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Before the Council of Ministers of ECSC

PROPOSED COMMUNITY SYSTEM OF STATE AID
TO THE EUROPEAN COALMINES

On Thursday December 10, the draft of a Decision which the High Authority has been preparing since April, containing the outlines of a Community system for Government assistance to the collieries in the member states, is to be submitted to the Council of Ministers of ECSC.

The Council gave the High Authority instructions to this effect on April 21, under the Protocol on Energy Policy adopted by the member countries. The Protocol defined the basic considerations and objectives with regard to a future Common Market for energy: it was pointed out that the existing situation demanded immediate action on behalf of coal, and that the Governments should thus provide financial support for the coal industries' efforts, in particular rationalisation measures, to adjust themselves to the conditions now prevailing on the energy market. Article 11 accordingly required the High Authority to submit to the Council, "in accordance with the Treaty of Paris and to the extent that may be necessary", procedural proposals for the institution of a Community system of State aids.

The High Authority's draft lays down Community arrangements designed to achieve the member countries' aim of establishing the necessary conditions for the economic working of the energy sources available and the avoidance of distortions among Community producers liable to interfere with the operation of the Common Market.

Community Harmonisation of Methods of Action

The object of the proposals is to enable the collieries to adjust themselves progressively to the current and coming changes in conditions in the energy market, at the same time safeguarding continuity of employment and preventing (in the words of the Treaty)

"fundamental and persistent disturbances in the economies of the member states". They have, in the High Authority's view, the great virtue of helping to bring together the various arrangements adopted or planned in a sphere in which the individual governments are constantly being tempted by economic, social and regional tensions to take independent action of their own: such action would make it increasingly difficult to institute a common energy policy, and might indeed clash with the operation of a Common Market as such.

The Protocol was not, and the High Authority's proposals are not, intended as actual proposals for an energy policy, more especially inasmuch as no definite objective is laid down as to coal's position in the future Community energy economy. The proposals do nevertheless represent a considerable advance towards the framing and implementation of a common policy and the establishment of a Common Market for energy within the context of the General Common Market. In this they fulfil the needs urged by the European Parliament.

The High Authority's Consultative Committee, comprising producers', consumers' and workers' representatives, has unanimously agreed that direct and prompt support for Community coal is necessary, though adding that state aids should be supplemented by other measures.

Government aid within a Community framework

Legally, the proposals are based on Article 95,1 of the Treaty, which empowers the High Authority, in cases "not expressly provided for" by the Treaty, to adopt Decisions it deems necessary to the fulfilment of any of the Community's fundamental objectives.

This is not the first time a Decision has been made in virtue of Article 95. In November 1958, it was decided to help finance the holding of pithead stocks; in 1959 the High Authority decided to grant a special allowance to Belgian mineworkers, in consideration of the short-time working then widespread in the Belgian coal industry; in January 1964, Article 95 was again invoked to prohibit price alignment on quotations for iron and steel products from countries with state-run trading systems.

Is the present case one "not expressly provided for" within the meaning of the Article? In the High Authority's view it is, since the rules of the Treaty of Paris were obviously not framed to meet the energy situation of today, with coal's share of Community energy requirements expected to amount to no more than 38% and oil's to as much as 44%, and with imported energy already accounting for over half of total Community consumption. In addition, the case is one demanding action to secure "the fundamental objectives of the Treaty" as set forth, for instance, in Article 2,2. Moreover, the proposed measures are temporary in character, since the High Authority specifies the terminal date of December 31, 1967.

The High Authority proposes, inter alia, that

- (1) the Governments should be required to furnish particulars of measures introduced by them in regard to
 - (i) social-security benefits,
 - (ii) other fields connected with the coal industry;
- (2) there should be an agreed Community procedure in respect of Government measures relating to
 - (i) the financing of social-security benefits in the coalmining industry,
 - (ii) colliery rationalisation, with regard both to actual operations and to the labour force employed;
- (3) there should be a special Community procedure in respect of Government action to avert serious complications in a particular Community area.

1. Benefits

The governments would be required to inform the High Authority of all laws, orders, regulations, etc., introduced since January 1, 1963, in connection with social-security benefits in the coal industry, and to give details of the various funds used to finance these benefits.

Should the High Authority conclude that the official arrangements for the financing of the benefits are such as seriously to distort conditions of competition in the Community coal industry, it would first discuss the matter with the Consultative Committee, and then, with the approval of the Council of Ministers, address a Recommendation to the Government concerned.

2. Subsidies for rationalisation (positive and negative)

The High Authority would have power, after consulting with the Council, to authorise the Governments to grant subsidies to the collieries for the purpose of assisting rationalisation operations undertaken by them with a view to adjusting their production to the coal sales position, provided such subsidies did not have the effect of distorting conditions of competition among the collieries.

- (a) a State subsidy granted for a closure or partial closure ("negative rationalisation") could be used only to cover the following expenses, properly documented and accounted for:
 - (i) exceptional charges incurred as a result of benefit payments in connection with advance retirements;
 - (ii) other exceptional expenses in connection with accelerated staff reductions;
 - (iii) deliveries of concessionary coal to men so retired or laid off, and to men already entitled to concessionary coal prior to the closure;

- (iv) residual fiscal charges;
- (v) extra safety measures below ground necessitated by the closure;
- (vi) any later subsidences;
- (vii) increases in social-security contributions due to reduction in the number of contributors;
- (viii) increased expenditure owing to mine-drainage operations.

(b) The High Authority would also have power to permit subsidies for the part-financing of efforts to increase profitability by "positive rationalisation", including concentrations and link-ups of pits and workings, and capital projects for such purposes as raising productivity per pit, introducing improved methods of coal valorisation, investment in better training equipment, and securing higher safety standards.

Such subsidies would be forthcoming only if the collieries concerned could show

- (a) that they had opened-up resources representing not less than three years' regular working, and reserves representing not less than twenty years';
- (b) that the capital projects which the subsidies were to part-finance were calculated to achieve an effective reduction in production costs or substantially improve coal valorisation.

Without prejudice to these arrangements, the High Authority would also be able to endorse the payment of subsidies towards expenses in connection with the recruitment, training, adaptation and stabilisation of the personnel directly involved in a rationalisation programme.

3. Other assistance for special difficulties

Should the process of colliery adjustment encounter exceptional difficulties liable to produce serious complications in any part of the Community, the High Authority would have power, after first hearing the views of the Consultative Committee and with the unanimous approval of the Council, to authorize other forms of Government assistance. Authorisation would, however, be given for one year only, with the possibility of extension.

Safeguards

In all cases the High Authority would have the right to make its authorisation conditional on the fulfilment of such requirements as were necessary to ensure that the funds would be employed for the purposes stipulated. To this end, it would be entitled to carry out appropriate check-ups on the collieries' activities.

In the event of misuse of the subsidies, it would be able to impose minimum prices on the collieries concerned, infringement being punishable under Article 64 of the Treaty; improper use of subsidy funds could also lead to withdrawal or amendment of the authorisation.