

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## MEMORANDUM

on the financial aid awarded by the  
Member States to the coal industry in  
1979

and on the additional financial aid awarded by the  
Member States to the coal industry in  
1978

(presented by the Commission to the Council)

COM(80) 349 final

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PART ONE

MEMORANDUM

on

the financial aid awarded by the Member States to  
the coal industry in 1979

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CHAPTER I

INTRODUCTION

1. This memorandum examines the financial aid awarded to the coal industry by the Member States in 1979 from the point of view of its compatibility with the provisions of Commission Decision No. 528/76/ECSC (1) and with the proper functioning of the common market.
2. The 1979 memorandum follows the same pattern as that of the previous year. The main section is devoted to the economic and financial problems of undertakings and to the competitive situation on the coal market. The compatibility of aids to current production with the proper working of the common market pursuant to Article 3(1) of Decision No. 528/76 is examined on the basis of these data. The annex describes individual measures and their compatibility with the other provisions of Decision No. 528/76.
3. Under Article 2 of Decision No. 528/76, the Commission received information regarding aid measures for 1978 from the Governments of the following Member States:
  - the German Government,  
in a letter dated 13 December 1978
  - the French Government,  
in letters dated 2 July 1979  
9 February 1980
  - the British Government,  
in letters dated 19 March 1979  
16 January 1980
  - the Netherlands Government,  
in a letter dated 23 August 1979
  - the Luxembourg Government,  
in a letter dated 1 August 1979

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(1) Official Journal of the European Communities No. L63 of 11 March 1976 p.1.

- the Danish Government,  
in a letter dated 17 January 1979

- the Belgian Government,  
in a letter dated 31 May 1979

4. Where the Commission obtained knowledge from the reports of Member States Governments of economic facts which are covered by the obligation of professional secrecy as set out in Article 47 of the ECSC Treaty, these were not included in this memorandum.
5. In calculating the amount of aid per tonne for 1978, the following output was used as a basis (million of tonnes, t=t):

Germany	93.3
France	18.6
United Kingdom	120.6
Belgium	6.1
<b>TOTAL</b>	<b>238.6</b>
	=====

6. For converting the aid amounts expressed in national currencies into European units of account, the following exchange rates were used:  
(annual average for 1979)

1 EUA =	2.51 DM
	= 5.83 FF
	= 0.70 £
	= 40.00 Bfrs

7. There has been a delay in submitting this Memorandum to the Council. In the United Kingdom a new Government came in in 1979 and this delayed negotiations on aids for the 1979/80 coal year with the NCB. The French Government was unable to submit its figures before February 1980 as the original aids had to be increased and the budget therefore had to be revised upwards.

CHAPTER IIThe situation on the common market for coal in 1979 and the trends  
in financial aid to the coal industry1. The situation on the common market in coal

This memorandum deals only with the most significant details of coal market developments, specifically those which are of importance for the granting of aids and the competitive situation. The figures given refer partly to estimates and partly those final results already available for 1979.

In 1979, total demand for coal increased by about 7.4% over the 1978 level - an increase of roughly 20 million t. There have been certain changes in the demand structure, the call for power station and coking coal in particular increasing by approximately 8.9% and demand for domestic coal dropping slightly. Consumption of industrial coal has stabilized. Changes in demand are running almost in parallel in all Community countries and are related to the difficulties experienced in the steel industry (coking coal) and the rising overall consumption of electricity, to meet which there is likely to be increased generation of electricity using steam coal.

The rise in demand was met from various sources.

From the final statistics already available it is clear that coal imports from non-member countries were 11 million t higher in 1979 than in 1978. Demand for Community coal also picked up, with the result that production rose by 0.5 million t and it was possible to run down coal and coke stocks by 14.3 million t.

In spite of the improvement in the volume of sales, Community coal production in 1979 was under competitive pressure from imported coal although, as a result of OPEC price rises, competitive pressure from oil was reduced. Community coal producers will be unable to stand up to this pressure on their own. This means that aids will be necessary to strengthen the capacity of Community coal to compete and to maintain Community coal production. This is in the interests of the Community's long-term plans for maintaining levels of Community production.

Although some Community coal producers raised their prices in 1979 to keep up with the cost trend, there is no mistaking the fact that it is very difficult to obtain acceptance for such increases in the market. Earnings per tonne rose very slightly with all that this implies for the financial situation of the mining companies (failure to cover costs). For all the general difficulties to obtaining acceptance for increases in the prices of Community coal, two exceptions must be noted;

- The competitiveness of British coal is better than that of other producers;
- Under the provisions of the 3rd electricity-from-coal law, Community coal can be sold to German power stations at cost-covering prices, an arrangement from which the German coal industry profits most. The additional costs borne by the power stations are offset from a fund maintained by a levy on electricity consumption.

However, it is to be noted that prices on the Community steam coal market are increasingly determined by the supply situation on the world market.

Polish and South African steam coal is being offered at prices of \$35 to \$40/t cif Europe. These prices are far below the corresponding prices for heating oil or natural gas. The Community coal industry is faced with the problem of aligning its own prices on the low prices for imported steam coal.

Prices on the coking coal market started moving slightly. The Commission has found that an average price of \$64.50/t was being paid for deliveries under long-term contracts from the USA and Australia, in the first half of 1979 and \$66.00 in the second half. Short-term contract quantities are being put on the market at a price of \$55/t.

Prices for domestic coal are also under some pressure. The supply of Community anthracite is on the decrease, because it is no longer profitable to mine it, while imported anthracite - primarily from the Soviet Union - is offered so cheap, particularly in the Benelux states, that it is able to compete with light fuel oil and natural gas.

Generally speaking it may be said that in 1979 the Community coal market expanded relatively firmly as far as volume is concerned and prices rose gradually. As regards Community coal, it should be noted that not only prices but also changes in currency parities exert a decisive influence on the competitive situation, since the prices of this imported energy carrier are calculated in US dollars.

#### 1. The financial situation of the coal industry in the Community

In view of the competitive situation on the Community coal market described above, the mining undertakings were unable in 1979 to increase earnings per tonne in line with the increase in production costs. These continued to rise in 1979 but the increase in individual countries varied with individual conditions. It was due mainly to the discrepancy between the rise in output per manshift and in wages and to the overall effects of inflation. The average increase in output per manshift for the Community was a mere 1.2%. Average wage increases for 1979 - however much they varied from country to country - were well above the increase in output per manshift and, in

view of the high labour-cost-intensity of coal mining (60% of the total production costs are labour costs), the increase in labour costs certainly affected overall output. It is not yet possible to give exact figures for production costs and returns for 1979 as closed accounts for the mines are not yet available for all quarters. In general, though, the financial position of the undertakings is worse than in 1979. As a result there was a further increase in aids in 1979.

In 1978 the returns from coal sales only partially covered production costs.

Table A

Production costs<sup>(1)</sup> and returns of Community coal mines in 1978  
(EUA/t t=t)

	Production Costs	Returns	Difference
Germany	61,-	55,-	- 6,-
Belgium	84,-	44,-	- 40,-
France	62,-	38,-	- 24,-
Britain (2)	40,-	34,-	- 6,-

(1) Full costs, including capital service and depreciations; rounded-off figures

(2) Including opencast mining

3. The trends in financial aids by the Member States to the coal industry in 1979

Aids granted under Articles 4 and 5 of Decision No. 528/76 are compatible with the common market, provided they do not exceed certain limits. Aids under Article 4 are for social security benefits and those under Article 5 to help cover inherited liabilities. The relevant explanations are to be found in the Annex on pages A1 to A7. From these it can be seen that permissible aid limits were not exceeded.

The figures are in Table 1 of the Annex, they show that, in comparison with 1978, there were some increases. As regards social measures within the meaning of Article 4, the increases (+ 6.6%) are mainly the result of the constantly deteriorating ratio between the total number of men employed and those receiving unemployment benefits. The rise in the cost of covering inherited liabilities within the meaning of Article 5 (+ 4.1%) is partly the result of further pit closures because of rationalization and partly of increased prices and costs in some categories of inherited liabilities (costs for closures, water supply and disposal of waste water, pensions, concessionary coal, etc.).

Aids to current production are those direct and indirect measures which are defined in Articles 7 to 12 of Decision No. 528/76 and which provide the criteria in judging the proper functioning of the common market. Details of these measures and what they cost are available in the Annex (page A7 onward or Table 2).

Table B below provides an overall view of the trends in aids envisaged in 1979 vis-à-vis 1978.

Table B

	Total sums		Amounts per tonne	
	million EUA		EUA	
	1977	1978	1977	1978
Germany	907.3	1 023.5	10.07	10.98
Belgium	240.6	296.8	36.46	48.65
France	478.1	477.3	24.39	25.66
Britain	189.7	279.2	1.56	2.31
Community	1 815.7	2 076.8	7.63	8.70
of the total sums the following were allocated to:				
- direct measures	32.4	34.9	0.14	0.15
- aids to coking coal	599.0	735.8	2.52	3.08
- indirect measures	1 184.3	1 306.1	4.98	5.47
breakdown: Art. 7 (Investments)	318.2	337.6	1.34	1.41
Art. 8 (Personnel)	45.2	48.8	0.19	0.20
Art. 9 (Stocks)	56.2	19.1	0.24	0.08
Art. 10 (Strategic reserves)	42.2	48.4	0.18	0.20
Art. 11 (Power station coal)	39.5	13.7	0.17	0.06
Art. 12 (Loss coverage)	683.0	838.5	2.87	3.51

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The figures in the preceding table show that the aids per tonne of output in 1979 will change as follows vis-à-vis 1978:

		<u>Absolute increase</u>
Germany	+ 9.0%	+ 0.91 EUA/t
Belgium	+ 33.4%	+ 12.19 EUA/t
France	+ 5.2%	+ 1.27 EUA/t
Britain	+ 48.1%	+ 0.75 EUA/t

Higher aids are needed in all countries although the extent of the increases differs from one country to the next. Relative to the absolute increase per tonne, aid increases are lowest in the United Kingdom and highest in Belgium.

Generally speaking, the average increase in aid per tonne in the Community in 1979 (+14% as compared with 1978) was considerably lower than in 1978 (+ 75% as compared with 1977). This means that there has been some improvement in spite of the increase in aids in 1979.

It should be pointed out at this point that while the sume of 10.98 EUA per tonne for Germany in this international comparison following the provisions of Decision No. 528/76 is correct statistically and according to the definition, it has only a limited validity for a substantial comparison with the other Community countries. This is due to the third electricity-from-coal law, which lays down that German power stations must buy steam coal from the coal industry at break-even prices. The additional cost incurred by the electricity companies by using coal instead of oil is offset by increasing electricity prices. In 1979, this offset levy will amount to some 2.4 thousand million DM (10.25 EUA per tonne of coal output). This sum is not included in the list of aids, since it is not a state aid.

The information contained in Chapter II of the Annex (see page A7) shows that the financial measures planned by the Member States for 1979 are compatible with the criteria set out in Articles 7 to 12 of Decision No. 528/76. However, it is necessary that all aids be examined for compatibility with the proper functioning of the common market as set out in Article 3(1) of Decision No. 528/76.

4. Compatibility of the financial measures planned for 1979 with the proper functioning of the common market

a) General points of view

a.1) The amounts of aid per tonne for 1979 cited in Table B on page 7 show that the British amount is very small and that there is a large gap particularly between it and those granted by Belgium and France; the German amount lies roughly in the middle. This difference in amount is not to be regarded as indicating a distortion of the competition between coal producers. Essentially, the common market in coal consists of national markets which are hardly subject to competition from several Community producers. There are only a few so-called contested areas in which several producers offer their products at the same time, but the quantities of coal sold in these areas are relatively small, accounting for only about 2% of output. Alignment by Community producers on the prices of other Community producers applies only to 1.4 million tonnes (0.2% of Community output) in 1978. In view of this, it may be assumed that competition will not be disrupted by 1979 because of the differences in the amount of aid granted.

a.2) Supplies of coal and coke to the Community in 1979 were at all times assured. Pit closures envisaged in 1979 as part of rationalisation

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measures had no effect on supplies. The large pitheat stocks and current production allowed the rising demand to be met. It is therefore clear that aids did not jeopardize supplies in 1979.

- a.3) According to results so far available, there was a slight drop in intra-Community coal trading. The total for 1979 was some 17.7 million t. It is clear that supplies from the Federal Republic of Germany in particular are decreasing; this is because new markets for German coal have been found in Germany and this has led to higher earnings than would have been possible from exports to other Community countries.

Table C  
Coal deliveries to other Community countries 1 000 t

	Germany	Belgium	France	Britain	Total
1978	15 957	299	393	2 214	18 793
1979	14 550	245	485	2 410	17 690

Most deliveries of German coal to other Community countries (15.6% of production) are deliveries of coking coal. Because of the specific use to which this coal is put the real competitive problems are not between Community producers, but in relation to coking coal imported into the Community from non-member states.

Belgian coal traded within the Community (4% of production) is sold in France and Germany for steam-raising and for domestic heating. The amounts are small and have to compete with coal imported from non-Community countries.

French deliveries to other Community countries (2.6% of production) chiefly involve steam coal supplied to the south German market by the Lorraine coalfield.

United Kingdom deliveries to other Community countries (2% of production) involve steam coal sold mainly to the Federal Republic of Germany, Belgium, France and the Netherlands. In the light of overall British production, these exports are relatively small and, in view of the size of pithead stocks, it might well be asked why this relatively cheap coal has not become more firmly established on the continental market. This is due to the competition from coal imported from non-Community countries : prices for South African, Australian and US steam coal, cif Europe, were \$35-40/t. Power stations in other Community countries would demand that British prices be brought down to that level, but the British producer is not always prepared to do this. Contracts or sales are therefore relatively rare.

Generally speaking, the conclusion can be drawn that aid measures have little influence on intra-Community trade.

- a.4) Output was further rationalized in 1979. Two unprofitable pits in the French coalfields, Nord/Pas-de-Calais and Centre-Midi, were closed, the pace of the closures being so arranged that regional and social problems will be avoided; the same applies to the closure of a pit in Belgium's Southern coalfield. For reasons of rationalization, five pits were closed in Britain and two in Germany.

In 1979, the Government of the Federal Republic is granting investment aids to facilitate modernization of pits.

The aim of all aids and closures is to rationalize coal production in the Community, remove the burden of unprofitable installations, and maintain the competitiveness of those pits selected to ensure future supplies.

b) Particular aspects affecting the trends in coal prices

b.1) Changes in coal prices in a number of selected Community coalfields can be seen from the following table:

Table D  
Trend in coal list prices  
(in national currency per tonne)

	Date:	Steam Coal		Coking Coal	
		1.1.1979	15.1.1980	1.1.1979	15.1.1980
<u>Germany</u>					
RAG	DM	175,-	185,-	179,-	187,-
Saarbergwerke	DM	193.-	204,-	194.50	204,-
Aachen	DM	-	-	188,-	197,-
<u>Belgium</u>					
	Bfrs	2 450,-	2 850,-	2 500,-	2 650,-
<u>France</u>					
Nord/Pas-de-Calais	FF	-	-	340,-	340,-
Lorraine Nuts 2	FF	294,-	395,-	321,-	385,-
Nuts 5	FF	259,-	381,-		
<u>Britain</u>					
North Yorkshire					
Nuts 2	£	27.60	34.30	29.80	35.40
Nuts 5	£	25.30	32.00		

As the table shows, coal prices rose almost everywhere between the beginning of 1979 and the beginning of 1980 but it did not always prove possible to gain acceptance for these prices in the market.

b.2) As provided for by the third electricity-from-coal law, German steam coal prices are linked to the production costs of the mining industry; i.e. prices are relatively high. There are no indirect aids to power stations.

The prices for German coking coal given in the table are listed prices. The prices actually charged are aligned on prices for imported coking coal so that there are no indirect aids to industrial consumers.

b.3) There were no problems in 1979 as regards British prices for steam or coking coal; prices are such as to be unlikely to lead to indirect aids to industrial consumers.

b.4) French steam coal is sold at prices aligned on a composite price formed from the relatively low price for imported non-Community steam coal and the price of fuel oil. This does not have the effect of causing indirect aids to industrial coal consumers. The same applies to coking coal prices, which are the same as those for imported coking coal.

b.5) As provided for by Belgium's energy price pool, the prices of Belgian steam coal are based on those of rival fuels. This does not have the effect of indirect aids to industrial coal consumers. Nor do the prices of coking coal constitute indirect aids to the Belgian steel industry.

c) Conclusions about the proper functioning of the common market

On the basis of the preceding facts, the Commission has come to the conclusion that there was no disruption of the proper functioning of the common market in 1979 by either steam coal or coking coal prices.

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CHAPTER IIIConclusions

1. The Commission examined the compatibility of the measures envisaged for 1979 with the provisions of Decision No. 528/76 in each Member State and came to the conclusion that the aids for current production envisaged by the Member States in 1979 are compatible with the provisions of Decision No. 528/76.
2. Although there has been a welcome upturn in volume turnover, the general situation as regards competition in the Community coal market has deteriorated bringing with it a deterioration in the financial results of Community mining undertakings. Rising production costs, the effect of changes in exchange rates and other factors meant higher operating losses than in the previous year. The result is that the amount of aid to be granted for current production in the Community has risen from 1 815.7 million EUA (1978) to 2 076.8 million EUA in 1979; the Community average of aid per tonne of production rose from 7.63 to 8.70 EUA. The differences between the aid sums granted by the coal-producing Member States have increased.
3. Finally, the Commission emphasises that the aids of the Member States serve not only to solve national problems of energy supply and employment but also help to guarantee the stabilization of coal production with the intention of furthering the security of the Community's energy supplies.

A N N E X

Survey of financial aid awarded by the Member States  
to the coal industry in 1979

Examination of the compatibility of the measures envisaged  
with the provisions of Decision No. 528/76

Tables

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I. Aids not related to current production

These aids are related to social measures and the covering of inherited liabilities deriving from earlier pit closures.

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

Article 4 of Decision No. 528/76/ECSC states that contributions by Member States to the financing of social security benefits shall be considered compatible with the common market, provided that, for undertakings in the coal mining industry, they bring the ratio between the burden per miner in employment and the benefits per person in receipt of benefit into line with the corresponding ratio in other sectors.

The following section is concerned solely with the amount of financial aid given in the social sector and, where appropriate, with cases where the limits set out in Article 4 of Decision No. 528/76/ECSC have been exceeded.

A.1) GERMANY, FRANCE, BELGIUM

In Germany DM7 868 million are envisaged in 1979 to cover the deficit in the surviving dependents pension scheme of the mining industry as a whole, some 80% - DM6 294 million - of which goes to the coal industry.

Information provided by the French Government shows that state aid to the French coal industry in the social sector in 1979 will amount to FF 7 007.6 million. The following table gives details:

Source	Expenditure (in million FF)	Purpose
State	3 643.0	<u>Disability and old-age pensions insurance</u> Regular contribution amounting to 22% of wages subject to contribution, and additional State adjustment
General system	389.0	<u>Disability and old-age pensions insurance</u> Regular contribution to cover part of "exceptional expenditure" (amount fixed by law)
General system	1 060.0	<u>Insurance against industrial accidents and occupational diseases</u> Regular repayment of inherited liabilities
General system	739.0	<u>Sickness insurance</u> Treatment benefits
State	687.6	<u>Disability and old-age pensions insurance</u> "Exceptional expenditure" in coal mining industry within the meaning of Article 4 of Decision No. 528/76
General system	489.0	<u>Supplementary scheme: worker's retirement pensions</u>
TOTAL	7 007.6	

State contribution to the financing of social security benefits for the Belgian mining industry may be estimated at Bfrs. 25 142.6 million for 1979. The following table gives details

Source	Amount of State subsidies	Purpose
State	10 961.0 (1)	<u>Old-age pension and insurance of surviving dependants</u> Regular statutory contribution
State	1 956.8	<u>Old-age pension and insurance of surviving dependants</u> Contribution to cover the deficit
State	4 513.4	<u>Disability pensions insurance</u> Disability pensions
State	7 711.4	<u>Occupational diseases</u> 50% of the expenditure arising from miner's pneumoconiosis
TOTAL	25 142.6	

(1) Commission estimate

Calculations by the Commission reveal that Germany, France and Belgium have not exceeded the limits set in Article 4 of Decision No. 528/76:

- In Germany the undertakings' actual welfare expenditure is DM 299 million (8.0%) higher than the normal expenditure defined in Article 4.
- In France the State subsidy to Charbonnages de France (FF 687.6 million) causes actual social expenditure and normal expenditure to coincide.
- In Belgium the undertakings' actual social expenditure is Bfrs 290.6 million higher than the normal expenditure defined in Article 4.

#### A.2) BRITAIN

Apart from the general social security system - into which the coal industry is integrated - almost all branches of industry in Britain have insurance systems of their own from which pensions are paid to retired workers. The British coal industry also has such a supplementary system in the form of a pensions fund, into which the British Government will pay £36.5 million in the 1979/80 coal marketing year. However, this sum is only to balance out the ratio between working and retired miners, so that the limits set out in Article 4 of Decision No. 528/76 are not exceeded.

#### A.3) 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 coal industry in 1979 will be 6.6% higher than in 1978 and will total 4 390.4 million EUA.

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

Pursuant to Article 5 of Decision 528/76 measures taken by Member States to assist the 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 involved in such measures do not exceed the amount of such costs, i.e. the inherited liabilities. Sums in excess thereof represent direct aid to current production and are to be regarded as aids pursuant to Article 7 to 12 of Decision No. 528/76.

B.1) GERMANY

For 1979 the Federal Government has planned the following measures to cover inherited liabilities :

	<u>million DM</u>
- closure premium	105.0
- dispensation from obligations arising under the Equalization of Burdens Law	12.0
Sub-total	<u>117.0</u>
- aid for water-control costs	105.0
- aid to cover expenditure resulting from contraction	87.0
- aid to cover inherited liabilities	159.0
- aid to cover Ruhrkohle AG's closure write-offs	48.0
TOTAL	<u>510.0</u> =====
	( = 203.2 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 related to current production.

These measures are aids already granted in previous years.

Through the Aktionsgemeinschaft Deutscher Steinkohlenbergbau (Action 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 1978. These closures are made to rationalize production. The aid covers only a small fraction of the actual costs that have to be borne by the undertakings in connection with the closures.

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The public authorities will pay DM 12.0 million to the equalization of burdens fund as aid to cover the equalization of burdens payments, and thereby release closed pits from their obligation. The level of the aid is equivalent to the costs charged.

The sum of DM 105.0 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 the undertakings.

The sum of DM 81.0 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 the undertakings as a result of the closures.

The sum of DM 159.0 million is aid for covering inherited liabilities concerns those 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 and on 31 December 1978, this amounted to DM 205 million.

Because of the unfavourable economic situation, the undertaking is not in a position to write off this special item in annual instalments; 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 clearly meet the requirements of Article 5(1) of Decision No. 528/76. The total sum involved in these measures in 1979 is 203.2 million EUA and is included in Table 1 of the Annex.

B.2) FRANCE, UNITED KINGDOM, BELGIUM

For 1979, the French Government has allocated a sum of FF 459.1 million (70.6 million EUA) 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	24.9
- premiums, lump sums for retrained personnel, cost of housing for those retiring early	68.7
- financial liabilities in respect of those retiring early	351.3
- concessionary allowances for those retiring early	<u>14.2</u>
TOTAL	459.1 =====
	(78.8 million EUA)

Broken down between coalfields as follows:

Nord/Pas-de-Calais	303.4
Lorraine	40.4
Centre-Midi	115.3

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

In 1979, the British Government plans to introduce the following measures under Article 5 of Decision No. 528/76:

	<u>million £</u>
- redundancy payments to miners affected by pit closures	8.2
- early retirement payments	4.6
- aid in respect of concessionary coal for pensioners	<u>5.8</u>
TOTAL	18.6
	(26.6 million EUA)

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

For 1979, the Belgian Government has set aside a sum of Bfrs 30 million (0.7 million EUA), as aid towards covering inherited liabilities in its Southern coalfield. Of this sum Bfrs 16 million is to be used to cover damage from subsidence and Bfrs 14 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.

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

B.3) 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 1979 will total 309 million EUA for the Community as a whole; an increase of 4.1% over 1978.

II. 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.

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, France and Belgium have announced indirect measures to aid current production in the coal industry for 1979. The following measures were taken in previous years.

A.1) Description of the German, Belgian and French measures

For 1979 the Federal Government has provided for special depreciation facilities in respect of expansion and rationalization measures in the underground sector of the coal industry. The sum of these special depreciations amounts to DM 22.8 million (= 9.1 million EUA). The measure is based on paragraph 51 of the Income Tax Law and on paragraph 81 of the Income Tax Regulation and will give the German coal industry no competitive advantages vis-à-vis other Community coal producers, since the balance sheets of German coal mining undertakings in any case show losses which are partially reduced by direct aids.

The indirect financial measures planned by the Belgian Government in 1979 involve the following sectors :

	<u>million Bfrs</u>
- expenditure on season tickets or cheap holiday tickets for miners, pneumoconiosis sufferers	14.0
- 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 (Articles 32.12, 32.14 and 0104 in the budget of the Economic Affairs Ministry)	758.3
TOTAL	<u>722.3</u> =====

(= 19.3 million EUA)

The French Government plans a state subsidy of FF 38.0 million (= 6.5 million EUA) for the research programme of the "Centre d'Etudes et de Recherches des Charbonnages de France (CERCHAR)" in 1979.

A.2) Assessment of indirect financial aid to the coal industry

The Commission has examined the above-mentioned 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.

A.3) Summary of indirect measures

Table 2 of the statistical annex gives the relevant figures under A/2. In 1979, direct aid to the coal industry rose to 34.9 million EUA (+ 7.7%) as compared with 32.4 million EUA in 1978.

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

B.1) 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

The Federal Government proposes to continue in 1979 the direct aids already granted in 1978.

Legal basis under Doc. No. 528/76	Measures	Amount of aid			
		Total		Per t production	
		M DM	D EUA	DM	EUA
Art. 7(1)	Investment aid	746.4	297.5	8.00	3.19
Art. 7(3) sub. s. 3	Promotion of innovation	68.0	27.1	0.73	0.29
Art. 8	Mineworkers' bonuses	110.0	43.8	1.18	0.47
Art. 10	Aid to security stocks	121.5	48.4	1.30	0.52
	TOTAL	1 046.1	416.8	11.21	4.47

In addition to the aids mentioned above, the Federal Government is to grant a coking coal aid to the value of DM 1 500 million in 1979, an aid to production pursuant to Decision No. 287/73.

The investment aid of 297.5 million EUA is intended for investment project in pits, coking plants, briquetting plants and pithead power stations. In 1979, total investment in the German coal industry will come to some 350 million EUA. Investment aid will represent more than 80% of total investments.

In relation to the Community's new policy for coal, this 1979 investment aid, which increased slightly vis-à-vis 1978, 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 27.1 million EUA to promote innovation is intended to ensure that research results are applied to production as quickly as possible. The aid is lower than the costs borne by the 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 Article 7 of Decision No. 528/76.

Mineworkers' bonuses, amounting to 43.8 million EUA, have applied since 1956. A bonus of DM 5 is paid for every shift worked underground, thus ensuring that the qualified mineworkers required for the German coal industry to increase its output stay in coal mining. The measure therefore meets the provisions of Article 8 of Decision No. 528/76.

The sum of 48.4 million EUA as aid towards building up long-term security stocks is a measure introduced by the Federal Government in order to increase the long-term security of energy supplies. For this purpose, the Notgemeinschaft Deutscher Steinkohlenbergbau (Emergency Association of German Coal Mining Undertakings) brought up 10 million tonnes of coal and coke. The Federal Government covers only part of the actual current cost of maintaining these stocks in 1979, by granting an aid of DM 121.5 million. The aim and sum involved show that the measure meets the requirements of Article 10 of Decision No. 528/76.

The foregoing remarks show that the financial measures planned by the Federal Government for 1979 in favour of the German coal mining industry comply with the provisions of Articles 7, 8 and 10 of Decision No. 528/76.

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 1979 (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 1 023.5 million EUA, i.e. 10.98 EUA/t. In comparison with 1978 aids per tonne have thus risen by 9%.

As regards the compatibility of German aids with the proper functioning of the common market, reference is made to the comments in the main body of this document (see page 9 onwards).

## B.2) 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 1979, but continued with aids instituted in previous year; this involves only loss-covering aid;

Legal basis under Decision No. 528/76	Measures	Amount of aid			
		Total		Per t production	
		M FF	M EUA	FF	EUA
Article 12	(a) Cover for the losses by the central administration of Charbonnages de France	317.0	54.4	17.04	2.92
	(b) Cover for the coalfields' operating losses	2 478.0*	414.8	130.0	22.30
	TOTAL	2 735.0	469.2	147.04	25.22

\*Including a portion of the coking coal aid

In addition in the above-mentioned aids, an aid for coking coal of FF 9.3 million (1.6 million EUA) is to be granted in 1979. This figure is low, since part of the coking coal aid is covered by Article 12.

In assessing the figures given in the above table, it must be pointed out that, although the French Government continued in 1979 the agreement concluded with the Charbonnages de France in 1978 on the granting of a flat-rate aid of some 100 FF/tce, the aid amount had to be increased beyond the flat-rate ceiling, as the losses sustained by pits increased beyond the expected figures.

As regards the assessment of the aid granted in 1979 within the limits of Decision No. 528/76, the aid sum of FF 2 735.00 million is expected to be less than the total losses of the Charbonnages de France. The amount of the aid is therefore in line with the provisions of Article 12 of the Decision.

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

- In 1979, aid to the Nord/Pas-de-Calais and Centre-Midi coalfields will be calculated in such a way that, as a result of the closure of further pits, there will be a reduction in production, which will mean that some 2 700 fewer persons will be employed in the coal industry. The aids will prevent severe economic and social disruption in areas where there are not yet adequate opportunities for re-employment. The aids to these coalfields therefore comply with the provisions of Article 12(1) subsection 1 and Article 12(2) of the Decision.
- The output planning of the Charbonnages de France in the Lorraine coalfield aims at long-term stabilization, since the coking coal produced in this coalfield is important for supplying the steel industry. The aid granted for this purpose complies with Article 12(1), subsection 2 and Article 12(3) of the Decision.

b) The extent to which direct aid to current production in the French coal mining industry is compatible with the proper functioning of the common market

Total direct and indirect aid to current production amounts to 477.3 million EUA for 1979 (= 25.66 EUA/t; see Annex, Table 2). In comparison with 1978, (24.33 FF/t) this means that the aid was higher by 5% in 1979.

As regards the compatibility of French aids with the proper functioning of the common market (Article 3(1) of Decision No. 528/76, reference is made to the comments in the main body of this document (see p. II/9).

B.3) 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 1979, the Belgian Government intends to provide investment aid and aid to cover operating losses.

Legal basis under Decision No. 528/76	Measures	Amount of aid			
		Total		Per t production	
		M Bfrs	M EUA	Bfrs	EUA
Art. 7(1)	Investment aid	520.9	13.0	85	2.73
Art. 12	Aid to cover losses				
	Coal: Campine	3 893.5	97.3	695	15.95
	Southern	1 707.1	42.7	3 414	85.35
	Sub-total	5 600.6	140.0	918	22.95
	TOTAL	6 121.5	153.0	1 003	25.08

In addition to the above aids, the Belgian Government intends to grant a coking coal aid (Decision No. 73/287) of Bfrs 4 979.0 million (= 124.5 million EUA) for the current production of the Campine coalfield. Total direct Belgian aid amounts to Bfrs 11 100.5 million; it is divided between the two coalfields as follows:

Campine	: Bfrs 9 386.5 million	= 1 676,- Bfrs/t
Southern	: Bfrs 1 714.0 million	= 3 428,- Bfrs/t
TOTAL	: Bfrs 11 100.5 million	= 1 820,- Bfrs/t

Of the investment aid sum of Bfrs 520.9 million, 514.0 million will go to the Campine coalfield and 6.9 million to the Southern coalfield. In the Campine coalfield, special investments are envisaged on behalf of the Eisden colliery (Bfrs 150 million) and the remaining Bfrs 364 million will cover depreciation, so that the coalfield can maintain the supply of coking coal for the Belgian steel industry. The investment aid for the Southern coalfield will enable it to carry out the most essential repairs, so that the technical safety of the pits is not jeopardized.

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Belgian investment aid is therefore compatible with the provisions of Article 7(2) of Decision No. 528/76.

Aid totalling Bfrs 5 600.6 million to cover operating losses is paid to the two Belgian coalfields for different reasons. The aid paid to the Campine coalfield will almost make up the difference between costs and returns. This almost complete covering of the difference between costs and returns is necessary, because the coalfield is meant to supply the Belgian steel industry with coking coal 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 provisions of Article 12(1), subsection 2, and Article 12(3) of Decision No. 528/76.

The Southern coalfield, however, receives aid covering only part of the difference between costs and returns. 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 1981) which will ensure that serious economic and social disturbances over the re-employment of redundant miners are avoided. One pit in the Southern coalfield was closed in 1979, affecting approximately 630 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).

- 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

In the Belgian coal mining industry, aids to current production total 296.8 million EUA (= 48.65 EUA/t) for 1979 (see Annex, Table 2). This is an increase of 33.4% per tonne vis-à-vis 1978.

As regards the compatibility of Belgian aids to current production with the proper functioning of the common market, reference is made to the comments in the main body of this document (see p. 9 onwards).

#### B.4) 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 1979/80, the British Government plans the following direct aids to current production:

Legal basis under Decision No. 528/76	Measures	Amount of aid			
		Total		Per t production	
		M £	M EUA	£	EUA
Art. 8	Aid to attract skilled workers	3.5	5.0	0.03	0.04
Art. 9	Aid to producers' stocks	13.4	19.1	0.11	0.16
Art. 11	Aid to steam coal	9.6	13.7	0.08	0.11
Art. 12	Aid to cover losses	160.5*	229.3	1.33	1.90
	TOTAL	187.0	267.1	1.55	2.27

\*Including a portion of the coking coal aid

The aid to coking coal is estimated at £8.5 million (1).

The aid for attracting and keeping skilled workers (£5 million) is intended to offset in part the NCB's costs arising from rationalization and the transfer of production to their best pits. This results in outgoings on removals, transport, etc. The aid is compatible with Article 8 of Decision No. 528/76.

(1) Should this amount be increased, aid to cover losses would be reduced proportionately.

When assessing the aid to cover costs for producers' stocks of coal and coke (£13.4 million), it must be remembered that total pithead stocks and additional distributed stocks directly or indirectly financed by the producers total about 19 million tonnes. Given a monthly production of some 10.0 million tonnes, the volume of pithead stocks qualifying for aid under Article 9 of Decision No. 528/76 is 9 million tonnes. This means that the per-tonne grant in aid is £1.5. The 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 (£9.6 million) is a sum for deliveries of power station coal to Scotland. From the information provided by the British Government, the amount and purposes of the aid granted can be regarded as compatible with Article 11 of Decision No. 528/76.

The aid given to cover losses (£160.5 million) will only partly cover the losses sustained by NCB pits in 1979/80. The aid is given to avoid serious economic and social disturbances in those coalfields where there are not yet adequate re-employment opportunities and to maintain existing production capacities so as to safeguard energy supplies. The aid is therefore compatible with Article 12 of the Decision.

- 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 1979/80, aid to current production in the United Kingdom will total 279.2 million EUA (= 2.31 EUA/t) (see Annex, Table 2). In comparison with 1978, this means that the aid for 1979 per tonne will be 0.75 EUA higher (= + 48%).

As regards the compatibility of British aids to current production with the proper functioning of the common market, reference is made to the comments in the main body of this document (see p. 9 onwards).

Table 1

## Aids not relating to current production

(million EUA)

	Social security measures pursuant to Article 4 of Decision No. 528/76		Infringements of Art. 4 (1979)	Aids to cover inherited liabilities pursuant to Article 5 of Decision No. 528/76		Infringements of Art. 5 (1979)
	Total			Total		
	1978	1979		1978	1979	
Federal Republic of Germany	2 383.1	2 507.7	-	203.4	203.2	-
Belgium	600.8	628.6	-	0.4	0.7	-
France	1 079.9	1 202.0	-	71.3	78.7	-
United Kingdom	56.1 <sup>(1)</sup>	52.1 <sup>(1)</sup>	-	22.0	26.6	-
Total for the Community	4 119.9	1 390.4	-	297.1	309.2	-

(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.

Aid for current production in 1979 (1)

Table 2

	Unit	Federal Repu- blic of Germany	France	United Kingdom	Belgium	Community
<b>A. Aids under Decision No. 528/76</b>						
1. Infringement of Article 4 of Article 5	million EUA million EUA	- -	- -	- -	- -	- -
Total per tonne of production	million EUA EUA	- -	- -	- -	- -	- -
2. Direct measures per tonne of production	million EUA EUA	9.1 0.10	6.5 0.35	- -	19.3 3.16	34.9 0.15
3. Indirect measures						
Article 7	million EUA	324.6	-	-	13.0	337.6
Article 8	million EUA	43.8	-	5.0	-	48.8
Article 9	million EUA	-	-	19.1	-	19.1
Article 10	million EUA	48.4	-	-	-	-
Article 11	million EUA	-	-	13.7	-	13.7
Article 12	million EUA	-	469.2	229.3	140.0	838.5
Total per tonne of production	million EUA EUA	416.8 4.48	469.2 25.22	267.1 2.21	153.0 25.08	1 306.1 5.47
B. Coking coal aid (Decision No. 73/287 per tonne of production	million EUA EUA	597.6 6.41	1.6 0.09	12.1 0.10	124.5 20.41	735.8 3.08
C. Total (A + B) Totals per tonne of production	million EUA EUA	1 023.5 10.98 (2)	477.3 25.66	279.2 2.31	296.8 48.65	2 076.8 8.70

(1) Planned figures

(2) Excluding aid under the 3rd electricity-from-coal law

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PART TWO

Additional financial aid awarded to the French and  
United Kingdom coal industries in 1978

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INTRODUCTION

1. In the Memorandum on the financial aid awarded by the Member States to the Coal Industry in 1978 (COM(78) 367 final of 28 July 1978), the Commission outlined the financial aid awarded by the Belgian, French, German and United Kingdom Governments to the coal industry in 1978 and examined it from the point of view of its compatibility with the provisions of Decision 528/76.
2. The Commission was informed
  - by the French Government in its letter of 27 April 1979 and
  - by the United Kingdom Government in its letter of 19 March 1979that the aid planned for 1978 would fail to solve the problems faced by the coal industry in these two countries, necessitating an increase in the aid awarded in France under Article 12 and in the United Kingdom under Articles 9, 11 and 12 of Decision 528/76/ECSC.
3. These increases are described and examined below. Where appropriate, reference will be made to the text and figures in the Memorandum on the Financial Aid Awarded by the Member States to the Coal Industry in 1978.
4. The following exchange rates were used for converting national currencies into European units of account:  
$$\begin{aligned} 1 \text{ EUA} &= 5.63 \text{ FF} \\ &= \text{£}0.65 \end{aligned}$$
5. The total given in COM(78) 367 final for the amount of aid awarded by France has been replaced by a new final figure. The estimated figures for the Federal Republic of Germany have been replaced by final figures.

Tables A and B in the Annex to Part One show the revised totals of aid granted to the Community coal industry in 1978.

I. Increase in aid initially awarded to the French coal industry in 1978

a) Compatibility of direct aid to current production in the French coal industry with Articles 7 to 12 of Decision 528/76

As stated on page A/12 of the Memorandum on the Financial Aid Awarded by the Member States to the Coal Industry in 1978 (COM(78) 367 final), the French Government reported a total of FF 2 429.9 million in aid to cover losses under Article 12 of Decision 528/76/ECSC.

In its letter of 27 April 1979, the French Government applied to increase the amount of aid originally awarded as follows:

	Original amount in million FF	Change in million FF	New amount in million FF
- Cover for the losses by the central administration of Charbonnages de France	200.0	+ 117.0	317.0
- Cover for coalfields' operating losses	2 229.9	+ 100.1	2 330.0
Total	2 429.9	+ 217.1	2 647.0
Coking coal aid	9.8	+ 1.2	11.0
TOTAL	2 439.7	+ 218.3	2 658.0

Charbonnages de France must be viewed as a single undertaking for the purpose of assessing aid to its central administration, i.e. aids to the central administration and to the coalfields are classed together. According to the final balance sheet for 1978, total aid (FF 2 647 million) is FF 18 million less than Charbonnages de France's total losses.

Aid to cover coalfields' losses can be broken down as follows by coalfield:

	million FF			
	Nord/Pas- de-Calais	Lorraine	Centre- Midi	Total
Original amounts	1 056.9	574.5	598.5	2 229.9
Additional amounts	- 63.9	+ 163.1	+ 0.9	+ 100.1
<b>TOTAL</b>	<b>993.0</b>	<b>737.6</b>	<b>599.4</b>	<b>2 330.0</b>
Aid to cover interest paid by the central administration of Charbonnages de France				317.0
Total aid to cover operating losses				2 647.0
				=====
per tonne of production in FF				135.05
				=====

The increase in French aid to cover coalfields' operating losses concerns the Lorraine coalfield only where operating losses in 1978 were higher than originally estimated. According to information received by the Commission on actual cost and returns in 1978, production costs per tonne were much higher in the Lorraine coalfield than originally forecast whereas returns per tonne were only slightly higher. The increase in aid covers only part of the operating losses in 1978 and is hence compatible with the second subparagraph of Article 12(2) of the Decision. It should also be noted that coking coal from this coalfield is essential to the steel industry's supply and hence complies with the second subparagraph of Article 12(1) and Article 12(3) of the Decision.

b) Compatibility of direct financial aid to current production in the French coal mining industry with the proper functioning of the common market

A figure of 478.1 million EUA (= 24.39 EUA per tonne) is given in Table B in the Annex for the total amount of aid awarded in 1978 to current production in the French coal mining industry. The original amount of aid for 1978 was approximately 22 EUA per tonne; i.e. the revised per tonne grant in aid is about 10% higher.

The revised (1978) per-tonne grant in aid is 23.4% higher than in 1977.

The following points should be noted with regard to the compatibility of French aid to current production with the proper functioning of the common market:

1. There were no indications in trade in coal between France and the other Member States in 1978 of distortions in competition between the French coal industry and that of other Member States. France's total imports, mainly of German and British steam coal, were 1.7 million tonnes higher in 1978 than in the previous year. French coal deliveries to other Member States were slightly lower in 1978 than they had been in 1977.
2. List prices for French coal in 1978 were (in FF per tonne):

	<u>Steam coal</u>		<u>Coking coal</u>	
	<u>1.1.1978</u>	<u>1.5.1978</u>	<u>1.1.1978</u>	<u>1.5.1978</u>
Nord/Pas-de-Calais	-	-	340,-	340,-
Lorraine : Nuts 2	250,-	270,-		
Nuts 5	223,-	240,-	321,-	321,-

French steam coal is sold at prices which are aligned on a composite price formed from the relatively low price for imported non-Community steam coal and the price of fuel oil. There are no indirect aids to industrial coal consumers. The same applies to coking coal prices which are aligned on the guide price for imported coking coal.

3. It can be concluded from the above that the increase in French aid for 1978 is compatible with the proper functioning of the common market.

c) Summary

The aid applied for under Decision 528/76/ECSC to cover current production in the French coal mining industry in 1978 is shown in the table below.

Legal basis under Doc. 528/76	Measures	Amount of aid			
		Total		Per t of production	
		M FF	M EUA	FF	EUA
Art. 12	- cover for the losses by the central administration of Charbonnages de France	317.0	56.3	16.17	2.87
	- cover for the coalfields' operating losses	2 330.0	413.9	118.88	21.12
	TOTAL	2 647.0	470.2	135.05	23.99

In addition to the aid listed above, a total of FF 11 million (= 2 million EUA) were granted in coking coal aid and FF 33 million (= 5.9 million EUA) in state subsidies to the research programme being undertaken by the Centre d'Etudes et de Recherche des Charbonnages de France (CERCHAR).

II. Increase in aid initially awarded to the United Kingdom coal industry in 1978

a) Compatibility of direct financial aid to cover current production in the United Kingdom coal industry with the provisions of Articles 7 to 12 of Decision 528/76

The United Kingdom Government requested authorization from the Commission to award the following aid under Articles 8 to 11 of Decision 528/76 (see COM(78) 367 final of 28 July 1978, page A/16):

- aid to attract skilled workers under Article 8 (£3.3 million)
- aid to producers' stocks under Article 9 (£9 million)
- aid for power station coal under Article 11 (£8.5 million).

In its letter of 19 March 1979, the United Kingdom Government applied to increase aid to producers' stocks of coal and coke by £27.5 million and aid for power station coal by £17.2 million and to award a further £50 million in aid to cover pit operating losses.

1. The application to grant aid to producers' stocks totalling £9 million was based on the estimates of the costs of producers' stocks of coal for September 1977. A falling-off in sales has, however, led to an increase in coal stocks and hence also to additional costs with the result that producer stock aid has risen by £11.5 million. There has also been a steep increase in the coke stocks held by NSF (National Smokeless Fuels), a subsidiary of the NCB. The United Kingdom Government thus plans to award aid totalling £16 million to NSF for the 1978/1979 coal marketing year as part of a five-year programme to balance supply and demand on the coke market.

Any assessment of aid to cover the cost of monitoring pithead stocks of coal and coke (£36.5 million) must take into account the fact that the total pithead stocks held by producers and the additional stocks held by

consumers, which are directly or indirectly financed by the producers, totalled approximately 21.5 million tonnes at the end of 1978. Given a monthly production of some 10 million tonnes, the volume of producers' stocks qualifying for aid is 11.5 million tonnes. This means that the per-tonne grant in aid is £3.2 and the actual costs of maintaining producers' stocks (including depreciation and interest) are approximately £5 per tonne. The aid hence complies with the provisions of Article 9 of Decision 528/76.

2. The £8.5 million in aid for power station coal which the United Kingdom applied to award was based on price estimates for September 1977, which did not take account of the sharp fall in the dollar in 1978.

Generally speaking, there are no new factors in addition to those described in COM(78) 367 final (page A/17) which need to be considered in assessing the increase in aid for power station coal. The aid envisaged is hence compatible with the provisions of Article 11 of Decision 528/76.

3. The United Kingdom government has applied to grant aid totalling £50 million to the NCB to cover operating losses for the 1978/1979 coal marketing year. The actual losses suffered by NCB coalfields in 1978/1979 are estimated to be around £100 million in the NCB's annual report.

The aid will be used to defer the closure of unprofitable pits in order to obviate serious economic and social problems in areas in which there is not yet sufficient scope for redeployment, and to maintain the production capacity needed for security of energy supply in the long-term. It thus meets the requirements of Article 12.

b) Compatibility of direct financial aid to current production in the British coal mining industry with the proper functioning of the common market

The total aid awarded to the NCB in the 1978/1979 coal marketing year is shown in Table B in the Annex for comparison with other Member States. It should be pointed out that the aid amounts given on page A/16 of COM(78)367 final have been revised in the light of the final information received and incorporated in the figures in Table B.

On this basis, calculations show that total British aid to current production in the 1978/1979 coal marketing year will be 189.7 million EUA = 1.56 EUA per tonne. Despite this increase, the per-tonne of production grant in aid to the British coal mining industry is still relatively low compared with other Member States.

The following can be said about the compatibility of British aid to current production with the proper functioning of the common market:

1. There are no indications from the pattern of trade in coal between the United Kingdom and the other Member States in 1978 that distortions in competition between the British coal mining industry and that of the other Member States might be caused by differing levels of aid. British deliveries to other Member States include steam coal which was sold mainly to Belgium, the Federal Republic of Germany, France and the Netherlands. The amounts involved are relatively small compared with total British output, because they have to compete with imported coal.
2. The list prices for British coal in 1978 in the following coalfields were (in £ per tonne):

	<u>Steam Coal</u>		<u>Coking Coal</u>	
	<u>1.1.1978</u>	<u>1.5.1978</u>	<u>1.1.1978</u>	<u>1.5.1978</u>
South Wales	-	-	34.70	37.60
Scottish - Nuts 2	29.82	32.40	31.10	34.10
- Nuts 5	28.74	23.03		
North Yorkshire				
- Nuts 2	25.20	27.60	29.04	32.00
- Nuts 5	31.20	25.30		

The British prices for steam coal and coking coal in 1978 did not give rise to any problems as they are not at a level which necessitates indirect aid to be provided to industrial coal users.

c) Summary

Details of aid to current production in the British coal mining industry applied for under Decision 258/76 for the 1978/1979 coal marketing year are given in the following table:

Legal basis under Doc. 258/76	Measure	Amount of aid			
		Total		Per t of production	
		M £	M EUA	£	EUA
Article 8	Aid to attract skilled workers	3.4	5.3	0.03	0.04
Article 9	Aid to producers' stocks	36.5	56.2	0.30	0.46
Article 11	Aid for power station coal	25.7	39.5	0.21	0.32
Article 12	Aid to cover coalfields' operating losses	50.0	76.9	0.41	0.63
TOTAL		115.6	177.9	0.95	1.45

In addition to the aid listed above, a total of £ 7.7 million (= 11.8 MEAU) was awarded in coking coal in 1978.

### III. Conclusions

The increase in aid granted to the French and British coal mining industries has affected the overall pattern of aid in 1978. Aid to current production in 1978 was 70.8% higher in the Community than in 1977 and the rate per tonne of ourpur was 75.4% higher.

The increase in French and British subsidies proved necessary as the estimates for losses by the coal mines made in 1977 proved too low. The unforeseeable more rapid rise in costs of production than in receipts led to larger losses. The increased subsidies requested by the two governments can be agreed in accordance with Decision N° 528/76.

The following two tables provide a full picture of subsidies agreed for the year 1978.

Table A

Aids not relating to current production

(million ECU)

	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		Infringements of Art. 5 (1978)
	Total		Total		
	1977	1978	1977	1978	
Federal Republic of Germany	2 137.3	2 383.1	197.6	203.4	-
Belgium	550.2	600.8	1.1	0.4	-
France	942.1	1 079.9	57.6	71.3	-
United Kingdom	43.4 (1)	56.1 (1)	18.7	22.0	-
Total for the Community	3 673.0	4 119.9	275.0	297.1	-

(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.

Table B

## Aid for current production in 1978

	Unit	Federal Repu- blic of Germany	France	United Kingdom	Belgium	Community
<b>A. Aids under Decision No. 528/76</b>						
1. Infringement of Article 4 of Article 5	million EUA million EUA	- -	- -	- -	- -	- -
Total per tonne of production	million EUA EUA	9.1 0.10	5.9 0.30	- -	17.4 2.64	32.4 0.14
2. Direct Measures per tonne of production	million EUA EUA	311.2 39.9	- -	- 5.3 56.2	7.0 - -	318.2 45.2 56.2
3. Indirect Measures	million EUA million EUA million EUA million EUA million EUA million EUA	42.2 - -	- -	- 39.5 76.9	- -	42.2 39.5 683.0
Total per tonne of production	million EUA EUA	393.3 4.37	470.2 23.99	177.9 1.46	142.9 21.65	1 184.3 4.98
B. Coking coal aid (Decision No. 73/287) per tonne of production	million EUA EUA	504.9 5.60	2.0 0.10	11.8 0.10	80.3 12.17	599.0 2.52
C. Total (A + B) Totals per tonne of production	million EUA EUA	907.3 10.07 (1)	478.1 24.39	189.7 1.56	240.6 36.46	1 815.7 7.63

(1) Excluding aid under the Third Coal-into-Electricity Law