

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION TO THE COUNCIL

Request for an Assent, pursuant to Article 56 § 2 (a) of the
ECSC Treaty, for the grant of a redevelopment loan to
Vald. Birn (UK) Ltd.

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Subject: Request for an Assent, pursuant to Article 56 § 2 (a) of the ECSC Treaty, for the grant of a redevelopment loan to Vald. Birn (UK) Ltd.

I. ESSENTIAL INFORMATION

Applicant : Vald. Birn A/S, Holstebro, Denmark
Beneficiary : Vald. Birn Ltd., Newcastle, UK
Project : Establishment of an iron foundry
Location : Cambois, Blyth, Northumberland
Investment : 3.793.000 £ (+ 6.54 million u.a.)
Loan requested : 1.140.000 £ (+ 1.97 million u.a.)
Jobs created : 192 of which the greater part is to be offered in priority to ex-coal miners.

II. ADMISSIBILITY

Some 39 percent of the 11,921 jobs lost in the British coal mining industry during 1973 and 1974 were located in the country's North East region, an area already faced with severe unemployment problems arising from long term changes in the national economy.

The present project will create 192 new jobs, of which it is expected that ^{at least} half will be offered to coal-miners made redundant following the closure of the Netherton colliery in January 1974, which resulted in a loss of 500 jobs. The enterprise has indicated a preference for ex-miners in selecting personnel for its foundry and stated that in the current labour market situation it would have little option but to seek its workforce amongst former miners.

III. THE UNDERTAKING

Description : Vald Birm A/S
Legal status : Limited Company
Established : 1941
Administrative Headquarters : Holstebro, Denmark
Registered capital : Dkr. 1.000.000

IV. THE PROJECT

The project involves the establishment of a foundry, based on disamatic moulding machines, on a 12 acre site at the former Cambois colliery near Newcastle. The foundry will be fed on low grade iron scrap and will produce a variety of castings destined for the auto-motive and engineering industries. The process is electrically powered and consequently is pollution free.

It is envisaged that the project will become operational in 1980 in two stages. Production will start in July 1977 at 1,100 tons and will rise from 11,000 tons yearly in 1980 to approximately 30,000 tons yearly by 1986.

V. SOCIAL ASPECTS

The applicant has stated that a total work force of 192 employees will be required when the project is fully implemented in 1980. Of the total number of 192 jobs, 140 will be filled by semi-skilled and 20 by skilled workers. The remaining 32 jobs are for administrative and technical staff.

The applicant has planned an extensive training programme both for key shop floor personnel, which includes instruction to take place at the applicant's Danish plant, and for the production workers in the U.K.

The applicant states that safety regulations for the correct handling of equipment and machinery will be established in close contact with the U.K. authorities.

VI. THE MARKET

Vald. Birm at present produce a range of high grade castings in their Danish factories.

Production in the U.K. will cover mainly the local market from which existing customers can be more readily supplied. Export to the Scandinavian market, easily accessible from Newcastle, is also envisaged.

It is expected that the enterprise's British facility will permit a greater diversification of its workload both in Denmark and in the United Kingdom.

VII. FINANCIAL ASPECTS

Vald. Birm is a private company, registered in Denmark, with a share capital of 1 million D.Kr.

The summarized financing plan for the project is as follows:

	<u>£'000</u>		
Fixed investment	3,793	Own resources	942
		D.I. interest relief	
		grant	386
		D.I. Investment grant	825
		ECSC loan	1,140
		Bank borrowing	<u>500</u>
			<u>3,793</u>

With 25 percent of the cost of the investment being provided by the firm's own resources the plan can be regarded as acceptable.

VIII. CONCLUSIONS

- (a) The Commission, after considering the case in all its various aspects, considers that the request complies with Article 56 § 2 (a) of the ECSC Treaty and that the proposed investment is economically sound. In consequence the Commission has approved a loan to Vald Birm (U.K.) Ltd. for a maximum amount of £ 1.14 million (+ 1.97 million u.a.) or its equivalent value which will benefit from the special conditions in effect on the day of dispatch of the offer letter.

- (b) The Commission invites the Council to give its assent to the foregoing decision.

