

COMMISSION OF THE EUROPEAN COMMUNITIES

COM (76) 381 Final

Brussels, 16 July 1976

COMMUNICATION TO THE COUNCIL FROM THE COMMISSION

concerning a request for an assent, pursuant to Article 56
para. 2(a) of the ECSC Treaty, for the grant of a reconversion
loan to the Société l'Unité Hermétique (France)

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Subject: Request for an assent, pursuant to Article 56 § 2(a) of the ECSC Treaty, for the grant of a reconversion loan to the Société L'Unité Hermétique (France)

I. ESSENTIAL INFORMATION

Applicant: L'Unité Hermétique S.A.
Beneficiary: same
Project: Construction of a plant for the production of refrigerating compressors
Location: Zone Industrielle de La Mure (Commune de Saint-Honoré)
Investment: 3,5 million EUA (FF 18,14 million)
Loan requested: 1,152 million EUA (FF 6 million)
Jobs created: 300 of which 140 jobs will be offered in priority to former miners of the Bassin du Dauphiné of La Mure.

II. CONFORMITY WITH ARTICLE 56 § 2(a) OF THE ECSC TREATY

The mining region of Dauphiné located 34 km south of Grenoble comprises the mines of La Mure. The population of La Mure and the neighboring town of Surville amounts to 7,000 people of which about 1400 are employed in the industry which until recently was almost all coal mining. Since demand for coal has been reduced significantly the French authorities in cooperation with the National Coal Mines have planned a gradual reduction of employment in the mines in the order of 60-110 jobs annually during the coming three years.

The investment project presented in the present request will be able to reabsorb a significant part of these redundant miners into productive employment.

III. THE UNDERTAKING

Description: L'Unité Hermétique S.A.
Legal Status: Limited Company
Established: 24.12.1953
Administrative headquarters: La Verpillière
Registered capital: FF 22,900,000 which is owned as follows:
- 99.9% by the Société Thomson-B. and
0.1% others.

IV. THE PROJECT

The project concerns an extension of the production capacity of L'Unité Hermétique by constructing a new assembly shop at La Mure which is located about 120 km from the company's main plant at La Verpilliere.

The new plant will be constructed in the industrial estate of La Mure-St-Honoré on a site of 6.25 ha and will cover 7,850 m². The site is large enough for future extensions.

The type of products to be produced at La Mure consist of compressors of type "AH" which covers the range 1-3 horse powers. Several models are to be produced pending the use for air conditioners, heat-pumps, or commercial refrigerators. The project will create a total annual capacity of 150,000 "AH" compressors by 1980.

V. THE MARKET

L'Unité Hermétique is one of 3 important producers of compressors in Europe and is specialising in high horse power compressors for use in commercial refrigeration and air conditioning. Sales of the "AH" compressor is expected to reach 60,000 units in 1976 and to increase to 150,000 by 1980.

The growth of the market is based upon an expected increase in demand in commercial refrigeration especially from developing countries including the petroleum producing countries. In Europe demand increases are expected from distributors of frozen foods.

Furthermore, additional demand for air conditioners both in Europe and in developing countries is expected to materialise by 1980.

Demand for compressors for use in heat pumps is also expected to increase significantly, since the efficiency of such pumps with respect to calorific return is three times as high as the return obtained through heating by classical electric resistance.

VI. SOCIAL ASPECTS

A total number of 300 jobs will be created before December 1978, and will be distributed as follows with respect to job type:

specialised workers	234 (of which 24% female)
skilled workers	32
other staff	29
management	5

All jobs requiring skilled workers and 20 of the 29 jobs for other staff as well as 88 of the 234 jobs for specialized workers are considered attractive to converted miners with respect to salary level. These 140 jobs are therefore reserved to former miners from the area.

The ex-miners will take part in retraining at the FPA centre at La Mure with support from the services of the local collieries. After this basic training the personnel will have to take part in additional training at the Unité Hermétique plants at Cessieu and La Verpillière. In accordance with the types of skills required the training at Cessieu and La Verpillière will last between 3 and 6 months.

The new project will not affect the level of employment at company's Cessieu and La Verpillière plants which is expected to remain at about a total of 2,000 jobs for the two plants.

VII. FINANCIAL ASPECTS

The summarised finance plan for the project is as follows:

<u>Requirements</u>	<u>'000 FF</u>	<u>Resources</u>	<u>'000 FF</u>
Plant site and buildings	7151	Cash flow	7640
Machinery and equipment	10989	Regional development premium	4500
		ECSC loan	6000
	<u>18140</u>		<u>18140</u>

A discounted rate of return on the firm's total investment programme 1976-80 of 15 % has been estimated, which is a satisfactory profitability.

VIII. CONCLUSIONS

- (a) The Commission 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 L'Unité Hermétique S.A. for a maximum amount of 1,152 million EUA (FF 6 million) or its equivalent value. For an amount of up to 1,152 million EUA the rate of interest will be reduced by three percentage points for the first five years after the payment or payments.
- (b) The Commission invites the Council to give its assent to the foregoing decision.

