

EUROPEAN COAL AND STEEL COMMUNITY
THE HIGH AUTHORITY

R E P O R T

on the

Situation of the Community

laid before the

E X T R A O R D I N A R Y S E S S I O N
O F T H E C O M M O N A S S E M B L Y

(NOVEMBER 1954)

L U X E M B O U R G

REPORT

The President
and Members of the High Authority
to
the President of the Common Assembly

Mr. President,

We have the honour to submit to you a Report on the Situation of the Community for the information of the members of the Common Assembly meeting in Extraordinary Session on November 29 next.

Please accept, Mr. President, the assurance of our high esteem.

Luxembourg, November 15, 1954.

Jean MONNET
President

Franz ETZEL
Vice-President

Albert COPPÉ
2nd Vice-President

Léon DAUM

Paul FINET

Enzo GIACCHERO

Heinz POTTHOFF

Dirk SPIERENBURG

Albert WEHRER

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INTRODUCTION

1. In the introductory statement he made at the opening of the Ordinary Session in May 1954, the President of the High Authority, after stressing the increasing part played by the Assembly and its committees in the activities of the Community's institutions, proposed that a supplementary Session be held in the autumn, "in order that a full six months may not pass without direct contact between the High Authority and the full Assembly." (1)

The autumn Session opens on November 29. In preparation, a number of Parliamentary Committees have met, notably the Committee on Political Affairs and External Relations, the Social Affairs Committee, the Common Market Committee and the Investment Committee. At these meetings, the High Authority reported in detail on the various aspects and results of its operations since the Ordinary Session of May 1954.

This report is intended to outline the development of operations now in progress, as part of the general situation of the Community, rather more than two years after the Treaty establishing the European Coal and Steel Community came into force.

(1) *Official Gazette of the Community: Debates of the Common Assembly*, No. 6, August 1954, p.15.

These operations are set forth in four chapters, dealing respectively with the progress made towards *the association of the Community with the United Kingdom*; the general market trends; the functioning and development of the *Common Market*; *investments* and the policy followed with a view to financing them more satisfactorily; and finally, with problems concerning *the living and working conditions of the workers in the Community*.

CHAPTER ONE

TOWARDS ASSOCIATION WITH THE UNITED KINGDOM

2. An association between the Community and the United Kingdom has, from the very beginning, been one of the constant concerns of the High Authority. The British Government, for its part, intimated, as early as August 1952, that is, immediately after the High Authority had assumed its duties, its intention of establishing the closest possible association with the Community, and shortly after that date accredited a diplomatic delegation to the High Authority.

In November 1952, a Joint Committee was set up by common agreement, through which a reciprocal exchange of information has taken place.

At the end of 1953, the President of the High Authority addressed to the head of the British delegation, H.E. Sir Cecil Weir, a letter requesting him to inform his Government that the High Authority was ready to open negotiations immediately for the establishment of a concrete form of association between the Community and the United Kingdom, and proposing, in essence, the following methods:

- an association between the markets, by virtue of the reduction, and if possible the elimination, of protective measures on either side, and the institution of rules which each party undertakes to respect;
- a procedure for common action;

- joint institutions responsible for watching over the operation of the system, for preparing common action, and for taking decisions reached by common agreement.

Shortly after it had received this letter, the British Government stated that the proposals of the High Authority were being given the most careful consideration, and invited the High Authority to open preliminary conversations in order to discuss what precise form the future association between the United Kingdom and the Community could take. ⁽¹⁾

In September and early October, unofficial talks took place in Paris between Monsieur Jean Monnet, Herr Franz Etzel and Monsieur Dirk Spierenburg, on the one hand, and Mr. Duncan Sandys, of the British Government, on the other, Sir Cecil Weir being also present. The object of these talks was to prepare the basis for subsequent official conversations.

The Council of Ministers of the Community, which had been kept informed of developments relating to the problems of association with the United Kingdom, met on October 27 for an exchange of views on the subject with the High Authority. It was decided to meet again on November 22 to establish, as far as possible, the instructions to be given to the High Authority, in accordance with Section 14 of the Convention containing the Transitional Provisions, with a view to reaching agreement with the United Kingdom.

⁽¹⁾ The correspondence regarding the relations between the Community and the United Kingdom was published by the High Authority on May 3, 1954.

CHAPTER TWO

THE COMMON MARKET

3. The establishment of the Common Market is a continuous process.

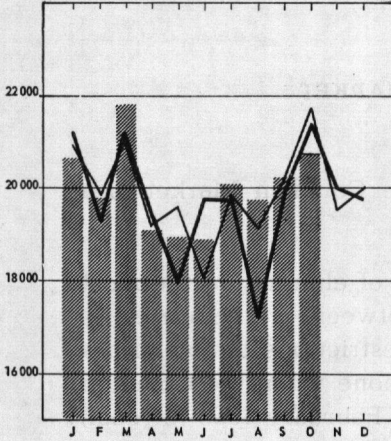
It is not merely a matter of eliminating the most obvious impediments to trade between the countries — quotas, customs duties, currency restrictions, double prices and the like. All this was really done when the Common Market was first introduced — in February 1953 for coal, iron-ore and scrap, in May 1953 for ordinary steel and in August 1954 for special steels.

There remain to be exposed and progressively abolished all the various subsidies and protective measures which permit the continued existence of artificial inequalities among producers and consumers. And that is what is now being done, within the time-limit laid down in the Treaty establishing the Community.

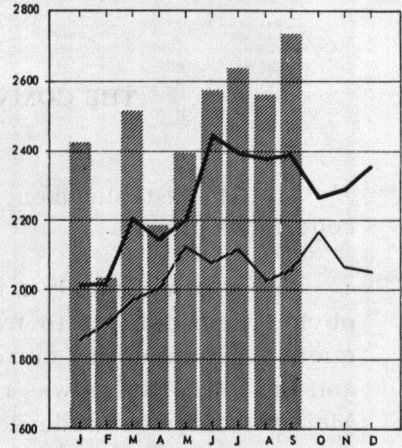
If competition is to be a reality, it is important, too, to see that outdated administrative formalities which are liable to hamper trade, in however small a degree, are done away with; governments have to be induced to amend their transport rates for all pooled products in accordance with the rules of the Treaty; cartel organizations and concentrations of interests have to be carefully examined to distinguish between those which must be forbidden or modified and those which may be authorized. Action has been taken in these matters, and in some instances decisions have already been issued by the High

Coal production and coal trade within the Community

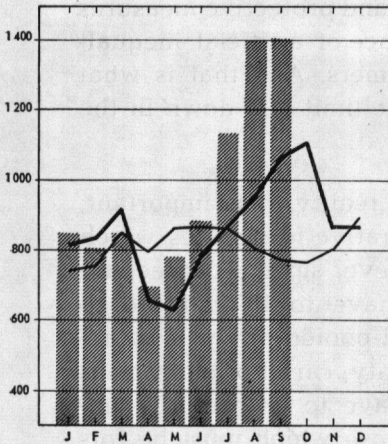
PRODUCTION OF HARD COAL



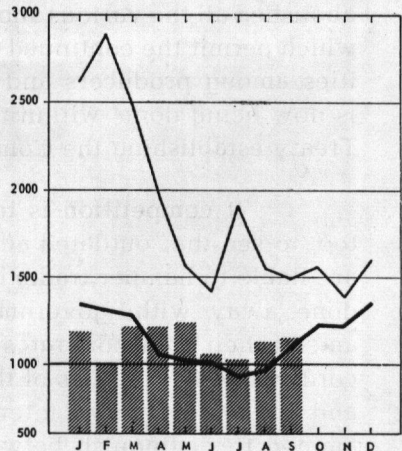
TRADE IN COAL WITHIN THE COMMUNITY



COAL EXPORTS TO THIRD COUNTRIES



HARD-COAL IMPORTS FROM THIRD COUNTRIES



— 1952

— 1953

■ 1954

(in thousands of metric tons)

Authority, or, where the question comes under their jurisdiction, by the governments concerned.

And, if anything is to be achieved at all in fulfilment of the true aim of the Community, steps have to be taken to keep all those concerned fully informed and keen to work for the common objectives of economic expansion and social progress.

This chapter will be found to contain a survey of the *development of the Common Market* during recent months, a reference to the measures taken in connection with the *establishment of a common market for special steels* in August of last year and to amendments or additions to previous decisions by the High Authority, a statement on the steps taken to develop competition (*with notes on administrative obstacles, transport, agreements and concentrations*), and an outline of the work now in progress in connection with the definition of *general objectives*, in particular, *a policy for coal*.

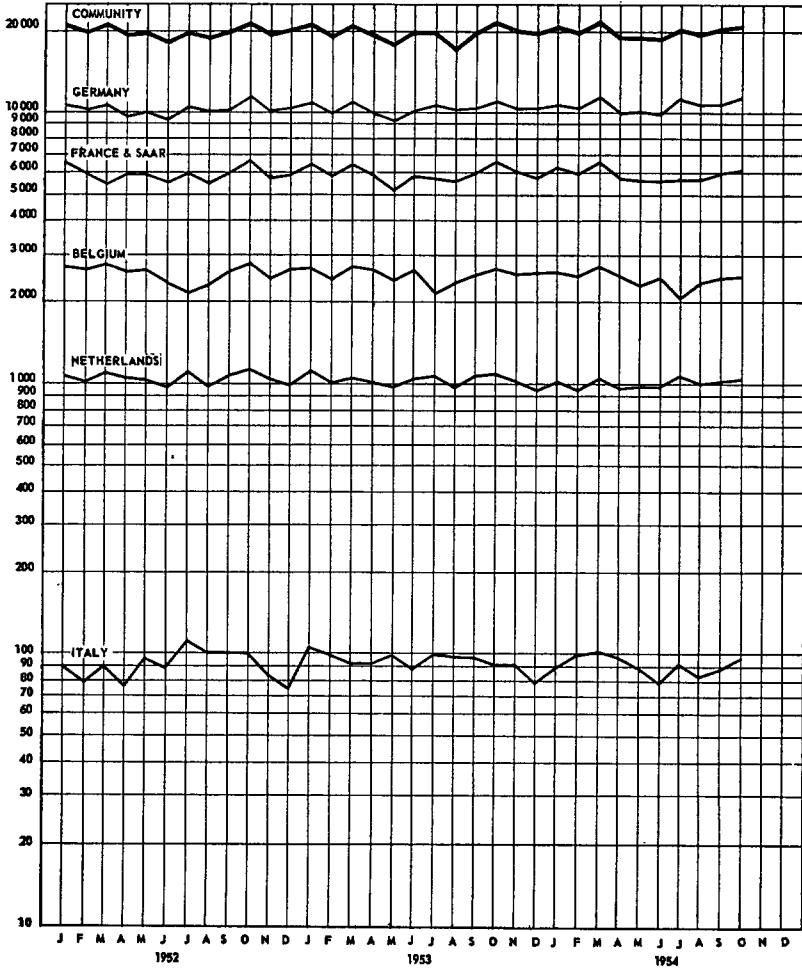
Section 1 — Development of the Common Market

COAL

4. The development of the coal market in recent months has shown, for the Community as a whole, the following features:

- *maintenance of hard-coal production* at a slightly higher level than in previous years;
- *continued rise in output*;
- *stabilization of imports* from third countries almost at the same level as in 1953;
- *substantial increase in exports* of hard coal and coke from the third quarter onwards;

Hard-coal production in the Community



(in thousands of metric tons)

- *development of trade* within the Community;
- *increase in pithead stocks* of hard coal up to the end of August; *thereafter*, in Germany and Belgium, a *tendency towards reduction*;
- *maintenance of prices*, with minor adjustments, at the level established at the beginning of the present coal year; numerous alignments to quotations from third countries.

Production

5. Hard-coal production remained in the neighbourhood of 20m. metric tons per month for the first ten months of the current year. On this basis, we may estimate the probable production for the full year at approximately 240m. metric tons, as against 239m. metric tons in 1952 (the peak post-war year), and 237m. metric tons in 1953.

TABLE 1

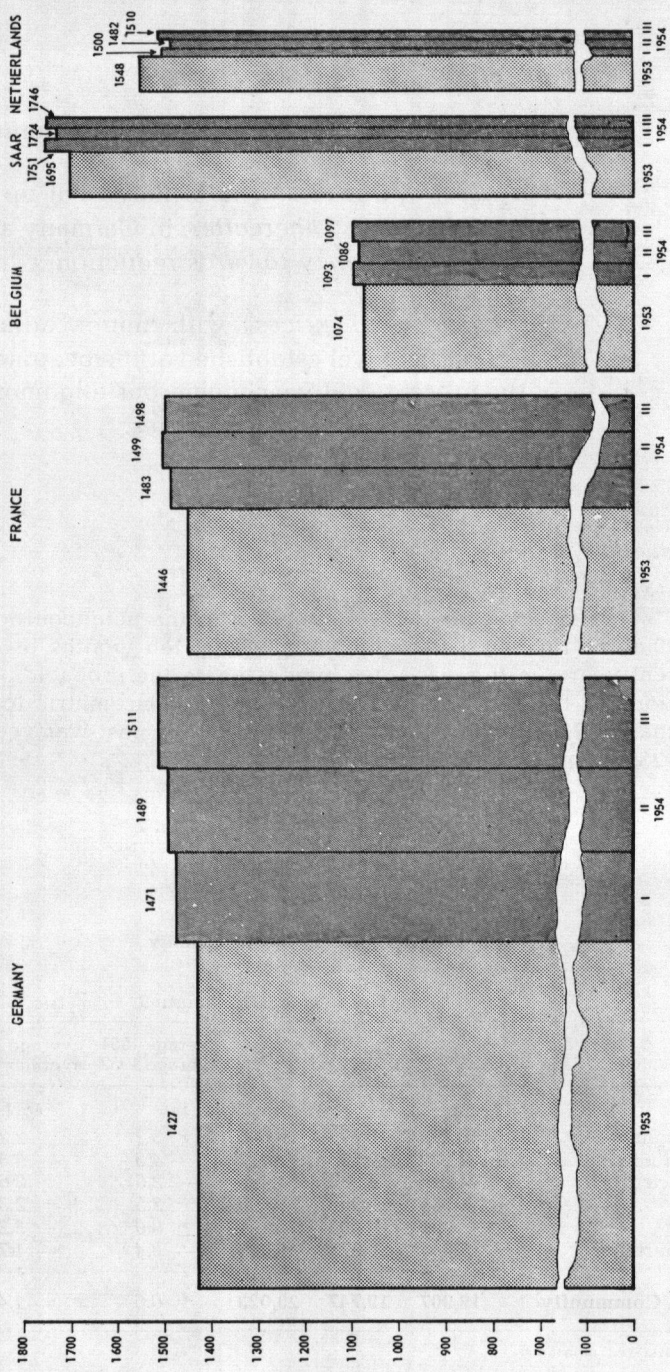
Hard-coal production in the Community

(monthly averages in thousands of metric tons)

	1952	1953	1954 ⁽¹⁾	average 1954 average 1952	average 1954 average 1953
				%	%
Germany	10,273	10,373	10,606	+ 3.2	+ 2.2
Belgium	2,532	2,505	2,422	— 4.3	— 3.3
France	4,614	4,382	4,496	— 2.6	+ 2.6
Saar	1,353	1,368	1,400	+ 3.5	+ 2.3
Italy	91	94	91	± 0.0	— 3.2
Netherlands	1,044	1,025	1,008	— 3.4	— 1.7
Community	19,907	19,747	20,023	+ 0.6	+ 1.4

(1) First ten months.

Daily output per underground worker in the principal producing countries of the Community



The graphs representing each country are based on the tonnage extracted

(in kilograms)

Output

6. The daily output per underground worker compared with the last quarter of 1953 shows an increase in all countries of the Community except the Netherlands.

TABLE 2
Underground output in the Community⁽¹⁾

	(OMS in kilograms)			
	4th qtr. 1953	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
Germany	1,427	1,471	1,489	1,511
Belgium	1,074	1,093	1,086	1,097
France	1,446	1,483	1,498	1,499
Saar	1,695	1,751	1,724	1,747
Italy	607	641	651	627
Netherlands	1,548	1,500	1,482	1,507
Community⁽²⁾	1,386	1,422	1,429	1,451
<i>Rate of increase⁽³⁾ :</i>	$\pm 0\%$	+ 2.6 %	+ 0.5 %	+ 1.5 %

(1) The output from the German and Netherlands mines is given as 2-3 % below the true level, the low-grade fuel mined by them having been converted into terms of saleable products.

(2) Weighted averages.

(3) In relation to the preceding quarter.

Imports

7. Hard-coal imports from third countries have decreased since the fourth quarter of 1953 (1,257,000 metric tons per month), with a slight rally in the second quarter of 1954; in the third quarter, they dropped to 1,093,000 metric tons. The decrease during the summer of 1954 was due chiefly to the contraction of imports by Italy; it will be seen further on that the deliveries of German coal to this area of the Community rose steeply during the same period.

TABLE 3
Hard-coal imports from third countries⁽¹⁾

(monthly averages in thousands of metric tons)

	1952	1953	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
Germany	656	420	334	349	333
Belgium	98	94	68	68	82
France	447	135	182	171	200
Italy	423	352	392	402	296
Netherlands	226	150	147	172	182
Community⁽²⁾	1,855	1,151	1,124	1,162	1,093

(1) According to country of origin.

(2) Including Luxembourg, whose imports are negligible.

For the first nine months of 1954, however, total imports amounted to 10,138,000 metric tons, as against 9,989,000 metric tons for the corresponding period in 1953.

The course of development followed has, however, differed widely according to destination (a decrease in the case of Germany and Belgium, an increase in the case of France, Italy and the Netherlands) and origin (a decrease in purchases from the United States, an increase in the case of the other countries).

TABLE 4
Hard-coal imports by countries of destination

(in thousands of metric tons)

	First nine months		Difference
	1953	1954	1954 1953
			%
Germany	3,792	3,049	— 19.6
Belgium	721	654	— 9.3
France	1,305	1,662	+ 27.4
Italy	2,999	3,267	+ 8.9
Netherlands	1,167	1,500	+ 28.5
Community⁽¹⁾	9,989	10,138	+ 1.5

(1) Including Luxembourg, whose imports are negligible.

TABLE 5
Hard-coal imports by countries of origin

(in thousands of metric tons)

	First nine months		Difference
	1953	1954	1954 1953
			%
United States . . .	4,865	4,301	— 11.6
United Kingdom . .	3,696	3,978	+ 7.6
Poland	849	1,022	+ 20.4
Soviet Union . . .	262	483	+ 84.4
Other countries . .	317	354	+ 11.7
Total	9,989	10,138	+ 1.5

Exports

8. Exports from Community countries to third countries are showing a marked increase, both in hard coal (739,000 metric tons per month in the third quarter of 1954, as against 418,000 metric tons in the first quarter) and in coke (566,000 metric tons as against 412,000 metric tons). All the main producing countries have a share in this development, viz.: Germany, France with the Saar, and Belgium in respect of hard coal; Germany in respect of coke.

TABLE 6
Hard-coal and coke exports to third countries

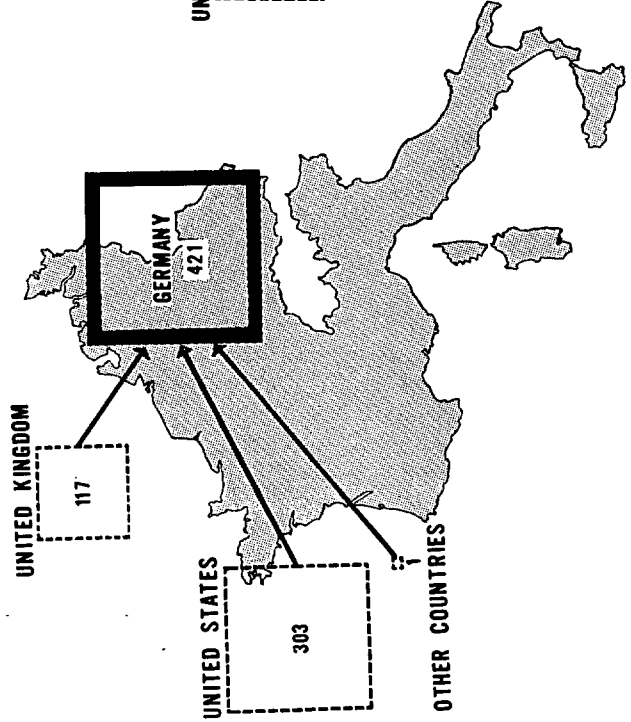
(monthly averages in thousands of metric tons)

	1952	1953	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
Germany	594	540	543	497	825
Belgium	54	87	61	77	180
France with the Saar . .	95	170	160	145	235
Italy	4	4	6	8	4
Netherlands	54	52	60	57	60
Community	801	853	830	784	1,304

(1) Ton for ton total.

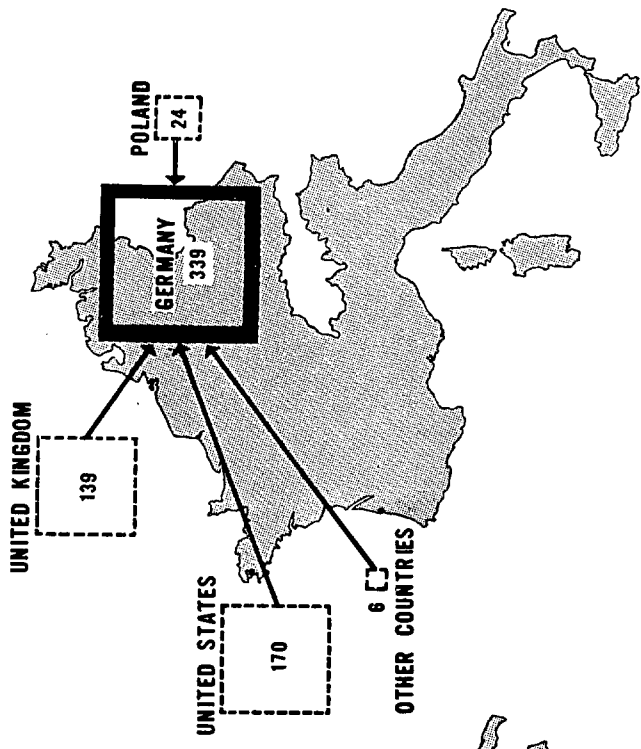
Hard-coal imports from third countries
and
hard-coal and coke exports to third countries

1953
(first nine months)



GERMANY
Imports

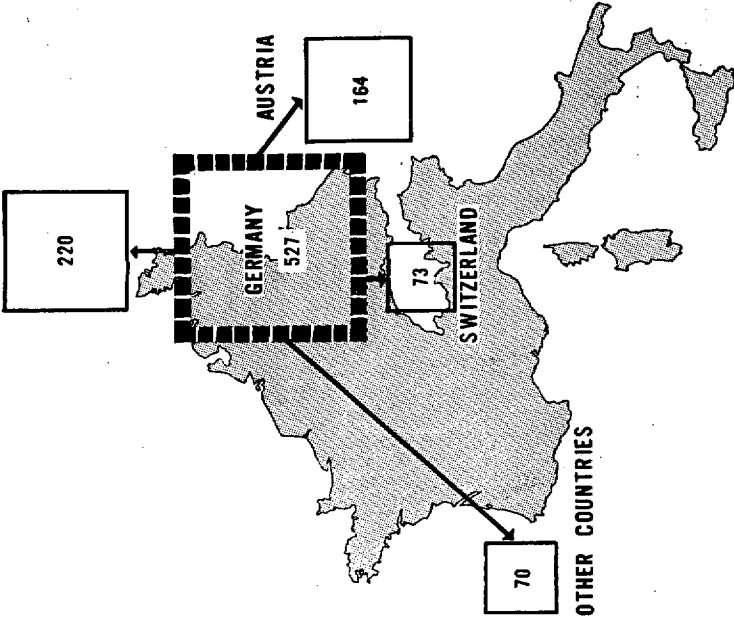
1954
(first nine months)



1953
(first nine months)

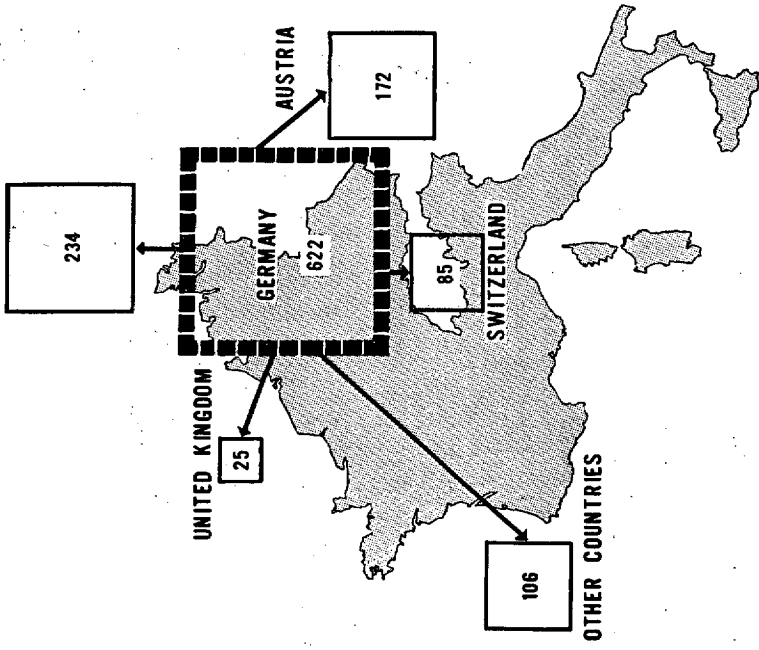
Exports

SCANDINAVIAN COUNTRIES



1954
(first nine months)

SCANDINAVIAN COUNTRIES



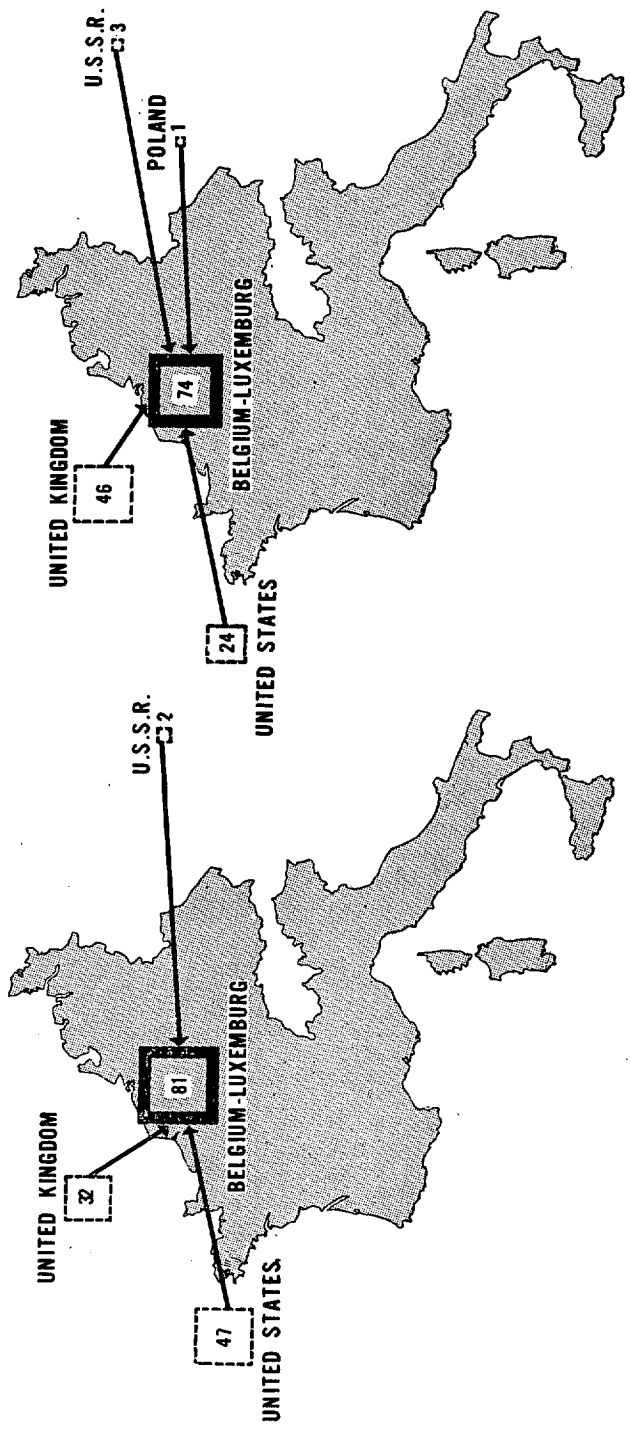
Monthly averages in thousands
of metric tons

Hard-coal imports from third countries
and
hard-coal and coke exports to third countries

BELEM AND LUXEMBOURG
Imports

1953
(first nine months)

1954
(first nine months)



1953

(first nine months)

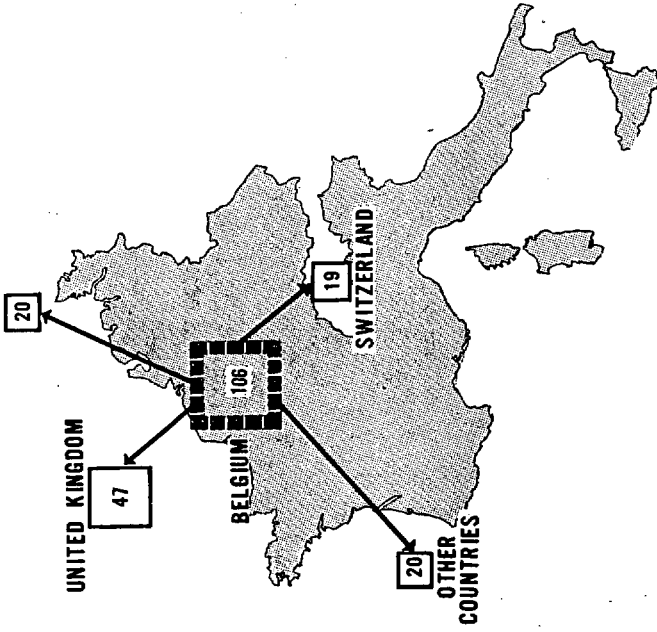
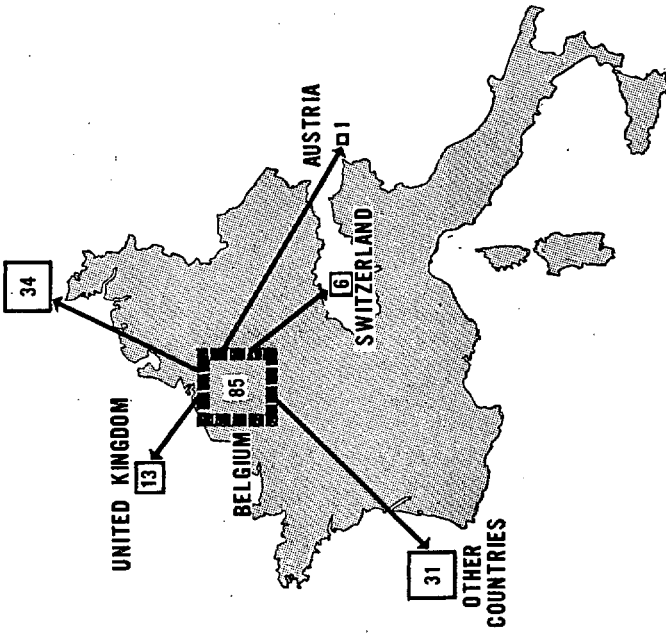
Exports

1954

(first nine months)

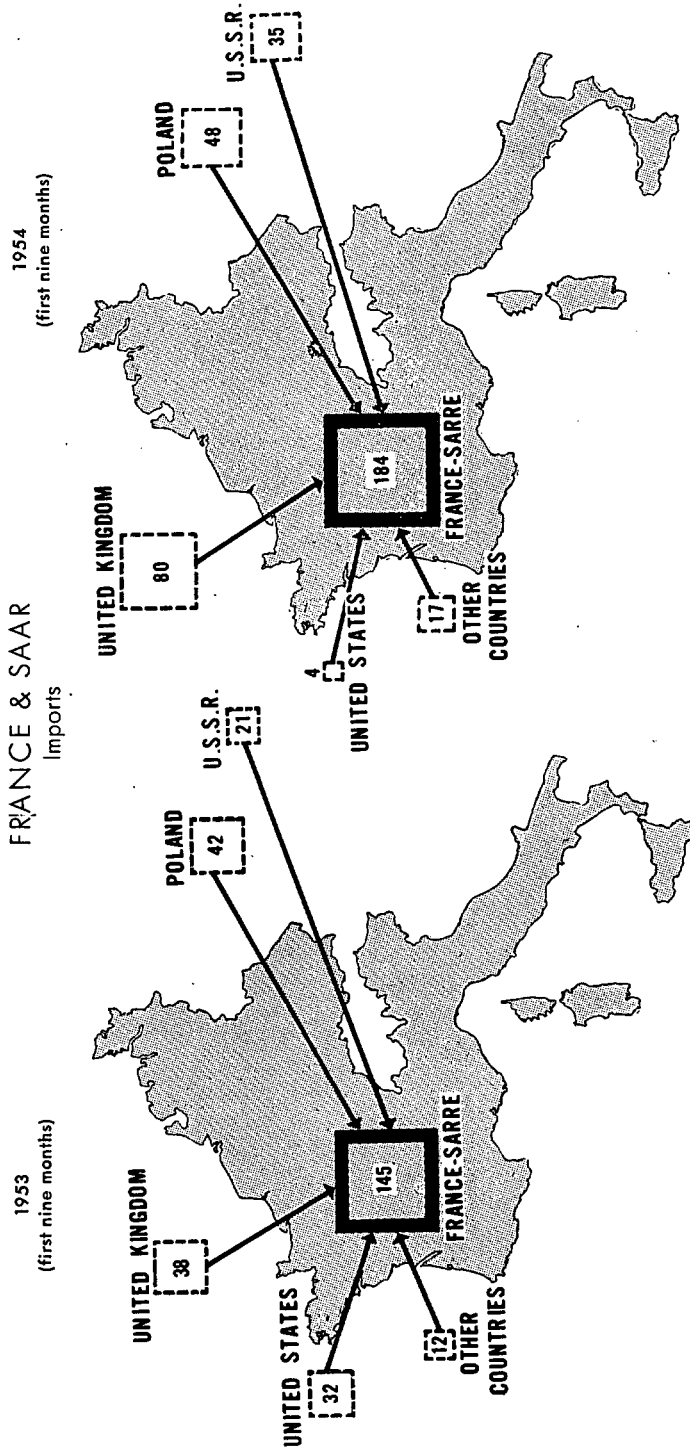
SCANDINAVIAN COUNTRIES

SCANDINAVIAN COUNTRIES



Monthly averages in thousands of metric tons

Hard-coal imports from third countries
and
hard-coal and coke exports to third countries



1954
(first nine months)

Exports

SCANDINAVIAN COUNTRIES

15

UNITED KINGDOM

66

SWITZERLAND

57

AUSTRIA

12

FRANCE-SARRE

180

30

OTHER COUNTRIES

1953
(first nine months)

SCANDINAVIAN COUNTRIES

38

UNITED KINGDOM

21

SWITZERLAND

50

AUSTRIA

30

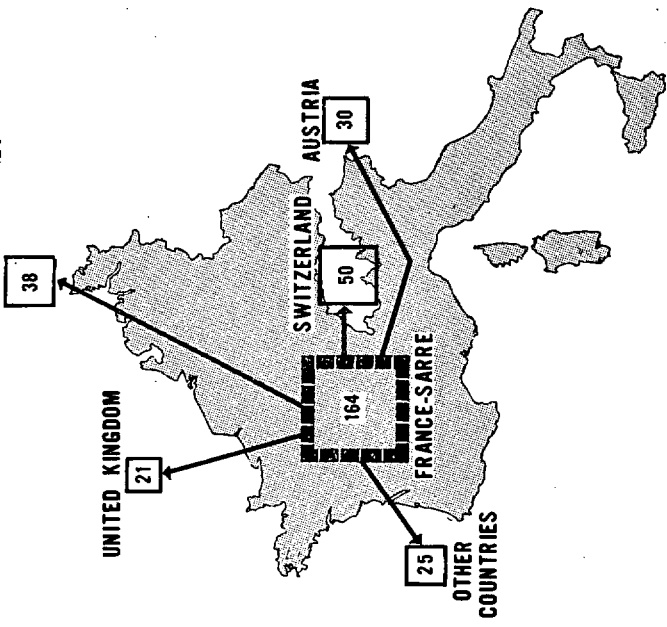
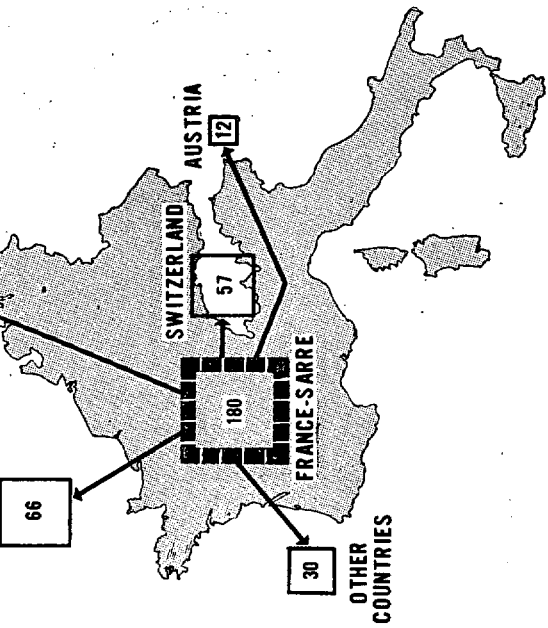
FRANCE-SARRE

164

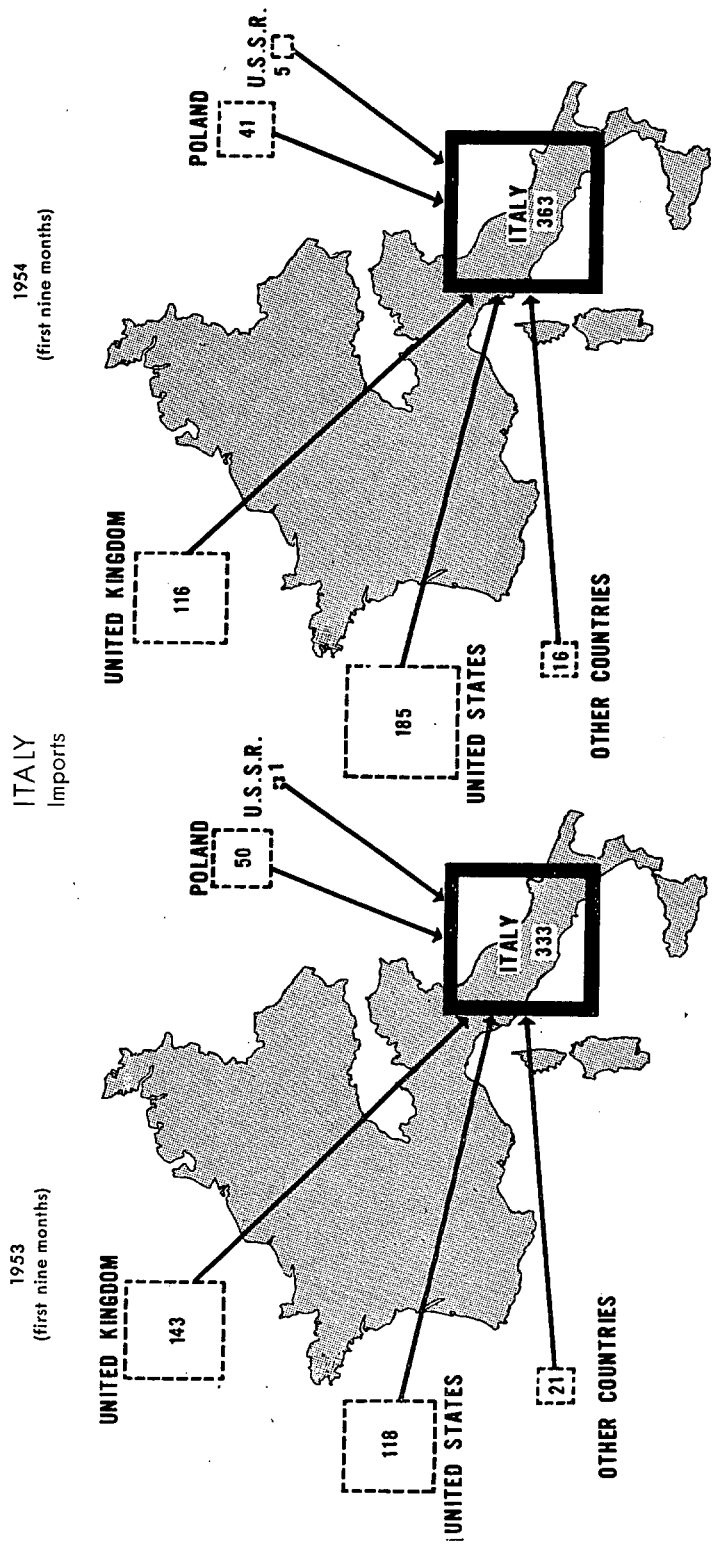
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OTHER COUNTRIES

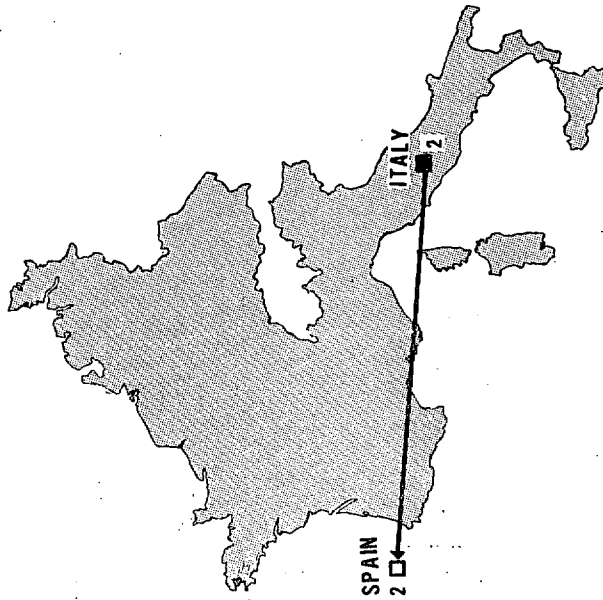
Monthly averages in thousands of metric tons



Hard-coal imports from third countries
and
hard-coal and coke exports to third countries

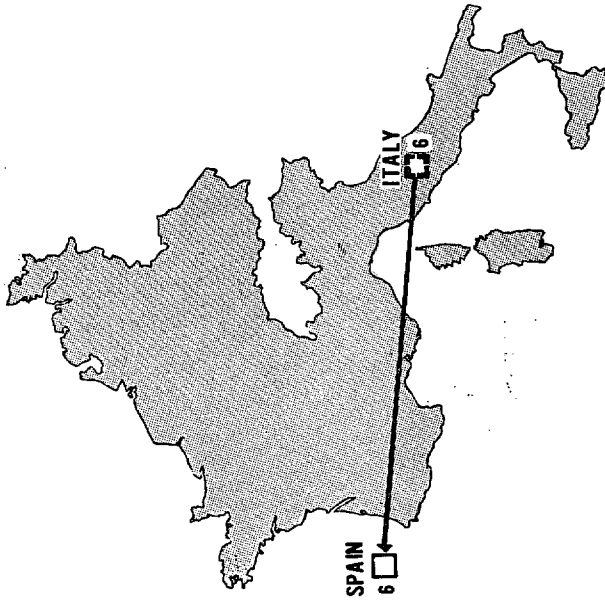


1953
(first nine months)



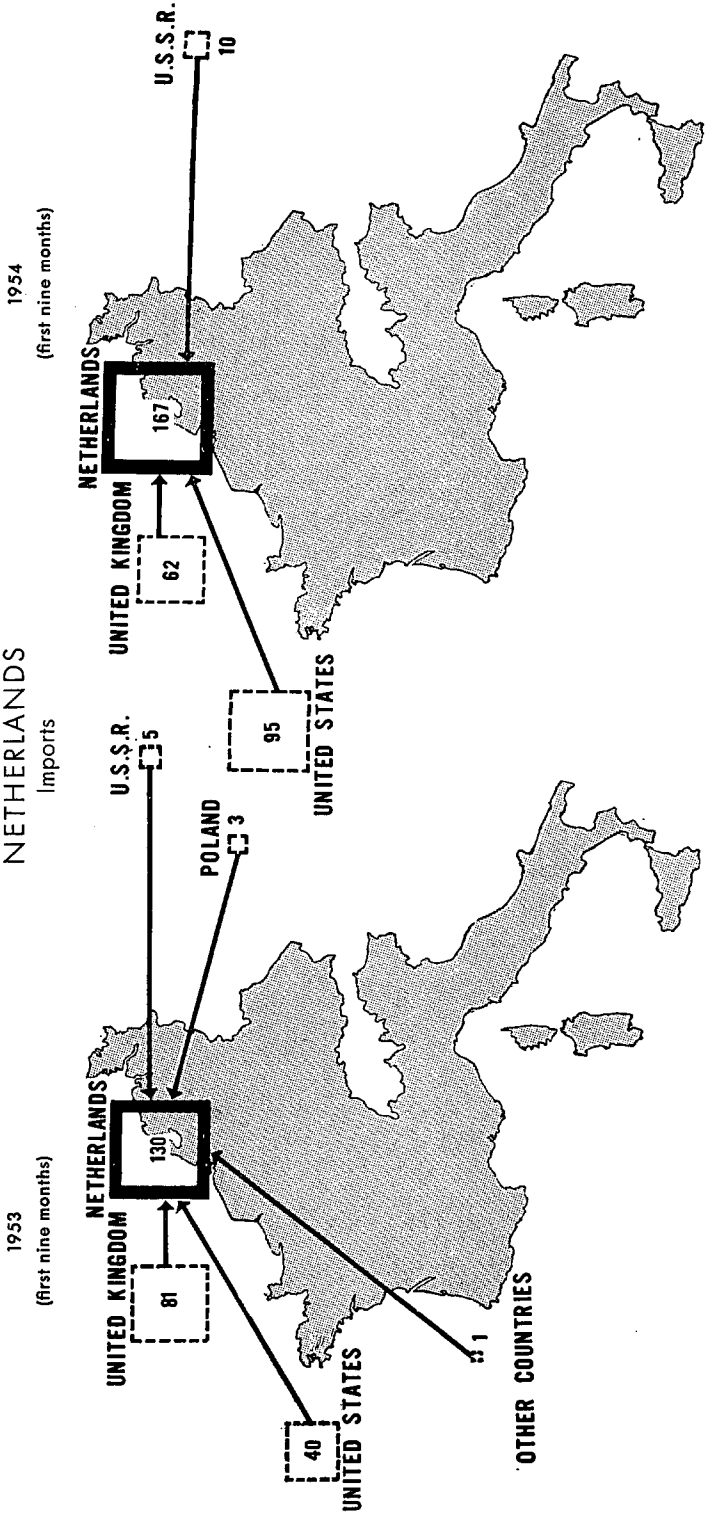
Exports

1954
(first nine months)



Monthly averages in thousands of metric tons

Hard-coal imports from third countries
and
Hard-coal and coke exports to third countries



1953

(first nine months)

Exports

1954

(first nine months)

SCANDINAVIAN COUNTRIES

SCANDINAVIAN COUNTRIES

NETHERLANDS

NETHERLANDS

SWITZERLAND

SWITZERLAND

OTHER COUNTRIES

OTHER COUNTRIES

30

39

47

59

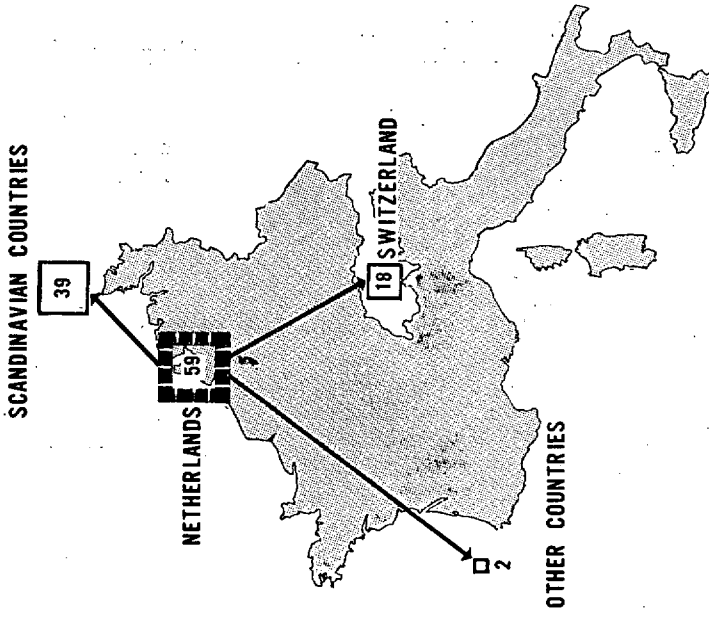
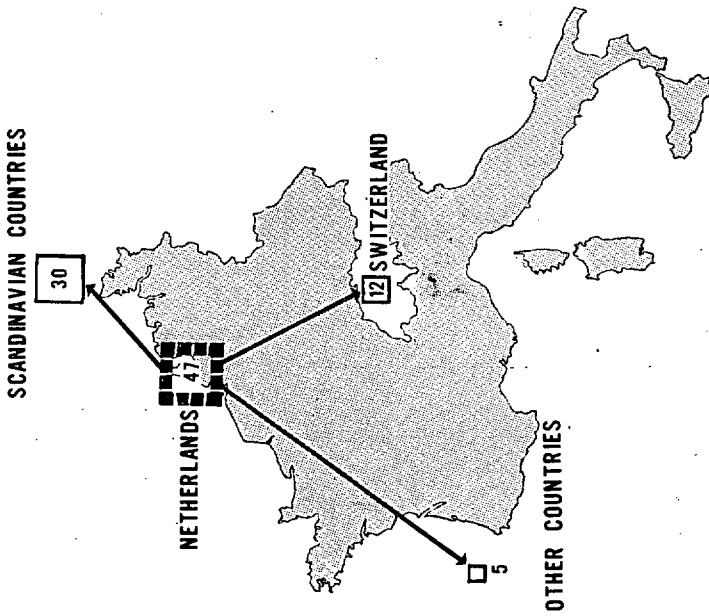
12

18

5

2

Monthly averages in thousands of metric tons



For the first nine months of 1954, hard-coal and coke exports totalled 8,754,000 metric tons, as against 7,431,000 for the corresponding period in 1953, *i.e.*, an increase of approximately 18 %.

A breakdown by countries of destination shows, alongside a substantial increase of exports to the United Kingdom and Switzerland, a drop in sales to the Scandinavian countries and Austria. The Scandinavian countries have hitherto obtained a large proportion of their requirements from Poland; restrictions on the export of Polish coal and the recent 15 % rise in its price open up fresh possibilities for Community coal, though this would entail competition with American coal. Austria for its part imported, during the first quarter of 1954, almost double the quantity of American coal brought in for the whole of 1953.

TABLE 7

Hard-coal and coke exports by countries of origin

(in thousands of metric tons)

	First nine months		Difference
	1953	1954	1954 1953
			%
Germany	4,742	5,596	+ 18.0
Belgium	769	954	+ 24.1
France with the Saar . . .	1,478	1,621	+ 9.7
Italy	20	51	+ 155.0
Netherlands	422	532	+ 26.1
Community	7,431	8,754	+ 17.8

TABLE 8

Hard-coal and coke exports by countries of destination

(in thousands of metric tons)

	First nine months		Difference
	1953	1954	1954 1953
			%
United Kingdom	308	1,242	+ 303.2
Scandinavian countries . .	2,892	2,769	- 4.6
Switzerland	1,273	1,612	+ 26.8
Austria	1,756	1,662	- 5.4
Other countries	1,202	1,469	+ 22.2
Total	7,431	8,754	+ 17.8

Trade within the Community

9. Trade in *hard coal* among the countries of the Community (exclusive of that between France and the Saar) had already been making considerable strides ever since the introduction of the Common Market. It continued to increase, though at a somewhat slower pace, during 1954, rising from 1,762,000 metric tons per month for the first quarter to 1,968,000 for the third, as against 1,608,000 metric tons per month in 1953, and 1,321,000 in 1952.

The monthly average for the first nine months of 1954 is approximately 15 % above that for 1953, and 40 % above that for 1952.

A breakdown by countries shows that German deliveries increased steadily, chiefly to Belgium, and from May onwards to Italy; at the same time Netherlands deliveries to France and Belgium likewise increased. Deliveries from France and the Saar show a slight decline, while Belgian deliveries remained stationary during the third quarter.

TABLE 9

Hard-coal trade within the Community⁽¹⁾*(monthly averages in thousands of metric tons)*

	1952	1953	1954 ⁽²⁾	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
<i>COUNTRIES OF SUPPLY:</i>						
Germany	755	858	1,040	959	1,014	1,149
Belgium	193	299	321	302	341	318
France with the Saar ⁽³⁾ .	373	431	402	441	369	396
Netherlands	—	20	78	60	70	105
Total⁽⁴⁾	1,321	1,608	1,841	1,762	1,794	1,968
<i>COUNTRIES OF DESTINATION:</i>						
Germany	300	370	342	381	308	338
Belgium	40	81	234	188	245	269
France with the Saar ⁽³⁾ .	400	456	444	500	491	509
Italy	323	392	383	340	388	422
Luxembourg	26	23	23	23	23	24
Netherlands	202	286	348	330	339	376
Total⁽⁴⁾	1,321	1,608	1,841	1,762	1,794	1,968

(1) Based on delivery statistics.

(2) First nine months.

(3) Exclusive of trade between France and the Saar.

(4) Including some small tonnages delivered or received by other countries.

10. Trade in coke-oven coke had decreased in 1952-53 as a result of the decline in iron and steel production; since the renewed expansion in the iron and steel industry, trade in coke has shown an upward trend, rising from 509,000 metric tons per month in the first quarter of 1954 to 523,000 in the second and 602,000 in the third.

The monthly average for the first nine months of 1954 is nevertheless below that for 1953 and 1952.

TABLE 10
Coke-oven coke trade within the Community⁽¹⁾

(monthly averages in thousands of metric tons)

	1952	1953	1954 ⁽²⁾	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
<i>COUNTRIES OF SUPPLY:</i>						
Germany	549	489	418	392	400	457
Belgium	45	31	45	40	43	54
France with the Saar ⁽³⁾ .	10	14	16	14	21	13
Netherlands	63	55	67	63	59	78
<i>Total</i> ⁽⁴⁾	675	592	546	509	523	602
<i>COUNTRIES OF DESTINATION:</i>						
Germany	27	16	16	14	20	14
Belgium	0	2	6	6	5	7
France with the Saar ⁽³⁾ .	354	289	243	217	227	285
Luxembourg	279	259	248	228	248	267
Netherlands	15	25	31	43	22	26
<i>Total</i> ⁽⁴⁾	675	592	546	509	523	602

(1) Based on delivery statistics.

(2) First nine months.

(3) Exclusive of trade between France and the Saar.

(4) Including some small tonnages delivered or received by other countries.

11. An increase is also registered in German, Belgian and Netherlands deliveries of *hard-coal briquettes*, and in German and Belgian deliveries of brown-coal briquettes (BKB).

12. The following two tables give an overall picture of the increased trade in coal (hard coal, coke and hard-coal briquettes, added up ton for ton).⁽¹⁾

TABLE 11

Coal trade within the Community⁽¹⁾

— hard coal, coke and hard-coal briquettes —

(monthly averages in thousands of metric tons)

	1952	1953	1954 ⁽²⁾	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
COUNTRIES OF SUPPLY:						
Germany	1,321	1,374	1,494	1,381	1,451	1,647
Belgium	260	354	390	366	409	396
France with the Saar ⁽³⁾	383	445	418	456	390	409
Netherlands	63	76	154	126	138	195
Total⁽⁴⁾	2,035	2,252	2,456	2,329	2,388	2,647
COUNTRIES OF DESTINATION:						
Germany	357	386	361	395	330	357
Belgium	40	84	243	197	253	279
France with the Saar ⁽³⁾	766	770	788	748	754	861
Italy	324	395	389	344	392	430
Luxembourg	306	283	272	252	271	292
Netherlands	242	334	403	393	388	428
Total	2,035	2,252	2,456	2,329	2,388	2,647

(1) Based on delivery statistics.

(2) First nine months.

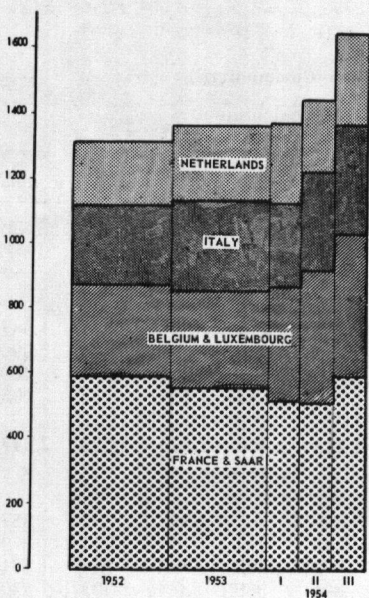
(3) Exclusive of trade between France and the Saar.

(4) Including some small tonnages delivered by Italy in 1952 and 1953 (coke).

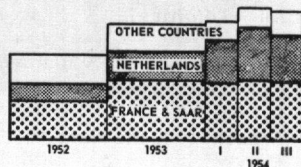
⁽¹⁾ Brown-coal briquettes (BKB), which have only half the heating-power of hard coal and are traded in small tonnages, have not been included.

Deliveries of coal within the Community hard coal, coke and hard-coal briquettes

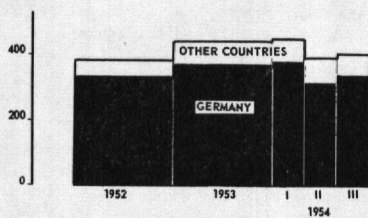
GERMANY



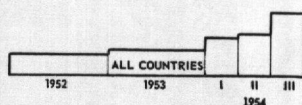
BELGIUM



FRANCE & SAAR



NETHERLANDS



Monthly averages in thousands of metric ton

TABLE 12
Detailed table of the coal trade within the Community⁽¹⁾
— hard coal, coke and hard-coal briquettes —

(monthly averages in thousands of metric tons)

Countries of supply	Countries of destination	1952	1953	1954 ⁽²⁾	1st qtr. 1954	2nd qtr. 1954	3rd qtr. 1954
Germany	Belgium . . .	26	57	169	140	175	193
	France & Saar . . .	596	554	544	517	516	597
	Italy	249	286	305	263	314	337
	Luxembourg	256	244	230	214	230	245
	Netherlands	194	233	246	247	216	275
	<i>Total</i>		1,321	1,374	1,494	1,381	1,451
Belgium	Germany	19	11	2	4	2	—
	France & Saar	119	170	168	164	172	171
	Italy	57	70	52	42	53	60
	Luxembourg	17	11	12	11	11	13
	Netherlands	48	92	156	145	171	152
	<i>Total</i>		260	354	390	366	409
France & Saar	Germany	338	374	350	385	322	342
	Belgium	14	12	25	21	32	22
	Italy	18	39	32	39	25	33
	Luxembourg	13	11	10	10	10	11
	Netherlands	—	9	1	1	1	1
	<i>Total</i>		383	445	418	456	390
Netherlands	Germany	—	1	9	6	6	15
	Belgium	—	15	49	36	46	64
	France & Saar	43	43	76	67	66	93
	Italy	—	—	—	—	—	—
	Luxembourg	20	17	20	17	20	23
	<i>Total</i>		63	76	154	126	138

(1) Based on delivery statistics. Exclusive of trade between France and the Saar.

(2) First nine months.

Stocks

13. Allowing for the more or less constant level of imports, and notwithstanding an appreciable rise in exports, the rate of production maintained during the first eight months of 1954, at a time when the home demand was still hesitant, led to an accumulation of stocks of hard coal. This increase reached 4.7m. metric tons between the beginning of January and the end

of August 1954, and would have been 2.8m. metric tons higher still if shifts not worked had not interfered with production.

From August onwards, a reversal of this trend made itself felt, with a slowing-down of the rate of accumulation, and even, in Germany, a decline in the level of stocks accumulated. This tendency hardened in September. In October, these stocks continued to shrink in Germany and remained practically unchanged in Belgium, while in France and the Saar they continued to rise.

TABLE 13
Pithead stocks of hard coal⁽¹⁾

(in thousands of metric tons)

	End of 1952	End of 1953	End of August 1954	End of October 1954
Germany	465	841	2,020	1,218
Belgium	1,673	3,077	4,067	3,871
France	4,213	5,601	7,606	7,920
Saar	462	536	971	1,002
Italy ⁽²⁾	53	37	9	14
Netherlands	237	213	314	363
Community	7,103	10,305	14,987	14,388

(1) Exclusive of stocks in coking-plants and briquetting plants at mines.
Including middlings, slurry, slack, and various low-grade fuels: Belgium 40 %, France 60 %, Saar 25 %, Germany 3 %.

(2) Sulcis coalfield.

The situation regarding stocks and the coal market differs not only from country to country, but often from coalfield to coalfield within a single country.

The first signs of a new firmness of the market were felt in the *Ruhr*. Stocks had fallen to a fairly low level: 1,162,000 metric tons for a monthly production of approximately 10m. metric tons.

In *Belgium*, stocks total about 2,350,000 metric tons in the southern coalfields, and 1,550,000 metric tons in the Campine coalfield, *i.e.*, 3.9m. for a monthly production of 2.4m. metric tons. Of these stocks, however, at least 40 % is made up of low-grade fuel. There is at present in Belgium quite a considerable demand from third countries, and in particular, sizeable orders have been secured from the United Kingdom; Community coun-

tries such as the Netherlands and Italy may also be induced to increase their purchases from Belgium. Home demand remains stationary, probably by reason of the announcement that the price of industrial coal was to be lowered, and certain consumers are increasing their imports.

In the *Saar*, there has been a noticeable improvement of the market since September, and while stocks are not falling (one million metric tons, including 25 % low-grade fuel), production is tending to rise (some 1,470,000 metric tons in September and October). There has been an increase in the number of orders placed in this coalfield by third countries, and even more so by Community countries.

In *Lorraine*, stocks still stand at 2m. metric tons (including 80 % low-grade fuel) for a monthly production of about 1m. metric tons, but demand from the iron and steel industry is vigorous, and it is likely that there will be sales to Southern Germany.

In the *Nord/Pas-de-Calais*, demand is still comparatively weak, mainly by reason of competition from fuel oil on the Paris market, and of the expected announcement of a reduction in the price of industrial coal. Stocks total some 3m. metric tons, for a monthly production in the region of 2.4m. metric tons, but 40 % of this figure is made up of low-grade fuels.

In the French *Centre-Midi* coal-fields, stocks are still very high: 2.8m. metric tons (including 60 % low-grade fuels) for a monthly production of about 1m. metric tons. In the coal-fields, however, this reflects not so much an unusual general economic situation as the effect of very strong and growing competition from oil products.

14. In the coking-plants, stocks of coke are falling appreciably, with a figure of about 3m. metric tons for the end of October 1954, as against 4.6m. at the end of April and 3.5m. at the end October 1953. Some 80 % of these stocks are held in German coking-plants; they are being rapidly depleted as a result of favourable developments in iron and steel production, and of measures introduced in regard to prices. (1)

(1) See No. 15.

Prices

15. The decisions taken by the High Authority on the establishment of the Common Market fixed maximum prices for the principal coalfields for a period ending on March 31, 1954. These decisions were dictated by the desire, at a time of stable economic conditions, not to switch straight from a State-controlled price-system to a system of complete freedom of prices. At the beginning of the new coal year, the High Authority maintained maximum prices only for the Ruhr and Nord/Pas-de-Calais coalfields, with slightly lower levels for certain types and grades of coal⁽¹⁾. Prices were left free in the other coalfields, with the exception of the Belgian coalfields where, in view of the compensation system provided by the Convention, any alteration of prices requires the prior consent of the High Authority.

The price-schedules published in April showed modifications reflecting some movement in a market which on the whole was rather weak, except for household grades (dry coal and anthracite) and certain industrial grades. The average reduction for the coalfields as a whole was in the neighbourhood of \$ 0.25 per metric ton.

TABLE 14
Average price changes per ton⁽¹⁾

Coalfields	(in dollar units of account)			
	Hard Coal	Coke	Manufactured Fuel and Briquettes	Overall
Netherlands	- 0.363	- 0.717	- 1.035	- 0.490
Ruhr	- 0.264	- 0.722	- 0.004	- 0.410
Aachen	—	- 0.571	- 0.477	- 0.320
Belgium	—	—	no change	—
Nord/Pas-de-Calais	- 0.020	- 0.054	+ 0.248	+ 0.013
Lorraine	+ 0.043	—	—	+ 0.043
Saar	+ 0.171	—	—	+ 0.171

(1) Based on tonnages available for sale in 1952.

Later adjustments affect the French Nord/Pas-de-Calais coalfield, the German coalfields and certain Netherlands collieries.

⁽¹⁾ See *Second General Report* (April 1954) Nos. 49-54.

1. — In connection with the new fiscal regulations in France, the Nord/Pas-de-Calais collieries published new price-schedules with effect from July 1, 1954. The prices of the various types of coal are slightly lower in comparison with those published at the beginning of April. Thus middlings and slurry are down by Ffr. 20, industrial coals and coke nuts up by Ffr. 50, and large coke down by Ffr. 100 per ton.
2. — The six selling agencies for Ruhr coal informed the High Authority at the end of August that up to March 31 of next year, they would be allowing their customers a discount of DM 15 per ton of blast-furnace coke of over 60mm taken ex-stock. This discount is payable on 10 % of a nominal annual tonnage equal to four times the purchases made by a customer during the fourth quarter of 1953. It is subject to two conditions :
 - current purchases by the same buyers at the regular prices and under the normal conditions in force must not, up to March 31, fall below the monthly average for the fourth quarter of 1953;
 - the coke must be used exclusively in the purchaser's own enterprises, and for the same purposes as during the fourth quarter of 1953.

Further, from November 1 onwards, the change in the incentive tax for the encouragement of building resulted, for consumers of German coal, in a reduction of DM 1 per ton in the price of hard coal, coke and hard-coal briquettes, and DM 0.50 in the price of brown-coal briquettes and low-temperature coke of lignite.

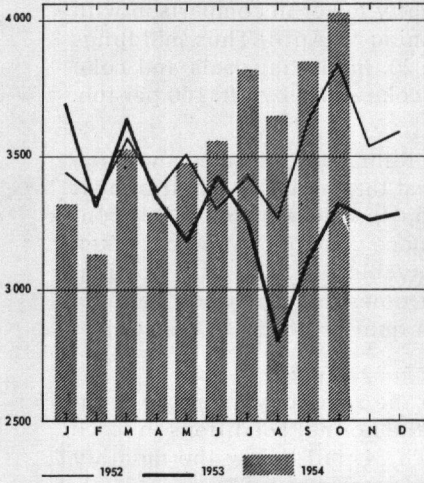
3. — In September, a number of Netherlands producers, published new price-schedules changing the prices of household grades of Group 1 anthracite with effect from October 1. These alterations represent an average increase of about 0.33 guilders in all types and grades.

Alignments

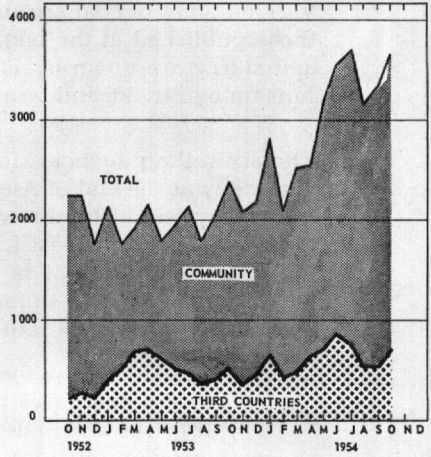
16. Since the beginning of the present coal year, the drop in German schedule-prices has been accompanied by a vigorous effort by the Ruhr mines -- and to some slight extent by the

Steel production and steel trade within the Community

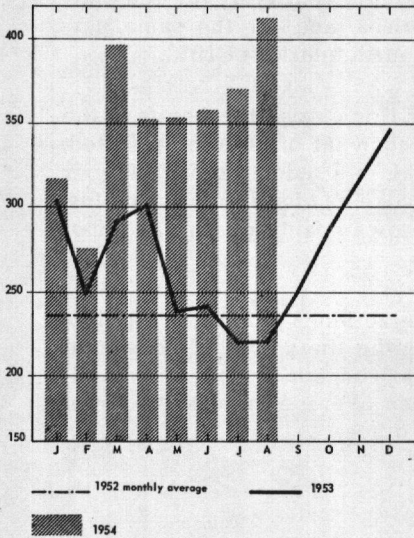
PRODUCTION OF CRUDE STEEL



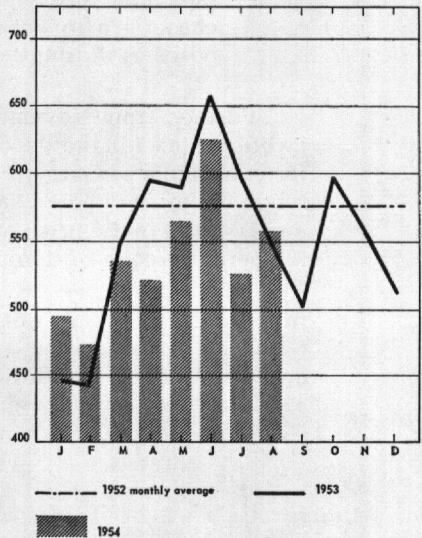
NEW ORDERS RECEIVED BY THE IRON AND STEEL INDUSTRY



TRADE IN IRON AND STEEL PRODUCTS WITHIN THE COMMUNITY



EXPORTS OF IRON AND STEEL PRODUCTS TO THIRD COUNTRIES



(in thousands of metric tons)

mines of Lorraine and the Saar — to align their prices, particularly in the coastal regions of Germany, the Netherlands and Italy, with quotations from third countries. Under Article 60, 2, b (last paragraph) of the Treaty, and Decisions 3/53 and 6/54 of the High Authority, Community enterprises might align their quotations with those of enterprises outside the Community, provided that such transactions are notified to the High Authority.

STEEL

17. The steel market has, since the beginning of 1954, and more particularly since May, shown a *definite tendency towards expansion*.

- crude steel *production* rose, in October, to over 4m. metric tons, a figure never yet attained in the past;
- *new orders* for rolled products placed with the steelworks rose, in October, to 10 % above the average for the previous three months, and approximately 25 % above the volume of deliveries during those months.

A closer examination of these orders reveals that *the present recovery originated chiefly within the Community itself*. This is corroborated by the manner in which exports have developed. The position is, therefore, very different from that prevailing at the time of the Korean crisis in 1951, and is at the same time sounder from the economic point of view.

Trade among the Community countries has continued to develop steadily since the beginning of 1954: in August, the last month for which figures are available, it was 75 % above the monthly average for 1952. Deliveries by Community countries to other Community countries now stands in a ratio of four to five in relation to exports

to third countries; in 1951, at the time of the Korean boom, the proportion was only one to four.

Prices are reflecting an upward trend, but in moderation. Notwithstanding the longer time-limits required for delivery, and the fact that, for the first time for years, the improvement in the market is taking place under a system of freedom from restrictions, the prices now being charged are as a whole below those which had been fixed by the producers at the time when the Common Market was introduced, in May 1953.

Generally speaking, we may note two major facts as a result of recent developments in the steel market:

1. — The introduction of the Common Market has *resulted in the trade revival spreading rapidly throughout the Community;*
2. — The reintroduction of *competition which is subject to certain rules* is making producers somewhat cautious and consumers somewhat careful, which gives *increased flexibility and increased stability* to the market and to prices.

Production

18. Crude steel production, which had declined in the middle of 1953, after a good year in 1952, rose steadily throughout 1954, to reach over 4m. metric tons in October — a figure never before equaled.

TABLE 15

Crude steel production in the Community

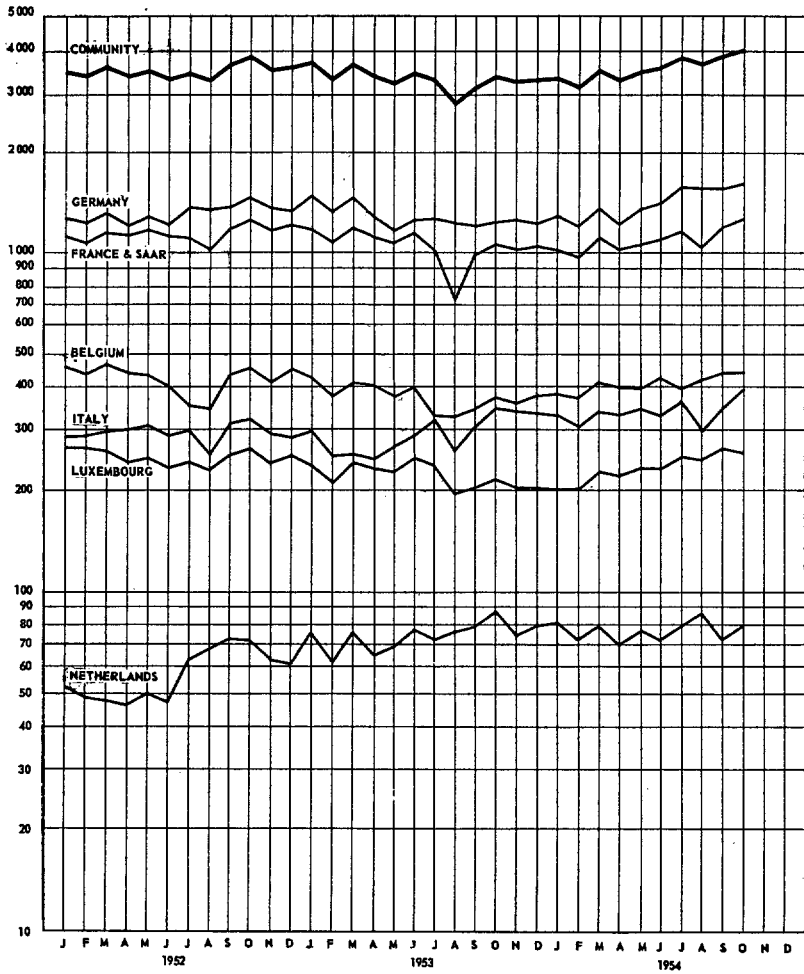
	Tonnages			Indices		
	<i>(in thousands of metric tons per month)</i>			<i>(1952 = 100)</i>		
	1952	1953	1954	1952	1953	1954
1st quarter	3,447	3,549	3,329	100	103	96.5
2nd quarter	3,376	3,315	3,435	100	98	102
3rd quarter	3,443	3,062	3,776	100	89	109.5
October	3,847	3,328	4,041	100	86.5	105

The pace at which production has increased since the beginning of 1954, has grown faster and faster, the rate of increase from one quarter to the next rising from 1.7 % for the first quarter to 3.2 % for the second and 9.7 % for the third; the figure for October is a further 7 % above the monthly average for the preceding quarter.

On the basis of the first ten months of the year, we may estimate the overall production for 1954 at over 43m. metric tons, as against 39.7m. in 1953 and 41.8m. in 1952. In 1938, the Community countries, within their present frontiers, produced 32.8m. metric tons, and in 1929 35.6m. metric tons.

The following tables show the contribution of the different Community countries to this increase in production over the relevant periods.

Crude steel production within the Community



(in thousands of metric tons)

TABLE 16

Crude steel production in the Community countries

(monthly averages in thousands of metric tons)

	1952	1953	1954 ⁽¹⁾	<u>average 1954</u> <u>average 1953</u>	<u>average 1954</u> <u>average 1953</u>
				%	%
Germany	1,317	1,286	1,418	+ 7.7	+ 10.3
Belgium	425	375	409	— 3.8	+ 9.1
France	906	831	865	— 4.5	+ 4.1
Saar	235	223	229	— 2.6	+ 2.7
Italy	295	293	337	+ 14.2	+ 15.0
Luxembourg	250	221	231	— 7.6	+ 4.5
Netherlands	57	74	77	+ 35.1	+ 4.1
Community	3,485	3,303	3,566	+ 2.3	+ 8.0

(1) First ten months.

TABLE 17

Rate of increase in steel production in the Community countries

	<u>1st qtr. 1954</u> <u>4th qtr. 1953</u>	<u>2nd qtr. 1954</u> <u>1st qtr. 1954</u>	<u>3rd qtr. 1954</u> <u>2nd qtr. 1954</u>	<u>October 1954</u> <u>3rd qtr. 1954</u>
	%	%	%	%
Germany	+ 3.7	+ 3.3	+ 17.5	+ 3.2
Belgium	+ 5.0	+ 5.1	+ 2.5	+ 5.3
France with the Saar	— 1.1	+ 2.7	+ 5.9	+ 11.7
Italy	— 4.5	+ 2.7	— 0.2	+ 16.8
Luxembourg	+ 1.0	+ 5.9	+ 13.3	+ 1.6
Netherlands	— 3.7	— 5.6	+ 8.3	+ 1.7
Community	+ 1.1	+ 3.2	+ 9.9	+ 7.0

New Orders

19. Whereas throughout 1953 monthly shipments from the works exceeded new orders for rolled products, to the extent that the volume of orders on hand fell by some 5m. metric tons in the course of the year, the position was reversed in and after the first quarter of 1954.

The monthly rate of new orders rose from 2.5m. metric tons in the first quarter to nearly 3.1m. in the second, nearly 3.3m. in the third, and over 3.6m. in October. A substantial increase in orders in July (3,692,000 metric tons), followed by a falling-off in August and September, had led to a suspicion that the market had reached saturation point. It would appear, however, that this development was due rather to the fact that certain works whose order-books had been filling up again between May and August thereafter began to adjust their bookings to the rate of their shipments.

In October, bookings approached the July level, exceeding the volume of the previous month's shipments by 23 %.

20. A breakdown of orders by countries of origin shows that the present recovery is essentially due to demand within the Community. For the period July-October, the monthly average of orders received from within the Common Market is 40 % above that for the first quarter, while orders from third countries have gone up by only 22 %.

Demand is particularly strong in the light production sector, *i.e.*, for thin sheets, wire rod and merchant bars. (1) However, in the heavy products sector, there has also been a hardening of the demand for heavy plates and heavy sections.

TABLE 18

New orders and shipment of rolled products(1)

	<i>(in thousands of metric tons)</i>			Shipments by the works
	Orders received			
	Community	Third countries	Total	
1953				
(monthly average) . .	1,522	502	2,024	2,401
1954				
1st qtr. (mly. av.) . . .	1,953	523	2,476	2,364
2nd qtr. (mly. av.) . . .	2,354	735	3,089	2,570
July	2,926	766	3,692	2,859
August	2,628	536	3,164	2,631
September	2,522	526	3,048	2,953
October	2,905	729	3,634	—

(1) Exclusive of special steels in France and the Saar, and in Germany from September 1954, onwards.

(1) For price developments, see Nos. 26 and 27 below.

21. For breakdown by countries of new orders received, see table below:

TABLE 19

New orders in Community countries

(monthly averages and figures in thousands of metric tons)

	1953 Year	1954			
		1st. qtr.	2nd qtr.	3rd qtr.	October
Germany	722	973	1,287	1,432	1,520
Belgium	287	322	394	359	427
France with the Saar	588	718	842	920	1,021
Italy	222	196	268	294	318
Luxembourg	164	202	222	221	246
Netherlands	39	65	76	75	102
Community	2,022	2,476	3,089	3,301	3,634
Rate of increase ⁽¹⁾		+ 22.5%	+ 24.8%	+ 6.9%	+ 10.0%

(1) In relation to preceding quarter.

Exports

22. Exports of iron and steel products to third countries, which at the beginning of 1954 had fallen below the level of 1953, increased during the second quarter, and in July and August, the last months for which figures are available, averaged a level more or less equal, within 2% or so, to the monthly average for 1952 and 1953.

This increase resulted mainly from German exports.

TABLE 20

Export of iron and steel products⁽¹⁾

(monthly averages or figures in thousands of metric tons)

	1952	1953	1954 ⁽²⁾	1st qtr. 1954	2nd qtr. 1954	July	August
Germany	101.9	87.9	123.7	109.0	136.6	125.5	127.4
Belgium	159.0	140.7	135.0	132.5	145.8	118.6	126.8
France with the Saar	168.3	196.8	166.8	166.8	174.6	146.8	163.7
Italy	1.8	5.8	4.7	1.4	6.1	4.2	10.9
Luxembourg	102.8	94.1	80.9	64.7	82.5	104.3	101.2
Netherlands	19.8	25.9	26.2	27.4	25.0	25.6	27.0
Community	553.6	551.2	537.3	501.8	570.6	525.0	557.0

(1) Based on customs statistics.

(2) First eight months.

The fact that the overall exports of the Community for the first eight months of 1954 are still slightly below the mean level for 1953, while steel production is rising sharply, shows that the present expansion of the iron and steel industry is essentially due to internal factors. The position is very different from that prevailing in 1951, at the time of the boom which followed events in Korea: in 1951, when production was far below the level reached in 1954, exports from the six countries were more than 40 % above those for the previous year, totalling 10m. metric tons, of which the United States alone took more than 2m.

In this way, iron and steel industries such as those of Belgium and Luxembourg, representing approximately 3 % of world steel production, and accounting for over 25 % of world trade in steel, are taking their full share in the present revival of trade, although their exports to third countries have not, for the first eight months of 1954, reached the levels registered for previous years. As will be seen from details given later in this Report, they have, on the other hand, increased their deliveries on the Common Market.

Imports

23. Imports from third countries since the beginning of the current year have reached a ceiling of about 70,000 metric tons per month, as against 76,500 in 1953 and 65,200 in 1952.

The hardening of demand within the Community has thus not appreciably affected the import position.

This is a point of some importance, and brings out yet another factor which demonstrates the difference between the present revival in the iron and steel industry and the boom which followed events in Korea. At that time, a sharp rise in exports was accompanied by a drop in imports.

If it is borne in mind that the weakening of the Community market in 1953 has also had no appreciable effect on imports — any more, as we have seen, than it did on exports — it must be concluded that the Common Market for steel possesses a vitality of its own, and causes no disturbance in international trade.

Italy, which has increased its purchases of iron and steel products from the other areas of the Community, has also stepped up its imports from third countries.

TABLE 21

Imports of iron and steel products from third countries

(monthly averages and figures in thousands of metric tons)

	1952	1953	1954 ⁽¹⁾	1st qtr. 1954	2nd qtr. 1954	July	August
Germany	15.4	16.9	14.9	11.0	16.2	16.2	21.6
Belgium	7.4	8.7	10.8	9.5	9.9	10.4	17.8
France with the Saar	6.3	8.3	3.1	3.6	3.3	1.8	2.5
Italy	19.8	27.6	31.1	38.3	26.7	31.9	21.9
Netherlands	13.8	14.5	10.8	10.9	10.1	13.4	10.2
Community⁽²⁾	65.2	76.5	71.1	73.5	66.4	73.9	75.2

(1) First eight months.

(2) Including Luxembourg, whose imports are negligible.

Trade within the Community

24. The volume of trade in iron and steel products among the Community countries had begun to increase towards the end of 1953 (317,000 metric tons per month for the fourth quarter). It has developed steadily ever since, reaching 330,000 metric tons in the first quarter of 1954, 354,000 metric tons in the second quarter, 370,000 metric tons in July, and over 413,000 metric tons in August, *i.e.*, in August almost 75 % more than the monthly average for 1952.

All the Community countries are contributing to this increase. Monthly deliveries by the iron and steel industries of Germany, France and the Saar for the first eight months of 1954 were more than double the average for 1952; Belgian and Luxembourg deliveries rose by 8 % and 7 % respectively; Netherlands deliveries increased almost fourfold.

TABLE 22

**Deliveries of iron and steel products from Community countries
to other Community countries**

(monthly averages and figures in thousands of metric tons)

	1952	1953	1954 ⁽¹⁾	1st qtr. 1954	2nd qtr. 1954	July	August
Germany	25.2	41.3	62.1	64.6	55.1	59.4	77.9
Belgium	67.3	63.3	72.8	68.4	76.9	69.4	77.0
France with the Saar	40.1	79.3	94.3	77.7	97.6	109.1	119.9
Luxembourg	98.9	78.7	106.0	106.5	102.6	111.2	109.4
Netherlands	5.7	9.8	19.2	12.9	21.9	20.4	28.6
Community⁽²⁾	237.4	272.8	354.6	330.1	354.4	370.4	413.2

(1) First eight months.

(2) Including Italy whose deliveries to other Community countries are insignificant.

This increase in trade is a further illustration of the contrast between the present position and the situation which followed the outbreak of the Korean war. The improved position of the iron and steel industry in 1951 was essentially the result of exports to third countries, and trade among the six member countries on the one hand and with third countries on the other stood in the ratio of one to four; in 1952 and 1953, the ratio was still one to two. For July and August 1954, the last months for which figures are available, the proportion is not far off four to five.

The introduction of the Common Market, by doing away with the main impediments to trade among the various national economies, and applying rules which are rendering the market more transparent, has caused the effects of the recovery to be felt very quickly throughout the Community.

25. An overall examination and detailed analysis of new orders received confirm the facts which we have just established and enable us to forecast developments for the next few months.

The extent of market interpenetration, which from 1950 to 1952 was as low as 10 %, rose to 14 % in September 1953,

when the effects of the introduction of the Common Market were beginning to be felt, and to 17.6 % at the beginning of 1954. From this it might have been concluded that this increase in interpenetration reflected a tendency on the part of producers, while the market was still somewhat hesitant, to make contact with the purchaser on his own ground. However, the present revival, after a period of stabilization, has gone hand in hand with a fresh increase in interpenetration.

TABLE 23

Development of market interpenetration

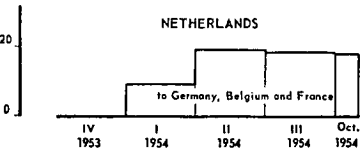
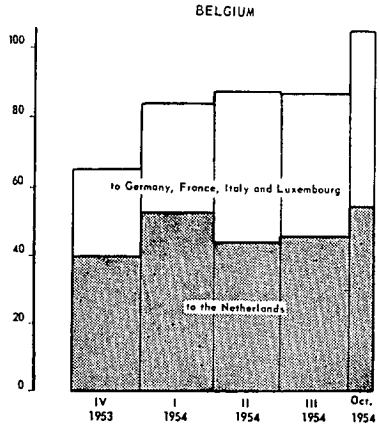
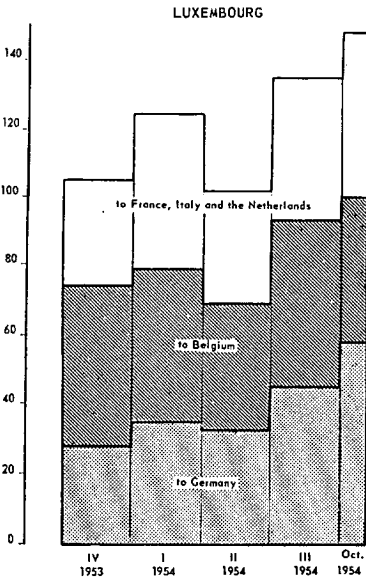
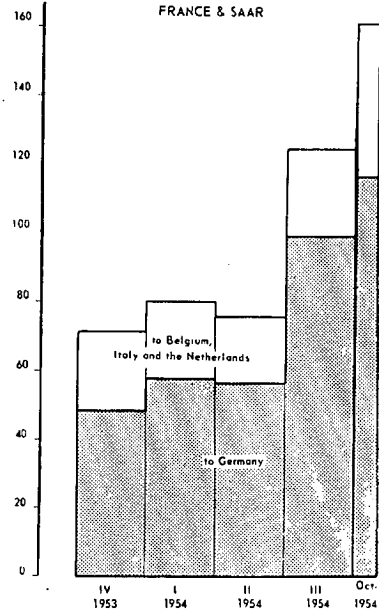
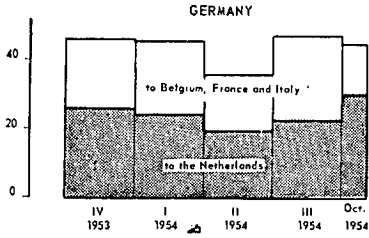
(in thousands of metric tons)

	Source of orders		Extent of market interpenetration
	Consumers in one of the Community countries	Consumers in a Community country other than that of the producing works	
1953			%
September	1,633	228	14.0
4th qtr. (mly av.) .	1,774	293	16.5
1954			
1st qtr. "	1,953	344	17.6
2nd qtr. "	2,354	323	13.7
3rd qtr. "	2,692	417	15.5
October	2,905	484	16.7

The following table shows the details of interpenetration country by country. Of particular interest is the rise in Belgian, French, Luxembourg and Netherlands sales to Germany, and in German, Belgian and Luxembourg sales to the Netherlands.

(see table page 61)

Interpenetration of iron and steel orders



(Monthly averages in thousands of metric tons)

TABLE 24

**Breakdown of orders for iron and steel products by
countries of supply and countries of destination**

(monthly averages or figures in thousands of metric tons)

Country of supply	Country of destination	1953	1954				October
		4th qtr.	1st qtr.	2nd qtr.	3rd qtr.		
Germany	Belgium	6.3	3.7	5.0	3.0	4	
	France	3.3	5.3	5.0	10.0	6	
	Italy	10.7	12.3	6.0	11.7	4	
	Netherlands	26.3	24.3	19.7	22.3	30	
	<i>Total</i>	46.6	45.6	35.7	47.0	44	
Belgium	Germany	10.3	16.7	25.7	25.3	28	
	France	6.0	6.3	10.3	10.0	16	
	Italy	9.3	7.0	7.3	5.7	6	
	Luxembourg	—	0.7	0.3	0.3	1	
	Netherlands	40.3	53.3	44.0	46.0	55	
<i>Total</i>	65.9	84.0	87.6	87.3	106		
France with the Saar	Germany	48.7	58.0	56.3	99.7	117	
	Belgium	3.0	1.0	3.3	8.0	21	
	Italy	16.3	15.0	9.3	10.7	18	
	Netherlands	4.0	6.7	7.0	6.7	6	
<i>Total</i>	72.0	80.7	75.9	125.1	162		
Italy	France	—	—	—	3	5	
Luxembourg	Germany	28.3	35.7	32.7	45.3	58	
	Belgium	46.0	43.3	36.0	48.0	42	
	France	7.3	19.0	14.0	10.0	13	
	Italy	4.0	4.3	4.7	5.3	7	
	Netherlands	19.6	22.0	15.3	26.3	28	
<i>Total</i>	105.2	124.3	102.7	134.9	148		
Netherlands	Germany	0.7	9.0	19.3	18.3	18	
	Belgium	—	0.3	1.3	0.7	1	
	France	—	—	0.3	0.3	—	
<i>Total</i>	0.7	9.3	20.9	19.3	19		

Prices

26. The contrast between the present state of the steel market and that created by events in Korea three years ago is still more strikingly evident in the sphere of prices.

The Korea boom was essentially due to the operation of external factors leading to a large-scale increase in exports, particularly to the United States. Export prices rocketed during 1951: merchant bars, for instance, were selling at anything up to \$ 140 per ton at the beginning of 1952. (The situation was subsequently reversed, towards the end of 1952, and by the autumn of 1953, export prices had dropped below \$ 75).

The present revival, on the other hand, springs essentially from the high level of industrial activity in the Community countries (motor industry, building trade, etc.), and from rational restocking by the processing industries and the dealers. This development has been accompanied by a graduate, moderate and progressive rise in prices of exports to third countries. The prices charged by producers for sales outside the Common Market were raised at the beginning of July 1954, in mid-July, in mid-September, at the end of September, and at the end of October. On this last date, the price of merchant bars was \$ 88, as against \$ 140 at the beginning of 1952.

As for the internal market, it should be recalled that in 1951 and 1952, *i.e.*, before the introduction of the Common Market, the governments were keeping home prices well below the level of export prices.

Now, for the first time for years, the notable improvement in the steel market is going ahead under a system of freedom of prices. The levels of the schedule-prices have scarcely gone up at all, despite mounting orders and extended delivery dates. The only movements noted in recent months have been certain adjustments to the February price-schedules, including a reduction on electrical plates in France, an increase on wire rod in the Netherlands, recent increases by Belgian and Italian producers, and so on.

Market fluctuations have in the main been reflected in the operation of the average margin between the schedule-prices and the prices actually charged ($\pm 2.5\%$ over a period of

60 days), provided for by the High Authority's Decision No. 2/54; in the great majority of cases, however, the present prices charged are still below those fixed by the enterprises when they published their first schedules, in May-June 1953.

The positions does, of course, vary in regard to different products, different countries, and even, to some extent, different enterprises within a particular country.

In Germany, the average margin of -2.5% was dropped for wire rod from the beginning of August, and for merchant bars in the second half of September; at the beginning of November, the margin was also removed for all other products.

The Belgian producers have abolished the minus margin for all products. For merchant bars (after an initial reduction of the margin to a figure between 1.91% and 0%) and for thin sheets, *i.e.*, for more than half of all rolled products, a plus margin has been applied since the beginning of November. Certain producers who had exceeded the authorized margin brought out new price-schedules. Developments in Luxembourg followed a parallel course.

In France and the Saar, -2.5% margin was more or less maintained, up to November 1, for all products except coils. Producers are quoting the rate ruling on the day of delivery, which is current practice in certain other countries, whereas hitherto they always quoted firm prices for four months ahead. The -2.5% margin is no longer being allowed for merchant bars and semis for re-rolling.

27. This stability of prices can hardly any longer be explained by contending that producers might be concerned about the present precarious state of the general economic situation. On the contrary, it would appear that forecasts are, on the whole, fairly optimistic.

The existence of the Common Market and the application of the Community's rules, particularly those relating to the publication of price-schedules and the ban on discriminatory practices, are having a stabilizing effect on the trade policy of both sellers and buyers.

*IRON-ORE**Availabilities*

28. The saleable iron-ore production of the Community, which had reached a ceiling of 4,850,000 metric tons per month during the first half of 1954, continued to rise in the third quarter and reached a total of 5,249,000 metric tons in September. This increase is essentially due to a stepping-up of extraction in French mines.

The monthly average for the first nine months of the current year is slightly below that for 1953 and 1952, though above that for 1951.

Imports, which on account of seasonal factors (closing of certain Scandinavian ports during the winter months) dropped to 600,000 metric tons in February, went up steadily thereafter and reached 1,321,000 in August. The increase was particularly noticeable in Germany and Belgium, the two biggest importers in the Community. There was, however a rise in French and Netherlands imports in July-August, from 14,000 to 35,700 metric tons and from 56,400 to 110,000 metric tons, respectively.

For the first eight months of 1954, the monthly average of imports nevertheless remained some 200,000 metric tons below that for 1952 and 1953.

Exports, which varied considerably from month to month, were low: the monthly average for the first eight months was 54,000 metric tons, representing a slight increase on 1952 and 1953.

The total availabilities of the Community have shown an upward trend in the course of the year, rising from 5,508,000 metric tons in January to 6,210,000 in July and 5,988,000 in August. The monthly average for the first eight months is still below that for 1952 and 1953.

TABLE 25

Iron-ore availabilities in the Community

(monthly averages in thousands of metric tons)

	Production of saleable ore						Imports	Exports	Total availabilities
	Germany	Belgium	France	Italy	Luxembourg	Community			
1951	930	7	2,928	48	472	4,385	864	32	5,217
1952	1,077	11	3,392	69	604	5,153	1,125	47	6,231
1953	865	8	3,537	81	597	5,088	1,186	49	6,225
1954	785	6	3,562	90	469	4,912 ⁽¹⁾	955	54	5,813 ⁽²⁾

(1) First nine months.

(2) First eight months.

Consumption

29. With the general revival of activity in the iron and steel industry, pig-iron production has shown a vigorous and sustained increase from May onwards. The overall consumption of iron-ore, which had declined during the first few months of 1954, has been going up again since May, rising from 5,518,000 metric tons per month in the first quarter to over 6m. metric tons in July and August, the last months for which figures are available. Consumption and availabilities had been practically balanced by July.

Stocks

30. The decline in pig-iron production which set in during the second half of 1953, with iron-ore production and imports more or less at the 1952 level, had resulted in an accumulation of stocks at the mines. The rise in pig-iron production from May 1954 onwards reversed this tendency, and the results began to be felt in June with a slowing-down of the rate of accumulation.

TABLE 26
Iron-ore stocks at the mines

(in thousands of metric tons)

	End of 1952	End of 1953	End of July 1954	End of September 1954
Germany	449	765	903	859
France	1,035	2,711	4,213	4,117
Luxembourg	863	898	881 ⁽¹⁾	903
Community	2,347	4,374	5,997	5,879

(1) 905,000 metric tons per month.

Trade within the Community

31. Deliveries from producing countries have been increasing since the beginning of 1954, after declining during the second half of 1953. This is due mainly to a rise in French deliveries to Belgium and Luxembourg: the average tonnages received by these two countries since the beginning of 1954 are nearly 10 % above the average for 1952 and 1953.

TABLE 27

Iron-ore deliveries from Community countries to other Community countries
(monthly averages or figures in thousands of metric tons)

	1952	1953	1954 (¹)	1st qtr. 1954	2nd qtr. 1954	July 1954	August 1954
Germany	4.5	5.0	4.3	2.8	5.1	5.8	5.8
France	725.1	788.7	861.1	818.0	869.9	901.3	923.9
Luxembourg	250.2	218.4	117.5	108.4	120.5	125.4	127.5
Community	979.8	1,012.1	982.9	929.2	995.5	1,032.5	1,057.2

(1) First eight months.

Prices

32. As already stated in the Second General Report of the High Authority ⁽¹⁾, the price of Lorraine ore dropped by almost 10 % at the beginning of 1954. There has been no change in iron-ore prices since then.

(1) See *Second General Report*, April 1954, No. 45.

SCRAP

Consumption

33. Because the scrap market develops in parallel with steel production which has been rising sharply since May-June 1954, scrap consumption has been going up.

The tendency towards an absolute increase in consumption has been further accentuated, in comparison with the development of iron and steel production, by two factors:

- the general increase in the input ratio, *i.e.*, the percentage of scrap used in the production of pig-iron or steel;
- the shift in steel production from basic Bessemer steel to the other qualities.

Scrap consumption rose from 1,624,000 metric tons per month in the first quarter of 1954 to 1,706,000 in the second and 1,786,000 in the third, as against 1,529,000 metric tons in 1953 and 1,696,000 in 1952.

In view of the strain on resources from this development, the High Authority appealed to pig-iron and steel producers to submit voluntarily to a strict discipline aiming at a more rational consumption of scrap.

TABLE 28

Rate of scrap consumption

	Blast furnaces	Basic Bessemer steelworks	Open-hearth and electric steelworks
	%	%	%
1952 (monthly average)	13.6	4.4	79.8
1953 " " "	9.8	4.5	77.9
1954			
1st qtr. (mly. av.)	9.4	5.8	80.1
2nd qtr. " " "	11.0	6.1	79.8
3rd qtr. " " "	10.8	6.0	77.1

Scrap arisings

34. The availabilities required to meet these increased demands are supplied out of the enterprises' own arisings, purchases within the Community, and imports from third countries.

Own arisings are increasing above the monthly average for 1952 and 1953, chiefly by reason of the rise in iron and steel production since May 1954.

In 1954, scrap purchases by the iron and steel works of the Community were below the 1952 average. The abundance of scrap supplies available towards the end of 1953 and at the beginning of 1954 raised consumers' expectations. But when, in May 1954, the steel market started to improve, these same consumers, whose stocks had fallen to a very low level indeed, returned to the market with a view to building them up again. This time, however, it was the dealers who were holding back, with the result that, from an abundance of supplies, the scrap situation quickly deteriorated into what looked like an acute shortage.

Up to July 1954, imports from third countries were insignificant in comparison with the 1952 and 1953 levels; those consumers who, to offset higher prices in the world market, contribute to the Compensation Scheme (authorized by the High Authority at the time when the Common Market was introduced) ⁽¹⁾, preferred to obtain their requirements within the Community so long as supplies were plentiful. Imports were, therefore, stopped. When the steel market revived in May 1954, consumers who normally imported from third countries began to purchase considerable quantities of scrap on the Community market.

In view of this sudden disturbance in the balance of supply and demand, which looked like being aggravated by the continued favourable state of the market, the Joint Office of Scrap Consumers⁽¹⁾ decided to resume the scrap imports which were discontinued in June 1953. Over and above the 271,000 metric tons already contracted for, it was decided to import an additional quantity of 700,000 metric tons. At its meeting of October 15, the Office decided to import a further quantity of 500,000 metric tons for shipment up to the end of the first quar-

⁽¹⁾ See *Second General Report*, April 1954, No. 84.

ter of 1955, it being understood that decisions to buy must be taken in sufficient time for the purchasing arrangements to be made and for consignments to arrive when required.

As will be seen from the following table, the situation improved considerably from August onwards. Since January 1954, the total consumption of scrap exceeded total availabilities in sight (exclusive of dealers' stocks). Since March, stocks at the works have been diminishing at the rate of some 100,000 tons a month. In August, on account of the rise in imports, the disparity between availabilities and consumption decreased and the reduction of stocks began to slow down. In September, availabilities exceeded consumption for the first time, while stocks increased by 74,000 metric tons.

TABLE 29

Scrap supplies of the iron and steel industry in the Community

(in thousands of metric tons)

	Enter- prises own arisings	Purchases within the Community	Imports from third countries	Total avail- abilities	Total consump- tion	Stocks at works at end of period
1952 (monthly average) . .	828	864	37	1,729	1,705	1,349
1953 (monthly average) . .	864	659	42	1,565	1,533	1,970
1954						
January . . .	860	638	8	1,506	1,604	1,982
February . . .	832	550	2	1,384	1,524	1,865
March . . .	949	793	3	1,745	1,738	1,875
April . . .	863	676	3	1,542	1,629	1,784
May . . .	898	793	2	1,693	1,742	1,684
June . . .	912	748	3	1,663	1,748	1,603
July . . .	1,001	715	8	1,724	1,839	1,501
August . . .	926	691	20	1,637	1,690	1,455
September . .	1,045	788	80	1,913	1,830	1,529

Prices

35. Since March 1954, when the price of scrap was freed⁽¹⁾, the tendency has been for it to continue to fall, by reason of the

⁽¹⁾ See *Second General Report*, April 1954, No. 83.

abundance of supplies on the market. The last maximum price, in January 1954, was \$ 30 for basic quality, plus transport costs, which average about \$ 2.

The lowest level reached was \$ 26 ex-scrap collecting area, which works out at a price of \$ 28 delivered to the consumer. These prices have shown a general rise to \$ 34 delivered, which represents an increase of \$ 6 over the lowest level and \$ 2 over the most recent maximum price fixed by the High Authority.

The compensation price, which serves to some extent as a guide, was fixed, in August, at:

\$ 28 for the first 271,000 metric tons imported;
\$ 30 for subsequent imports.

Since the arrival of the first tonnages purchased as a result of the decisions by the Joint Office of Scrap Consumers, a certain easing has been observed. Thus in Italy, the prices "delivered Modane" had dropped by some \$ 5 per ton.

Section 2 : Introduction of the Common Market for special steels

36. The Common Market for special steels was introduced on August 1, 1954.

This event completed yet another important stage in the series of measures taken under the Treaty establishing the Community. It is true that, quantitatively, the production of special steels represents only some 3.5m. metric tons a year for the Community countries as a whole, whereas the production of ordinary steels stands at something like 40m. metric tons, but the value of a ton of special steel amounts, on the average, to nearly three times that of ordinary steel.

The problems which the High Authority had to solve in connection with the establishment of the Common

Market for special steels were of a particularly complex nature, owing to the special properties of these steels, viz.:

- technical (a structure of production costs entirely different from that of ordinary steels, mainly on account of the incorporation of alloying elements);
- economic (wide scope for competition, especially from third countries, owing to the relatively small incidence of transport costs on the delivered price of the products); and, finally,
- commercial (very large number of qualities on the market, some of them known by their trade marks).

Treaty provisions

37. Annex III of the Treaty differentiates between three groups of special steels, characterized by their content of carbon and alloying elements. It was specified that, for the products belonging to the first two groups, the date at which import and export duties or equivalent charges, and all quantitative restrictions on their movement within the Community, were to be abolished would be postponed until one year after the date fixed for the establishment of the Common Market for steel. For the products belonging to the third group, the maximum time-limit was to be three years, the exact date of their introduction to the Common Market to be settled, on the proposal of the High Authority, by unanimous decision of the Council of Ministers.

Inasmuch as the third group represents only a very small percentage of the total production of special steels and that its introduction on the Common Market after the other two groups would have given rise to considerable difficulties in practice, the High Authority recommended to the Council in April 1954 that the same date be fixed for the establishment of the Common Market for all special steels. The date selected was July 1, subsequently changed to August 1 in order to enable the High Authority to open and pursue negotiations with third

countries without undue haste, and to make inquiries as to the desirability of introducing any precautionary measures which might be requested by the French Government.

Preliminary measures

38. The introduction of the Common Market for special steels, like that set up in February 1953 for coal, iron-ore and scrap, and in May 1953 for ordinary steels, required the abolition of all impediments to trade within the Community. At the same time, a decision has to be taken in regard to Italy, under which that country could be authorized to maintain, during the period of transition, a limited and decreasing protective tariff. Finally, it was necessary to lay down the tariff rates for imports from countries not belonging to the Community.

39. None of the member countries of the Community was by this time keeping up quantitative restrictions on trade in special steels. In France, nevertheless, these products were subject, on importation, to a special temporary compensation tax of 15 0/0, from April 1954 onwards.

In regard to import and export duties, the position was as follows:

- Germany had tariff rates ranging from 15 0/0 to 28 0/0, though for a number of products these were provisionally reduced to 8—10 0/0;
- the Benelux countries had duties of from 1 0/0 to 8 0/0;
- France had duties ranging from 7 0/0 to 25 0/0, which had been discontinued for some considerable length of time, but reintroduced in April 1954, when quantitative restrictions were abolished;
- Italy was protecting its industry by means of duties ranging from 12 0/0 to 23 0/0.

With the introduction of the Common Market, import and export duties and equivalent charges were abolished within the Community, apart from certain special provisions in favour of Italy.

Upon the introduction of the Common Market, the French Government, in accordance with its commitment to the High Authority, abolished the special temporary compensation tax on deliveries of special steels from other Community countries.

It may be recalled in this connection that the French Government, somewhat apprehensive as to the repercussions which the introduction of the Common Market for special steels might have on the French iron and steel industry, had requested the High Authority to examine whether the precautionary measures provided for under Section 29 of the Convention could be applied in the case of the French special-steels industry.

The High Authority had inquiries made in France, Italy and Germany in order to establish whether the relation between the prices of special steels in these three countries was likely to harm the French special-steels industry by bringing about shifts of production attributable to the introduction of the Common Market, which could be avoided only by applying the precautionary measures under Section 29 of the Convention.

The findings of this overall inquiry carried out by the High Authority were submitted for the opinions of the Consultative Committee and the Council of Ministers, and the High Authority, by its letter of July 29, 1954,⁽¹⁾ informed the French Government that its findings had not revealed any such price differences between the French special-steels industry and its competitor industries in other countries as would constitute, on the introduction of the Common Market, one of the technical criteria for the application of precautionary measures under Section 29.

As these conclusions were based on the facts of the situation prevailing at the time when the Common Market was introduced, and on the likely situation in the near future, the High Authority is keeping a particularly vigilant watch on the development of the situation in order to be able to take, without delay, such measures as circumstances may require. The French Government was requested to inform the High Authority of any abnormal difficulties which the French special-steels enterprises might encounter in seeking to adapt themselves to the Common Market: no such communication has so far been received by the High Authority, and it would appear that the fears expressed have not in fact materialized.

⁽¹⁾ *Official Gazette of the Community*, No. 18, August 1, 1954.

40. At the request of the Italian Government, the High Authority authorized, under Section 30 of the Convention, the maintenance, for a limited period, of certain protective duties on special steels imported from other Community countries.⁽¹⁾ These are to be progressively lowered; they are subject to revision by the High Authority one year after the introduction of the Common Market, and have from the start been below those previously in force.

41. The duties applied by the member countries to imports from third countries have been the subject of conversations (with Sweden and the United Kingdom), and even full-scale negotiations (with Austria), in which the High Authority acted as the official spokesman on behalf of all the member governments.

Since the negotiations with Austria were still in progress on August 1, the member governments of the Community, after agreement had been reached in the Council of Ministers, decided to lay down the following provisional arrangements in regard to third countries:

— for Germany and France, a uniform tariff rate allocated as follows:

— semis	7—10%
— bars, including wire rod	9—10%
— strip	10—15%
— sheets and universals	8—22%

— for Benelux, in accordance with Section 15 of the Convention, imports from third countries pay the scheduled tariff rate of 1—8%, within the quota limits approved by the High Authority;⁽²⁾ products imported in excess of these quotas may be re-exported to Community countries on payment of the difference between the Benelux quota duties and the full tariff charged by the other Community countries on imports from third countries.

⁽¹⁾ *Official Gazette of the Community*, No. 18, August 1, 1954.

⁽²⁾ See letter from the High Authority to the Belgian Minister for Foreign Trade, July 29, 1954. *Official Gazette of the Community*, No. 18, August 1, 1954.

Decisions governing the functioning of the Market

42. On July 29, the High Authority notified the governments of the six Community countries that as from August 1, it would be ready to assume the powers vested in it by the Treaty in matters relating to special steels, hitherto under the jurisdiction of the member States.

Simultaneously, the High Authority issued its decisions concerning the Common Market for special steels.⁽¹⁾

One of these related to the inclusion of Group C special steels among the products subject to the levy; Group A and Group B special steels had been liable to levy since the beginning of 1953, on the same conditions as the other products of the Community.

Other decisions dealt with the functioning of the Common Market for special steels and the gradual abolition of certain subsidies hitherto granted by the French Government to the French special-steels industry.

43. In connection with the introduction of the Common Market for special steels, the High Authority was anxious to apply the fundamental rules of the Treaty: free access to markets for producers and to sources of supply for consumers, prohibition of discriminatory practices, publication of conditions of sale. At the same time, it had to bear in mind the peculiarities of the special-steels market and the possible difficulties of adaptation encountered in the different countries.

44. *The prohibition of unfair competitive and discriminatory practices* called for no further decisions, since the decision taken in May 1953 on the establishment of the Common Market for steel applies automatically to special steels.

45. *In connection with the publication of price-schedules and conditions of sale*, one difficulty had to be overcome. If the publication of price-schedules is to be of any value at all, and if its purpose, as provided for in the Treaty, is to be fulfilled, it is

⁽¹⁾ *Officiel Gazette of the Community*, No. 18, August 1, 1954.

essential that the products concerned should be of a comparable character, and that the prices from which the purchaser is to make his choice should relate to one and the same thing. For ordinary steels, this question of comparability presented no problem, but for special steels, it is of vital importance.

In all cases, the publication of price-schedules makes it possible to keep a check on the observance of non-discrimination and fair competition. Many of the special steels have already been standardized to some extent, which makes it possible to establish a certain comparability — not necessarily an overall comparability applicable throughout the Community, but at least a partial comparability according to national standards. For these groups, the publication of price-schedules is of value.

As for the other special steels, most of them are qualities manufactured to order, in close co-operation between producer and consumer, with each quality adapted in one detail or another to each individual consumer's special requirements, so that it is not always possible to establish comparability between one quality and another. For these groups, the publication of price-schedules is proving more difficult, at any rate at the present stage of standardization.

The regulations concerning publication may be summed up in the following rules:

1. — Any enterprise quoting for, or concluding a transaction in, comparable qualities of special steels (to be listed in detail) must publish the prices and conditions of sale applicable to these qualities on the Common Market.
2. — Quotations relating to other qualities of special steels which are mainly of a non-comparable nature need not be published.

Enterprises are, of course, at liberty to exercise the right of price-alignment conceded to them under the Treaty. This alignment is made on the basis of the published price-schedules. Enterprises can also align their prices with a quotation from a third-country competitor, provided such transactions are reported to the High Authority. Alignment does not apply in the case of the qualities exempted from publication on grounds of non-comparability, as these are, *ex hypothesi*, non-comparable transactions.

Finally, whatever the circumstances, whether the groups concerned in a transaction be exempt from publication or liable to publication, and whether the transactions are concluded on the basis of the price-schedule published by the enterprise or on that of the competitor with which it is aligned, the general obligations listed under Article 60 of the Treaty, forbidding unfair competition and discriminatory practices, must be strictly observed.

This last rule and the provision permitting alignment called for no new decisions. The other rules were dealt with, after has been heard the Consultative Committee; in Decision No. 37/54,⁽¹⁾ which enumerates the qualities of special steels to be published in price-schedules⁽²⁾ and the information which these schedules must contain. The same decision specifies, in Article 7, that these regulations must be applied by buyers and agents to any resale in unprocessed condition, as well as by the enterprises concerned. Finally, it exempts the special steels from the application of the new publication regulations for ordinary steels laid down in Decision No. 2/54, of January 7, 1954 (average maximum disparity of 2.5 % between prices charged and prices published).⁽³⁾ This exemption is justified, on the one hand, by the fact that the market for special steels, unlike that for ordinary steels, does not lend itself to the formation of one market price for each product, which results from a constant adjustment of supply to demand and which may have to be accepted by all producers; and on the other hand, by the considerable proportion of orders and invoices for very small quantities and very widely varying qualities, which would involve the enterprises in endless difficulties.

46. For the same reasons, a special decision exempts special steels from the provisions of Decision No. 3/54, of January 7, 1954, concerning the information to be supplied by enterprises in respect of the application of their price-schedules.⁽⁴⁾

(1) *Official Gazette of the Community*, No. 18, August 1, 1954.

(2) Spring steels, free-cutting steels, magnetic sheets, non-alloy structural steels, certain alloy structural steels.

(3) See *Second General Report*, April 1954, No. 75.

(4) Decision No. 38/54 of July 29, 1954. *Official Gazette of the Community*, No. 18, August 1, 1954.

47. Lastly, a further decision covered *the system to be adopted in abolishing certain subsidies granted by the French Government to the French special-steels industry.*

The French Government had at various times granted to a number of French industries, in particular the special-steels industry, a refund, in respect of their foreign sales, of the social charges and the taxes assessed on wages (Decree of June 30, 1952), as well as a refund of the other taxes at the rate of 5.45 % (Decree of August 31, 1953). These refunds averaged approximately 11 %.

Within the Community, such a system, amounting to a subsidy for the home product when sold to a buyer in another country, cannot be permitted. It would create a disparity between the conditions of sale in the producer's country, on the one hand, and those prevailing in the consumer's country, on the other, which would be incompatible with the very principles of the Common Market.

However, as it was considered advisable to facilitate the maintenance of the normal flow of sales of French special steels when the Common Market for these steels was introduced, the High Authority, after consulting the Council, decided: ⁽¹⁾

1. — the immediate abolition of the tax refund provided for under the decree of August 31, 1953; and
2. — the abolition, as from November 1, 1954, for all deliveries not completed by that date, of the refund of social charges and taxes provided for under the decree of June 30, 1952. For deliveries completed between August 1 and November 1, in fulfilment of contracts entered into during this period, this refund was to be granted only in respect of those qualities whose prices were included in schedules published prior to November 1, and on condition that the prices charged by the French enterprises did not allow the ultimate buyer terms more advantageous than those

⁽¹⁾ Decision No. 39/54, July 29, 1954. *Officiel Gazette of the Community*, No.18, August 1, 1954.

resulting from the schedules of other Community enterprises. These last-mentioned provisions constitute an application of Article 60, 2, b of the Treaty, which prohibits under-quoting the prices resulting from the schedules of a competing enterprise with which a producer is aligning himself.

The first months of the Common Market

48. The prices-schedules and conditions of sale for the special steels enumerated in Decision No. 37/54 have been communicated to the High Authority.

It is not yet possible to obtain a clear picture of the manner in which prices have developed in comparison with the situation previously prevailing. As a matter of fact, before the introduction of the Common Market for ordinary steels, the prices of such steels were generally controlled in the various Community countries, which made it possible to follow the development closely, whereas the producers of special steels were completely at liberty to fix their prices and conditions of sale, according to the particular product and particular transaction involved. Compulsory publication of price-schedules is a wholly new departure, and as yet the requisite information is hardly available for drawing up comparisons between present and past price levels.

Notwithstanding, as certain schedules for fine steels with a carbon content of less than 0.6 % have been regularly submitted ever since the introduction of the Common Market for ordinary steels in May 1953, it is possible, by comparing the new schedules with the old, to establish that these steels have shown an average rise of about 4 % in Germany, that in France, prices have remained stationary, with the exception of one quality which has fallen by 1.3-3 %, according to product, and that the other countries as a whole have not changed their prices.

When comparing schedules submitted for the other qualities, in respect of which comparisons over a period are not possible, we find that:

- for magnetic sheets, Italian prices are the highest, followed by the French, Belgian and German prices in that order, the German prices being about 15 % lower than the French;

- for fine carbon steels, the Italian schedules again show the highest prices, with Belgian prices in this instance above the French, followed by the German and Netherlands prices, which are practically the same, and finally by the Luxembourg prices;
- for alloy steels, the few comparable qualities given show, once more, Italian prices as the highest, with French prices above the Belgian and German prices which come very close to one another.

49. A meeting of special-steels producers was held on September 23, to examine the possibilities of extending compulsory publication of price-schedules to include qualities not mentioned in Decision No. 37/54, in particular alloy steels. The producers appeared extremely hesitant in this matter, and expressed the view that it would be very difficult indeed to establish a standard of comparison for these steels. A suggestion put forward by the Italian producers and one submitted by the relevant departments of the High Authority are to be discussed at another meeting at the end of November. At the same time, statistical data on special-steels production and trade for 1952, 1953 and 1954 have been requested, and a group of experts is engaged in studying problems of nomenclature.

50. From all these discussions, the conclusion may be drawn that, although the actual state of the special-steels market is not at present showing any signs of the disturbances which were feared in some quarters, it is still exceedingly difficult to follow its development on account of certain technical difficulties (nomenclatures differing from one country to another, allocation of authority differing even from one producers' organization to another within one and the same country), and also of the reluctance shown by producers to supply essential information.

Section 3: Application and Reconsideration of Decisions

51. The principal measures taken by the High Authority in recent months in regard to the application of its earlier decisions have been concerned, on the one hand, with certain transitional provisions affecting the Common Market for coal in Belgium, Italy and France, and on the other hand, with the inspection arrangements brought into operation at the beginning of 1954 for the steel market.

BELGIAN COAL

52. By agreement and jointly with the Belgian Government, the High Authority, in February and April 1954, set up two committees to study the progress and prospects of the integration of the Belgian coalmining industry into the Common Market, in accordance with the provisions of Section 26 of the Convention.

The first, a joint committee consisting of representatives of the Belgian Government and of the High Authority, was instructed to examine the compensation system under Section 26, 2, *a*, which was put into effect upon the introduction of the Common Market for coal. This compensation is constituted by levies on each ton of saleable coal produced in Germany and the Netherlands, and payment to the Belgian collieries of an amount representing the difference between an account-schedule and a sales-schedule, both drawn up by the High Authority. The Belgian Government is required to add a contribution at least equal to the payments made by the High Authority. The committee which studied this compensation system submitted its report on September 30.

The second committee, consisting of experts from Belgium, France, Germany and the Netherlands, was instructed to examine the economic soundness, present and future, of four Belgian collieries in the Borinage coalfield which are finding themselves in difficulties. This committee submitted its report on the same date. Pending the announcement of steps to be taken to implement the proposals contained in this report, the Belgian Government informed the High Authority that it would be necessary to extend, from August 31 to October 31, 1954,

and subsequently to December 31, the temporary assistance granted, since last March, with the permission of the High Authority, to three mining enterprises (1). The High Authority agreed to this extension of the temporary assistance up to the end of the current year, and to an increase of the Belgian Government's contribution to the compensation payments to 100m. Belgian francs, this sum to be employed for the maintenance of this special assistance, which was formerly paid out of a compensation fund authorized by the Decision of March 13, 1954(2). On the other hand, the High Authority refused to give its consent to the appropriation of part of the compensation levy to cover these additional requirements.

53. The purpose of the Belgian compensation scheme is not only to bring the prices of Belgian coal to all consumers as close as possible to the prices in the Common Market generally (Section 26, 2, a, of the Convention), but also to grant additional compensation for such exports of Belgian coal within the Common Market as the High Authority may find to be necessary (Section 26, 2, c).

Authorizations granted by the High Authority under this last provision, and actual deliveries since June 1953, relate to the tonnages shown in the following table:

TABLE 30
Quotas and actual deliveries of Belgian coal benefiting from additional compensation

(in metric tons)

	Countries of Destination							
	Italy		Netherlands		Germany		Total	
	Quotas	Deliveries	Quotas	Deliveries	Quotas	Deliveries	Quotas	Deliveries
1953								
June	—	62,417	—	7,456	—	—	—	69,873
3rd qtr.	400,000	263,412	300,000	243,399	—	—	700,000	506,811
4th qtr.	300,000	132,937	400,000	333,115	—	—	700,000	466,052
1954								
1st qtr.	300,000	143,823	500,000	376,904	100,000	—	900,000	520,727
2nd qtr.	300,000	157,614	500,000	477,805	—	—	800,000	635,419
3rd qtr.	300,000	174,566	425,000	426,463	—	—	725,000	601,029
4th qtr.	300,000	—	575,000	—	200,000	—	1,075,000	—

(1) See *Second General Report* of the High Authority, April 1954, Nos. 67-69.

(2) Decision No. 5/54, March 13, 1954 (*Official Gazette of the Community*, March 24, 1954).

During the period from June 1953 to the end of September 1954, actual deliveries benefiting from compensation payments totalled 2.8m. metric tons, *i. e.*, 47 0/0 of the total deliveries of Belgian coal to Community countries other than Belgium.

54. The total of all subsidies paid for Belgian coal under the compensation scheme reached the following amounts between March 15, 1953, and the end of September 1954:

TABLE 31
Payments to the Belgian coalmining industry under the compensation scheme
(in millions of Belgian francs)

	1953 March 15 — December 31	1954 January 1 — September 30	Total
<i>Sales of Belgian coal in Belgium</i> (Section 26,2,a):			
— High Authority contribution . . .	406.0	337.1	743.1
— Belgian Government contribution	406.0	337.1	743.1
<i>Sales of Belgian coal in other Community countries</i> (Section 26,2,c):			
— High Authority contribution . . .	47.4	65.3	112.7
— Belgian Government contribution	47.4	65.3	112.7
<i>Total</i>	906.8	804.8	1,711.6

ITALIAN MINES AT SULCIS

55. The compensation system set up under the Convention containing the Transitional Provisions also seeks to enable the coalmines at Sulcis, Sardinia, "pending completion of the investment operations now under way, to face competition within the Common Market" (Section 27, 1).

The Second General Report described the difficult situation of these mines both from the economic and financial and from the social point of view, and the endeavours made by the High Authority to obtain accurate information concerning the programmes adopted by the Italian Government for remedying this situation⁽¹⁾.

(1) See *General Report*, April 1954, No. 73.

In July 1954, the Italian Government informed the High Authority that it was about to introduce a Bill for the reorganization of the Sulcis mines, and outlined the measures proposed. At the same time the Italian Government requested the High Authority to reverse its former decision, by which compensation payments were to be deferred until a programme of technical, economic and financial rehabilitation had been submitted.

The Italian Government's project, together with a report on the situation of the Sulcis mines, was despatched, at the beginning of October, to the High Authority, which is now engaged in studying it. Meanwhile, making allowances for the social repercussions caused by a situation which appeared likely to go from bad to worse as time went on, the High Authority agreed to advance a sum of 400m. lire.

The total payments by the High Authority since the introduction of the Common Market amount to 1,900m. lire.

FRENCH COAL

56. In its desire to ensure that the introduction of the Common Market should cause no disturbances in the various national economies, the High Authority, in March 1953, authorized the maintenance, in whole or in part, but always on a strictly temporary basis, of certain French Government subsidies, while reserving the right to watch the progress made towards their eventual abolition. The subsidies in question were payable on coal delivered to briquetting plants not owned by mines, on coke and coking fines purchased in other Community countries, and on sales of Saar and Lorraine coal in Southern Germany⁽¹⁾.

These authorizations were extended in March 1954, at the beginning of the present coal year, though in some cases only for very limited periods⁽²⁾. Thus, while subsidies to briquetting plants are not due for revision until March 31, 1955, further decisions on the other subsidies were taken in June and September 1954.

⁽¹⁾ See *General Report*, April 1953, Nos. 68-73.

⁽²⁾ See *Second General Report*, April 1954, No. 59.

57. The object of the subsidies on *coking fines* from other Community countries is to reduce their delivered price to the same level as the delivered price of Saar and Lorraine coal, thus enabling the latest coking techniques to be introduced in Lorraine. From an average of Ffr. 1,504 per ton, on a total of 778,000 metric tons, in the first quarter of 1953, the Government subsidy decreased, in the second quarter of 1954, to Ffr. 944 per ton, on a total of 629,000 metric tons.

The proportion of Lorraine and Saar fines included in the coking mixtures produced in Lorraine rose from 50 % to about 55 %.

Some progress has thus been made towards both the aims mentioned, *i. e.*, the reduction of the subsidy (and consequently of the burden borne by the French Government, which was Ffr. 593m. in the second quarter of 1954, as against Ffr. 1,170m. in the first quarter of 1953), and the increase in the proportion of Lorraine and Saar fines in the coking mixture.

In June 1954, the French Government requested the High Authority to extend the authorization previously granted. The High Authority agreed to do so, and by its letter of July 29, authorized the French Government to continue its subsidy on coking coal purchased from other Community countries up to December 31, 1954⁽¹⁾. It was specified that, in accordance with the original authorization, the subsidy must always be reduced (*e. g.*, to take into account any reduction in transport costs as a result of the introduction of international transport through-rates), and never, under any circumstances, increased.

58. The object of subsidies on coke from other Community countries, particularly from the Ruhr, is to reduce the price delivered Homecourt, Lorraine, to parity with the price of coke from the Nord/Pas-de-Calais coalfield. Coke prices having fallen, there was no longer any need, after July 1, for subsidies on coke of any origin or to any destination, except supplies from the Ruhr entering France via Mont-Saint-Martin for the Longwy coalfield (by rail), or entering France or the Saar via Strasbourg (by water).

Subsidies are now down to Ffr. 51 per ton, on some 600,000 metric tons per quarter; before the introduction of the Common Market, they amounted to Ffr. 683 per ton, and were

⁽¹⁾ *Official Gazette of the Community*, No. 18, August 1, 1954.

payable on all tonnages imported from the countries now belonging to the Community (1m. metric tons per quarter in 1952).

As for deliveries routed by rail, the introduction of international transport through-rates should remove any necessity for subsidies.

Under these circumstances, the High Authority by its letter of July 29, authorized the French Government to maintain its subsidy on coke purchased from other Community countries, up to December 31, 1954⁽¹⁾.

The High Authority reserved the right to review the matter again, should there be any substantial change in the general conditions of competitions on the Common Market, and, in any event, to do so before the end of the current year.

59. The object of the subsidies on *sales of Saar and Lorraine coal in Southern Germany* is to keep open certain outlets (justified by their geographical situation), which are of great importance for the Saar and Lorraine coalfields, and furthermore enable bituminous coal to be substituted for long-flame coal. Such sales are only possible so long as the prices of Saar and Lorraine coal at the points of consumption are reduced to the level of the delivered prices of coal from the Ruhr or Aachen. Before the Common Market was introduced, the French Government made itself responsible for three-fourths of the difference between the delivered prices, by paying a subsidy of Ffr. 920 per metric ton, which, on a total of 4,600,000 metric tons per annum (on the basis of the first quarter of 1953), amounted approximately to 4,000m. francs.

In March 1953, the High Authority authorized the French Government to maintain these subsidies for the time being, on conditions that:

- they should not exceed the amount required to limit to its then current level (Ffr. 200 per metric ton) the average loss of receipts by the two coalfields on the basis of their schedule-price;
- any increase in the difference between the delivered prices which might be caused by a reduction of German schedule-prices, should be borne by the coalfields;

⁽¹⁾ Official Gazette of the Community, No. 18, August 1, 1954.

- any improvement in the receipts by the coalfields as a result of changes in transport rates, or in the competitive conditions in Southern Germany, should be set off against the subsidy.

Consequently, the subsidy was reduced to Ffr. 736 per metric ton, as a result of the application of the German internal railway rates to French and Saar shipments to Southern Germany.

In March 1954, the authorization was extended until September 30, subject to the same conditions as before.

Finally, by letter dated October 4, the High Authority notified the French Government, that upon reconsideration of the circumstances in which these subsidies had been granted and the conditions attaching to them, it had decided to extend the authorization until March 31, 1955.

60. The overall development in regard to French Government subsidies maintained by authorization of the High Authority has been as follows:

TABLE 32
Authorized subsidies in France

	<i>(in French francs)</i>					
	1953				1954	
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
<i>Cost per metric ton</i>						
Briquetting plants	2,971	2,968	2,815	2,515	2,238	2,110
Imported coking coal	1,504	1,257	1,244	1,301	1,276	944
Imported metallurgical coke	683	303	254	230	215	51
Sales to S. Germany	920 ⁽¹⁾	736	736	736	736	736
	882 ⁽²⁾					
<i>Total</i> ⁽³⁾	4.1	3.2	3.1	2.9	2.8	1.9
<i>(in thousands of millions of French francs.)</i>						

(1) Before the introduction of the Common Market.

(2) After the introduction of the Common Market.

(3) Including subsidies on certain types of graded coal used for coking purposes, only small quantities of which are involved.

SPOT-CHECKS ON THE STEEL MARKET

61. After taking its decisions of January 7, 1954, amending the regulations concerning the publication of price-schedules, the High Authority advised the enterprises of the Community that it proposed to carry out spot-checks in order to find out under what conditions its decisions, and the provisions of Article 60 of the Treaty in general, were being observed. The essential point was to see whether the rules on non-discrimination and publicity were being respected, and whether the information regularly submitted to the High Authority by the enterprises on their deviations from the schedule-prices was correct.⁽¹⁾

62. Nine series of spot-checks were carried out between the end of February and the beginning of September 1954, affecting in all forty-eight enterprises. In thirteen cases, these investigations revealed no irregularities. In the remaining cases, more or less serious irregularities were brought to light: a distinction must, however, be made between mistakes which can be reasonably excused at the beginning, and very definite infringements of a type to cause the High Authority, after hearing anything the parties concerned might have to say, to apply sanctions.

The most frequent irregularities were generally connected with the rules concerning the publications of price-schedules and the alignments, viz.:

- publication of incomplete schedules,
- inaccurate statements in the schedules,
- failure to furnish schedules to interested third parties.
- failure to observe the dates on which the schedules should come in force.
- failure to publish new schedules when the average margin has been exceeded,
- irregular use of schedules,

⁽¹⁾ See *Second General Report*, April 1954, Nos. 74-78.

- imposition of conditions of sale not included in the schedule,
- failure by purchasers to observe the rules laid down by the High Authority,
- application of different prices to comparable transactions,
- irregular alignments.

63. Acting on seven months' experience, the High Authority, on September 30, circularized all the iron and steel enterprises of the Community.

This communication sought to bring to the attention of the enterprises the principal irregularities thus far observed, in order that those concerned might be as fully informed as possible. It further stated that in cases of obvious infringement records were being compiled with a view to the possible application of the sanctions provided for in the Treaty, either

- by virtue of Article 47 (refusing to furnish necessary information, or knowingly furnishing false information); or
- by virtue of Article 64 (violation of the provisions concerning prices).

Section 4: Development of Competition

64. The High Authority has continued to pursue the three main aims already outlined in the Second General Report: ⁽¹⁾

- the simplification of administrative regulations and the abolition of formalities affecting trade between member countries;
- the completion of the stages laid down in the Treaty concerning transport;
- the application of the Treaty provisions concerning agreements (cartels) and concentrations.

(1) See *Second General Report*, April 1954, Nos. 87-96.

ADMINISTRATIVE IMPEDIMENTS

65. The High Authority had stated, at the end of September 1953, that it was seeking to remove the obstacles to trade within the Community, and that its first step would be to draw up a list of the additional costs and administrative formalities involved in buying from another Community country rather than in the home market.⁽¹⁾

A list, based on data supplied by producers and consumers, was duly drawn up at the beginning of April 1954. A committee appointed by the Council of Ministers, and consisting of government experts, proceeded, on June 1 and 2, to a preliminary discussion of this document. In order to clarify the information it contained, it was agreed that the six governments should forward to the Secretariat of the Council the following particulars:

- a list of the documents required by the government departments concerned, the number of copies, and the person or persons ultimately receiving them;
- the time normally elapsing before a licence or permit is issued;
- fees and other charges connected with the various formalities, in so far as these are laid down in government regulations;
- the reasons given by governments for retaining such formalities and charges.

It was considered advisable to exclude from this preliminary examination all the factors which are not, strictly speaking, administrative impediments. These details were received by the Secretariat of the Council, which forwarded them to the High Authority and to the governments of the six Community countries.

The relevant departments of the High Authority subjected these data to a very thorough examination which confirmed, on the whole, the information supplied by the producers and consumers.

⁽¹⁾ See Second General Report, April 1954, No. 88.

66. The results of this examination have been summarized in tables giving, for each country and product (coal, steel, iron-ore and scrap), the present position in regard to import and export formalities and charges, and modifications proposed with a view to simplifying and standardizing frontier formalities within the Community.

These proposals deal, *inter alia*, with the following points:

- prior application for authorization of a shipment should be dispensed with where such authorization is granted automatically: such abolition would mean also dispensing with the charges and formalities involved, and the authorization could be replaced by a simple declaration;
- customs declarations, the principle and contents of which are the same in all Community countries, could be standardized for Common Market products by drawing up a single standard form; this could then be combined with the clearance certificate, ⁽¹⁾ the new document to be called a "declaration of customs clearance."

The whole of the proposals made by the High Authority were recently forwarded to the Secretariat of the Council of Ministers for transmission to the governments of the member countries, which alone are competent to ease or abolish the manifold administrative formalities, which must be reduced to a minimum if the functioning of the Common Market is to be improved.

TRANSPORT

67. Since the publication of the Second General Report, the High Authority has been actively concerned with the abolition of such discriminatory practices as still persist in railway traffic, the solution of the problem presented by the disparities in inland water transport rates, and the introduction of international through-rates. Progress has also been made in regard to drawing up transport statistics.

⁽¹⁾ See details in the *Official Gazette of the Community*, No. 6, May 4, 1954, p. 120.

Abolition of discriminations in railway traffic

68. Since the beginning of 1954, the attention of the member governments has been called, by means of recommendations, to all cases of discrimination in railway traffic which had been established by the committee of government experts instructed by the High Authority to examine possible measures to be taken. These measures had come into force, and affected quantities transported totalling some 45m. metric tons a year.

Two less important problems relating to railway traffic remained to be dealt with — rates for lifts of trucks, and export rates.

Negotiations were pursued during the spring and summer of 1954 with the German and French State Railways in order to determine, from the technical angle, the rates for *lifts of trucks* carrying fuels from the Aachen and Ruhr coalfields to iron and steel works in France and the Saar.

The object of this special tariff for lifts of trucks (not to be confused with the "international through-rates" within the meaning of Section 10 of the Convention)⁽¹⁾, is to apply to large consignments of solid fuels for iron and steel works imported from Germany into France and the Saar, reductions equal to those granted on complete train-loads of fuels sent to the same works from the French coalfields.

These negotiations, which dealt with the make-up and routing of such lifts of trucks, ended in complete agreement, so that it was possible to bring the new rates into force as from November 1.

This is a measure affecting an annual traffic of some 1,200,000 metric tons of coal and 2,400,000 metric tons of coke. The average reduction of transport charges on the French and Saar sections amounts to approx. Ffr. 150, which will mean an appreciable lowering of such subsidies on imported coals as are still in existence.

(1) See below.

The committee of experts also concluded its study of the problem presented by the *export rates* granted by the railways of some member States for consignments to other Community countries.

The committee came to the conclusion that this was a measure in support of exports over a route within the Common Market, and that it should, therefore, be abolished.

Some ten or twelve tariffs are affected by this measure, and will have to be abolished, at any rate in respect of consignments to Community countries. The governments concerned have agreed to take the necessary steps with effect from December 1, 1954.

Disparities in inland water transport rates

69. No solution has as yet been found for the problem of the disparity between the controlled rates for the inland water transport of the member States and the uncontrolled rates for international traffic between the same States⁽¹⁾ on account of the serious differences of opinion persisting among the governments concerned. The European Conference of Transport Ministers, which had also taken up this matter, decided in October to call in shipping experts to help to find a solution.

The disparity between the systems in force for making up freight rates for inland water transport and international transport led to very wide fluctuations in international freight rates, especially on the Franco-Belgian waterways network.

Last spring, the abundance of shipping space available resulted in an appreciable lowering of freight rates, which gave a definite advantage to Belgian coal transported by water. In order to offset the effects of this situation, the French Government, on April 2, 1954, instituted a compensation fund for inland water transport rates, which the High Authority considers to be incompatible with the provisions of the Treaty.

The increased demand for shipping space towards the end of the summer, coupled with the trade revival, reversed the position, and international freight rates for the winter of 1954-55 seem likely to work out at a higher level than the inland rates.

⁽¹⁾ See *Second General Report, April 1954, No. 92.*

Establishment of international through-rates

70. The Council of Ministers was notified by the High Authority of the preliminary conclusions arrived at by the sub-committee specially set up within the committee of experts to study railway through-rates, and thereupon, on April 9, 1954, passed a resolution expressing the desire that the bringing into force of these rates should be expedited, and calling for a special report from the committee of experts on this question.

The committee submitted its report to the High Authority on May 12. The High Authority, after studying this report, expressed the view that the principles enunciated by the experts could serve as a basis for the proposed negotiations and notified the governments accordingly, by letter dated July 1, 1954.

On July 27, the Council of Ministers passed a resolution deciding, though without formally approving the principles laid down in the experts' report, to open negotiations on this basis.

The report of the committee of experts takes as its guiding principles for the establishment of through-rates:

- the establishment of general international through-rates;
- the abolition of all frontier charges;
- the standardization of the depression of the rates.

In the course of the negotiations, which took place during August and September, by a committee of the Council of Ministers, it became evident that the standardization of the depression might lead to a disturbance of the economic structure of some member States. The States concerned suggested that, during a transitional stage, such standardization might be applied only up to a distance of 250 to 350 km, but that the present varying depressions should be maintained beyond that distance.

This compromise solution, envisaging an advance towards the introduction of through-rates by stages in the spirit of the Treaty, was embodied in a detailed study supported by

figures, on which the governments will be able to base their final decisions.

There is thus now in existence a technical solution permitting international through-rates to be introduced, a solution which has already met with the approval of several member States, but which, for its implementation, is still dependent on the conclusion of the negotiations now in progress.

Transport statistics

71. In order to be better informed on transport matters within the Common Market, the High Authority, in September 1954, convened several meetings of experts on rail, road and water transport statistics, which were attended also by representatives of the various national statistical offices.

These technical meetings sought to determine whether it would be possible to introduce a single standard method of drawing up statistics, taking into account the shipping and receiving areas within the Community.

These studies, in which experts of the European Economic Commission of U.N.O. also co-operated, were directed towards securing, on the one hand, annual statistics clarifying the organizational structure of transport, and on the other hand, providing statistics at more frequent intervals, so that a picture of the economic developments in the transport field as a whole can be formed without undue delay. It was the main concern of those engaged on this work to make the fullest use, by the closest possible technical co-operation, of the statistics already produced by the various member States.

AGREEMENTS (CARTELS) AND CONCENTRATIONS

Agreements

72. In July 1953, as the Second General Report records,⁽¹⁾ the High Authority issued a decision bringing into force the prohibitions laid down in Article 65 of the Treaty.⁽²⁾ This obliged existing agreements (cartels) to come into the open, and, to obviate being declared void, to apply for authorization under

(1) See *Second General Report*, April 1954, Nr. 96.

(2) Decision No. 37/53, July 11, 1953. *Official Gazette of the Community*, No. 10, July 21, 1953.

Article 65, 2. This paragraph empowers the High Authority to authorize agreements (cartels) to specialize in the production, or to engage in the joint buying or selling of, specified products, if it finds:

- a) — that such specialization or such joint buying or selling will contribute to a substantial improvement in the production or distribution of the products in question;
- b) — that the agreement (cartel) in question is essential to achieve these results, and is not more restrictive than is necessary for that purpose;
- c) — that it is not capable of giving the enterprises concerned the power to determine prices, or to control or limit the production or selling of a substantial part of the products in question within the Common Market, or of protecting them from effective competition by other enterprises within the Common Market.

Seventy-one applications for authorization were submitted to the High Authority, subsequently reduced to sixty-three by combining some of them.

A preliminary examination showed that two further applications did not call for authorization. Four agreements (cartels) which had applied for authorization went into voluntary liquidation before any formal decision was taken concerning them.

73. By a series of decisions dated June 25 and July 29,⁽¹⁾ six agreements between enterprises — two agreements to specialize and four to sell jointly — were duly authorized.

1. — *Agreement to specialize* concluded on January 4, 1954, between the *Compagnie des Forges d'Audincourt* and the *Société Lorraine-Escaut*, relating to the exclusive manufacture by Lorraine-Escaut of the special steels required by the *Compagnie d'Audincourt*, the exchange of technical information concerning this manufacture, as well as a guarantee to supply the steels in question.
2. — *Agreement for the joint selling* of hard coal, hard-coal briquettes and coke through the agency known as the *Aachener Kohlenverkauf* established in 1950 by the following mining enterprises in the Aachen (Aix-la-Chapelle) coalfield: Eschweiler Bergwerks-

⁽¹⁾ Decisions Nos. 31/54 to 34/54, and Decisions Nos. 40/54 and 41/54. *Official Gazette of the Community*, No. 15, July 6, 1954, and No. 18, August 1, 1954.

Verein, Gewerkschaft Carolus Magnus, and Gewerkschaft Carl Alexander. Authorization was granted in consideration, firstly, of the comparatively small production of the Aachen coalfield in relation to that of the Community (2.3%, 1.6% and 1.7%, respectively, for the three products mentioned), and, secondly, of the fact that two of the three companies — each contributing only 15% of the overall production of the Aachen coalfield — would be unable to secure the same rational distribution of their products under a system of independent selling as by selling jointly.

3. — *Agreement for the joint selling* of brown-coal briquettes through the agency known as the *Helmstedter Braunkohlen-Verkauf*, established in 1950 by the following mining enterprises in the Helmstedt lignite field: Braunschweigische Kohlenbergbau and Gewerkschaft Humboldt. Authorization was granted on two grounds, firstly, that the annual production of the Helmstedt lignite field represents only some 8% of the total production of brown-coal briquettes within the Community, and, secondly, that one of the enterprises, contributing only 6% of the production of the lignite field, would be unable to secure the same rational distribution of their products under a system of independent selling as by selling jointly.

4. — *Agreement for the joint selling* of hard coal, coke and hard-coal briquettes through the agency known as the *Niedersächsischer Kohlen-Verkauf*, established in 1950 by the following mining enterprises in the Lower Saxony coalfield: Preussische Bergwerks- und Hüttenaktiengesellschaft, Ilseder Hütte, and Steinkohlengrube Mieke KG. Authorization was granted in consideration, firstly, of the comparatively small production of the Lower Saxony coalfield in relation to that of the Community (1%, 0.5% and 2.5%, respectively, for the three products mentioned), and, secondly, of the fact that two of these enterprises — each contributing only 2% of the overall production of the Lower Saxony coalfield — would be unable to secure the same rational distribution of their products under a system of independent selling as by selling jointly.

5. — *Agreement for the joint selling* of iron and steel products through the *Société Commerciale de Sidérurgie*, Brussels, established in 1952 by four iron and steel enterprises: the Société Anonyme d'Ougrée-Marihaye, Ougrée, the Société Anonyme Acéries et Minières de la Sambre, Monceau-sur-Sambre, Rodange, and the Société Anonyme Laminoirs d'Anvers, Schoten. Authorization was granted in consideration, firstly, of the fact that a joint-selling organization of this kind helps con-

siderably to improve distribution, both from the producers' point of view and from that of the buyers and consumers, and, secondly, of the fact that the quantities of products sold jointly (2.9% of the total production of the Community in regard to steel, and 3% in regard to finished rolled products) are not large enough to enable the enterprises concerned to determine prices, or to control or restrict production or distribution in the Common Market.

6. — *Agreement to specialize* concluded in 1952 between the *Cornigliano Company* in Genoa and the *Fiat Company* in Turin, by which the Cornigliano Company undertakes to produce in its works the hot-rolled sheets and wide strip used in Fiat manufactures. Under this agreement, the two companies further undertake to supply and to accept, respectively, a predetermined proportion of such production, and, finally, to maintain regular technical collaboration in the manufacture of such products. Authorization was granted in consideration of the reduced cost of these products resulting from the fact that the agreement relieves the Fiat Company of the need to produce, in its own works, products which the Cornigliano Company, for its part, is able to produce in much larger quantities than the Fiat Company requires; of the appreciable improvement in production resulting from an agreement which helps to ensure specialization without a greater degree of restriction than is needed to achieve its purpose; and of the acknowledged right of the Cornigliano Company to release between 50% and 72% of its production of hot-rolled sheets and wide strip on to the Common Market, so that the agreement does not enable the contracting enterprises to determine prices, to control or restrict production or distribution of a substantial proportion of the products in question on the Common Market, or to withhold them from effective competition by other enterprises in the Common Market.

74. Twelve further applications for authorization have already been prepared for decision, so that of the seventy-one applications originally submitted, thirty-nine remain to be dealt with. In twenty-three of these cases, examination should be completed by the end of the year, and decisions will probably be taken early in 1955. Examination of the remaining sixteen applications will be carried out during the first few months of next year.

75. Of the twenty-three applications the examination of which must be completed before the end of the year, nine are in connection with coal buying or selling organizations.

In May last, as the President of the High Authority informed the Common Assembly,⁽¹⁾ the High Authority notified the *Gemeinschaftsorganisation Ruhrkohle* (GEORG), the *Comptoir Belge des Charbons* (Cobechar) and the French Government in its capacity as the controlling authority of the *Association Technique de l'Importation Charbonnière* (Atic), that certain of their activities were incompatible with the Treaty.

The above mentioned organizations and the French Government replied by nominating representatives to take part in discussions which were still going on at the time this Report went to press.

a) Numerous conversations have taken place in recent months between representatives of the High Authority and of the *Gemeinschaftsorganisation Ruhrkohle* (GEORG). It was decided to deal with the problems at issue in the following order:

- examination of the facts and legal appraisal of the resultant findings;
- examination of the economic consequence of possible prohibitions relating to the present organization;
- discussion of proposed solutions.

The points of view put forward by the High Authority representatives, on the one hand, and the GEORG representatives on the other, have been reported in detail to the Market Committee of the Common Assembly, and are set out in the Report presented by Monsieur Korthals.

In the course of these discussions, the High Authority representatives submitted to the GEORG representatives a list of the regulations relevant to their organization, their activities and their powers of decision, which had caused the High Authority to adopt a negative attitude to the applications submitted by GEORG and the six selling agencies for Ruhr coal. On the basis of this list, an effort was made to define which activities might be permitted to remain centralized, in so far as such centralization was favourable to distribution, and might justify authorization under Article 65, 2.

In the opinion of the representatives of GEORG, any competition among Ruhr producers would be detrimental to the distribution of the products and the stability of employment. Certain grades not readily marketable would become altogether unsaleable, or saleable only at prices involving prohibitive losses. Production activity would consequently vary from mine to mine and from enterprise to enterprise, resulting in intolerable social tensions. In the event of

⁽¹⁾ *Official Gazette of the Community* : Debates of the Common Assembly, No. 6, August 1954, p. 16.

even quite a small fall in demand, mines which are absolutely essential for future supplies would have to close, since the enterprises would be unable to keep them operating under a system of severe competition. To limit competition to the six selling agencies would be to jeopardize their very existence, so that within a comparatively short time, the fifty-five coalmining enterprises would be competing against each other, thus making it impossible to maintain stable employment and the rational distribution of orders.

The High Authority representatives did not deny that competition resulted in smaller returns whenever there was a falling-off in demand, or that it might lead to different degrees of production activity in different enterprises. In a market without much flexibility of supply and demand, a reduction in prices has little prospect of leading to increased sales. In their view, however, a cartel could only remedy such unequal distribution of labour resulting from a slackening of demand — affecting, naturally, the least demanded grades first — by reallocating orders, and thereby depriving the consumer of the free choice of supplier guaranteed him by the Treaty. Although the price as a regulating factor cannot solve all difficulties, it should, in the event of a falling-off in demand, exert a regulating influence as between the different grades and types. Furthermore, neither fluctuating price nor an unequal spread of employment were likely to lead to the extreme situation feared by the representatives of GEORG. The smaller coalfields were equally exposed to the dangers involved in a fall in demand, but were overcoming these dangers by means of a compensation scheme within the coalfield. There could be no question of affording a bigger coalfield a greater measure of protection, through the removal of competition, than that enjoyed by producers in the smaller coalfields competing with it. The point was rather to find out by what means compatible with the Treaty the High Authority, in co-operation with producers, workers and consumers, might successfully confront dangers of this kind.

In the last three months, Members of the High Authority have also taken part in these discussions, dealing chiefly with those aspects of the problems which relate to the establishment of a clearly-defined policy. On several occasions, there have been conversations between Members of the High Authority and, successively, leading personalities from the Ruhr coalmining industry, and representatives of the workers, consumers and dealers. The High Authority has also had discussions with the Market Committee of the Common Assembly.

These talks and discussions have enabled the High Authority to clarify its information on the consequences which any modification of existing arrangements might have for the various parties concerned. Suggestions for possible structural alterations have also been submitted to it.

Such, in brief, is the present position with regard to the examination of the applications submitted by the Gemeinschaftsorganisation Ruhrkohle and the six selling agencies for Ruhr coal. The Market Committee of the Common Assembly is to be kept informed concerning any transaction taken by the High Authority in this matter.

b) The activities of the *Comptoir Belge des Charbons* (Cobechar) are to some extent comparable with those of a Ruhr selling agency; on the other hand, it performs certain functions which, in the Ruhr, are the province of the Gemeinschaftsorganisation Ruhrkohle.

The directors of Cobechar have made it known that they would, in principle, be prepared to adapt the activities and articles of their organization to the requirements of the Treaty.

It has been decided to proceed in the near future to a detailed examination of the question whether, and how, Cobechar might continue its activities without contravening the provisions of the Treaty.

c) The *Association Technique de l'Importation Charbonnière* (Atic) in France acts as sole importer of coal, under regulations established at the time of the nationalization of the French coalmining industry. These regulations were later supplemented to the effect that Atic arranges the import contracts after the French dealer or consumer concerned has reached agreement with the seller abroad. Thus, Atic has in practice a monopoly of import contracts, and the regulations granting it this monopoly are incompatible with the Treaty.

It would appear that the representatives of the French Government are prepared to propose certain amendments. Discussions are proceeding.

Concentrations

76. With regard to concentrations, Article 66, 2 of the Treaty empowers the High Authority to authorize transactions undertaken after the Treaty came into force, provided it finds that they will not give to the interested persons or enterprises, in the Common Market, the power:

- to determine prices, to control or restrict production or distribution, or to prevent the maintenance of effective competition in a substantial part of the market for such products; or

- to evade the rules of competitions, in particular, by establishing an artificially privileged position involving a substantial advantage in access to supplies or markets.

The three regulations which the High Authority was to draw up were promulgated on May 6, 1954, after consultation with, and in one instance, after the agreement of, the special Council of Ministers⁽¹⁾.

The first, issued in application of Article 66, 1 (Decision No. 24/54), defines the elements which constitute control of an enterprise, namely, ownership or tenure of its assets, influence upon the composition, deliberations and decisions of its institutions, management of its affairs, agreements for the assignment or allocation of its profits, control over the supply of raw materials or markets. It further specifies that these criteria retain their significance only where they enable the person or persons concerned to determine the operations of an enterprise in regard to production, prices, investments, supplies, sales and the allocation of profits. Certain relaxations are permitted in the case of banks and financial houses, provided they do not exercise their right to vote, in order that they may not be hindered in their actions where new enterprises are being established or capital is being increased.

The second regulation, issued in application of Article 66, 3 (Decision No. 25/54), concerns exemption from the requirement of prior authorization for small concentrations or transactions which, to all intents and purposes, cannot distort competition on the Common Market. The first two articles deal with regulations concerning concentrations between enterprises in the coal and steel sectors. The principle adopted is to exempt from the requirement of prior authorization such concentrations as do not exceed the volume required to constitute economically and efficiently operating units of production, and so, at the same time, allow of vertical concentrations ranging from the raw material, iron-ore and coal, to those final products which come within the jurisdiction of the High Authority, *i. e.*, rolled products. The limit has been fixed at a crude-steel production of 1.2m. metric tons. The next two articles give the limits of exemption for concentrations between steel producers and consumers. For coal the overall limit adopted is a consumption of 250,000 metric tons a year, so that prior authoriza-

⁽¹⁾ Decision Nos. 24/54, 25/54 (supplemented by Decision No. 28/54, May 26, 1954) and No. 26/54, May 6, 1954. *Official Gazette of the Community*, No. 9, May 11, 1954, and No. 11, May 31, 1954.

tion is only needed for concentrations comprising very large consumers. A supplementary decision taken on May 26, further specifies that small consumers, using up to a total of 15,000 metric tons a year, are not taken into account in such concentrations. For steel, the regulation exempts from authorization, concentrations which do not reach a total steel consumption of 100,000 metric tons a year, provided no consuming enterprise uses more than 25,000 metric tons, and each producing enterprise markets 60 % of its production in each category of products. The following articles fix the exemption limit for the turnover of distributing enterprises at a figure of 10m. dollar units of account. Finally, Article 8 lays down that the calculation of limits must take into account other enterprises which control the enterprises concerned in the concentrations in question, or are controlled by them.

The third regulation, issued in application of Article 66, 4 (Decision No. 26/54), defines the obligation upon persons and enterprises not subject to the High Authority's jurisdiction, to supply the High Authority with information. It draws a distinction between compulsory declaration and the obligation to supply information upon request. Compulsory declarations are required only in the case of interests in excess of 10 % of the registered capital in enterprises belonging to the Community, where the total amount exceeds 100,000 dollar units of account. This obligation does not apply to banks acquiring shares on behalf of their clients or acting as trustees. Concerning information to be furnished upon special request, the High Authority has set broader limits. The information to be furnished is listed in Article 7, and relates to the acquisition of ownership or tenure, or of rights by which an influence can be exercised on the administration of an enterprise belonging to the Community.

77. Eleven applications for authorization of concentration have been submitted.

One, relating to a merger between iron and steel enterprises and two processing works, had already been granted, in December 1953, before the publication of the three regulations issued in pursuance of Article 66.

Two other concentrations were authorized by a decision dated June 25, 1954, one affecting three iron and steel enterprises, and the other certain coal and iron and steel enterprises. Finally, on July 29, the High Authority authorized a

fourth concentration affecting an iron and steel enterprise and an iron-ore mine.

In all these cases, the High Authority took particular account of the ratio of the tonnages normally produced by the enterprises in question, to those of the Community as a whole, as well as of the fact that concentration would not have the effect of giving the enterprises thus regrouped a dominant position in the Common Market, or enabling them to distort competition, or to secure an artificially privileged position in regard to access to supplies or markets.

As the Treaty contains no provisions insisting that such matters should be made public, the High Authority's decisions were simply communicated to the enterprises concerned.

78. Seven applications, therefore, still remain to be dealt with. Three of these have already been prepared for decision. The examination of two others will be completed before the end of the year, so that by the beginning of next year, only two of the applications for authorization of concentration submitted to the High Authority will still be in the process of examination.

Section 5: **Development of the Common Market**

79. The High Authority has continued its work in regard to defining, and constantly revising, its *general objectives* in connection with modernization, long-term planning of manufacture, and the expansion of production capacities.

In regard to coal, any definition of general objectives, just as any effort to solve the problems raised by the functioning of a competitive market, demands as a prerequisite a clearly-determined coal policy, since this represents a major factor in the general economic development of the member countries. The High Authority has, therefore, devoted particular attention to this question during recent months.

In regard to steel, the work in hand is concerned with cross-checking, by sectors (motor industry, building trade, etc.), the initial forecasts of total steel consumption.

Furthermore, the High Authority has determined with the Council of Ministers the methods to be applied in implementing the resolution of October 1953, by which the governments of the six member States agreed to follow closely and regularly, in conjunction with the High Authority, the development of the general economic situation, and similarly, to review periodically their *overall policy of expansion and investment*.

GENERAL OBJECTIVES

80. In line with the general survey which had been discussed with the Common Assembly at its January and May sessions, ⁽¹⁾ the High Authority submitted its preliminary conclusions on general objectives to the Consultative Committee. It has at the same time gone more deeply into the problems raised in connection with the formulation of a coal policy, and discussed these once again, at the end of October, with the Common Market Committee of the Assembly.

Establishment of a coal policy

81. Within the scope of the tasks incumbent upon it under the Treaty, the High Authority must see to it that there is a regular flow of supplies to the Common Market, and that conditions are established which will ensure the continuous development of production, without unjustified protective measures against competing industries. This harmonization between the dependability of natural resources and the availability of increasingly economical supplies is particularly difficult to achieve under the conditions governing the production of coal in Europe, where new production capacity can be developed

⁽¹⁾ See *Report on the Situation of the Community at the beginning of 1954*, Nos. 21-37, and *Second General Report*, April 1954, Nos. 98-100.

only by means of very long-term investments, and there is the danger that installations which are closed down are likely to be a permanent loss. But it is this very harmonization which the Community, regarded as a single unit, must adopt as its policy, and strive to achieve by reconciling the anxiety of the producers to maintain resources with the interests of the consumers, whose main concern, except in time of acute shortage, lies in securing advantageous prices.

The formulation of such a policy depends, however, on a number of conditions which must be fulfilled, and uncertainties which must be removed, viz.:

- research into the development of *medium and long-term requirements* must be continued and regularly brought up to date;
- *distortions* which misrepresent the conditions of competition between coal produced in the Community, on the one hand, and coal from third countries and other sources of energy, on the other, must be carefully investigated;
- the possibilities of *assured supplies* from other sources of energy, whether imports or oil products, constitute an essential factor in the evaluation;
- the possible consequences of technical development on the *division of consumption between coal and oil* must be studied.

The formulation of a general policy for coal is thus a lengthy task and can only be accomplished step by step.

The High Authority's primary aim was to lay the foundations for a general policy by studying the present characteristics of the coal market in the Community and the trends which they reveal. This it did after numerous discussions with government experts, economists and technicians on the basis of work done by the Consultative Committee.

82. The following basic facts emerge from an examination of developments in the coal market of the Community between 1949 and 1954:

1. — The contribution of coal towards meeting energy requirements within the Community is continuously decreasing, although to a varying extent in the individual countries. This

development has recently accelerated, and despite the improvement in the general economic situation and the expansion of iron and steel production, the coal market continues so far to be weak.

TABLE 33
Hard-coal consumption and general economic development
 from 1949 to 1954

(Indices on the basis of 1950 = 100)

	1949	1952	1953	1954 ⁽¹⁾
Consumption of hard coal	98	112	107	(109)
Consumption of energy . . .	94	116	115	—
Industrial production . . .	89	120	126	(135)

(1) Estimated figures.

2. — It is difficult to adjust the coal production of the Community to fluctuations in demand: in 1951, for instance, hard-coal consumption within the Community (246m. metric tons) was made up by importing 23m. metric tons, while coal extraction increased by only 14m. metric tons, or slightly more than 6 % over the previous year. Imports have fluctuated a great deal during recent years, with over 27m. metric tons in 1947, and almost 18m. metric tons in 1949, followed by 7m. in 1950, 22—23m. in 1951 and 1952, 13.8m. in 1953, and probably about the same figure in 1954.

3. — Despite the very substantial variations in the prices of imported coal, the prices of coal produced by the Community have not changed, apart from the steady upward trend until 1953, which was followed by a very slight fall. The prices of American coal in Antwerp and Rotterdam, on the other hand, being strongly influenced by fluctuations in freight rates, showed a rise at first, from 1950 to 1951, and then dropped back to about 80 (index) at the beginning of 1954.

4. — The position may be summed up as follows: the coal produced by the Community no longer occupies the position of monopoly as a source of energy which it held until comparatively recently, but is to-day threatened by competition from other forms of energy and other sources of supply. A considerable degree of adaptation by the coal economy is imperative to meet this new situation.

83. These facts which characterize the present position in the Community must be viewed in the context of long-term trends in energy consumption and likely requirements in the years ahead.

World industrial production has increased more than threefold since 1913, whereas the consumption of commercially produced energy has gone up by only some 140 %. This disparity may be explained by the considerable improvements made in the thermal efficiency of installations during the past forty years.

Between 1929 and 1954, the volume of industrial production within the Community increased by something like 50 %, and the overall consumption of energy by 20 %, whereas the consumption of coal declined slightly. The consumption of coal within the Community during the best post-war year, 1952, was only 1m. metric tons (0.4 %) above that for 1929.

TABLE 34

**Hard-coal consumption and general economic development
from 1929 to 1954**

(Indices on the basis of 1929 = 100)

	1937	1952	1953	1954 ⁽¹⁾
Consumption of hard coal	95	100	96	(98)
Consumption of energy .	102	119	118	—
Industrial production . .	102	136	143	(156)

⁽¹⁾ Estimated figures.

Allowance must be made, when considering these facts, for different developments in the various countries of the Community. In Germany, the Netherlands and Italy, consumption of energy has on the whole increased during the past twenty-five years; in France, it only rose temporarily above the 1929 level; in Belgium and Luxembourg, it is somewhat below the level of 1929.

These different developments are indicated in the following table:

TABLE 35
Total energy consumption in the Community countries

(expressed in millions of metric tons of hard coal)

	1929	1937	1952	1953
Germany (Federal Republic)	115.8	126.5	154.9	153.0
Italy	25.3	28.1	36.9	40.4
Netherlands	14.6	15.4	20.0	20.0
France	101.8	95.3	105.6	101.8
Belgium	37.8	34.7	33.6	33.1

The general development of energy consumption and the changes in the relative share of the various sources of energy have had a marked influence on the competitive capacity of coal in the different markets.

In Germany, hard-coal consumption in 1953 was about 25 % above that for 1929, whereas the consumption of energy from other sources rose by 60 %.

In the Netherlands, hard-coal consumption went up by 22 %, while the consumption of energy from other sources increased threefold.

In France and the Saar as well as in Italy, hard-coal consumption fell by 20 % between 1929 and 1953, while their consumption of energy from other sources trebled.

In Belgium and Luxembourg, hard-coal consumption has likewise fallen by over 20 % since 1929, but the consumption of energy from other sources, mainly liquid fuels, has risen from 1/2m. metric tons to more than 4m. during the same period.

This breakdown by countries shows that the general economic development (which governs energy consumption by a national economy as a whole) and individual policies (which govern the development of the various competing sources of energy) have had, and will continue to have, a vital influence upon the part played by coal.

84. The future energy requirements of the Community, determined in relation to the gross resources of energy available (home production and imports), are influenced by two sets of factors.

We may first of all take as a positive factor the anticipated increase in the national product and in industrial production resulting from the increase in population and the rise in both the level of employment and productivity. Development over a period of ten years or so should amount to an annual increase in the national product of 2.5—3.5 %, while the rate of increase in industrial production should be proportionately higher.

From the consumer's angle, on the other hand, it is necessary to take into consideration the importance of the efficient utilization of energy. The degree of the effective use of energy in the principal countries of the Community during 1947 has been estimated at 20 %, as against 29 % in the United States. There is reason to hope for further improvement over the next ten years, although the theoretical limit of effective use is gradually being approached, so that the rate of improvement is bound to slow down.

On the *hard-coal requirements* of the Community the factors just mentioned tend to exert an influence in the same direction as on energy requirements in general. Their effect on the consumption of coal may, however, be modified in varying degrees by competition from other sources of energy.

Hydraulic energy resources within the Community have almost doubled during the past twenty-five years. Since the economically more important schemes were naturally undertaken first, a slight slowing down in the rate of increase may be expected in the future.

The production of *brown coal* in the Rhineland coal-field is expected to increase, between now and 1960, to roughly 107m. metric tons (as against 73m. metric tons in 1953), most of this tonnage being intended for the production of electric power.

The supply of *natural gas*, most of which is at present produced in Italy, will probably be trebled or quadrupled in the course of the next ten years. It must, however, be borne in mind that natural gas represents, at the present time, only 1.1 % of

the energy consumption of the Community. Moreover, it is only in the home markets of the countries concerned that natural gas competes with coal.

As for *liquid fuels*, these are products that are naturally linked in a single production process. Only the so-called "black products" can be regarded as direct competitors of coal, whereas the "white products" do not, or only indirectly, affect the selling potentialities of coal. The significance of the simultaneous production of "black products" and "white products" resides in the fact that both are less subject to the incidence of prices than they would be if they were produced separately. In actual fact, from the short-term point of view, the "black product," if sold at whatever price it will fetch, does appreciably affect coal sales. From the long-term point of view, however, the position may be somewhat different. As the relative supplies of "black" and "white" products depend, to a great extent, on the production technique of the refineries, a progressive adjustment to the trends of the market would appear essential for the petroleum industry itself. Such adjustment is very largely a matter for decision by the governments concerned.

85. Taking into account all the factors which have governed the development of energy requirements in the past, and which must equally be borne in mind for the future, we may expect a certain increase in coal consumption, given even a comparatively moderate increase in the national product and in industrial production. Opinions still vary a good deal as to the extent of this rise in consumption.

It will be imperative for the High Authority to continue its study, in co-operation with all parties concerned, of the development and the competitive factors both in the energy supply industries as a whole and in the coal industry. Furthermore, there would have to be discussions with the governments as to the trends in development in the general economy which may be expected within the next ten years.

86. In connection with the determination of a coal policy, another factor which must be taken into consideration is that of the competitive capacities of the coal produced within the Community.

The High Authority is resolved to do everything in its power to improve the capacity of the coal won in the Community to compete against other sources of energy and against coal imported from third countries. This is the most reliable way of ensuring that the Community's own resources are employed to the maximum extent to satisfy its requirements.

The collieries themselves have considerable scope for competition, of which they must avail themselves.

1. — The present situation and the future prospects it offers emphasize an obvious necessity in regard to the coal production of the Community, which has also been recognized by the British Government and by American producers, namely, that every effort should be made to turn coal into a more economical source of energy.

As a result of increases in the wages of the miners, of a somewhat slower rate of technical progress in coalmining, and of the greater depths of the workings, coal prices within the Community have risen appreciably more than have other prices, particularly those of fuel oils.

Compared with the prices of 1938, the real prices of energy prevailing in September 1953 (disregarding the movements of the wholesale prices index) revealed a substantial rise in the case of hard coal and coke, and a sharp decline in the case of fuel oils.

TABLE 36

Development of hard-coal, coke and fuel-oil prices
from 1938 to the end of 1953

	hard coal	coke	fuel oils
	%	%	%
Germany	+ 38	+ 42	—
Belgium	+ 34	—	—
France	+ 28	+ 26	— 15
Italy	+ 4	+ 14	— 41
Netherlands	—	+ 73	— 6

In the United States, on the contrary, the rise in coal prices during the last six years is scarcely greater than the general rise in wholesale prices; there, the movement in coal prices is following that of petroleum products.

2. — The development of the coal industry during the last ten years has been marked by rapid progress made by the products obtained from coal, viz.: coke, gas and electricity. Between 1937 and 1953 alone, the amount of coal thus processed rose from 98m. to 118m. metric tons, while the consumption of coal for all other purposes fell from 135m. to 118m. metric tons; in 1937, about 40 % of the coal consumed was transformed, and in 1953, this proportion rose to 50 %. (These figures do not take into account the tonnage of coal consumed, after processing, by the enterprises in their own industrial plants.) It may, therefore, be assumed that this trend has not reached its limits. Germany, for instance, where gas piped over long distances is covering a considerable proportion of the demand, which otherwise would probably have resulted in larger sales of liquid fuels, provides an example of the extent to which the above-mentioned tendencies can strengthen the competitive power of coal. Furthermore, the transformation of coal makes it considerably easier to solve the problem presented by low-grade fuels.

A concerted effort must be made to enhance the competitive power of the coal won in the Community, before raising the question of increasing the price of coal for the purpose of guaranteeing the maintenance of production at a higher level than that which would be brought about by imported coal or other imported sources of energy.

87. In its initial work in connection with the determination of the general objectives, the High Authority already stressed the importance of the part which must be played by measures to be taken for the modernization and extension of coal extraction, as well as for the transformation of the products, with a view to lowering the price of coal and improving its competitive power.⁽¹⁾

However, a reduction of coal prices for the purpose of consolidating the competitive power of the coal industry is not possible, unless:

- coal is won as economically as possible;
- costs of distribution are reduced to a minimum;

(1) See Report of January 1954, and *Second General Report*, April 1954.

- the most economical methods for the utilization of coal by the consumer are sought for and put into practice;
- distortions which may have a detrimental effect on the competitive power of coal are eliminated.

Moreover, the High Authority attaches particular importance to all endeavours that aim at simplifying the methods of utilizing coal and at reducing the cost of utilization in comparison with that of other sources of energy. As long as the difference between the cost of new plant utilizing other sources of energy and the cost of modernized plant utilizing coal is unfavourable to coal, the price of the coal itself is only one of the factors which determine the consumer's choice.

Finally, the High Authority feels that it can itself contribute towards raising the competitive power of coal, by drawing the attention of the member governments to the question of the distortions which may place coal mined in the Community at a disadvantage when in competition with other sources of energy and imported coal.

88. These are the broad outlines of the work undertaken by the High Authority for the purpose of establishing a coal policy in relation to a general conspectus of the various policies on energy, which are being pursued or planned by the member governments, and in harmony with the general economy of the member States.

Forecasts of steel production and consumption

89. Previous forecasts, based on estimated requirements and current investments, related to a production of 50m. metric tons of crude steel in 1957. These forecasts still hold good, but need to be cross-checked in relation to data on the various sectors of utilization, and in the context of forecasts covering a longer period. Work on these two aspects has been co-ordinated. A start was made with two sectors which are among the largest consumers, and which, in the countries of the Community, are still definitely capable of expansion, namely, the motor industry and the building trade.

The initial work on steel consumption in the *motor industry* was discussed at a meeting held in July 1954 with

experts from the three main producing countries of the Community. Two major problems were considered first:

- one, primarily of a technical nature, concerned the quantity and qualities of steel required for the production of different types of vehicle. It was provisionally agreed that there was no reason to anticipate any changes in the consumption of steel per vehicle, but that this conclusion would have to be reviewed every two or three years.
- the other problem, mainly of an economic nature, was complicated by the lack of uniformity in the forecasts submitted by the experts from the different countries, depending upon the degree of optimism expressed in the views taken concerning the development of foreign trade. A preliminary estimate was drawn up, for each producing country, of the increase in the number of licensed vehicles (commercial vehicles and private cars) and of replacement requirements up to 1962. Production was then estimated on the assumption that, for the producing countries as a whole, the development in net exports would be proportional to that of sales on the home markets. Lastly, the preliminary estimates would, at the present stage, indicate that, between 1952 and 1962, there will be an increase of the order of 25 % in the production of private cars and of 50 % in that of commercial vehicles.

As for the *building trade*, all the experts agree that, under certain conditions, this sector might considerably increase its consumption of steel. All measures which would effectively result in an increase in the consumption of steel, necessitate, on the part of those who are called upon to make decisions in the matter, a thorough knowledge of those conditions, whether of a technological, economic or psychological nature. The data at present available do not provide a sufficiently concrete picture of the conditions prevailing in the various branches of this sector of the economy; in particular, it is difficult to compare the quantities of steel used per housing unit from the figures given in the statistics of the different countries. The High Authority proposes to carry out, in conjunction with the relevant professional organizations, an investigation covering the various branches (blocks of flats, public buildings, factories) and dealing, in respect of each of these branches, with the actual building construction, as well as the internal fixtures and fit-

tings. In carrying out this investigation, the informations gained in the course of the construction of one thousand workers' housing units under the experimental programme now under way should be taken into account.⁽¹⁾ This information could serve as a basis for working out not only the prospects for steel consumption in the building trade, but also the action to be taken in order to increase that consumption.

*DEVELOPMENT OF THE OVERALL ECONOMIC SITUATION
AND THE GENERAL POLICY OF EXPANSION.*

90. In October 1953, the six governments of the member States had agreed to examine, jointly with the High Authority, their general expansion and investment policy, in order to even out or stimulate consumption, particularly that of the public services, and to dovetail this process with the activities of the High Authority. They had further agreed to maintain a constant watch, jointly with the High Authority, over the development of the general economic situation.

A report on the general economic situation in the early autumn of 1954 has been submitted to the Council of Ministers, and the methods of analysis to be adopted in studying the situation in the six countries are now being worked out. Furthermore, following on the talks which took place in the capitals of the six countries during the summer, a preliminary meeting was held in November 1954, which was attended by representatives of the High Authority and of the governments. This meeting made it possible to gain a general picture of the problems which are common to all the Community countries and those which are particular to each individual country. Meetings of this kind, even though they have no power of decision, must have the effect of demonstrating the solidarity which the existence of the first European Common Market has already established among the economies of the six Community countries.

(1) See below, Nos. 116—118.

CHAPTER III

INVESTMENTS AND THEIR FINANCING

91. The Second General Report gave full details of the work undertaken by the High Authority in preparation for the activities it is to carry out in the field of investment.⁽¹⁾ In this initial phase, efforts have been made mainly directed to the study of current investments within the Community and of the conditions under which such investment is being financed at the present time.

The investigations and surveys which have been carried out have demonstrated quite clearly that the appreciable and continuous improvement which has taken place in the general economic situation of the six countries of the Community has been accompanied by an improvement, though to a less marked extent, in the development of the money markets. In fact, although there is in almost all the countries of the Community a comparative scarcity of money, and a reluctance to invest long-term capital, factors are not lacking which enable a more optimistic view to be taken of the future.

The recent movement towards sounder currency and financial policies in the countries of the Community, the general reduction in bank rates which took place during 1953, the noticeably more liquid state of bank resources, and the considerable increase in the amount of savings,

(1) See *Second General Report*, April 1954, Chapter IV.

are all favourable factors. Throughout the countries of the Community, although to a varying degree, there has thus been a marked increase in the volume of funds supplied by the money market for the financing of investment for the purposes of production.

However, such optimistic conclusions do not appear to be so well founded if attention is confined to the coal and steel industries, and to the financing of their investments. Despite the healthier tone of the general economic situation in the six countries of the Community, and despite the more hesitant, but still substantial, improvement to be observed in the development of the money markets, the survey of the financing of investments in the coal and steel sectors has revealed the existence of a number of unfavourable factors, namely,

- the abnormally low percentage, in relation to the total expenditure, of the funds supplied to enterprises by the capital market;
- the abnormally high level of self-financing, in certain cases, which, however, is tending to decline;
- the excessive resort by enterprises to medium and short-term credits;
- the high rates of interest charged for loans.

This state of affairs — which has resulted in a considerable call on public funds — is particularly acute as far as the coalmines are concerned, whereas iron and steel enterprises appear to find less difficulty in obtaining financial assistance from the money markets.

Contributions from public funds, including American aid, to the financing of investments will fall off rapidly during the course of the next few years. Self-financing, which, in the immediate post-war period, provided enter-

prises with the chief means of carrying out their investment programmes, underwent a marked decline in 1953. Actually, the volume of self-financing remains subject to external circumstances that cannot be foreseen, since a change in the general economic situation may alter considerably the possibility of resorting to this method of financing. On the other hand, the carrying out of investment programmes necessitates that planning of the financing should be based on resources which are reasonably stable. Furthermore, save where the general economic situation presents some exceptional features, too high a volume of self-financing may indicate an abnormal state of the market, that is to say, the existence of obstacles hindering effective competition. Resort to self-financing on any substantial scale is only rendered possible by an undue disparity between the costs of production of the most efficient producers and those of the marginal producers. Lastly, it should be pointed out that, quite apart from the state of the market, a high rate of self-financing cannot be maintained indefinitely. It must, in any case, be undertaken at the expense of the distribution of profits, and will, in the long run, have a detrimental effect on the possibility of obtaining fresh capital.

92. The High Authority has employed these observations on the present state of investments in the industries of the Community, and the methods used for financing them, as the basis for planning its operations in the field of investment, having regard to the additional factors arising in connection with the problem of investment as a result of the introduction of the Common Market.

The creation of a wide market brings about a fundamental alteration, both in the conditions and in the prospects for the sale of the products, and so inevitably entails the adaptation of the investment programmes to these new conditions and prospects. It would seem obvious

that an investment programme designed by an enterprise for the purpose of improving its profit-making capacity, within a system of restricted and protected markets, must be thoroughly revised when that same enterprise is to be placed in a position to meet competition from several other producers and to sell its products to a larger number of consumers.

General principles

93. The general principles of the line of action the High Authority intends to pursue in the field of investment have already been outlined, in part, in previous reports and statements. In the Report on the Situation of the High Authority at the beginning of 1954, it has already been stated that the High Authority has no intention of drawing up an investment plan or any rigid investment programme, since the Common Market must develop unfettered and under conditions of free competition. The High Authority considers that the part it should play in this sphere consists in laying down, from time to time, certain general objectives, encouraging the co-ordinated development of investments, and facilitating the implementation of the programmes of the enterprises in conformity with the general objectives. It is for the enterprises, however, to shoulder their responsibilities and to display initiative in accordance with the rules and the spirit of the Treaty, within the ambit of the general aims to be laid down from time to time.

These principles, which had already been formulated in general terms, were subsequently amplified and put into operation for the first time after a contract for a loan amounting to one hundred million dollars had been concluded with the Government of the United States and signed in Washington on April 23, 1954.

The criteria governing priority, which had already been laid before the Common Assembly at its extraordinary session in January 1954, have been confirmed. The advances which the High Authority will grant from the funds derived

from the American loan are to be restricted to projects which fall within one of the following categories:

- equipment of collieries,
- pithead power stations,
- coking plants,
- production and treatment of iron-ore,
- construction of miners' housing.

While no hard and fast rules are laid down for the appraisal and classification of investment projects within these categories, certain principles of a general nature have been formulated to enable priority to be given to the most important projects.

It was laid down at the outset that only those projects which bring about substantial economic improvements are to be regarded as having any claim to priority. Projects whose purpose is to bring about a degree of rationalization above the average, and a corresponding strengthening of the competitive power of the enterprise soliciting the loan, by lowering its production costs and thus reducing its selling prices, should be given preference over those whose principal object is to increase output. Investments directed mainly towards increasing production should only be taken into consideration in cases where, for example, work already in hand is to be completed rapidly, or where certain gaps in the existing plant are to be filled, so that co-ordination of production and a considerable increase in economic efficiency can be achieved.

In addition to the requirement that the maximum possible increase in productivity should result from the proposed investments, it should also be made a condition that the enterprise is, or will undoubtedly become, economically sound. No investments are to be made in enterprises which, even when their programmes are complete, and under normal economic conditions, would be incapable of balancing their profit and loss accounts. The criterion of economic justifiability should not be restricted to an isolated branch of manufacture in the enterprise, but must be extended to cover the enterprise as a whole. Investment credits cannot be granted to enterprises when it is evident that they will be working at a loss for a considerable time to come.

Financial Action

94. The principles on which the financial action of the High Authority in the field of investment will be based have been published. (1) The High Authority has made it clear that the main objective of its financial action is to bring about an improvement in present conditions of financing which make it difficult for the majority of the industries of the Community to carry out their essential investment programmes, and have an adverse effect on the prices of the Community's products. In other words, in applying the principles formulated above, the High Authority has not the slightest wish to achieve its general objectives by coercion, but intends to act in whole-hearted co-operation with the enterprises by creating favourable conditions for increasing productivity and by eliminating anything which might hinder, delay or make more costly the requisite work of modernization. In pursuance of this attitude, the High Authority has stated that it regards its entry into the field of investment financing as a step which the gradual improvement in the conditions of financing should make less essential in the future.

Furthermore, the contribution to be made by the High Authority to the financing of investment projects will only satisfy part of the requirements, by way of supplementing the usual methods of financing. It is obvious, from the very fact that the resources the High Authority has at its disposal at the present time are limited, in relation to the investment needs of the industries coming within its jurisdiction, that it would be impossible for the High Authority to undertake the entire financing of the projects. Nevertheless, the main reason for that decision resides in the determination of the High Authority to allow the free play of the Common Market to operate to the fullest possible extent, and to confine its financial assistance to those enterprises which are able to justify their claims. In harmony with this complementary participation in financing, the enterprises retain full responsibility for drawing up their plans, as regards both their technical and their financial aspects.

With regard to guarantees, it has been laid down that they must enable financial operations to be carried out which would be impossible without the intervention of the High

(1) See *Official Gazette of the Community*, No. 17 of July 31, 1954.

Authority. In other words, the High Authority has no intention of utilizing the facilities it can offer by way of guarantee as additional security for financial operations which the enterprises are already carrying through at the present time, but as a genuinely new contribution to the possibilities of financing available to the enterprises.

American Loan

Purposes for which it is to be employed

95. On the basis of the principles laid down, the High Authority has, at the same time, published the conditions attaching to the advances which will be granted from the funds made available by the American loan, and has invited the enterprises to submit their applications for credits.

In accordance with the conditions laid down, loans will be granted by the High Authority:

- for projects the total cost of which exceeds 500,000 dollars;
- for investments which will produce tangible results very quickly, within about three years at most;
- for financing expenditure to be incurred in a short space of time;
- to supplement the other usual sources of financing when these are contributing to the carrying out of the projects;
- directly in dollars, except in the special case of workers' housing mentioned further on;
- at a rate of interest of $3\frac{7}{8}\%$ plus financing changes, *i.e.*, at a maximum total rate of $4\frac{1}{4}\%$;
- for a period to be mutually agreed upon by the enterprises and the High Authority, which may extend until 1979.

While awaiting the applications for loans, the relevant departments of the High Authority have worked out a method for examining applications for credit and the procedure for the allocation of loans.

In arriving at this method and procedure, the High Authority has striven to harmonize the following considerations:

- the attainment of the objectives of the Community;
- the co-ordination of the action of the High Authority with the economic policies of the government;
- the utilization of the experience gained in each country, both as regards the economic and technical aspects and in the financial sphere.

While retaining full responsibility for the ultimate decision on every application for a loan that may be submitted to it, the High Authority has deemed it advisable to decentralize, to the maximum possible extent, every phase in the procedure relating to the carrying out of each operation.

It has, therefore, been decided that where the number of applications justifies it, regional investment committees shall be set up in each important industrial area. The function of these committees, consisting of industrial experts and representatives of the government departments concerned, is to express an opinion on every project submitted to it by the High Authority, as regards both its technical and commercial advantages and its economic justification.

Quite apart from the views expressed by the committees on the technical and economic aspects of the projects submitted, the examination procedure must also provide the High Authority with an opinion as to the applicant's solvency. In this connection, it should be made clear that only a negative criterion is involved, that is to say, that the High Authority does not intend, as would a bank, to lend to those enterprises whose financial position is the best, but must only avoid lending to enterprises which constitute poor financial risks.

This enquiry into the solvency of applicants has been entrusted, in each of the countries of the Community, to banking institutions which specialize in long-term credit, but are independent of the industries concerned and are thus in a position to give the High Authority the benefit of their expert

knowledge. These institutions will at the same time act as the secretariat for the regional investment committees.

On the strength of the opinions expressed by the regional committees and the information obtained on the financial position of the applicants, the High Authority will be able to make a decision regarding the allocation of the loans.

The principle of maximum decentralization has also been adopted in respect of all questions concerning the implementation of the decisions regarding loans made by the High Authority, and concerning the administration of the contracts. In this way, the High Authority will be freed from engaging in the banking operations required to carry out its financial tasks in accordance with the terms of Article 51, 4 of the Treaty.

The above-mentioned banking institutions are also to be entrusted with:

- the negotiations regarding the guarantees offered to the High Authority by the enterprises;
- the conclusion of contracts with the enterprises on behalf of the High Authority;
- and, in their capacity as correspondents of the Bank of International Settlements, which is responsible for the administration of the separate portfolio provided for under Article 7, *d* and *e* of the American Loan Contract, with the administration of the contracts (payment of credits, lodgment of securities, encashment of the annual payments, supervision of the securities).

Drafting of the Procedure

96. During recent months, the relevant departments of the High Authority have been actively engaged in drawing up this procedure and working out all the technical and financial arrangements.

In particular, it has been necessary:

- to draft the text of the loan contracts;
- to select, after consultation with the public authorities and economic and financial quarters, the banking institutions to be appointed in each country to act as agents;
- to nominate, after consultation with the public authorities and professional associations, the members of the regional committees;
- to select the institution to be made responsible for the administration of the separate portfolio, and to negotiate with that institution and with the Eximbank all the arrangements for the formation and administration of the separate portfolio;
- to determine, in conjunction with the governments of the various countries, the arrangements that will be necessary for the transfer and retransfer of currencies;
- to prepare the files of applications for loans as and when they are received by the High Authority, with a view to their subsequent dispatch to the agents.

The present situation can be summarized as follows:

1. The banking institutions in each country which have been appointed to act as agents are as follows:

Germany: Kreditanstalt für Wiederaufbau.

Belgium: Société Nationale de Crédit à l'Industrie (SNCI).

France: Caisse des Dépôts et Consignations, where public enterprises are concerned, and the Crédit National, in the case of private enterprises.

Italy: Istituto Mobiliare Italiano (IMI).

Arrangements for the Saar will be made shortly. In the case of Luxembourg and the Netherlands, no agent has

been appointed on account of the fact that no application is likely to be made. Should the necessity arise, the case of these countries will be considered later.

2. The following investment committees have been set up:

- Germany: — coalmining industry (pits and steam power stations), committees for the Ruhr, Aachen (Aix-la-Chapelle) and Lower Saxony coalfields;
 - coking plants at mines and iron and steel works, and independant plants;
 - iron-ore mines (proposed).
- Belgium: — coalmining industry (pits, steam power stations and coking plants);
- France: — coalmining industry (pits and steam power stations);
 - coking plants at mines and iron and steel works;
 - iron-ore mines.

No regional committees are being set up for Luxembourg and the Netherlands because no application is anticipated from enterprises in these countries.

No regional committee has been formed for the Saar because in this case there is only one application for a loan.

No committee has been set up in Italy in view of the very limited number of application for loans anticipated.

3. Administration of the separate portfolio has been entrusted to the Bank for International Settlements at Basle; a final agreement with this institution is now being concluded.

4. The question of transfer and retransfer of currency has, in principle, been settled with the currency authorities of the various countries, and transfer permits will be granted in each case when the High Authority has given notification of the loans which have been granted.

Number and extent of applications

97. Applications for loans by the enterprises only began to come in towards the end of September, but increased during October.

By November 12, the High Authority had received applications for credit to the total amount of approximately 133m. dollars.

These applications are distributed as follows among the various classes of investment:

Class	Number	Amount of loans applied for (in millions of dollars)
Collieries	18 ⁽¹⁾	36.58
Iron-ore mines	15	23.88
Coking plants	9 ⁽²⁾	13.49
Steam power stations	23	59.15
<i>Total</i>	65⁽³⁾	133.10

(1) Four of these applications relate to 17 projects; this makes a total of 31 investment projects.

(2) One of the applications relates to two projects, so that there is a total of 10 projects.

(3) Excluding five applications which have been withdrawn or which have not been considered.

As the applications reach the High Authority, the departments concerned verify that the files are complete and dispatch them to the banking institutions acting as agents which will, in turn, transmit them to the respective regional committees.

It is anticipated that the first loan contracts will be signed towards the end of the current year.

It would obviously be premature to attempt to draw any conclusions at the present stage of the High Authority's activity in the field of financing investment. Nevertheless, the figures given above, with regard to the applications so far submitted do enable certain points to be made.

As the chief aim of its activity in the field of investment financing the High Authority has sought to bring about an improvement in the present conditions of financing, and to

contribute, in so far as its means allow, to the restoration of the money markets of the Community to a normal state.

The fact that the enterprises in certain countries of the Community, such as the Netherlands and Luxembourg, have submitted no applications for loans is in conformity with the principles mentioned above. Conditions in the capital markets in these two countries are appreciably more favourable than in the other countries of the Community, and the enterprises do not experience any difficulty in obtaining the necessary capital on reasonable terms.

Thus, the financial assistance of the High Authority will enable the enterprises in countries where the money markets are more difficult to improve conditions for their own financing operations, the long-term objective being the co-ordination of these conditions throughout the entire Community, such as is required for the creation of a real Common Market.

Furthermore, the fact that, in spite of the strict definition of the conditions which limit the number of projects accepted for financial assistance from the High Authority, the applications for loans already received exceed by a considerable amount the total of 75m. dollars allotted to loans for industrial investment, confirms both the acute need for capital experienced by the collieries and the iron-ore mines, and the importance of the part played by the High Authority in this sphere. By its success in securing what the European enterprises of this sector had hitherto failed to obtain from the American money market, the High Authority has taken the first step towards affording the enterprises additional means of financing. However, this must be followed by further action in the near future if tangible and permanent results are to be achieved. To this end, the High Authority has set out to strengthen its credit by a public statement of the principles underlying its financial policy, and it intends, furthermore, to give these principles concrete expression by acting, in connection with the loans, in accordance with sound and prudent standards of administration.

It is obvious that the judgment that may be formed in regard to these initial results will have a fundamental influence on the obtaining of fresh capital, but it is equally evident

that the credit of the High Authority is intimately connected with the general conditions under which it carries out its activity, and hence with the development of the Community itself.

Construction of workers' housing

98. The High Authority has decided to allocate, from the funds derived from the American loan, a total of 25m. dollars for the financing, by way of loans, of housing for miners.

As in the case of industrial investment, the assistance afforded by the High Authority will always be in the nature of a partial contribution to overall financing with which other sources are associated.

During recent months, the High Authority has thoroughly discussed with the relevant authorities and organizations in the various countries of the Community the question of their financial participation, and has received their whole-hearted co-operation. The governments are prepared, in principle, to take the necessary steps for granting the financial advantages that are essential to enable workmen's houses to be built with the financial assistance of the High Authority. In the majority of cases, the construction of the houses will be entrusted, in practice, to specialized organizations of a public or semi-public character which have already gained considerable experience in this field.

Certain matters still remain to be settled, particularly as regards the question of the risk of losses on currency exchange and the problem of collateral security for the loan contracts. These questions will be settled in sufficient time for the credit operations to be completed before the building season reopens at the end of the winter.

In the following chapter, there are set out the principles which govern the action of the High Authority and its choice of the coalfields where investment in the form of housing construction could benefit from loans. (1)

(1) See below, Nos. 119 and 120.

YIELD OF THE LEVIES AND ITS EMPLOYMENT

General Levy

99. Before the end of the Community's second financial year, which extended from July 1, 1953, to June 30, 1954, the High Authority, issued a decision dated June 23, 1954, according to which the levies on the production of coal and steel, provided for by Articles 49 and 50 of the Treaty, shall be imposed under the conditions laid down in the regulations and decisions in force, that is to say, at the rate of 0.9 %, until the end of the financial year which terminates on June 30, 1955. (1)

100. Furthermore, on the basis of the forcecasts as to the yield of the levy during the second half of 1954, amounting to 24m. dollar units of account, to which sum must be added the balance of 3m. dollars not appropriated during the first half of 1954, the High Authority also decided to allocate 15m. dollars to the guarantee fund, 5m. dollars to the re-adaptation fund, 2m. to the technical research fund and 5m. to administrative expenses.

On this basis, the forecasts of the employment of the funds derived from the levy up to December 31, 1954, are as follows (in millions of dollar units of account):

	Balance at June 30, 1954	Forecasts for the 2nd half of 1954	Amounts available until December 31, 1954
<i>Yield of levy</i>	<u>46</u>	<u>24</u>	<u>70</u>
<i>Employment of receipts:</i>			
a) allocation to guarantee fund	35	15	50
b) allocation to readap- tation fund	7	5	12
c) allocation to technical research fund	1	2	3
d) administrative expen- ses of the High Author- ity and advance to the other institutions . . .	—	5	5
e) balance in hand . . .	3	— 3	0
<i>Total</i>	<u>46</u>	<u>24</u>	<u>70</u>

(1) Decision No. 29/54 of June 23, 1954. *Official Gazette of the Community* No. 14, of June 23, 1954.

101. With a view to the introduction of the Common Market for special steels, the High Authority, on June 25, 1954, issued a decision concerning the inclusion of the special steels in group c of Annex II of the Treaty among the products subject to the levy; (1) special steels of groups a and b have been subject to the levy since the beginning of 1953, under the same conditions as the other products of the Community.

102. The Community's second financial year ended on June 30, 1954. The receipts from the levy on the production of coal and steel amounted to 48m. dollars (*units of account*).

This sum is divided as follows among the enterprises of the various countries of the Community:

Germany	22,281,640 dollars, i.e.,	46.3 %
Belgium	5,467,475 dollars, i.e.,	11.4 %
France with the Saar	14,376,038 dollars, i.e.,	29.9 %
Italy	2,580,289 dollars, i.e.,	5.4 %
Luxembourg	1,465,972 dollars, i.e.,	3.0 %
Netherlands	1,927,562 dollars, i.e.,	4.0 %
<i>Total</i>	48,098,976 dollars, i.e.,	100.0 %

The receipts during the second financial year and their employment are summarized in the following table (*in millions of dollar units of account*):

A. — *Receipts:*

— Sums available at the beginning of the financial year	6.1
— Receipts from the levy	48.1
— Bank interest	0.6
<i>Total</i>	54.8

B. — *Employment of receipts:*

— Allocation to guarantee fund	36.0
— Allocation to readaptation fund	7.2
— Allocation to technical research fund	1.1
— Administrative expenses:	
High Authority	4.9
Advances to the other institutions	3.0
— Sum to be allocated	2.6
<i>Total</i>	54.8

(1) Decision No. 30/54 of June 25, 1954, amending Decision No. 2/52 of December 23, 1952. *Official Gazette of the Community* No. 18, of August 1, 1954.

103. The Community's financial situation at September 30, 1954, was as follows (*in millions of dollar units of account*):

A. — Resources:

— First financial year	10.6
— Second financial year	48.7
— Third financial year	<u>13.4</u>
<i>Total</i>	<u><u>72.7</u></u>

B. — Employment of resources:

— Allocation to guarantee fund	44.6
— Allocation to readaptation fund	10.1
— Allocation to technical research fund	2.2
— Administrative expenses:	
High Authority	9.3
Advances to the other institutions	5.0
— Sum to be allocated	<u>1.5</u>
<i>Total</i>	<u><u>72.7</u></u>

104. The following sums have been declared in respect of the levy on production for the first eight months of the current year (*in millions of dollar units of account*):

Hard coal and lignite	16.4
Pig-iron and steel	<u>18.1</u>
<i>Total</i>	<u><u>34.5</u></u>

The declarations are distributed as follows among the enterprises of the various countries of the Community (*in millions of dollar units of account*):

Germany	16.4
Belgium	3.8
France with the Saar	10.1
Italy	1.9
Luxembourg	1.0
Netherlands	<u>1.3</u>
<i>Total</i>	<u><u>34.5</u></u>

Compensation levy

105. The following sums (*in thousands of dollar units of account*) were received in respect of the compensation levy imposed in accordance with Sections 25, 26 and 27 of the Convention:

	1953 (March 15 — Dec. 31)	1954 (Jan. 1 — Sep. 30)	Total
Germany	9,352	11,140	20,492
Netherlands	864	890	1,754
<i>Total</i>	<u>10,216</u>	<u>12,030</u>	<u>22,246</u>

The following disbursements were made in respect of this compensation (*in thousands of dollar units of account*):

	1953 (March 15 — December 31)	1954 (January 1 — September 30)	Total
A. — <i>Belgian collieries:</i>			
Sales of Belgian coal in Belgium	8,120	6,742	14,862
Sales of Belgian coal in other countries of the Community (Sect. 26, 2, c)	948	1,306	2,254
<i>Total</i>	<u>9,068</u>	<u>8,048</u>	<u>17,116</u>
B. — <i>To the Italian coalmines at Sulcis (Sect. 27):</i>			
On October 18, 1953 . . .	1,680		
On December 29, 1953 . .	720		
On July 28, 1953		640	
<i>Total</i>	<u>2,400</u>	<u>640</u>	<u>3,040⁽¹⁾</u>
<i>Grand Total</i>			<u>20,156</u>

(¹) Payments in advance for the period March 15, 1953, to March 14, 1954.

CHAPTER IV

LABOUR PROBLEMS

106. The chief results arising from the action of the High Authority since the Session of the Common Assembly held in May 1954 relate to the re-employment of labour, freedom of movement for workers and the building of workers' houses.

Re-employment of Labour

107. While the first application of the provisions of the Treaty with regard to the re-employment of labour is in process of being carried out in the French coalfields, the High Authority has decided on a second scheme relating to the workers of a group of iron and steel works in the Loire area. In addition, negotiations are in progress with the Italian Government in respect of the workers of several iron and steel enterprises.

French collieries

108. In March 1953, the High Authority decided, at the request of the French Government, to participate, by the grant of non-repayable assistance, in financing a programme of the Charbonnages de France, the total cost of which — including the government's share — will amount to Ffr. 1,000m. (1) This is intended to ensure the re-employment of miners from the Centre-Midi coalfields, to whom the Lorraine collieries are offering work. The High Authority's share covers half the estimated expenditure involved in meeting the travelling ex-

(1) See *Second General Report*, April 1954, No. 144.

penses and the cost of household removal for the workers and their families, as well as resettlement allowances of Ffr. 200,000 for a married man and Ffr. 75,000 for an unmarried man.

Notices by the Charbonnages de France, informing workers of the employment offered, were posted in the Aquitaine, Cévennes and Provence coalfields about the middle of April 1954. Workers' delegations from these coalfields arrived in Lorraine during May to inspect the localities, to make all necessary contacts, and to collect all the information for the workpeople concerned. The first workers to take advantage of the offer were given a medical examination and arrived in the Lorraine coalfield at the end of May.

Of the 215 workers who had volunteered to transfer, and whose names remained on the register after their medical examination, 136 had arrived in Lorraine by the end of September; most of these were married men. The departure of the others had to be postponed to enable the Lorraine collieries to provide the necessary housing.

In view of the employment situation in the Lorraine collieries and the prospects of finding accommodation, both for single men and, more especially, for families, it is probable that the re-employment programme will be carried out at a slower rate than had been anticipated. The High Authority is studying the situation in conjunction with the French Government, the Charbonnages de France, and the workers' organizations.

French Iron and Steel Industry in the Loire District

109. A second scheme of readaptation, covering 1,500 workers from the iron and steel industry in the Loire district, was decided upon by the High Authority at the end of July.

In this area, the introduction of the Common Market had induced certain enterprises to carry out a programme of amalgamation and modernization which had, in any case, been envisaged since 1947. The Compagnie des Forges et Ateliers de la Loire (formed by the merger of four concerns which had existed previously) is now obliged to carry out a series of technical concentrations which have become essential as a result

of the introduction of the Common Market. This involves, in particular, the replacement of certain plants in the iron and steel works (*i.e.*, 3 openhearth plants, 5 plants with electric-arc furnaces, 3 plants with high-frequency furnaces, 3 roughing mills, 15 finishing mills and 5 sheet- rollings mills) by a single plant for each type of manufacture, in order to raise productivity and lower costs of production, while at the same time expanding the productive capacity.

This programme extends until 1956 and envisages, as far as the production of iron and steel is concerned, the retention (after modernization) of one open-hearth plant, 2 plants with electric-arc furnaces, one plant with high-frequency furnaces, and one roughing mill; 3 finishing mills are to be closed down. In addition, the company is contemplating an extension of its activities on the mechanical engineering side, which will form a larger proportion of its total production.

As a result of these transformations, certain of the workpeople at present employed on iron and steel production will become redundant, but they can, within two years, and after technical retraining, be re-employed either on actual iron and steel production or in the mechanical engineering department.

After a thorough study of the matter, in collaboration with the enterprise and the workers' organizations concerned, the French Government requested, and obtained, the assistance of the High Authority for the financing of the readaption scheme, which is estimated to cost approximately Ffr. 300m.

During the time they are temporarily redundant, the workers will be entitled to the basic wage of the particular trade at which they were employed previously, for a 40-hour week, including social insurance benefits. They may be employed within the enterprise either on work of a general nature or on work which is only partly connected with the productive side of the enterprise, or they may attend various courses of vocational training either at a training centre or in the works.

An essential condition accepted by the enterprise is that — unless some far-reaching and duly recognized change should take place in the general economic situation — it shall not dismiss any workers for economic reasons, either during the period of readaptation or during the following two years.

The High Authority and the French Government have agreed to arrange for contact at regular intervals with the representatives of the workers' organizations, either at company level or at national level, so that the workers themselves may be associated with the initiation and the supervision of the scheme.

Italian iron and steel industry

110. Discussions are continuing between the High Authority and the Italian Government on the subject of the re-employment of some 8,000 workers in the iron and steel industry who were recently, or are about to be, discharged.

In a letter dated July 30, the High Authority again informed the Italian Government of the great importance it attaches to ensuring that definite steps are taken as quickly as possible in regard to this redundant labour. It is proposed that the Italian Government should make a special contribution for the purpose of creating new activities capable of providing re-employment for those who have been discharged. The contribution to be made by the High Authority would come within the ambit of Section 23, 4 of the Convention containing the Transitional Provisions (tide-over payments, resettlement allowances, and the cost of vocational retraining).

The High Authority will make its decision in this matter as soon as definite plans have been submitted to it officially. These plans must show, in particular:

- the exact nature of the Italian Government's share (amount of assistance, method of calculation, period for which granted);
- the nature and the amount of the assistance solicited from the High Authority.

At the beginning of August, the Italian Government made it known that a law was being drafted relating to financial arrangements and special measures for the purpose of facilitating the re-employment of this labour force. As soon as the draft law has been prepared, the text will be submitted to the High Authority.

Freedom of movement for workers

111. When the Common Assembly met in May 1954, an intergovernmental conference on the movement of workers within the Community was about to begin. After prolonged negotiations, in which the High Authority's part was confined to "guiding and facilitating the action of the member States," (since this was a matter in which the power of decision remained in the hands of the national governments), a draft agreement was prepared in pursuance of Article 69 of the Treaty, and was approved by the member States at the meeting of the Council of Ministers held on October 27.

The chief provisions of the agreement are as follows:

1. — *Extent of application*

The recognized qualification for the trades in the coal and steel industries, which forms the fundamental condition for the application of the agreement, is acknowledged by inclusion of the trades in the lists attached to the agreement. The conference drew up an initial list which includes twenty-nine trades for the coal industry, and twenty-seven for the steel industry. The agreement provides that a meeting of the member States may be convened, at the instance of the High Authority and of two of the governments, for the purpose of drawing up additional lists of trades.

2. — *Issuing of the labour card*

A Community labour card has been introduced, which is to be issued to workers with recognized trade qualifications in the coal and steel industries.

This card is issued to workers on application. The application must be accompanied by references given by the last employer as well as by previous employers. These documents must prove that the worker concerned is employed, or has been employed, at a trade included in the above-mentioned lists of trades and that he has been in receipt of a wage exceeding that of a general labourer.

If a minimum period of employment is required to prove that the worker is qualified to follow this trade, the

references must provide proof of this, and it is agreed that this minimum period of employment may be spread over a total period equal to at least double the above-mentioned minimum period, but must not be less than three years.

In the case of the trades on the first list, the worker concerned must have followed the trade at least for one year. For reasons connected with industrial safety, it is provided that a worker who has received practical training must have been employed for at least two years either in the coal industry or in the steel industry. The minimum period of employment in the trade may be included in this period of employment in the industry.

3. — *Validity of the labour card*

The labour card is only valid in the particular sector — coal or steel — for which it was issued. It has been agreed, however, that each member State may allow a worker who holds the card to accept employment in the other sector.

As long as the worker is in possession of a card the validity of which has not expired, and continues to follow one of the recognized trades included in the lists attached to the agreement, he is not subject to any laws and regulations relating to the entry of foreigners as far as taking up paid employment is concerned.

4. — *Rights of workers*

The holders of a labour card are exempt from all visas within the territories covered by Article 79 of the Treaty, with the exception, where necessary, of any essential requirements relating to public health and order.

In the case of a refusal to issue, extend or renew a labour card, or of withdrawal of a labour card, the worker has the right to submit an appeal on stated grounds against that decision to the competent body appointed for that purpose by each member State.

The labour card enables its holder to travel freely in response to an offer of work which may be communicated

to him through the labour exchanges, or sent to him directly, in writing, by an employer, if the laws of the country in question regarding the employment of its own nationals allowed this to be done at the time the Treaty came into force.

Holders of the labour card may make an application for employment to the recognized labour exchanges which will forward it to the exchanges in the district where the worker has expressed the wish to take up employment. Similarly, the employer who wishes to engage a worker who has a recognized qualification in one of the trades in the coal and steel industries may submit his offer of employment to the labour exchange concerned. The latter will select workers who have made an application for employment without any discrimination as to nationality.

The labour exchanges which register the offers of employment must satisfy themselves that the working conditions are in accordance with those laid down for the particular trade and for the district in question in the collective agreements or the statutory provisions and regulations.

5. — *Part played by the High Authority*

A technical committee is to be attached to the High Authority, consisting of one official from each member State who is an expert on employment questions and is appointed for this purpose by the government concerned. The High Authority will provide the secretariat for this committee which will be instructed to watch over, and further, the working of the system whereby those who are offering and those who are seeking employment are brought into touch with one another, and to suggest to the governments any changes which might improve this system.

It is provided that at the end of a period of two years, dating from the coming into force of the agreement, any member State may request the High Authority to call a meeting of the other member States for the purpose of making any revision in the agreement that may be deemed necessary.

112. The High Authority regards the agreement reached between the member States as a first step towards creating a common labour market.

Such a market would, in fact, appear to be essential, if conditions favourable to stable employment are to be created, and progress in living and working conditions is to be achieved everywhere at the same rate.

Nevertheless, the common labour market — like the common market for the products — cannot be created overnight. It would be impossible to proceed from a condition of strict control to a state of complete freedom for the entire foreign labour force of the two industries in question, without causing disturbances which would be inimical to the aims laid down in the Treaty.

Consequently, the High Authority will endeavour, in future, to create conditions which will allow of the gradual formation of a common labour market. A multilateral agreement on social security is now in course of preparation,⁽¹⁾ and the system whereby those offering and those seeking employment are brought into touch, will be perfected.

To be able to carry out this programme, the High Authority must have the fullest possible co-operation from the governments, the workers and the employers, in order to reach an equitable balance between the immediate interests of each of these parties and the long-term interests of all the workers and industries of the Community.

113. The application of the provisions of the Treaty relating to freedom of movement for workers has raised the problem of the guarantees to be given to migrant workers as regards social security. Several States of the Community have already entered into multilateral or bilateral agreements, but these agreements are based on the principle of reciprocity and do not always

⁽¹⁾ See next paragraph.

cover every class of benefit; on the other hand, several States have not yet concluded any such agreements.

The governments have therefore agreed with the High Authority that a conference should be held to deal with the social security of migrant workers in the six countries of the Community. A committee of experts met in Geneva, at the beginning of July 1954, at the instance of the High Authority and the International Labour Office, in order to prepare the work of this conference and discuss the draft of a European Convention on social security which is to ensure equal treatment of a country's own workers and foreign workers.

The object of the proposed European Convention on social security is to complete and co-ordinate existing multi-lateral and bilateral agreements. It covers:

- benefits payable in case of sickness, maternity and death;
- incapacity, old-age, and widows' and dependants' pensions;
- compensation in cases of accident while at work and of occupational diseases;
- unemployment benefits and family allowances.

The experts expressed the opinion that the additional financial charges which would have to be borne by the States, in order to put such an agreement into operation, would necessitate the creation of a compensation fund.

A further meeting of the committee of intergovernmental experts is to take place at the end of the year.

Housing accommodation for workers

114. The first stone of the first house built with the financial assistance of the High Authority was laid at Marchienne-au-Pont in the Charleroi coalfield on September 30, 1954. By October 15, work had commenced on building sites comprising a total of 500 housing units.

115. The action taken by the High Authority in regard to the housing of workers belonging to the Community's industries is of a dual nature:

1. — For the purpose of the *financing of investment*, the High Authority decided, in principle, last May, that it would set aside 25% of the first loan contracted in the United States, that is to say, the equivalent of 25m. dollars, in order to contribute — *by way of loans* — to the carrying out of programmes for the construction of workers' dwellings in the mining areas;⁽¹⁾
2. — For the purpose of *economic and technical research*, the High Authority, after consultation with the Consultative Committee and with the agreement of the Council of Ministers, had allocated a sum of 1m. dollars out of the receipts obtained from the levy, in order to contribute — *by way of non-repayable assistance* — to the carrying out of an experimental programme of approximately 1,000 houses, divided among the various mining and iron and steel areas of the Community. The object of this programme is to define the bases on which the High Authority would intervene in the housing question as part of its general investment policy. It is also designed to afford a comparison of building costs in the various areas of the Community, in order to encourage the most economical methods, whether of a technical, administrative or financial nature, and lastly, as a secondary aim, to stimulate an increase in the economically justifiable use of steel in the building of houses.⁽²⁾

The five hundred houses now in course of construction form part of this latter programme. The documents relating to the construction of six hundred housing units have already been submitted to the High Authority, which has granted the agreed subsidy of 1,000 dollars per unit; the documents relating to the remaining units are to be considered before the end of the year.

⁽¹⁾ See above, No. 98.

⁽²⁾ See *Second General Report*, April 1954, Nos. 151-153.

Experimental building

116. To ensure that its activities should be adapted to local conditions and in order to secure the closest collaboration of those most directly concerned, the High Authority has arranged for regional committees to be set up, consisting of representatives of the producers, the workers and the public authorities, as well as an observer from the High Authority.

Such committees have been formed in the following areas to watch over the construction of the number of housing units listed below:

Ruhr	350 housing units	
Aachen (Aix-la-Chapelle)	50	—
Hainaut	50	—
Liège	50	—
Campine	50	—
Central France	25	—
Lorraine	175	—
Nord/Pas-de-Calais	75	—
Saar	50	—
Campania	18	—
Lombardy	50	—
Luxembourg	50	—
Dutch Limburg	50	—

These committees had to select the estate development companies and building sites, approve the plans for the houses, and investigate the problems arising in connection with the use of steel. Furthermore, since the High Authority's subsidy is limited to a part only of the cost of construction, the committees had to find the remainder of the money required.

These various tasks were rapidly completed as a result of the close co-operation between the committees and the relevant departments of the High Authority.

Each committee submitted a definite project, based on a scheme drawn up by a working party of six architects appointed by the High Authority.

In order to meet the wishes expressed by the Common Assembly and, in particular, by its Social Affairs Committee, the High Authority has taken steps to ensure that in the majority of the coalfields the workers are able to become the owners of these houses. The worker will have the choice between rent-

ing the house or becoming the owner. Houses which are let will be under the management of public or private building societies acting as estate development companies.

117. The High Authority has also developed methods for making a comparative analysis of building costs.

As soon as tenders are opened, a preliminary comparison is made of the offers submitted by the various contractors. For this purpose, the contractors must submit a table showing the cost of different items, so as to enable a preliminary opinion to be formed with regard to disparities between the various quotations.

A comparison of actual expenditures will then be made. Costs will be determined on the basis of observations made on the building sites and, if necessary, in the prefabrication works of the contractor.

The technical standard of the building work will also be investigated.

118. All these investigations are being supervised, from the technical point of view, by the International Council for Building Research Studies and Documentation in conjunction with the research institutes in the various countries. A co-ordinated report on the results obtained on the various building sites will be published.

There can be no doubt that this initiative by the High Authority will provide information of the highest importance. From the documents that have already been examined, it is found that the average consumption of steel amounts to three metric tons per housing unit, whereas it was hitherto reckoned to be about one ton.

Loans for the building of houses

119. As already mentioned, the High Authority has decided to devote a total of 25m. dollars of the funds derived from the American loan to a contribution, by way of loans, to the construction of dwellings for the workers of the Community.⁽¹⁾

⁽¹⁾ See above, No. 98.

The preliminary work in connection with the housing situation and the methods of financing building construction in the countries of the Community has made it possible to determine the conditions under which the financial assistance of the High Authority would prove most effective.

In all the countries of the Community, the financing of the construction of workers' houses is carried out according to various complicated methods involving widely differing sources of capital. The public authorities play a considerable part, not only in co-ordinating programmes, but also by contributing, either directly or indirectly, to the financial stability of the schemes, while at the same time maintaining the rents at a relatively low level. The High Authority is thus naturally obliged to make its financial assistance fit in with the existing systems, to adapt itself to national or regional practices, and to vary its methods of participation according to the area concerned.

Close co-ordination of the financial action of the High Authority with the programmes of the public authorities at national or regional level will make it possible:

- to ensure that houses built in this way benefit by the grants and subsidies that are provided in the various countries ;
- to guarantee that the granting of funds by the High Authority will definitely be complementary in its effect and will enable a greater number of houses to be built.

According to circumstances, loans will be granted by the High Authority either to enterprises of the Community or to organizations which specialize in the construction and management of workers' houses. In regard to both these cases, however, the High Authority is of the opinion that, as a general rule, the houses should not be owned by the enterprises themselves, in order to obviate the drawbacks which may arise when the employer is also the landlord.

Wherever possible, efforts are to be made to encourage workers to become the owners of their houses. It must be admitted, however, that this cannot always be done, especially where it is a question of doing away with particularly unsuitable

forms of housing (hutments, etc.), since the classes of workers whose housing accomodation is the worst are seldom in a position to make the additional financial sacrifice required for ownership.

120. Without waiting until the terms and conditions on which loans are to be granted have been definitely settled, the High Authority has already been considering the conditions under which advances are to be distributed between the various coalfields.

In its investigation of this matter, the High Authority has been guided by two criteria, viz.:

- the proportion of the number of workers employed in the various mining areas (coal and iron-ore) in relation to the total labour force;
- the housing requirements indicated by the factual surveys carried out by the High Authority. In estimating these requirements, account has been taken not only of the present position, but also of the likely development of production during the next few years.

On the basis of these criteria, and after obtaining the opinion of the authorized representatives of the governments, employers and workers, the High Authority has made the following provisional allocation:

Industrial areas	Amounts of proposed loans (in dollar units of account)
<i>Coalmines:</i>	
Aachen (Aix-la-Chapelle)	1,000,000
Campine	1,000,000
Centre-Midi of France	500,000
Hainaut	2,000,000
Liège	1,000,000
Lorraine	2,500,000
Nord/Pas-de-Calais	3,300,000
Ruhr	9,800,000
Saar	1,000,000
Sulcis (Italy)	350,000
<i>Iron-ore mines:</i>	
Germany	1,200,000
France	700,000
Italy	150,000
Luxembourg	100,000
<i>Total</i>	<u><u>24,600,000</u></u>

It seems unlikely that applications for loans will be submitted from the Netherlands, owing to the exceptionally favourable state of the Dutch money market.

A reserve fund of 400,000 dollars will, if necessary, be placed at the disposal of certain organizations which are endeavouring to build houses for foreign workers in areas where housing accommodation for these workers is particularly unsatisfactory.

121. It is not yet possible to forecast exactly how many additional houses it will be possible to build with the assistance of these loans. It would seem that the proportion of the finance supplied by the High Authority will have to be somewhat higher than had been intended initially, and will, in fact, have to amount to about one-third of the total cost of construction. The total number of houses to be built with the assistance of the High Authority is likely to reach between 15,000 and 20,000 units.