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COM (84) 142

Vol. 1984/0054

Historical Archives of the European Commission

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(84) 142 final

Brussels, 8 March 1984

FIFTH REPORT ON THE APPLICATION OF THE RULES FOR AIDS TO THE STEEL INDUSTRY

COM(84) 142 final

FIFTH REPORT ON THE APPLICATION OF THE RULES FOR AIDS TO THE STEEL INDUSTRY

1. Introduction

- 1.1. Article 10 of Decision 2320/81/ECSC (the aids code) provides that the Commission is to prepare regular reports on implementation of the code for the Council and for the information of the European Parliament. These reports are also transmitted to the Consultative Committee.
- 1.2. The fourth report, for the period up to 31 January 1983, was made in April 1983. It described in detail the criteria and procedures established by the aids code and the way in which the Commission has interpreted and applied them. That description remains a valid statement of the Commission's policy during 1983. The present report which covers the period up to 31 December 1983 therefore deals with developments peculiar to 1983.

2. The Timetable

- 2.1. As the year progressed the constraints resulting from the timetable established by the code became increasingly severe. This was already evident to a minor degree in late 1982 when a number of Member States had difficulty in meeting the notification deadline on 30th September 1982 and one merely submitted details of aid applications made by undertakings, which the Commission agreed to treat as a notification of aid plans. Early in 1983 it became clear that other Member States had been obliged to notify aid plans which were not in their final form. Accordingly, in February, the Commission invited the Member States rapidly to adjust their aid notifications in order to take account of developments since the date of notification and of the views expressed by the Commission on the aid plans in question.

At the end of May the Commission again reminded the Member States that, in accordance with the aids code, it would give its final decision before 1 July 1983, and it requested that they send it immediately all the information still missing in respect of their proposals.

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In the last few days before the 1 July deadline Member States informed the Commission of their final aid plans which in some cases involved increases in the amount of aid. They were, however, unable to supply their final detailed restructuring plans which were essential for the Commission's appraisal of the compatibility of the aids with the criteria established by the aids code. In these circumstances the Commission decided that it would have to make its decisions to authorise aid conditional upon sufficient further restructuring being carried out to secure the viability of undertakings by the end of 1985.

- 2.2. The aids code provides that aids to continued operation may only be paid for a maximum period of two years unless, after having sought the opinion of the Member States within the Council, the Commission grants a derogation from this period. Six Member States applied to the Commission for such a derogation to be granted: Belgium (for Cockerill-Sambre), the Federal Republic of Germany (for Arbed Saarstahl), France (for Sacilor and Usinor), Ireland (for Irish Steel Ltd.), Italy (for Finsider) and the United Kingdom (for the British Steel Corporation). The Commission informed the Council of these applications and the latter gave a favourable opinion at its meeting on 25 July 1983. This derogation does not affect the final date of payment of aid to continued operation, which, as laid down by the aids code, remains fixed at 31 December 1984.

3. Commission decisions of 29 June 1983⁽¹⁾

- 3.1. On 29 June the Commission adopted nine decisions on steel aids, one for each Member State with aids subject to examination. (The exception is Denmark, which had notified no new aids since the Commission's approval of a financial reconstruction in 1981.)

(1) OJ L228 of 19.8.1983

3.2. Most of these decisions contain conditional authorizations of the aids they concern. The two major conditions are that further net capacity reductions of at least a specified amount must be carried out and that the financial viability by the end of 1985 of the aided undertaking must be demonstrated. The minimum additional capacity reductions required by the Commission are shown in Table 1 and amount to 8.3 million tonnes. It will be seen that the total capacity reduction thus achieved over the period 1980 - 85 will be at least 26.7 million tonnes of hot-rolled products and the Commission is confident that reductions in a number of Member States will be greater than those required by it, since many undertakings will find themselves obliged, in order to restore their viability

to carry out further rationalization. It thus appears that the objective cited in the last Report of a 30 to 35 million tonnes reduction should be attainable. In the current difficult economic and social circumstances this would be a substantial achievement.

The decisions provide that the Member States must supply their final restructuring plans by 31 January 1984 so that the Commission can judge whether these conditions are met. Aid which is absolutely necessary to enable undertakings to survive up to that date may be paid if a capacity reduction sufficient to justify such aid is offered. After that date it will no longer be possible for a Member State to pay aid to an undertaking unless the Commission is satisfied that the undertaking can become viable by the end of 1985 and the aid is justified by the amount of the net capacity reduction offered.

The decisions also contain a number of provisions designed to ensure that aid is used only for the purpose for which it was authorized and that unwarranted distortions of competition do not result from the aid. Thus, for investment aid, payments may only be made as and when investment expenditure is incurred and quarterly reports are to be submitted in advance to the Commission showing expenditure expected

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to be incurred and aid to be disbursed. In this way the Commission can ensure that sums authorized as investment aid are not used to cover an undertaking's losses or for other unauthorized purposes. In order to ensure that aid to continued operation, for instance to cover an undertaking's operating losses, is not used to undercut prices, the decisions provide that the Commission may order the suspension of aid payments if it finds that the aided undertaking has breached its obligations under the ECSC Treaty particularly those concerning production quotas and pricing.

The decisions also provide for the Commission to monitor the payment of aids and the progress of restructuring and to take action to suspend aid payments if the conditions attached to the decisions are not respected or to impose additional conditions relating to the restructuring of an undertaking if it appears that the latter's return to financial viability by the end of 1985 is in doubt.

- 3.3. In some cases the Commission found itself unable to specify in advance the conditions that would have to be met in order to enable it to authorize the aid. It therefore found these aids to be incompatible with the orderly functioning of the common market unless an adequate justification for them could be offered by the Member State concerned by 31 January 1984. The other conditions of these decisions are the same as those described above. These negative decisions concern the following undertakings: Usines Gustave Boel, Fabrique de Fer de Charleroi, Sidmar and ALZ (Belgium), Metallourgiki Halyps and Sidenor (Greece), Irish Steel Limited (Ireland) and Sheerness Steel (United Kingdom, subsequently withdrawn).
- 3.4. Some of these decisions have been challenged in the Court of Justice. The German Government has brought an action against the decisions concerning Belgium, France, Italy and the United Kingdom.

Five local authorities in Luxembourg

are challenging the Luxembourg decision and the Netherlands undertaking, Hoogovens, is contesting the Italian and the Netherlands decisions.

4. Infringements of procedural requirements

- 4.1. In November and December 1981 the Commission initiated infringement procedures under Article 88 ECSC against France and Italy and under Article 169 EEC against Belgium. These procedures were initiated when the commission learned that the Member States in question had granted aid either prior to or without notifying it to the Commission or after the Commission had initiated an examination procedure, whose legal effect is to suspend the payment of aid until the Commission has given its final decision.
- 4.2. Subsequently further infringements of the same character came to the Commission's notice and in April 1983 the Commission therefore initiated additional infringement procedures against Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the United Kingdom.

5. Release of aid tranches

- 5.1. In the first half of the year the Commission continued to authorise the payment of tranches of aid in return for tranches of restructuring as described in the last report. In the second half of the year it has released for payment aids necessary for the continued operation of undertakings up to 31 January 1984 again in return for specified capacity reductions.

5.2. Tables 2 to 5 summarize the Commission's positions on aids to the steel industry up to the end of 1983. Table 2 shows the amounts of aid whose payment was authorized up to 29.6.1983 (and thus includes certain aids authorized unconditionally on that date). Table 3 gives the amounts of aid conditionally authorized in the decisions adopted by the Commission on 29.6.1983 and Table 4 gives the amounts of these aids which have since been released for payment. Finally, Table 5 shows the aids found by the Commission to be incompatible with the common market on 29.6.1983.

TABLE 1

Capacity reductions in the steel industry 1980 - 1985

Member State	Hot-rolled products capacity in 1980		Net reductions made since 1980 and reduction commitments by Member States ('000 tonnes)	Further net reductions required in Commission decisions of 29.6.1983 ('000 tonnes)	Total net reductions 1980-85	
	'000 tonnes	% of EUR 9			'000 tonnes	% of 1980 Capacity
Belgium	16028	9.5	1705	1400	3105	19.4
Denmark	941	0.6	66	-	66	7.0
FED. REP. of Germany	53117	31.6	4810	1200 ⁽¹⁾	6010 ⁽¹⁾	11.3
Greece ⁽²⁾	p.m.	p.m.	p.m.	-	p.m.	p.m.
France	26869	15.9	4681	630	5311	19.7
Ireland	(57) ³	-	p.m.	p.m.	p.m.	p.m.
Italy	36294	21.5	2374	3460	5834	16.1
Luxembourg	5215	3.1	550	410	960	18.4
Netherlands	7297	4.3	250	700	950	13.0
United Kingdom	22840	13.5	4000	500	4500	19.7
EUR 9	168601	100.0	18436	8300	26736	15.9

(1) Without taking into account the particular case of one company

(2) No figures available since Greece was not a Member of the Community in 1980

(3) The information on which the Commission based its decision is not sufficient to provide precise figures.

Table 2

AID PAYMENTS TO THE COMMUNITY STEEL INDUSTRY AUTHORIZED BY THE COMMISSION UP TO 29.06.1983 IN APPLICATION OF THE FIRST AND SECOND AIDS CODES (in millions of ECU's)

Country	Grants/ interest relief grants	Capital/ participatory loans	Conversion of debts into capital	Reduced interest rate loans	Guarantees/ market rate loans	Others
<u>BELGIUM</u>						
Cockerill-Sambre	-	493	548	77	270	-
Other companies	33	-	-	-	136	-
<u>DENMARK</u>	-	39	-	-	-	42
<u>FEDERAL REPUBLIC OF GERMANY</u>						
Arbed Saarstahl	442	-	-	1	89	29
Hoesch	40	-	-	52	-	-
Klöckner/Maxhütte	31	-	-	-	-	-
Other companies	10	-	-	4	2	-
<u>FRANCE</u>						
Sacilor	2	1,455	-	-	340	-
Usinor	2	1,518	-	-	353	-
<u>IRELAND</u>	44	-	-	-	32	-
<u>ITALY</u>						
Finsider	123	265	-	307	-	-
Other companies	912	-	-	54	-	-
<u>LUXEMBOURG</u>						
Arbed	70	2	-	26	44	2
<u>NETHERLANDS</u>						
Hoogovens	15	-	-	-	79	-
<u>UNITED KINGDOM</u>						
British Steel Corporation	-	3,055	-	-	-	-
Other companies	33	-	-	1	-	-
TOTAL EEC	1,757	6,827	548	522	1,345	73

Note: Conversions have been made at the exchange rates applying on 30.9.1982.

Table 3

AMOUNT OF AID TO THE COMMUNITY STEEL INDUSTRY CONDITIONALLY AUTHORIZED ON 29.06.1983 (in millions of ECU's)

Country	Grants/ interest relief grants	Capital/ participatory loans	Conversion of debts Into capital	Reduced interest- rate loans	Guarantees/ market rate loans
<u>BELGIUM</u> Cockerill-Sambre Other companies	38 5	493 30	1,122 33	- -	608 1
<u>FEDERAL REPUBLIC OF GERMANY</u> Arbed Saarstahl Other companies	484 2,205	- -	- -	- 8	- 917
<u>FRANCE</u> Sacilor/Usinor	-	3,943	-	-	-
<u>ITALY</u> Finsider Other companies	2,156 416	4,488 37	- -	1,512 -	- -
<u>LUXEMBOURG</u> Arbed	154	59	-	1	182
<u>NETHERLANDS</u> Hoogovens Nedstaal	74 8	272 -	- -	8 -	58 -
<u>UNITED KINGDOM</u> British Steel Corporation	200	2,474	-	-	-
TOTAL EEC	5,740	11,796	1,155	1,529	1,766

Note: Conversions have been made at the exchange rates applying on 30.9.1982.

Table 4

Aid payments to the Community steel industry released by the Commission between 30.6.83 and 3.2.84 inclusive.

(in millions of ECUs)

Country	Grants/Interest relief grants	Capital/participatory loans	Conversion of debts into capital	Reduced interest rate loans	Guaranteed market rate loans
<u>Belgium</u>					
Cockerill-Sambre	-	229	-	-	-
Forges de Clabecq	-	18	-	-	-
<u>Federal Republic of Germany</u>					
Arbed Saarstahl	200	-	-	-	-
Hoesch	-	-	-	-	33
Krupp	-	-	-	-	15
Other companies	1	-	-	-	-
<u>France</u>					
Sacilor and Usinor	-	1,831	-	-	-
<u>Ireland</u>					
Irish Steel	-	-	-	-	20
<u>Netherlands</u>					
Hoogovens	10	-	-	221	-
<u>United Kingdom</u>					
BSC	-	646	-	-	-
Sheerness Steel	14	-	-	-	-
TOTAL EEC	225	2,724	-	221	68

Note: 1) Conversions have been made at the exchange rates applying on 30.9.1982.

2) The aids in this table are also included in table 3 or 5 except in the case of aids for unforeseen closures.

Table 5

AID TO THE COMMUNITY STEEL INDUSTRY CONSIDERED ON 29.06.1983 TO BE INCOMPATIBLE WITH THE COMMON MARKET UNLESS CERTAIN CONDITIONS ARE MET (in millions of ECU's)

Country	Grants/ interest relief grants	Capital/ participatory loans	Conversion of debts into capital	Reduced interest rate loans	Guarantees/ market rate loans
<u>BELGIUM</u>					
Sidmar	-	77	245	-	-
Other companies	36	31	25	-	-
<u>GREECE</u>					
Metallourgiki Halyps	4	-	-	-	-
Sidenor	2	-	-	-	-
<u>IRELAND</u>					
Irish Steel Ltd.	-	129	-	-	26
<u>UNITED KINGDOM</u>					
Sheerness Steel	9	-	-	-	-
TOTAL EEC	51	237	270	-	26

Note: Conversions have been made at the exchange rates applying on 30.9.1982.