COMMISSION DECISION

of 7 November 1980

approving aids from the United Kingdom for the coal-mining industry during the 1979/80 financial year and approving additional aids from the United Kingdom for the coal-mining industry during the 1978/79 financial year

(Only the English text is authentic)

(80/1282/ECSC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to Commission Decision No 528/76/ECSC of 25 February 1976 regarding the Community system of measures taken by the Member States to assist the coal-mining industry [1],

Having consulted the Council,

I

Whereas the United Kingdom Government has informed the Commission, pursuant to Article 2 of the above Decision, of the financial measures which it intends to implement directly or indirectly for the benefit of the coal industry during the 1979/80 financial year [2]; whereas the following of these measures may be approved pursuant to the Decision:

	(£ million)
— aid for the recruitment and retention of skilled workers	3·5
— aid for stocks	13·4
— aid for power station coal	9·6
— aid to cover losses on mining	160·5

Whereas these aids meet the criteria laid down in the Decision for the admissibility of such State assistance;

The aid for attracting and keeping skilled workers is intended to offset in part the National Coal Board's costs arising from rationalization and the transfer of production to their best pits. This results in outgoings on removals, transport, etc.;

Whereas the United Kingdom Government is to contribute £ 3·5 million towards such costs borne by the NCB in 1979/80;

Whereas the purpose and form of the aid show that it meets the criteria set out in Article 8 of the Decision;

Whereas the £ 13·4 million aid to cover the costs of stocks of coal and coke is based on total producers' stocks and additional stock held by consumers financed directly or indirectly by the producers, amounting to some 19 million tonnes; whereas, with monthly production of around 10 million tonnes, stocks eligible for aid under Article 9 (2) of the Decision amount to 9 million tonnes; whereas the amount of aid per tonne is accordingly £ 1·5; whereas the actual cost of stocks (including depreciation and interest) is substantially higher than the amount of aid;

Whereas the purpose and form of the aid show that it meets the criteria set out in Article 9 of the Decision;

Whereas the £ 9·6 million aid for power-station coal is intended to cover the cost of deliveries of power station coal to Scotland. From the information provided by the United Kingdom Government, the amount and purposes of the aid granted can be regarded as being compatible with Article 11 of the Decision;

Whereas the aid given to cover losses on mining (£ 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 problems 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.

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[1] OJ No L 63, 11. 3. 1976, p. 1.

[2] The 1979/80 financial year runs from the beginning of April 1979 to the end of March 1980.

II

Whereas, under Article 3 (2) of the Decision, an examination of the compatibility of the above-mentioned aids with the proper functioning of the common market must also extend to all other financial measures to support current production in the 1979/80 financial year;

Whereas aids for current production in the United Kingdom will amount to 279·2 million European units of account or 2·31 European units of account per tonne for the 1979/80 financial year; whereas the British coal industry therefore receives the lowest subsidy of all coal-producing Member States;

Whereas an examination of the compatibility of these aids with the proper functioning of the common market requires no detailed information or investigations:

— there were no supply difficulties on the British market in 1979/80,

— British coal exports to other Community countries rose in 1979/80 compared with 1978/79,

— the closure of five unprofitable pits resulted in rationalization and the concentration of production on pits where productivity is highest,

— industrial consumers of coal did not receive indirect aids in 1979 as a result of the prices of British coking coal and steam coal;

Whereas it can therefore be stated that the aids for the British coal industry for current production in the 1979/80 financial year are compatible with the proper functioning of the common market;

Whereas this also applies when account is taken of aids to the coal industry pursuant to Decision 73/287/ECSC.

III

Whereas on 7 December 1978 the Commission of the European Communities adopted Decision 79/23/ECSC [1]; whereas that Decision authorized the aids which the United Kingdom Government proposed to grant to the coal industry for the 1978/79 financial year provided they had been dealt with and examined by the Commission in the 'Memorandum on the financial aid awarded by the Member States to the coal industry in 1978' [2];

Whereas, as was stated in that memorandum, the United Kingdom Government proposed to grant £ 20·8 million of aid under Decision No 528/76/ECSC to the coal industry;

Whereas, in addition in its letter of 19 March 1979, the United Kingdom Government applied, for the 1978/79 financial year [3], 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; whereas the overall amount of aid to current production in the British coal industry in the 1978/79 financial year is thus increased by £ 94·7 million;

Whereas 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 1978/79 financial year as part of a five-year programme to balance supply and demand on the coke market;

Whereas any assessment of aid to cover the cost of 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;

Whereas the aid thus complies with the provisions of Article 9 of the Decision;

Whereas the £ 8·5 million in aid for power station coal which the United Kingdom Government applied to

(1) OJ No L 9, 13. 1. 1979, p. 33.

(2) Doc. COM(78) 367 final, p. A 16 ff.

(3) The 1978/79 financial year runs from the beginning of April 1978 to the end of March 1979.

award was based on price estimates for September 1977, which did not take account of the sharp fall in the dollar in 1978;

Whereas, generally speaking, there are no new factors in addition to those described in the Commission Decision of 7 December 1978 (1) which need to be considered in assessing the increase in aid for power station coal; whereas the aid envisaged is hence compatible with the provisions of Article 11 of the Decision;

Whereas the United Kingdom Government has applied to grant aid totalling £ 50 million to the NCB to cover operating losses for the 1978/79 financial year. The actual losses suffered by NCB coalfields in 1978/79 are estimated to be around £ 100 million in the NCB's annual report;

Whereas 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 re-employment, and to maintain the production capacity needed for security of energy supply in the long term; whereas it thus meets the requirements of Article 12 of the Decision.

IV

Whereas the following points should be noted with regard to the compatibility of United Kingdom aids to current production with the proper functioning of the common market:

— there were no indications in trade in coal between the United Kingdom and the other Member States in 1978 of distortions in competition resulting from aids between the British coal industry and that of other Member States;

— industrial consumers of coal did not receive indirect aids in 1978 as a result of the prices of British coking coal and steam coal;

Whereas it may therefore be concluded that the additional aids proposed in the 1978/79 financial year for current production in the British coal industry are compatible with the proper functioning of the common market.

(1) OJ No L 9, 13. 1. 1979, p. 33.

V

Whereas, pursuant to Article 14 (1) of the Decision, the Commission must ascertain that the aids authorized are used exclusively for the purposes set out in Articles 7 to 12 thereof; whereas the Commission must be informed in particular of the amount of these aids and the manner in which they are apportioned,

HAS ADOPTED THIS DECISION:

Article 1

The United Kingdom is hereby authorized in respect of the 1979/80 financial year to grant aids totalling £ 187 000 000 to the British coal-mining industry.

The said aids are made up as follows:

1. grant to cover the costs incurred by the National Coal Board in respect of relocation of personnel under the production rationalization programme, not exceeding £ 3 500 000;
2. aid towards stocking costs in respect of coal and coke not exceeding £ 13 400 000;
3. aid for deliveries of power station coal to Scotland not exceeding 9 600 000;
4. aid to cover losses on mining not exceeding £ 160 500 000.

The United Kingdom is hereby authorized in respect of the 1978/79 financial year to grant additional aids totalling £ 94 700 000 to the British coal-mining industry.

The said aids are made up as follows:

1. aid towards stocking costs in respect of coal and coke not exceeding £ 27 500 000;
2. aid for deliveries of power station coal to Scotland not exceeding £ 17 200 000;
3. aid to cover losses on mining not exceeding £ 50 000 000.

Article 2

The United Kingdom shall notify the Commission by 31 December 1980 of details of the aids granted

pursuant to this Decision, and in particular of the amounts paid and the manner in which they are apportioned.

Article 3

This Decision is addressed to the United Kingdom.

Done at Brussels, 7 November 1980.

For the Commission

Guido BRUNNER

Member of the Commission