measures which Member governments announce in accordance with the first paragraph of Article 2(1) of Decision No 528/76 but which do not come into the category of the direct measures defined in Articles 7 to 12 of the Decision. Indirect measures are reported to the Commission under Decision No 528/76 and assessed according to the provisions of the ECSC Treaty.

Only Germany, Belgium and France have announced indirect aid to the coal industry for 1976. No new measures have been taken.

A₁) Description of the German, Belgian and French measures

Germany proposes the following measure in 1976 :

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

DM 55.0 million

The indirect financial measures planned by the Belgian government in 1976 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 Budget) Bfrs 551.3 million

Total Bfrs 569.3 million

The French government plans a State subsidy of FF 26.0 million for the research programme of the "Centre d'Etudes et de Recherches des Charbonnages de France (GERCHAR)" in 1976.

A₂) 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.

A₃) Summary of indirect measures

Table 2 of the statistical annex gives the relevant figures under A/II. A sum of 37.00 million EUA has been set aside in 1976 for indirect aid to the Community's coal-mining industry

B. Direct financial aid to current production in the coal-mining industry

In accordance with the provisions of Decision No 528/76, direct aid to current production includes all measures based on Articles 7 - 12.

B₁) Federal Republic of Germany

- a) The extent to which direct financial aid to current production in the German coal-mining industry is compatible with the provisions of Articles 7 - 12 of Decision No 528/76

In 1976 the Federal Government will retain the direct aid measures that were in force 1974/75 and add a new one. The following measures are involved :

Legal basis under Dec. No 528/76	Measure	Amount of aid			
		Total		Per tone of product.	
		Million DM	Million EUA	DM	EUA
Art. 7(1)	Investment aid	273.0	94.1	2.90	1.00
Art. 7(3) sub. 3	Promotion of innovation	32.8	11.3	0.35	0.12
Art. 8	Mineworkers' bonuses	115.0	39.7	1.22	0.42
Art. 10	Aid to security stocks	80.0	27.6	0.85	0.29
Art. 12	Cover for RAG's amortization instalments	67.2	23.2	0.71	0.25
	Total Articles 7-12	568.0	195.9	6.03	2.08

The investment aid of 94.1 million EUA is intended for investment projects in pits, coking plants, briquetting plants and pithead power stations. In 1976, total investment in the German coal-mining industry will come to over 300 million EUA. Investment aid will represent 25-30% of total investments.

In relation to the Community's new policy for coal, this investment aid is to be regarded as beneficial since it will promote the long-term stabilization of production in the German coalfields. The aid complies with the provisions of Article 7(1) of Decision No 528/76.

The sum of 11.3 million EUA to promote innovation is intended to ensure that research results are applied to production as quickly as possible. The aid covers just under half of the costs borne by undertakings and is granted in respect of individual projects which, when completed, are likely to prove their economic worth to coal-mining in the medium-term. The purpose and amount of this aid show that it is compatible with sub-section 3 of Article 7 (3) of Decision No 528/76.

Mineworkers' bonuses, amounting to 39.7 million EUA, have been in application since 1956. A bonus of DM 5 is paid for every shift worked underground, thus ensuring that the qualified personnel required if German coal-mining is to increase its output is retained. The measure therefore corresponds with the provisions of Article 8 of Decision No 528/76.

The sum of DM 27.6 million as aid towards building up long-term security stocks is a new measure introduced by the Federal Government, which has decided that a reserve of 10 million t of coal and coke is to be laid down in order to increase the long-term security of energy supplies. The intention is therefore for the Notgemeinschaft Deutscher Steinkohlenbergbau (emergency association of German coal mining industry undertakings) to buy up 10 million t of coal and coke and the Federal Government to cover actual running costs for maintaining these stocks by granting a sum in aid of DM 80 million, i.e., a maximum 30 % of costs. The aim and sum involved show that the measure meets the requirements of Article 10 of Decision No 528/76.

It was intended that in 1976 the public authorities should take over the RAG's (Ruhrkohle AG) compensation payments to the former owners of its pits and pay a sum of DM 67.2 million. The former owners of the pits possess state-guaranteed claims against the RAG dating back to the year the latter was founded (1969). Since the financial position of the RAG means that it cannot pay the sum involved (67.2 million DM), a claim based on this guarantee has been made on the public authorities. The documentation on the cost and profit position of the RAG collieries during the first six months of 1976 shows that costs were slightly higher than profits (depreciation and interest on its own capital being included in the calculation). The resulting operating losses are greater than the sum granted in aid.

On a Community basis the Ruhr coalfield is regarded as an efficient area. The aim of the aid is to prevent losses increasing to such an extent as to endanger the existence of the undertaking and therefore shows that this measure meets the criteria of Article 12(1), sub-section 2, and Article 12(2), sub-section 2.

- b) The extent to which direct measures in favour of current production in the German coal-mining industry are compatible with the proper functioning of the Common Market

An assessment of the extent to which German aids are compatible with the proper functioning of the Common Market requires consideration of all direct and indirect aids for current production in 1976 (Article 3(2) of Decision No 528/76).

The relevant figures are given in a summary table (see Statistical Annex, Table 2).

By this method of calculation, the total proposed aid under the German measures amounts to 223.5 million EUA, i.e., 2,38 EUA/t.

Compared with other Member States of the Community, current production is more heavily subsidized (per tonne) in the Federal Republic of Germany than in the United Kingdom and very much less heavily subsidized than in France and Belgium.

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

- (i) The large pithead stocks of coal and coke make supply problems unlikely.
- (ii) Deliveries of German coal to other Community countries will drop slightly compared with 1975 as the upturn in the steel industry is insignificant.
- (iii) Prices for German steam coal and coking coal were as follows (valid without change in 1976) : (DM/t)

Steam coal¹

RAG	157.50
Saarbergwerke	173.00

Coking coal

RAG	165.50
Saarbergwerke	180.00
Aachen	167.50

¹Bituminous coal nuts 5

Steam-coal prices are much higher than the equivalent prices of heavy heating oil but are still paid by the power stations as they can use the third electricity-from-coal law to cover their extra costs due to their using coal by raising electricity tariffs.

Prices of coking coal are equivalent to those of imported coking coal under long-term supply contracts.

German aid to current production therefore does not lead to indirect aid to industrial users of coal.

In 1976, rationalization of production will continue, with major investments and the closure of two marginal pits.

The above details show that the aids to current production in the German coal-mining industry in 1976 are compatible with the proper functioning of the common market (Article 3(1) of Decision No 528/76)

B₂) Belgium

- (a) The extent to which direct financial aid to current production in the Belgian coal-mining industry is compatible with the provisions of Articles 7-12 of Decision No 528/76

In 1976 the Belgian Government plans to maintain direct aids granted in previous years and to introduce a new one. The following direct aids are to be granted :

Legal basis under Decision No 528/76	Measure	Amount of aid			
		Total		Per tonne of prod.	
		Million Bfrs	Million ECU	Bfrs	ECU
Art. 7(1)	Investment aid	241.3	5.4	32	0.72
Article 9	Aid to producers' stocks	467.5	10.6	62	1.41
Article 12	Aid to cover losses Coal field : Campine Southern	2 250.2	50.8	369	8.33
		2 729.2	61.6	1 949	44.0
	Total	4 979.4	112.4	664	14.99
	Total	5 688.2	128.4	758	17.12

In addition to the above aids, a coking-coal aid (Decision No 73/287) of Bfrs 1 606.0 million (36.3 million ECU) is to be granted to current production in the Campine coalfield. Taken together, Belgian direct aid amounts to a total of Bfrs 7 294.2 million, allocated as follows between the two coalfields :

Campine:

Bfrs 4 553.7 million = Bfrs 747/t

Southern :

Bfrs 2 740.5 million = Bfrs 1 958/t

Total:

Bfrs 7 294.2 million = Bfrs 973/t

Of the Bfrs 241.3 million investment aid, Bfrs 230.0 million went on the Campine coalfield and Bfrs 11.3 million on the Southern coalfield. The aid to the Campine coalfield has been so determined as to cover depreciation, to enable this field to maintain its coking coal production which is essential for the Belgian steel industry. The investment aid to the Southern coalfield permits the carrying out of only the most essential repairs required to avoid jeopardizing the technical safety of the pits.

Hence Belgian investment aid complies with the provisions of Article 7(1) of Decision No 528/76.

Only the Campine coalfield is to receive aid to producers' stocks, the sum involved being Bfrs 467.5 million. Stocks held in this coalfield, whose sales were affected by the slump in the steel industry, will be approximately 1.3 million t in 1976. Of this, 0.8 million t can be regarded as qualifying for the aid referred to in Article 9(2) of Decision No 528/76¹. The rate at which aid is paid will therefore be Bfrs 584/t.

¹ Monthly production in the Campine coalfield is about 0.5 million t. With total stocks at 1.3 million t, this means that 0.8 million t qualify for aid.

Costs can be estimated at Bfrs 640/t (including depreciation and interest). The aid for producers' stocks, therefore, also complies with the requirements of Article 9(3) of Decision No 528/76.

Aid totalling Bfrs 4 979.4 million to cover losses is paid to both Belgian coalfields for different reasons. The amount of aid paid to cover losses in the Campine coalfield will make up the difference between costs and revenue, with coking-coal aid (Bfrs 1 606.0 million) included.¹ The difference between costs and revenue has to be almost totally covered because it is intended that this coalfields should provide coking coal supplies for the Belgian steel industry and must therefore maintain its output. The purpose and amount of aid granted to cover losses in respect of the Campine coalfield therefore comply with the conditions of Article 12(1), sub-section 2, and Article 12(3) of Decision No 528/76.

The Southern coalfield, however, receives aid covering only approximately 80 % of the difference between costs and revenue. Here the intention is to ensure that only essentials are maintained and the pits remain viable in the short term only, so that the coalfield can be closed down as planned within a period (by about 1980) which will ensure that serious economic and social disturbances over the re-employment of redundant miners are avoided. Two pits in the Southern coalfield are due for closure in 1976, affecting approximately 1 500 miners. From all this it can be seen that the aid to cover losses in the Southern coalfield is compatible with Article 12(1), subsection 1, and Article 12(2).

¹Article 12(5) of Decision No 528/76

- (b) The extent to which direct measures in favour of current production in the Belgian coal-mining industry are compatible with the proper functioning of the common market

When all direct and indirect aids to current production in the Belgian coal-mining industry are added together, the result is a sum of 177.6 million ECU for 1976 (23.68 ECU/t; see Annex, Table 2). Compared with other Member States, this aid is exceptionally high.

As regards the compatibility of the aids with the proper functioning of the common market (Article 3(1) of Decision No 528/76) the following should be noted :

- (i) As a result of large producers' stocks, there have been no supply problems.
- (ii) Compared with 1975, deliveries of Belgian coal to other Community countries dropped slightly in 1976 whilst deliveries of coal from other Community countries increased.
- (iii) Rationalization of production continued in 1976, with investment in the Campine coalfield and the closure of two uneconomic pits in the Southern coalfield. Social measures to assist 1 500 employees were made necessary by the closures in the Southern coalfield. Serious economic and social problems there were avoided in 1976.
- (iv) Prices of Belgian steam coal (Bfrs 2 450/t in 1976) are aligned on those of heavy heating oil.
- (v) Where Belgian coking coal prices are concerned, the trend after July 1976 diverged from the price trends of imported United States coking coal bought under long-term contracts. The discounts on prices of Belgian coking coal allowed to the Belgian steel industry were

increased in summer 1976, whilst prices of US coking coal imported under long-term contracts have hardly changed. Of 1976 it can be said that, in the first six months of 1976, Belgian and US coking-coal prices were equivalent, US prices being fixed under long-term contracts.

However, the higher discounts introduced in the summer meant that the Belgian steel industry paid only Bfrs 2 150/t in the second half of the year, whilst the indicative price of UK coking coal supplied c.i.f. under long-term contracts was approximately Bfrs 2 335/t. The situation thus arising is the subject of discussions between the Commission and the Belgian Government.

In view of the fact that, on the basis of Decision No 528/76, the following aids were granted in 1976 to the Campine coalfield (coking coal supplier):

	<u>million Bfrs</u>
- investment aid	230.0
- aid to producers' stock	467.5
- aid to cover losses	2 250.2

(giving a total of Bfrs 2 947.7 million),

and as a coking coal aid of Bfrs 1 606.0 million was applied for under Decision No 73/287, the Commission considers that only the aids applied for under Decision No 528/76 may be granted and only on condition that the current examination of price problems in respect of coking coal on the basis of the provisions of Decision No 73/287 are not in any way prejudiced. The Commission reserves, if necessary, the right to reconsider the authorisation of the aid for the Campine coalfield to cover losses.

(B₃) France

(a) The extent to which direct financial aid to current production in the French coal-mining industry is compatible with the provisions of Articles 7 - 12 of Decision No 528/76.

The French Government did not provide for any new measures in 1976 but continued with aids instituted in previous years; this involves only aid to cover losses:

Legal basis under Decision No 528/76	Measure	Totals		per tonne of prod.	
		million FF	million ECU	FF	ECU
Article 12	(a) Cover for the losses of the central administration of the Charbonnages de France	185.5	35.6	8.43	1.62
	(b) Cover for the coalfields' operating losses	1405.8	269.8	63.79	12.26
	Total	1591.3	305.4	72.33	13.88

In addition to the abovementioned aids, a coking-coal aid of FF 8.8 million is to be granted to the Lorraine coalfield in 1976.

Part of the French aid to cover losses is paid to the head office of Charbonnages de France, since their cost accounting is kept separate from that of the coalfields, and part is paid to the coalfields, but the reasons for granting aid vary since the situation varies from coalfield to coalfield.

For the purpose of assessing aid to head office, Charbonnages de France has to be regarded as a total company; i.e. aids to head office and for the coalfields are consolidated. According to estimated interim results so far available for 1976, it is probable that the total sum in aid, namely FF 1,591.3 million, will remain considerably below the anticipated total losses of Charbonnages de France.

The following points are relevant in connection with aid to the individual coalfields:

- (i) In 1976 the Nord/Pas-de-Calais and Centre-Midi coalfields are to receive a sum of FF 743.1 million and 410.5 million respectively as aid to cover losses. This aid will not nearly cover the losses of the coalfields; even after the aid, substantial real-asset losses to the coalfield will remain. These real-asset losses are the result of pit closures. In these coalfields, four pits are likely to be closed in 1976 thus affecting approximately 2 000 employees. Further contraction is included in the future production plans for these coalfields and this is to be coordinated with measures to re-employ redundant miners and thus avoid serious economic and social problems in regions where re-employment opportunities are still inadequate. This means that the aid to these coalfields fulfills the requirements of Article 12(1), subsection 1 and 12(2) of Decision No 528/76.
- (ii) The sum of FF 252.2 million in aid to cover losses in the Lorraine coalfield will not cover all anticipated operating losses in the coalfield but will go a long way towards it. No pits are to be closed in this coalfield in 1976. As far as possible, production there is to be maintained since the coking coal is essential for supplies to the steel industry. The purpose and amount of aid therefore comply with Article 12(1), subsection 2, and Article 12(3) of Decision No 528/76.

- (b) The extent to which direct measures in favour of current production in the French coal-mining industry are compatible with the proper functioning of the common market

Total direct and indirect aid to current production in the French coal-mining industry amounts to 312.2 million ECU for 1976 (14.19 ECU/t; see Annex, Table 2). The aid is higher than the equivalent German and British aids, but lower than the amount granted in Belgium.

Attention should be drawn to the following in connection with the extent to which the aids are compatible with the proper functioning of the common market (Article 3(1) of Decision No 528/76):

- (i) In 1976 there were no supply problems on the French coal market.
- (ii) Deliveries of French coal to other Community countries will drop from 580 000 t (1975) to approximately 500 000 t (1976). Deliveries of French coal to the German market alone will decrease by approximately 100 000 t. Hardly any price alignments are being operated.
- (iii) List prices of coking coal in France were as follows on 1 September 1976 :

	FF/t
Nord/Pas-de-Calais	320.00
Lorraine	338.00

These prices are comparable with the equivalent prices of imported United States coking coal and consequently require no further comment.

Prices for French steam coal were as follows on 1 September 1976:

	FF/t
Lorraine	
Bituminous coal Nuts 2	235.00
Nuts 5	209.00

Following special agreements the quantities supplied by Charbonnages de France to the EDF (Electricité de France) are delivered at prices aligned on the equivalent prices for heating oil. On the other hand, French steam-coal prices for industry in general (1.6 million t expected to be sold in 1976) are still

lower than comparable heating-oil prices. 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 which according to information provided by the French Government, is priced lower than French steam coal.

On the basis of the foregoing, the Commission concludes that French aids to current production in 1976 do not disturb the proper functioning of the common market.

B₄) United Kingdom

- (a) The extent to which direct financial aid to current production in the British coal-mining industry is compatible with the provisions of Articles 7-12 of Decision No 528/76

For the coal marketing year 1976/77 the British Government plans the following direct aids to current production:

Legal basis under Decision No 528/76	Measure	Total		per t of coal	
		million £	million ECU	£	ECU
Article 8	Aid to attract qualified personnel	2.4	4.1	0.02	0.04
Article 9	Aid to producers' stocks	15.0	25.4	0.12	0.20
Article 11	Aid to steam coal	1.5	2.5	0.01	0.02
	Total ,	18.9	32.0	0.15	0.26

Particular attention is drawn to the fact that the figures for the above aids are provisional; when this memorandum was written negotiations between the British Government and the NCB had not been completed.

The aid to coking coal is estimated at £ 1.8 million for 1976.

The aid for attracting and maintaining qualified personnel (£ 2.4 million) is intended to cover the NCB's costs arising from rationalization and the transferring of production to the best pits. This results in outgoings on removals, transport, etc. The aid is compatible with Article 8 of Decision No 528/76.

When assessing the aid to cover costs for producers' stocks of coking coal (£ 25.4 million) it must be remembered that stocks held by producers and additional stocks held by consumers but directly or indirectly financed by producers total about 17 million t. Given a monthly production of approximately 10.5 million t, the volume of producers' stocks qualifying for aid is 6.5 million t. This means that the per-tonne grant in aid is £ 3.9 Actual costs of maintaining producers' stocks (including depreciation and interest) are considerably higher than the sum granted. The aid therefore complies with the provisions of Article 9 of Decision No 528/76.

The aid granted to steam coal (£ 2.5 million) is a small sum paid to the NCB for additional deliveries of steam coal over and above a certain reference volume. From the information provided by the British Government, the amount and purpose of the aid granted can be regarded as compatible with Article 11 of Decision No 528/76.

- b) The extent to which direct measures in favour of current production in the British coal-mining industry are compatible with the proper functioning of the common market

In the coal marketing year 1976/77, aid to current production in the United Kingdom will total 35.1 million ECU (0.29 ECU/t) or,

if the surpluses referred to in Article 4 are included, 6.56 million EUA (0.53 EUA/t; see Annex, Table 2). This means that the British coal-mining industry receives the lowest aids of any of the Community's coal-producing countries.

No detailed comments or analyses are required for assessing the compatibility of these aids with the proper functioning of the common market. It may generally be assumed that supplies to consumers are ensured. The Commission is aware that rationalization continues and new investment projects are under way to lower production costs and maintain production. Distortion of competition in the common market as a result of British aids is unlikely.

- c. The above conclusions apply only to the aids that form the subject of this memorandum. In cases where larger sums might be requested, a new examination would be necessary.

CHAPTER V

Conclusions

1. The foregoing details refer to the financial measures which the Member States of the enlarged Community have planned for the coal-mining industry in 1976 or the coal marketing year 1976/77, as appropriate. The compatibility of the measures with the provisions of Decision No 528/76 was assessed separately for each country. The analyses showed - with the exception of the problems of Belgian coking coal prices - that the aids provided for 1976 by the Governments do not impair the proper functioning of the common market in coal.

2. As regards quantitative trends on the coal market, it can be seen that Community coal production will be about 9 million t lower in 1976 than it was in 1975. This is partly because, in low-revenue coalfields, production has dropped as a result of closures whilst the more economic coalfields have cut back production because of the pressure of high stocks.

Producers' coal and coke stocks reached the unusually high level of 50 million t at the end of 1976.

It is likely that Community imports of coal from non-member countries will be 1 - 2 million t higher in 1975 than in 1976.

In 1976 the coal-mining industry's revenue situation worsened. As a result of higher wages and price rises in mining equipment, production costs rose more than revenue. In spite of this the German and British coalfields will still be able more or less to cover their current operating costs in 1976. The French and Belgian coal fields show operating losses so that aids have to be granted to cover them.

4. As concerns the financial measures to cover the deficits of those responsible for social security pursuant to Article 4 of Decision No 528/76, the total

for 1976 will be 3.100 mill. EUA. This is high and is indicative of the constantly growing gap between employed contributors and those receiving benefit.

5. Aids to cover inherited liabilities pursuant to Article 5 of Decision No 528/76 will amount to 218.1 million EUA for the Community as a whole.
6. Aid to current production in the coal-mining industry will come to 748.4 million EUA for the Community as a whole in 1976 (3.02 EUA/t).

Total direct and indirect aid to current production

(million EUA)

	<u>Community</u> <u>1976</u>
1. Measures under Decision No 528/76	
(a) Indirect	37.0
(b) Direct	<u>661.7</u>
Total	698.7
2. Coking coal aid	<u>49.7</u>
Grand total	<u>748.4</u> =====
Per tonne of production	3.02 EUA

7. Of the total direct aids planned in 1976 (661.7 million EUA), a sum of 441.0 million EUA (66.6%) is allocated to aid under Article 12 of Decision No 528/76 and a sum of 220.7 million EUA (33.4%) to aid for rationalization, investment and producers' stocks (Articles 7-11 of Decision No 528/76).

(million EUA)

	Aids		Total
	Arts. 7-11	Art. 12	
F.R. of Germany	172.7	23.2	195.9
Belgium	16.0	112.4	128.4
France	-	305.4	305.4
United Kingdom	32.0	-	32.0
Total	220.7	441.0	661.7

STATISTICAL ANNEX

Table 1 : Aids not relating to current production

Table 2 : Aids relating to current production

Table 3 : Trends in intra-Community trade in coal

Table 4 : Trends in coal production

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Aids not relating to current production
(1976)

Table 1
(Million EUA)

	Social security measures pursuant to Article 4 of Decision No 528/76		Aids to cover inherited liabilities pursuant to Article 5 of Decision No 528/76	
	Total	Infringements Art. 4	Total	Infringements Art. 5
Fed. Rep. of Germany	1 762.1	-	149.6	-
Belgium	458.5	-	0.9	-
France	848.5	-	51.3	-
United Kingdom	30.5 ¹⁾	30.5	16.3	-
Total for the Community	3 099.6	30.5	218.1	-

¹ The United Kingdom has an integrated social security system. The figure shown in this column covers only the special miners' pension fund which exists side-by-side with the general social security system.

2.

Aids to current production in 1976 ¹⁾ (Million EUA)

Table 2

2

	Unit	Germany	Belgium	France	U.K.	Community
A. Aid under Decision No 528/76						
1. Infringements of						
Article 4	Million EUA	-	-	-	(30.5)	(30.5)
Article 5	Million EUA	-	-	-	-	-
Total infringements	Million EUA	-	-	-	(30.5)	(30.5)
Per tonne of production	EUA	-	-	-	(0.26)	(0.12)
2. Indirect measures						
Per tonne of production	Million EUA	19.0	12.9	5.1 ²	-	37.0
	EUA	0.20	1.72	0.23	-	0.15
3. Direct aid						
Article 7	Million EUA	105.4	5.4	-	-	110.8
Article 8	Million EUA	39.7	-	-	4.1	43.8
Article 9	Million EUA	-	10.6	-	25.4	36.0
Article 10	Million EUA	27.6	-	-	-	27.6
Article 11	Million EUA	-	-	-	2.5	2.5
Article 12	Million EUA	23.2	112.4	305.4	-	441.0
Total	Million EUA	195.9	128.4	305.4	32.0	661.7
Per tonne of production	EUA	2.08	17.12	13.88	0.26	2.67
B. Coking coal aid (Decision No 73/287)						
Per tonne of production	Million EUA	8.6 ³	36.3	1.7	3.1	49.7
	EUA	0.09	4.84	0.08	0.03	0.20
C. Total sums in aid (A + B)						
Total sums	Million EUA	223.5	177.6	312.2	35.1 (65.6) ⁴	748.4 (778.9) ⁴
Per tonne of production	EUA	2.38	23.68	14.19	0.29 (0.53) ⁴	3.02 (3.12) ⁴

¹ Figures entered in plans

² Including interest rate subsidy to Charbonnages de France (0.1 Million EUA)

³ Estimates

⁴ Including infringements of Article 4

Table B

1 000 t

Trends in intra-Community trade in coal¹

To	From		Belgium		France		Netherlands		United Kingdom		Community	
	Fed. Rep. of Germany		1975	1976	1975	1976	1975	1976	1975	1976	1975	1976
Fed. Rep. of Germany	-	-	300	210	450	350	75	-	670	900	1 495	1 460
Belgium	3 700	4 050	-	-	100	100	5	-	450	325	4 255	4 475
France	5 950	5 030	149	173	-	-	50	-	800	500	7 000	5 700
Netherlands	700	770	-	-	-	5	-	-	350	200	1 030	1 000
Italy	3 200	3 435	-	-	25	40	-	-	25	25	3 250	3 500
Luxembourg	515	545	5	-	5	5	-	-	-	-	525	550
Denmark	10	10	30	25	-	-	-	-	-	-	10	10
Ireland	5	0	-	-	-	-	-	-	95	80	100	80
United Kingdom	50	50	-	-	-	-	-	-	-	-	50	50
Community	14 130	13 890	535	405	580	500	130	-	2 390	2 030	17 765	16 825

¹ Provisional for 1976

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Table 4

Trends in production ¹

(in Million t (T = T))

	1973	1974	1975	1976 ²	Changes as between 1976 and 1975	
					in absolute terms	
Fed. Rep. of Germany	103.4	101.2	98.8	94.0	- 4.8	- 4.8
France	25.7	22.9	22.4	22.0	- 0.4	- 1.8
Belgium	8.8	8.1	7.5	7.5	± 0	± 0
Netherlands	1.8	0.8	-	-	-	-
Community of the Six	139.7	133.0	128.7	123.5	- 5.2	- 4.0
United Kingdom	128.9	109.2	127.8	124.0	- 3.6	- 3.0
Enlarged Community	268.6	242.2	256.5	247.5	- 9.0	- 3.5

¹ Figures taken from official statistics; not including Italy and Ireland or small pits

² Estimates