



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.11.1996
COM(96) 575 final

REPORT FROM THE COMMISSION

on the Application of the Community Rules for State Aid to the
Coal Industry in 1994

1. Introduction

Article 10 of Commission Decision No 3632/93/ECSC of 28 December 1993¹ requires the Commission to report each year to the Council, the European Parliament and the ECSC Consultative Committee on the application of the Community rules for State aid to the coal industry.

This report examines the financial aid granted by France, Germany, Portugal, Spain and the United Kingdom to their coal industries in 1994.

All Member States intending to grant aid to coal undertakings in 1994 were obliged to present to the Commission by 1 January 1994 information on all the measures they intended to take to support the coal industry directly or indirectly in 1994.

Such measures may be considered compatible with the proper functioning of the common market provided they help to achieve at least one of the following objectives:

- to make, in the light of coal prices on international markets, further progress towards economic viability with the aim of achieving degression of aids;
- to solve the social and regional problems created by total or partial reductions in the activity of production units;
- to help the coal industry adjust to environmental protection standards.

¹ OJ L 329, 30.12.1993, p. 12.

In accordance with Article 8 of the Decision, the following Member States submitted to the Commission their plans to modernize, rationalize and restructure the coal industry:

- Germany in a letter dated 29 April 1994;
- Spain in a letter dated 30 May 1994;
- France in a letter dated 9 December 1994;
- Portugal in a letter dated 5 August 1994;
- the United Kingdom in a letter dated 30 March 1994.

Following notification of the plans the Commission delivered opinions on their conformity with the general and specific objectives set by Articles 2, 3 and 4 of Decision No 3632/93/ECSC, and in particular the Decisions adopted on 13 December 1994² for Germany and Spain, 19 July 1995³ for France, 3 November 1994⁴ for Portugal and 1 June 1994⁵ for the United Kingdom.

In accordance with Article 9(1) of Decision No 3632/93/ECSC, the Member States also notified all the financial aid they intended to grant in respect of 1994. The Commission gave a ruling on these measures in Decisions adopted on 1 June 1994,⁶ 13 December 1994⁷ and 19 July 1995⁸ for Germany, 13 December 1994⁹ and 30 April 1996¹⁰ for Spain, 19 July 1995¹¹ for France, 3 November 1994¹² for Portugal and 1 June 1994,¹³ 3 November 1994¹⁴ and 30 November 1994¹⁵ for the United Kingdom.

The amounts of financial aid referred to in this document are the final figures authorized by the Commission for 1994 under Decision No 3632/93/ECSC. This is the first report under Article 10 of this Decision following its entry into force on 1 January 1994.

² OJ L 385, 31.12.1994.

³ OJ L 267, 9.11.1995, p. 46.

⁴ OJ L 379, 31.12.1994, p. 3.

⁵ OJ L 220, 25.8.1994, p. 12.

⁶ OJ L 220, 25.8.1994, p. 10.

⁷ OJ L 385, 31.12.1994, p. 18.

⁸ OJ L 287, 30.11.1995, p. 53.

⁹ OJ L 385, 31.12.1994, p. 31.

¹⁰ OJ L 259, 12.10.1996, p. 14.

¹¹ OJ L 267, 9.11.1995, p. 46.

¹² OJ L 379, 31.12.1994, p. 3.

¹³ OJ L 220, 25.8.1994, p. 12.

¹⁴ OJ L 379, 31.12.1994, p. 6.

¹⁵ OJ L 382, 31.12.1994, p. 1.

2. Coal Industry and Market

2.1 Production

In 1994 coal production in the European Union totalled 131.2 million tonnes, down 27.6 million tonnes compared with 1993 as a result of the restructuring, rationalization and modernization policies implemented by the Member States. Production dropped in all the producer countries in 1994 from 1993, the largest falls, in absolute terms, being recorded in the United Kingdom (-19.7 million tonnes) and Germany (-6.6 million tonnes).

Production in 1995 should be slightly up on 1994, though the downward trend seems set to resume in 1996.

Table 1
Coal production (*1000 t)

	1990	1991	1992	1993	1994	1995	variation 1994/93 %	variation 1995/94 %
Germany	76 553	72 744	72 153	64 175	57 623	58 853	-10.2	+2.1
Spain (1)	19 440	17 922	18 551	18 402	18 194	17 675	-1.1	-2.9
France	10 487	10 127	9 478	8 576	7 538	5 976	-12.1	-20.7
Portugal	281	270	221	197	147	0	-25.4	-100.0
United Kingdom	89 301	92 712	83 987	67 463	47 717	51 937	-29.3	+8.8
Others	1 139	661	330	11	1	0	-90.9	-100.0
European Union	197 201	194 436	184 720	158 824	131 220	134 441	-17.4	+3.2

Source: Eurostat

(1) Including "black lignite"

2.2. Employment

The continuation of the measures to rationalize and reduce activity in the coal industry in most coal-producing countries led to a further drop in employment figures. At the end of 1994 the industry employed 93 200 underground workers, i.e. 14 200 fewer than in 1993. The largest drop in absolute terms was in the United Kingdom (6 400), followed by Germany (5 000) and Spain (1 900).

Table 2
Underground Staff Employed at the End of the Year (*1000)

	1990	1991	1992	1993	1994	variation 1994/93 %
Germany	77.9	73.2	68.5	62.0	57.0	-8.1
Spain	30.6	29.8	27.0	24.0	22.1	-7.9
France	10.1	8.9	8.3	7.9	7.4	-6.3
Portugal	0.6	0.5	0.5	0.4	0.0	-100.0
United Kingdom	50.7	42.3	30.5	13.0	6.6	-49.2
European Union	171.8	156.5	135.5	107.4	93.2	-13.2

Source: Eurostat

2.3. Coal Demand and Trade

In 1994, total energy demand in the European Union was virtually unchanged (+0.7%) against 1993. Nonetheless, demand for solid fuels continued to fall, and much more so for lignite (-5.5%) than for coal (-0.8%).

Overall, internal deliveries of coal within the European Union fell by a further 20.6 million tonnes in 1994 compared with 1993. This figure is even more striking when it is considered that deliveries had already fallen significantly in 1993 and 1992.

This reduction was mainly due to a levelling-off of demand from all sectors. The main reductions concerned deliveries to the power-generating sector. The Member States registering the largest drops were the United Kingdom (-15.7 million tonnes) and France (-5.5 million tonnes). Internal deliveries in the other countries stabilized or even rose slightly.

The 1994 figure of 258.2 million tonnes is the lowest tonnage ever recorded in the European Union. After the upswing in 1995 the downward trend is set to continue for some years to come.

Deliveries are falling in all sectors. The main reductions concern deliveries to public-sector power stations (-13.9 million tonnes) and coking plants (-2.4 million tonnes). The United Kingdom has recorded a particularly large fall (-15.7 million tonnes). It should be noted that the biggest falls are occurring in the European Union's main coal producing countries, though if the United Kingdom and France were removed from the calculation the trend for 1994 would probably be upwards (+0.6 million tonnes).

Table 3
Internal deliveries of coal (Million tonnes)

	1990	1991	1992	1993	1994	1995	variation 1994/93 %	variation 1995/94 %
Belgium	14.9	14.0	13.2	11.1	11.6	13.7	+4.5	+18.1
Denmark	10.1	12.8	11.4	10.2	11.6	12.9	+13.7	+11.2
Germany	80.3	87.0	82.8	75.2	75.0	76.2	-0.3	+1.6
Greece	1.4	2.0	1.9	2.3	2.4	1.5	+4.3	-37.5
Spain	30.2	31.2	32.9	30.8	29.5	31.8	-4.2	+7.8
France	30.4	31.9	31.5	26.8	21.3	22.6	-20.5	+6.1
Ireland	3.2	3.1	3.4	3.1	3.0	2.6	-3.2	-13.3
Italy	2.1	19.3	17.5	14.9	14.4	17.4	-3.4	+20.8
Luxembourg	0.2	0.2	0.3	0.3	0.3	0.2	0.0	-33.3
Netherlands	14.9	13.3	12.7	13.5	13.9	14.1	+3.0	+1.4
Portugal	5.0	4.4	4.5	4.8	5.1	6.0	+6.3	+17.6
United Kingdom	107.9	112.4	102.7	85.7	70.0	75.2	-18.3	+7.4
Eur. Union	300.5	331.6	314.8	278.8	258.2	274.2	-7.4	+6.2

Source: Eurostat

Coal imports from third countries rose slightly by 1.3 million tonnes in 1994 to a level of 118.1 million tonnes. This is attributable to a rise in consumption in certain sectors, notably steel, though most of the Community's coal producers were too uncompetitive to benefit from it.

Table 4
Imports of coal from third countries (Million tonnes)

	1990	1991	1992	1993	1994	1995	variation 1994/93 %	variation 1995/94 %
Belgium	13.2	13.3	13.1	11.4	13.5	13.6	18.4	0.7
Denmark	9.7	12.6	11.8	10.3	10.0	12.8	-2.9	28.0
Germany	8.6	13.7	14.2	12.6	13.9	15.0	10.3	7.9
Greece	1.4	1.4	2.1	1.3	1.4	1.3	7.7	-7.1
Spain	9.8	12.0	13.7	12.3	12.2	12.4	-0.8	1.6
France	17.3	20.2	21.4	13.9	12.0	9.8	-13.7	-18.3
Ireland	2.6	2.7	2.7	2.7	2.2	2.5	-18.5	13.6
Italy	19.5	19.2	17.6	14.3	15.4	18.8	7.7	22.1
Luxembourg	0.2	0.2	0.3	0.2	0.2	0.1	0.0	-50.0
Netherlands	16.5	15.2	14.7	14.9	16.0	17.1	7.4	6.9
Portugal	4.5	4.1	4.4	4.8	5.3	5.9	10.4	11.3
United Kingdom	12.7	19.1	19.8	18.1	16.0	14.9	-11.6	-6.9
Eur. Union	115.9	133.6	135.9	116.8	118.1	124.3	1.1	5.2

Source: Eurostat

Table 5
Intra-Community Trade in Coal (exports) (*000 t)

Year	Belgium	Germany	Spain	France	Netherlands	United Kingdom	Others	Total
1990	668	4 906	2	460	2 335	1 559	37	9 967
1991	606	3 188	0	490	2 363	1 520	51	8 218
1992	622	1 510	0	444	2 029	840	54	5 499
1993	620	915	0	426	2 243	946	28	5 178
1994	924	1 121	0	397	2 612	961	27	6 042
1995	793	1 203	0	292	2 823	630	10	5 751

Source: Eurostat and market report

Trade in coal within the European Union, including internal movements of coal of third-country origin in free circulation, rose by 0.9 million tonnes in 1994. This trend is attributable essentially to the rise in imports (see above).

2.4. Financial situation of European Union coal producers

For the European Union as a whole, the average cost of production rose from ECU 114/tce in 1993 to ECU 119/tce in 1994, i.e. an increase of 5%. In fact, the increases recorded in France and Germany largely offset the reductions in cost observed in other producer countries. It should be mentioned that production costs in the United Kingdom fell appreciably in 1994.

Table 6
Financial situation of the coal industry

	Production costs (1) ECU/tce					Returns ECU/tce					Difference ECU/tce			
	1991	1992	1993	1994	1994/ 1993 %	1991	1992	1993	1994	1994/ 1993 %	1991	1992	1993	1994
Germany	138	143	151	154	+ 2 %	126	131	136	138	+ 2 %	-12	-12	-15	- 16
Spain	154	147	131	127	- 3 %	109	109	97	98	+ 1 %	-45	-39	-34	- 29
France	91	100	110	125	+ 13 %	60	56	62	55	- 11 %	-32	-45	-49	- 70
Portugal	103	121	112	107	- 4 %	72	78	72	69	- 4 %	-31	-43	-40	- 38
United Kingdom	74	71	62	52	- 17 %	73	71	60	51	- 14 %	-0	-0	-2	- 1
EU average	109	112	114	119	+ 5 %	97	101	99	101	+ 2 %	-12	-12	-15	- 18

(1) Overall costs, including capital and depreciation costs

Returns rose by 2% throughout the Union in 1994. Given the smaller increase in average returns in relation to production costs, which rose by 5%, it can be stated that the situation of the coal industry deteriorated in 1994.

Mention should be made of the considerable differences in returns between the different producer countries. To a great extent these are due to indirect consumption-aid mechanisms in certain countries. In accordance with Articles 2(9) and 9(7) of the Decision, these mechanisms must be abolished by 31 December 1996.

A considerable proportion of mines in the European Union showed (often appreciable) improvements in productivity, due largely to the restructuring and rationalization of the industry. The least productive pits are the first to be closed, and when the decision to close a pit in the relatively near future is taken, underground preparation work is reduced to a strict minimum, releasing workers for production or reducing the number of underground workers. Productivity increases in both cases.

Table 7
Underground Output per Man/hour (kg)

	1990	1991	1992	1993	1994	1994/93 %
Germany	673	681	698	706	707	0.1
Spain	341	315	328	402	421	4.7
France	634	727	743	824	653	-20.8
United Kingdom	704	801	919	1.416	1.857	31.1
European Union	628	665	703	743	773	4.0

Source: Eurostat

3. Financial aid scheduled for the coal industry

This report covers the measures set out in Article 1 of Decision No 3632/93/ECSC, viz:

- any direct or indirect measure or support by public authorities linked to production, marketing and external trade which, even if it is not a burden on public budgets, gives an economic advantage to coal undertakings by reducing the costs which they would normally have to bear;
- the allocation, for the direct or indirect benefit of the coal industry, of the charges rendered compulsory as a result of State intervention, without any distinction being drawn between aid granted by the State and aid granted by public or private bodies appointed by the State to administer such aid;
- aid elements contained in financing measures taken by Member States in respect of coal undertakings which are not regarded as risk capital provided to a company under standard market-economy practice.

While the reports drafted within the framework of Decision No 2064/86/ECSC distinguished between aid linked to current production and aid not linked to current production, the present report introduces the more precise classification of aid set out in Articles 3, 4, 5, 6 and 7 of Decision No 3632/93/ECSC - in other words, it distinguishes between operating aid, aid for the reduction of activity, aid to cover exceptional costs, aid for research and development and aid for environmental protection.

A breakdown of the overall amount of aid granted by the Member States among these different categories of aid also gives a fairly clear idea of the coal policy being pursued at national level and of the progress being made in the modernization, rationalization and restructuring process.

Table 8
Breakdown of aid

	Decision No 2064/86/ECSC				Decision No 3632/93/ECSC
	1990 ECU million	1991	1992	1993	1994
Germany					
- linked to current production*	4 576.5	4 502.7	4 497.7	4 462.6	4 845.8***
- not linked to current production **	200.6	247.5	246.7	256.3	181.4
Spain					
- linked to current production*	499.2	667.4	463.3	373.3	730.8
- not linked to current production **	0	267.0	108.9	0	145.3
France					
- linked to current production *	166.2	165.3	186.9	190.2	298.0
- not linked to current production **	792.2	783.2	774.6	818.1	614.8
Portugal					
- linked to current production*	4.6	4.5	5.8	6.4	1.3
- not linked to current production **	0.0	0.0	0.0	1.0	3.6
United Kingdom					
- linked to current production*	0.0	0.0	0.0	1.9	20.1
- not linked to current production **	103.5	13.7	13.1	12.4	870.0
E.U. TOTAL					
- linked to current production*	5 327.1	5 401.1	5 194.6	5 034.4	5 896.5
- not linked to current production**	1 096.3	1 312.6	1 145.0	1 087.8	1 815.1

*: aid granted under Articles 3, 4, 5 and 6 of Decision No 2064/86/ECSC and under Articles 3 and 4 of Decision No 3632/93/ECSC

** : inherited liabilities under Decision No 2064/86/ECSC and aid granted under Articles 5, 6 and 7 of Decision No 3632/93/ECSC

***: no account taken of the activation of DM 5 350 million (ECU 2 779 million) from a credit line to cover compensation fund debts in the context of the German Law of 19 July 1994 guaranteeing Coal Supplies for Power Stations

Compared with 1993 there is above all a clear increase in aid linked to production, except in Portugal, where extraction activity ceased completely at the end of 1994. The detailed situation in each Member State is as follows:

3.1 Germany

In 1993 the Commission authorized a total of DM 8 639 700 000 (ECU 4 462 600 000) of financial aid relating to current production. In 1994 it authorized operating aid (Article 3 of Decision No 3632/93/ECSC) totalling DM 14 677 700 000 (ECU 7 624 800 000), i.e. an increase of 71%. The two biggest items within this total were:

- a financial measure worth DM 5 800 million in connection with the Third Electricity-from-Coal Law to cover the amounts agreed between coal and electricity producers under the *Jahrhundertvertrag*;
- activation of DM 5 350 million, out of a credit line totalling DM 6 000 million, in the context of the German Law of 19 July 1994 guaranteeing Coal Supplies for Power Stations and amending the Third German Electricity-from-Coal Law.¹⁶ This credit line is intended to cover the deficit in the compensation fund existing at 31 December 1993. It thus represents a clearing of the debts accumulated by the fund in previous years.

Even disregarding the activation of the credit line, it must be stressed that the aid situation has not got any better, despite an appreciable fallback in production. In Decision 94/1070/ECSC of 13 December 1994 on German aid to the coal industry for 1994¹⁷ the Commission reiterated the need for measures to be taken in accordance with Article 9(7) of Decision No 3632/93/ECSC to bring the **rules on aid for coal intended for electricity production** into line with the provisions of the new framework Decision.

In this context, the German Constitutional Court, in a decision reached at the end of 1994, declared the levy known as the *Kohlepfennig* to be anti-constitutional and prohibited it as from 31 December 1995. The Court reached its judgment on the following grounds. By choosing to raise finances through a special contribution, the legislator had departed from three fundamental principles of financial organization. In making these fiscal rules, he had assumed legislative powers beyond the scope of financial organization; in view of the non-budgetary nature of the proceeds of the special contribution, he had called into question the budgetary powers of the Parliament; he had undermined the principle of equality in taxation by shifting the charge to the taxpayer from the common fiscal charge to a special charge.

¹⁶ BGBl of 28.7.1994, p. 1618.

¹⁷ OJ L 385, 31.12.1994, p. 18.

The Constitutional Court considered a special contribution of this type to be permissible only if strict constitutional conditions are observed. Further, it may be collected only from a category which has a particular interest in what is to be financed and which, *ipso facto*, has an inherent responsibility in terms of financing. Where financing is not the specific responsibility of a particular category it must be borne by the collectivity, i.e. through tax proceeds.

The German authorities have since adopted a new law on aid for coal intended for electricity production. This Law includes aid in the budget and abolishes the *Kohlepfennig*.

With regard to aid for the sale of coal and coke to the Community steel industry, the amounts authorized for 1994 in Decisions 94/1070/ECSC¹⁸ and 95/499/ECSC¹⁹ show relative stability compared with the previous year (a total of DM 3 232 million compared with 3 248 million for 1993).

The remaining operating aid authorized in 1994 was:

- aid totalling DM 110 million to maintain the underground workforce (*Bergmannsprämie*);
- aid totalling DM 127.8 million for compensation between coalfields;
- aid totalling DM 57.9 million for compensation for coal with a low volatile matter content.

Being degressive, all three measures comply with the objectives and criteria set out in Article 2 of Decision No 3632/93/ECSC.

By Decision 94/573/ECSC of 1 June 1994²⁰ the Commission also authorized, under Article 5 of Decision No 3632/93/ECSC, aid totalling DM 179.1 million to RuhrKohle AG and aid totalling DM 170.1 million to the companies Ruhrkohle AG, Saarbergwerke AG, Gewerkschaft Auguste Viktoria, Sophia Jacoba GmbH and Preussag, to cover exceptional costs. These included:

- social welfare benefits resulting from workers taking early retirement;
- supply of free coal to workers who lost their jobs as a result of restructuring;
- exceptional expenditure on workers who lost their jobs as a result of restructuring;
- exceptional intrinsic depreciation resulting from restructuring;
- backfilling of pits;
- the costs of pumping out pits closed down since 1967.

¹⁸ OJ L 385, 31.12.1994, p. 18.

¹⁹ OJ L 287, 30.11.1995, p. 53.

²⁰ OJ L 220, 25.8.1994, p. 10.

3.2 Spain

The operating aid and aid for the reduction of activity authorized by the Commission in respect of 1994 totalled Pta 39 581 million (ECU 249 million) and Pta 76 561 million (ECU 481.8 million) respectively, i.e. Pta 116 142 million in all, compared with financial measures relating to current production totalling Pta 55 657 million in respect of 1993.

In Decision 94/1072/ECSC of 13 December 1994 authorizing the granting by Spain of aid to the coal industry in respect of 1994,²¹ the Commission assessed this aid in the context of the modernization, rationalization, restructuring and activity-reduction plan for the coal industry covering the period from 1 January 1994 to 31 December 1997, which Spain notified to the Commission by letter of 30 May 1994 and amended by letter of 7 November 1994.

The plan is designed to make the coal industry more competitive and thereby lead to the degression of aids. It lays down restructuring, rationalization and modernization measures which coal undertakings must implement to reduce their production costs over the period 1994-97 in order to receive the operating aid provided for in Article 3 of Decision No 3632/93/ECSC.

Undertakings which are unable to reduce their production costs or which, despite reducing them, are still far from achieving economic viability, must be included in an activity-reduction plan as provided for in Article 4 of Decision No 3632/93/ECSC.

For undertakings receiving operating aid within the meaning of Article 3 of the Decision, Spain has introduced the objective of a 2% annual reduction in production costs at constant prices over the period 1994-97. Aid to these undertakings is financed, as in Germany, through a levy on electricity billing.

Undertakings or production units receiving aid for the reduction of activity by virtue of Article 4, viz. the Hunosa, Minas de Figaredo SA and Mina de la Camocha companies, will be required gradually to reduce their production capacity through partial or total closure. The aid granted to these companies is financed through the State budgets.

²¹ OJ L 385, 31.12.1994, p. 31.

In assessing the plan put forward by the Spanish Government, the Commission noted that in view of the unfavourable geological conditions of Spain's coalfields, which limit the possibility of modernization and rationalization, aid can be significantly reduced only through restructuring, or through the progressive and continuous reduction in mining activity by the undertakings in question.

The Commission also reiterated the need for measures to be taken in accordance with Article 9(7) to bring the aid schemes into line with the provisions of the Decision. Subsequently, the Commission also took note of Spain's undertaking to bring the aid schemes in force during the transitional period provided for in Article 2(2) into line with the provisions laid down in that Article.

In the same Decision the Commission authorized aid to cover exceptional charges (Article 5), viz:

- aid of Pta 14 715 million to cover exceptional welfare costs paid to workers who lost their jobs as a result of the measures to modernize, rationalize, restructure and reduce the activity of the Spanish coal industry;
- aid of Pta 8 374 million to cover the technical costs of closing down mining installations.

The Commission underlines that this financial aid was made necessary by the process of modernizing, rationalizing and restructuring the Spanish coal industry and must therefore be considered to be related not to current production but to inherited liabilities.

In Decision 96/591/ECSC of 30 April 1996²² the Commission also authorized supplementary financial aid by Spain to the coal industry in respect of 1994. This aid, totalling Pta 10 362 million, was authorized in the light of the second indent of Article 3(1) of Decision No 3632/93/ECSC, which lays down that the aid actually paid must be subject to annual correction, based on actual costs and revenue.

²² OJ L 259, 12.10.1996, p. 14.

3.3 France

In 1993 the amount of direct financial aid authorized by the Commission - representing all aid relating to current production - was FF 1 262 million (ECU 190.2 million), i.e. FF 147.15 (ECU 22.18) per tonne. For 1994 the Commission authorized aid of FF 1 962 million (ECU 298 million) to cover operating losses. While aid relating to current production has clearly increased, on account of higher production costs resulting, in particular, from geological difficulties, it should be stressed that the authorization in respect of 1994 was given under Article 4 of Decision No 3632/93/ECSC, since this aid goes towards the activity-reduction plan of the Charbonnages de France company, which is due to cease all mining by 2005.

France notified the Commission on 9 December 1994 of the broad outlines of its plan to reduce activity in its coal industry. In Decision 95/465/ECSC of 19 July 1995 authorizing France to grant aid to the coal industry for 1994²³ the Commission examined France's financial aid in the context of this activity-reduction plan. It noted that, aware of the economic and social impact of implementing Decision No 3632/93/ECSC, the French authorities embarked on a wide general debate with all sides involved in the coalmining sector. This consultation process resulted in the drawing up and signing of a national pact for coal between Charbonnages de France and the trade union organizations.

The Commission recognizes that if this plan provides for the complete cessation of coalmining only by 2005 it is because the acute nature of the social and regional problems did not allow the French authorities to hold to the deadline of 2002 set in Decision No 3632/93/ECSC. The main thing, however, is that the French authorities have realized there is no prospect of the French coal industry becoming competitive in the middle or long term and have begun resolutely on the programme of activity reduction and closure.

In addition to the aid for the reduction of activity, the Commission also authorized aid totalling FF 4 032 million to cover exceptional charges under Article 5 of Decision No 3632/93/ECSC and aid totalling FF 15 million for research and development under Article 6 of the Decision.

The aid to cover exceptional costs (inherited liabilities) covers costs which are explicitly mentioned in the Annex to Decision No 3632/93/ECSC, viz:

- FF 636 million towards the costs of paying social welfare benefits resulting from the pensioning off of workers before they reach the statutory retirement age;

²³ OJ L 267, 9.11.1995, p. 46.

- FF 252 million as exceptional expenditure on workers who lose their jobs as a result of restructuring and rationalization;
- FF 64 million as payment towards residual costs resulting from administrative, legal or tax provisions;
- FF 147 million towards additional work resulting from restructuring;
- FF 22 million towards mining damage caused by pits previously in service;
- FF 44 million towards exceptional intrinsic depreciation resulting from the restructuring of the industry;
- FF 2 867 million towards the increase in the contributions, outside the statutory system, to cover social security costs as a result of the drop, following restructuring, in the number of contributors.

The aid for research and development concerns the improvement of mining technology, the improvement of safety and working conditions, the extension of remote monitoring and, where the utilization of coal is concerned, such aspects as the upgrading of ash, the analysis of gaseous pollutants and the development of fluidized bed combustion.

3.4 Portugal

In 1993 the Commission authorized aid linked to current production (direct support) totalling ESC 1 202.8 million (ECU 6.4 million), i.e. ESC 6 106 (ECU 32.49) per tonne. For 1994, aid to cover operating losses fell to ESC 358.7 million (ECU 1.8 million), taking the form of aid for the reduction of activity under Article 4 of Decision No 3632/93/ECSC.

By letter of 5 August 1994, in accordance with Article 8 of the Decision, Portugal submitted to the Commission a plan to reduce the activity of its coal industry. By Decision 94/994/ECSC of 3 November 1994 authorizing the granting of aid by Portugal to the coal industry in 1994²⁴ the Commission delivered a favourable opinion on the plan and authorized the financial measures notified by the Portuguese authorities. The Commission noted that, according to the information forwarded by those authorities, coal extraction would cease definitively by the beginning of 1995. The Portuguese authorities have since confirmed that the last mine did indeed close on 31 December 1994. By enabling the closure process to be staggered, the aid to cover operating losses for 1994 helped resolve the social and regional problems linked to the reduction of the production units' activity, in accordance with Article 2 of Decision No 3632/93/ECSC.

The second financial measure notified by the Portuguese authorities in respect of 1994 was aid to cover exceptional social costs, totalling ESC 700 million (ECU 3.6 million), intended to provide partial cover for the compensation to be paid to some 450 employees of the Carbonífera do Douro company who were to lose their jobs by 31 December 1994 as a result of the closure plan. In its authorizing decision, the Commission underlined that this aid was not connected to current production and must be regarded as covering inherited liabilities. As from 1995, Portugal must no longer grant aid connected to production and must confine its support to covering exceptional costs resulting from the cessation of coal mining.

²⁴ OJ L 379, 31.12.1994, p. 3.

3.5 United Kingdom

During 1994, the amount of aid linked to current production and actually paid was very small, totalling £15.6 million compared with the £118.8 million initially authorized by the Commission in Decisions 94/574/ECSC²⁵ and 94/999/ECSC.²⁶

The outstanding feature of 1994 was the volume of aid authorized under Article 5 of Decision No 3632/93/ECSC to cover exceptional costs, viz. the costs resulting from the modernization, rationalization and restructuring of the United Kingdom's coal industry, a process which accelerated considerably in 1994 in the context of privatization. This aid totalled £675 million (ECU 870 million), compared with the £9.6 million (ECU 12.4 million) authorized under the heading of inherited liabilities in 1993.

By letter of 30 March 1994, in accordance with Article 8 of Decision No 3632/93/ECSC, the United Kingdom Government submitted to the Commission a plan to modernize, rationalize and restructure its coal industry. In Decision 94/574/ECSC of 1 June 1994²⁷ the Commission examined the contents of the plan and re-authorized the operating aids referred to above. The Commission noted that the aim of the United Kingdom plan was to make coal produced in the United Kingdom fully competitive with imported coal and to abolish all aid. This meets the objective of the first indent of Article 2(1) of Decision No 3632/93/ECSC, namely, in the light of coal prices on international markets, to make further progress towards economic viability with the aim of achieving degression of aids. This degression is genuine, since, as the Commission underlines, the operating aid provided under the plan is of a temporary nature and is limited to the period leading up to the privatization of the British Coal Corporation, its aim being to render the production units competitive with imported coal.

The aid of £675 million to cover exceptional costs, authorized by the Commission in Decision 94/995/ECSC of 3 November 1994,²⁸ was granted because the United Kingdom Government has been forced, prior to the privatization of the British Coal Corporation, to assume responsibility for the obligations resulting from the process of modernization, rationalization and restructuring of the coal industry which cannot be considered to be related to current production, the aim being to prevent operations with a prospect of economic viability being burdened with inherited liabilities, especially those resulting from the sheer size of the British Coal Corporation. It must also be emphasized that the process of restructuring was unavoidable and that even without privatization, measures such as those covered by this aid authorization would have been indispensable; furthermore, these financial measures involve no direct or indirect aid to the new undertakings emerging from privatization. For the most part (£635 million) they cover exceptional social welfare payments to compensate workers who have lost their jobs or been transferred following restructuring measures and, to a lesser extent (£40 million) liabilities for environmental damage (subsidence, etc.) caused by underground production activities before privatization of the British Coal Corporation.

²⁵ OJ L 220, 25.8.1994, p. 12.

²⁶ OJ L 382, 31.12.1994, p. 1.

²⁷ OJ L 220, 25.8.1994, p. 12.

²⁸ OJ L 379, 31.12.1994, p. 6.

4. Conclusions

Despite considerable efforts to rationalize and restructure the coal industry, the average cost of production in the Community in 1994 was ECU 119/tce, while the price of imported coal scarcely exceeded ECU 43/tce. What is particularly worrying is that not only have costs resumed an upward trend since the beginning of the 1990s, but that aid per tonne has risen from ECU 32/t in 1993 to ECU 45/t in 1994, even though Germany's activation of a credit line has been left out of the calculation.

Regarding exogenous factors, it must be stressed that in 1994 the price of imported coal reached its lowest level in real terms since the end of the 1970s, due partly to surpluses on the international markets and the arrival on the market of new exporters and partly to the almost constant appreciation of the ECU against the US dollar during that period.

Even if prices have recovered somewhat since then, there are very few options for coal policy in the Member States. Choices are ultimately guided by geological conditions and by social and regional considerations.

Firstly there are States where, for various reasons, "national" coal plays only a minor part in the energy balance and where geological conditions - generally in small coalfields - rule out any chance of improving productivity. These States opt for closure. This was the course taken by France and Portugal; the latter country has already completed its closure plan, while the French plan is staggered up to the beginning of the next century. This is a repeat of the way coal production ceased in the Netherlands and Belgium.

Then there are the States with sizeable coal reserves, though often in difficult geological conditions, where "national" coal has traditionally occupied an important place and where employment in coalmining has remained relatively high so as to ensure a smooth reconversion for the industrial areas concerned. These States, such as Germany and Spain, while encouraging their coal industries to cut costs further, have to take account of social and regional problems and set a realistic timetable for reducing aid and production capacity.

Lastly, there is the case of the United Kingdom, where a draconian restructuring programme and concentration exclusively on profitable deposits have resulted in production costs almost as low as those charged on the world market. It is somewhat paradoxical, though, to note that British mines whose production costs were lower than those in other Member States and which were only slightly subsidized have had to be closed for lack of a market while high-cost mines are still being worked elsewhere in Europe - a situation which has helped push up the amount of aid per tonne in the Community very considerably.

To sum up, while Decision No 2064/86/ECSC has indisputably given rise to far-reaching restructuring in the coal sector, there is no denying that the survival of a large part of the European coal industry will remain dependent on the granting of large amounts of aid. It is too soon to tell whether the tighter framework of the new Decision No 3632/93/ECSC will actually set the least loss-making part of the EU coal industry on the road to economic viability or merely assist the further decline of a large part of that industry.