COMMISSION DECISION

of 29 March 1994

authorizing the grant by the United Kingdom of aid to the coal industry

(Only the English text is authentic)

(Text with EEA relevance)

(94/333/ECSC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community,

Having regard to Commission Decision No 2064/86/ECSC of 30 June 1986 establishing Community rules for State aid to the coal industry [1],

Whereas :

I

In its letter of 17 February 1994 the United Kingdom notified the Commission, in conformity with Article 9 (2) of Decision No 2064/86/ECSC, of a financial measure it proposes to take in respect of the coal industry for the 1993 financial year, which ends on 31 March 1994.

The following aid is submitted for the approval of the Commission pursuant to Decision No 2064/86/ECSC :

— aid for the constitution of a provision, for the 1993 financial year, totalling £120 million to cover operating losses incurred by underground coal-mining undertakings.

The measure planned by the United Kingdom to support the coal industry complies with Article 1 (1) of Decision No 2064/86/ECSC. Consequently, under Article 10 thereof the Commission must determine whether the measure is compatible with the objectives and criteria laid down in the Decision and with the proper functioning of the common market.

II

By Decisions 90/634/ECSC [2] and 91/221/ECSC [3] the Commission authorized aid to the United Kingdom coal industry for the financial years 1987, 1988 and 1989 totalling £6 153 million. Apart from covering operating losses, this aid served to write off the losses in the value of fixed assets and to constitute provisions to cover compensation for hearing loss and for concessionary supplies of coal, smokeless fuel or, in certain cases, a payment in kind to mineworkers on retirement.

Authorization was given in view of the fact that these measures facilitated the process of restructuring, rationalization and modernizing the United Kingdom coal industry in conformity with the objectives specified in Article 2 (1) of Decision No 2064/86/ECSC. The measures helped to improve the competitiveness of the industry through the closure of production capacity that offered no prospects of long-term economic viability and through the introduction of new production techniques or new equipment for capacity offering prospects of long-term economic viability.

On 25 March 1993, the United Kingdom published a White Paper on the prospects for coal. This document stresses the Government's commitment to make the United Kingdom coal industry fully competitive with imported coal and to privatize British Coal in the near future.

The reduction in world market prices coupled with the absence of outlets for this coal in the European Union has resulted in the process of restructuring of the United Kingdom coal industry being intensified. A large number of underground mines have therefore had to be closed, or production in them has been stopped and the installations have been mothballed.

To enable the restructuring process to form part of a rational coal-mining policy allowing certain pits the time necessary to increase their productivity and, from that position, to become competitive, the United Kingdom Government proposes to constitute a provision not exceeding a total of £120 million to cover the operating losses of those pits.

This aid should temporarily enable these pits to find a market among power stations for the disposal of their production. In the absence of this aid, these pits would be condemned to closing in the short term, which would increase the severity of the social and regional problems related to the decline of this industry.

[1] OJ No L 177, 1. 7. 1986, p. 1.
[2] OJ No L 346, 11. 12. 1990, p. 22.
[3] OJ No L 98, 19. 4. 1991, p. 16.

III

The aid to cover the operating losses must be considered with regard to the objectives of Decision No 2064/86/ECSC, in particular those specified in Article 2 (1). The fact that the aid forms part of a clearly defined restructuring plan aimed at closing down production units that offer no prospects of economic viability or rationalizing installations to make them competitive in terms of production with imported coal and the temporary nature of the aid means that it is compatible with the provisions of the Decision.

The aid planned will not, according to the United Kingdom's notification, exceed the difference, for any quantity contracted, between the foreseeable average cost and the foreseeable average return per tonne and therefore complies with Article 3 (1) of the Decision.

The Commission is taking account, as provided for in Article 10 (4) of the Decision, in its assessment of the measure and the restructuring programme submitted to it, of the special situation of the United Kingdom coal industry as regards the objective of making the industry competitive with imported coal.

This aid will help to improve the competitiveness of the Community coal industry and to resolve the social and regional problems related to its development in conformity with the first and third indents of Article 2 (1) of the Decision.

The United Kingdom will ensure that the aid does not lead to any discrimination, within the meaning of Article 4 (b) of the ECSC Treaty, between producers, between purchasers or between consumers.

With regard to the constitution of a provision, the United Kingdom will inform the Commission each month, for monitoring purposes, of the amounts actually paid, the quantities covered and the beneficiary undertakings.

IV

In the light of the above, and on the basis of the information supplied by the United Kingdom, the aid planned for the current production of the coal industry is compatible with the objectives of Decision No 2064/86/ECSC and with the proper functioning of the common market.

This Decision covers the period until 31 December 1993, in conformity with Decision No 2064/86/ECSC. Should the United Kingdom decide to grant aid after this date, it shall notify this to the Commission in accordance with Commission Decision No 3632/93/ECSC [1].

This Decision does not prejudice the compatibility of any contracts which might be concluded between coal and electricity producers, with the provisions of the Treaties,

HAS ADOPTED THIS DECISION:

Article 1

The United Kingdom is hereby authorized to constitute a provision for the year 1993 of £120 million to cover operating losses of underground coal-mining undertakings.

Article 2

The United Kingdom shall inform the Commission each month of the payments actually made to beneficiaries from the provision authorized under Article 1 of this Decision and the quantities of coal covered.

Article 3

This Decision is addressed to the United Kingdom.

Done at Brussels, 29 March 1994.

For the Commission

Abel MATUTES

Member of the Commission

[1] OJ No L 329, 30. 12. 1993, p. 12.