

'The deteriorating financial situation of the Community coal industry' from the Usine nouvelle (23 June 1966)

Caption: On 23 June 1966, the French weekly publication Usine nouvelle analyses the poor financial results and the drop in output in the coal sector in the European Economic Community (EEC).

Source: L'Usine nouvelle. 23.06.1966. Paris. "Dégradation de la situation financière de l'industrie charbonnière de la Communauté".

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The deteriorating financial situation of the Community coal industry

The financial situation of coal industry undertakings has worsened progressively over the past few years, a deterioration which can be explained by the reduction in sales volumes, the insufficient prices obtained, the continuing rise in costs and financial resources immobilised by a sharp increase in pithead stocks.

Between 1960 and 1965, the average annual increase in production costs was 2.4 % in Germany, 2.5 % in Belgium, and 4.6 % in France and the Netherlands. This upward trend is due to pay increases not offset by productivity gains and an overall rise in the cost of equipment.

In comparison, there was only a slight increase in the average revenue per tonne produced, with rises of 1.6 % in Germany, France and Belgium and 2.2 % in the Netherlands, giving a Community average of 1.7 %.

Ownership of Community coal mines

An analysis of Community coal mine ownership indicates that a significant proportion of German, Belgian and Dutch collieries belong to the iron and steel industry.

The following table gives an overview of the ownership situation (by percentage of total output):

Rising operating losses

Owing to the diverging trends in costs and revenues, financial losses in coal mining have increased considerably, particularly in France and the Netherlands.

In the first half of 1965, the theoretical losses incurred by coal mines represented approximately 8 % of overall costs in Germany, approximately 22 % in Belgium and 17 % in the Netherlands. In a good many cases, however, these losses were partially or fully offset by profits from coal beneficiation or other activities, subsidies from parent companies and State aid.

A certain number of points can be clarified by referring to the balance sheets of the undertakings concerned.

France

The share of own capital held by Charbonnages de France can be calculated to have fallen from 40 % in 1960 to 28.8 % in 1964. Despite direct State subsidies, Charbonnages de France lost roughly 1 100 million francs, equivalent to their own capital in 1960; this corresponds to a slide in own capital of approximately 30 % in four years. Charbonnages de France's losses on coal production for 1964 alone were 739.7 million francs, while profits on coal beneficiation and other activities amounted to only 108.8 million francs.

In 1965, the situation continued to deteriorate. With 7.2 million tonnes of coal stockpiled at pitheads at the end of the year, some 100 million dollars were effectively tied up.

Federal Republic of Germany

In 20 mining companies typical of the Ruhr, whose coal production accounts for 54 % of the coalfield's and approximately 58 % of coke production, the share of total capital fell from 43.1 % in 1960 to 40.2 % in 1964. The share of external capital, and consequently the cost of remunerating capital, has meant a significant [increase in total] depreciation.

During the same period, depreciation per tonne mined fell from DM 6.38 to DM 4.32 and investment

spending went from DM 6.49 to DM 4.24, i.e. below the figure for depreciation.

In 1965, the situation continued to worsen. The increase in wages and salaries in the course of the year was only partly compensated by price increases. Moreover, production was cut by 7.1 million tonnes, which corresponds to a 100-million-dollar drop in production value. As at end 1965 accumulated pithead stocks stood at approximately 14.5 million tonnes of coal and 2.7 million tonnes of coke. This corresponds to some 270 million dollars of frozen capital.

Belgium

In Belgium, the number of coal mining companies reporting losses at year-end or only breaking even has increased regularly. Out of 30 companies accounting for approximately 84 % of Belgian output, 19 (representing 78 % of output) broke even or filed losses. The situation grew even worse in 1965. Of a total of 31 companies producing 19.7 million tonnes of coal, 20 companies producing some 15.4 million tonnes recorded losses of up to two dollars per tonne, and seven undertakings with output in the order of 3.1 million tonnes filed losses in excess of two dollars per tonne. Only four companies, producing 1.2 million tonnes, did not register any losses.

Netherlands

The difficult situation facing the Netherlands coal mines is clear from the Government's decision to close a large proportion of the State-owned mines.