



COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION

**Monitoring of Commission decision of 29 November 1995 on aid to be granted by
Austria to Voest Alpine Erzberg Gesellschaft mbH**

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1. INTRODUCTION

The Commission presents its report on the Monitoring of Commission decision of 29 November 1995¹ on aid to be granted by Austria to Voest Alpine Erzberg Gesellschaft mbH pursuant to article 3 of that decision. It covers developments up to 30 June 2002 on the basis of information provided by the Austrian authorities in their letter of 7 November 2002.

2. DESCRIPTION OF THE AID AND OF THE CONDITIONS IMPOSED

Approved aid amounts to EUR 19.77 million to cover operating losses over the period 1995-2002 and EUR 9.88 million to cover the costs of closing down mines safely and in an environmentally friendly manner. This aid is intended to enable it to close down the company's mining operations gradually up to the year 2002.

Authorisation of the aid was subject *inter alia* to the following conditions:

- the annual aid ceilings and the production ceiling mentioned below were not to be exceeded (**so far observed**),
- the amount of operating aid was not to exceed the difference between production costs and revenues (**so far observed**),
- the price charged for iron ore was to be in line with market prices and was not to be lower than the price of imported iron ore (**so far observed**).

3. PRODUCTION AND SALES

In the first half of 2002 VAEG produced 480 000 tonnes of iron ore with an average content of 33.6% Fe and 487 000 tonnes of low grade products which its only client, *voestalpine AG* (formerly Voest Alpine Stahl AG), can use for the blast furnace burden (*Möllerzusatzmaterial*). It should be recalled that the authorised ceiling for 2002 amounts to 700 000 tonnes of iron ore.

The standard-grade iron ore was sold at € 10.14 per tonne.

The low-grade material (*Möllerzusatzmaterial*) was sold at € 6.03 per tonne, fixed on the basis of the market price for lime gravel (*Kalkschotter*).

¹ Decision No 96/269/ECSC (O.J. L 94, 16.4.1996, p. 17)

The average price for deliveries of iron ore and low-grade material (*Möllerzusatzmaterial*) results in € 8.05 per tonne. Including the costs of transport to *voestalpine/Linz*, the price charged was € 53.50 per tonne Fe.

The above price per tonne Fe for iron ore is higher than the comparable price for imported iron ore. It may therefore be concluded that the prices charged in the first half of 2002 were not lower than required under Article 2 of the Commission's Decision of 29 November 1995.

A detailed overview of production, production costs, sales, prices and losses is given in the Annex.

4. AID PAYMENTS IN RELATION TO AID AUTHORISED

(EUR million')	Total aid		Operating aid		Closure aid	
	Authorised	Paid	Authorised	Paid	Authorised	Paid
1995-2001*	26.02	21.86	18.31	17.22	7.70	4.64
2002	3.63		1.45		2.18	
Total	29.65	21.86	19.77	17.22	9.88	4.64

* For details on the period 1995 - 2001 see previous Reports

In the first half of 2002 no aid was paid to the company.

5. EVOLUTION OF WORKFORCE

The plan for reducing the workforce is as follows:

Workforce	1995	1996	1997	1998	1999	2000	2001	2002
Production	280	276	273	273	254	242	210	181
Closure operations	6	10	13	13	20	20	31	34
Total	286	286	286	286	274	262	241	215

Departing from the original plan the total workforce was reduced to 174 by 30 June 2002. Reduction of workforce is therefore ahead of plan.

ANNEX

Comparison of production costs and revenues

	Iron ore		Low-grade product		Closure and securing	Total	
<u>Production</u> (tonnes)	480 000		487 000			967 000	
Costs	(EUR 000’)	(EUR/tonne)	(EUR 000’)	(EUR/tonne)	(EUR 000’)	(EUR 000’)	(EUR/tonne)
Production	603	1.26	745	1.53	317	1 348	1.39
Extraction	1 741	3.63	745	1.53		2 486	2.57
Processing	2 270	4.73	531	1.09		2 801	2.90
Quality control	273	0.57	146	0.30		419	0.43
Transport	195	0.41	239	0.49		434	0.45
Overheads	500	1.04	531	1.09		1 031	1.07
Cost related to exhausted parts of mine	156	0.33				156	0.16
Closure (technical and social measures)						317	0.33
Total cost of sales	5 738	11.97	2 937	6.03	317	8 992	9.30
<u>Revenues:</u>	Iron ore		Low grade product			Total	
Sales (tonnes)	480 000		487 000			967 000	
Sales (value)	4 867	10.14	2 937	6.03		7 804	8.07
Deduction for difference in quality	-23					-23	
Total	4 844	10.09	2 937	6.03		7 781	8.05

Difference

Operating result	-984				-317	-1 211	
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Aid

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