

EUROPEAN COAL AND STEEL COMMUNITY
THE HIGH AUTHORITY

Fifth
GENERAL REPORT

on the

Activities of the Community

(APRIL 9, 1956 to APRIL 13, 1957)

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APRIL 13, 1957

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

Mr. President,

In accordance with Article 17 of the Treaty establishing the European Coal and Steel Community, we have the honour to submit to you the Fifth General Report of the High Authority on the activities of the Community and its administrative expenditure. The latter, and the budget estimates and reports provided for by Article 78 of the Treaty, are set out in separate documents.

Please accept, Mr. President, the expression of our high consideration.

Luxembourg, April 13, 1957.

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President

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FIFTH GENERAL REPORT

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INTRODUCTION

1. The High Authority is appearing before the Common Assembly for the last Ordinary Session preceding the end of the five-year transition period which opened with the introduction of the Common Market for coal. This Report, therefore, is the last which it will submit before February 10, 1958.

After the initial measures to do away with impediments to trade had been taken, the provisions specifically covering the transition period were in point of fact fairly limited.

First of all, there were the arrangements for the safeguarding and progressive integration of Belgian coal, of the coking-plants and of the Italian iron and steel industry, as well as others which have lapsed, and been lost to view in the course of events, intended to benefit French coal and Luxembourg steel.

Again, there were subsidies which had to be gradually eliminated, certain special provisions regarding zone-delivered prices for coal, precautions which might have had to be taken in the steel market, and the arrangements which made it possible to defer the necessary harmonization of Customs tariffs *vis-à-vis* third countries.

Last but not least, there was the matter of readaptation, in accordance with Section 23 of the Convention containing the Transitional Provisions.

And as the transition period runs out we have the new procedures, in which the institutions of the Community themselves take part, for the alteration and amendment of the Treaty.

It was up to the High Authority to examine its record over the transition period; it had to ask itself how far the forecasts had been borne out by the facts, and how far the machinery instituted had produced results; it was bound to take into account the importance for the building of Europe of such outstanding events as the framing and signature of the treaties establishing the European Economic Community and the European Atomic Energy Community. And the results of its self-questioning on the progress it has made, and of its consideration of the new conditions in which it now has to do its work, the High Authority has sought to embody in the Report which follows.

The Common Market and the economic situation

2. The fact which stands out above all the rest, in this period of more than four years, is that the steel production of the Community has risen by 36%. For coal, the demand for which had been regarded in some quarters as stationary or declining, this means a new future in an expanding Europe.

The High Authority does not seek to claim for the Common Market the whole credit for this astounding advance. During these first few years of the Community's existence there has been only one temporary recession, from 1953 to 1954, whose effect on the coalmining and iron and steel industries was attenuated by the Common Market. General production in Europe has been expanding as never before.

But this is not meant to say that the expansion in steel production has not been greatly assisted by a more regular flow of coal supplies, by more active and stable trade in iron ore between member countries, by the reduction of international freight charges in conformity with the Treaty, and by the possibility of a co-ordinated policy regarding scrap imports.

While the trade situation generally has been favoured by the introduction of the Common Market, even though

confined to two industries, the boom conditions thus prevailing have in their turn affected the operation and development of the Common Market in two separate and opposing ways.

The introduction of the Common Market went through without producing any complications to speak of regarding competition, and without putting enterprises out of business on any considerable scale. Such shut-downs as there were affected only a very small number of workers, and the implementation of the Treaty's provisions in this connection eased the process and cushioned the consequences. This is a highly instructive point for the introduction of the General Common Market: provided a sufficiently high rate of expansion is maintained, there will be no substantial shifts in production, and differing degrees of soundness and capacity on the part of the enterprises will be reflected in the differing degrees to which they share in the general expansion, rather than in reduced activity or radical readjustment.

The other effect of the boom, however, has been to limit, in actual practice, the extent of the integration which accompanied the introduction of the Common Market. When demand is vigorous, consumers are quite willing to obtain part of their supplies from more expensive sources, so that marked differences in price are able to persist, to the detriment of unity in the market. Such differences have continued, and in some instances even increased, in both the steel and the sectors. They were backed by the differences between import and home prices for coal and between home and export prices for steel. When exports yield bigger profits, the enterprises naturally do not make such efforts to extend their market in the other countries of the Community, and the convergence of prices which would ensue if they did so remains limited.

These price differences, and this position as regards imports, are the reason why the transition period will have come and gone without a fundamental reorganization of the Belgian coalmining industry. This does not mean that the

compensation scheme was a failure: it kept down the prices paid by consumers of Belgian coal, and provided other Common Market consumers with cheaper coal than that from the third countries, thanks to the abolition of dual pricing. Pressure was exerted by means of price schedules, and a preliminary reorganization is in progress, providing for the closing down of some pits and the regrouping of others. It is hardly to be wondered at that collieries with high production costs were kept in operation for as long as their coal still worked out cheaper than imported coal, owing to the very heavy freight-rates charged on the latter. When import prices are ultimately standardized, for example by long-term contracts and by the building of special collier fleets, the operation of the market will of itself be such as to determine and induce the necessary reorganization. The end of the transition period will see the abolition of the compensation scheme borne by the German and Netherlands enterprises and, unless special provision is made to the contrary, of the right to isolate the Belgian market, which has in any case, in actual practice, been dispensed with. But it is the development of the market which will in the end determine the conditions for the integration of Belgian coal, the possibilities for marketing them, and the prices to which they will need to be adjusted. A vigorous plan of action will be necessary to prepare the collieries concerned for sudden contingencies.

But the adjustment of the market, both in the iron and steel and in the coalmining sector; is obviously not something that comes about once and for all: it is a continuous process. The essentials have to be seen to during the transition period. But the possibility that the adjustments might be held up by a boom did not escape the makers of the Treaty: among other things, they provided that, should this occur, the period for the special safeguards in respect of steel might be extended. One improvement which might need to be made to the Treaty, in order to make provision regarding an obvious social objective, to acknowledge the limitations imposed by economic circumstances on the full merger of the markets

during the transition period, and to eliminate a discrimination against the coalmining and iron and steel industries *vis-à-vis* certain provisions planned in regard to the General Common Market, would be to give rather more flexibility, in the light of experience gained, to the stipulations on readaptation after the expiry of the transition period.

Rules or a policy

3. *The buying and selling agencies.* — The instances mentioned already suffice to show that, in view of the diversity in the situation of the industries and of the changes in economic circumstances, there are no automatic rules which need simply to be applied to ensure the consolidation and expansion of the Common Market. As soon as the Customs duties and quotas had been done away with and the descending scale for the temporarily authorized subsidies had been fixed, the High Authority embarked upon the second stage in its work, the stage of policy-making.

The structure to be given to the coal market was, and doubtless still is, one of the most difficult problems. It is not enough merely to ensure that the prohibition on agreements and centralized buying and selling agencies is properly observed: it is necessary to establish a system which will allow the market to come into full play and yet take into account the basic features of the Community industries.

The cardinal fact about the coalmining industry, as we know it in Western Europe, is that once production is interrupted it is liable to be lost for ever. Hence it has been necessary to allow arrangements for channelling orders and providing financial compensation, to enable enterprises in difficulties, as a result of temporary circumstances to carry on. At the same time, it is essential to see that there is a continuous supply of such a fundamental commodity as coal, and consequently to allow arrangements preventing unjustified disparities in the meeting of consumers' requirements.

The High Authority does not pretend in this crucial problem of the coal-selling agencies to have succeeded at the first attempt in bringing about a perfect balance between competition and the requisite degree of equality in supply and in employment. In the Ruhr, the High Authority has insisted on complete separation between three agencies in place of the old system of centralized selling. At the same time, it is allowing the agencies, should the need arise, to deal with any tightness in the market, or with poor sales, by acting in certain matters through a joint office possessing a large operational reserve (central stock): the very big consumers are entitled to obtain their supplies through this body. Alongside the system of selling through the agencies, there are arrangements for supplies to go direct to certain consumer groups, those closely tied up financially with the collieries, and those located within a certain distance who come themselves to fetch their coal.

By common agreement this system was authorized for a limited period, subject to revision in the light of experience gained. As a result of an increase in "works' own consumption" (by works tied up with the collieries), the tonnages sold through the agencies are turning out slightly lower than had been expected. The High Authority is anxious to preserve a proper balance between the rights of the coal-owners and the interests of the other consumers.

The continuing boom conditions, which have obliged the joint office to draw up a schedule of deliveries, make it impossible to assess how much competition there is under the new system. The High Authority is keeping a check on the working of the scheme, and takes action where it discovers, or is notified of any abuses.

It has not been called upon to make any fundamental changes in the Belgian centralized selling system, which is designed to serve the big consumers only, and leaves the collieries free to sell to other consumers either direct or through dealers. It has seen to it that, unless specific exceptions are

made, the same criteria of demarcation were observed for the Common Market as a whole as for Belgium itself.

Side by side with the problem of the selling agencies we have that of the buying agencies. The French Government has agreed that A.T.I.C. shall no longer be the sole buyer within the Common Market, but shall act as an authorized agent or *commissionnaire*. The High Authority reserved judgment on this issue, and discussions are continuing with a view to working out a satisfactory arrangement enabling all French consumers to obtain Community coal direct, and to buy through dealers abroad.

4. *Dealers.* — Both the selling and the buying agencies, and indeed the whole operation of the Common Market, thus raise in an acute form the problem of the role of the dealer. The dealers are, of course, very definitely a part of the Common Market: otherwise there would be no object in the various provisions including them under the supervisory system for agreements and concentrations, and placing them indirectly under the obligation to observe the requirements of non-discrimination. Furthermore, it is essentially through the dealers that products imported from third countries are sold within the Community. Without their full participation in the Common Market, freedom of movement for products from third countries would remain a dead letter.

Ever since the Common Market for steel was first introduced, the High Authority has had to do its utmost to see that the function assigned to the dealers by certain industries, and the manner in which they were organized, did not deprive the producers of free access to any market of the Community. At the same time, it had to guard against the risk that the rules imposed by producers and producers' associations as regards the buying of coal through dealers might in their turn suppress the competition the Treaty is intended to encourage and re-establish *de facto* national discriminations. But over and above these primary requirements there remains the need to work out gradually a policy

designed to ensure a sound and competitive network of dealers, which would contribute materially to the operation of the Common Market instituted by the Treaty.

5. *Transport.* — Definite rules are laid down in the Treaty regarding freight charges and conditions for the carriage of coal and steel. The object was first of all to do away with practices whereby, the carriers charged different rates for the same distances and the same goods, according to country of origin and destination. The most flagrant of the discriminations in the field of rail transport were eliminated without much difficulty when the Common Market for coal was introduced.

Before the days of the Common Market, the so-called "tapering" or descending scales were operative only for the run within each separate country. Thus the total of the different rates was considerably higher than a single continuous rate for the same distance would have been.

The introduction of through-rates on international routes involved working out new formulas to ensure that the rates in question tapered in accordance with the total distance covered. This change, which represents a major reduction in the costs of transport across one or more frontiers, had to be made in stages.

It was, at least possible to base the new system on the rates and ratemaking methods in force in each country. But it is a very different matter when we come to dealing with modes of transport other than the railways, and to the next stage required by the Treaty, the harmonization of transport rates.

The difficulty in the first case is that, unlike rail transport, road and inland water transport between one country and another are effected by a single carrier all the way. Should the carrier accordingly be obliged to charge the same rates for the whole distance covered as he does within the country where he is domiciled? If he did so, he would upset the delicate balance between the different modes of transport in the other

Common Market countries. Should he, on the other hand, charge for the section of the run in another country the rates in force there? That would mean complete absence of competition in a sector where, in contrast to the railways, there is no monopoly on economic or technical grounds. In practice it will always be possible to arrive at compromise. But nevertheless there can be no real point in introducing road-haulage or inland water-transport through-rates unless and until ratemaking methods have been harmonized and the charges prescribed for carriers in the different Common Market countries to some extent lined up.

We come here to a fundamental point in the economic structure of each country. The problem of transport in the Common Market is not merely the problem of transport rates on routes involving the crossing of frontiers. The actual internal ratemaking procedure, and the differing principles on which it is based, are determinant factors. And there are two opposing schools of thought in the matter: one holds that transport should be administered on the basis of prime costs, the specific commercial value, and in the ultimate analysis its financial equilibrium; the other regards transport as an instrument in an economic policy for the development of certain areas or the location of industries. In fact, the difference is accentuated by the mingling — often unconscious or confused — of the two views, and by the complex interplay of measures designed to check the over-effects of other measures in the same field. The most typical instance is the co-existence of rates encouraging decentralization with other rates which resulted in an excessive localization of industry. The varying principles prevailing in the transport field have produced a kind of subsidy — a rather muddled and unanalyzable subsidy — in favour of certain sectors of the industries. And when the transport rates vary according to special situations and regional objectives, it is difficult to make out what are legitimate differentiations, what are measures in support of particular enterprises, and what are established discriminations between the industries of the Common Market.

There is, in the final analysis, no real way out of these intricacies except by the framing of a common policy, which makes adequate allowance for a sound administration of transport, for the conditions determining the balance of the general economy, and for the prerequisites for regional development programmes.

The limitations of partial integration

6. *Differences in economic conditions.*— Differences as fundamental as those in transport policy affect the whole economic policy of the different countries. The Treaty recognized that it could not be otherwise, and did not seek to end the sovereignty of the individual States in the matter, only to limit its effects. The States could hardly be expected to centre their entire economic policy on the operation of the market and the expansion of two industries, however vital.

The basic facts and the main trends of development do undoubtedly vary very much between one Community country and another.

In some the emphasis is more particularly on exports, and a large proportion of the products required have to be imported: this means low protective tariffs and low prices, greater sensitivity to fluctuations on the world market and more specialization. The Netherlands have these characteristics to a more marked extent than any other Community country; they are in evidence even in that country's agriculture. Belgium, although equally geared to exportation, still maintains a traditional agricultural system for the whole range of produce, so far as climatic conditions permit.

At the other end of the scale we have France, the Community country with the economy least dependent on the outside world: yet even so she maintains high quota protection and a high Customs tariffs, and much of her trade is with North Africa and her overseas territories at protective

and preferential duties. Result: an extremely variegated structure and a high price level, due at once to protective measures and to the heavy burdens of public and overseas expenditure.

Italy, which has practically completely liberalized its intra-European trade, retains high protective tariffs and is concentrating on its development policy for narrowing the gap between Northern and Southern Italy and relieving the unemployment caused by structurally conditioned lack of resources.

The German Federal Republic has had to grapple with widespread devastation and a gigantic influx of ten million refugees. And it has succeeded, in the course of a rapid expansion which started later than elsewhere but turned this increase in population from a liability into an asset. The absorption of this additional manpower was made possible by an exceptionally high rate of capital expenditure. Wages, which were at first low enough to leave a good deal over for financing purposes, later rose even faster than in other countries, as soon as the labour force available had been taken on. The economy of Western Germany is so constructed as to reserve a prominent place to foreign trade, and to rely on imports for essential commodities, including foodstuffs. Thus the country has been straining every nerve to turn its balance-of-payments deficit into an easy equilibrium, and even a surplus, enabling it to pursue a liberal policy in international trade.

These differences in basic situation, and at the same time in traditional attitude as regards economic policies are reflected in the differing reactions to the problems involved by boom conditions. All Governments are concerned to combat price increases, but there are differences in degree.

The effect on prices varies, in any event, especially according as the Budget situation varies. It is in particular the methods employed to keep prices stable which are different, including as they do all-round efforts at containment by

currency policy and more direct action by price-pegging and tax reliefs or subsidies.

This basic situation faces the High Authority with a number of awkward problems. Its essential decisions must be applicable throughout the Common Market. But a single uniform measure — a decision to fix or to free prices, for instance — works out quite differently in the economies of the different member countries. An increase in the prices of basic commodities like coal and steel indeed acts in diametrically opposite ways according to the economic situation. It can produce a deflationary effect by shifting purchasing power towards basic industrial production and increasing the funds available for sound financing of investments. On the other hand, it can produce an inflationary effect as a result of the psychological reactions to it. The point is whether an economy is sufficiently well balanced, so that a rise in certain prices pushes others down and the average level remains unchanged, or whether this balance is rather precarious based only on unreliable savings which may vanish in a spending burst at the slightest sign of rising prices. It follows that there can be no fully rigid prices for Common Market products so long as production costs continue to swell, but the greatest vigilance is needed at all times to ensure that the movement of prices shall at any rate remain within bounds.

7. Government action on the other hand and the general structure of costs on the other have a weakening effect on the unity of the Common Market. A convergence in the levels of wages in the coalmining industry was observed at one stage: this is the normal effect of the Common Market. The expansion of production in the areas with the lowest costs does of itself tend to raise those costs, more particularly by the greater incentive it offers to the workers to claim their share out of the production thus increased. But as a result of the recent general development this tendency has been in part reversed, and the correlation between wages in the Common Market industries and wages in the other industries in the same coun-

tries has induced a bigger increase in the wage costs of the Belgian than in those of the German collieries. Instead of being closed, the gap between these costs has widened. On the other hand, certain improvements have been made in the social-security systems (especially in regard to old-age pension schemes) in the Netherlands and Germany, which means an increase in social charges for the economy as a whole.

Up to now, it has been the merest historical accident that, practically speaking, social security in all the Community countries has been financed on a similar basis, by means of wage-linked contributions. Recent reforms in Germany will mean that benefits are covered to a very much greater extent out of public funds. True, in varying degrees the different Governments have already in the past been making themselves partly responsible for the amount by which social charges in the coalmining industry exceed those elsewhere. But these State contributions have been increased more in some countries than in others. These changes are producing more and more glaring disparities, especially where they are affording relief to the very industries which already have the lowest production costs.

The real trouble about such action is that once started there is no knowing where it will stop. Increased participation by a country in the cost of social security with the object of eliminating the additional burdens on coal further entails payments out of public moneys direct to the wage-earners. It comes as no surprise to the High Authority to find that the Governments are far from wishing to have nothing further to do with the level of coal and steel prices, despite the fact that they have relinquished their right to fix such prices direct. But it has the duty of preserving a balance among the different industries of the Community, and that balance can be so preserved only if Government assistance is confined to the exceptional cases specifically provided for in the Treaty, and absolutely precluded from developing either into an illicit means of competition (pointless under boom conditions) or into a dislocating factor in the Common Market.

The policy of the High Authority is to work for agreement among the Governments as to measures consonant with the Treaty and with the balance of the market. It notes with regret that Governments whose general economic policies are based on differing considerations are at one in introducing measures in the coal and steel sectors which distort the operation of the market. It is prepared to make use of its powers where it proves impossible to reach a solution by agreement.

The harmonization of policies as envisaged by the Treaty takes only two forms — injunctions by the High Authority, as upholder of the Treaty, against measures directly contravening its provisions, and consultations among the parties concerned, which are not binding. The methods employed in pursuit of an economic policy, in so far as they affect the coal and steel markets and the trend in the coal-mining and iron and steel industries, have to be studied and compared at meetings of the Council, attended by the Ministers responsible for economic policy. This proceeding by the terms of the Treaty, is only an exchange of views, and in no way commits the Governments. It is the High Authority's intention to do its utmost to obtain the best from these discussions for the operation of the Common Market.

Common problems in expansion

8. The differences outlined above which may be purely temporary, should not be allowed to obscure the great fact that for the European economy, and more particularly for the coalmining and iron and steel industries, the future of one is now the future of all. The introduction of a common market is only one aspect of the Treaty. The Treaty is at the same time the instrument and the code for a common policy of development which is a demonstrable necessity.

The focus after the Common Market was introduced therefore shifted to the problem of the long-term forecasts and the methods for attaining in the coalmining and iron and steel industries the objectives necessary to the general expansion of the economy.

It is not considerations of theory which have decided the High Authority to draw up General Objectives for five, and ten, and even, as regards coal, twenty years ahead. Industries in which investments take an exceptionally long time to show results (for instance the sinking of a new shaft at a colliery), but once completed are good for an even longer time (not only the pits but also blast-furnaces and rolling-mills), cannot regulate their development by the immediate situation in the market: that situation not only varies from day to day, but has no real bearing on the period when the new investments will finally yield concrete results. Of necessity, therefore, other methods have to be employed, stemming not from each separate enterprise but from a co-ordinated picture, overall on as comprehensible a scale as possible, even going so far as to deal with the requirements and potentialities of the Community as such, in the context of world resources and prospects.

This then is the object of the work engaged on, through committees composed of the most noted experts, for the purpose of pinpointing the various closely interlinked objectives with regard to the production capacity to be developed in the different branches of the coalmining and iron and steel industries, the planning of production processes, the introduction of new technical methods, the conditions governing raw-material supplies. Work of this nature is bound to involve some uncertainty, and requires to be periodically revised. But it is indispensable if the enterprises, on which the burden of production actually rests, are to be able to look beyond their private interests and take their place as part of a general common market and a general overall development.

This work of establishing the general objectives proved indissociable from that of defining coal policy, the aim of which is to settle the conditions in which enterprises are to carry on and develop their activities, and suggest means whereby they can be assisted to achieve the objectives laid down for them. This Report is the best possible opportunity for the High Authority to set forth the General Objectives for which it is making itself responsible, and the coal policy on which it will be planning its future action. It will shortly be issuing a parallel policy for iron and steel. In thus incorporating these aspects of its work in the General Report itself, the High Authority takes the opportunity to pay tribute to the assistance given it by the Assembly by its debates at the last Session and the discussions in committee.

It is the fate of coal in Western European countries to be dependent for any expansion of resources on a small number of coalfields — principally the Ruhr, and also to some extent the Campine and Lorraine, the only areas still possessing untapped reserves of any note. Further, this coal is cursed with an inescapable creeping-up of prices, since the miners' wages have to keep ahead of the rest, whereas productivity cannot be increased at the same rate as in the other industries. And finally, there is the fact that, instead of having an exportable surplus, the Community is now structurally an importer area. A major reorganization of the system of importation from the United States is needed to avoid the excessive costs arising out of the concentration of imports into boom periods, when they come a good deal more expensive as a result of the considerable hardening of freight rates. What is wanted, as a counterpart to a policy of regular importation on a long-term basis, is a regularization of production itself, by a policy of stockpiling. Regularity of production and a higher standard of safety in the mines — which the High Authority took steps to promote by organizing a conference with all the member States are the two main elements in the work of improving conditions for the miners, and without

them it would not be possible to increase, or even to maintain, the labour force on which coalmining is dependent.

The European iron and steel industry, thanks to the startling increase in the demand for steel which has accompanied the general economic expansion, is less dependent on foreign markets for its sales, but very much more so for its raw-material supplies. Coal is coming more and more from outside, and so are ore and, where it is obtainable at all, scrap. This situation is already affecting locational conditions: it is becoming possible to develop economic iron steel production along the seaboards, at some distance from the coalfields and orefields, where it used to be almost exclusively concentrated. But above all it means that the most vigilant care must be taken to ensure a balanced development, for without that the whole operation of the iron and steel industry could easily jam of itself. Ever since the introduction of the Common Market for scrap, the High Authority has sought to contain price fluctuations and increases induced by the flow of supplies from outside, by means of a compensation scheme reducing the price of such supplies to the same level as that of Community scrap. But this system, while indispensable in view of the conditions of competition with the other exporter industries, was also an incentive to step up the use of scrap in preference to pig-iron, to an extent which would strain the Community's own resources. The aim in reorganizing the compensation scheme has been to discourage all increases in scrap consumption not accompanied by a reduction in consumption per unit, or by economic utilization.

While leaving it to the enterprises to select their methods for adjusting themselves to the prevailing supply situation, in accordance with their individual structure or line of production, the decision taken, with the unanimous agreement of the Council, was aimed at establishing conditions in which the interests of each enterprise should coincide with the interests of the industry as a whole, namely, with a

smooth, unhampered expansion not liable to be suddenly checked or forced into reverse by an unexpected shortage.

The High Authority feels that in this way it is making the most flexible and judicious use of the powers vested in it, by linking up its short-term market policy and long-term development policy, and acting by means more of general arrangements than of direct injunctions, to correct tendencies which could only end in a deadlock.

9. The High Authority notes with satisfaction that at the very time when the Governments were signing the Rome treaties they acknowledged the value of the methods it employed in planning long-term development, by requesting it to submit to the Council concrete proposals for an overall energy policy. When drafting these proposals, the High Authority will take as a basis the Report by the Heads of Delegations to the Intergovernmental Committee set up by the Messina Conference.¹⁾ For this is a field in which the different sources of supply are closely interrelated, and also one in which Europe as a whole is dependent on supplies from outside as well as on its own capacity for investment and for technical re-equipment.

The aim here is not to institute fresh powers of decision, but merely to extend to the energy field as a whole the system of working out long-term forecasts and ways and means of facilitating trade, with a view to reducing the costs both of supplies and of expansion.

Still less is it the aim to enlarge the Common Market by giving precedence to forms of energy other than coal, when oil is practically all imported, and gas and electricity cannot be transported like solid commodities and have for technical reasons to be distributed by a monopoly system.

¹⁾ See *Rapport des Chefs de Délégations aux Ministres des Affaires Etrangères*, Messina Committee, Brussels, April 1956, pp. 126 ff.

The object of the Treaty was not to integrate Europe piecemeal, but to provide the material prerequisites and prepare the ground for the achievement of general integration on the basis of experience gained, to begin with, in a limited field.

The main achievement of integration so far, even in its incomplete form, has been that it has encouraged general expansion by overcoming the reluctance of the enterprises to step up their production and improve their equipment, which was due to their fear that the results would only be nullified by the smallness of the markets. The character of the industries initially selected was itself sufficient to eliminate any serious risk, since shifts in production occur only where expansion in one area is so rapid as to supplant production in another altogether. Expansion in heavy industry is, however, of necessity a slow and costly business. Moreover, expansion here has helped to preserve all production units which were fit to be maintained and developed.

But it was not possible to extend this method, because, paradoxically, it exposes to competition, without protection of any kind, industries which are still bound up with differing economic systems, characterized in particular by a disparate degree of protection *vis-à-vis* countries outside, and consequently by a disparate level of wages and prices. A bold venture such as this could not but entail action on a wider scale. The broadening of the Common Market into general integration is fully in accordance with the basic principle underlying the Treaty, and will facilitate its implementation.

10. It will come to be an established feature of the situation to have special rules for coal and steel existing side by side with a progressive integration of the remaining sectors of the economies. There have been no quotas or Customs duties on coal or steel for several years now, whereas in all the other sectors duties are being only gradually reduced, and quotas only gradually increased. Moreover, now that the Common Market for coal and steel is a concrete fact, the crux

of the matter is how long-term expansion is to be ensured in consideration of the mounting energy requirements. There will obviously have to be some kind of co-ordination, but this must be left to practical experience to devise.

As regards the Coal and Steel Treaty itself, the end of its five-year transition period opens up various new possibilities for its revision. Within the perspective of general integration, this is, of course, obviously not a day of destiny to be adhered to come what may. On the contrary, it is by means of parallel adjustments, based to an ever-increasing extent on the experience gained both in the operation of the Common Market for coal and steel and in the progressive introduction of the General Common Market, that it will be possible to work out the forms of an organic co-ordination of the European Communities and their association with the third countries, particularly with the United Kingdom. Due allowance will then have to be made for the basic characteristics of heavy industry and the basic industries, and for the prerequisites for their stability and expansion.

One decision already on record is evidence of the desire to avoid dispersion of institutions aiming at the same goal, and exertions bearing upon one another — the decision providing that there shall be one Court and one Assembly for our own Community, the European Economic Community and the European Atomic Energy Community.

An Assembly invested with effective powers, for which the principle of election by universal suffrage is already recognized, is marked out to be the federator of Europe.

PART ONE

**THE INSTITUTIONS
AND
THE EXTERNAL RELATIONS**

CHAPTER ONE

THE INSTITUTIONS OF THE COMMUNITY

11. The institutions of the Community were set up close on five years ago. The manner in which they functioned showed that it was possible to work out, with the general interest in view, solutions to the problems involved by the introduction, operation and development of a common market.

The only changes which have been made, or are likely to be made in the near future, in the structure and operation of the institutions are connected with certain effects of the Franco-German agreements on the Saar and the treaties establishing the European Economic Community and the European Atomic Energy Community.

12. In December 1956, the Treaty establishing the European Coal and Steel Community had to be amended on two points following the agreements between France and Western Germany on the status of the Saar.

Article 21, third paragraph, stipulating that the representatives of the people of the Saar should be included in the number of delegates allotted to France, was dropped.

Article 28 was amended. It originally provided that whenever it was necessary under the Treaty to have the agreement of the Council of Ministers, or a decision by the Council, voted by an absolute majority, this majority must include the vote of the representative of one of the two countries which produce not less than twenty per cent of the coal or

steel of the Community. Furthermore, if the Council's votes were equally divided and if the High Authority maintained its proposal after a second reading, agreement was deemed to have been secured if the votes in favour included those of the representatives of both these countries. After the agreements on the Saar, the twenty per cent figure was reduced to one-sixth.

These amendments have been ratified by the French Republic, the German Federal Republic and the Grand Duchy of Luxembourg.

13. The texts of the treaties signed in Rome on March 25, 1957, establishing a European Economic Community and a European Atomic Energy Community, were transmitted beforehand by the six member Governments to the High Authority.

The High Authority, after studying the texts, submitted a number of comments on the projected institutions in so far as they would affect the institutions of the European Coal and Steel Community. It also expressed its views on the possible effects of the new treaties on the operation of the Common Market for coal and steel, and on the co-ordination of energy policy in Europe.

The first point made was that the amendment to Article 21 of the Coal and Steel Treaty, as provided for in Article 2 of the draft Convention concerning Certain Institutions Common to the European Communities (stipulating that there should be a single Assembly for the three Communities), did not in any way alter the powers of the Common Assembly, or the relations existing under the Coal and Steel Treaty between the High Authority and the Assembly. Similarly, the amendment to Article 32 of the Coal and Steel Treaty did not in any way alter the powers of the Court of Justice under that Treaty.

The High Authority went on to indicate that, by the terms of Article 232 of the draft Treaty establishing the Euro-

pean Economic Community, the rules and operation of the Common Market for coal and steel were not affected, and that the budgeting and administration system based on Articles 49 and 78 of the Coal and Steel Treaty remained unchanged.

The High Authority further concluded from the Convention concerning the Common Institutions that the European Coal and Steel Community would be expected to assume responsibility for one-third of the budgetary expenditure of the single Assembly and the single Court.

Section I- The High Authority

14. The High Authority's work in the various fields under its jurisdiction is dealt with in the different Chapters of this Report.

15. After consultation with the High Authority, as required by Article 11 of the Treaty, the Governments of the member States renewed the mandate of the President, M. René Mayer, and the Vice-Presidents, Herr Franz Etzel and M. Albert Coppé, for the period February 10, 1957 — February 9, 1959.

16. As in previous years, the High Authority, before taking any decision, has held numerous discussions with all the parties concerned — Governments, producers, workers consumers and dealers, and so on. At the same time, it has sought to ensure that these groups, and European public opinion generally, are kept better informed on the results achieved by the Community.¹⁾

17. Every quarter the High Authority gives the *Consultative Committee* an overall picture of developments in the

¹⁾ See Chapter Two.

general economic situation and of what is being done in the various fields. Such reports were made at the April, June, September and December sessions of the Committee, when the statutory programmes giving forecasts on production, consumption, exports and imports were submitted.

The Committee was also called upon to examine the General Objectives, the memorandum on coal policy, and the situation in the scrap market. It replied to the questions submitted to it by the High Authority on security of employment, the employment position generally, vocational training, terms of employment as affected by technical advances in business and personnel management, the linking of wages to productivity, and social security. Finally, it expressed opinions on the provision of housing and on technical research. On this last topic it adopted a resolution stating the principles and procedure to be observed in the appropriation of funds from the levy for the development of technical research. The High Authority studied this document, but informed the Committee that it could not undertake to comply with it at all times.

The Consultative Committee held a constituent session on January 15, 1957, for the introduction of the new members nominated by the Council of Ministers for the period January 15, 1957—January 14, 1959. Herr Fritz Dahlmann, of the workers' group, was elected Chairman.

Section 2 - The Common Assembly

18. There was a further extension of the work of the Common Assembly as regards active supervision over the High Authority and endeavours to promote the development of European integration.

19. At its Ordinary Session in May/June 1956, the Assembly debated and approved fifteen reports presented on behalf of its various parliamentary committees.

Resolutions were adopted on such matters as:

harmonization of the economic policies of the member States;

supplies of coal, coke and scrap;

implementation of the Treaty in respect of all modes of transport;

co-ordinated development of capital schemes;

steps to alleviate the manpower shortage and ensure freedom of movement for workers;

social action for the benefit of Community workers, and framing of a general social programme.

20. At the Extraordinary Session in November 1956, there was a debate, introduced by M. Alain Poher, Chairman of the Common Market Committee, on the nexus of problems arising out of the situation in the Common Market for coal.

The debate ended in the passing of a resolution to the effects that the Assembly, while feeling that the High Authority had not made full use of all the possibilities open to it under the Treaty, considered that while it had so far not been necessary to implement Article 59 (declaration of a serious shortage), the High Authority should not recoil from such a step, or from whatever action might be indicated, should the situation become any worse. In particular, the Assembly recommended the Authority to invite the Governments of the member States to join with it in tackling the problem of supply.

The Assembly was also required to take cognizance of a number of reports submitted to it on behalf of the Social Affairs Committee, on such matters as the setting-up of equirepresentative committees and safety and rescue arrangements in coalmines.

21. The General Objectives set forth by the High Authority were debated at the Extraordinary Session in February 1957.

MM. de Menthon and Mutter had been directed to draw up reports on the economic and social aspects of the Community's General Objectives. After their reports had been debated, resolutions were adopted requesting the High Authority

to define suitable ways and means for achieving the social objectives laid down in the Treaty;

to complete the work of stating the basic principles of coal policy without delay; to frame a coal and steel policy as quickly as possible; to submit to the Assembly an investment programme drawn up in agreement with the Governments and the enterprises providing for the construction of pit installations proposals for the financing of these investments and the introduction of means of saving coal, coke and scrap, and social programme aimed at guaranteeing adequate manpower for the coal production planned.

The Assembly also adopted a report by M. Wigny on the activities of the Community since its inception, and following a report by Signor Carboni, a draft resolution on information problems.

22. The progress of European integration was also discussed by the Assembly at its three Sessions. At the Session in May/June 1956, M. Paul-Henri Spaak gave an account of the stage reached in the proceedings of the Intergovernmental Committee set up by the Messina Conference in June 1955. At succeeding Sessions the Assembly was kept informed of the manner in which work was progressing on the drafting of the General Common Market and Euratom treaties.

23. Herr Hans Furler, formerly chairman of the Committee on Political Affairs and External Relations, was elected President of the Common Assembly at the beginning of the November Session, in succession to Signor Guiseppe Pella.

Section 3- The special Council of Ministers

24. The special Council of Ministers held ten sessions between the beginning of May 1956 and the beginning of April 1957.

These were the occasion for numerous discussions with the High Authority on the operation of the Common Market, the development of the general economic situation, relations between the Community and third countries, and so on.

The High Authority requested and obtained the agreement of the Council to arrangements for financing the building of workers' houses by bodies other than enterprises of the Community, to the setting-aside of financial assistance for technical research projects, and to the extension and subsequent remodelling of the rules governing the scrap market. The Council also on June 5, approved a draft agreement for the introduction of international through-rates for coal and steel carried by rail in transit across Swiss territory. On July 24, the Council gave instructions for negotiations to be opened with Austria, with a view to the conclusion of a similar agreement on coal steel crossing Austrian territory. On June 19, it gave its agreement to the opening of negotiations with the United Kingdom in accordance with Article 8 of the Association Agreement, and the High Authority, as representative of the six member Governments jointly, was given instructions, approved unanimously by the Council, as to the conduct of these negotiations. Finally, following the resolution passed by the Common Assembly on November 30, the Council, at its session on December 11, directed a technical coal committee, acting in co-operation with High Authority ex-

perts, to examine problems in connection with the coal supply position and possible measures to dispose of them, and also possible co-ordinated action by the Governments to meet total energy requirements.

As regards those problems in connection with the coalmining and iron and steel industries which the Treaty has left under the jurisdiction of the member States, three points call for special mention.

- a) At the suggestion of the High Authority, the Council of Ministers decided on September 6, 1956, some weeks after the pit disaster at Marcinelle, to convene a conference on safety in coalmines.
- b) On February 7, 1957, the Council approved the preliminary draft of a European Convention on Social Security for Migrant Workers, to cover all workers whether or not previously employed in the coalmining and iron and steel industries.
- c) In regard to transport, the Council has not yet been able to reach the agreement needed for the implementation of the provisions in the Treaty (Article 70, third paragraph) relating to road haulage and inland water transport.

25. The Joint Committee representing the Council of Ministers and the High Authority continued its work, in accordance with the statement by the Council of Ministers on October 13, 1953, on the harmonization of the expansion policies of the different Governments and the programmes of the High Authority.¹⁾

26. Finally, the Council undertook, in accordance with Article 26 of the Treaty, to discuss the general economic policies of the different member countries, and to do everything possible to harmonize these policies both with one another and with the policy of the High Authority.

¹⁾ See No. 326 below.

Section 4 - The Court of Justice

27. During the past year, the Court of Justice delivered judgment in ten cases, of which the most important were appeals by the Groupement des Industries Sidérurgiques Luxembourgeoises, by the Fédération Charbonnière de Belgique and three collieries of the Campine coalfield, and by the Geitling Ruhrkohlen-Verkaufsgesellschaft.

28. The Groupement des Industries Sidérurgiques Luxembourgeoises and the Association des Utilisateurs de Charbon du Grand-Duché had lodged appeals against the High Authority claiming that the levy charged by the Luxembourg Government on every ton of fuel imported for non-household use, in order to lower the selling price of fuel for household use, was incompatible with the Treaty. The High Authority had considered that this did not in point of fact constitute a special charge, and accordingly declined to take the action requested by the appellants.

The Court declared the appeals by the Association des Utilisateurs de Charbon inadmissible, and those by the Groupement des Industries Sidérurgiques admissible. On April 23, 1956, it rejected the latter, since it ruled that the levy per ton did not constitute a special charge within the meaning of Article 4,c of the Treaty, and was not incompatible with any other provision contained in the Treaty.¹⁾

The Court adopted as its criterion for the type of "special charge" prohibited by Article 4,c

- that such a charge should affect only a portion of those industries under the jurisdiction of a single State which are in a comparable position *vis-à-vis* that State;
- that such a charge, unequally affecting the production costs of producers in comparable positions, should in relation to Community enterprises as a whole cause the distribution of production to be subject to distortions not due to variations in output.

¹⁾ See judgments by the Court in Cases 7, 8, 9 and 10/54, *Official Gazette of the Community*, July 10, 1956.

Basing itself on these criteria, the Court held that, in point of fact, the levy charged on every ton of non-household fuel imported did not constitute a special charge, inasmuch as, in particular, it applied to all non-household fuel, even though in practice the fuel principally affected was metallurgical coke.

The Court further rules that the action of the Grand Ducal Government in charging a levy on every ton of solid non-household fuel imported was a measure of general economic policy, for which that Government remained responsible in accordance with Article 26 of the Treaty, and not a discriminatory practice prohibited and abolished by Article 4, *b* of the Treaty.

The Court moreover pointed out that, although a Government was not debarred by the Treaty from imposing a general charge on coal consumers under its jurisdiction, it obviously had no right whatever to have such a charge extended to consumers in other member States. It was not, therefore, possible to claim in this instance that there was discrimination between Luxembourg consumers and consumers in the other Community countries.

29. The Court, on November 19, 1956, rejected appeals by the Fédération Charbonnière de Belgique ("Fédéchar") and three collieries in the Campine coalfield, requesting it to reverse a number of High Authority decisions taken in May 1955 for the reorganization of the compensation scheme in operation on behalf of Belgian coal.¹⁾ The objections raised were mainly in connection with the fixing of selling prices by the High Authority and the selective principle observed in allotting compensation.

As regards the decision contested, the Court pointed out that it was essential for the High Authority to fix prices in order to ensure that the compensation scheme would operate reliably.²⁾ There was, therefore, good reason to empower it to do so, although there was no explicit provision to this effect in Section 26,2 of the Convention. While not wishing to go too far in the interpretation of the Treaty, the Court felt that it was quite permissible, in this instance, to apply the rules of interpretation generally allowed both in international and in national law, whereby the legal require-

¹⁾ See judgments by the Court in Cases 8, and 9/55, *Official Gazette of the Community*, January 23, 1957.

²⁾ Decision No. 2-55, of May 28, 1955, *Official Gazette of the Community*, May 31, 1955.

ments contained in international treaties or in individual laws were held to imply the existence of rules without which they (the requirements) would be meaningless or impossible to implement in a practical and rational manner. Under Article 8 of the Treaty, the High Authority was invested with a certain degree of independence as regards action to be taken for the purpose of attaining the objectives laid down in the Treaty and the Convention.

The Court further declared legal the principle of selectivity. The object of the different amounts of compensation paid was to harmonize unequal situations in the production conditions of the enterprises. Selectivity did not, therefore, lead to discrimination: in fact, its whole purpose was to prevent it. The Court found that the High Authority was not merely entitled but obliged to exercise this principle.

30. Finally, in its judgment of March 20, 1957, the Court dismissed the appeal lodged against the High Authority by the Geitling Ruhrkohlen-Verkaufsgesellschaft. The point at issue was a problem resulting from the introduction, at the beginning of the coal year 1956—57, of the new trading regulations for the three Ruhr coal-selling agencies. These laid down, among other things, the conditions on which so-called "direct-buying wholesalers" were entitled to obtain their supplies direct from the agencies. The High Authority had approved some of the conditions, including the insistence by the agency that the wholesaler must buy from it not less than 12,500 metric tons of fuel per annum for sale within his sales area, but it declined to approve a limit of 25,000 metric tons. By this latter condition, the Geitling Agency (and the other two agencies also, although they did not lodge appeals) stipulated that a wholesaler would qualify as a "direct-buying wholesaler" only if he sold in all 25,000 metric tons of Ruhr coal obtained from the tonnages channelled through the three agencies (although the 12,500 metric tons previously referred to were to be counted as a part of this total). The Court in its judgment supported the High Authority in its objection that the 25,000-ton limit would jeopardize the dissociation of the three agencies, which it insisted upon. This condition would further have entailed a discrimination between one producer and another, by favouring the other two Ruhr coal-selling agencies at the expense of the remaining producers of the Community, and also between one dealer and another.

The Court of Justice thus for the first time took a definite stand on certain fundamental Treaty matters concerning agreements and concentrations. The practical importance of this ruling will perhaps be less evident in Germany than in the areas where Ruhr coal is not the main element in the direct-buying wholesaler's turnover, such as the Netherlands, Belgium and France.

31. Cases now under examination include appeals in connection with

- the High Authority's Decision No. 2-57, of January 26, 1957, setting up financial arrangements to ensure a regular flow of scrap to the Common Market;
- an opinion issued by the High Authority on an investment project (Cases 1 and 14/57);
- contributions payable to the Compensation Office for Imported Scrap.

CHAPTER TWO

THE INFORMATION POLICY OF THE HIGH AUTHORITY

32. The High Authority's work in regard to the issuing of information is aimed at bringing home to as wide a public as possible the existence, implications and objectives of the Community, and the results already achieved through the regular channels which it has instituted.

This work is mainly concentrated in the countries of the Community, but it is also going ahead in non-member countries, and more particularly in Great Britain and the United States.¹⁾ It is directed at two targets — public opinion in all its range and structural diversity, and the specialized circles more closely concerned by the activities of the Community. All appropriate means are employed to provide these different sections of the public with as quick, accurate, detailed and interesting information as possible.

33. First of all, public opinion is kept informed concerning the Community through the mass-information media — Press, radio and cinema.

In Luxembourg, where a number of news agencies and certain major papers have permanent correspondents, there is at least one Press conference a week, and often more, to enable the

¹⁾ The High Authority has information offices in Bonn, London, Paris, Rome and Washington.

journalists concerned to keep abreast of the work of the Community's institutions and inform the big news networks.¹⁾

In the Community countries and in Britain and the United States the High Authority's information services maintain very close contact with the Press, the radio and television networks and the film-distributing agencies. Press conferences are held each year in the capital cities of the various countries; in 1956, television broadcasts, newsreels and documentaries helped to keep the public informed on all the main European issues, with special reference to events in the Community and the work of the institutions. Considerable interest was aroused in Latin America last autumn by Press conferences arranged in Caracas and Sao Paulo to mark visits by a High Authority delegation.

At certain times, particularly when the Common Assembly is in session, special efforts are made to reach not only the big national newspapers, but also the provincial Press, the trade-union weeklies and monthlies, and so on.

34. In response to numerous invitations, the High Authority has taken part in recent years in a number of international fairs and exhibitions, at Milan, Luxembourg, Lyons, Bordeaux, Liège, Metz, Utrecht, IJmuiden, Nice, Marseilles, Toulouse, Charleroi and Bari. In Western Germany a travelling exhibition which has been on tour for a year, has so far visited five towns in the Rhineland and Westphalia, and been seen by some 50,000 people.

Every such occasion makes it possible to reach a large number of people, often from the least informed sections of public opinion; moreover, they serve as a framework for other types of publicity, such as Press conferences, lectures to various bodies, radio interviews, and the like.

35. A large number of study trips to Luxembourg and lectures in Community countries are arranged with a view to

¹⁾ Press cuttings on the Community catalogued by the departments of the High Authority now run to something like 50,000 a year, (40,000 from the six member countries and 10,000 from elsewhere).

interesting very widely-varying circles in the work of the High Authority. The number of people invited for study trips to Luxembourg in 1955—56 (exclusive of journalists) was approximately 5,200; for the current year the figure is estimated at rather over 3,000. This drop is attributable in the main to a more careful selection of the groups invited and a more thorough preparation of the actual visits, as well as to increasing emphasis on lectures and addresses in the various Community countries themselves.

A considerable proportion of the study trips are for officials and leading members of the trade unions, arranged in co-operation with the liaison offices in Luxembourg and the national and international union organizations. Some 1,400 trade unionists came to Luxembourg on study visits in 1955—56, and about 1,000 in 1956—57. They were mainly from the Community countries, but also included British, Scandinavian and other nationals. At the beginning of April 1957, a visit was arranged for Polish-born workers.

A special effort was made to encourage visits by members of Parliament other than those belonging to the Common Assembly and by local-government representatives. Those visiting Luxembourg in 1956 and early 1957 included various groups of French, German and Belgian Deputies, and several British M.P.s. In addition, study days were arranged, in co-operation with the national sections of the Conseil des Communes d'Europe and the Mouvement Français des Elus Locaux. A European Study Day on the Community is now being prepared in co-operation with the Union Internationale des Villes et Pouvoirs Locaux, and will be held in connection with the Congress of this organization in the Hague in June 1957.

36. In one special sector the High Authority has engaged in particularly intensive information work, namely among teachers and educationalists. Not only has the High Authority for the past four years awarded a series of research fellowships, in conjunction with the Council of Europe,¹⁾ but it is

¹⁾ See *Official Gazette of the Community*, February 21, 1957.

striving to ensure as much contact as possible with the various branches of the teaching profession (University, secondary, elementary, technical, commercial, etc.).

In several countries, the school curricula include instruction on the Community. In Belgium, model history and geography lessons have been distributed by the Ministry of Education.

At University level, the High Authority's activities consist in furnishing technical assistance to professors and students wishing to study in detail the institutional, economic and social problems of the Community with a view to preparing lectures, theses or papers for study groups.

In addition to a considerable number of study periods in and visits to Luxembourg, there have been discussions between University lecturers, school inspectors, headmasters and secondary-school teachers, more particularly in Italy, Belgium and the Netherlands.

Study days attended by some fifty experts on educational problems from the six countries — leading Government officials, teachers, representatives of teachers' associations, publishers of textbooks and educational literature — were held in March 1956 and March 1957, and provided an opportunity for pooling experience, discussing existing teaching aids (maps, wall charts, film strips, etc.), and putting forward suggestions for the development of new material, including a documentary film on the geography of the Community.

37. For these various activities the High Authority's Information Service needs certain material, such as films, booklets and other publications suited to the different types of public.

Three documentaries have been produced with the High Authority's co-operation, one in France, one in Germany and the third in Italy. More than 600 copies of these films, in various languages, are now being shown through both the commercial and the non-commercial circuits of all the Community countries. The three films were shown in Venice in August 1956 at the European Film

Day arranged as part of the Festival, and one of them was awarded a prize. Film strips for use in schools have also been produced in the Netherlands, the United States and Great Britain.

As regards booklets, the Information Service issues two kinds,

- European booklets, in the four Community languages and English, in the two series recently launched, *European Community* and *The World and Europe* (four of these have been published during the past year, with a total circulation of about 150,000 copies);
- single-country booklets, in one or two languages, specially written for a particular public (titles include *Leitfaden, Zu Wenig Kohle, zu Teure Kohle, La Belgique dans la Communauté, Vingt Questions: Vingt Réponses, Comunità Europea, L'Inizio dell'Europa Unita, Europese Gemeenschap voor Kolen en Staal, The Facts, The Community's Labour Policy*).

A considerable volume of booklets and other literature is being brought out with the co-operation of the Information Service by various bodies wishing to interpret the Community to their members and supporters, and, in particular, to derive lasting benefit from a study trip to Luxembourg (e.g. *Monsieur le Maire à Luxembourg*).

The *Monthly Information Bulletin*, which has been appearing since the beginning of 1956 in the four Community languages, is meeting with a very appreciative reception from the enterprises, the trade unions, the research institutes and the specialized journals and periodicals. It is at present being issued in 15,600 copies, of which 3,500 are in German, 9,500 in French, 1,300 in Italian and 1,300 in Dutch.

In Italy, a short bulletin is published each month in 14,000 copies. In Britain and the United States, bulletins are issued in 3,000 and 15,000 copies respectively. In these news sheets the High Authority seeks to give in journalistic form, attractively made up, with photographs, graphs and so on, not only the most important

information on the Community, but also a general survey of the work of the four institutions and the developments as regards European integration.

The High Authority is also publishing, in a series entitled *Studies and Documents*, various papers of a type to interest a fairly wide, yet specialized public. These are issued in the four Community languages, and where possible in English. Three volumes have been published in this series since the beginning of 1956, dealing respectively with

Readaptation and Re-employment of Workers,

Obstacles in the Way of Freedom of Movement for Workers and Social Problems in Connection with Readaptation,

and *A Comparison of the Real Incomes of Workers in the Industries of the Community.*

Each of these studies has been printed in approximately 13,000 copies.¹⁾

38. The High Authority's information work is thus both extensive and varied.

While maintaining the fullest respect for the opinions of the individual, and accepting supervision by the Common Assembly and its Political Affairs Committee, the High Authority will redouble its efforts in this direction, as requested by the Assembly in its resolution of February 15, 1957.

¹⁾ The reader is reminded that the High Authority also publishes a bi-monthly bulletin of statistics; the Secretariat of the Common Assembly a monthly information bulletin and a quarterly bibliography, and the Court of Justice a casebook.

CHAPTER THREE

THE EXTERNAL RELATIONS OF THE COMMUNITY

39. In accordance with the guiding principles which it has set forth to the Assembly on previous occasions, the High Authority has continued its endeavours to intensify co-operation between the Community and the countries outside it. An essential element to success is, in its view, closer contact between the Community and those countries whose interests are similar or complementary to its own. The formulas devised to ensure such contact may vary to suit the structure and interests of the countries concerned, as well as those of the Community and the responsibilities it is called upon to fulfil.

The High Authority has done its utmost to work out arrangements making it practicable to institute with as many countries as possible close ties or agreements which, even where they relate directly to a limited field only, may form a point of departure for increased co-operation.

With this object and by these means, the Community' relations with the outside world have been extended and consolidated, both through the institutional links already in existence and through the conclusion of further agreements.

Section 1 - **The Association with the United Kingdom**

40. The proceedings of the Council of Association between November 17, 1955, when it held its first meeting, and De-

ember 31, 1956, are described in a report which the Assembly has had an opportunity to study.

The aim of the Association is to make for greater prospects on both sides by progressively doing away with impediments in order to step up trade, and by drawing up joint forecasts of coming trends in coal and steel production.

This involves a protracted series of exertions and studies which the Council of Association, with an eye to increased efficiency, has delegated to its three Committees, for Trade Relations, Coal and Steel respectively. The problems as a whole can also be divided into short, medium and long-term problems, but this distinction is not at all a clear-cut one, since the questions which need to be dealt with at once have also to be examined with an eye to the future.

41. Concrete problems requiring immediate action include those arising as a result of developments in the trade situation, and more particularly in connection with coal exchanges.

The United Kingdom and the Community trade various types and grades of coal with one another. The tonnages thus imported and exported are not large, and under present economic conditions they are not likely to increase substantially in the near future, but if they were to be discontinued or reduced the importer industries could find themselves in considerable difficulties. The United Kingdom has recently had to make drastic cuts in her coal exports, and this might have seriously affected consumers in the Community. Thanks, however, to the regular discussions by the Coal Committee on the difficulties involved, the spirit of co-operation prevailing and the exchange of information between the parties, it was possible to arrange for a judicious recasting of the United Kingdom's programme of exports to the Community countries for 1956 and the first six months of 1957.¹⁾

¹⁾ See No. 111 below.

At the same time, efforts were made by the Community despite the seriousness of its own deficit, to supply the United Kingdom with the maximum tonnage of coal available. These improvements were managed principally by means of changes in the grades traded.

The same procedure of prior consultation by the Council helped to facilitate more acceptable arrangements as regards trade in steel, following the quantitative restrictions which the United Kingdom had been obliged to impose on the export of certain types of steel.

42. But by far the most important work is that aimed at ensuring the progressive stepping-up of trade exchanges and the stabilization of supplies and markets, independent of the general economic situation.

The stage-by-stage elimination of impediments to trade, — with regard more particularly to Customs duties, but also to other obstacles generally, such as restrictions, subsidies, dumping and so on — necessitates a thorough knowledge of the structure of that trade. For the purposes of the price comparisons which have to be carried out regularly, it is also necessary, if these are to be of any value, to be fully versed in the subject of price-structure. Yardsticks have been worked out for comparing the actual prices of coal and steel.

As regards coal, this has been done for a considerable range of grades, not confined to those at present being traded. The coal experts — specialists from the National Coal Board and leading producers from the Community — have already done a good deal in this direction, after first hearing one another's views on the factors to be taken into consideration in establishing price comparison as between one coalfield and another. These studies are proceeding satisfactorily.

As regards steel, a field in which the problems are of a more complex nature, yardsticks for comparing prices have also been already established. Work is in progress on the definition and comparison of the component factors of these prices, including extras.

43. On the basis of these first results, the High Authority has been able to proceed towards the implementation of Article 8 of the Agreement, concerning proposals to be submitted by the Council of Association both to the United Kingdom and to the member States with a view to eliminating impediments to trade. It secured from the Council of Ministers of the Community, on October 4, 1954, a mandate to embark on conversations with the representatives of the United Kingdom. These talks, which are still in progress, have brought to light a number of elements for a possible future agreement on parallel action to lower tariffs.

44. The longer-term objectives for the United Kingdom and the Community as regards production, consumption and supply have been much discussed, studied and compared by the Council of Association. The High Authority made a point of examining with the United Kingdom representatives the various drafts of its memorandum on the General Objectives for coal and steel.

This discussion proved extremely valuable. In the light of various details furnished by the British representatives concerning their own forecasts, the High Authority was able to make a number of corrections to its memorandum. The United Kingdom representatives for their part expressed the desire to consider whether a complete consensus of opinion between Britain and the Community could be arrived at in this field. Any progress made by them in this direction would enable the two great markets to draw closer together.

45. Another problem ventilated in the Council of Association was that of the world shortage of scrap. Discussions and joint studies have made it possible to line up to some extent the short and long-term action to be taken with a view to keeping down the amount of scrap consumed by the iron and steel industry.

46. These, the principal forms taken by the High Authority's work in the Council of Association, should not be allowed to obscure the other important tasks which the Council has undertaken, and in some instances already brought to a successful issue.

Thus the Trade Relations Committee has tackled questions in connection with dumping, following the introduction of anti-dumping legislation in the United Kingdom. The principle has been adopted that there should be consultation by the Council in regard to any future cases of dumping and imposition of anti-dumping duties.

The Coal and Steel Committees have also continued their work on technical research, seaborne supplies of raw materials, efficient utilization of solid fuels, and so on.

Finally, a regular exchange of information has been established between the United Kingdom and the Community on experience gained in regard to readaptation and re-employment of workers.

In the field of industrial medicine and vocational training there is close co-operation between the British representatives and the experts of the Community.

47. All these various studies and comparisons, the exchange of information, the correlation of methods and results, the now settled habit of Anglo-Community contact are so many factors making for mutual understanding and advance. The High Authority feels that they are factors which will do much — outside the organizational link represented by the Council of Association — to bring about a harmonization of views and actions between the United Kingdom and the Community which will be something much more than a mere "association of markets."

Section 2 — Relations with other countries

48. *Switzerland.* — The Consultation Agreement between the High Authority and the Swiss Federal Council was rati-

fied by Switzerland on January 4, 1957, and is now in force.¹⁾ It differs appreciably from the Association Agreement with the United Kingdom. It was concluded direct between the Government of a non-member country and the High Authority: it is thus, internationally, something of an innovation, and an example of the appropriate formulas the High Authority is endeavouring to work out to suit the requirements of co-operation with third countries which have, for various reasons, felt themselves unable to join the Community.

It was Switzerland, as a traditional importer of Common Market products, which are essential to its economy, which first took up the question of the manner in which it could best ensure a regular flow of supplies.

After negotiations which were begun in 1955, the High Authority, in agreement with the Council of Ministers, worked out an arrangement which may be considered a satisfactory one. Its main features are as follows. Should a serious shortage be declared, the High Authority will consult Switzerland before anything is done to implement paragraphs 2, 3 and 5 of Article 59 of the Treaty which provide for the allocation of the Community's resources and the introduction of export restrictions. The High Authority will also consult Switzerland before taking action under Article 61, c of the Treaty to fix maximum or minimum prices for Community products exported to Switzerland. After such consultations, it will, of course, still be free to decide within its own powers. Switzerland for her part will consult the High Authority before the Federal Council takes any step which might affect the traditional trade in Treaty products. Whichever party institutes such consultations, they must be held in good time before the action envisaged is taken, except in special circumstances, when the action may be taken first, but the consultations must follow immediately afterwards.

The consultations are to be held by a standing joint committee, consisting of an equal number of High Authority and of Federal Council representatives. This committee, which held its

¹⁾ See *Official Gazette of the Community*, February 21, 1957.

first meeting on February 8, 1957, and discussed in broad outline all the supply problems affecting both parties, is a liaison body on which it will be possible to raise certain specific matters of concern to both sides which might arise out of developments in the economic situation.

49. In the field of transport, Switzerland, which is a major transit route for Treaty products exchanged between certain Community countries, was as much concerned as the Community itself to bring about a satisfactory settlement of the problem raised by the introduction of international railway through-rates within the Community. The Community for its part was anxious that there should be no further penalization of such of its nationals as needed to send their goods through Switzerland, and it desired at the same time to have all discrimination done away with between different producers and consumers on its own territory. It was further definitely to the interest of Switzerland to continue having a fair share in the carriage of goods traded between member States. These points served as the basis for an agreement which was ultimately concluded between the Swiss Confederation on the one hand and the member States and the High Authority on the other. The instrument was signed on July 28, 1956. As in the case of the Consultation Agreement, a joint committee was set up to settle the various problems likely to arise.¹⁾

50. *Austria.* — As regards relations with Austria, a number of long outstanding Customs problems were successfully disposed of in the Tariff Agreement negotiated and ultimately concluded in Geneva on May 8, 1956, by the High Authority, acting on behalf of the six member States of the Community.

Austria has common frontiers with the Community. She consumes coal bought from the Community, and is a traditional seller of iron and steel products (including more particularly special steels) to most of the member States, especially Italy. There were

¹⁾ See No. 138 below.

therefore already important economic ties between Austria and the member countries, and it would have been a natural step for Austria to join the Community. Since, for various reasons, she has so far not been able to do so, she had been anxious ever since the Community was first established to obtain some guarantees regarding her markets, for she was concerned lest the abolition of duties within the Community should entail competition which her iron and steel exports would have difficulty in withstanding, inasmuch as they would be dutiable on entering Community territory.

At the same time, the member States, being bound by the rules of the General Agreement on Tariffs and Trade to extend to all GATT countries the most-favoured-nation clause, could not allow Austria the same advantages as they themselves received in exchange for observing the rules of the Common Market. It was therefore necessary to negotiate a special agreement, a possibility provided for by Section 14 of the Convention. The Tariff Agreement was concluded on a basis of reciprocity. Austria made concessions in respect of many of her duties on ordinary steels and special steels, and in addition allowed Italy, which had made the biggest concessions on the other side, the main *quid pro quo* in respect of non-Treaty products.

51. Austria not being subject to the rules of the Common Market, a certain apprehension had been felt as to the opportunities left open to Austrian enterprises to sell on artificial terms in relation to the industry in the Community. On July 24, 1956, in an exchange of letters between the Austrian Minister of Foreign Affairs and the High Authority, a procedure was laid down for the joint examination of the price practices at issue. This provided, in particular, for an agreement between the parties concerned, giving an exact definition of dumping, and setting up a joint committee to come to an arrangement with regard to any difficulties arising in connection with trade in coal and steel between Austria and the six member countries.

52. Various problems also arose between the Community and Austria in regard to transport, Austria being a natural transit route for Treaty products exchanged between certain Community countries.

For much the same reasons as had been responsible for the railway-rates agreement with Switzerland, negotiations were therefore opened between Austria on the one hand and the High Authority, representing the member States, on the other, for the introduction of international through-rates for goods passing in transit across Austrian soil.¹⁾

53. *United States.* — The interest which the United States has always shown in the Community and its activities was as marked as ever during the past year. At GATT level, a tariff agreement was concluded on April 11, 1956. This instrument, which is commercially very carefully balanced, affects a substantial volume of trade. The Community made concessions in respect of certain items of ordinary steel and special steel chiefly supplied in 1954 by the United States to one Community country, while the United States in return made concessions in regard to items of steel chiefly supplied by one particular Community country.

The concessions made by the United States were, however, consolidated for all the member States of the Community. The Community was thus treated as a single unit by the Contracting Parties to GATT in negotiations which had immediate economic repercussions. Special mention should be made of the spirit of co-operation shown by the American delegation who by conducting the negotiations on a strictly balanced commercial basis let it be seen that they attached considerable political interest to the matter.

54. In December 1956, following preliminary contacts with the American authorities, discussions were held between representatives of the High Authority and of the United States Government concerning the position in the Common Market for scrap. The High Authority noted with satisfaction the objective and sympathetic understanding shown by the

¹⁾ See No. 139 below.

American Government for the difficulties of the Community. For its part, it emphasized its continuing anxiety to prevent unlimited buying on the American market by Community consumers, and its intention to take immediate steps, in the common interest, with a view to limiting imports of scrap from the United States to a monthly average of 200,000 tons, as from January 1957.

Section 3 - Relations with the international organizations

55. *General Agreement on Tariffs and Trade.* — As in previous years, the report by the member countries on the measures adopted by them for the full implementation of the Treaty was discussed in detail in 1956 by a working party of GATT. The High Authority, wishing to renew the close co-operation it had afforded the Contracting Parties in 1955, had appended to the report a supplementary memorandum on trends in coal and steel production, trade and prices. Apart from requests for elucidation on tariff problems and on the intentions of the Community regarding the harmonization of duties in trade with third countries, the principal topics in the debate were the volume of the Community's coal, coke and scrap exports to third countries and, in particular, the export prices of coke and steel. Certain third countries, including Austria, expressed concern over the relative decrease in the volume of coking coal exports. The Community is going to considerable lengths in its endeavours to keep the flow of its traditional exports to third countries at a satisfactory level, even though it is itself being obliged to import larger and larger tonnages of coal on particularly disadvantageous terms.¹⁾

The numerous explanatory details furnished by the High Authority observer enabled the Contracting Parties to appraise the difficulties caused in the Community's internal market by the

¹⁾ See Nos. 111 to 113 below.

tightness in supplies of raw materials, which in conjunction with the vigorous demand for products, both within the Community and in the third-country markets, is resulting in an upward trend of both home and export prices.

As the Contracting Parties noted that these price increases had been kept within reasonable limits, considering the exceptional tightness attributable to the general state of the markets, the ultimate findings of their working party on the report by the Community countries were not unfavourable.

In short, the atmosphere at the discussions was cordial, and it would appear that the main desire of the Contracting Parties is to make sure that the High Authority is genuinely exercising a stabilizing influence on prices and seeing that the third countries are kept properly supplied. The High Authority is fully determined to carry out these supervisory duties as required by the Treaty, and has for this very reason on a number of occasions brought the matter to the attention of the Community producers.

56. *Organization for European Economic Co-operation.*— The increasingly detailed surveys which the High Authority has been carrying out on energy, often in close co-operation with experts from member countries, in order to gain a clearer picture of the position of coal in the general energy balance-sheet, as well as its long-term General Objectives for coal and steel, have, in the nature of things, resulted in more intimate contact with O.E.E.C.

High Authority observers already sat on a considerable number of technical committees, and attended meetings of the Executive Committee and the Council. They continued to do so during the year under review, and made a special point of taking part in meetings of the committees on the coalmining and iron and steel industries. O.E.E.C. has now set up a consultative committee on energy, consisting of five experts, and a committee on general energy problems. The High Authority has been officially invited to propose an expert for the former and to appoint an observer to the latter. A High Authority observer sits in the Gas Committee, which makes up the full complement of co-operation on questions of energy.

As a result of developments over Suez, the High Authority has been studying with the keenest interest the various problems connected with oil, which have an economic bearing on those of coal. A group of O.E.E.C. trade experts belonging to the Coal Committee's sub-committee on supply and production has, at the request of the High Authority, studied ways and means of reducing the pressure exerted on the market by freight-rates for coal imported from the United States. The High Authority co-operated in the discussion of this problem, while it also joined with representatives of the member Governments in examining the general problem of coal imports through a select committee set up by the Council of Ministers of the Community.¹⁾

57. *Council of Europe.* — Relations with the Council of Europe, where a larger number of European countries debate problems from a more political point of view, continued in a satisfactory atmosphere of mutual understanding. As in previous years, a joint meeting of members of the Consultative Assembly of the Council of Europe and members of the Common Assembly was held in Strasbourg on October 20, 1956. In accordance with what has now become tradition, the Economic Affairs Committee of the Consultative Assembly held a meeting beforehand with the High Authority in Luxembourg in October 12. This was the occasion for a frank discussion of the main problems concerning third countries importing or exporting Community products, that the same problems as were being dealt with simultaneously by GATT.

A High Authority observer regularly attends the sessions of the Consultative Assembly, and there has been a constant exchange of technical information between the departments of the High Authority and the Secretariat of the Council of Europe, especially in regard to cultural problems and the work of keeping European public opinion informed.

¹⁾ See No. 135 below.

58. *United Nations.* — Exchanges of technical information with the Secretariat of the Economic Commission for Europe continued during the past year, to the satisfaction of both organizations.

A Member and a number of officials of the High Authority at the invitation of the United Nations Economic Commission for Latin America, attended the second Latin American conference on the steel-producing and processing industries in Sao Paulo in October 1956.

59. *International Labour Organization.* — Over and above the frequent contacts between the departments of the two organizations on aspects of various social problems (recently reorganized on a broader basis with a view to improving their effectiveness), the International Labour Office was represented at the Conference on Safety in Coalmines held in Luxembourg.¹⁾ It also provided a considerable volume of most useful material to serve as a basis for discussion at the Conference.

The High Authority has continued to enjoy the co-operation of I.L.O. in the work of drafting the Social Security Convention for Migrant Workers to be concluded by the member States in implementation of Article 69 of the Treaty. I.L.O. has sent experts to various meetings held in Luxembourg and Geneva during this last stage of the preparations, thus affording the drafters of the Convention valuable technical assistance and allowing them the benefit of its wide experience in this field.

At the end of January 1957, M. René Mayer, President of the High Authority, and M. Paul Finet, one of the Members, visited Dr. David Morse, Director-General of I.L.O., and discussed with him a number of matters of interest to both organizations.

60. This account of the Community's relations with the outside world has sought to indicate the new path which is being followed in regard to co-operation with the third count-

¹⁾ See No. 254 below.

ries and the international organizations. Some problems are complex and can only be dealt with in stages, such as the lining up which is felt to be desirable between the duties imposed on steel by the United Kingdom and those imposed by the Community; others could be solved only by a change in current political and economic conditions, for instance by other third countries joining the Community. Notwithstanding, the continuing determination of the Community to remain open to the outside world, and the full agreement in this regard which practically always prevails between the institutions and the member States, have made it possible up to now to achieve a very widely-varying range of links, understandings and agreements in response to non-member countries' desire for co-operation.

The High Authority, for its part, intends to persevere in its efforts to work out, in co-operation with all third countries wishing to do so, fresh possibilities for agreements or negotiations suited to the special characteristics of their national economies and likely to bring about a stepping-up of international trade. The only bounds to its actions in this field are those laid down by the Treaty itself.

PART TWO

**OPERATION AND STRUCTURE
OF THE COMMON MARKET**

61. The main feature in the economic development of the Community countries since 1954 has been a very marked expansion, which continued into 1956, although on the whole at a somewhat slower rate than previously. The industrial production of the Community countries increased in 1956 by approximately 8% over 1955, as against more than 12% from 1954 to 1955. A comparison of quarterly figures shows this slackening even more clearly: the rate of increase in industrial production fell from more than 11% in the fourth quarter of 1955 to 6.4% in the fourth quarter of 1956. A lessening in the rate of increase is observable in most of the industrial sectors, although there are substantial differences between one country and another.

This falling-off in the rate of increase was partly due to a deliberate economic policy, as certain Governments have been endeavouring, by taking restraining action, to canalize the impetus of expansion into a steadier and smoother process of development.

The main problems in such a situation are due to the fact that the limit of full employment is not reached in all sectors at once: where there is a sector still possessing a certain margin for expansion, we find bottlenecks forming either up-line or down-line from it, which reduce the general level at which expansion could actually be carried through.

In the course of the last twelve months, iron and steel production has been hampered by bottlenecks in production

capacity, and by certain difficulties in regard to the supply of raw materials. The industries of the Community are up-line from all the rest, and hence occupy a key position in the general process of economic expansion, which depends to a great extent on a steady flow of coal — still the main source of energy in Europe — and of steel.

As a result of the introduction of the Common Market for coal and steel, this key position was brought under the control of common institutions whose duty it is to see that the economies of the Community countries are kept regularly and equitably supplied with the products of the basic industries. The High Authority has been required to take action almost every day, and to exercise permanent arbitration, in its endeavours to deal with the manifold problems created by these bottlenecks, in such a manner as to serve the general interest of the Community economies. Although its day-to-day measures are prosaic enough in themselves, and are not usually of a type which can be tabulated statistically, they are essentially the ones which make the Common Market a living reality, and express in concrete form what is involved by the pooling of the basic industries in the Community countries. The effectiveness of supervision is demonstrated not by the stir it makes, but by the troubles it manages to nip in the bud.

62. The High Authority's responsibilities are not confined to supervising the operation of the Common Market. It is also required to provide information and guidance. Accordingly, as in previous years, it has carried on extensive consultations with the Governments, the enterprises, the workers, the consumers, the dealers, the employers' associations and experts. By means of these consultations it continued to pursue its regular study of market and price trends, and to communicate its findings to those directly concerned. As announced in its Fourth General Report, ¹⁾ in accordance

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 171

with the hope expressed in a resolution adopted by the Common Assembly at its Session in June 1955,¹⁾ it has been publishing every three months, since April 1956, *programmes containing forecasts* in respect of production, consumption, exports and imports of crude steel, pig-iron, scrap, iron ore, coke and coal.²⁾ These provide the enterprises of the Community with a general picture of the economic trends in the Common Market. They are intended to serve as guidance for short-term action by the enterprises, and to help eliminate the stresses and strains which emerge from time to time in the various sectors of the market.

63. In addition to these possibilities for providing short-term guidance, the Treaty gives the High Authority power in certain cases, to take direct action, regarding the operation of the market. Past experience has led the signatories to the Treaty to acknowledge in so many words that operation of normal competition is not always sufficient to dispose of all the problems liable to arise out of economic developments in the market. This is particularly true when there is a serious shortage or a definite glut, and at such times the High Authority's powers in regard to economic policy range from the fixing of maximum or minimum prices to the ruthless allocation of Community production or the establishment of production quotas.

Since its inception the High Authority has made use of these powers in a number of cases. In so doing, it has always striven, as the Treaty requires, to keep its actual intervention in the operation of the market to an absolute minimum.

It has continued to observe this general principle during the period which has elapsed since the publication

¹⁾ See *Official Gazette of the Community*, July 23, 1955.

²⁾ See *Official Gazette of the Community*, April 30, 1956 (second quarter of 1956), July 19, 1956 (third quarter of 1956), October 1, 1956 (fourth quarter of 1956), January 2, 1957 (first quarter of 1957), and April 4, 1957 (second quarter of 1957).

of its last General Report. Accordingly, it considered that, despite the market tightness in the supply situation and the hardening of prices, the trend in the coal and scrap markets did not necessitate recourse to the measures prescribed in the event of a serious shortage.

However, not only will it not hesitate to take such action should the situation demand it, but it feels, as it has always felt, that the scope of its activities in this field should not be confined to the use of corrective measures in emergencies such as a real shortage or glut. It has under the Treaty various means of indirect action, such as "co-operation with Governments to stabilize or influence general consumption", and "intervention on prices and commercial policy".

The High Authority has duly made use of these possibilities. Thus, in spite of resistance by certain quarters and differences of opinion in the Council of Ministers, it has insisted on the reorganization of the scrap market. It has brought to the attention of the Council a number of problems arising out of developments in the coal and steel markets, and urged that the Governments should take co-ordinated action in the fields remaining under their jurisdiction, to enable its own policy and theirs to be properly aligned.

64. The problems which have arisen during the past twelve months regarding the operation of the Common Market have only partly been disposed of. There have been difficulties, delays, even failures. The High Authority fully realizes this, but it would add that the difficulties have, in the main, occurred in those sectors for which it has not been invested with powers of decision, such as transport, and the co-ordination of the various national energy policies. It feels, therefore, that the difficulties, and even the failures, are valuable experience, just as much as the successes, and will prove useful not only for the consolidation but also for the extension of the Common Market for coal and steel.

CHAPTER FOUR

THE COMMON MARKET FOR STEEL

65. The trend in the Common Market for steel during 1956 and the first two months of 1957 was characterized by a continuous increase in demand and production, but at a more even pace than in 1955.

In general, deliveries were sufficient to meet demand, although there was some tightness during all or part of the period in regard to certain types of rolled product. There was a particularly strong demand for heavy products, especially heavy and medium plate sections, and the heavy merchant steels. Light products, especially sheet, including galvanized sheet, were relatively less in request.

Throughout 1956, iron and steel production was impeded by bottlenecks in capacity, and also in supplies of raw materials, more and more of which are having to be imported from third countries.

Scrap import requirements have increased substantially. The shortage of coke made itself sharply felt during the last few months of 1956.

Section I - The supply situation of the Community as regards steel

66. *New orders* received by Community works for rolled products totalled 42m. metric tons in 1956, as against

39,700,000 in 1955.¹⁾ This increase of 5.7% is, however, an inaccurate indication of the real trend of demand in the steel market, since a number of works have gone temporarily "off the market," or restricted the number of new orders they are willing to take, so as to avoid unreasonably swollen order-books.

Breakdown by areas of origin shows that from 1955 to 1956 there was little change in the level of home orders, a certain falling-off in orders from other Community countries, and a distinct increase in orders from third countries, due more particularly to the considerable rise in German exports, which had been somewhat constricted in 1954 and 1955.

Turning to the ratio of orders on hand to deliveries by the works, we find a substantial rise in deliveries, with the gap between them and incoming orders tending to diminish. Notwithstanding, the increase in orders on the books indicates that demand has continued to outrun supply, or did so at any rate up to the end of 1956.²⁾

('000 m. t.)

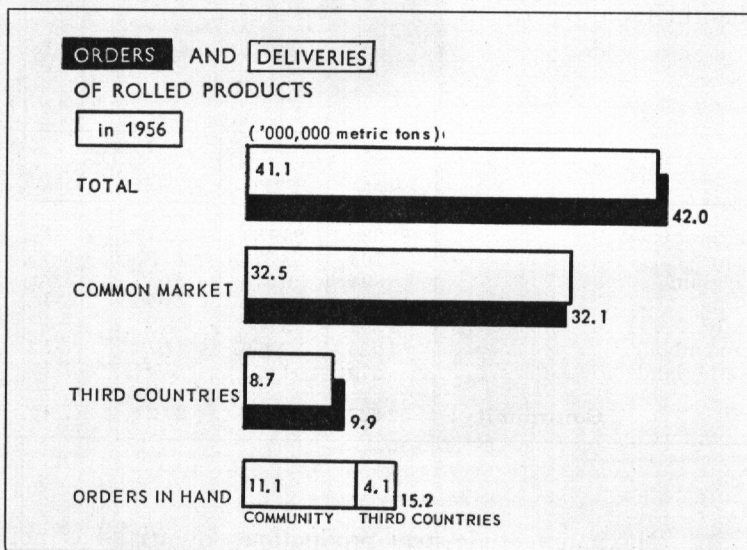
	1955	1956
<i>New orders booked</i>	39 742	42 011
from the Community	32 421	33 141
from third countries	7 321	8 870
<i>Deliveries by works</i>	37 980	41 126
to the Community	30 999	32 459
to third countries	6 981	8 667
<i>Orders on the books</i> ¹⁾	13 688	15 244
from the Community	10 763	11 138
from third countries	2 925	4 106

¹⁾ As at the end of the year.

¹⁾ See *Statistical Annex*, Table 1.

²⁾ For details, see *Statistical Annex*, Tables 2 and 3.

As may be seen from these figures, deliveries to the Community in 1956 were slightly higher than orders booked. This was not, however, the case as regards deliveries to third countries.



67. Community's iron and steel production in 1956 established a new record, although the increase over 1955 was less marked than that from 1954 to 1955. Whereas in 1954 existing production capacity was not being fully utilized, thus leaving a margin for a further stepping-up of production in 1955, the increase in 1956 was conditioned by the extension of capacity and the availabilities of raw materials.

Pig-iron production rose in 1956 to 43,500,000 metric tons. Although the increase over 1955 was appreciable (+ 6.2%), it remained well below that from 1954 to 1955, and was less marked than the increase in crude-steel production.¹⁾

¹⁾ For further details see *Statistical Annex*, Table 4.

Crude-steel production reached 56,800,000 metric tons in 1956, as against 52,600,000 in 1955. This again was a sizeable increase, but much less so than that from 1954 to 1955. It is, however, noticeable that rates of increase in the different Community countries were much more uniform than in 1955.¹⁾

('000 m. t.)

			Increase	
	1955	1956	1954/55	1955/56
Germany (W.)	21 336	23 189	+ 22.4%	+ 8.7%
Saar	3 166	3 375	+ 12.9%	+ 6.6%
Belgium	5 894	6 376	+ 19.5%	+ 8.2%
France	12 631	13 442	+ 18.9%	+ 6.4%
Italy	5 395	5 908	+ 23.2%	+ 9.5%
Luxembourg	3 226	3 456	+ 14.1%	+ 7.1%
Netherlands	979	1 051	+ 5.4%	+ 7.4%
Community:	52 627	56 797	+ 20.2%	+ 7.9%

Maximum crude-steel production potential has not expanded to the same extent as actual production. The proportion of actual to maximum possible production has thus increased from 95.6 to 97.0%. For pig-iron, the ratio has continued in the region of 96%²⁾:

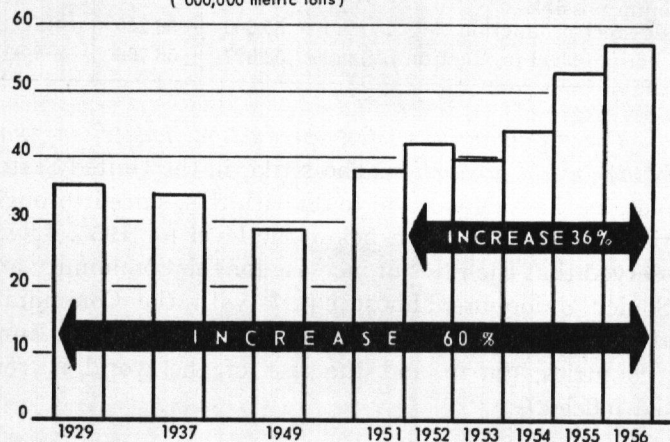
¹⁾ For further details see *Statistical Annex*, Tables 5 and 6.

²⁾ For further details see *Statistical Annex*, Tables 7 and 8. "Maximum possible production" should be distinguished from "technical production capacity". Maximum possible production is the maximum production which it is possible to attain during the year under normal working conditions, with due regard for repairs, maintenance and the usual holidays, with the plant available at the beginning of the year, but also taking into account both extra production from any plant to be installed, and any existing plant to be finally closed down during the year. Production estimates are on the probable composition of the input of each plant, on the assumption that the raw materials will be available.

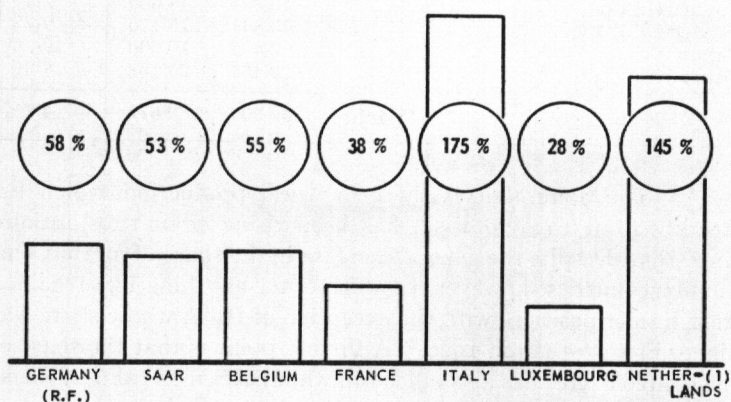
See "Memorandum on the Definition of the General Objectives." *Official Gazette of the Community*, July 19, 1955.

COMMUNITY STEEL PRODUCTION

('000,000 metric tons)



INCREASE IN % OVER 1929



(1) as against 1949

('000 m. t.)

	1955	1956	Increase
Maximum possible pig-iron production	42 700	45 030	+ 5.5%
Actual pig-iron production	41 015	43 547	+ 6.2%
Maximum possible crude-steel production	55 000	58 220	+ 5.9%
Actual crude-steel production	52 627	56 796	+ 8.0%

68. *The Community's steel production has risen more steeply than world production.* The strike in the United States, however, has had a good deal to do with this, since it brought American production down below the level for 1955. It will be observed that the rates of increase for the Community and the Soviet Union are almost equal, with the Community slightly in the lead, while the advance by the Eastern European countries, Japan and the rest of the world is very marked indeed.¹⁾

('000 m. t.)

	1955	1956	Variation
Community	52 627	56 796	+ 7.9%
U. K.	20 107	20 987	+ 4.4%
U. S. A.	106 143	104 330	- 1.7%
Soviet Union	45 300	48 600	+ 7.3%
Eastern Europe	13 861	15 170	+ 9.4%
Japan	9 405	10 600	+ 12.7%
Other countries	22 457	26 188	+ 16.6%
World:	269 900	282 671	+ 4.7%

The Community's share in world production, which fell steadily from 1929 to 1951, has been rising again substantially since 1952. Despite the general increase in the share of all the Community countries, however, they have not anything like regained their former position, with the exception of Italy, whose share was higher in 1956 than in 1929.²⁾ A further point is that the share of the United States has also fallen off, while Britain has almost main-

¹⁾ See *Statistical Annex*, Table 9.

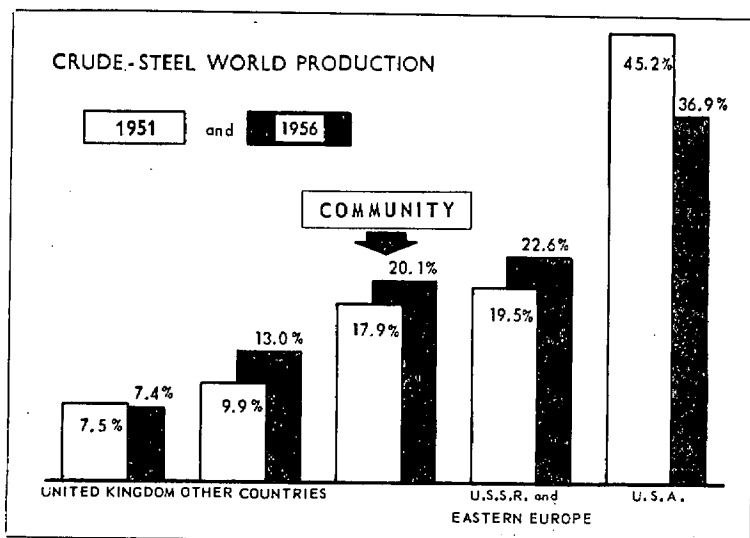
²⁾ See *Statistical Annex*, Table 10.

tained her 1929 position. The Community's position improved considerably between 1952 and 1956, which is particularly noteworthy inasmuch as world production is itself expanding at a tremendous pace and the share of the constantly-increasing number of new producers is bound to reduce the share of the older-established ones.

	1929	1951 ⁽¹⁾	1956
Community	29.4%	17.9%	20.1%
U. K.	8.1%	7.5%	7.4%
U. S. A.	47.4%	45.2%	36.9% ⁽²⁾
Soviet Union	4.2%	14.9%	17.2%
Eastern Europe	4.8%	4.6%	5.4%
Japan	1.9%	3.1%	3.7%
Other countries	4.2%	6.8%	9.3%
World:	100.0%	100.0%	100.0%

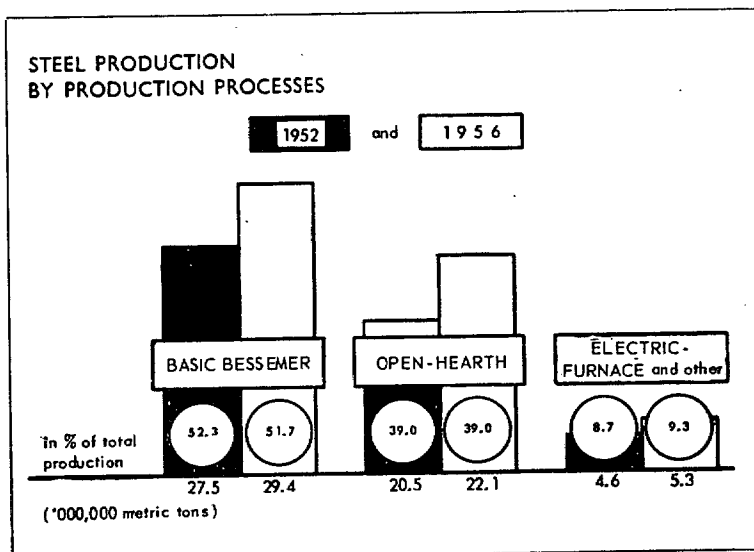
1) 1951 has been selected because conditions in 1952 were distorted by the strike in the United States, and in 1953 by a slack period in the Community. Although it was only in 1952 that Western Germany exceeded her 1937 production figure, with 15,800,000 metric tons, the comparable share obtained for the Community as a whole would nevertheless be in the neighbourhood of 18% if the basis taken was 1952, duly corrected to allow for the effects of the strike in the United States.

2) Figure affected by the 1956 strike.



69. *Production of high-grade and special steels* totalled 4,500,000 metric tons in 1956, as against 4m. in 1955, *i.e.* an increase of 11.7%¹⁾. The proportion of high-grade and special steels in overall crude-steel production rose from 7.7 to 8%. This increase reflects the progressive change in the structure of demand in the steel market. A feature of this process is the growing importance in the modern economy of the most advanced technical equipment, capable of standing up to harder use than previously, and of satisfying the requirements of an ever greater insistence on precision.

70. *The trend in crude-steel production according to the different production processes* shows an increase in the proportion of electric-furnace steels, and a corresponding drop in that of basic Bessemer, in total steel production. The proportion of open-hearth steels remains unchanged²⁾.



¹⁾ See *Statistical Annex*, Table 11.

²⁾ See *Statistical Annex*, Table 12.

One result of this development in the structure of production is to complicate still further the problem of scrap supplies.

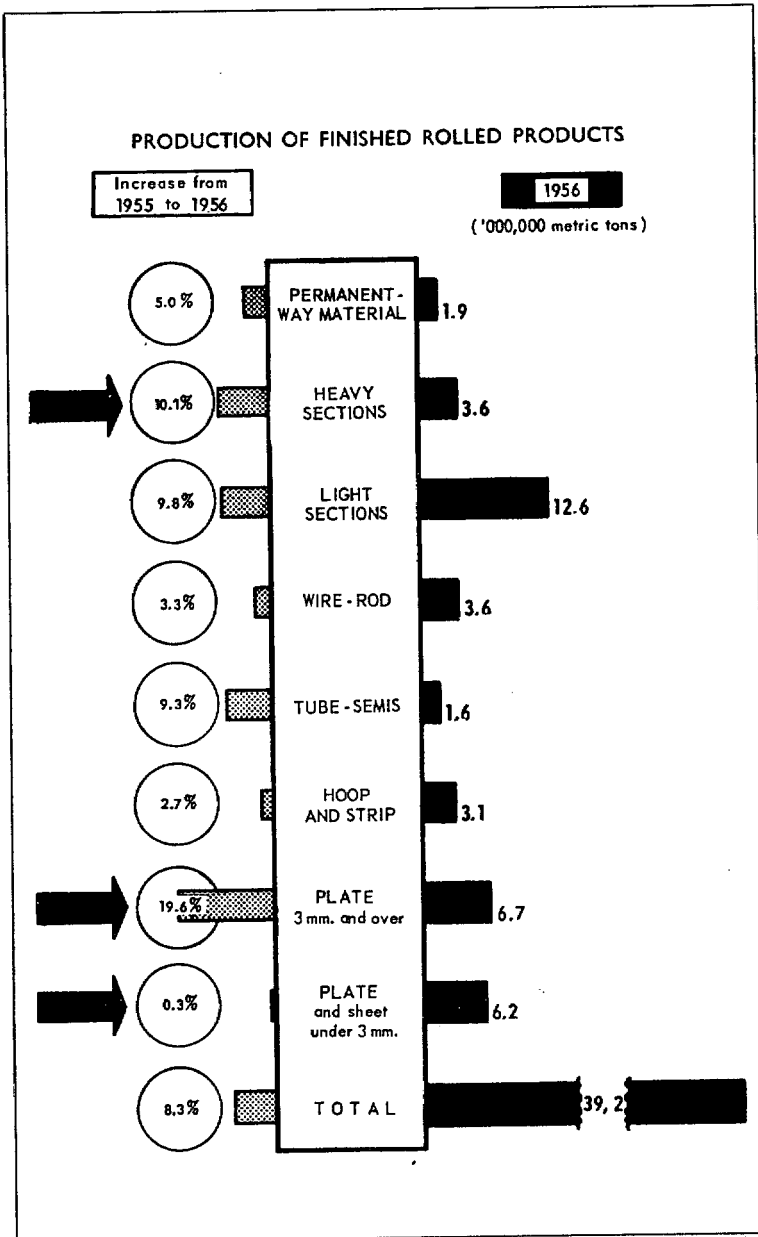
Maximum production potential for basic Bessemer and open-hearth steel has expanded less rapidly than actual production; for electric-furnace steel, on the other hand, it has outstripped it. The considerable expansion on production and capacity in this latter sector may be explained by the fact that the cost of investment in the production plant required is lower than the cost of investment in plant based on the production and conversion of pig-iron, and that scrap-based plant is quicker to instal; in addition, there is the rapid increase in demand for steels of the quality still mainly produced in open-hearth and electric furnaces using scrap¹⁾.

	Increase 1955/56
<i>Maximum possible production</i>	
Basic Bessemer	+ 4.8%
Open-hearth	+ 5.0%
Electric-furnace and other	+ 15.9%
<i>Actual production</i>	
Basic Bessemer	+ 6.8%
Open-hearth	+ 8.0%
Electric-furnace and other	+ 14.5%

71. *Production of finished rolled products rose more sharply than crude-steel production. It went up from 36,200,000 metric tons in 1955 to 39,200,000 in 1956, an increase of 8.3%. The trend varied a good deal according to types of product. The rate of increase was especially high in the heavy-sections sector and for heavy and medium plate, while production of sheet remained unchanged²⁾.*

¹⁾ See *Statistical Annex*, Table 13.

²⁾ See *Statistical Annex*, Tables 14 and 15.



72. Although Community iron and steel production did not expand as much as it otherwise might have in 1956 owing to certain limitations in the extension of production capacity and in the supply of raw materials available, it would not appear to have been affected by developments in the manpower situation.

The number of persons employed in the iron and steel industry increased in all the countries of the Community.¹⁾

	End of 1955	End of 1956	Increase
Total personnel (1)	502 800	522 100	+ 3.8%
of which: workers	428 200	444 300	+ 3.8%

¹⁾ Workers, apprentices, salaried employees, technicians and managerial staff.

The fact that the increase in iron and steel production (6.2% for pig-iron, 7.9% for crude steel, 8.3% for finished rolled products) was much greater than the increase in the labour force — which was incidentally accompanied by a pretty well all-round reduction of the working week — is indicative of a substantial stepping-up of productivity in the Community's iron and steel industry, which may be put at about 5.5%.

73. *The working week in the iron and steel industry* was shortened in 1956 in almost all the countries of the Community. Major changes were also made in most Community countries regarding holidays with pay and paid public holidays, which were substantially increased in number.²⁾

74. Owing to the general tightness in the world steel market and the rise in world prices, the supply difficulties in the Community steel market had very little effect on the trend in *imports of iron and steel products from third countries*. These remained at the 1955 level of 1,500,000 metric tons, whereas from 1954 to 1955 they had increased by nearly 55%. The

¹⁾ See No. 197 below and *Statistical Annex*, Table 41.

²⁾ See Chapter IX, Section 2, below.

figures vary a good deal, however, from one Community country to another¹⁾).

This recession is pretty well general, whatever the country of origin, with the exception of imports from Eastern Europe and the Soviet Union, one-half of which were made up of pig-iron. About one-third of the semis from this source were, however, delivered by Poland for re-export there after processing.

Imports of finished products, end-products and pig-iron fell off slightly; imports of ingots and semis, on the other hand, showed a considerable rise. Accordingly, the proportions of the different types of product in the total imports underwent some change²⁾:

	Variation 1955/56	Proportions of types of product	
		1955	1956
Pig-iron	— 4.2%	38.7%	35.7%
Ingots and semis	+ 46.4%	14.4%	20.1%
Finished products and end-products ..	— 0.9%	46.9%	44.2%
		100.0%	100.0%

75. As regards imports of pig-iron, the Governments of the six Community countries decided to suspend Customs duties on open-hearth hematite pig-iron from third countries from July 1, 1956, to June 30, 1957. This was done in order to help the scrap supply situation, by making it easier to save scrap by the increased use of pig-iron.³⁾ The High Authority also authorized the Italian Government to reduce the duty on foundry pig-iron from third countries to the level of the highest duty imposed elsewhere in the Community (*viz.* in France), with the reservation that Italian duties on pig-iron foundry from Community countries must remain suspended.⁴⁾

¹⁾ For further details, see *Statistical Annex*, Table 16.

²⁾ For further details, see *Statistical Annex*, Table 17.

³⁾ See Nos. 86—88 below.

⁴⁾ See No. 166 below.

76. Breakdown of new orders reveals that demand from third countries increased very considerably in 1956¹⁾. Exports of iron and steel products to third countries rose steeply up to the end of 1956, though less steeply than demand; since that date they have been tending to outstrip it. They went up from 7,700,000 metric tons in 1955 to 8,900,000 in 1956, an increase of 15%.

The trend varied very much, however, according to the different countries of origin and of destination.²⁾ The distribution of the Community's total exports by countries and areas of destination underwent a number of major changes. The Asian countries have now become the Community's biggest customer:

	1955	1956
North America	6.9%	12.3%
South and Central America	13.6%	9.4%
United Kingdom	9.9%	9.3%
Scandinavian countries	7.2%	13.2%
Eastern Europe and Soviet Union ...	3.5%	7.7%
Other European countries	28.7%	15.8%
Overseas territories (of member States)	8.9%	7.0%
Asia	13.7%	19.5%
Africa (exclusive of territories of member States)	5.9%	4.7%
Other areas	1.7%	1.1%
	100.0%	100.0%

In contrast to imports, exports of finished products and end-products show a sharp rise, and exports of pig-iron a sharp drop. The pattern of exports has thus changed, with finished products and end-products representing nine-tenths of the tonnage exported during 1956.³⁾

¹⁾ See No. 66 above.

²⁾ For details, see *Statistical Annex*, Table 18.

³⁾ See *Statistical Annex*, Table 19.

	Variation 1955/56	Proportion of types of product	
		1955	1956
Pig-iron	- 17.7%	6.5%	4.5%
Ingots and semis	- 1.0%	7.8%	6.7%
Finished products and end-products	+ 22.1%	85.7%	88.8%
		100.0%	100.0%

77. *Net exports* by the Community to third countries rose from 6,300,000 metric tons in 1955 to 7,400,000 in 1956, an increase of 18%. The increase was in finished products and end-products only. Net exports of ingots and semis dropped from 394,000 to 308,000 metric tons. Pig-iron imports exceeded exports by 172,000 metric tons, as against 69,000 in the previous year.

78. While the overall supply of the Community is governed by production and net exports, the supply of the different areas of the Community is largely conditioned by *trade in iron and steel products among the Community countries*.

It was no doubt owing to the tight supply situation in the home markets of the Community countries that there was a certain falling off in the trade in iron and steel products during 1956. This trade declined from 5,700,000 metric tons in 1955 to 5,100,000 in 1956, a drop of 10%. At that figure it is, however, still 140% above that for 1952 (2,100,000 metric tons)¹⁾.

Western Germany is the only country to have increased its total deliveries, an achievement which may be attributed mainly to the fact that production capacity has undergone a greater ex-

¹⁾ See *Statistical Annex*, Table 20.

pansion there than elsewhere in the Community.¹⁾ Outgoing and incoming tonnages for the different Community countries developed as follows (in thousands of metric tons):

	Outgoing			Incoming		
	1955	1956	Variation	1955	1956	Variation
Germany (W.)	832.0	917.8	+ 10.3%	2 563.7	2 001.8	— 21.9%
Belgium/Luxemb. (1)	2 483.5	2 210.1	— 11.0%	506.6	529.7	+ 4.6%
France/Saar	1 942.7	1 608.4	— 17.2%	781.5	901.1	+ 15.3%
Italy	61.6	48.9	— 20.6%	482.5	422.1	— 12.5%
Netherlands	344.3	289.1	— 16.0%	1 329.8	1 219.6	— 8.3%
Community:	5 664.1	5 074.3	— 10.4%	5 664.1	5 074.3	— 10.4%

¹⁾ Estimates based on first eleven months.

79. The High Authority has to see to it that trade among Community countries goes on under normal conditions of competition, which is to say, in particular, without discriminations. As regards iron and steel products, it continued its endeavours to work out a solution to certain problems which were already engaging its attention in 1955.

An Italian law of July 17, 1954, had introduced duty and tax exemptions for iron and steel products used in shipbuilding in Italy.²⁾ The effect of this law was to bring about discrimination between Italian products and products imported from other Community countries. Although the latter are allowed in duty-free, and carry various tax reliefs, the Italian products not only carry exactly the same tax concessions, but also a flat tax remission roughly equivalent to the Customs duties payable in 1954 on products from other Community countries. As these duties have been progressively reduced since 1954, in accordance with Section 30,2 of the Convention,³⁾ this is an encouragement to give preference to Italian products. The High Authority has made a number of representations to the Italian Government, which ultimately, in December 1956, stated that it would be introducing a Bill to amend the law in question. The High Authority studied the draft of the

¹⁾ See *Statistical Annex*, Table 8.

²⁾ See *Fourth General Report of the High Authority*, April 1956, No. 124

³⁾ See No. 166 below.

Bill, and asked the Italian Government for additional elucidation on some points.

Certain provisions in the *French Customs tariff law* work out in such a way that French iron and steel products passing in transit via Rotterdam or Antwerp to the French Atlantic coast are considered to be dutiable just as if they were from third countries. At the request of the High Authority, the French Government, in April 1955, granted exemptions and introduced a competitive railway freight tariff for consignments from the North-Eastern France to the Atlantic coast¹⁾. The High Authority raised the matter once more in 1956, and asked for further details of the position. It requested the French Government to extend similar competitive tariffs to all points on the French seaboard which asked for them. The French Government informed the High Authority in December 1956 that no applications for exemption had been received for eighteen months, and that it would therefore not be necessary to extend the arrangement as requested. The High Authority will continue to keep a close watch on any further developments in the matter.

At the end of March 1956, the High Authority asked the French Government for details of the special terms allowed to French manufacturers of agricultural machinery in respect of their rolled products from iron and steel enterprises in France and the Saar. The French Government replied that the practical details of this assistance had been progressively modified so that they were no longer discriminatory, and that the iron and steel enterprises had been debarred from making any such arrangements as from April 30, 1956.

Section 2 — The supply situation of the iron and steel industry as regards raw materials

80. *Keeping the iron and steel industry of the Community supplied with iron ore* presented no particular difficulty in 1956.

Extraction of crude ore in Community mines totalled 80,700,000 metric tons (Fe content 23,400,000 metric tons),

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No.127.

as against 76m. (Fe content 22,300,000) in 1955, an increase of 6.1%¹). The production of saleable iron-ore rose from 70,300,000 metric tons (Fe content 21,500,000) to 74,300,000 (Fe content 22,600,000). In view of the coke supply position, it should be stressed that the production of sintered ore and its consumption in the blast-furnaces continue to increase, the figures being 15,400,000 metric tons in 1954, 17m. in 1955 and 18,200,000 in 1956.

Consumption of ore in the blast-furnaces, the sintering-plants and the steelworks during 1956 represented an Fe content of 33,800,000 metric tons. The gap between consumption and home production was closed by imports from third countries, which increased from 18,500,000 metric tons in 1955 to approximately 23,400,000 in 1956 (from about 10,400,000 to about 13,100,000 metric tons Fe content). Exports to third countries were in the region of 910,000 metric tons as against 1m. in 1955 (Fe content approximately 300,000 tons as against 320,000), so that the increase in net imports in 1956 as against 1955 amounted to approximately 2,700,000 metric tons Fe content.

Stocks of iron ore at the mines fell from 4,400,000 metric tons at the end of 1955 to 3,700,000 at the end of 1956, a drop of 220,000 metric tons Fe content. Stocks at the works and outside increased from 4,500,000 to 5,600,000 metric tons Fe content.

The overall supply situation of the Community as regards iron-ore developed as follows (in millions of metric tons Fe content):

	1955	1956
Production	21.6	22.6
Net imports	10.1	12.8
<i>Total availabilities</i>	<i>31.7</i>	<i>35.4</i>
<i>Total consumption</i>	<i>30.6</i>	<i>33.8</i>

¹) See *Statistical Annex*, Table 21.

As in 1955, therefore, there was no difficulty in preserving the general balance of supplies. In view, however of the increasing extent to which imports now figure in the Community's supplies, it will be necessary to keep a careful watch on the trend in world prices and the availability of shipping space¹⁾.

81. *Trade in iron ore among Community countries* continued to increase in 1956, rising to nearly 14m. metric tons, which is 3.7% more than in 1955 and something like 50% more than in 1952. The main flow of deliveries, from France to Belgium and Luxembourg, reached 12,600,000 metric tons, as against 12,500,000 in 1955. Sales by France to Western Germany, which in 1955 were back to the 1953 level after a decline in 1954, increased substantially: the figure for 1956 was 590,000 metric tons, which represents an increase of 66.6% over the preceding year. This comparatively steep increase must not, of course, be allowed to obscure the fact that, absolutely speaking, the flow of trade in question is still only on a very small scale²⁾.

82. No particular problems have arisen in connection with the operation of the Common Market for iron ore. Only one matter was brought to the attention of the High Authority: it related to the *operating conditions of the iron-ore mines on the Island of Elba*. State-owned and privately-owned mines in Italy come under different licensing regulations, and have to bear different charges. This can result in a discrimination between one producer and another, incompatible with Article 4,c) of the Treaty. The High Authority requested the Italian Government to take adequate steps in the matter as soon as possible.

83. *The supply of scrap to the iron and steel industry*, on the other hand, raises serious problems for the development of steel production, although on 1956 it was still possible to meet demand satisfactorily.

¹⁾ For medium and long-term supply problems, see Nos. 315 and 316 below.

²⁾ See *Statistical Annex*, Table 22.

The Community works' own arisings increased in much the same proportion as did their crude-steel production. Ton-nages recovered within the Common Market remained much the same mainly owing to the fact that some time always elapses before scrap-recovery from the steel-processing industries catches up with any increase in steel consumption, particularly in periods of rapid expansion. Scrap requirements increased faster than steel and pig-iron production, by reason of the stepping-up of the scrap input rate from 389.8 kg. per metric ton of steel produced (all types together) in 1955 to 397.5 kg. in 1956.

This being so, it was possible to balance supplies only by increased recourse to imports from third countries (particularly the United States), although these had already reached a fairly high level in 1955. Stocks at the works fell off slightly between the end of 1955 and the end of 1956)¹.

('000 m. t.)

	1955	1956	Increase
Pig-iron production	41.0	43.5	+ 6.2%
Crude-steel production	52.7	56.8	+ 7.9%
Total scrap consumption	24.4	26.7	+ 9.7%
Works' own arisings	12.6	13.5	+ 6.0%
Internal recovery	9.8	9.9	+ 1.5%
Imports from third countries	3.0	3.2	+ 8.0%
Total availabilities	25.4	26.6	+ 4.8%
Withdrawals from stocks at works . . .	—	0.1	

84. Scrap trade within the Community in 1956 totalled 1,264,500 metric tons, 8% more than in 1955, and nearly three times the 1952 volume²). The proportion of the Italian

¹) See *Statistical Annex*, Table 23.

²) See *Statistical Annex*, Table 24.

purchases in the total trade exchanges decreased from 70% in 1955 to 58% in 1956. During the second half of the year there was a steep rise in German sales to Italy, Belgium and France, attributable largely to the difference in internal scrap prices¹⁾.

85. In connection with the scrap trade the High Authority took up the matter of the *French Union des Consommateurs de Ferraille*, to which buyers in the other Community countries were obliged to apply in order to obtain French scrap. At the High Authority's request, the French Government on April 12, 1956, issued a decree rescinding the arrangement by which the Union was empowered to lodge applications for import and export licences.

86. Although the Community's scrap supply was at at no time in jeopardy during 1956, and requirements were met without any particular difficulty, (apart from certain seasonal fluctuations and an occasional shortages of shipping space); the tightness in the Common Market for scrap became more and more evident.

This state of affairs is due to the extremely rapid expansion of the iron and steel industry all over the world. Iron and steel production in the Community countries increased by 30% between 1954 and 1956, and may be expected to rise at a similar rate between 1956 and 1960. The rate of increase in the other European countries is not far behind, and in some non-European countries it is ahead.

The gap between scrap requirements and availabilities is widening fast as iron and steel production goes up. Apart from certain short-lived fluctuations, therefore, the tightness in the scrap market, both in the Community and elsewhere, must be expected to increase. Accordingly, any expansion in the iron and steel industry must involve greater and greater reliance on pig-

¹⁾ See No. 92 below.

iron, and this in its turn necessitates very large-scale capital expenditure on blast-furnaces, sintering-plants and coke-ovens, as well as in the iron-ore mines. The High Authority has been making great efforts to facilitate and encourage such investments in the countries of the Community¹). Until these schemes begin to yield results, in some two years' time, arrangements have had to be made to prevent any worsening in the situation during this difficult period, particularly in view of the danger that the countries which have hitherto continued to export scrap may clamp down on the flow of supplies.

87. *The reorganization of the Common Market for scrap* has therefore been pursued with vigour by the High Authority. The system originally instituted by it for scrap was made up principally of two financial arrangements under Article 53, b of the Treaty, the first providing for price compensation between scrap imported from third countries and scrap bought within the Community²), and the second for the saving of scrap by the increased use of pig-iron and liquid steel in the open-hearth and electric furnaces³). These arrangements were due to be discontinued as from March 31, 1956, but were extended a number of times, with the approval of the Council of Ministers, and finally remained in force up to January 31, 1957⁴). Since the object of the system was, however, only to keep prices within reasonable limits, the High Authority

¹) See Chapter XIV, Section 1, below.

²) Decision No. 14-55, of March 26, 1955, *Official Gazette of the Community*, March 30, 1955.

³) Decision No. 26-55, of July 20, 1955, *Official Gazette of the Community*, July 26, 1955, and Decision No. 3-56, of February 15, 1956, *Official Gazette of the Community*, February 22, 1956.

⁴) See *Fourth General Report of the High Authority*, April 1956, No. 169 and 170; Decision No. 10-56, of March 7, 1956, *Official Gazette of the Community*, March 15, 1956, No. 24-56, of June 22, 1956, *Official Gazette of the Community*, June, 27 1956, and No. 31-56, of October 10, 1956, *Official Gazette of the Community*, October 18, 1956.

asked the Council as early as February 1956 for its agreement to a number of proposed short and medium-term measures to deal with the structural factors which were endangering the regular flow of scrap to the Common Market.

In view of the chronic deficit in the Community's scrap situation, the draft decisions submitted by the High Authority to the Council of Ministers provided that the amounts payable by the enterprises in compensation, hitherto calculated at a standard rate, should be increased for any producers who in future, by consuming larger tonnages of scrap, made the deficit worse and obliged the Community to step up its imports, and thereby to become still more dependent on outside sources of supply.

88. These principles, and the problems involved in putting them into practice, were discussed on a number of occasions by the Council of Ministers and its select committee. The High Authority several times put forward fresh proposals with a view to reconciling the differences of opinion between certain delegations.

The Council finally gave its unanimous agreement to the arrangement set forth by the High Authority in its Decision No. 2-57, which came into force on February 1, 1957¹⁾. Decision No. 14-55, laying down the previous system, ceased to have effect as from that same date. The arrangements aimed at saving scrap by the increased use of pig-iron, and of basic Bessemer liquid steel in the electric furnaces, will, however, continue operative from February 1 to July 31, 1957, the accounting procedure having been first brought in line with the new regulations.

¹⁾ Decision No. 2-57, of January 26, 1957, *Official Gazette of the Community*, January 28, 1957.

The arrangements in force up to the end of January, 1957, were so amended as to offer an incentive to the saving of scrap without at the same time making it more difficult to instal new steel production capacity. To this end, scrap-consuming enterprises are now obliged to pay, over and above their previous compensation, a surcharge going up at regular intervals for so long as their total scrap consumption exceeds the consumption for a given reference period.

The enterprises are, however, left free to select their own reference period, in order to allow for any special conditions prevailing in individual firms. For this purpose, six months, not necessarily consecutive, may be taken as the reference period, out of any seven consecutive months between January 1, 1953, and January 31, 1957.

To allow for the fact that, owing to the present situation in the raw-materials market, certain enterprises will not for the moment be able to avoid consuming a tonnage of scrap in excess of the reference tonnage, the surcharge will be payable only as from July 1, 1957. It will then be only 25% of the basic charge, but will go up every quarter by a further 25%, until May 1, 1958, after which date it will stand at 100% of the basic charge.

As and when enterprises reduce their scrap input rate for certain types of plant or production processes below the input rate of their reference period, or the average weighted input rate of the Community, the surcharge will be lowered by five times the percentage of the reduction effected, down to a limit of 100% of the surcharge.

Thus, under the new system of an ascending surcharge it should be possible, without undue hardship to the enterprises, to bridge the two years before the investments in hand and planned in regard to pig-iron production, coke supplies

and ore dressing begin to be of assistance in disposing of current difficulties and balancing the supply of raw materials to the iron and steel industry of the Community¹).

89. Last March, a number of Community enterprises and associations of enterprises appealed to the Court of Justice against the High Authority's decision to reorganize the scrap market. The essential point at issue was the principle of exacting a surcharge.

Section 3 - Price trends in the iron and steel industry

90. The prices of iron and steel products and raw materials continued to rise in 1956, although never on the scale recorded in 1950-51 following events in Korea²).

91. *Iron-ore prices.* Most of the Community's iron-ore production goes to steelworks owned by the same enterprises as the actual mines. Sales on the basis of the published price schedules involve only comparatively small tonnages.

Schedule prices have in general gone up. The average price ex-mine for Lorraine minette ore rose by 11.4% between January 1956 and January 1957. The level at the beginning of 1957 was approximately 17% above that for the period February 10 - December 31, 1953.

¹) See Chapter XIV, Section 2, below. For supplies of coke to the iron and steel industry, see No. 115 below.

²) For trends in coke prices, see No. 124 below and *Statistical Annex*, Tables 38 and 39.

	Ffr. per m. t.	Index (10. 2. - 31. 2. 53 = 100)
April 1954	1 173.33	93.2
April 1955	1 163.04	92.3
July 1955	1 215.16	96.5
January 1956	1 324.64	105.2
April 1956	1 327.48	105.4
July 1956	1 379.06	109.5
October 1956	1 375.74	109.2
January 1957	1 476.99	117.3

92. *Scrap prices* which had changed very little during the first six months of 1956, showed an upward trend during the second. The price level and the increases which occurred varied a good deal from one Community country to another. The rise was particularly marked in Italy and Belgium, and comparatively slight in Germany; Luxembourg purchased no scrap during the winter of 1955-56.

(in dollars per m. t.)¹⁾

	February 1956	February 1957	Increase
Germany (W.)	39.30	42.49	+ 8.1%
Belgium	41.80	51.43	+ 23.0%
France	38.50	46.00	+ 19.5%
Italy	40.00	51.20	+ 28.0%
Luxembourg	—	47.94	—
Netherlands	42.91	50.48	+ 17.7%

¹⁾ Price ex-dealer's yard, exclusive of tax.

Over and above these prices, the buyer had to pay the compensation levy¹⁾, which rose from \$ 9.00 in the first quarter of 1956 to \$ 11.75 in the fourth; for January 1957 it was fixed at \$ 10.75.

The American composite price, which serves as the basis for the invoicing of scrap imported from the United States, fluctuated very considerably: it dropped from \$ 52.00 in January 1956 to \$ 44.83, then rose steeply to reach \$ 63.50 in January 1957, and had fallen again by the end of March to \$ 48.17.

¹⁾ See No. 87 above.

The c. i. f. prices for the Community's scrap imports generally went up from \$ 65.76 in January 1956 to \$ 82.14 in December, an increase of nearly 25%.

93. With regard to the fixing of the compensation price for imported scrap for the period July-October 1956, the Board of the Joint Office of Scrap Consumers disagreed in its computation of the flat rate for the cost of transshipment at port of arrival and carriage to destination. Under Article 9,2 of Decision No. 14-55 the High Authority itself determines what is to be done if unanimous agreement by the Board is not forthcoming ¹⁾. This was the second occasion on which it had been called upon to do so²⁾. By its Decision No. 34-56, it introduced a system for calculating the compensation price whereby the flat rate for carriage was done away with. ³⁾.

94. The price of o. h. hematite pig-iron, which has been rising gradually ever since 1955 in all the countries of the Community, showed a further substantial increase during the last quarter of 1956.

(in dollars per m. t.)

	February 1956	September 1956	February 1957	Increase (Feb. 1955- Feb. 1956)
Germany (Siegen)	56.09	56.09	69.05	+ 23.1%
Belgium (Charleroi)	69.40	72.40	80.10	+ 15.4%
France (Longwy)	65.71	71.43	78.57	+ 19.6%
Italy (Genoa)	68.80	70.40	88.00	+ 27.9%
Netherlands (Beverwijk/Telsen)	68.17	73.18	81.75	+ 19.9%

- ¹⁾ Decision No. 14-55, of March 26, 1955, *Official Gazette of the Community*, March 30, 1955.
- ²⁾ See *Fourth General Report of the High Authority*, April 1956, No. 169, and Decision No. 9-56, of February 29, 1956, *Official Gazette of the Community*, March 5, 1956.
- ³⁾ Decision No. 34-56, of December 5, 1955, *Official Gazette of the Community*, December 11, 1956.

This rise more than made up for the drop in 1953 and 1954. The relation of the prices in February 1957 to those in May 1953, and to the lowest level touched in 1954—55, may be tabulated as follows:

	May 1953 = 100	Lowest level 1954—55 = 100
Germany (W)	118.3	125.9
Belgium	124.8	124.8
France	115.8	133.5
Italy	137.6	161.8
Netherlands	132.7	132.7

As a result of these increases, the price of o. h. hematite pig-iron drew still further away from the price of scrap, which had been kept within bounds by the compensation scheme. The relation of the prices of o. h. hematite pig-iron from representative Community, British and American producers to average scrap prices at the end of January 1957 was as follows:

(in dollar per m. t. exclusive of tax)

	Basis price of hematite pig-iron	Average price of scrap ¹⁾	Scrap in % of pig-iron
Germany (W.) .	69.05 (Siegen)	55.23	80.0%
Belgium	80.10 (Charleroi).....	59.32	74.0%
France	78.57 (Longwy).....	54.75	69.7%
Italy.....	88.00 (Genoa)	61.95	70.4%
Netherlands ..	81.75 (IJmuiden)	61.23	74.9%
U. K.	64.96 (all production centres)	31.00	48.0%
U. S.	62.50 (Mahening or Shenange Valley) .	55.50	88.8%

¹⁾ Price f.o.t. sending station, including scrap compensation levy, in the Community; composite price for the United States (figures for average transport costs not available). The High Authority has not yet been informed what levy is payable on scrap in the United Kingdom.

95. German producers of foundry pig previously, up to November 30, 1956, calculated their prices for sales to other countries ex-basing point Oberhausen, while charging zone-delivered prices within the Federal Republic itself. The zone-delivered prices resulted in practice in the offsetting of transport costs as between the buyers and consumers nearest the supplier and those further away within the same sales area. Furthermore, this system of quoting led to discrimination between consumers in Germany and consumers elsewhere in the Community. This state of affairs was contrary to the Treaty, and in particular to Article 60,2,b, which stipulates that the methods of quotation employed must not have the effect of introducing disguised increases or reductions in the schedule prices for comparable transactions.

The High Authority requested as early as June 1953 that the schedules of the enterprises in question should be revised. Talks on the subject with the Federal Government caused it to postpone decision for some time.

In July 1956, it requested the German enterprises producing foundry pig to lodge schedules in conformity with the Treaty not later than September 15. The German Minister of Economic Affairs then proposed to the High Authority that a compensation scheme under his Ministry be instituted for foundry hematite pig-iron, in order to cushion the effects of the abolition of zone-delivered prices. The High Authority decided not to oppose the temporary operation of such a scheme up to the end of the transition period.

96. *The prices of rolled products in the Common Market* have been going up ever since the beginning of 1955. This trend was even more in evidence during 1956, particularly from October onwards, and at the beginning of 1957. Movements of the indices for schedule prices on the basis of May 1953 = 100 are as follows, with the increase noticeably less marked in France and Germany than elsewhere in the Community¹).

¹) Based on the price average for basic Bessemer and open-hearth together, weighted by the deliveries of each Community country. For further details see *Statistical Annex*, Table 25.

	End of 1954	End of 1955	February 1957
Germany (W.)	96	100	107
Belgian	96	111	114
France	96	98	104
Italy	98	102	116
Luxembourg	95	105	116
Netherlands	100	107	117
Community:	96	102	110

The prices of the different types of products show a relatively steeper increase for heavy and medium plate¹⁾.

(May 1953 = 100)

	End of 1954	End of 1955	End of 1957
Semis	94	100	108
Merchant bars	95	100	108
Wire-rod	96	101	109
Sections	96	100	109
Hoop and strip	97	99	105
Heavy plate	95	102	111
Medium plate	96	102	112
Sheet	100	104	109

97. Comparison of movements in schedule prices in the Community and in Britain and the United States shows that the increase has been greater in the latter two areas¹⁾.

¹⁾ Based on the price average for basic Bessemer and open-hearth together, weighted by the deliveries of each Community country. For further details see *Statistical Annex*, Table 25.

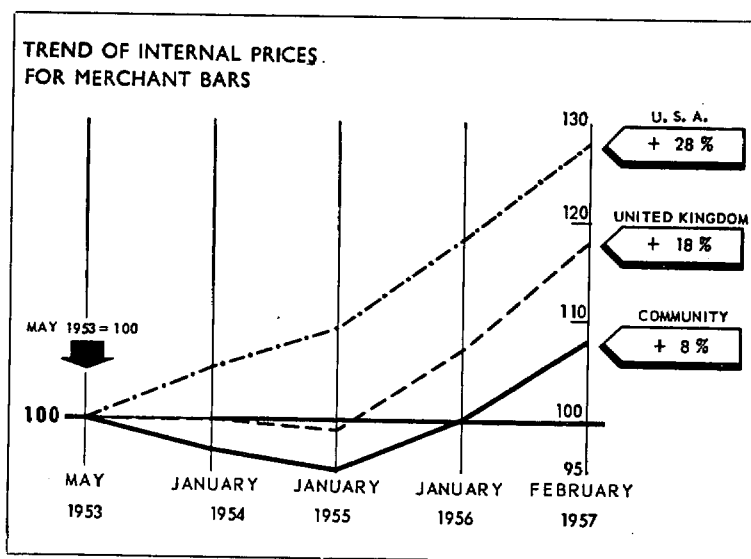
(May 1953 = 100)

	January 1954	January 1955	January 1956	February 1957
<i>Merchant bars</i>				
Community	97	95	100	108
U. K.	100	99	107	118
U. S.	105	109	118	128
<i>Sections</i>				
Community	99	96	100	109
U. K.	100	103	109	131
U. S.	106	110	119	130
<i>Heavy plate</i>				
Community	98	95	102	111
U. K.	100	103	109	129
U. S.	105	108	115	124
<i>Sheet</i>				
Community	98	100	104	109
U. K.	100	88	93	106
U. S.	104	107	115	124

98. The *export prices* published by the Community producers remained unchanged from January to September 1956. After this date they went up in varying degrees, from less than 2% for wire-rod to 12.5% for heavy plate. Over 1956 as a whole, these increases were smaller than the increases in British export prices.

Since the spring of 1954, the Community's export prices have risen more steeply than its home prices. At that time, however, they were well below home prices. Although they are now as a rule higher, they move within price ranges which are, so far as the principal products are concerned, very close to the home-market prices. Moreover, except for flat products, the Community producers' export prices are lower than those ruling in other parts of the world¹).

¹) See *Statistical Annex*, Table 26.



99. The High Authority took two decisions regarding the publication of steel prices, with a view to facilitating an equitable implementation of the Treaty while making due allowance for certain special features peculiar to the steel market.

Decisions Nos. 31-53 and 2-54 originally included *sub-standard and second choice-iron and steel products* within the general obligation to publish price schedules¹⁾. Iron and steel enterprises were therefore expected to publish any rebates granted by them on the prices of primes when selling sub-standard products and seconds. Such sales are, however, hardly ever intercomparable, so that publication of the rebates on them is not of any real assistance in achieving the aims of Article 60,1 of the Treaty.

¹⁾ Decision No. 31-53, of May 2, 1953, *Official Gazette of the Community*, May 4, 1953, No. 2-54, of January 7, 1954, *Official Gazette of the Community*, January 13, 1954, and No. 37-54, of July 29, 1954, *Official Gazette of the Community*, August 1, 1954.

The High Authority, therefore, in November 1956, took two further decisions, the first making it no longer compulsory to publish rebates for seconds, and the other instituting a procedure making it obligatory for enterprises to submit monthly returns of the tonnages of seconds sold. This arrangement is necessary in order to check that no primes are being sold as seconds or vice versa¹⁾.

100. *Price-fixing action by the Governments.* — The High Authority has noted that action by various member Governments in regard to the pricing of the iron and steel products falling under the Treaty, a matter which it has been following with attention for some time past — has recently become more frequent and more drastic than hitherto.

The High Authority fully recognizes that, in consequence of the partial integration brought about by the Treaty, the Governments are obliged, in dealing with economic affairs — and particularly in combating inflation and rising prices — to concern themselves, *inter alia*, with price trends in the basic industries, and may be tempted to influence these trends, directly or indirectly, by the exercise of powers which they have in point of fact, by signing the Treaty, already surrendered to the Community.

In these circumstances, situations can come about in which the national interest which the Government concerned is seeking to safeguard does not necessarily coincide with the objectives of the Community as set forth in the Treaty and pursued by the High Authority. Where, for instance, the fact that certain producers have been recommended, and ultimately induced, by their Governments to observe a policy of moderation in regard to the prices of iron and steel products subsequently prevents the producers concerned from accumulating the same financial reserves during boom periods as

¹⁾ Decisions Nos. 32-56 and 33-56, of November 21, 1956, *Official Gazette of the Community*, November 25, 1956.

their competitors in other parts of the Community, this differentiation can, should demand later drop off again, involve damaging consequences for the Community as regards, in particular, development of production potential, improvement of living conditions for the workers, and returns on capital invested.

Official price-pegging, for instance, can affect the pricing of Treaty products in a manner incompatible with the Treaty.

The High Authority was, therefore, obliged to draw the attention of the French Government to certain harmful effects produced by the French official price regulations which are not, in its view, in accordance with the Treaty.

These include, first of all, regulations for fixing prices and dealers' margins for the steel trade. The French Government not only fixes maximum trade margins, but, in order to lay down maximum distribution prices, insists on linking them to the so-called "production prices", which depart fairly widely from the lawful prices shown in the published schedules.

Another arrangement objected to was the pegging of prices for processed products, a measure which, where the products in question contain a considerable proportion of steel, can exert such pressure on steel prices that it is tantamount to indirect price-fixing.

The High Authority was also notified of negotiations alleged to have taken place between the French Government and the French iron and steel industry. The object, according to the High Authority's information, was to conclude an agreement on investments whereby the French Government was to provide the industry with financial assistance, in return for which the producers would undertake to keep their prices moderate. The High Authority made representations to the French Government concerning this agreement.

The High Authority considers that the general economic policies of the member countries will need to be lined up with the measures which it is itself adopting with regard to coal and steel. It has emphasized on a number of occasions that in its opinion the Council of Ministers is the proper body to discuss and deal with these problems in accordance with Article 26 of the Treaty, and that it is ready to work in close co-operation with the member Governments in this field.

These questions are to be studied in detail at a special session of the Council of Ministers, attended by the Ministers responsible for economic and price policies¹⁾.

¹⁾ See No. 128 below.

CHAPTER FIVE

THE COMMON MARKET FOR COAL

101. The trend in the Common Market for coal during 1956 was one of increasing tightness, which was still aggravated further towards the end of the year by the Suez crisis.

Coal production rose very little, as lack of manpower made it impossible to achieve the maximum extraction possible. This was among the factors making it necessary to step up imports from the United States in order to meet the increasing demand for coal.

A rise in the production costs for hard coal, due mainly to heavier wage costs, inevitably induced a rise in the selling prices of Community coal. At the same time the trend in maritime freight rates resulted in an appreciable increase in the c.i.f. import prices of such tonnages as were not covered by reduced freight rates under long-term contracts.

The High Authority endeavoured to deal with the supply and distribution problems which arose, and carried out, in co-operation with the member Governments, a comprehensive survey of possible measures both for meeting requirements by the importation of American coal and for ensuring the most equitable distribution to consumers by drawing up delivery schedules for the principal producers.

Section I — The supply situation of the Community as regards coal

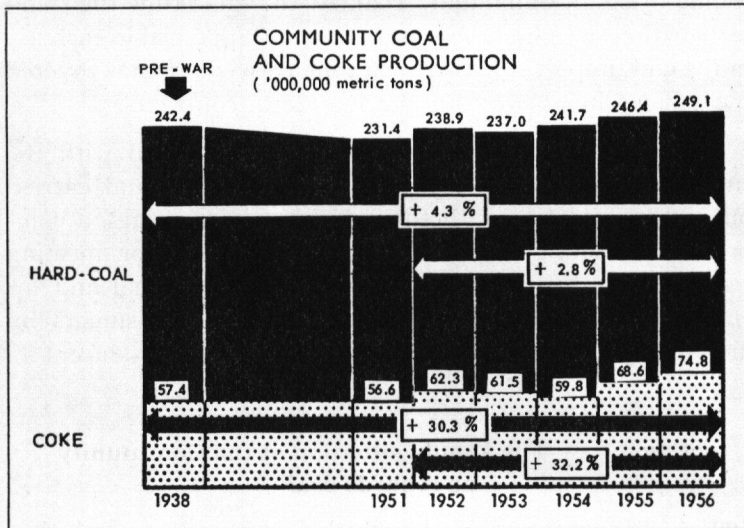
102. The conditions under which coal is won are such that production is not able to follow fluctuations in demand. Demand increased considerably during 1956, but extraction from

the Community mines totalled only 249,100,000 metric tons, as against 246,400,000 in 1955, an increase of barely 1%.

103. A comparison of the development of *hard-coal production* in the different Community countries shows that only in Germany is it on the increase, with 134,400,000 metric tons in 1956 as against 130,700,000 in 1955¹⁾.

(^{000,000 m. t.})

	1955	1956	Variation 1954/55	Variation 1955/56
Germany (W.)	130.7	134.4	+ 2.1%	+ 2.8%
Saar	17.3	17.1	+ 3.0%	- 1.4%
Belgium	30.0	29.6	+ 2.5%	- 1.4%
France	55.3	55.1	+ 1.7%	- 0.4%
Italy	1.2	1.1	+ 5.8%	- 5.3%
Netherlands	11.9	11.8	- 1.5%	- 0.5%
Community:	246.4	249.1	+ 2.0%	+ 1.1%



1) For further details, see *Statistical Annex*, Table 27.

104. A comparison of the trends in production in the different Community coalfields shows that of the main coalfields — that is those producing over 7m. metric tons per annum — only in the Campine, the Ruhr and Aachen has there been an increase above the general average for the Community¹⁾.

Ruhr	+ 2.9%
Nord/Pas-de-Calais	— 1.8%
Southern Belgium	— 3.8%
Saar	— 1.4%
Lorraine	+ 1.0%
Dutch Limburg	— 0.5%
Campine	+ 3.2%
Aachen	+ 2.1%
Lower Saxony	+ 0.5%
Centre/Midi	+ 1.4%
Sulcis	— 6.4%

105. The development of the hard-coal production of the Community compares as follows with that of other large producer areas of the world.

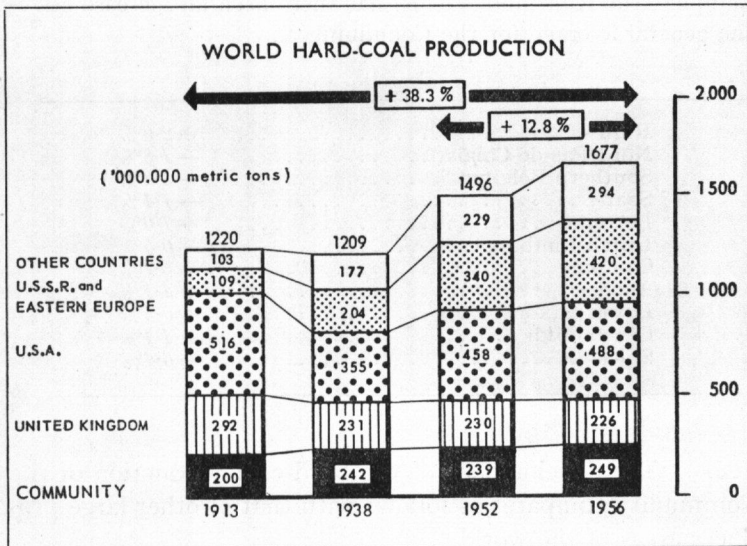
(*'000,000 m. t.*)

	1955	1956 ¹⁾	Variation
Community	246.4	249.1	+ 1.1%
U. K.	225.2	225.6	+ 0.2%
U. S.	449.0	488.3	+ 8.8%
Soviet Union	276.1	295.0	+ 6.8%
Eastern Europe	123.0	124.7	+ 1.4%
Other areas	276.3	294.3	+ 6.5%
World:	1 596.0	1 677.0	+ 5.1%

¹⁾ Provisional figures, to some extent estimated.

The growing imports of American coal by the countries of the Community and by other European countries doubtless constitute a factor which is not without significance for the development of American production.

¹⁾ See *Statistical Annex*, Table 28.



106. While hard-coal extraction has thus responded very little to the rise in demand, *coke production* has been more successful in keeping pace.

Community coking-plants in 1956 produced 74,800,000 metric tons, as against 68,600,000 in 1955, an increase of 9%¹⁾.

Germany, which accounts for nearly 60% of the Community's coke production, shows the biggest absolute increase, of 2,900,000 metric tons. Noteworthy advances are also recorded for the other countries, particularly Italy and France.

¹⁾ See *Statistical Annex*, Table 29.

('000 m. t.)

	1955	1956	Increase	
			1954/55	1955/56
Germany (W.)	40 520	43 434	+ 16.0%	+ 7.2%
Saar	3 939	4 206	+ 7.4%	+ 6.8%
Belgium	6 600	7 270	+ 7.4%	+ 10.2%
France	10 725	12 249	+ 16.3%	+ 14.2%
Italy	2 949	3 410	+ 18.0%	+ 15.6%
Netherlands	3 900	4 238	+ 15.4%	+ 8.6%
Community:	68 633	74 807	+ 14.7%	+ 9.0%

107. The underground o. m. s. in the Community mines rose on the average from 1,497 kg. in 1955 to 1,525 kg. in 1956, an increase of 1.9%, which is far below the 4.1% achieved from 1954 to 1955¹⁾. The development in the different Community coalfields from 1952 to 1956 is shown in the following diagrams.

The marked increase in underground output in the Italian Sulcis coalfield reflects the success of the measures taken under the scheme for its reorganization and financial reconstruction.²⁾

108. The hard-coal production of the Community was hampered by the *manpower shortage*. There is growing disinclination to work in the mines, due mainly to the fact that other industries provide employment which is less wearing and in some cases better paid³⁾. The number of underground workers in the Community has been dwindling steadily for some years⁴⁾.

(Monthly averages)

1953	685,900
1954	661,800
1955	648,700
1956	648,500

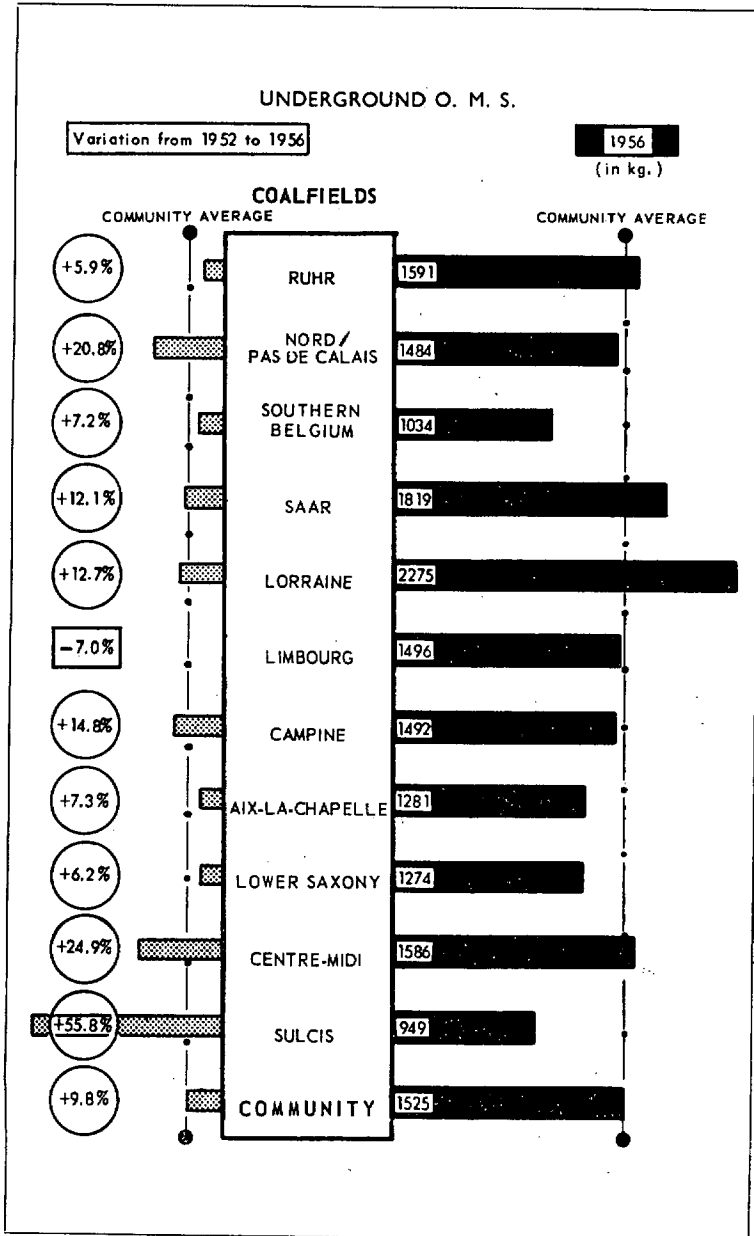
1) See *Statistical Annex*, Table 30.

2) See Nos. 186 and 239 below.

3) See Chapter IX, Section 1, below.

4) See No. 196 below, and *Statistical Annex*, Tables 41 and 42.

Two new factors further aggravated this situation in two Community countries during 1956. In Belgium, a mining accident in June, followed by the Marcinelle disaster in August, led to a slump in recruitment and a stoppage in the influx of Italian labour. In France, the drop in production is essentially attributable to the call-up of young miners, which has been going on since May. As a result the number of underground workers in the Community as a whole decreased by 18,000 between March and September 1956, including 10,000 in Belgium and 4,300 in France.



If it had been possible to make full use of existing extraction potential, the Community's hard-coal production would have been increased during 1956 by more than ten million metric tons. This serves to underline how urgent it is that action should be taken to bring the mining personnel up to strength required to ensure that actual production will correspond more nearly to production potential.

109. The member Governments have been studying the matter, as has the High Authority, and have taken various steps to ease the labour situation and, more particularly, to provide a long-term solution by ensuring better living and working conditions for the miners¹).

The action taken included one measure, the introduction of a shift bonus by the German Government, which the High Authority was obliged to examine to see whether it was compatible with the rules of the Common Market. This bonus is granted by the collieries and charged against the tax due on their total payroll. The High Authority, while not opposed to the actual principle of the bonus, objects to the method by which it is financed, which in accordance with Article 2 of the Treaty comes under the general prohibition in Article 4 on "subsidies or State assistance, or special charges imposed by the State, in any form whatsoever." The High Authority therefore requested the German Government to join with it in working out an arrangement for financing the bonus in accordance with the principles of the Treaty.

Following these measures, the situation was noticed to have improved somewhat by the end of 1956 and the beginning of 1957. In Western Germany in particular the total underground personnel increased by 9,200 men between the end of 1955 and the end of 1956.

110. It was possible to supplement the small increase in availabilities from actual production only by very small withdrawals from the pithead *stocks of hard coal*. These had

¹) See Chapter IX, Section 1, and Chapter X, Section 1, below.

dropped from 15m. metric tons at the end of August 1954 to 5,800,000 at the end of 1956, of which three-quarters consisted of middlings, slurry, slack and other low-grade products¹).

Whereas withdrawals from pithead stocks in 1955 amounted to 6m. metric tons in 1956, they went down to 1,700,000.

Stocks of coke at the coking-plants, which reached their highest point in April 1954 with 4,600,000 metric tons, were down by the end of 1955 to 600,000, where they have since remained²).

111. Pressure of demand accordingly resulted in a considerable stepping-up of *imports of hard coal from third countries*, from 23m. metric tons in 1955 to 38m. in 1956, an increase of 65%, much the same as that for the previous year³).

Something like 80% of these imports came from the United States — 30,200,000 metric tons in 1956, as against 15,900,000 in 1955. Imports from the United Kingdom declined (3,600,000 metric tons as against 4,600,000 in 1955), but in a lesser degree than in the previous year, thanks to the spirit of co-operation prevailing on the Council of Association. Imports from this source during the first six months of 1957 are expected to total 1,250,000 metric tons.⁴)

As regards countries of destination, Germany takes 36% of the imports from third countries. France showed the biggest increase in imports from 1955 to 1956, both absolutely and relatively (8,800,000 metric tons as against 2,900,000).

112. *Exports of hard coal* from the Community to third countries fell off considerably from 10,100,000 metric tons to 5,700,000.

¹) See *Statistical Annex*, Table 31.

²) See *Statistical Annex*, Table 32.

³) See *Statistical Annex*, Table 33.

⁴) See No. 41 above.

The most noticeable drop was in the sales by France and the Saar, which went down by 66.4 and 32.2% respectively. As regards countries of destination, it was exports to Britain which were most affected, with a total of only 1,300,000 metric tons in 1956 as against 4,500,000 in 1955.¹⁾

113. *Exports of coke* to third countries decreased much less, by only 6.8%, from 5,300,000 metric tons in 1955 to 5m. in 1956. Germany, which accounts for more than three-quarters of the total, exported 3,800,000 metric tons in 1956 as against 4,100,000 in 1955.

Despite this overall reduction, exports to the Scandinavian countries, which are the Community's biggest customers, showed a very small decrease indeed, with 3,700,000 metric tons in 1956 as against 3,800,000 in 1955 (-1.2%). Deliveries to Switzerland even increased, while those to Austria remained unchanged.²⁾

114. *Total availabilities of hard coal and hard-coal briquettes* in the Community amounted in 1956 to 284,600,000 metric tons, which is 7.1% above the figure for 1955 (265,800,000 metric tons). This increase is slightly less than the increase in the total industrial production of the Community (+ 8%).

(*'000,000 m. t.*)

	1955	1956 ¹⁾	Variation
Production ²⁾	247.9	250.7	+ 2.8
Net imports	12.9	32.2	+ 19.3
Withdrawals from pithead stocks	5.0	1.7	- 3.3
Total availabilities	265.8	284.6	+ 18.8

¹⁾ Provisional figures.

²⁾ Corrected for briquettes and low-grade products.

¹⁾ See *Statistical Annex*, Table 34.

²⁾ See *Statistical Annex*, Table 35.

All consumer sectors with the exception of shipping and bunkering were supplied with larger tonnages than in 1955. This was particularly so in the case of households and power-stations. There was little difference in the amounts going to industries other than the iron and steel industry.

('000,000 m. t.)

	1955	1956	Variation
Coking-plants	91.7	98.9	+ 7.9%
Railways	18.2	18.7	+ 3.2%
Shipping and bunkering	2.0	1.9	— 3.0%
Power-stations	21.8	24.7	+ 13.5%
Gasworks	11.8	12.4	+ 5.5%
Iron and steel industry	4.8	4.9	+ 1.1%
Other industries	41.0	41.2	+ 0.5%
Householders and artisans	39.3	44.8	+ 13.8%
Collieries' own consumption and miners' concessionary coal .	32.4	34.2	+ 5.6%
Miscellaneous	2.8	2.9	+ 3.6%
Total :	265.8	284.6	+ 7.1%

115. *Total availabilities of coke* in the Community amounted in 1956 to 70,900,000 metric tons i. e. 7% more than in 1955 (66,200,000 metric tons)¹⁾.

('000,000 m. t.)

	1955	1956	Variation
Production	69.1	75.3	+ 6.2%
Withdrawals from stocks at the coking-plants	2.2	—	— 2.2%
Net exports	— 5.1	— 4.4	+ 0.7%
Total availabilities:	66.2	70.9	+ 4.7%

The distribution of these availabilities over the various consumer sectors is shown below. A point worth noting

¹⁾ Including low-temperature hard-coal coke.

is the relatively market increase for householders and artisans.

(*'000,000 m. t.*)

	1955	1956	Variation
Iron and steel industry ...	41.6	44.7	+ 7.5%
Other industries ¹⁾	9.2	10.0	+ 9.2%
Householders and artisans..	9.9	11.0	+ 11.1%
Collieries' own consumption and miners' concessionary coal	3.3	3.2	- 3.1%
Miscellaneous	2.2	2.0	- 9.1%
Total:	66.2	70.9	+ 7.1%

¹⁾ Including gasworks, power-stations, railways, shipping and bunkering (0.6m. metric tons 1956 as against 0.5m. in 1955).

116. The level of coal stocks on industrial consumers' premises was unusually high at the beginning of the winter. Discounting seasonal variations and taking only the stocks at the end of September, as built up by the consumers in preparation for the winter months, we obtain the following figures:

(*'000,000 m. t.*)

	1955	1956
Hard coal	13.5	17.0
Coke	3.1	3.6

117. While on the whole it was possible to meet the hard-coal requirements of the industrial consumers and public services, this was managed only thanks to large scale imports of American coal. As a result of the widening gap between Community coal prices and the soaring imports prices¹⁾, the tightness in the Common Market for coal became considerably worse, and supply difficulties arose in certain consumer sectors and areas of the Community. The position was still

¹⁾ See Nos. 124 and 126 below.

further aggravated as a result of the Suez crisis, when an additional demand for coal developed with a view to its use in place of fuel oil.

As regards coke, the requirements of the Community — which is practically entirely dependent on its own production, as possibilities for importation are limited — were not fully met by the Community coking-plants. There was therefore a slight deficit in the supply position.

118. *Trade in hard coal and hard-coal briquettes among Community countries* in 1956 amounted to 19,700,000 metric tons, i. e. 15% less than in 1955 (23,200,000 metric tons), though still 20% more than in 1952 (16,300,000). This decrease is due to the fact that stocks in France and Belgium were to a great extent exhausted after the large-scale withdrawals of 1955. In the countries where there were already no pithead stocks left, deliveries remained much the same from one year to the other. The changes in outgoing and incoming tonnages in the different Community countries were as follows¹⁾.

(*'000,000 m. t.*)

	Outgoing			Incoming		
	1955	1956	Variation	1955	1956	Variation
Germany (W.)	10.223	10.205	— 0.2%	6.122	4.541	— 25.8%
Belgium	5.455	3.926	— 28.0%	2.155	1.896	— 12.0%
France / Saar	6.638	4.739	— 28.6%	5.407	5.378	— 0.5%
Italy	—	—	—	3.392	3.342	— 1.5%
Luxembourg	—	—	—	300	325	+ 8.3%
Netherlands	920	837	— 9.0%	5.860	4.225	— 27.9%
Community:	23.236	19.707	— 15.2%	23.236	19.707	— 15.2%

The table shows that the tonnages available as a result of withdrawals from stocks were largely absorbed by Germany. The reason is that requirements increased more sharply in Germany than elsewhere during 1955.

¹⁾ For further details see *Statistical Annex*, Table 36.

119. *Trade in coke*, on the other hand, increased slightly in 1956, with 9,100,000 metric tons as against 9m. in 1955. This figure represents mainly German sales to other Community countries, which continued at the 1955 level of 7,100,000 metric tons, distributed as follows¹⁾:

(000 m. t.)

	1955	1956
Belgium	60	59
France / Saar	3 523	3 582
Italy	21	4
Luxembourg	3 140	3 188
Netherlands	386	315
Community:	7 130	7 148

120. The High Authority is required to see that trade in coal within the Common Market is carried on without being hampered by artificial impediments incompatible with the Treaty. With this object, it requested the Belgian Government in January 1956 to discontinue the arrangement whereby licences for the import action of Ruhr coal into Belgium were granted only provided the importer agreed to have the coal transported by the Office de Récupération Economique (O.R.E.), which charters barges in accordance with a rota giving priority to Belgian barges.²⁾

The Belgian Government confirmed that compulsory charter contracts would be abolished not later than June 30, 1957.

Section 2 - Trends in coal prices

121. The increase in coal production costs, mainly due to higher wage costs, inevitably entailed increase in the selling prices of coal in all the coalfields of the Community .

¹⁾ For further details see *Statistical Annex*, Table 37.

²⁾ See *Fourth General Report of the High Authority*, April 1956, No. 122.

122. *The average production costs*¹⁾ of the hard-coal mines of the Community began to rise fairly markedly as early as 1955: taking the fourth quarter of 1953 as 100, we find that they went up by 4.1 points between the fourth quarter of 1954 and the fourth quarter of 1955, and by 6.6 points between the fourth quarter of 1955 and the fourth quarter of 1956.

The trend varied, however, according to coalfield. The first appreciable increases occurred in 1953 in Dutch Limburg, the Nord/Pas-de-Calais area and Lorraine. Increases followed in 1954 in the Aachen coalfield, and in 1955 in the Ruhr and the Saar, but in Belgium not until 1956. By comparison with the fourth quarter of 1952, the increase up to the fourth quarter of 1956 was lowest in the Aachen coalfield, followed by the Saar and the Ruhr. The two French coalfields come in the middle, while the highest increases in production costs were for the Belgian coalfields and Dutch Limburg.

The trend in the production costs per metric ton net production in the seven main Community coalfields, which together account for 92.5% of the total extraction of hard coal, is shown in the following table, which also gives the trend in net production (ton for ton) and in underground output (in indices for the fourth quarter of each year, fourth quarter of 1952 = 100).

¹⁾ The associations of coalmining enterprises make quarterly returns to the High Authority of the average production costs and average receipts per metric ton net production of all the enterprises belonging to them. The production costs include amounts for depreciations and service of capital, calculated in accordance with standardized directives. The High Authority has recognized the method of calculating depreciation allowances referred to in Section 2,5 of the Convention as likely to ensure comparability.

	1953	1954	1955	1956
<i>Production costs</i>				
Ruhr	99.7	97.9	102.9	107.3
Aachen	100.3	104.2	101.5	104.9
Dutch Limburg	105.3	115.0	117.7	129.6
Belgium	99.4	97.9	99.9	116.8
Nord/Pas-de-Calais	104.5	99.9	102.5	109.6
Lorraine	104.3	97.7	100.1	109.9
Saar	94.0	90.2	98.6	106.1
Total:	100.3	98.2	102.3	109.5
<i>Net production</i>				
Ruhr	100.8	104.8	106.0	107.5
Aachen	103.9	107.7	112.1	113.0
Dutch Limburgh	97.1	97.2	96.1	94.4
Belgium	98.0	95.9	102.4	96.0
Nord/Pas-de-Calais	98.8	97.1	96.4	97.9
Lorraine	100.9	107.6	105.3	108.0
Saar	101.3	104.4	103.9	100.4
Total:	100.1	102.3	103.7	103.6
<i>Underground output</i>				
Ruhr	96.9	101.9	104.7	104.8
Aachen	98.3	102.9	110.1	106.7
Dutch Limburg	96.3	93.1	92.2	93.8
Belgium	101.0	105.2	108.2	109.4
Nord/Pas-de-Calais	104.9	110.1	113.9	118.8
Lorraine	102.7	110.3	110.4	110.1
Saar	102.0	105.4	108.0	108.2
Total:	99.4	104.2	106.7	107.8

Since 1952, the o.m.s. has risen in all the coalfields except Dutch Limburg. The Nord/Pas-de-Calais shows the largest increase, and the Ruhr the smallest. That this all-round improvement in o.m.s. has not been accompanied by a lowering of production costs is due primarily to the fact that the increase in wage costs has for the most part been greater than that in o.m.s.

123. When the Common Market was introduced, production costs in the Ruhr and the Netherlands were below the average for the Community as a whole; those in the French collieries generally and in the Saar came at an intermediate level, and those in Belgium were the highest.

Developments since that time have changed matters for the Netherlands coalmining industry. Belgian production costs, too, have increased more sharply than the average. This has meant an even more noticeable hiatus between Belgian production costs on the one hand and the Community average and the Ruhr and Nord/Pas-de-Calais figures on the other¹⁾. As the production costs of the German collieries have mostly risen rather less than those of the two French coalfields, the existing disparity has increased slightly.

No final information is as yet available on the trend in production costs in the different coalfields since the beginning of 1957, but the provisional figures suggest that the tendencies just outlined are persisting. Netherlands and Belgian production costs have shown a further rise; in Germany and France, on the other hand, there has been no increase to speak of.

124. *The schedule prices of coal* have risen in all the coalfields of the Community. Most of them lodged new schedules for the coal year 1956—57, but a considerable number of changes were made subsequently, in France in April/May and June 1956, in the Saar in April/May and June 1956 and April 1957, in Germany in June and, particularly, late October 1956, in Belgium in June and October 1956 and in January and April 1957, and in the Netherlands in September 1956 and April 1957.

In the Ruhr, the largest coalfield of the Community, schedule prices moved as follows²⁾:

(in dollar per m. t.)

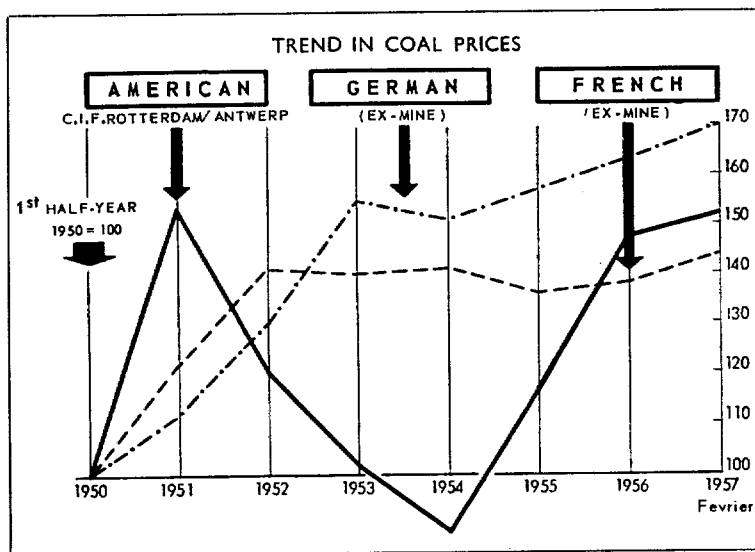
	April 1956	April 1957	Variation
Coke	15.69	17.65	+ 12.5%
Anthracite	23.08	24.02	+ 4.1%
Low-volatile	19.66	20.59	+ 4.7%
Semi-bituminous	14.17	15.11	+ 6.6%
Bituminous	12.46	13.39	+ 7.5%
High-volatile bituminous .	13.37	14.31	+ 7.0%

¹⁾ See No. 181 below.

²⁾ For further details, see *Statistical Annex*, Tables 38 and 39.

125. The High Authority followed with attention the successive price increases for Belgian coal. These occurred as a result of wage increases in response either to trade-union demands (late September 1956) or to rises in the retail-price index, to which wages are linked (late May 1956 and early January 1957).

The High Authority fixed the average incidence of the June 8 increase at Bfr. 24 per saleable ton.¹⁾ At the end of September, it authorized an average increase of Bfr. 76 per saleable ton as from October 1.²⁾ Early in January 1957, it limited a further rise authorized to an average of Bfr. 15.70 per saleable ton.³⁾ Finally, on March 28 of this year, it authorized an average increase



- 1) Decision No. 23-56, of May 30, 1956, *Official Gazette of the Community*, June 5, 1956.
- 2) Decision No. 29-56, of September 26, 1956, *Official Gazette of the Community*, September 28, 1956.
- 3) Decision No. 1-57, of January 9, 1957, *Official Gazette of the Community*, January 12, 1957.

of Bfr. 45 per saleable ton, which came into force on April 1.¹⁾ In addition, an extra Bfr. 50 per ton is now payable on *classés maigres* and *classés quart-gras* (in the low-volatile range) over 10mm and on *classés demi-gras* (in the semi-bituminous range) over 20 mm.

126. *Average c. i. f. prices for coal imported from third countries* have risen substantially as a result of the trend in maritime freight-rates²⁾. These latter which had been increasing steadily ever since the trade revival in 1954, remained more or less stationary during the summer of 1956, but the Suez crisis subsequently produced a violent leap, bringing them above even the record level reached during the Korean "boom". Thus in December 1956, as much as 118s. 6 d. per long ton was being paid for the shipment of coal from Hampton Roads to Rotterdam: the average rate for that month was 160% above that for the previous December, and more than double that for December 1954. Since the turn of the year, as a result of a combination of circumstances favouring the charterer, the rates have fallen again, and by mid-March were down to 62s. (These figures are for isolated consignments. Rates for several successive consignments or long-term contracts are much lower.)

The following table gives a comparison of c.i.f. prices including freight for single consignments (a) and of the average price shown by Customs statistics (b), for the period January-September 1956.

(in dollars per m. t.)

	(a)	(b)	Difference
Germany (W.)	21.70	18.52	3.18
Netherlands	21.55	18.76	2.79
Belgium	21.55	18.32	3.23
France / Saar	22.69	17.16	5.49
Italy	22.09	19.62	2.47

¹⁾ Decision No. 8-57, of March 29, 1957, *Official Gazette of the Community*, March 30, 1957.

²⁾ See *Statistical Annex*, Table 40.

The Suez crisis, in pushing up freight-rates in an abnormal manner, further increased the disparity between the prime cost of a single consignment and the average for transport charges generally.

127. In pursuance of its obligation to supervise price-publication and price-fixing, the High Authority requested the Italian Government, under Article 88 of the Treaty, to put an end by August 31, 1956, to the activities of the Interministerial Price Committee (C.I.P.) as regards fixing maximum prices for coal.¹⁾ The Italian Government informed the High Authority in reply that a decision by the Committee had been published in the *Official Gazette of the Italian Republic* rescinding as from September 1, all the measures previously taken by it to fix maximum prices for all coal coming under the jurisdiction of the European Coal and Steel Community.

The High Authority also requested the Luxembourg Government to amend the price-compensation system employed by the *Luxembourg Office Commercial du Ravitaillement* in respect of imported coal for the purpose of securing a reduction in the price of household coal.²⁾ The subject is now under discussion.

The High Authority was notified by the Belgian Government if the setting-up of a *compensation fund for coal imported from third countries*, designed to relieve domestic consumers of the additional burden represented by the difference in price between American and Belgian coal. This fund was financed out of voluntary payments by Belgian industrial consumers (iron and steel industry, non-ferrous-metals industry, cement industry, and administered by the Office de Récupération Economique (O.R.E.).

The High Authority, in view of the fact that the scheme was based on voluntary contributions by coal consumers and had operated only during the fourth quarter of 1956, decided that it was not called upon to pronounce judgment in the matter.

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 120.

²⁾ See *Fourth General Report of the High Authority*, April 1956, No. 128.

128. *Government action in regard to pricing.* — The High Authority gradually reduced, and on March 31, 1956, finally abolished, the pretty well universal system of maximum prices for coal which it had instituted on the introduction of the Common Market, to take the place of the official regulations then existing in the individual member States. It was, of course, impossible to free coal prices all together at a single sweep. The High Authority has found, however, and the point has been discussed a number of times in the Council of Ministers, that the Governments have not always resisted the temptation to exert direct influence on coal prices. They have so far been endeavouring not to allow the succession of increases in the price of coal to impair their general price policies.

Action by the Governments likely to affect coal prices has taken three main forms:

- direct fixing of maximum prices, forbidden by the Treaty;
- granting of subsidies or assistance designed to reduce coal production costs and thus keep coal prices down;
- direct intervention with the producers or selling agencies to prevent price increases.

The High Authority, which is responsible for ensuring compliance with the Treaty, duly pointed out that these practices were detrimental to the smooth operation of the Common Market. It considers that the Council of Ministers is the appropriate body to deal with these problems under Article 26 of the Treaty¹⁾.

¹⁾ See also No. 100 above.

Section 3 - The work of the High Authority

129. The High Authority followed with attention the development of the situation in the Common Market for coal¹⁾, and came to the conclusion that it was not necessary to implement Article 59 of the Treaty and declare a serious shortage.

It held frequent discussions with the Governments, the producers and the miners' unions, in an endeavour to work out measures to deal with the Community's coal supply difficulties. It asked the six Governments to make every possible effort to step up coal production, and in particular requested the Belgian Government to open up still unlicensed reserves in the Campine.

130. At the beginning of November, a complaint was lodged with the High Authority by the German Federal Government concerning deliveries by the Houillères du Bassin de Lorraine to Southern Germany, which during the first six months of the coal year 1956—56 had fallen considerably below those of the corresponding period of the year before. The High Authority made representations accordingly to the Charbonnages de France, pointing out that producers were required to sell to their various consumers uniformly, equitably and in conformity with the Treaty whenever total orders were greatly in excess of the tonnages they could expect to supply. It therefore urged that a strong effort be made to increase deliveries during the last few months of the coal year.

Towards the end of November 1956, a meeting was held in Luxembourg with a High Authority representative in the chair, between the Joint Office of the three Ruhr coal-selling agencies and representatives of the French iron and steel industry and of the Association Technique de l'Impor-

¹⁾ See Section 1 above.

tation Charbonnière (A. T. I. C.). Agreement was reached concerning deliveries of coal and coke by the Ruhr agencies to the French iron and steel industry in respect of the whole of the coal year 1956—57.

High Authority representatives also attended meetings between the Comitato Produttori Coke and the Joint Office of the Ruhr agencies, at which a settlement was arrived at early in November 1956 on the question of supplies of coking coal to Italian coking-plants not owned by mines.

131. The High Authority carefully examined the delivery schedules of the Ruhr Joint Office for the coal year 1956—57. In response to a request made by the German Government, it caused these to be altered to benefit household consumers in the Community.

High Authority representatives regularly took part in the meetings of the Consultative Committee to the Joint Office.¹⁾ The deliberations of the Committee during the year under review dealt mainly, apart from general discussions on the situation in the coal market, with the Joint Office's decisions for the coal year 1956—57, the experience of the Management of the Joint Office to date in its negotiations with the big consumers, and the work of the Joint Office in co-ordinating transport. A good deal of attention was also devoted by the Committee to regular supervision as to compliance with the delivery schedule for the coal year 1956—57, and to discussion of the supply system to be adopted for the coal year 1957—58.

Points debated included, firstly, availabilities of coal and coke and the legal bases laid down in the Articles of Association of the Ruhr agencies, and secondly, the principles to be observed in the supplying of the various consumer groups with Ruhr coal. The fundamental principles and combinations of systems suggesting themselves for adoption were, briefly, as follows:

¹⁾ See No. 152 above.

- to meet the demand in accordance with commercial considerations;
- to fill consumers' orders according to dates of receipt;
- to supply consumers in accordance with their requirements;
- to meet consumers' requirements on the basis of the tonnage bought during a given reference period.

The Committee was in unanimous agreement that the principle hitherto observed by the Joint Office should be retained, *viz.* the apportioning of supplies on the basis of the tonnage bought over a reference tonnage whenever the excess of demand over supply is such as to necessitate drawing up delivery schedules. It was recognized that in this instance delivery schedules based on a reference period would involve a certain rigidity which would need to be gradually eliminated.

The Committee's discussions, which dealt also with the selection and length of the reference period, will be decisive as regards the details of the delivery schedule to be drawn up by the Joint Office for the coal year 1957—58.

132. Following the debate on the situation in the Common Market for coal at the Extraordinary Session of the Common Assembly in November 1956, the High Authority submitted to the Council of Minister a list of problems which it considered should be dealt with as a priority matter in consultation with the member Governments. The Council directed a technical committee to join with High Authority experts in examining coal supply problems and possible solutions, as well as co-ordinated action which the Governments might take to meet total energy requirements. At its session on February 7, 1957, the Council heard the committee's report on the stage reached in its proceedings, and instructed it to continue its work.

The committee dealt in particular with:

- the supplying of coal to industrial and household consumers,
- imports of coal from third countries, and
- the consequences of the conversion of oil-fired into coalfired plant.

On the basis of the principles thus worked out, the High Authority took various steps to ensure the satisfactory operation of the Common Market for coal.

133. *The drawing-up of delivery schedules* by the principal Community producers was considered by the Council to be a timely and useful measure. These schedules are to be drawn up under High Authority supervision, and the High Authority will also be required to see that they are complied with. Before they are drawn up, it is to get in touch with the Governments of the countries in which the producer enterprises concerned are located. The other Community Governments will be kept informed of the results of the discussions with the producers. Delivery schedules may vary from one coalfield to another. Discussions have already been begun with the Joint Office of the Ruhr coal-selling agencies, the Saarbergwerke, the Comptoir Belge des Charbons, the Charbonnages de France and the Netherlands coalmining industry with regard to their schedules for 1957—58. The Governments concerned have also been contacted in the matter.

134. *Supplies to households* may possibly be rated higher than those to other consumer categories. To obtain a more reliable census of the latest requirements as regards household fuels, the Council of Ministers approved the proposal that the Governments should provide the High Authority with estimates of these requirements, accompanied by suggestions for meeting them, to be discussed between the High Authority and the producers.

The main points as regards supplies is to make sure that the tonnages delivered by the producers to the consumers cannot be used for other purposes, and that the retailers are kept regularly supplied by the wholesalers and the householders by the retailers.

The High Authority requested the mining companies of the Community and their selling agencies to stipulate in their general conditions of sale that direct-buying wholesalers must not resell household fuels for other purposes.

It further requested the producers to ask the direct-buying wholesalers, either through their general conditions of sale or in any other manner, to supply all dealers buying from them with tonnages in the same proportion as during the previous coal year.

Commercially, there is no way of compelling retailers to keep their customers regularly supplied. Nor do the member Governments see any way in which they themselves could oblige them to do so. It was therefore decided that the appropriate departments of the High Authority should take advantage of their regular contacts with the European Retailers' Federation to discuss the question of keeping households supplied.

Another point discussed was whether the present methods employed in the fixing of retail prices, and particularly of dealers' margins, offered an incentive to retailers to give preference to orders for bigger tonnages. All the delegations to the Council of Ministers stated their willingness to examine whether these methods called for alteration.

135. As regards *imports of American coal*, the High Authority embarked on two lines of action.

First, it endeavoured to cause concerted action to be taken within the Organization for European Economic Cooperation in regard to freight-rates. The Governments were

not, however, able to reach agreement on this matter. Nor was there agreement on the fixing of maximum freights. The Governments were ultimately recommended to exchange statistical data at regular intervals on import and shipping-space requirements, to enable them to examine in each case whether they can take action to keep freight-rate fluctuations within bounds.

This proceeding by O.E.E.C. attracted the attention of the appropriate authorities in the United States to the freight-rate situation resulting from the shortage of shipping space, and as a consequence 51 ships of the reserve merchant fleet were released for coal-carrying, as a supplement to the 35 ships assigned to the American Coal Shipping Company.

Secondly, the High Authority requested the Council of Ministers to see whether it would be possible

- to reduce, so far as would be commercially and economically feasible, the wasteful transport arrangements resulting from the unco-ordinated movement of American and Community coal;
- to ensure that the conclusion of long-term buying and chartering contracts was not impeded by red tape;
- to examine from time to time whether suitable action could be taken to limit the rise in maritime freight rates caused by the chartering of ships for immediate loading in order to cover peak requirements.

The Council dealt with all these points. As regards the first problem, as soon as the delivery schedules are ready the High Authority will examine what economies can be effected in transport, and will take action accordingly, in consultation with the producers, the importers or the consumers, as the case may be. In the other matters, the Governments have promised to furnish regular details on import requirements and the number and size of long-term contracts concluded, so as to provide an overall picture of the extent of the shipping gap at any time. The High Authority feels that on

the basis of these figures it will be possible to work out fairly quickly a procedure enabling importers to introduce greater flexibility into their transport arrangements, whenever this is considered desirable.

The possibility of setting up regional or general compensation schemes for coal imports by the Community was also discussed.

136. Investigations in connection with the *shortage of fuel oil* have shown that it is France which has been mainly affected by the after-effects of the Suez crisis. It has the highest proportion of double-firing plant, and it was there that the need to go over from oil to coal, in order to avoid all-round damage to the economy, was most acutely felt. The High Authority considered that in certain circumstances emergency measures were justified. Where such cases are felt to exist, the Governments are required to inform the High Authority beforehand what action they feel to be indicated. The matter must be one of real urgency, and the steps proposed must not go further than is actually necessary to remedy it. The High Authority, for its part, must take care to see that the measures are properly carried out and ascertain from time to time whether conditions are still such as to require them.

In view of the emergency, the French Government by its general decree of January 8, 1957, instituted two sets of measures entitling it, by administrative decision,

- to assemble information from dealers and consumers as to existing stocks of solid fuels and tonnages of solid fuels bought and sold;
- to reduce deliveries of fines to industry for a specified period, in order to ensure supplies of manufactured fuels to households.

The High Authority examined the proposed measures, and had no objection to make.

CHAPTER SIX

TRANSPORT IN THE COMMON MARKET

137. A rational distribution of products is ensured by means of a rational choice of consumers. The basis for this choice must be a comparison between the delivered prices of the different Community producers. Any discrimination in regard to transport distorts competition by artificially increasing delivered prices for certain consumers, particularly those who obtain their supplies from a Community country other than their own, and reducing them for others. This is true not only of carriage by rail, but also of inland water transport and road haulage.

The most obvious discriminations in rail transport were done away with when the Common Market was first introduced. Agreement was eventually reached between the Governments for the introduction of international through-rates. Later, their field of application was by an agreement concluded with the Swiss Government. Special domestic tariff provisions were listed and are now in process of revision. The High Authority is also, in co-operation with the Committee of experts appointed by the Governments, engaged on a study of the problem of harmonizing rail-transport freight charges and conditions, which has proved from the beginning a particularly thorny one. The High Authority is, incidentally, coming up against considerable difficulties in regard to transport, since the Treaty invested it with only very limited powers in this field, which remains, in principle, the responsibility of the Governments.

Section I - Rail transport

138. *Agreement with Switzerland.* An agreement was signed in Luxembourg on July 28, 1956, with the Swiss Government for the introduction of international through-rates for Community products passing in transit through Switzerland. Parallel with the negotiations preceding this agreement, conversations were held with the railway companies of the six member countries and Switzerland, with High Authority representatives attending. Concrete cases were examined and a number of rules worked out.

The agreement provides that

- a) freight charges shall consist of the sum of the sectional shares of the railways of the member States of the Community and the share of the Swiss railways. The share of the railways of the member States must be based on the total distance covered, including the mileage of the run within Switzerland. The share of the Swiss railways must equal the charges shown in the published Swiss transit tariffs. Sectional shares indicated in competitive or parity tariffs will be fixed only after consultation between the railway authorities;
- b) discriminations of any kind based on the country of origin or destination of the products in regard to rates and conditions of carriage are barred;
- c) all measures which have been or may be taken with a view to harmonization within the Community are to be extended to the international through-rates.

A Transport Commission, to consist of representatives of the Federal Council, the Governments of the member States and the High Authority, is to be set up to deal with any problems arising out of the implementation of the agreement. The signatories undertook not to alter the tariffs without bearing one another's interests in mind and consulting together on the Commission.

This agreement with Switzerland means that those using the Swiss railways will not be unduly handicapped, and that all discriminations will be done away with. The discussions among the railway authorities have also had very worthwhile results, for a number of long-standing points of dispute have now been settled, and agreement has been reached on most of the problems raised.

139. At the request of the High Authority, the member Governments at the session of the Council of Ministers on July 24, 1956, gave their agreement to the opening of negotiations with Austria for the introduction of international railway through-rates for coal and steel traded between member States and passing in transit across Austrian soil. Negotiations were duly begun on September 14, and are still in progress.

140. The introduction of international railway through-rates involves a number of technical problems, which have for the most part been successfully dealt with¹⁾. May 1, 1957, will see the abolition of the remaining third of the fractional handling charge (terminal station fee), formerly collected at each frontier crossed, on consignments of iron and steel products and scrap. This completes the implementation of the agreements concluded between the member Governments on March 21, 1955, and March 16, 1956.

141. *Elimination of discriminations.* — The High Authority continued throughout 1956 its endeavours to see that the principle of non-discrimination laid down by the Treaty was duly complied with.

The French Government had stated that it considered a discrimination to exist as a result of the introduction in Germany

¹⁾ See *Fourth General Report of the High Authority*, April 1956, Nos. 146—149.

of rate-fixing measures allowing more advantageous transports terms for German fuel going to German steelworks than for the same fuel going to steelworks in France or the Saar. The German Government held that these arrangements did not constitute either discrimination or a scale of rates comparable to a normal tariff system applied exclusively to the German iron and steel enterprises.

This question, which raises a number of complex economic and legal issues, has since January 1957 been subjected to careful study as part of the general examination of special domestic tariff measures for solid fuels carried within member countries.

142. *Special domestic tariff measures.*— In order to ascertain whether they are in accordance with the principles laid down in the Treaty, and to be able to prepare decisions on the measures instituted in the interests of one or more coal or steel-producing enterprises, the High Authority has embarked on a detailed study of all special domestic tariff measures operated by the railways of the Community in respect of the carriage of Common Market products¹).

It has now reached definite conclusions concerning certain tariffs coming under Article 70, fourth paragraph, of the Treaty, which are subject to its agreement which may be temporary or conditional).

The High Authority has accordingly requested the German and French Governments to revise a number of special tariff measures in force for certain consignments of scrap and certain consignments of steel, in such a way as to remove all disparities and all provisions amounting to support for one or more coal or steel-producing enterprises.

As regards consignments from the Centre/Midi area, however, the High Authority requested the French Government to submit its overall plan for this region, so that the incidence of these consignments within the general scheme could be examined.

¹) See *Fourth General Report of the High Authority*, April 1956, No. 153.

The High Authority further reserved the right to reexamine, not later than the end of the transition period, a number of tariffs based on road-haulage competition, where the Governments concerned have not yet taken proper steps to ensure that Article 70, third paragraph, of the Treaty is implemented in regard to scrap and steel hauled by road.

The High Authority is actively engaged on the study of the regulations in force regarding transport of ore and coal.

143. *Tariff Contracts.* — The High Authority's attention has been drawn to the situation created by the existence of a large number of private contracts between the Netherlands railways and certain coal consumers.

With a view to ensuring compliance with the rules of the Treaty, it has taken up the matter with the Government concerned.

144. *Harmonization of tariffs.* — As part of the third stage of its proceedings, the Export Committee on Transport is now studying the harmonization of rail-transport freight charges and conditions for coal and steel¹).

The aim is to harmonize the relations between the transport rates for the different Treaty products, the differentiations in rates according to size of consignment, and the internal tapering scales for distances exceeding 200/250 km. A number of highly complex legal and economic problems are involved, such as settling just how necessary such harmonization is the satisfactory operation of the Common Market, and to what extent the relations between the different transport rates should be made comparable between one country and another, in order to avoid distortion of the conditions of competition and development in the industries of the Community.

¹) See *Fourth General Report of the High Authority*, April 1956, Nos. 151—152.

In view of the difficulties which harmonization is involving, the High Authority informed the member Governments on March 9, 1957, that it proposed, in accordance with Article 46 of the Treaty, to set up a committee of outside economic experts for consultation on the degree of harmonization of transport rates which must be considered indispensable to the satisfactory operation of the Common Market.

Section 2 - Inland water transport

145. In accordance with a resolution adopted by the Council of Ministers at the beginning of 1955, the member States and the High Authority had temporarily postponed their endeavours to work out a joint solution to the problem of the disparities existing between the regulated internal water-transport rates and the free international ones, in order that they might examine any findings arrived at in the broader studies undertaken by the European Transport Ministers' Conference on the commodities carried and the routes used¹⁾.

Since the Conference did not produce any practical results, the High Authority wrote, on April 7, 1956, to the six Governments stating that in its view it was urgent that the matter be taken up once more by the Council of Ministers.

At the Council's session on June 5, 1956, the member Governments instructed a select committee to examine the High Authority's suggestions, to endeavour, with due regard to the proceedings of the Transport Ministers' Conference, to work out the practical details for concerted action by the member States, and to draw up proposals for submission at a later session of the Council scheduled for November 1956.

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 155.

The select committee began its study of the question in September 1956, and duly reported to the Council of Ministers at the end of January 1957.

In the view of most of the Government delegations, the procedure proposed by the Transport Ministers' Conference could serve as a solution to the problem of freight-rate disparities.

The report thus drew the same distinction as the Conference between Rhine river navigation and transport by waterways west of the Rhine.

As regards Rhine river navigation, it was considered that recommendations of the 1953 Economic Conference on Rhine River Navigation at Strasbourg, providing that the only agreement allowed should be those between persons actually in the shipping trade, should be implemented. As regards the waterways west of the Rhine, on the other hand an agreement should be concluded between the Governments of the member States concerned, containing provision that shipping exchanges for international traffic be set up.

The High Authority representatives drew the Committee's attention to the difficulties which would arise as a result of the fact that the proposed solutions did not lay down any compulsory arrangements for the lining-up of internal and international rates.

At the Council's session on February 7, 1957, the High Authority informed the Transport Ministers of the member States that it had instructed one of its Members to discuss matters direct with the Governments concerned, in order to seek to work out a possible solution which could be approved by all the member States and would be in accordance with the provisions of the Treaty.

Discussions with the member Governments are proceeding.

Section 3 - Road haulage

146. The High Authority has continued its work for the application of Treaty rules to road haulage.

At its suggestion, the Council of Ministers on October 4, 1956, decided to direct a select committee to examine the provisions of the Treaty and the Convention from the point of view of their application to road haulage, and to work out practical details for concerted action by the member States.

At the session of the Council on December 11, the committee submitted an interim report, based to some extent on the work of the Expert Committee on Transport, enunciating the following four principles:

- As a general rule, road-haulage rates and conditions should be published in advance. This should be done in such a manner as to enable all users within the Community to acquaint themselves with road-haulage rates and conditions.
- This general rule notwithstanding, the authorities in each member State should be entitled, in certain cases, to permit the conclusion of private contracts to be given little or no publicity, provided the terms contained in such contracts were in conformity with the requirements of the Treaty.
- These should cover scrap and steel hauled by road on behalf of a third party, in consignments of not less than five metric tons, over a total distance of normally not less than fifty kilometres.
- The practical details for concerted action by the member States in regard to road haulage should be embodied in an agreement between the member Governments as represented in the Council of Ministers. This agreement might be accompanied by annexes containing transitional and/or special provisions.

The Council then adopted a resolution acknowledging the value of these principles, and directing the select committee to continue its work on this basis. The matter was further discussed at the Council's session on February 7, 1957.

The High Authority is continuing its endeavours to bring about an agreement as soon as possible among the member Governments for the introduction of measures designed to implement the Treaty in respect of road haulage.

Section 4 - Transport statistics

147. Since January 1956, the High Authority has been keeping regional statistics of shipments of Treaty products by rail, sea and inland waterway.

These are somewhat different from the older type of returns of shipments between the countries of the Common Market, inasmuch as they are in the form of a table showing tonnages received and tonnages despatched in the producer areas and in the transshipment and consumer centres. To make it possible to follow the flow of trade in Treaty products, the Common Market area has been divided into 42 districts. This permits a breakdown by modes of transport of the traffic recorded between the producer and consumer areas, and the detection of any changes supervening.

The first results of this method are available for the first two quarters of 1956 only.

The figures for the first quarter of 1956 show that approximately 96m. metric tons of Treaty products were transported within the Community, of which 79m. went by rail, 16m. by inland waterway (transport by this means was impeded by frost during part of the period concerned), and approximately 1m. by sea.

Treaty products transported during the second quarter totalled 101 m. metric tons, *i. e.* 5% more than during the first quarter. This figure includes 78 m. metric tons by rail and about 22 m. by inland waterway.

Goods carried within the Community by all three modes of transports during the first six months of 1956 may be subdivided according to product as follows:

Coal	62%
Iron ore	19%
Steel	13%
Scrap	6%

Treaty products accounted for about 47% of the total tonnages carried by the railways during the first six months of 1956. For inland water transport the proportion is estimated at approximately 40%.

Seaborne traffic in Treaty products between Community countries is very small in comparison. Deliveries by sea are mainly from third countries (*e. g.* American coal).

The analysis and interpretation of the figures assembled will make it possible to ascertain the outgoing and incoming tonnages for each transport area in the Common Market, the relations between producer and consumer areas and the importance of the different transshipment points as regards both receiving and sending and to compile tables for each country, which can then be compared with the official national statistics.

Although full information is not at present available in regard to road haulage, the statistical data so far assembled are to be the subject of a forthcoming High Authority publication.

CHAPTER SEVEN

THE STRUCTURE OF THE COMMON MARKET

Section 1 - Concentrations

148. During the period covered by this Report, the High Authority granted eleven applications for concentration. These come under three heads.

1) *Concentration coal/steel.* — The High Authority approved three mergers aimed more particularly at integrating collieries with iron and steel enterprises.

One concentration was between an enterprise which in 1954 had produced approximately 1,200,000 metric tons of steel and 2,300,000 of coal and a colliery which had produced about 3m. metric tons of coal. This meant the concentration of something like 3% of the Community's steel production and 2% of its coal production.

The High Authority also authorized an iron and steel enterprise which had produced 1,600,000 metric tons in 1954 (rather less than 4% of the production of the Community) to acquire its own source of coal, with a production of about 1,200,000 metric tons of hard coal (less than 0.5% of the production of the Community).

Finally, the High Authority recently granted permission to an iron and steel enterprise which in 1955 produced approximately 2,700,000 metric tons of steel (about 5% of

the production of the Community), and which already possessed its own source of coal with a production of approximately 4,500,000 metric tons, to acquire a majority holding in a mining company which has been responsible in 1955 for the extraction of about 2m. metric tons. This concentration in the coal sector represents something like 2.7% of the total extraction of the Community.

2) *Concentration steel/steel.*—The High Authority granted an application for the concentration of two iron and steel enterprises which had between them produced rather over 1,600,000 metric tons of steel in 1954 (less than 4% of the production of the Community).

The High Authority also authorized a merger between two enterprises producing galvanized sheet, whose combined production figure for 1955 was slightly over 30,000 metric tons, i.e. about 5% of the production of coated sheet in the Community. This merger would normally have been due for exemption in any event if the indirect concentration resulting had not involved a big iron and steel enterprise.

3) *Concentration steel/processing.* — Vertical concentrations of this type included two operations authorized by the High Authority, each enabling an iron and steel enterprise to gain control of a shipyard.

The High Authority also granted an application for concentration between an iron and steel enterprise which had produced in 1955 a total of about 1,200,000 metric tons of steel (slightly over 2% of the production of the Community) with an enterprise producing welded tubes. The processors concerned had for a long time past been accustomed to obtain some 75% of their tube strip from the iron and steel firm in question. After the concentration, they will be obtaining the whole of their hoop and tube strip supplies from the controlling iron and steel enterprise; these deliveries will represent approximately 17% of the latter's hoop and strip production.

The last three concentrations mentioned, between iron and steel enterprises and processing enterprises, raise no problems, since there is no question of their adversely affecting competition. Although the iron and steel enterprises concerned are among the largest in the Community, the steel consumption of each of the processing firms thus concentrated with them at no time exceeded of rolled products per annum 2.000 metric tons. This being so, there was obviously no danger of the steel producers in question acquiring an artificially privileged position.

149. Since 1953, forty-three applications have been made to the High Authority for the authorization of concentrations. Sixteen were granted; three were approved under Section 13 of the Transitional Provisions; four were in respect of concentrations already in existence when the Treaty came into force; one was exempt; nine were not in respect of operations within the meaning of Article 66. The ten applications still under examination are to be decided in the near future. The High Authority has also instituted a number of inquiries on its own initiative, on the basis of which it authorized four operations, declared one to be exempt, and established that four related to concentrations already in existence before the Treaty came into force; in six cases it abandoned its investigations on finding that the operations did not come under Article 66.

Section 2 - **The coal-handling agencies and relations with dealers**

150. The main problems dealt with and to be dealt with by the High Authority in regard to agreements (cartels) are in connection with the activities of the centralized coal-selling agencies in the Ruhr (the Gemeinschaftsorganisation Ruhrkohle), Belgium (the Comptoir Belge des Charbons) and Southern Germany (the Oberrheinische Kohlenunion), and with certain action taken by the centralized coal-importing ser-

vices in France and Luxembourg. These problems are closely bound up with the question of ensuring free access by dealers to production and to the markets.

151. The effectiveness of the Common Market will be increased in proportion as the dealers in each of the six countries are enabled both to sell to and to buy direct from other Community countries. This interaction, which is essential to the fluidity of the market, is governed by the rules concerning access by dealers to production and to the markets.

It is no part of the High Authority's responsibility to fix standards for the dealers' activities and remuneration. It is not in the least necessary that the rules laid down by the different producers should be identical. The only thing that matters is that they should be compatible with the rules of the Treaty and the conditions governing the operation of the Common Market.

A few simple principles suffice to serve as a guide, and it is up to the producers and groups of producers to bring their selling arrangements into line with these principles.

One basic rule in the Treaty is the prohibition of all "measures or practices which hamper the buyer in the free choice of his supplier." This means that the customer is, in principle, at liberty to choose whether he will buy direct from the producers or indirectly through dealers. It should, however, be noted that the consumer's choice is not seriously hampered if a particular producer not occupying a dominant position in the market decides to sell nothing direct but to deal entirely through the trade, or alternatively, sell everything direct without passing through the trade.

The producer cannot, however, be expected to deliver direct to every customer who comes along, however small the tonnage which that customer may order or consume. This would unduly increase the producers' trading costs. Producers have, therefore, to be left free (despite the limiting effect on the customer's freedom) to fix a minimum tonnage below which he will not supply direct, but refers the customer to a dealer.

The dealer's remuneration can take the form either of a discount allowed by the producer on his selling price or of a margin above that price, which is then paid by the buyer. The producer is at liberty to assess the dealer's value to him and fix his remuneration accordingly. He can, in particular, establish a graded scale of remuneration which may even drop down to zero where the consumers in question are those whom he considers he can supply just as economically himself.

Where the producer remunerates the dealer by means of a discount on his own selling price, he has the option of forbidding him to pass all or part of this discount on to the customer if such a practice would result in undercutting his own schedule prices: the producer cannot reasonably be expected to provide dealers out of his own pocket with the means to compete with him.

The producer is entitled to lay down his own criteria for recognizing a dealer as a direct-buying wholesaler. These must, however, be objective ones, such as the tonnages bought or sold by the dealer. In addition, these tonnage limits must be fixed in conformity with the rules on non-discrimination. Any reference based on purchases from a particular country or a coalfield as a whole, even when more than one seller is involved is a discrimination, and contravenes the Treaty and the rules laid down by the High Authority. On the other hand, when these rules are observed, the producer may adopt whatever criteria he feels to be the most suitable, singly or in combination — total tonnage handled, tonnage bought from himself, or in certain circumstances tonnage sold within a specified distribution area.

152. *Operation of the Ruhr coal-selling agencies.* — The reorganization of the Ruhr coal-selling set-up was carried through rather more than a year ago.¹⁾ This year has been marked by

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 133.

It should be recalled that the Geitling Agency on March 26, 1956, appealed to the Court of Justice against Article 8 of Decision No. 5-56, concerning the criteria for allowing dealers to buy direct from the selling agencies. The Court, in a judgment delivered on March 20, 1957, dismissed the appeal. (See No. 30 above.)

supply difficulties. Decision No. 8-56, of February 15, 1956, concerning joint measures and arrangements by the coal-mining companies of the Ruhr coalfield, defined certain special duties to be performed by the Joint Office of the three agencies in such a situation.¹⁾

The Joint Office's problems are discussed by a Consultative Committee set up to assist it, whose meetings are attended by representatives of the High Authority.²⁾

The Committee also requires to be informed of the lines along which the Joint Office is proceeding in its work of co-ordination, and of its reasons for taking such action. The probable effects of these measures are likewise discussed by the Committee.

The Consultative Committee was originally to have consisted of 27 members. However, to provide for a more comprehensive representation of the coal consumers and dealers in the different Community countries, this number was raised to 36³⁾. The Committee now consists of:

- 12 representatives of the mining companies belonging to the Ruhr coal-selling agencies;
- 12 representatives of the workers employed by the Ruhr mining companies;
- 12 representatives of the coal consumers and dealers in the different Community countries.

153. The High Authority reserved the right to exercise constant supervision, to the extent it might deem necessary, to determine, firstly, whether the mining companies, the Joint Office, the Standards Committee and the financial

¹⁾ Decision No. 8-56, of February 15, 1956, *Official Gazette of the Community*, March 13, 1956.

²⁾ See No. 131 above.

³⁾ Decision No. 28-56, of July 18, 1956, *Official Gazette of the Community*, July 21, 1956.

arrangements instituted were functioning within the terms stated in the authorizations, and in particular within the restrictions, conditions and enjoinments so stated, and secondly, whether the measures introduced by the parties concerned in their organization were essential to the achievement of the purpose defined in Article 65,2,a of the Treaty, while not contravening the provisions of the Treaty or involving more extensive restrictions than were necessary to their purpose.¹⁾

Whereas the organizational aspects of the High Authority's decisions requiring supervision are actually specified in the decisions themselves, the supervision of the parties concerned to ensure compliance with the material provisions extends, on the one hand, to the resolutions of the mining companies, of the selling agencies, of the Standards Committee and of the Joint Office, and on the other to their activities and independence.

154. As regards the organizational side, the High Authority found that the three Ruhr coal-selling agencies had been set up in the manner required by its decisions. Each agency has its own management and its own board. The former joint shipping department has been done away with. In accordance with the High Authority's authorization, all decisions by the new agencies, the Joint Office and the Standards Committee are submitted to the High Authority for approval either beforehand or shortly afterwards.

155. The High Authority is taking particular care to see that the representatives of the different selling agencies are entirely independent. It examined a complaint received alleging certain inadequacies in this respect as regards represent-

¹⁾ Decision Nos. 5-8-56, of February 15, 1956, *Official Gazette of the Community*, March 13, 1956.

atives in the Netherlands. Inquiries were instituted on the spot, and as a result a number of changes were made.

On the material side, all resolutions are meticulously checked, not only to make sure that they are properly implemented, but also as regards the accuracy of the information on which they are based. In so doing, the High Authority is careful to bear in mind that the appropriate committees and the Joint Office are also required to take action in certain cases.

156. As regards the activities of the various parties concerned, the High Authority checks the manner in which the mining companies exercise their rights of *Wekselbstverbrauch* (sales to enterprises with which they are financially linked) and *Landabsatz* (direct local sales), and makes sure that the correct tonnages are being made available to the three selling agencies.

In this connection the High Authority has intervened on more than one occasion during the past year to prevent undue restriction of these availabilities as a result of tonnages' going in *Werkselbstverbrauch* and *Landabsatz*, in order that supplies to other consumers should not suffer.

The enterprises supplied under the *Werkselbstverbrauch* arrangement agreed after negotiations to cut their purchases below the standards fixed in the High Authority's decisions.

Sales under the *Landabsatz* system are effected according to the same principles as regular sales by the agencies. Certain difficulties as regards *Landabsatz* supplies to sub-distributors were cleared up before the beginning of the winter.

157. Since the marked excess of demand over supply made it necessary for the Management of the Joint Office to work out principles to govern the supplying of the various con-

sumer groups during the coal year 1956—57, in accordance with Article 4 of Decision No. 8-56, the High Authority in turn had a dual responsibility to fulfil.¹⁾ It had first to check the delivery schedules of the three selling agencies in which it made certain changes as regards supplies to households, to gasworks, to non-mine-owned coking-plants in Italy, and to the French iron and steel industry; having done so, it was then required to see that the schedules were duly adhered to. Back-checking for compliance with the schedules involves a further series of inquiries, more particularly as to availabilities of coal, manufactured fuels and coke, and to observance of the *Werkselbstverbrauch* and *Landabsatz* tonnages specified in the Standards Committee's decision for the different mining companies.

These inquiries could not be completed until after the end of the coal year 1956—57.

158. In view of the special importance of the selling agencies' trading regulations both for sales of coal within the Ruhr area itself and for supplies to the Common Market generally, it was necessary to devote particular attention to seeing that these regulations were in fact being observed.

It is not at present possible to pass a final verdict as to the value of the trading regulations, since it was only on March 31, 1957, that the transitional regulations expired which authorized direct buying by all dealers who had operated as direct-buying wholesalers during the coal year 1955-56, regardless of the reference tonnages specified in the trading regulations. A first check on the position as at February 15, 1957, revealed that in practically every one of the sales areas a considerable number of dealers had failed to achieve the required tonnage. The High Authority accordingly decided to

) See No. 131 above.

extend the transitional regulations for a further three months, to enable it to examine what action should be taken

- to prevent a considerable number of dealers from forfeiting their status as direct-buying wholesalers;
- to adjust the trading regulations to correspond more satisfactorily with conditions in certain parts of the Common Market.

Special mention should be made in this connection of the Netherlands market, where the number of wholesalers buying Ruhr coal direct is on the increase.

159. During the year under review, the High Authority complemented its work of supervision by examining a number of complaints received. These were not numerous, and some of them proved unjustified on closer investigation. In the remaining cases the High Authority took suitable action to put a stop to the abuses complained of and prevent their recurrence.

Thus, one of the Ruhr coal-selling agencies was required to withdraw a circular which it had sent out to its agents asking them not to agree to any change of supplier by a dealer unless an equirepresentative committee of wholesalers and retailers had certified his reasons valid.

160. *Comptoir Belge des Charbons* ("Cobechar"). — The High Authority on October 3, 1956, issued a decision authorizing the joint selling of fuels by the mining companies of the Belgian coalfields forming the *Comptoir Belge des Charbons* ("Cobechar").¹⁾ This agency represents fifty-four Belgian collieries (which constitute practically the whole of the Belgian coalmining industry); and markets

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 135; Decision No. 30/56, of October 3, 1956, *Official Gazette of the Community*, October 18, 1956.

approximately 7% of the coal won in the Community. No complaint has been received in connection with this agency since it was authorized.

161. *Oberrheinische Kohlenunion (O.K.U.)*. — During the past year the High Authority has held lengthy discussions with the Federal Ministry of Transport, the three Ruhr coal-selling agencies and the dealers in Southern Germany.¹⁾ The aim was to work out arrangements to extend to direct-buying wholesalers who do not wish to join the new buying agency, and direct-buying consumers, who are not in a position to do so, the benefit of the special rates allowed for the carriage of Ruhr coal by rail from ports on the Upper Rhine to destinations in Southern Germany.

A decision authorizing joint buying of Community coal by an agency representing direct-buying wholesalers in Southern Germany is to be taken shortly.

The High Authority has meantime been endeavouring to ascertain whether the normal operation of competition in the coal market might be restricted as a result of agreements between groups of river transport companies and collieries.

162. *Organization of the coal market in France*. — There have been differences of opinion between the High Authority and the French Government in regard to the privileges allowed to the Association Technique de l'Importation Charbonnière (A.T.I.C.).²⁾

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 134.

²⁾ See *Fourth General Report of the High Authority*, April 1956, No. 136.

The main points at issue were:

- a) the stipulation that all contracts for the importation of coal into France from other Community countries must be signed by A. T. I. C. as purchaser;
- b) the problem of allowing French consumers and dealers to buy from producers and dealers elsewhere in the Community.

As regards point (a), the High Authority took a decision on June 22, 1956, in accordance with Articles 4, 86 and 88 of the Treaty, informing the French Government that the retention of this system was a breach of one of its obligations. On August 17, the French Government appealed to the Court to reverse this decision. Towards the end of 1956, it asked the High Authority whether it would consider the decision of June 22 void if A.T.I.C. were to act in future only as the authorized representative or agent for contracts in respect of the purchase of Community coal. The High Authority agreed that its decision disallowing the activities of A.T.I.C. as sole authorized buyer had been taken in regard to a different legal position, and informed the representatives of the French Government that this was its view of the matter. A decree was accordingly passed on January 14, 1957 (*Journal Officiel de la République Française*, January 17, 1957), amending the decree of 1948 concerning the signature of import contracts by A.T.I.C. The French Government thereupon withdrew its appeal to the Court.

As regards point (b), the High Authority wrote on June 23, 1957, as required by Article 88 of the Treaty, asking the French Government to present its views. The French Government replied that it would not be in a position to do so until the Court had delivered judgment in the suit pending in connection with the signature by A.T.I.C. of contracts for the purchase of Community coal. When the appeal was withdrawn, the High Authority and the French Government agreed that this did not solve the problem of the coal trade generally (including the duties of A.T.I.C. as sole authorized

agent or representative), and that fresh discussions would have to be instituted in the matter.

These discussion are now in progress.

163. With regard to agreements (cartels), the High Authority has received since 1953 a total of ninety-two applications for authorization, of which fifty-one have so far been dealt with. Twenty-two were granted; one was rejected; proceedings in four cases were discontinued since the parties concerned had to go into liquidation; twenty-four projects proved not to call for authorization at all, as they did not constitute agreements within the meaning of Article 65. The High Authority also instituted a number of inquiries on its own initiative, as a result of which two schemes were authorized, one was refused authorization, one went into liquidation, and six proved not to require authorization. In four cases the proceedings were stopped.

CHAPTER EIGHT

PROBLEMS OF THE TRANSITION PERIOD

164. The most difficult problems in the consolidation and operation of a common market are those involved by the transition from national regulations and practices to a common economic order. For this reason, the Treaty provides for a five-year period of progressive adjustment to the new conditions, in order to prevent the disturbances which might have arisen in certain areas of the Community if the old conditions regarded as incompatible with the rules of the Common Market had been abolished forthwith or altered too abruptly.

The special provisions, which remain in force up to the end of the transition period on February 9, 1958, relate firstly to the temporary retention of Customs duties, subsidies and zone-delivered prices, and secondly to special arrangements to facilitate the integration of Belgian and Italian coal into the Common Market:

Section 1 - Customs duties

165. *Coal.* — The only Customs duties remaining are those imposed by Italy on non-metallurgical coke imported from other Community countries.

The maximum rates for these duties are laid down in Section 27 of the Convention, and the High Authority's permission is necessary to charge them. The maximum rate for the last year

of the transition period is 4.5%. The High Authority authorized the Italian Government to charge this rate from February 10, 1957, up to the end of the transition period¹⁾. The gradual reduction of this duty since the introduction of the Common Market has been as follows:

February 10, 1953-February 9, 1954	15.00%
February 10, 1954-February 9, 1955	13.50%
February 10, 1955-February 9, 1956	11.25%
February 10, 1956-February 9, 1957	8.25%
February 10, 1957-February 9, 1958	4.50%

The present state of the market being what it is, the economic incidence of the duty is very slight.

166. *Steel.* — Customs duties are charged on ordinary steels and special steels entering Italy from other Community countries.

The duties on *ordinary steels* were further reduced on May 1, 1956, in accordance with Section 30 of the Convention. A further cut is to follow on May 1, 1957.

In consequence of the suspension, or in some cases the reduction, of the Customs duties on various products imported from third countries, the Italian duties on the corresponding products from other Community countries have been suspended, or, as the case may be, reduced below the ceiling provided for in Section 30 of the Convention.

The duties on certain *special steels* manufactured by processes similar to those for ordinary steels (high-carbon steels, free-cutting steels, spring steels, electrical sheet) were lowered on May 1, 1956, to the level of the duties on ordinary steels.

¹⁾ See letter from the High Authority to the Italian Government, dated February 11, 1957, *Official Gazette of the Community*, March 11, 1957.

For the other alloy steels the maximum rates were fixed on December 1, 1955, for a period up to May 1, 1957: some of these are below the level stipulated in Section 30. The duties chargeable on these alloy steels from May 1, 1957, onwards have not yet been fixed.

Duties on *pig-iron* (with the exception of *spiegels*) from other Community countries were suspended as from December 1, 1955, up to July 14, 1956. This suspension was then extended, and is still in force¹⁾.

The various changes in Italian Customs duties on iron and steel products from other Community countries are shown in the following table.

	Pig-iron	Ordinary steels	Special steels	
			High-carbon steels Free-cutting steels Spring steels Electrical sheet	Other alloy steels
May 1, 1953 . . .	10%	15—23%		
August 1, 1953 .	9%	13—20%		
August 1, 1954 .			13—20%	4—15.5%
May 1, 1955 . . .	7.5%	11.25—17.25%		
August 1, 1955 .			11.25—17.25%	
December 1, 1955	sus- pended until further notice			3.5—7%
May 1, 1956 . . .	—	8.25—12.10%	8.25—12.10%	
From May 1, 1957	—	4.50— 6.90%	4.50— 6.90%	not yet fixed

167. In December 1956, the High Authority requested the Italian Government to take appropriate action to reduce the duties on sheet below the level required by the Convention.

¹⁾ See *Official Gazette of the Community*, August 3, 1956.

It pointed out that Italian sheet rollers had demonstrated their ability to compete both in the Italian home market itself and in the other Community markets, where their sales were on the increase.

Section 2 - Subsidies

168. State subsidies and assistance are prohibited in the Common Market for coal and steel. Under Section 11 of the Convention, the High Authority may, however, authorize their temporary retention up to the end of the transition period. In addition Belgian coal and Italian coal from the Sulcis collieries are, covered by a special scheme allowing the Belgian and Italian Governments to grant special assistance.¹⁾

Apart from these latter arrangements, the only State subsidies on Community products still existing are the financial measures instituted by the French Government.

169. Since the end of the coal year 1954-55, the *subsidy on coke* entering France from Community countries has been entirely done away with, owing in considerable measure to the introduction of railway through-rates. The only remaining trace of the former system is a certain amount of State assistance, comparable to a competitive tariff in favour of inland water transport via Strasbourg. The arrangement is that an enterprise using the latter mode of transport is compensated for the difference in cost as against carriage by rail.

170. The High Authority earlier recognized the value of *subsidies on coking coal* for increasing the proportion of Saar and Lorraine coal in the coking mixture and avoiding uneconomic transport arrangements. Subsequently, with the same end in view, it agreed to a proposal by the French Government that the subsidy should be divided into two separate parts, a "coking bonus" and

¹⁾ See Sections 4 and 5 in this Chapter.

a "residual subsidy". For the coking bonus, in accordance with Section 11 of the Convention, it fixed a descending scale to reach zero on March 31, 1957¹). The residual subsidy went out of existence in the course of the coal year 1956-57, as the introduction of railway through-rates meant that there was no longer any need for it.

Apart from assistance designed to make inland water transport competitive, which is granted in respect of coking fines as well as of coke, the problem of subsidies on coking coal from the Community was thus entirely disposed of by March 31, 1957, by the complete cessation of Government grants more than a year before the end of the transition period.

171. The terms on which *subsidies to French briquetting-plants not owned by mines* were to be granted for the coal year 1956-57, were laid down in the High Authority's letter of March 1, 1956, to the French Government, limiting the total amount of the subsidy to Ffr. 1,800,000,000 for an annual production of 1,400,000 metric tons of ovoids²). This figure was to cover the whole of the fines going to the briquetting-plants from Community coalfields or from third countries. The prescribed 1,400,000 metric tons proved insufficient to meet the demand for household consumption. With a current target for ovoids of 2,600,000 metric tons, it was only possible to augment availabilities with the aid of American coal. The French Government is compensating the additional charges resulting from the high maritime freight-rates.

For the period April 1, 1957- February 10, 1958, the French Government informed the High Authority that it was prepared to keep the subsidies on coal from Community coalfields down to Ffr. 350,000,000, and acknowledged that they must be done away with by the end of the transition period. The High Authority

¹) Letter from the High Authority to the French Government, dated March 20, 1956, *Official Gazette of the Community*, March 27, 1956. See *Fourth General Report of the High Authority*, April 1956, No. 95.

²) Letter from the High Authority to the French Government, dated March 1, 1956, *Official Gazette of the Community*, March 5, 1956. See *Fourth General Report of the High Authority*, April 1956, No. 95.

agreed that the ceiling for the subsidy on coal from Community coalfields should be fixed at Ffr. 350m. for the period in question.¹⁾

172. All the other subsidies authorized under Section 11 have likewise been discontinued, including in particular those granted by the French Government on sales of coal from the Saar and Lorraine to the German Federal Republic.

The following table shows the various changes in the subsidies authorized in France since the beginning of the transition period. (in millions of French francs)

	1953	1954	1955	1956 ¹⁾
Coke	1 253.5	182.6	170	189
Coking coal:				
coking bonus	—	—	1 520	1 376
residual subsidy	3 930.9	3 244.1	1 681	626
Deliveries to				
briquetting-plants on				
seaboard	4 654.6	3 302.9	2 091.8	2 920
Saar and Lorraine coal sold				
to W. Germany	3 486	3 344.8	1 804.0	—
Total:	13 325	10 074.4	7 266.8	5 111

¹⁾ Provisional figures.

Section 3 — Zone-delivered prices

173. From 1953 to 1955, when competition was keen between Community coalfields, the High Authority, in accordance with Section 24 of the Convention, allowed a number of zone-delivered prices for coal, in order to prevent sudden and harmful shifts in production and, in some areas, undesirably steep and abrupt price increases.

¹⁾ Letter from the High Authority to the French Government, dated March 14, 1957, *Official Gazette of the Community*, March 23, 1957.

From 1955 onwards, however, it became apparent that as a result of the way in which the market was developing, the zone-delivered prices were neither as useful nor as effective as they had been. They have, in fact, been progressively reduced to a level where they represent certain permanent elements in the pattern of sales in the Common Market, and it will probably be necessary at the end of the transition period to introduce in their place an arrangement allowing price alignment, on the basis of Article 60,2,*b* of the Treaty.

174. At the beginning of the coal year 1956—57, zone-delivered prices were authorized for sales by the Aachen (Aix-la-Chapelle) coalfield to Western Germany, by the Belgian coking-plants to Belgium, Luxembourg and the French departments of Moselle and Meurthe-et-Moselle, by the Lower Saxony coalfield to North Germany and the Netherlands, by the French Centre/Midi coalfields to certain areas in France, and by the Saar and Lorraine coalfields to Western Germany.¹⁾

The authorization for the two last-mentioned five coalfields was due to expire on May 31, 1956. It was extended up to and including March 31, 1957.

The Sulcis collieries were authorized in July 1956 to charge zone-delivered prices in respect of certain grades sold within Italy²⁾. The intention was not so much to institute new conditions of competition as to bring these collieries' trading system into line with the Treaty.

The authorizations all expired on March 31, 1957. Those for sales by the Saarbergwerke to Western Germany, sales by the Lower Saxony coalfield, and Centre/Midi coalfields, and sales by the Sulcis collieries to parts of Italy, were extended up to the end of the transition period.³⁾

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 93.

²⁾ Decision No. 27-56, of July, 18 1956, *Official Gazette of the Community*, July 21, 1956.

³⁾ Decisions Nos. 4, 5, 6 and 7-57, of March 13, 1957, *Official Gazette of the Community*, March 23, 1957.

Section 4 - Integration of Belgian coal into the Common Market

175. Belgian coal is covered, up to the end of the transition period, by a special scheme providing, firstly, for a compensation fund made up from a special levy on the coal production of those countries whose average production costs are below the weighted average for the Community, and secondly, for compensation payments out of this fund to assist Belgian coal, together with contributions from the Belgian Government in amounts at least equalling these payments. The main object of this system, which is supplemented by various reorganization programmes, is to bring the price of Belgian coal to all consumers in the Community more in line with the prices ruling in the Common Market generally, and thus facilitate the integration of Belgian coal into the Common Market.

At the end of 1956, this system was drastically remodelled to ensure the most rational and effective employment of the compensation fund available for the last year of the transition period. Work went ahead vigorously on the reorganization programme drawn up in 1955.

176. *The compensation levy* is payable on the coal production of the German and Netherlands enterprises. Although the Saar has been politically part of Germany since January 1, 1957, the High Authority has not imposed the levy on the production of the Saarbergwerke, in view of the special transition arrangements to operate between the period of French-Saar economic union and the date of economic incorporation in the German Federal Republic.

For the last year of the transition period the upper limit stipulated by Section 25 of the Convention was fixed by the High Authority at 0.3%, to enable estimated requirements to be met. The following table shows the progressive reduction of the compensation levy since the beginning of the transition period.

Entry into force	Rate	Levy per ton Enterprises in	
		Germany	Netherlands
March 15, 1953 ¹⁾	1.1%	Dpf. 55.0	42.0 cents
February 10, 1955 ²⁾	0.9%	Dpf. 41.0	44.0 cents
February 10, 1956 ³⁾	0.6%	Dpf. 29.1	19.9 cents
February 10, 1957 ⁴⁾	0.3%	Dpf. 15.25	15.28 cent

¹⁾ Decision No. 27-53, of March 8, 1953, *Official Gazette of the Community*, March 13, 1953.

²⁾ Decision No. 3-55, of February 8, 1955, *Official Gazette of the Community*, February 8, 1955.

³⁾ Decision No. 2 56, of February 1, 1956, *Official Gazette of the Community*, February 5, 1956.

⁴⁾ Decision No. 3-57, of January 30, 1957, *Official Gazette of the Community*, February 5, 1957.

177. Up to the end of 1956, the compensation levy yielded the following amounts (in millions of dollar units of account):

Enterprises in	1953 (1)	1954	1955	1956	Total
Germany	9 352	15 010	12 670	9 475	46 507
Netherlands	864	1 197	1 224	930	4 215
Total:	10 216	16 207	13 894	10 405	50 722

¹⁾ As from March 15, 1953.

178. *Compensation payments* have been confined, since the second quarter of 1955, to those provided for by Section 26,2,a of the Convention, designed "to make it possible to bring the price of Belgian coal to all consumers in the Common Market as close as possible to prices ruling in the Common Market generally, so as to reduce Belgian prices to a level near that of the estimated costs of production at the end of the transition period."¹⁾

¹⁾ Payments under Section 26, 2, c of the Convention (additional compensation amounting to 80% of the difference between the pithead price, plus freight charges to point of destination, of Belgian coal delivered to other Community countries, and the price of coal from the rest of the Community) were discontinued from the second quarter of 1955.

These payments were originally allotted on the basis of a distinction between an "account schedule" and a "sales schedule".¹⁾ The scheme was first recast in accordance with a decision taken by the High Authority in May 1955, on the principle of selectivity, whereby compensation was discontinued in respect of certain grades, and reduced for some collieries which were better placed than the rest by reason of the conditions under which their coal was mined²⁾.

This decision was contested by means of two appeals lodged before the Court of Justice, one by the Fédération Charbonnière de Belgique, the other by three collieries affected by the adoption of the principle of selectivity. The appeals were held to be admissible, but were dismissed, as the appellants were not successful in proving abuse of authority. In its judgments, which it delivered on November 29, 1956, the Court laid stress on the following points. The object of the compensation scheme was not to guarantee the enterprises their previous receipts, nor was it designed to contribute directly to the reorganization of the Belgian collieries or to finance them. It was more in the nature of a safeguard. The object of the different amounts of compensation paid was to harmonize unequal situations in the production conditions of the enterprises. Selectivity did not, therefore, lead to discrimination in fact, its whole purpose was to prevent it³⁾.

179. Simultaneously with the last reduction of the levy, the compensation scheme was reorganized a second time.⁴⁾ The High Authority realized that, if it wished to achieve the

¹⁾ Decision No. 24-53, of March 8, 1953, *Official Gazette of the Community*, March 13, 1953, See *General Report of the High Authority*, April 1953, No. 48; *Second General Report of the High Authority*, April 1954, Nos. 63—70; *Third General Report of the High Authority*, April 1955, Nos. 105—108.

²⁾ Decision No. 22-55, and letter from the High Authority to the Belgian Government, dated May 28, 1955, *Official Gazette of the Community*, May 31, 1955. See *Fourth General Report of the High Authority*, April 1956, No. 101.

³⁾ Judgments of the Court in Cases 8/55 and 9/55, *Official Gazette of the Community*, January 23, 1957. See No. 29 above.

⁴⁾ See No. 176 above.

objectives laid down regarding the integration of Belgian coal into the Common Market, it was essential to concentrate all the moneys available on the collieries which needed them most. This would mean discontinuing the payments both to collieries showing a profit and to collieries where the compensation would be swallowed up by unreasonably high working losses.

On the basis of studies begun in February 1956 on the costs and receipts of each separate Belgian colliery, the High Authority finally decided, at the end of December, in favour of still stricter selectivity. The Belgian enterprises were henceforth to be classified into three groups.¹⁾

Group 1 would include enterprises whose operating results were such that, as from January 1, 1957, it would be possible for them, to charge the selling prices fixed by the High Authority under Section 26,2,a of the Convention, without the aid of compensation payments. The High Authority took as its criterion for assessing operating results the difference between receipts and production costs, computed on the basis of production in 1956 and output from January to October 1956, not counting the month of August. 21 enterprises were classified in this group, to which compensation payments were discontinued from January 1, 1957, onwards.

Group 2 would consist of enterprises which could become competitive in the Common Market by the end of the transition period, if need be with the help of subsidies under Section 26,4 of the Convention. This was the group on which the High Authority had decided to concentrate up to the end of the transition period, by compensating the collieries' operating losses, not retrospectively, as this would have meant

¹⁾ Letter from the High Authority to the Belgian Government, dated December 19, 1956, *Official Gazette of the Community*, December 27, 1956.

that the enterprises had no incentive whatever, but in advance on the basis of the 1956 reference figures, determined by the same criteria as for Group 1.

Group 3 comprised the enterprises which had no prospect of becoming competitive in the Common Market by the end of the transition period. Compensation payments to these collieries ceased on February 9, 1957.

The classification of enterprises into Groups 2 and 3 was laid down in a letter addressed by the High Authority to the Belgian Government at the end of January 1957.¹⁾ The marginal collieries of the Borinage coalfield would continue to receive subsidies from the Belgian Government, in accordance with special agreements concluded with them. The High Authority made special mention of two collieries which might be allowed into Group 2 provided they carried out a reorganization scheme involving the expenditure of considerable sums of money. For one of them the scheme is already drawn up. As regards the second, the High Authority reserved judgment pending the findings of a further technical inquiry. The remaining collieries were classified into Group 2.

Under this classification Belgian coal production (26,900,000 metric tons in 1956) is distributed over the three groups as follows: Group 1, 14,900,000 metric tons (approximately one-half of total production); Group 2, 11,700,000; Group 3, 3,000,000.

180. In addition to the compensation scheme, there are in progress a number of *measures of reorganization*, which the High Authority requested the Belgian Government to introduce in order to make it possible for the Belgian collieries to achieve integration into the Common Market. Writing on May 28, 1955, it stressed that these measures should be aimed in particular at securing the financing of re-equipment pro-

¹⁾ Letter from the High Authority to the Belgian Government, dated January 30, 1957, *Official Gazette of the Community*, February 9, 1957.

grammes, supervising their implementation, encouraging a more rational layout of the workings, and valorizing production.¹⁾

As regards the first point, the High Authority stated that the compensation payments must be accompanied by supplementary credits at reduced interest, backed by a State guarantee. A Bill providing the required State guarantee became law in Belgium on July 12, 1955, and was implemented by Royal decree on October 5; on November 19 of the same year an agreement was concluded with the Société Nationale de Crédit à l'Industrie. Credits advanced by the Société Nationale under this law as at September 15, 1956, totalled Bfr. 2,237m.

As regards the rearrangements of workings, a number of sub-leases have been granted in order to link up concessions and thereby facilitate the collieries' operations. The High Authority contacted the Belgian Government specially on this point, to request it to speed up the licensing of reserves in the Campine coalfield, which would make a particularly substantial contribution to the coal economy of the Community.

The valorization of production involves, in particular, financing the construction or extension of pithead power-stations. Four pithead power-stations are now building in the Hainaut coalfields (Borinage, Central Belgium, Charleroi): funds for financing these amounted in September 1956, to Bfr. 2,128m., of which Bfr. 700m. were derived from credits granted by the High Authority out of the American loan²⁾, and the remaining Bfr. 1,428m. from the State-backed credit opened by the Société Nationale de Crédit à l'Industrie. Extension operations at one pithead power-station are also planned in the Liège coalfield.

181. Following the reorganization which has accompanied the compensation scheme, there has been an increase in underground o.m.s., which rose from 1,051 kg. in 1952 to

¹⁾ Letter from the High Authority to the Belgian Government, dated May 28, 1955, *Official Gazette of the Community*, May 31, 1955. See *Fourth General Report of the High Authority*, April 1956, Nos. 109—112.

²⁾ See *Fourth General Report of the High Authority*, April 1956, No. 196

1,160 kg. in 1956 for Belgian coal production taken overall. The High Authority is, however, understandably concerned by the fact that Belgium's relative position within the Community has not improved, partly because output has also increased in the other coalfields, but mainly because production costs have risen more steeply on the Belgian collieries than elsewhere.

On four occasions since the reorganization of the compensation scheme in May 1955 the High Authority has had to authorize price increases to cover the effects of higher costs, (principally wages and social charges). The total increase averages something like Bfr. 160 per saleable ton.¹⁾

The High Authority fears that unless very considerable exertions are made by the Belgian collieries in Group 2, a number of problems will face the industry even after the end of the transition period. The need for changes is masked by the present firmness of the market. The High Authority has brought these matters to the attention of the Belgian Government, which fully recognizes the seriousness of the position.

182. Four collieries in the Borinage are covered by a special arrangement: They have concluded conventions with the Belgian Government, which makes them special payments, with the authorization, and where required with the assistance, of the High Authority.

The High Authority agreed to the reorganization programme for the marginal collieries of the Borinage, and duly noted that it provided for the overhaul of pits deemed to be economically workable and for the gradual closing-down of those whose operating results could not be improved to

¹⁾ See No. 125 above.

any satisfactory degree.¹⁾ One pit was closed on July 20, 1956, a second on December 31, 1956, and a third on January 20, 1957.²⁾

183. The High Authority earlier had stated its willingness to set aside Bfr. 200m. for the Borinage reorganization programme as a whole, of which Bfr. 130m. was to come from the compensation levy and Bfr. 170m. from the readaptation fund, to cover the whole of the expense involved by the readaptation of workers following the closing-down of the pits.³⁾

For the financial year 1955 the High Authority fixed its own contribution at Bfr. 90m., derived from the compensation levy, and authorized the Belgian Government to grant the Borinage marginal collieries a subsidy of Bfr. 313,500,000⁴⁾. Since in practice it emerged that the effort needed for 1955 was such as to justify the expenditure of Bfr. 18,700,000 over and above the subsidy originally fixed, the High Authority authorized the Belgian Government to increase its subsidy to the Borinage collieries by this amount.

For 1956, the High Authority decided to fix its share in the financing of the Borinage reorganization programme at Bfr. 40m., derived from the compensation levy, and to authorize the Belgian Government to pay out Bfr. 29m. in subsidy and Bfr. 99,400,000 in recoverable advances. A further Bfr. 8,100,000 went in recoverable advances for deep-mining experiments at Rieu-du-Coeur, which is also in the Borinage, but is not a marginal colliery.

1) Letter from the High Authority to the Belgian Government, dated February 3, 1956, *Official Gazette of the Community*, February 22, 1956. See *Fourth General Report of the High Authority*, April 1956, No. 112.

2) For re-employment of workers becoming redundant as a result of closing-down pits, see No. 240 below.

3) See *Fourth General Report of the High Authority*, April 1956, No. 113; also No. 241 below.

4) See *Fourth General Report of the High Authority*, April 1956, No. 114

Section 5 - Integration of Italian coal into the Common Market

184. Section 27 of the Convention provided that a portion of the compensation fund was to be made available to the Sulcis collieries, in Sardinia, to enable them to face competition in the Common Market pending the completion of the re-equipment operations then under way. High Authority assistance was to be provided for a period of two years, which expired on March 14, 1955.

Up to July 1955, the High Authority made a number of advances totalling Lit.3,750m. It made the actual payment of the compensation conditional upon the acceptance by the Italian Government and the Carbosarda Company (which runs the Sulcis collieries) of the broad outlines of the reorganization programme which it had approved.¹⁾

185. Now that this programme has been adopted and is in process of implementation, the High Authority has decided to settle finally the compensation due on Italian coal.

The sum fixed for the two years was Lit.8,150m., of which one-half, *i. e.* Lit.4,075m., was to be furnished by the High Authority. Since the advances made by the High Authority to the Carbosarda Company totalled Lit.3,750m., the sum outstanding for the completion of the settlement was Lit.325m., which was duly paid by the High Authority after the Italian Government had paid its own outstanding balance of Lit.75m.

186. The implementation of the Sulcis reorganization programme is going ahead in accordance with the directives of the High Authority.²⁾

1) See *Fourth General Report of the High Authority*, April 1956, No. 104.

2) See *Fourth General Report of the High Authority*, April 1956, No. 116.

Progress has been made in the regrouping of underground workings and the mechanization of the main underground operations. Additional mining equipment is being purchased. The concentration of the pits is proceeding: the more modern of these will ultimately be marketing approximately 60% of the saleable production of the coalfield. Vocational-training and apprenticeship courses have been organized and have produced satisfactory results. Arrangements to separate all non-essential activities from the enterprise are nearly complete.

As a result of these measures, the underground o.m.s. has been raised from 867 to 963 kg. Production, however, notwithstanding the tightness in the market, dropped from 1,039,000 metric tons in 1955 to 974,000 in 1956, largely as a result of strikes and days not worked in connection with wage claims by the personnel employed, and also of the manpower wastage represented by young miners leaving for other Community coalfields.¹⁾

The operating losses of the Carbosarda Company have been substantially reduced (Lit. 1,400m. for the past financial year, as against Lit. 4,000m. previously).²⁾

¹⁾ For action in regard to readaptation, see No. 239 below.

²⁾ Compensation payments by the High Authority under Sections 25, 26 and 27 of the Convention since the beginning of the transition period are shown in the Annex on Finance, No. 11.



PART THREE

**LIVING AND WORKING CONDITIONS
IN THE COMMUNITY**

187. The introduction of a common market and the work of keeping it abreast of technical advance are not an end in themselves. In the ultimate analysis, they are only the prerequisites for the improvement of the whole way of life of the individual, not only as a consumer, by means of more abundant, cheaper and better supplies, but also as a worker, by means of more effective safeguards and better living and working conditions.

It is this desire for the close interlinking of the Community's economic and social objectives, and the effective dovetailing of economic and social policy, which animates the whole of the High Authority's work. Social progress is conditioned by economic progress. Only through a "more rational distribution of production at a higher level of productivity" is it possible to ensure a lasting improvement in conditions generally. But, conversely, it is equally true to say that social progress determines economic progress. Terms of employment, vocational training, industrial safety are essential factors in any stepping-up of productivity; the raising of workers' real incomes creates the outlets necessary to an expanding production. In the past, the big industrial switch-overs set in motion by technical and economic progress were often accompanied by widespread unemployment and a sudden drop in wages, so that the immediate social brunt of the adjustment to a new situation was largely borne by the workers. The Treaty enables the High Authority to channel such changes in the coalmining and iron and steel industries in the direction of smoother long-term development. It also provides

for measures to safeguard the workers in the industries of the Community against certain of the consequences of such changes by means of an effective readaptation policy.

On the other hand, there is no automatic correlation between economic and social progress. Specific social action is needed, therefore, to ensure that economic and technical progress actually is reflected in the improvement and leveling-up of living and working conditions for the workers in the Community industries. The High Authority, in co-operation with the other institutions of the Community, has endeavoured to specify appropriate methods for attaining these social objectives by means of a social policy in harmony with its economic policy in the coalmining and iron and steel sectors.

CHAPTER NINE

THE SOCIAL TREND IN THE COMMUNITY

188. As a result of the economic expansion, there has been a market tightness in the labour markets of the Community countries (with the possible exception of Italy), which was felt with particular acuteness in the coalmining industry.

At the same time, the vigorous activity in the Community industries helped to produce a further improvement in living and working conditions.

The rise in wages took the form not so much of changes in the scales fixed by collective-bargaining agreements as of increases in the amounts actually paid by the enterprises.

In addition, having regard to the improvement in productivity, the trade unions claimed, and in many cases obtained, either a reduced working day or working week, or more holidays with pay and paid official holidays.

Finally, the workers' constant anxiety to ensure greater stability for themselves — whether a guaranteed income, security of employment or an old-age pension — resulted in the conclusion of a number of collective-bargaining agreements and the passing of various laws partly meeting their claims.

Section I - The employment situation

189. 1956 saw an increased reluctance on the part of the workers in the Community industries to undertake heavy jobs, a factor which had serious consequences in the pits and in certain sectors of the iron and steel industry.

Workers from sections of the population in which it is traditional for the men to go into mines or the steelworks have more and more frequently been finding themselves employment which is less strenuous and as well or even better paid.

Other difficulties have arisen as a result of developments at Government level: thus the Italian authorities suspended the emigration of Italian miners to Belgium in February 1956 following an accident at a Belgian colliery.

In April and May 1956, military operations in Algeria impelled the French Government to call up the reserves which included considerable numbers of young miners. A decree issued on August 22, however, released underground miners from the troops recalled, and directed them to the collieries.

The Marcinelle disaster also caused a considerable diminution in the flow of Italian miners to all the countries of the Community.

190. The labour authorities, the employers' and workers' organizations and the enterprises endeavoured to cope with these difficulties by negotiating new recruitment agreements and campaigning to attract workers from outside the Community.

Several Governments embarked on negotiations with the Greek and Spanish Governments, and a steady influx of workers from these two countries may be expected in 1957, particularly to the Belgian pits.

Negotiations continued throughout 1956 between the Belgian and Italian Governments concerning the resumption of Italian emigration to the Belgian collieries.

As a result of the events in Hungary, a number of refugees, including miners, found employment in various Community collieries in Belgium, France and the Netherlands.

191. It became evident at the same time that something must be done to counter the disastrous effect on coal production of the increased competition in the labour market.

Definite efforts are now being made to improve miners' living and working conditions in a number of respects, including wages, security of employment, health and safety on the job, housing, vocational training, and labour relations.

There has been a similar trend in the iron and steel industry, in which recruitment difficulties also occurred (although never on the scale encountered by the collieries), mainly as regards heavy workers. It would not appear, however, that there was any very difficulty, at any rate up to the end of 1956, in taking on sufficient workers to make up for the shorter working time.

The reduction of working time in Belgium, which was granted in the form of additional days off, by the agreements of February 4 and February 20, obliged the iron and steel industry to recruit extra labour during March, April and May (1,486 workers in March, 1,267 in April, 1,251 in May, as against 986, 899 and 843 respectively for the same three months in 1955, the wastage remaining at the normal level, approximately 700 per month).

Incidentally, statements by various persons in positions of authority in Belgium definitely indicate that the increase in the labour force necessitated by the reduction in working time was not in direct proportion to the reduction itself. This was due to the fact that in a number of enterprises the reduction was partly offset by better organization (improved shift system, better utilization of equipment and skilled workers).

192. Efforts were made to ensure an all-round improvement in the labour situation not only by recruiting new workers, but perhaps even more by a policy of stabilizing the labour force in the Community industries.

A number of fairly recent studies have shown the considerable rise in labour costs resulting from excessive turnover which has adverse effects not only on the proper training of the men and the recruitment of the lower supervisory grades, but also on the standard of safety on the job and the general productivity of the enterprise.

193. During the past year, it has become even more evident that the industries must improve the skills of their men or in some cases retrain them altogether, to keep up with which technical developments.

The speeding-up of mechanization and electrification in underground mineworkings, the introduction of new plant and equipment in the iron and steel industry, the modernization of the iron-ore mines, are bringing about a complete change in the skills required for the various trades.

These new requirements serve to complicate the recruitment problem still further, since they intensify competition with the mechanical and electrical industries. They are gradually obliging the enterprises and the employers' associations to embark on a complete recasting of some of their training programmes.

194. In order to step up the productivity of both man and plant, as well as to improve the working climate and safety standards and keep the personnel, more and more enterprises are concentrating particularly on advanced training for the supervisory, managerial and technical staff, by extending their field of study to such matters as business economies, works organization and methods, social legislation and industrial safety.

These various points do not, however, suffice to provide a full picture of the employment situation during the past year.

195. For some eighteen months, favourable general conditions have frequently combined to obscure the structural anomalies which undoubtedly still exist in certain enterprises not yet properly adjusted to the new state of affairs in the Common Market.

In some cases, however, the realization that an enterprise must be reorganized and enabled to withstand competition in the Common Market on a sound basis before the expiry of the transition period has been stronger than the temptation to make the most of unusually favourable economic conditions and continue employing obsolete plant.

A number of collieries in the Borinage and Lower Saxony coalfields and of Italian and French iron and steel firms were thus obliged to cut down their personnel so drastically as to qualify for combined assistance from their Governments and the High Authority¹).

196. *The trend in manpower.* — The statistics show that, with a few exceptions, the various types of difficulty just listed have not seriously affected the manpower position *in the collieries*. It should, however, be stressed that full utilization of extraction potential would have necessitated an increase in the labour force²).

¹) See Chapter X, Section 3, below.

²) See No. 108 above.

**Variation in numbers of personnel employed by the collieries underground,
at the surface and in auxiliary plants**

(workers, apprentices, salaried staff, technicians, supervisory
and managerial staff)

	End of 1955	End of 1956	Variation
Germany (W.)	522 400	534 900	+ 12 500
Saar	63 400	63 500	+ 100
Belgium	157 600	149 800	- 7 800
France	243 800	240 300	- 3 500
Italy	7 200	6 700	- 500
Netherlands	60 800	61 300	+ 500
Community:	1 055 200	1 056 500	+ 1 300

**Variation in numbers of personnel employed by the collieries underground
(workers and apprentices)**

	End of 1955	End of 1956	Variation
Germany (W.)	329 200	338 400	+ 9 200
Saar	37 100	36 800	- 300
Belgium	106 900	99 700	- 7 200
France	142 100	140 700	- 1 400
Italy	4 900	4 600	- 300
Netherlands	30 400	30 800	+ 400
Community:	650 600	651 000	+ 400

Belgium, France and Italy thus show a decrease during 1956.

The 7% drop in the case of Italy is due to changes in the structure of the collieries, facilitated, incidentally, by financial assistance from the High Authority.¹⁾

¹⁾ See No. 186 above and No. 239 below.

The fact that colliery personnel in Belgium went down by only 5.2% is an indication of the scale on which recruiting is being carried on there. The number of new entrants for underground work, which was 3,487 in January 1956 and only 1,650 in April, went up to 3,337 in October before dropping again to 2,891 in December. The monthly average for 1955 was 3,400.

As regards the German collieries, the small increase in total manpower in 1956 (2%) does not do justice to the enterprises' efforts to attract men for underground work.¹⁾ In 1955, despite an increase of 4,100 underground workers in the first three months, and an average monthly intake of 3,800, the total number of underground workers was 600 lower at the end of the year than at the beginning. In 1956, the monthly average of new entrants for underground work was 4,700, and in addition 3,570 workers and apprentices were transferred underground from the surface.

The German collieries have, however, been faced likewise with a considerable turnover of personnel and an increasing drift away from coalmining generally.

Turnover of underground workers in the German collieries

(monthly averages)

	1955	1956
Disablement, retirement, death	560	480
Transfer from one colliery to another . . .	2 470	2 830
Other losses	4 140	4 300
Total:	7 170	7 610
Transfers to surface	2 034	2 750

197. In the iron and steel industry, on the other hand, the labour force has been increasing throughout the Community, rising from 502,800 persons employed (including 428,200

¹⁾ See No. 190 above.

workers) at December 31, 1955, to 522,100 (including 444,300 workers) at December 31, 1956, an increase of approximately 4%.

Variation in numbers of personnel employed in the iron and steel industry
(workers, apprentices, salaried staff, technicians, supervisory and managerial staff)

	End of 1955	End of November 1956	Variation
Germany (W.)	178 500	185 400	+ 6 900
Saar	30 900	31 800	+ 900
Belgium	56 200	59 400	+ 3 200
France	147 300	151 600	+ 4 300
Italy	60 300	62 800	+ 2 500
Luxembourg	19 700	20 600	+ 900
Netherlands	9 900	10 500	+ 600
Community :	502 800	522 100	+ 19 300

198. Variations in the labour force at the *iron-ore mines* were very slight.

**Variation in numbers of personnel employed by
the iron-ore mines underground and at the surface**
(workers, apprentices, salaried staff, technicians, supervisory and managerial staff)

	End of 1955	End of November 1956	Variation
Germany (W.)	21 900	22 900	+ 1 000
France	28 700	28 300	— 400
Italy	4 300	4 100	— 200
Luxembourg	2 600	2 600	—
Community :	57 500	57 900	+ 400

Section 2 - Working hours

199. The workers in most countries of the Community succeeded in obtaining a reduction in working time, in the form either of a shorter working day or week, or of more holidays with pay and paid public holidays.

Shorter working day or week.

200. *In Germany*, agreements were concluded in both the coal-mining and the iron and steel industry reducing working hours.

a) A first agreement provided that, from July 31, 1956, onwards, the average working week for the round-the-clock services (coking-plants, power-stations) of the coalmining industry in Land North Rhine/Westphalia should not exceed 48 hours. A second agreement, dated October 17, 1956, granted two days off per month to workers in all the services of the coalmining industry in Land North Rhine/Westphalia not covered by the agreement of July 31. One day off in the month was granted to workers who were so covered, over and above the reduction of their average working week to 48 hours.

b) A convention concluded on March 26, 1956, reduced the working week for the blast-furnaces from 56 hours to 48, including Sundays. On June 23, 1956, a further agreement shortened the working week from 48 hours to 45, as from October 1, 1956, for the 1,700,000 workers of the West German metal-processing industry. On December 21, 1956, a convention was concluded fixing the regular working week for all workers in the iron and steel industry at 48 hours up to March 31, 1957, and 45 hours thereafter. For open-hearth and electric-furnace steelworks and the roughing mills integrated with them, the maximum working week was fixed at 42 hours by the introduction of a continuous working system of three shifts with four teams.

201. *In Belgium*, by an agreement reached in January 1956, miners were granted 15 days off a year over and above their paid public holidays and regular annual holidays, as a transitional arrangement for 1956, in accordance with an undertaking given by the trade unions which signed the agreement, seven of these new off-days were worked. An agreement dated February 1, 1957, allows each worker a further three days off in the year, to be taken at his

convenience. The method of computing the amounts to be paid for these off-days was also changed; under the new system the steady worker will receive for 1957, in addition to his wage for his actual work and public holidays, a supplementary payment equal to his wage for 18 working days.

Similar agreements for the steelworkers were concluded on February 4 and February 20, 1956, allowing them 15 off-days in lieu in the year. Exceptions, to be worked out on a regional basis were permitted up to January 31, 1957. A fresh agreement which came into force on February 1 increased the number of off-days to 18, exceptions, at enterprise level being allowed in case of necessity.

202. *In Italy*, the problem of shorter working hours is still under examination. The law of October 30, 1955, bound the enterprises to keep overtime down to a minimum, and where possible to recruit new workers instead.

The Fiat Company, by an agreement concluded on May 22, 1956, with its works council, reduced the working week to 46, 44 and 40 hours respectively, according to shift, the level of earnings remaining unchanged.

The Ministry of Labour and Social Insurance has directed a ministerial committee to examine the general problem of a reduction in working time. A decree was also issued on May 23, 1956, attaching to that Ministry a "committee to increase employment in conjunction with new production methods and new social requirements." responsible for submitting schemes and laws aimed at shortening working hours, to be progressively introduced without wage cuts.

203. *In Luxembourg*, to meet a claim for the reduction of the average working week to 44 hours, a collective-bargaining agreement concluded on April 10, 1956, granted 16 days off in the year, independent of paid public holidays and annual holidays with pay, to all workers in the steel industry and the iron-ore mines.

204. *In the Netherlands*, claims were submitted early in 1955 for shorter working hours. The effects of such a reduction have been studied by the Social-Economische Raad, and in their more particular application to the collieries by the Mijnindustrieraad.

Annual holidays with pay and paid public holidays.

205. *In Belgium*, steelworkers and colliery surface workers, who come under the system covering industry in general, formerly had a regular annual holiday of six working days with double pay, plus extra holidays on ordinary pay, of two, four or six days a year, according to the age of the worker.

In future, all workers of 21 and over will be entitled to not less than 12 working days' holiday a year, six of them paid at double rates and six at the ordinary rate.

Underground workers continue to be allowed a regular holiday of six working days a year on double pay, plus extra holidays varying according to their standard of attendance (in principle 12 days). From now on, however, they have the guarantee that their total holidays will not be less than what they would be under the general system, whatever their standard of attendance.

206. *In France* in 1956, for the first time, the miners were paid, under the agreement of December 27, 1955, for five free weekdays, in addition to May 1 and St. Barbara's Day, formerly the only paid off-days. These five extra free days are to be taken on stated dates every year, and will be paid at the same rate as holidays with pay.

The number of off-days for steelworkers was raised in 1955 to five in the departments of Moselle and Meurthe-et-Moselle, four at Maubeuge and Valenciennes, and two in the Loire area. In 1956, two extra days were granted in the departments of Moselle and Meurthe-et-Moselle. In the Loire area, at the Ateliers et Forges de la Loire, all the public holidays, twelve in number, now count as paid off-days.

207. *In Italy*, apprentices' holidays were extended by a law of June 19, 1956, to 30 days for apprentices under 16 and 20 for those of 16 and over. The regular annual holiday for adult workers is at present fixed at 23 days.

208. *In the Netherlands*, the normal annual holiday for steelworkers has been increased from 12 to 15 days. Changes have also been made in the seniority holiday system. This is still based on

length of continuous service with one enterprise, but the 1956 agreement simplifies the qualifying conditions for this extra holiday by fixing it at three days after 25 years' continuous service. The extra holiday allowance, formerly fixed at the equivalent of earnings for one week worked, has been increased to two weeks earnings.

The miners were granted two days on to their annual paid holiday. Furthermore workers under eighteen are now entitled to 18 days' holiday, whereas previously only boys of 14 and under and 15 were allowed an extended holiday, of 14 and 12 days respectively.

209. Thus during 1956, Community workers generally obtained improved terms of employment, whether in the form of longer holidays, of more paid off-days, or of shorter working hours.

The efforts made by the trade unions with a view to securing this last reform are part of a more general campaign for the 40-hour week, as may be seen from numerous recent debates and statements in the various member countries, in the institutions of the Community and in the International Labour Organization.

Section 3 - Wages

210. While wages in the Community industries for the most part, except in the Netherlands, varied very little in 1953 and 1954, they showed an upward trend in all countries in 1955—56.

An endeavour is made in the tables following to trace this movement as near as possible to the date of going to press with this Report. The tables are accordingly based on the findings both of the annual survey and of the High Authority's regular quarterly surveys¹.)

¹) This method might perhaps be open to criticism if the aim were not simply to outline one or two general tendencies. In any case, these tables, compiled for each country on the basis 1953 = 100, obviously cannot be employed to compare the relative situations of the workers in the different countries.

211. *In the iron and steel industry*, the movement of wages since 1953 has varied considerably.

While in the Saar, France, Germany, Luxembourg, and the Netherlands wages have risen by 23 to 32%, according to country, in Belgium the increase was only 14%, and in Italy 18%.

**Indices of direct wages per hour in the iron and steel industries
of the Community**

(1953 = 100)

	1954 ¹⁾	1955 ¹⁾	1956 ²⁾
Germany	104	114	123
Saar	101	115	132
Belgium (3)
France	104	118	130
Italy	106	110	118
Luxembourg	102	110	124 (3)
Netherlands	107	119	125

¹⁾ Taken from the High Authority's annual survey.

²⁾ Figures for October 1956, taken from the High Authority's quarterly survey.

³⁾ For Belgium the index figures would be 104, 110 and 114 respectively, but the index does not altogether allow for the incidence of payments following the granting of off-days in lieu of a general reduction in working time with effect from February 1, 1956; many works classified these items of expenditure not as direct wages but as related charges. In Luxembourg, where the reduction took effect from April 1, 1956, the expenditure was included under direct wages by all the enterprises, so that the index for Luxembourg does make full allowance for the shorter working time.

212. *In the collieries*, there are likewise appreciable differences.

As regards surface workers' wages, the countries fall into two groups,

Belgium, the Netherlands and Italy, where wages have risen by 33—37% since 1953;

France, Germany and the Saar, where the increase was between 23 and 27%.

As regards underground workers, the increases since 1953 show even greater variations,

- in Italy and Germany respectively 55 and 45%;
- in Belgium and the Netherlands respectively 32 and 27%;
- in the Saar and France respectively 22 and 17%.

It is interesting to note the striking difference between France and Germany as regards the relative trends in underground and surface workers' wages. The increase in Germany (including the shift bonus) between 1953 and the end of 1956 was 45% for underground and 23% for surface workers: in France it was the surface workers who received the bigger increase, viz. 25% as against the underground workers' 17%.

Indices for direct wages per hour in the hard-coal mines ¹⁾

(1953 = 100)

	1954 ²⁾	1955 ²⁾	1956 ³⁾
SURFACE WORKERS			
Germany (W.)	102	113	123
Saar	103	113	127 ⁴⁾
Belgium	100	102	133
France	103	116	125
Italy	103	110	137
Netherlands	111	120	133
UNDERGROUND WORKERS			
Germany (W.)	104	113	{ 133 145 ⁵⁾
Saar	103	109	122
Belgium	101	103	132
France	101	110	117
Italy	103	109	155
Netherlands	111	118	127

¹⁾ The indices for wages per hour include all elements directly connected with work actually done, but not bonuses on results. For further details concerning this definition, see *Les Salaires et les Charges Sociales dans les Industries de la Communauté*, May 1956, vol. I, p. 10.

²⁾ Taken from the High Authority's annual survey.

³⁾ Figures for fourth quarter of 1956, taken from the High Authority's quarterly survey.

⁴⁾ Provisional figure, not allowing for arrears from December 1956 paid over in February 1957.

⁵⁾ Including shift bonus.

213. In the *iron-ore mines*, the increase in Germany and France since 1953 has been 32 and 24% respectively, while in Italy it was 18% and in Luxembourg only 6%.

Indices for direct wages per hour in the iron-ore mines

	1954 ¹⁾	1955 ¹⁾	1956 ²⁾
Germany	105.1	115.2	131.6
France	103.0	116.4	123.9
Italy	105.8	110.6	118.3
Luxembourg	101.1	104.7	107.5

¹⁾ Taken from the High Authority's annual survey.

²⁾ Figures for November 1956, taken from the High Authority's quarterly survey.

214. There have been all kinds of reasons for these wage increases, and they took all kinds of different forms. They include:

- operation of sliding scales (Belgium, Italy, Luxembourg);
- raising of hourly wage to prevent drop in weekly earnings as a result of reduction in working time (Germany);
- action to make mining a better paid occupation (Belgium, Germany: German shift bonus has resulted in a substantial increase in wages of underground workers, particularly those employed at piece rates);
- various bonuses and allowances (French collieries and iron-ore mines, Saar).

In addition, some enterprises have granted increases of their own accord, and not in deference to regulations or agreements (Belgian, French and Luxembourg iron and steel firms).

These satisfactory developments have not been accompanied by any major strike action.

215. *In Germany*, by an agreement of February 15, 1956, there was a 6% all-round increase in the standard wage rates for mine-workers above and below ground, plus an extra DM.1.25 per shift for those engaged on piece-work. In addition, the Federal Government decided at the same time to grant bonuses of DM.2.50 per shift for piece-workers, and DM.1.25 for other underground workers.

Steelworkers in Land North Rhine/Westphalia received a wage increase of 4% from October 1, 1956, together with an allowance for hours worked beyond the 48-hour limit. In Bavaria, from January 1, 1956, steelworkers' hourly wages were increased by DM.0.15 for those on time rates and DM.0.10 for those on piece rates. In Lower Saxony, the rise was DM.0.14 for workers paid on a time basis; while, the minimum wage per hour for piece-workers was fixed at DM.1.37.

In the German iron-ore mines the shift rate was increased by 9% and the piece rate by between 8 and 9%, in most cases from June 1, 1956, and in certain others from July 1 and August 1.

216. *In the Saar*, a collective-bargaining agreement concluded on February 9, 1956, increased miners' wages by approximately 8%, and instituted a yearly bonus of Ffr.6,000 conditional on a certain output during the first six months. On July 1, 1956, the wage for the top grade from which those for all other grades are calculated, was increased by Ffr. 31 per shift. Craftsmen were upgraded with effect from the same date.

A court of arbitration on July 4, 1956, granted Saar steelworkers a bonus on overall production of 0.7% of their wage per 1,000 metric tons produced above 200,000 metric tons per month.

217. *In Belgium*, wages were twice adjusted in accordance with the normal operation of agreements linking wages to the retail-price index. This resulted in two increases of 2.5% each, on May 1, 1956, and January 1, 1957.

Belgian miners also received as from October 1, 1956, an increase of 10% for the lower grades and 11% for the higher.

218. *In France*, the sliding-scale provisions linking the guaranteed minimum wage and the wage of Grade 1 surface workers (the basis for computing all other miners' wages) to the cost-of-living index were not brought into operation in 1956. The only change was in March 1956, when wage zones were altered, reducing zone abatements by approximately 30%.

Coalminers began in 1956 to receive the benefit of the agreement reached in December 1955 concerning the productivity bonus. On condition that their attendance reached a certain standard, they were paid a monthly bonus of Ffr.2,000, plus the yearly bonus of Ffr.6,000 at the end of the first six months. They were also paid more in consequence of the new method employed in calculating the "bonus on results."¹)

Following the December 1955 agreement, discussions were started, and are now in progress, concerning the extent to which it will be possible to raise wages further as a result of the all-round improvement recorded during 1956: the agreement itself guaranteed a 3% increase.

An agreement concluded on January 20, 1956, on the same lines as that concluded the previous month for the coalmining industry, granted the workers in the iron-ore mines a 4% wage increase and, provided a certain output target was achieved (which it was), a yearly bonus of Ffr.6,000. In addition, a gratuity of Ffr.3,000 was paid in December 1956.

219. *In Italy*, there were some changes in wages in 1956, principally as a result of increases in the cost-of-living allowance (*contingenza*). This allowance went up six points in the course of the year: that is to say, for the unskilled worker in Grade A it went up from Lit.40 to Lit.100, an increase of 150%. The increase for the other grades was in proportion to their position in the wage schedule.

¹) See *Les Salaires des Ouvriers des Industries de la Communauté*, September 1956.

In the iron and steel industry further changes took place upon the renewal of the collective-bargaining agreement on behalf of the metal-working and iron and steel industries. The negotiations ended on June 21, 1956, in the conclusion of a fresh national agreement containing new wage schedules, and providing for a 4% increase of the minimum rates agreed by the unions.

220. *In Luxembourg*, wages were increased by approximately 4.5% from January 1, 1957, in accordance with the sliding scale.

221. *In the Netherlands*, the Government authorized the enterprises in March 1956 to grant all-round wage increases up to 6%, and to pay a special bonus of 3% of the yearly wage earned in 1955, with the object of retrospectively increasing the 1955 wages.

In point of fact, the workers in the coalmining and iron and steel industries received the maximum increase of 6%. In addition, the allowance for miners employed in continuously-operating workings was raised from 10% to 13% of the wage. The steelworkers were granted, over and above the 6% rise, increases in juveniles' wages, in team-work and overtime pay, and in the holiday gratuity (from 2 to 4% of the annual wage).

222. *The movement of real wages* earned by workers in the Community industries has been studied in detail by the High Authority. Its findings have been published in two recent booklets¹).

Section 4 - Social security

223. In almost all the countries of the Community, improvements have been or are under consideration in regard to social-security benefits. These include:

¹) See *Real Incomes of Workers in the Community* (European Coal and Steel Community) and *Comparaison des Revenus Réels des Travailleurs des Industries de la Communauté (Analyse Statistique)* (Studies and Documents series), which is to be published in English in the near future.

- the remodelling of the pensions scheme in Germany;
- the introduction of a new retirement pensions scheme in Belgium as from January 1, 1956;
- increases in sickness benefits and old-age pensions in France;
- institution of a national old-age insurance scheme in the Netherlands;
- extension of health insurance to cover those drawing disablement or old-age pensions in Italy.

In a number of instances, particularly as regards the mineworkers' social-security system, these improvements have necessitated increased financial assistance from the State.

Side by side with these reforms on the legislative side there have been a number of satisfactory developments as regards agreements. In France, for example, supplementary retirement pension schemes for workers have been introduced on an increasing scale; in the Eastern region all iron and steel workers now receive extra sickness benefits under a special collective-bargaining agreement.

The extension of the system of bilateral agreements, particularly with Western Germany, has helped to ensure wider protection of migrant workers' interests, pending the conclusion of the multilateral agreement now being drawn up in accordance with Article 69 of the Treaty.



CHAPTER TEN

THE SOCIAL WORK OF THE HIGH AUTHORITY

224. One of the Community's standing major problems is how to adjust its labour force to its production needs while duly observing requirements on the social side. The High Authority's work in this field during the past year has been more particularly concentrated on the coalmining industry.

The first building programme, providing for 15,000 housing units, is in process of completion, and a second total-ling approximately 20,000 units has been launched.

The readaptation schemes already started are continuing, and fresh operations have been begun in France, Italy and Belgium.

Finally, the High Authority has continued the study and information work required of it, for the promotion of better living and working conditions, particularly in regard to industrial health and safety.

Section 1 — Employment

225. From its consultations in Luxembourg on March 19, 20 and 22, 1956, with all the employers' and workers' organizations concerned, the High Authority recognized that the chief problem was the recruitment of the necessary manpower. It therefore appealed to the German Federal Government and the German producers' associations and trade unions, as well

as to the Charbonnages de France, to bring in more labour from abroad, and in particular from Italy. It asked them to make every effort to see that language difficulties were overcome, and that all technical and safety problems in this connection were dealt with as quickly as possible, for instance by the setting-up of special vocational-training centres for foreign workers.

226. During June and July the High Authority ascertained what action had been taken by the French, German, Luxembourg and Netherlands Governments to revise their immigration laws with a view to relieving the manpower shortage and facilitating the re-employment of workers from the coal-mining and iron and steel industries, as prescribed in Article 69,3 of the Treaty.

227. Emigration from Italy to work in the Belgian collieries had come practically to a standstill by February 1956, and the High Authority noted at the beginning of April that no solution enabling it to be restarted had been arrived at by the Italo-Belgian joint committee set up under the recruitment agreement between the two countries. On April 27, the High Authority offered its good offices as intermediary, which were accepted. At the numerous meetings which followed between representatives both of the Governments and of the employers and workers, most of the points at issue were disposed of, but the High Authority's efforts had still not succeeded in bringing about full agreement when there came the disaster of Marcinelle.

228. It has become apparent that regular employment is one of the main guarantees demanded by the miners. The stand-off days in 1954 and the rapid reductions in personnel in certain Community coalfields have left a deep impression.

On July 16, 1956, the Governments and the producers were requested to join with the High Authority in examining how it could promote a policy of stockpiling.

229. The German Government's action in paying underground workers a "shift bonus"¹⁾ impelled the High Authority and the Council of Ministers to have their Joint Committee work out proposals on ways and means of facilitating the recruitment of mineworkers and stepping up coal production while keeping prices stable as far as possible under present economic conditions. After a good deal of preparatory work, the basis was ultimately provided for what public opinion was quick to call "a first step towards the European Miner's Charter."

The measures advocated are of many different kinds — better old-age and disablement pensions, regular employment and a guaranteed wage, satisfactory working hours, exemption from certain liabilities as regards call-up for military service, more thorough vocational training, decent housing conditions, transport from home to work, removal and settling-in allowances for workers recruited from a distance, seniority bonuses, fidelity bonuses, and so on.

230. The standard of technical skill is assuming increasing importance as a result of the intricate processes and methods which the collieries, and the iron and steel industry too, are having to use. The speeding-up of mechanization and electrification means that it is essential for the existing labour force to be given further training without delay, and for new entrants to undergo a more extensive course than previously.

The modernization of certain services and the installation of up-to-date plant are involving similar problems for the iron and steel industry.

Accordingly, the High Authority in March 1956 arranged "study days" for operations managers and training officers on vocational training and mechanization in Commu-

¹⁾ See No. 109 above.

nity collieries. A survey is to be issued shortly, outlining the various problems involved and the most appropriate measures suggested by those who attended these meetings.

In March 1957, similar study days were arranged on the implications for vocational training of technical development in the rolling-mills .

Section 2 - **Housing**

231. In order to keep the workers in their jobs at a time of increasing recruitment difficulties, particularly in the coal-mining industry, to ensure that they give of their best and, above all, to improve conditions for them generally, the High Authority continued to provide encouragement and financial assistance for housing schemes.

The shortage of accommodation within a convenient distance of the men's work, and the poor condition of many of the existing houses, are making themselves felt in the Community industries.

Thanks to the considerable exertions made, large-scale building programmes are under way in the six countries. In Western Germany, the state of the capital market has, however, appreciably affected the number of schemes begun in 1956, and the shortage of capital in the Dutch market is such that special efforts are having to be made in order to keep building operations going at the desired rate.

The High Authority nevertheless pushed ahead still more actively with its programmes, in co-operation with the national and regional authorities and the employers' and workers' organizations.

232. The High Authority decided to launch a *second programme of financial assistance for the building of workers' houses*, and to set aside 15m. dollar units of account for this purpose, to be supplemented by funds raised in the national markets. The sum of approximately \$ 30m. thus raised will make it possible to build something like 20,000 new housing units during 1957 and 1958.

In Germany a beginning has already been made. The High Authority concluded an agreement with the Bank für Gemeinwirtschaft in Düsseldorf for the furnishing of an additional DM. 18m. over and above its own contribution of DM. 12m., and another with the Kreditanstalt für Wiederaufbau, which is to provide DM. 27m. to be added to the High Authority's DM. 18m. The total amount thus made available for the financing of workers' houses in Western Germany is DM. 75m., which will be advanced by the two banks, in agreement with the High Authority, to the building groups. The mortgage loans will run for approximately 32 years and will be paid off at the rate of 6.5% (5% interest) per annum.

In the Netherlands the scheme, which is still in preparation provides for a High Authority contribution of Hfl. 4m., plus Hfl. 16m. coming from the Netherlands capital market. The total of Hfl. 20m. may be lent out for a period of 30 years at 4% interest.

In Italy, negotiations are in progress concerning a scheme for about 500 housing units at a total cost of approximately Lit. 1,400m., the operations to be carried out by the Istituti Autonomi per le Case Popolari. The Italian Ministry of Works has assured the High Authority that the programme will qualify for the Government assistance given under existing legislation.

233. Meanwhile, the first programme for the financing of workers' houses has gone ahead according to plan. It provides for the construction of approximately 14,875 housing units, of which 11,775 are for coalminers, 700 for steelworkers, and 1,400 for workers in the iron-ore mines, plus 16 hostels in Germany to accommodate 381 unmarried workers.

As at April 1, 1957, operations stood as follows:

Country	Scheduled	Housing units financed	of which		
			planned	in hand	completed
Germany (W.) ...	10 000	9 724	715	4 502	4 507
Saar	350	122	—	122	—
Belgium	1 600	1 615	145	1 162	308
France	2 500	185	60	125	—
Luxembourg	25	—	—	—	—
Italy	400	—	—	—	—
Netherlands	—	—	—	—	—
Community:	14 875	11 646	920	5 911	4 815

In Belgium, 800 of the 1,600 housing units projected are being built as part of the scheme for doing away with hutments. In Germany, the information available to date is that 1,275 of the 10,000 housing units scheduled are to go to miners living in undesirable accommodation (418 in hutments and 857 in inadequate housing).

234. The High Authority, recognizing the value of studies on building at international level, and encouraged by the experience gained in the course of its first experimental scheme decided to launch a second.

After obtaining the views of the Consultative Committee and the agreement of the Council of Ministers, it decided to set aside, in accordance with Article 55,2,c of the Treaty, the sum of four million dollar units of account, derived from the levy, for a *second experimental scheme for the building of workers' houses*. Of this amount, \$1m. will be in the form of non-repayable assistance, and \$3m. lent at 3% for a maximum period of 35 years.

This assistance may be broken down by countries as follows:

Country	Number of housing units	Loans (in \$)	Non-repayable assistance (in \$)
Germany (W.)	825	1 237 500	412 500
Belgium	300	450 000	150 000
France	525	787 500	262 500
Italy	150	225 000	75 000
Luxembourg	50	75 000	25 000
Netherlands	150	225 000	75 000
Total:	2 000	3 000 000	1 000 000

The housing units will be built as blocks of flats.

Research will be devoted to standardization and modular co-ordination in the employment of building elements of traditional and non-traditional pattern. Particular attention will be given to elements made of steel (sections and plates). By agreement with the study section of the International Council for Building Research Studies and Documentation, a working party has been set up to prepare the technical directives for this programme, which will be carried out in close co-operation with the European Productivity Agency and O.E.E.C.

235. *The first experimental scheme* is in process of completion. 1,022 houses have been built in the Community area, at a total cost of 6,575,955 dollar units of account. The High Authority's non-repayable contribution amounted to:

Country	Number of housing units	Non-repayable assistance (in \$)
Germany (W.)	400	400 000
Belgium	150	150 000
France	250	250 000
Italy	68	50 000
Luxembourg	50	50 000
Netherlands	54	50 000
Saar	50	50 000
Total:	1 022	1 000 000

Work has been held up on one or two sites in Belgium and the Saar, so that operations there are not yet quite finished. The International Council's expert Committee is, however, engaged in framing the conclusions to be drawn from the experiment, and in drafting its report, which is to be forwarded to the members of the Assembly in the near future.

236. The number of housing units which will have been provided for workers in the Community industries upon the completion of these four schemes may be estimated at no less than 35,000. Approximately \$ 180m. in all will have been allocated for this purpose, including the \$ 45m. mobilized from the High Authority's own resources and from capital it has raised by making use of its credit in the money market.

For the sake of continuity in its work of assisting the building of workers' houses, the High Authority intends to give concrete expression to its desire to encourage investment on the social side in addition to the technical investment so essential to the modernization and extension of the Community's production facilities.

Furthermore, it is necessary that the workers' housing should be improved both in quality and in quantity if the Treaty provisions on re-employment of discharged workers are to be properly implemented, whether the men concerned are to be re-employed on the spot or, failing that, enabled to attend readaptation courses and subsequently re-employed in a different area.

For this reason, the High Authority has stated its willingness to include in its assistance to discharged workers a special grant to facilitate rehousing.

Section 3 — Readaptation and movement of workers

237. Notwithstanding the numerous vacancies in practically all the coalfields of the Community, it has been necessary to continue or to inaugurate a number of readaptation

schemes for miners during the past year in France, Italy, Belgium and Germany.

238. *In France*, the scheme for transferring miners from the Centre/Midi coalfield to Lorraine was shelved for the time being in view of the boom conditions prevailing, which have eliminated unemployment in the Centre/Midi and even made it necessary to resume recruiting. Although by December 31, 1956, a total of 560 workers had availed themselves of the High Authority grant, only a small fraction of that number left for Lorraine during 1956.

The readaptation of certain workers of the Ateliers et Forges de la Loire is going ahead successfully. The financial assistance was originally to have come to an end on May 1, 1956, but has been extended up to May 1, 1958, to facilitate the completion of the major reconversions planned for 1956 and 1957.

The High Authority made available a non-repayable grant of Ffr. 4,300,000 for personnel discharged by a steel-works at Pamiers, Ariège.

239. *In Italy*, an agreement was concluded between the Government and the High Authority on May 4, 1956, fixing the practical details in connection with the provision of assistance for approximately 9,000 *Italian steelworkers*. The whole sum of Lit.3,500m. is being furnished by the High Authority, under a special exemption granted by the Council of Ministers on June 8, 1955: it is being used to pay flat descending allowances to workers unemployed for an aggregate period of not more than 15 months between the introduction of the Common Market and May 1, 1956. In addition, transport and removal allowances may be paid to workers who are obliged to change their place of residence.

In return, the Italian Parliament authorized the Government to contribute to the financing of new activities

and industrial conversions by means of rebates on interest, on condition that 50% of the men required are recruited from among the discharged steelworkers.¹⁾ Special terms were arranged for the Dalmine Company and for the men at the Ilva Company's Darfo works in the province of Brescia, where a number of workers were being laid off at the time when the agreement was concluded. Ilva are building a new plant some distance from the Darfo works, and the men discharged, after helping on the construction of the new premises, will undergo retraining for re-employment in the Dalmine smelting works.

The Italian Government has also asked that assistance might be given under Section 23 of the Convention to 1,000 miners at *Sulcis, Sardinia*. In view of the particularly difficult employment situation in Sardinia, the High Authority agreed that each worker should receive a gratuity of Lit. 450,000 on discharge. This seemed the best arrangement to enable the men concerned to find outside work in the agricultural or artisan sectors, which are the most promising in the area as regards re-employment. In addition, the High Authority agreed that workers having to change their place of residence in order to take up their new jobs should be paid a transfer allowance of Lit. 150,000, plus Lit. 20,000 per dependent child for heads of families and Lit. 75,000 for unmarried men, the new employment to be taken up during the twelve months following discharge. The High Authority will contribute to the cost of these grants and allowances up to a limit of Lit. 300m. It is paying Lit. 150,000 of each worker's gratuity.

240. *In Belgium*, the reorganization and financial reconstruction of the Borinage collieries is proceeding. The Belgian Government and the High Authority have come to an agreement as to the manner in which the High Authority's loan of

¹⁾ The Italian Government's present commitments involve a total of approximately Lit. 1,500,000.

Bfr. 70m. is to be employed.¹⁾ The High Authority is to be responsible for a descending tideover allowance, based on the wage previously earned, to be paid to discharged workers for one year.

Workers re-employed or undergoing retraining during this period will receive a guaranteed wage equal to that previously earned. If re-employment involves change of residence they will be paid a settling-in allowance and refunded their transport and removal expenses. The High Authority is also to be responsible for the operating costs of the retraining centres, in proportion to the number of discharged workers there. A committee of representatives of the employers' and workers' organizations has been set up, at the suggestion of the Belgian Government, and will give its views on the manner in which the readaptation scheme should be put in the practice.

Three pits have been closed, in July and December 1956 and January 1957, but the men were found work in other Borinage collieries. Further shutdowns are planned for July 1957 and December 1958.

241. The High Authority has been asked by the Italian Government to take action on behalf of some 1,700 workers in five iron and steel enterprises. The High Authority has already submitted suggestions as to the form in which assistance should be paid, and has stated its willingness to examine any applications for its financial guarantee in respect of projects to create new activities of a type to facilitate the re-employment of discharged workers.

An application has just been submitted by the German Federal Government on behalf of some 2,100 miners in the Lower Saxony coalfield. The High Authority has asked for certain additional information.

¹⁾ Under a special exemption granted by the Council of Ministers on March 6, 1956, the cost of readaptation for the Borinage collieries will be met entirely by the High Authority.

242. Since the Common Market was first introduced, the High Authority has made available something like 10,570,000 dollar units of account in grants under Section 23 of the Convention.¹⁾ The total amount actually expended as at December 31, 1956, was \$ 2,400,000.²⁾ It may be mentioned that the requests for reimbursement submitted to the High Authority by the Governments are sent in some months after the payment of the allowances to the workers concerned.

243. While re-employment on the spot or in neighbouring districts is evidently preferable, movements by workers, singly and in groups, to take place, independent of the re-adaptation schemes provided for in the Treaty.

In accordance with the suggestion made by the Common Assembly's Social Affairs Committee, the High Authority in 1955 caused a number of sociological surveys to be carried out, enabling it to frame and make available to those concerned a few simple recommendations to serve as guidance for all officials responsible for the movement of workers in the Community.³⁾

A further study on the psychological attitude of the Centre/Midi miners in face of the future prospects of their coalfield was carried out, at the request of the High Authority, by the Institut National d'Etudes Démographiques in Paris.⁴⁾ and placed at the disposal of the member of the Common Assembly. Some of its comments are highly instructive as regards, in particular, the men's views in the advantages and disadvantages of mining as an occupation, on the economic

1) See *Annex on Finance*, No. 4.

2) See *Annex on Finance*, No. 2.

3) See *Obstacles à la Mobilité et Problèmes Sociaux de Réadaptation* (series Studies and Documents, Luxembourg 1956), to be published in English in the near future.

4) *Les Attitudes des Mineurs du Centre-Midi et l' Evolution de l'Emploi*, Paris 1956.

development of their collieries and their area, and on how they felt about the future and the possibility of leaving or seeing their children leave.

244. Readaptation of workers is a standing problem: it is not possible to solve it offhand. All that can be done, by co-operation between the High Authority, the Governments and the industry, is to foresee as far as possible all major changes in the employment situation, and plan measures to deal with them.

With this in mind, the High Authority accepted the Belgian Government's invitation to take part in an economic and social survey of the Borinage coalfield, designed to assess this area's prospects of sound industrial reorganization, and hence the prospects of employment for the working population there. This survey, initiated by the Belgian Government itself, is of special importance in view of the reconstruction and reconversion of the collieries in this area, which the Belgian Government and the High Authority are helping to effect and finance.

245. To this same end, the High Authority arranged for five similar surveys to be undertaken by experts concerning the industrial areas of Dutch Limburg (Netherlands), Lower Saxony (Germany), Genoa (Italy), Commentry and Decazeville (France), and Charleroi (Belgium).

246. The difficulties arising out of social-security legislation in the various States frequently deter workers from seeking employment outside their own countries. *The multi-lateral social-security convention* which is ultimately to do away with most of these obstacles has not yet been finally agreed upon by the six Governments. The experts responsible for drafting the convention came up against very considerable difficulties, which they were not able to overcome. In 1956, the Ministers of Labour and Social Affairs met at a number of sessions of the Council to endeavour to deal with the points at issue.

Since the first negotiations came to nothing, the Governments asked the High Authority to use its good offices. After proceedings which on occasion proved difficult, the points under dispute were finally disposed of at the Council's session on February 7, 1957. On March 11, the experts met again to draft the final text of the convention, and a special procedure has been instituted for speeding up the examination and ultimate approval of this document, which it is hoped will be adopted in the very near future.

247. All the measures and actions described are in exact accordance with the wishes and recommendations expressed in the resolutions adopted by the Common Assembly at the end of its Sessions in May 1955 and June 1956 in closing the debates on social affairs.

Section 4 - **Living and working conditions**

248. The High Authority has taken action also on other issues, in fulfilment of its responsibility for improving the living and working conditions of those employed in the Community industries.

It has continued to assist the Governments, the enterprises and the trade unions all it can, in the endeavour to ensure that production in the Common Market will be adequate to requirements, and that productivity will be raised and continuity of employment duly safeguarded. In this way, it is helping to deal with the difficult manpower problems with which the Community has been grappling for some years.

249. The manpower shortage has been accentuated during the past year by a more or less general demand from the workers for a shorter working week.

As early as 1955, the High Authority instituted a study of the problem of working hours and holidays. In response to a request for its view on the best means of helping to

level up living and working conditions in the Community, the Consultative Committee had in a unanimous resolution adopted on December 20, 1954, asked it to prepare a systematically arranged documentary material with special reference to this matter. This could, it considered, serve as a basis for a meeting of representatives of the workers' and employers' organization which it recommended should be called and instructed to explore "ways and means of inducing gradual harmonization with due regard to the general situation of the industries concerned."

The High Authority has produced a number of monographs¹⁾ on the legal systems underlying collective-bargaining agreements;

- rules and regulations concerning the working day and working week;
- rules and regulations concerning Sunday and holiday work;
- the different types of holidays with pay;
- the circumstances in which short absences are deemed to be allowable.

It then convened the representatives of the employers and workers' organizations of the steel industries, who at its suggestion held two separate meetings of their own, followed by two meetings together, with a High Authority representative in the chair at all four meetings.

At these discussions some delegates advocated agreements between the organizations represented, each of them to undertake to observe or have observed at national level certain principles or agreed minimum requirements. Others felt that the discussions at Community level should be confined to recording the existing state of affairs, and should not seek to draw any conclusions as to action to be taken to reduce or eliminate any disparities which might come to light.

¹⁾ *Quelques Aspects des Conditions de Travail dans les Industries de la Communauté*, Luxembourg, February 1956.

Finally, on the basis of the details furnished by both sides, it was possible to draw up a list of existing disparities between one country and another in regard to:

- normal working hours;
- exceptions to these;
- special arrangements in connection with continuously-operating services;
- overtime pay;
- rules and regulations concerning Sunday work;
- the number of paid public holidays;
- wages paid for these days;
- length of annual holiday and holiday pay;

Each of the organizations has now been provided with a comparative table showing the overall situation and the various special points noted. This document is an official record of the present situation in the Community, bringing out sharply a number of disparities. The employers' and workers' organizations will now take appropriate action at national level, in accordance with the procedure employed in their own particular countries, to reduce or eliminate these disparities.

The organizations represented agreed that the High Authority should call a further meeting six months later, at which reports would be heard on what had been done in the matter.

Similar proceedings are in progress for the coalmining industry. Separate meetings have already been held with the representatives of the workers' and the employers' organizations in preparation for joint meetings later.

250. The High Authority has continued its work of information and documentation. All those directly concerned are

now in possession of a memorandum describing social-security arrangements for workers in the coalmining and iron and steel industries so presented as to allow quick comparison between one country and another;¹⁾ a series of monographs has been issued on the changes in wage schedules in the Community industries since 1945;²⁾ a further memorandum shows the principal trends in policy observable in wage legislation and agreements during the same period;³⁾ finally, material is available on the trends in regard to the amounts actually paid, which have been found by experience to differ in some instances fairly substantially from the trends reflected in wage regulations or collective-bargaining agreements.

251. However important they may consider their working hours and holidays and their rates of pay, workers are becoming more and more alive to the health and safety aspect of their working conditions, and to the working climate in their enterprises. This development is particularly marked inasmuch as the Community industries involve a considerable proportion of heavy, dirty and dangerous jobs, performed amid machinery and equipment of such dimensions that the men are constantly in danger of losing all sense of individual personality.

252. Proper organization of the work and good relations between the different grades of personnel in the enterprise are, of course, prerequisites for raising productivity, but they are

¹⁾ *Les Régimes de Sécurité Sociale Applicables aux Travailleurs, du Charbon et de l'Acier dans la Communauté et en Grande-Bretagne*, January 1957.

²⁾ *Les Salaires des Ouvriers dans les Industries de la Communauté: Principales Modifications Intervenues au Cours des Années 1954-56*, September 1956.

³⁾ *Les Salaires des Ouvriers dans les Industries de la Communauté: Principales Tendances de la Politique Salariale dans Chacun des Pays*.

also absolutely indispensable if the individual is to derive from his job the satisfaction he is entitled to expect.

The views expressed on this point are receiving confirmation from the satisfactory results achieved. In consequence, higher standards are coming to be required in the basic and advanced training of personnel.

At a recent meeting with the Government representatives responsible for vocational training, the High Authority stressed the number of improvements still needing to be made in the preparation of workers for jobs in the Community industries.

The High Authority is now making preparations for discussing the whole vocational-training problem with the Council of Ministers. It is most important that basic, advanced and refresher training in the industries of the Community should be extended to meet all essential requirements: they must be provided for all grades, and must go well beyond the limits of purely technical instruction. The personnel of the enterprises must be given the full benefit, as quickly as possible, of all improvements resulting from recent advances in certain management and operational methods. As regards both organization and leadership, it is essential that the managerial and supervisory staff should be properly prepared for their work and enabled to extend their knowledge. The High Authority is making every effort to promote action along these lines by the enterprises, with persistent encouragement from the Consultative Committee.

In December 1956, the Consultative Committee expressed the desire that the High Authority should recommend the adaptation of the curricula at the big technical colleges, facilitate all action aimed at assisting the advanced training of managerial and supervisory staff, and do something to dispel the bias still persisting against certain new techniques which have occasionally aroused distrust on the part of the workers.

Section 5 - Industrial safety and health

253. Endeavours to ensure a higher standard of industrial safety are being concentrated primarily on encouraging greater alertness and more active co-operation on the part of the managerial and supervisory personnel and the workers. The High Authority has sent out a symposium of the points noted in this connection in the course of a fact-finding mission to the United States arranged by the European Productivity Agency, in which a team of experts invited by the High Authority took part. A seminar for safety officers was also held in Germany, at Dortmund.

Competitions are to be organized shortly to encourage the manufacture of sturdy and practical instruments for indicating and measuring quickly and accurately the fire-damp, carbon-monoxide and oxygen content in the atmosphere in underground workings.

254. The outstanding feature of the High Authority's work in this field during the year was the *Conference on Safety in Coalmines*.

This Conference was called in compliance with a decision taken by the Council of Ministers on September 6, 1956, at the suggestion of the High Authority. It was attended by delegations from the six countries, consisting of representatives of the Governments, the workers and the employers.

Neither the Conference nor its four committees sought to make a scientific and exhaustive study of the problems dealt with: they based themselves on the practical experience gained by their members, and by comparing the regulations and the methods employed in the different countries arrived at a number of concrete recommendations. These may be divided into three types:

- (1) recommendations which can be turned direct into regulations by the competent authorities in each country;
- (2) skeleton recommendations drawing the attention of the competent authorities to the desirability of framing regulations in certain special fields;
- (3) recommendations concerning study or research.

The recommendations relate to the following problems:

- protection against underground combustion and fires;
- protection against firedamp and coal dust;
- mechanization, electrification, shotfiring and roof control;
- rescue organization of operations;
- organization of safety services in enterprises;
- framing of regulations and inspection for compliance with them;
- participation by workers in framing of regulations and inspection for compliance with them;
- human factors (reception of newcomers, vocational training, pre-entry medical and psychological examination, medical and psychological supervision, implications for safety of methods of payment and hours worked, etc.);
- statistics in respect of accidents and incidents.

The Conference met in plenary session from February 4 to 7, 1957, to discuss and finalize the draft recommendations submitted by its various committees, and ultimately approved them.

It also specified the form which it considered could most usefully be taken by the permanent body to be set up in accordance with the directive issued by the Council of Ministers the previous September.

In its desire that practical action should be taken to implement its recommendations, the Conference asked that the measures to be studied in this connection should include the drafting of a multilateral convention.

On the basis of the Report of the Conference, the High Authority will be submitting to the Governments, as represented in the Council of Ministers, its own conclusions as to the measures which should be adopted.

255. In connection with accident prevention it is important to bear in mind a number of complex physiological, psychological and sociological factors which condition the behaviour of all the personnel in the enterprise.

These factors are still not adequately known, and methods of dealing with them, to ensure a higher standard industrial safety, even less so. The efforts made by individual enterprises, sometimes at considerable expense to inculcate safety-mindedness into their personnel are thus meeting with difficulties which it has not so far proved possible to overcome.

The High Authority has recently been in consultation with physiologists, psychologists, industrial medical officers and sociologists with special qualifications in the matters. It intends to help with a programme for research and the pooling of information on human factors, organized on the basis of their advice and recommendations, by making a financial grant under Article 55 of the Treaty.

In addition, it is arranging to step up research on dust control, dust being, of course, a very serious menace to industrial safety and to the health of the workers exposed to it.

256. In regard to *industrial health*, the High Authority's work is now beginning to yield considerable results.

Silicosis, carbon-monoxide poisoning, work at high temperatures and noise abatement have been selected as the most important and urgent problems, in which the High Authority is taking a practical interest. Of the sixty-six research projects approved in December 1955, the majority are now under way, and the research centres concerned are receiving subsidies, in accordance with agreements concluded with each of them separately, for the purchase of the equipment required and the payment of the research workers' salaries.

As at March 1, 1957, for the first two years of the four-year programme, approximately 570,000 dollar units of account had been spent of the total credit of \$ 1,200,000 set aside for this type of research — \$ 540,000 on research proper and \$ 30,000 on fact-finding missions, study periods, meetings and experts' fees.

During 1956, nineteen working parties, headed by members of the Research Committee, served as forums for the comparison of ideas, experiments in progress, partial results achieved, and, in some instances, failures recorded by the institutes in their research work.

As a result, a number of fresh concepts have emerged which are of assistance in suggesting what lines can most profitably be followed in further research. British experts are taking part in much of this work. The bi-annual reports issued by the institutes commissioned to carry out the research work indicate that most of the projects are well under way: indeed, certain aspects of some of them have already been described in specialized periodicals and in papers read at conferences. There will undoubtedly be an increasing number of such contributions to the various subjects during 1957.

A number of fact-finding missions and study periods have been arranged to assist the specialists to assemble information and facilitate the training of junior research workers.

257. *Silicosis* is still a somewhat obscure problem. Radiology is at present the only means of detecting the pulmonary degenerations caused by inhalation of dust, and more particularly the most serious of these, silicosis. The radiological diagnosis of silicosis has been the Research Committee's main concern. For the purpose of regular medical examination for the complaint, radiophotography has proved so convenient that it is extensively employed in the Community countries, but radiological diagnosis of discrete images indicating incipient silicosis involves a number of difficulties which are particularly unfortunate inasmuch as silicosis at this stage calls for prompt prophylactic action.

A group of research workers is studying ways and means of adapting various methods employed in large-size radiophotography for use in reduced-size, in order to make reduced-size radiophotography an accurate system for detecting the various types of pneumoconiosis. The first results suggest that in practical application their preventive value is likely to be considerable.

The uncertain, and even contradictory, diagnoses sometimes produced on the basis of the plates are not due merely to any shortcomings in the technical quality of the films and apparatus: the fact of the matter is that we know little of the anatomical substratum of radiological images. A laboratory of the Bergmannsheil Hospitals in Bochum has obtained funds for the installation of special apparatus for radiographing anatomical specimens taken at post-mortem examinations. The basic studies essential for radiohistological comparisons were recently carried out in this laboratory, which is probably unique as regards the degree of specialization achieved there.

A working party found that nothing had so far been done at international level to assemble comparable data in the different languages on the tests of the respiratory system carried out to appraise the extent of degeneration due to the onset of pneumoconiosis. It also acknowledged the difficulty of interpreting the results of functional tests, as the reference values suggested for normal subjects with the same biometrical characteristics vary very widely indeed, according to the traditional formulas in use.

Full agreement was reached after discussions with the experts of the research centres in the six countries on the definition

and designation of these tests in the different Community languages, thus putting a stop to the mistakes and misinterpretations which have so frequently cropped up in publications and reports on this subject.

A critical examination was carried out of the formulas used in calculating the normal reference values which the experts employ to measure respiratory functional capacity, and in particular vital capacity. Experts in the different Community countries made available to a working party the whole of their records on examination of the respiratory organs in normal subjects. Some 3,000 reference cards were made out on this basis. These were then statistically analysed under the supervision of the Institut de Recherches Cliniques et Expérimentales de Physiques, in Paris, and a rational formula was thus worked out for calculating the reference value for measuring vital capacity.

The same working party drafted a memorandum aimed at standardizing the use of the spiromographical method, and at its request the Institut de Recherches is constructing a prototype instrument for checking and measuring the physical characteristics of the apparatus employed in spiromography in the various Community research centres.

258. As regards *carbon-monoxide poisoning*, close co-operation among the experts and a number of experiments in the Laboratoire Municipal in Paris, the Hygiene-Institut des Ruhrgebietes in Gelsenkirchen and the laboratories of the Technischer Überwachungsverein in Essen, have shown that only very few types of highly sensitive and accurate automatic carbon-monoxide detector meet all possible requirements.

The group worked in the closest co-operation to correlate the standards for the control gases employed in the quantitative analysis of poisonous gases in the atmosphere. In this way a number of new ideas emerged, and simplified methods of measurement are now being worked out for biologists to use in analyzing blood for the presence of carbon monoxide.

259. The studies in connection with *work at high temperatures* are of considerable importance in view of the ever growing size of steelmaking plants and, so far as the coalmining industry is con-

cerned, the working at ever-increasing depths. A working party of experts examined the various measuring instruments employed in pits in the Community and in Britain, and the methods used for analyzing the atmosphere underground. The methods and formulas at present in use for integrating the different variables governing the atmosphere were submitted to a searching examination, and studies are in progress for the working-out of formulas better suited to conditions in the pits. Mention should be made of one new formula perfected at the Institut d'Hygiène des Mines at Hasselt, in Belgium, which coal-owners may find very valuable.

The Istituto Politecnico in Turin has, with High Authority assistance, carried out a certain amount of research on the throbbing noises which are such a feature of work in the coalmining and iron and steel industries. A preliminary basic report on the findings has been published.

260. Side by side with this scientific research work, the High Authority has encouraged the *pooling of information by industrial medical officers*, who are employed in particularly large numbers in the coalmining and iron and steel sectors. Two groups of such doctors meet regularly to hear details on outstanding recent achievements in industrial medicine, discuss their current difficulties and draw attention to any problems which they feel should be raised with the research centres.

These groups are at present engaged in studying the problem of *treatment for burns*. The High Authority will shortly be making a financial grant in aid of the work now being done to improve arrangements for rehabilitating men who have been injured in accidents on the job or developed occupational diseases, and re-employing them under satisfactory safety conditions.

261. *The Medical Documentation Pool* (joined in 1956 by the British Bureau of Hygiene and Tropical Diseases) has continued its work of abstracting medical literature from all parts of the world on pneumoconiosis and dust. Upwards of 400 articles and publications were abstracted during the past year.

CHAPTER ELEVEN

THE SOCIAL POLICY OF THE HIGH AUTHORITY

262. In most countries the authorities have only limited freedom of action in social affairs: they share their rights and privileges with the employers' and workers' representatives, who have responsibility and powers of decision either *de facto* or through legislation and the operation of the national institutions.

Moreover, the relations of cause and effect underlying progress in the social field are very subtly graded, since improvements in living and working conditions are brought about by all kinds of decisions, regulations and agreements which are not by any means exclusively social in character.

Both employers and workers have seen the social repercussions which accompany action by the authorities and decisions of their own in such varied spheres as currency, credit, taxation, investment, immigration and wages. Economic, social and political elements are constantly intervening in national affairs, whether in combination or in conflict, and at supranational level very much more so still.

A supranational institution in framing or implementing its social policy must bear all this in mind, especially when, as in the case of the High Authority, the means of action available to it are doubly limited, firstly by the incompleteness of the economic integration for which it is responsible, and secondly by the very Treaty which defines its powers and means of action.

263. A social policy, like all other policies, is determined by the objectives pursued, the means available and the actions, measures and decisions resulting.

Section I - The social objectives of the Community

264. The social objectives of the Community are defined by the Treaty as follows:

“to contribute to . . . the development of employment and the improvement of the standard of living in the participating countries through the creation of a common market; “to establish conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity, while safeguarding the continuity of employment . . .”

In addition, all the institutions are required, “within the framework of their respective powers and responsibilities and in the common interest,” to work, among other things, for “the improvement of the living and working conditions of the labour force” in the Community industries.

265. The means explicitly provided for by the Treaty to enable the High Authority to achieve its social objectives are few in number, and are practically all closely bound up with aspects of its economic responsibilities.

For instance, provision is made in Section 23 of the Convention for the protection of the workers' interests because the introduction of the Common Market was regarded as likely to result in certain difficulties as regards employment.

Similar assistance is provided for in Article 56 of the Treaty, because the introduction of new technical processes and equipment — which is actually essential to the achievement of the High Authority's General Objectives — might entail an exceptionally large reduction in manpower requirements.

The measures which the Governments have pledged themselves to take to authorize and facilitate freedom of movement within the Community for workers of recognized qualifications is in line with the logic of a common market, in which all enterprises must be given equal access to production factors.

This same logic requires that nothing shall prevent skilled workers from learning of, applying for, and ultimately taking up, jobs in any Community enterprise where the pay and terms of employment particularly appeal to them.

266. The points thus briefly listed make it quite apparent that the methods open to the High Authority in the social field vary considerably, though they can on occasion be employed in conjunction. Thus,

all statements issued by it — decisions, recommendations, opinions, simple mentions of its views — are in furtherance of its social policy;

it makes use of all the means of action available to it as the executive of the Community for social purposes to contribute to the increased well-being of the workers;

it is under obligation to play its part in support of all measures by the Governments to deal with situations or actions specified in the Treaty, such as assisting the reconversion of an enterprise and the readaptation of discharged workers, or guiding and facilitating arrangements by Governments designed to ensure freedom of movement for skilled workers;

it endeavours to keep abreast of the facts of the social situation by assembling as comprehensive and objective a corpus of material as possible, to serve as a basis for the planning of its own work and to give the employers and workers a better idea of the situations with which they have to deal;

it adopts the measures provided for in the Treaty, to encourage and develop technical research, taking care that this research shall be to some extent social in its character and implications: to this end, it grants, to begin with, financial and technical assistance to the research centres and arranges for closer contact between them, thereby stimulating research.

In a second stage, it will be necessary for research to be brought into line with the special requirements of the employers and workers, in order to furnish them with the elements needed for action. With this end in view, the High Authority is making preparations for the practical application of the results arrived at in the research work: this opens up a vast field for action, since what the High Authority will be called upon to do will be to contribute to the development of what might be termed the economics of work, and thereby overcome the distrust still felt in face of attempts to extend the benefits derived from that science to the practical activities of the enterprises.

Finally, the High Authority can itself make the most of the material and information it has assembled, and, after sizing up the practical implications of the results achieved in research, organize and promote discussions with the Governments, the employers' and workers' organizations and the enterprises. These can gradually lead to similarity of views on the part of all the enterprises and organizations, to endeavours to do away with the disparities still persisting in terms of employment, and to assessments of the chances of improvement, or of any threats to the raising of the standard of living.

Thus the High Authority is able and anxious to turn studies and discussions which could be of purely academic interest into a basis for concerted action by all those concerned, in order to invest the Community with its full social value.

Section 2 - The context of future action

267. The High Authority conceives of its social policy first and foremost in a general context.

While continuing to build up its basic documentary material, it is devoting itself more particularly to studying more and more specific, and hence significant, problems.

In the same way, while going ahead with its consultations in order to have its material as comprehensive as possible, it is striving to establish close contact with the employers and workers with a view to encouraging exchanges of views and discussions at responsible and effective a level as possible.

It is, however, in the realm more of facts and concrete situations that we find the basis of its social policy as guided by this general context.

The broad outlines of its future activities have thus to be traced out in reference to the major social problems of the Community industries.

268. The jobs performed in these industries are nearly always arduous, and not infrequently dangerous. Technical advance does, of course, help in dealing with certain of the difficulties raised by these unfavourable characteristics, by changing the type of co-operation and human effort required for production. At the same time, the combined effects of improved teaching methods, general education, environmental conditions and cultural development have produced a marked distaste for coalmining and for certain jobs in the iron and steel industry.

The High Authority is accordingly obliged to work a higher standard of living and better terms of employment, but at the same time to strive to alleviate the manpower shortage with which many enterprises are now grappling.

269. The High Authority is already helping to finance research for the improvement of *industrial health* and of prophylaxis and treatment in connection with the occupational diseases more particularly likely to affect Community workers. Silicosis, the effects of noise, the effects of work at high temperatures, carbon-monoxide poisoning are among the items scheduled for study. The High Authority will shortly be extending its assistance to the field of dust control, since dust is liable to cause serious lung complaints both in the pits underground and in certain sections of the steelworks.

By means of grants for technical research and assistance to capital schemes for the installation of up-to-date plant, the High Authority is seeking to help lessen both the exertion and the danger involved, especially in underground workings.

270. In regard to *industrial safety*, the High Authority will very shortly be launching study and research programme in connection with human factors. Among other things, it will endeavour to dispose of the doubts expressed to it by some industrial-safety specialists as to the effectiveness of certain methods of information, selection and publicity, which entail considerable expenditure and do not always — so it would seem at any rate — produce the expected results.

The High Authority will make an attempt to ascertain the value of publicity in safety work, and will collect a comprehensive body of material on the methods used in different parts of the Community to influence the behaviour of the workers and the personnel of the enterprises generally in such a way as to encourage safety-mindedness.

Recent technical changes have brought about a complete transformation of entire works: strenuous muscular exertion is giving place to other stresses and strains which still make great demands on the worker's power of resistance,

but in an entirely different manner. Occupational hazards may be less obvious, but they are there none the less, in new forms, which we have to learn to recognize.

Finally, the High Authority intends to help in perfecting and making more widely known various methods of rehabilitation, in order to enable those who have been injured in accidents at work to make as complete a recovery as possible and to resume their former work wherever this can be managed.

271. The Conference on Safety in Coalmines convened jointly by the High Authority and the Council of Ministers laid down the duties and set up of a permanent body to carry on the work of adapting safety regulations and accident-prevention methods in the coalmining industry to the latest advances in regard to coal-winning methods and the economies of work.

The High Authority trusts that the Governments will take note of the recommendations of the Conference, and of those which it will itself be submitting, in order that Community action in this regard may be marked by the same vigour and effectiveness as the work of the Conference.

272. The High Authority intends to pursue and intensify its endeavours to bring about a *levelling-up in working conditions*.

It hopes that its first steps in this field will prove fruitful, that consultations between representatives of the workers' and the employers' organizations will continue on an increasing scale, and that it will ultimately be possible not merely to pinpoint disparities in the conditions at present prevailing, but in some cases to do something about them.

273. Many of the jobs and trades in the Community industries are undergoing complete transformation, and even the general tenor of the enterprises' activities is changing con-

siderably. The employment of high-efficiency machines capable of performing complicated work, and the rapid extension of electrification, are resulting in the disappearance of the old-style miner. The all-round miner, who used to do all the jobs that had to be done in coalmining, is being superseded more and more by workers more akin to the usual type of regular industrial worker, although they retain certain characteristics required specifically for work underground.

Similar changes, at any rate in certain sections, are taking place in the iron and steel industry and the iron-ore mines. The responsibilities of the individual are tending to increase with the value and complexity of the equipment supplied him. There is greater interdependence among teams, owing to the more intricate pattern of the enterprise's activities. As a result, different and greater skills are now required of the workers, and the number of supervisory and managerial staff is growing.

As a counterpart to technological changes now revolutionizing the whole aspect of the Community enterprises, it is necessary that fresh attention should be devoted to work organization and methods, to the adaptation of the machinery to the individual, and to the improvement of the men's working conditions.

Thorough knowledge and analysis of the new jobs, rational distribution of the different duties, arrangements to keep all the personnel regularly informed of changes in operational conditions, are essential if a good working climate and satisfactory labour relations are to be assured. A recent survey carried out at the suggestion of the European Productivity Agency in the European iron and steel industry is proving most instructive from every point of view¹).

¹) *E. P. A. Project No. 164: Survey on the Attitudes of Workers in the Steel Industry to Technological Changes.*

The High Authority's conclusion is that the employers' and workers' organizations and the enterprises must be encouraged to extend the basic and advanced training of their personnel at all levels. Basic training must be more than a mere introduction to operational methods: it must cover the whole economies of work.

The High Authority will intensify its efforts to obtain and circulate accurate information on these issues. Encouraged by the reception given to its first ventures, it proposes to organize further group study sessions on the same lines as those arranged in connection with the problems of vocational training and mechanization in the coalmining industry and vocational training and the installation of modern rolling mills in the iron and steel industry.

Efforts will need to be made to get the universities and industry to co-operate more closely, in order that the training given to managerial and supervisory personnel at the universities and technical colleges may be extended to cover the human problems which make such considerable claims on the attention of those in positions of responsibility in any industrial enterprise. This is a matter on which the High Authority intends to work in close co-operation with the Governments.

274. The strenuous and dangerous nature of many of the heavier jobs in the coalmining and iron and steel industries, and the radical changes in the skills and trades, are factors accentuating *the difficulty of maintaining sufficient manpower* to ensure the expansion in production which is so essential for the Community countries.

The enterprises experiencing the greatest difficulty are undoubtedly the collieries, where the turnover of labour is much too high.

The High Authority is now engaged on the study of new arrangements to facilitate movement by workers between one Community country and another.

275. The employment of *foreign labour* does, however, call for special precautions. The studies effected at the request of the Common Assembly have resulted in the publication of a number of documents, including one summarizing points which could usefully be borne in mind by all those responsible for the movement of workers either from another country or from an area some considerable distance from the place of employment¹).

For its part, the High Authority has already profited by certain points emerging from the readaptation schemes which the Governments concerned have asked it to assist. It will do its utmost to maintain, and recommend others to maintain, a proper balance between measures to increase workers' mobility and measures to have unemployed workers readapted and re-employed on the spot.

276. The High Authority will continue its efforts of promoting schemes for the *building of workers' houses* within easy reach of the places of work. Its second loan programme for workers' housing will make it possible to provide more than 20,000 housing units.

277. It cannot be too much emphasized what a deplorable psychological effect has been created in regard to the Community industries by the unemployment experienced only very recently in certain coalfields, even where this was confined to putting workers on short time. If there is to be greater *stability of employment*, and the workers are gradually to lose their fear of unemployment, it is essential that the collieries should be able to dispose of their production in a regular flow, or at any rate to stockpile on a scale enabling them to withstand sudden fluctuations in the market. The High Authority is examining what measures it could usefully encourage in this regards.

¹) *Obstacles à la Mobilité des Travailleurs et Problèmes Sociaux de Réadaptation*, Luxembourg, 1956 (Studies and Documents series). To be published in English in the near future.

278. The increasing degree of complexity and automation of plant and equipment today, while involving heavier responsibility for the men operating and supervising them, is coming to mean that the level of production ultimately attained is no longer directly influenced by the workers, or at least, that their influence upon it is more and more difficult to assess.

This trend is bound to affect the *wage structure*, as well as the systems adopted to satisfy the workers' requirements in regard not only to the actual amount paid, but also to the regularity of their earnings.

Both employers and workers are most keenly interested in getting to know all the various arrangements tried in this connection in the Community.

In order to furnish the additional material asked for by the Consultative Committee, the High Authority is now engaged, on the basis of the observations made, in studying the principles for a rational link-up between the structure and level of wages on the one hand and output, productivity and production on the other.

Furthermore, it will very shortly be publishing a report on the use made in the Community of methods corresponding more or less to the system known in English-speaking countries as "job evaluation".

It has already noted the value of such methods: although job evaluation does not provide a cut and dried solution to the problem of the wage level, it does give the employers and workers an objective basis for appraisal which has already been examined and discussed.

The introduction of systems of this kind also involves a radical change in the relations between the operational, supervisory and managerial personnel, throwing into sharper

relief certain problems regarding safety, the organization and co-ordination of jobs and the adaptation of the machine to the individual.

279. The first stage in the information and documentation work is now in process of completion. It was essential in order to gain an overall picture of the living and working conditions in the Community.

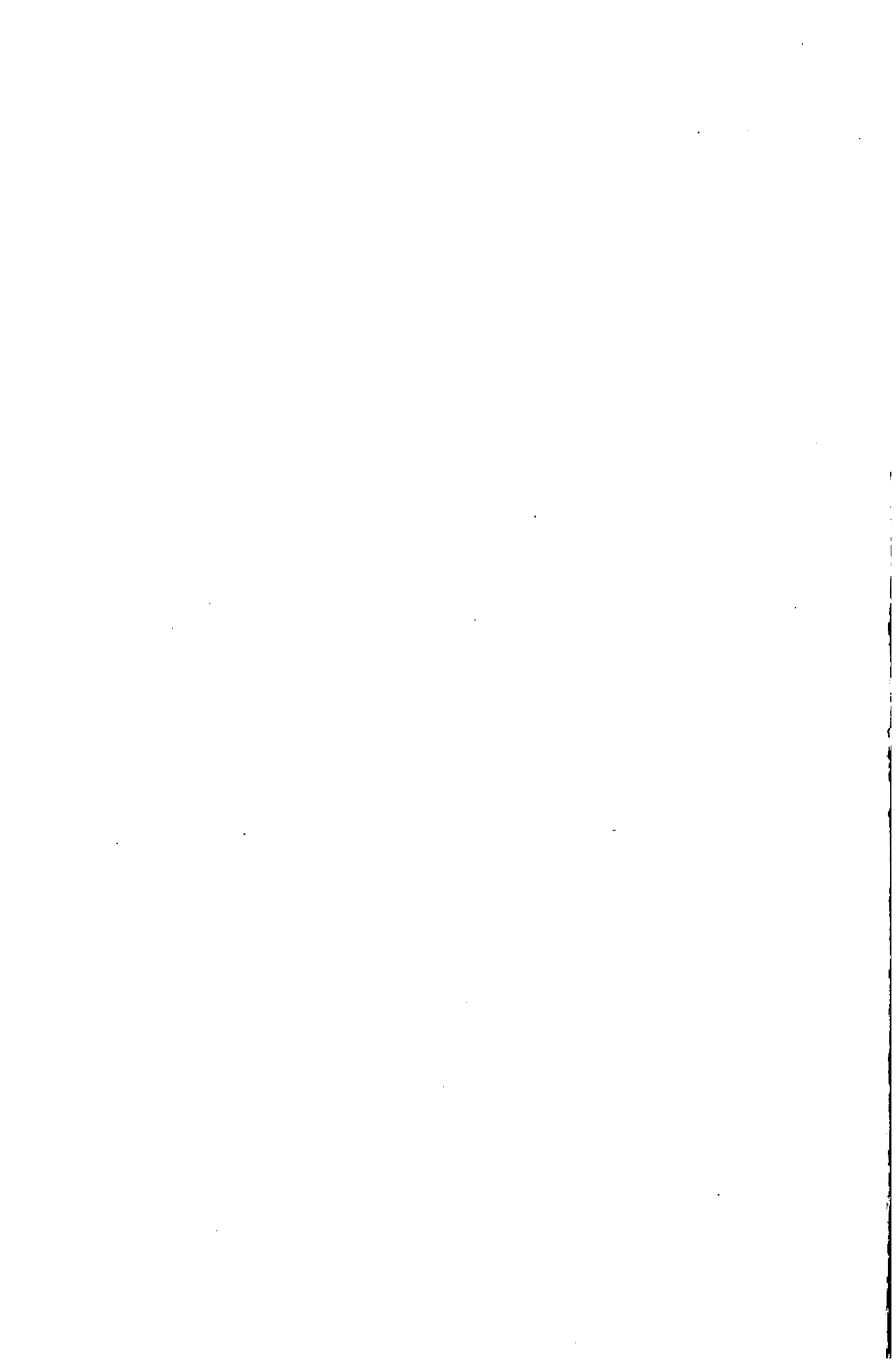
The studies and monographs already published or about to be published give the main features and a comparative survey of these living and working conditions.

The High Authority intends in the future to concentrate still more on its outside *information work*. As soon as it has acquainted itself with the social conditions prevailing in the enterprises, it proposes to encourage joint discussions on existing disparities, cases of particular urgency, and on the scale of priorities to be established for the various measures to do away with the disparities noted. It will make every effort to keep the Governments, employers and workers on the alert, so that it will be clear at all times just what can be done to improve matters, and all those immediately concerned will be fully conversant with developments.

It is the High Authority's intention to preserve the utmost flexibility in its approach to these activities, and to remain receptive to any suggestions likely to be of assistance to it in the accomplishment of its task.

PART FOUR

**THE LONG-TERM DEVELOPMENT
OF THE COMMON MARKET**



280. The Treaty provides that the High Authority must draw up General Objectives for the guidance of all concerned (producers, consumers and workers) on the long-term development of the industries under its jurisdiction. The aim is fourfold.

Firstly, the General Objectives, while not laying down any "must's" for the enterprises of the Community, and leaving them to judge whether a particular process or project is likely to pay its way, offer for their consideration, in regard to the choice of investments, the planning of production and the introduction of modernization schemes, various factors based on an overall picture of the situation which no individual enterprise or group of enterprises could possibly obtain.

They constitute the basis for the opinions which the High Authority is required by Article 54 of the Treaty to issue on investment projects, and for the assistance which it may afford them.

They will serve as a basis also for all proposals which the High Authority may make to the Governments concerning such measures falling under their jurisdiction as affect the coal and steel markets and the expansion of the two industries, *e.g.* taxation, or price-fixing methods in respect of products not covered by the Treaty (which can affect the financing of capital schemes and competition between the different sources of energy), or credit (for expanding production, or for regularizing it, more particularly by means of stockpiling.)

And, finally, they form the basis of the High Authority's policy for coal and for iron and steel — that is, of the High Authority's overall course of action in the future to bring about conditions in which it will be possible to attain the objectives laid down. For it is important to distinguish between the objectives themselves and the means employed, in such fields as prices, labour recruitment, wages, and financing, which the High Authority will be describing elsewhere.

The High Authority decided to publish in this Report its General Objectives as well as its views on coal policy, thus making sufficiently obvious the distinction to be drawn between them. It proposes to explain its iron and steel policy at a later date.

281. As regards investments, the High Authority has made use of the means available to it under the Treaty to ensure that they are lined up as far as possible. It is circulating on a very extensive scale the findings of its annual investment surveys, thereby enabling all the Community enterprises to fit their own projects into the whole scheme of investments completed and estimated within the Common Market. It is organizing meetings with Community producers for the purpose of examining with them what conclusions can be drawn from the disequilibrium in production as between one sector and another. If necessary, it issues general warnings. Since September 1, 1955, it has been receiving prior notification of all major capital schemes. It examines these to find out whether they are in line with the General Objectives, and issues opinions, a list of which is then published.

The enterprises of the Community are free to accept or reject the High Authority's opinions: their investments are entirely their own affair and their own responsibility. The projects declared to the High Authority to date do, however, indicate that the guidance which it provides is effective. A change is becoming apparent in the trend of investment, and

a better balance is being established, particularly in regard to capital expenditure in the iron and steel industry.

Finally, the High Authority is facilitating work on the capital schemes by granting loans to enterprises from the funds it has borrowed. Obviously, it gives priority to projects in line with its own General Objectives. A fresh loan was floated and allocated in 1956. Applications for credits were considerably in excess of the moneys available. A number of Community enterprises are, however, to receive credits from the High Authority to enable them to put in hand projects already planned.

282. The High Authority's work in connection with technical research is an essential part of, and complement to, its long-term planning policy. The expansion of industry is governed in very large measure by progress in scientific and technical knowledge and the speed with which the results are put into practice on as large a scale as possible.

In the fields of coal and steel, it is vital to co-ordinate and direct research into definite channels, and to make the results more widely known. It is also necessary that research, like investment, should be concentrated on those projects which are to be regarded as taking priority in the context of long-term development as indicated by the General Objectives. The High Authority has accordingly continued its activities not only for the co-ordination of research projects, but also for the channelling of them by means of grants-in-aid.



CHAPTER TWELVE

THE GENERAL OBJECTIVES OF THE COMMUNITY

283. Under Article 46,3 of the Treaty, the General Objectives for modernization, the long-term planning of production and the expansion of production capacity have to be set forth "periodically."

The High Authority in July 1955 published a first memorandum on the subject, which had been discussed by the Consultative Committee and by the appropriate committees of the Common Assembly.¹⁾

This first approach to the question covered only a comparatively short period up to 1958. The document made it clear, however, that work was being continued along three main lines:

- (1) more detailed studies were being carried in connection with forecasts;
- (2) the Joint Committee representing the High Authority and the Council of Ministers was analyzing the general prospects in the different economies, and the relevant energy balance-sheets, compiled on a standardized basis²⁾;

¹⁾ See *Official Gazette of the Community*, July 19, 1955, and *Report on the Activities of the High Authority*, November 1955, Nos. 73 and 74.

²⁾ See No. 326 below.

- (3) committees of experts on economic, technical and social affairs were being set up to study the General Objectives.

On the basis of this complicated nexus of concurrent proceedings we are today able to list a number of conclusions.

284. The High Authority would stress the value of the work done by the expert committees, and expresses its thanks to them for their co-operation, without which the definition of the General Objectives would not have been possible. It accepts responsibility for the document as published, even though the bases selected and the objectives suggested are in some respects not altogether in line with the committees' opinions and findings.

The High Authority would emphasize that in a field such as this constant further study and revision are indispensable. The General Objectives published are based on estimated requirements and estimated production potential up to 1965 for steel and (unavoidably in view of the very long-term investments in the coalmining industry) up to 1975 for coal. Further study will be needed on a number of major points.

If these General Objectives are to be attained, it is essential that the economic policy followed should be one of expansion and the price policy one calculated to help increase production, as the Treaty itself states that they should be. This Chapter is presented and delimited as it is because it was felt necessary to distinguish between the ends and the means, and to apportion responsibility: its purpose is to describe the interlinked objectives adopted in respect of the different sectors of industry coming under the jurisdiction of the Community, each of which is dependent for its production upon the production of the others.

Section I - General expansion and coal and steel requirements

285. As regards coal, the Community's consumption exceeds its present production, and the gap looks like increasing. As regards steel, exports of which to third countries form a traditional part of the Community industries' activities, home consumption (including steel used in manufactured goods, which are ultimately exported) is increasing faster than foreign sales, and may be expected to absorb a growing proportion of the total production, although this is itself expanding vigorously.

Forecasts of coal and steel requirements, which determine the production capacity to be installed, are based mainly on the overall expansion forecast for the economies of the Community.

The period during which these estimates have practical bearing on the decisions of the enterprises extends, in view of the time taken by the investments to show results, up to 1960 for steel and 1965 for the raw materials needed in steelmaking, but it goes up to 1975 and beyond for the coalmining industry, which according to the depth mined and the geological difficulties involved may need anything from twelve to fifteen or even twenty years to get an entirely new pit into full operation (its working life thereafter being as a rule at least fifty years). Some kind of forecast for steel and pig-iron production up to this distant date is essential, not directly for the purposes of the iron and steel industry, but for the coalmining industry, which is expected to meet the iron and steel industry's requirements of fuels for which no substitute is readily available.

An attempt may be made to estimate the requirements of the principal consumer sectors for both steel and coal. It is always necessary to cross-check these by estimating the increase in overall requirements resulting from the all-round expansion in production and national income. By analyzing the general expansion and its relation to coal and steel consumption, it is possible to see whether forecasts and objectives tally. The High Authority is basing itself on the work done by the Joint Committee which was set

up in compliance with the resolution adopted by the Council of Ministers on October 13, 1953.

Forecasts of this kind are not by any means mere academic speculations: on the contrary, they are essential requirements of actual practice, yet at the same time essentially unreliable. It is necessary, therefore, to make certain that, for economic reasons, the capacity targets laid down for the coalmining and iron and steel industries are less haphazard than the incomplete data on which they are based.

286. These forecasts must be read in the context of the definite probability that all the national economies will be undergoing continued rapid expansion. The rate of development is admittedly well below that recorded for the last few years. At the same time, it is above any other in the memory of man. This conjunction of high momentum and slight deceleration may be attributed partly to the increase in population and the resorption of unemployment, and for the rest to the rise in productivity. The swiftness of this expansion in overall production is principally due:

- (a) to the realization by the authorities, the industries and the trade unions that a gigantic effort will be required to make up for past stagnation and ever-increasing back-lag, to tackle the job of raising the standard of living, and to keep Western Europe its place in the world;
- (b) to the increasing attention now given to research and technical advances and the adoption of new methods perfected outside the Community;
- (c) to the continuous structural changes which are causing employment to shift towards the sectors where added value is highest.

Over an extended period, we have to allow for a reduction in hours actually worked. This would ordinarily

tend to diminish production per man/year, but this effect will be more than offset by the improvement in productivity per hour, which it incidentally helps to ensure.

The factors employed in computation are shown below.

	1955	1965	1975
<i>Working population</i> (‘000,000)	69	73	76
<i>Productivity per man/year</i> Rate of increase ¹⁾		+ 3.5%	+ 2.6%
<i>Gross national product</i> Indices	100	150	200 ²⁾
Rate of increase ¹⁾		+ 4.1%	+ 3.0%
<i>Industrial production</i> Indices	100	162	224
Rate of increase ¹⁾		+ 4.9%	+ 3.3%

¹⁾ Average annual rate 1955-65 and 1965-75.

²⁾ Round figures.

A. — *Steel requirements*

Steel requirements may be determined by calculating exports and home consumption separately.

287. *Exports.* — Any attempt to estimate exports is bound to be attended by considerable uncertainty. A distinction should be drawn between sporadic exports to Britain and the United States and regular exports to countries where very little steel is produced, in competition with Britain, the United States and Japan.

We have estimated the increase in steel consumption by these countries, the increase in their production, the change in their imports as represented by the difference between the first two figures, and the proportion of Community prod-

ucts in those imports. The results are summarized in the following table.

('000,000 m. t. crude-steel equivalent)

	1955	1960
Net exports to U.K. and U.S.	0.9	0.6
Other third countries: consumption	31.3	42.8
production	18.7	29.0
imports	12.6	13.8
Community share in imports	58%	58%
net Community exports	7.0	8.0
Total net Community exports:	7.9	8.6

As a result of the progressive change in the composition of the exports, as the third countries' own production gradually takes the place of their imports of the simpler products and sales by Europe concentrate rather on the more elaborate manufactures, there will be an increase in the quantities of crude steel needed for the production of finished products for export. In view of this, it seems reasonable to round off to gm. metric tons crude-steel equivalent the requirements of iron and steel products for sales to third markets.

The assumption is that there will be no appreciable change in these figures for 1965 and 1975. This does not mean that steel will not continue to play an essential part in trade with third countries. But the expansion of iron and steel production in the world and the economic interests of the Community will bring about an increase in the proportion of indirect exports, *i.e.* steel processed into finished products. Moreover steel-production figures forecast so far ahead are needed for practical purposes only in regard to iron-ore and coke requirements. This being so the margin represented by export requirements is small in comparison with overall requirements and the uncertainty attaching to them. As a first approximation, therefore, it is allowable to consider these figures as constants, provided they are reviewed periodically in the light of developments observed.

288. *Consumption.* — For 1960 and 1965 requirements have been estimated once in accordance with the trend and again, some 10% away from the trend, in accordance with foreseeable maximum requirements ("upper limit"). The estimate for 1975 is given for guidance, and will be employed only for forecasting coke requirements.

The estimates can be cross-checked by reference to the development of the gross national product and to the ratio of increases in the latter to increases in steel consumption, *i.e.* the elasticity of steel consumption in relation to gross national product. Competition from other products, such as non-ferrous metals, is not such as to make any appreciable change in this ratio: these products are of a type more to meet new requirements than to curtail sales of steel. A definite distinction should no doubt be made between steel used for consumer goods and steel used for capital goods. Further study will be necessary for this purpose. Elasticity may be assumed as likely to remain above 1, though diminishing gradually in the course of the twenty-year period.

Estimates of steel requirements are shown in the following table.

(*'000,000 m.t.*)

Crude-steel requirements	1955 (actual)	1960		1965		1975 average trend
		average trend	upper limit	average trend	upper limit	
Home consumption	43.8	58	63.5	69.5	76	96
Net exports	7.9	9	10.0	9.0	10	9
Total requirements ¹⁾:	51.7	67	73.5	78.5	86	105

¹⁾ The lower limit gives total requirements as 60,500,000 metric tons in 1960 and 71,000,000 in 1965.

On the basis of an increase in the national product from 100 in 1955 to 150 in 1965 and 200 in 1975, estimated home consumption represents an elasticity of 1.18 for the first ten years and 1.15 for the second.

The annual rates of expansion, based on the average trend, are as follows:

	1955—60	1960—65	1965—75
Home consumption	5.8%	3.7%	3.3%
Consumption + net exports	5.2%	3.2%	3.0%

These rates are above those of the inter-war period, which were however equalled, and in some cases surpassed, in what is now the Community between 1870 and 1913. They are much the same as those now forecast for the expansion in British production, and barely half those achieved and forecast for the Soviet Union between 1929 and the end of the present Five-Year Plan.

289. The objectives of the Community relate not to production volume but to the production potential to be attained. This has to be borne in mind when considering the margin needed in estimating requirements.

The average trend serves principally for the extrapolation of the results over a longer period, and the determining of certain raw-material requirements. It is the upper limit which is significant as regards the capacity to be installed. It is imperative that iron and steel production potential should not be allowed to form a bottleneck in overall expansion. If requirements reach this high level, they must be met by the utilization of existing potential to its fullest extent. If they were to increase only in accordance with the average trend, production machinery would be utilized only to the extent generally regarded as the optimum; even if they were to come up only to the lower limit, such utilization would still be economic.

Production capacity must not be understood as meaning the sum of the theoretical capacity of all existing

plant, which would presuppose optimum supply conditions at all times and exact adjustment of the rate of operation of all plant, with no allowance for unavoidable stoppages in connection with changes in production series, repairs and overhauls. Production capacity is maximum possible production, with due regard for these unavoidable interruptions.¹⁾

Taking the term in this sense, we may therefore put the production potential to be attained at 73,500,000 metric tons for 1960 and 86,000,000 for 1965, noting for reference an overall figure of 105,000,000 metric tons for 1975 as a basis for estimating coal requirements for the production of metallurgical coke.

B. — Coal requirements

290. Coal requirements cannot be calculated direct from the development of the national product: they are an integral part of energy requirements as a whole. Energy requirements themselves fall economically under three heads:

- those which have to be covered specifically by coal, *viz.* collieries' own consumption, coke produced for the blast-furnaces and for export, and (indirectly) coal chemistry;
- those entirely unconnected with coal, *viz.* fuel for internal-combustion engines;
- those competed for by coal and other sources of energy, *viz.* firstly, direct use for heating purposes, in industry and in households, and secondly, mechanical uses in transport and employment in the form of secondary energy (coke for heating purposes, gas, electricity).

¹⁾ See No. 67 above for the official definition of maximum possible production given in the memorandum of July 1955.

291. Overall energy consumption includes certain requirements in which coal has no share; from all other points of view, total coal consumption will be affected by the rate of substitution as between competing sources of energy, and by the higher utilization efficiency brought about by technical advances.

The overall position, broken down under the economic heads indicated and following these parameters, may be tabulated as follows.

	1955 (actual)	1960	1965	1975
		(average trend)		
<i>Irreplaceable (specific) coal requirements</i> (¹ 000,000 m. t.)				
a) collieries own consumption	16	14	14	13
b) full gasification	—	1	1	3
c) coke for specific purposes	71.8	84	94	113
Total:	87.8	99	109	129
<i>Interchangeable (competitive) requirements</i>				
a) coal (000,000 m. t.)				
direct consumption	143.7	161	173	181
coke not for specific purposes	35.2	40	43	45
Total:	178.9	201	216	226
b) brown coal (000,000 m. t.)	97	112	119	138
c) hydro-electric power ... (000,000,000 kWh)	70	87	103	117
d) oil products	19	38	52	89
e) natural gas	4.2	8	11	13
f) nuclear energy	—	—	10 ¹⁾	82 ¹⁾

¹⁾ See table page 258

292. There is no getting away from the need to make certain estimates as to coal requirements for each of the major consumer sectors. By so doing, moreover, it is possible to see whether they tally with the overall estimates for energy requirements as a whole.

For purposes of calculation, it must further be assumed that coal and coke exports to third countries will not diminish, even if difficulty is experienced in meeting the increase in home demand out of production, for exports are principally to countries with which the member States have particularly close economic ties. Some 14m. metric tons of hard coal will probably continue to be earmarked for this purpose, either for direct delivery or for the production of coke to be sold outside the Community.

293. *Uses specifically requiring coal.* — Requirements have normally to be calculated from estimates of probable production (corresponding to the average trend, not to full utilization of capacity), whenever peaks in demand can be covered by other means such as importation or withdrawals from stocks (coking coal). On the other hand, the basis for calculation must be the capacity to be attained (the upper limit) where requirements can be covered only from the Community's own production (coking-plants).

At the present stage of technical advance, no real substitute can be provided for coal in the production of pig-iron. The tonnages of blast-furnace coke required by the iron and steel industry are determined by the volume of steel production, by the proportion of pig-iron used in that production, by the output of foundry pig, and by the input ratio of coke in pig-iron production.

To ascertain total coke requirements, we must add together blast-furnace consumption and the various other requirements, including those of the industrial, household and export sectors and the coking-plants' own consumption.

('000,000 m.t.)

	1955 (ac- tual)	1960	1965	1975
	(average trend)			
<i>A. Irreplaceable requirements</i>				
<i>a) coke for the blast-furnaces</i>	39.8	48	55	71
<i>b) coke for export</i>	5.2	5	5	5
<i>c) other requirements, including coking-plants' own consumption</i>	6.8	7	7	8
<i>A = a + b + c</i>	<i>51.8</i>	<i>60</i>	<i>67</i>	<i>84</i>
<i>B. Interchangeable requirements</i>				
<i>d) by industry</i>	11.8	13	14	15
<i>e) by households</i>	13.5	15	17	18
<i>B = d + e</i>	<i>25.3</i>	<i>28</i>	<i>31</i>	<i>33</i>
<i>C. Total coke requirements</i>	<i>77.1</i>	<i>88</i>	<i>98</i>	<i>117</i>
<i>A + B</i>				
Coke for the blast-furnaces in relation to total coke requirements				
<i>a</i> <i>C</i> (in %)	52%	54%	56%	61%
Requirements of hard coal for carbonization, of which hard coal needed for irreplaceable coke requirements . .	107	123	137	158
	71.8	84	94	113

The considerable increase in estimated hard-coal requirements for carbonization means that a special effort will have to be made to reduce them.

This will involve, more particularly, discouraging demand for coke where substitutes can be used, and ensuring substantial additional savings in the input ratio of coke in pig-iron production. In addition to the increasing availabilities of natural gas, demand for gas, which is not correlated with the demand for coke, can be met by recourse either to full gasification of coal or to increased use of gas produced from oil.

294. *Uses of coal in competition with other sources of energy.*—

A distinction must be made between use in the transport sector, use for heating purposes and the generation of electricity.

Coal is being used less and less in *rail transport and shipping*.

('000,000 m. t.)			
1955	1960	1965	1975
19.6	16	13	9

295. As a result of rationalization in the use of coal and increasing competition from oil products, the amounts of coal used direct for heating purposes (industrial and household sectors) will remain pretty well unchanged. Increases forecast are only in respect of the first few years (due to the rapid rise in the number of housing units), and tend to affect coke rather than coal itself.¹⁾

('000,000 m. t.)				
	1955	1960	1965	1975
Industry	39.6	43	43	43
Households, total				
of which	57.8	63.1	67.2	68.5
a) hard coal and manufactured fuels	38.9	42	44	43
b) hard coal for coke	18.9	21.1	23.2	25.5

296. The generation of electricity constitutes very much the most important item. Calculations are based first of all on those consumption forecasts for the various countries in which it is assumed that consumption will double over the first ten years, but not entirely redouble over the second.²⁾ The economic possibilities for the production of hydro-electric

¹⁾ See table under No. 294 above.

²⁾ The doubling rule gives 380,000m. kWh for 1965 and 760,000m. for 1975.

power are known, and will be exploited pretty well to the full by 1975. The difference between the two is the production capacity required for thermal electricity (conventional and nuclear). The possibilities for producing electricity from lignite are calculable, and will also be exploited to the full. It can further be assumed that the maximum use will be made of low-grade coal products for generating electricity. It is still uncertain how much of the remainder of the increase in thermal electricity produced will be provided by nuclear energy and how much by oil products and coal.

297. The prospects as regards the growth of nuclear energy production are, of course, undergoing rapid changes. In consequence of technical developments and the first commercial results achieved, together with the uncertainty over future supplies of oil products, more ambitious schemes are being drawn up.

The targets now suggested for the nuclear industry of the six countries include a power rating of 15m kW as from 1967, and rapid extension thereafter. It is open to question what effects this is likely to have on the vital outlet which the generation of electricity has always been regarded as providing for coal.

One point arises in this connection. It has hitherto been necessary to keep estimates of overall electricity consumption within bounds in view of the steeply-rising production costs. If, however, nuclear energy can arrest the rise, this would in itself mean an expansion in the general demand for electricity.

Even on a cautious estimate of requirements, not extrapolating without corrections beyond 1965 the ten-year doubling of electricity consumption, there will be a considerable deficit to be made good from primary sources of energy such as oil and natural gas, which are not turned to best account by being used for the production of electricity.

The following table provides a summary of these problems.

(000,000,000 kWh)

	1955 (actual)	1960	1965	1975
Total electricity production ..	189	270	360—380	610—740
(A) Hydro-electric power ..	70	87	103	117
(B) Thermal power	119	183	257—277	493—623
Production from brown coal and low-grade products				
a) brown coal	20	29	39	60
b) low-grade products				
(of the hard-coal industry)	24	40	57	92
Production from other sources				
a) nuclear energy	—	—	10—65	82—250
b) hard coal ¹⁾	57	82	103	124
c) oil, natural gas, blast- furnace gas, etc.	18	32	48	135
			—116	—221

¹⁾ The contribution by coal (hard coal + low-grade products) may be expected to amount in 1955, 1960, 1965 and 1975 to 45m., 60m., 73m. and 86m. metric tons respectively.

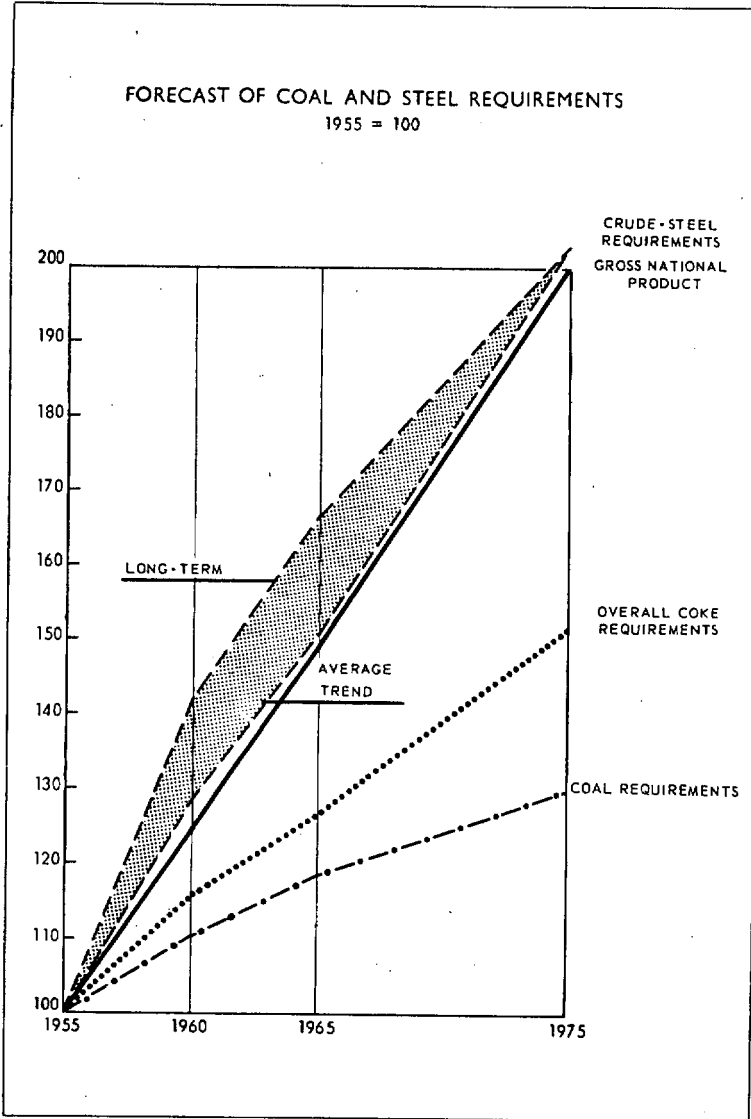
Even given the maximum improvement as a result of the development of nuclear energy, the generation of electricity will continue to call for larger and larger tonnages of coal and oil, and to involve a considerable degree of dependence on imports, though nuclear energy will increase the safety margin in energy supplies. Accordingly, the tonnages of coal produced, and even any additional tonnages saved over and above the savings forecast for the other sectors, will still be assured of a market in connection with the production of electricity.

On this basis, coal requirements may be tabulated as follows.

(000,000 m. t.)

	1955 (actual)	1960	1965	1975
		(average trend)		
Coking	107	123	137	158
Generation of electricity	45	60	73	86
Transport	20	16	13	9
Households	39	42	44	43
Industry	40	43	43	43
Own consumption and full gasification...	16	15	15	16
Exports of hard coal	11	7	7	7
Total:	278	306	332	362

Coal will still be used in 1975 to cover more than half of the Community's energy requirements.



Section 2 - Objectives for coal

298. With total energy requirements due to increase by well over fifty per cent in twenty years; with electricity requirements to be more than trebled and practically no further economically workable sites for hydro-electric power-stations left by then; with the unavoidable timelag before nuclear energy can be produced on a considerable scale (though from that point on this will increase rapidly); with limited — though none the less substantial and valuable — resources of natural gas and oil available within the Community; with the danger to energy supplies and prices constituted by the ever-increasing dependence on imports, whether of coal or of oil products, it is sufficiently obvious that the Community must increase its coal production, and that (apart from purely temporary or local difficulties) there are assured markets for all the coal which can be produced reasonably economically.

The level of requirements, which from the long-term point of view would seem to be elastic, is none the less not a sufficient basis for calculating production capacity. It is not possible to set targets unless we bear in mind the obstacles in the way of expansion and the steps that will have to be taken to overcome them.

First, we have to consider the potentialities of existing coal reserves. Hard work will be needed to maintain and extend their exploitation.

Then there is the matter of increasing output. Hard work will be needed here too to ensure that the pits get all the men they require, and to raise output.

Thirdly, there is the orientation of demand. And hard work will be needed to adapt production to requirements, and to process the coal into coke, electric current or by-products while at the same time ensuring a better valorization of production.

A. — *Coal reserves and their exploitation*

299. Coal-winning depends on the deposits, *i.e.* the available reserves. A preliminary inquiry into the matter was carried out by a General Objectives expert committee. The committee stressed that it was extremely difficult to make an assessment, and that the basic concepts and data were not sufficiently comparable. The subject is such an important one that further study will be needed on this point.

A great many coalfields are on the whole, unable to step up their production, among them Lower Saxony, Dutch Limburg, the coalfields in Southern Belgium, the Nord/Pas-de-Calais and the Centre/Midi. Any capital schemes in these areas will be aimed at maintaining capacity and improving the technical methods used: production will remain stabilized at an aggregate of about 80m. metric tons, varying not more than two or three million either way.

The remainder include the Ruhr, the Saar, Lorraine, the Campine and Aachen.

The table following shows what increases will be possible up to the limit of the 1955 extraction potential, and what increases in extraction potential may be expected by 1965 and 1975. 1975 should see an additional 30m. metric tons from new pits, including 20m. from the Ruhr and 6m. from the Campine, Lorraine and the Saar. The figures given are based on present working hours.¹⁾

¹⁾ For problems raised by shorter working hours, see No. 304 below.

Increase over 1955 extraction

(246m. metric tons)

Coalfield	Increases due to full utilization of 1955 extraction potential (not then fully utilized owing to shortage of manpower and other factors) '000,000 m. t.	Increase in extraction potential		Total increase over 1955 production	
		by 1965 over 1955 '000,000 m. t.	by 1975 over 1965 '000,000 m. t.	'000,000 m. t.	%
Southern Belgium Nord/Pas-de-Calais Centre/Midi Dutch Limburg Lower Saxony Sulcis	+ 2	+ 1.5	+ 1	+ 4.5	
Aachen Lorraine Campine Saar	+ 1	+ 9.5	+ 5	+ 15.5	40% 40% 50% 10%
Ruhr	+ 11	+ 14	+ 29	+ 54	45%
Total:	+ 14	+ 25	+ 35	+ 74	

Total extraction potential of the Community

('000,000 m. t.)

1955	1965	1975
260	285	320

300. Extensions in production have to be reckoned net, *i.e.* allowing for capacities due to run out and workings abandoned as no longer economically justified.

These extensions will have to be brought about

- by ensuring a better utilization of existing capacities;
- by linking up deposits not yet worked to existing pits by means of an extension of all essential services;
- by sinking entirely new pits, none of which can possibly be in full operation before 1965.

The following desiderata suggest themselves:

- (a) In appraising workable deposits, we have to take them not in isolation, but as parts of a single whole, with an eye to the rational utilization of all the products extracted, in order to enable accessible seams to be worked as thoroughly as possible.
- (b) Considering the cost of investment per metric ton, it is imperative that advantage should be taken without delay of all possibilities of linking up hitherto unworked deposits to existing installations.
- (c) It will not be possible to reach the required minimum level of production unless preparations are put in hand immediately for the sinking of new pits. Annual depreciation and interest are likely to be substantially higher for the new than for the older installations, but, very roughly speaking, they will prove economic in proportion as these additional charges will be offset by savings on the other elements in production costs, as compared with average production costs in the same coalfield at the date when the new pits are brought into operation.

It should further be emphasized that the greater the risk of a manpower shortage the more necessary it is to employ available manpower in the pits where productivity is highest. All wage increases thus make for better returns on investments in those pits where output is higher than in the older pits.

B. — *Higher output*

301. The total labour force in the Community collieries numbers approximately 960,000 men, of whom 650,000 are employed underground, 250,000 at the surface and 60,000 in the ancillary services. The main bottleneck in production at present is the shortage of underground workers. This may be seen from the fact that in 1955, according to the experts' calculations, the production of the Community could technically have reached 260m. metric tons, whereas in practice it worked out at only 246m. — a shortfall of 14m. metric tons as a result of the underground labour force's being a matter of 38,000 below strength. During 1956, the position became worse rather than better, and the deficiency may now be reckoned at something like 45,000 men.

302. The fundamental short-term objective is to increase the number of underground workers, since only in this way will it be possible to utilize production capacity to the full.

303. Once the labour force has been brought up to strength, the fact has got to be faced that it cannot be further expanded to any considerable extent. The essential aim must therefore be to step up underground output in order to ensure increased production with much the same number of workers.

A 30% increase in underground output by 1975 would make it possible to raise the o.m.s. from 1,500 to 2,000 kg., and total production from 246m. to 320m. metric tons,¹⁾ with underground personnel which, after rising to 700,000 in 1960, could even be cut to 670,000 in 1965 and 650,000 in 1975.

A corresponding increase in surface output would make it possible to keep the number of surface personnel more or less unchanged.

¹⁾ Hypothesis in table under No. 299 above.

Long-term forecasts of this nature on the prospects, markets and employment position of the coalmining industry give some guidance on matters on which the miners are entitled to expect it.

The General Objectives themselves put the manpower problem in the foreground of coal policy. They include safety requirements in the pits, the easing of the physical effort involved, regularity of employment, advantages in payment (whatever the system employed), and the provision of housing facilities within easy reach of the place of work.

All these points will have to be met if it is to be possible not only to bring and keep the labour force up to strength, but also to give coalmining more appeal as an occupation and thereby attract a skilled labour force both younger in years and more likely to remain in the industry.

In conjunction with this work on the human side to bring about an increase in output, it will be necessary to make the fullest use of openings for technical improvement.

The concentration of pits makes for a considerable saving in manpower and for greater speed in the modernization of operations. In view, however, of the large-scale investment involved for the installation of powerful coal-winning and coal-preparation plant, concentration is practicable only where the deposit contains sufficient reserves to allow appropriate amortization.

Substantial savings can be achieved not only by the concentration of coal-winning, haulage and winding operations, but also by the concentration of sorting and washing plant, and in some instances of the maintenance workshops.

Below ground, there is room for both concentration and mechanization.

There can be concentration of pits, concentration of levels or concentration of faces. And there can be complete mechanization of faces, mechanization of individual operations and mechanization of haulage and winding.

All this can only be achieved by more intensive research for the improvement of mining equipment and technical methods. We shall be referring to research on natural conditions and human factors connected with coalmining, such as rock pressure, firedamp, occupational diseases, and fire-control and fire-fighting methods. We shall also be mentioning technical methods of driving headings, opening up faces, organizing haulage and winding, and sinking shafts.

304. We have to face up to the very serious problems raised in regard both to the volume of production and to the extraction capacity by the shorter working hours introduced in the coalmining industry, in accordance with a trend which may well affect industry as a whole, and may even be accentuated as time goes on. The aim which, in view of the outlook for the Community regarding energy requirements and supplies, both the employers and the workers must strive for is that the reduction in working hours shall entail as small a loss of production as possible, and that the number of fresh workers taken on to make up for it shall not exceed real employment capacity.

In the short term, the impact of an all-round reduction in working time can be cushioned only by:

- introducing the changes in time-schedules by stages, so that whatever reorganization is necessary and practicable may be effected in an orderly manner;
- making maximum use of the effective working time on shift between the lowering and the raising of the men;

- revising wage schedules in such a manner as to reduce absenteeism to a minimum (reasons for absenteeism being now largely disposed of by the increase in the number of off-days);
- taking immediate steps (which should be facilitated by the shorter working hours themselves) to increase the labour force, *e.g.* by introducing greater flexibility into the rules governing the employment of foreign workers.

If these various measures are successful, the losses in output caused by the shortening of working hours underground will be less than those suggested by purely arithmetical calculation.

In the medium and the long term, extraction capacity can be restored and expanded only if all the measures for extending coal-winning operations are instituted without delay, *i.e.* if action is taken not only to speed up the overhaul of existing installations and the linking-up of unworked deposits to existing pits, but to put the programme for new pits in hand promptly and add to it where possible.

C. — *Orientation of demand and valorization of production*

305. Production and marketing conditions in the coal-mining industry may be summed up as showing three main characteristics:

1) The energy balance-sheet reveals a rapid increase in the proportion represented by the forms of energy obtained by processing (coke, manufactured gas, thermal electricity, processed oil products) as against the primary sources (coal, natural gas, crude-oil products, water power). This trend emerges clearly from the following figures for the Community as a whole.

	% of overall availabilities		
	1920	1950	1954
Primary energy	67.7	41.3	33.6
Secondary energy	32.3	58.7	66.4

2) In the demand for coal, the proportion of coal required for carbonization purposes is steadily increasing. In addition, the demand for gas to be provided from coal may well rise more rapidly than the production of coke, despite the increase in the production of natural gas, oil gas and blast-furnace gas.

3) In the winning and preparation of coal, the proportion of non-saleable and not economically transportable products is increasing parallel with the extension of operations, the mechanization of coal-winning and the improvement in washing methods.

	1955	1960	1965	1975
Proportion of low-grade products to total production (in %)	16.0	16.3	17.4	17.6

306. In consequence of this situation, the objectives to be kept in view are as follows.

1) If market requirements are to be met and the pits to yield a better return, the first essential is that collieries' own consumption for operational purposes should be reduced. This consumption, which varies from 3.5 to 7.5%, according to enterprise, must be cut as quickly as possible over the whole Community, and should not exceed an average of 4%.

The biggest savings can be ensured by electrifying coal-winning machinery and compressors on as extensive a scale as possible. Wherever it is safe to do so, electricity should be substituted for compressed air, which is expensive.

2) The schemes now in hand for the expansion of coking-plant capacity would appear to be adequate to ensure that the upper limit of estimated requirements is met by 1960.

('000,000 m. t.)

	1955 (actual)	1960 (upper limit)	1965
Total coke requirements	77.1	93.0	104
To be met from gasworks production	5.8	6.0	6
To be met from coking-plant production	71.3 ²⁾ (actual)	87.0 (estimated)	98
Coking-plant production potential ¹⁾	70.0 ²⁾	87/88	—

¹⁾ i.e. 95% of the annual throughput capacity.

²⁾ Actual production in 1955 was 68,600,000 metric tons. Requirements were met by withdrawals from stocks.

It is recommended that future investment should be focused on units of capacity large enough to achieve maximum output. Moreover, these should be provided, or at any rate it should be possible to provide them, with unloading, storage and blending facilities to enable coal from different sources to be turned into coke.

The increase in the coke requirements of the iron and steel industry will undoubtedly make it necessary to draw more and more on coal produced in the northern part of the Ruhr coalfield, in the Campine and in Lorraine.

Methods will have to be studied and worked out for using these types of coal, which are more bituminous than the traditional coking fines, and in the construction of new coke-

ovens it will be necessary to allow for whatever blending, drying and stamping operations may be required.

3) Low-volatile coal and anthracite may be expected to continue scarce, as reserves are still decreasing. It is therefore important to ensure that demand, particularly from the household sector, does not concentrate on coke so much as to reduce the tonnages available for the iron and steel industry. Efforts should be made to foster the production of substitute fuels, particularly by means of improved methods of briquetting and low-temperature carbonization.

4) Where gas requirements not met by natural and blast-furnace gas increase faster than coke requirements, it will be advisable to develop methods of full gasification and of predegasifying coal for the power-stations, which will moreover make it possible to employ grades which are less in demand. It will also be necessary to release the proportion of coal gas now used for heating the coke-ovens, and replace it by gas of low heating value.

5) Endeavours must be made to ensure savings by recourse to the dense-medium, flotation and similar processes in washing and coal preparation.

6) The percentage of low-grade products extracted is likely to increase.¹⁾ Accordingly, larger and larger tonnages of these will be available at the pitheads. These can most appropriately be used in the pithead power-stations.

This being so, the development in the current output and power rating of the pithead power-stations will be approximately as follows:²⁾

¹⁾ See No. 305,3 above.

²⁾ These figures relate only to the utilization of such low-grade products as are derived in the ordinary way from the mechanical coal-preparation plants. No provision is made for the possible use for electricity production of seams with a very high ash content which could be worked with this end in view.

	1955	1960	1965	1975
Power rating ('000,000 kWh)	5.0	7.9	11.5	18.4
Output ('000,000,000 kWh)	24	40	57	92

Current not used for the collieries' own operational purposes must be turned over to the distribution networks. To increase the efficiency of operations and strengthen the competitive position *vis-à-vis* other suppliers, endeavours should be made to concentrate the production of electricity in those units which have been rendered most economic by technical improvements, if need be by collecting the low-grade products of several pits at a single central power-station.

7) The chemical valorization of coal includes (as a minor element) its direct use, (as an additional element) the by-products of carbonization, and (as the main element) the employment of gas as a basic material.

This is a further point in support of the recommendations made in regard to the coking-plants.

Chemical valorization — plastics and artificial fibres may be cited as instances illustrative of its potential development — is of even greater consequence as an earner per unit of coal won than as an absorber of actual tonnages.

Coal chemistry is thus of major importance, whether in the collieries themselves, or in conjunction with the chemical industry proper or the oil industry. It should be noted in particular that for the development of synthetic manufactures coal and oil are not competitors but complementary to one another.

307. If the necessary action is taken to modernize existing mines, to sink the indispensable new high-production and high-output pits and to ensure the valorization of coal by adapting it to

market requirements and by appropriate processing, then it will be possible for coal to make the contribution expected of it towards the development of the economies as a whole and the meeting of energy requirements, on one fundamental condition — that the prices of Community coal shall be such as to withstand long-term competition from imported coal on the one hand and fuel oil on the other. Like the improvements to be made in the utilization of the available manpower, this condition as regards prices will necessitate certain reorganizations in the coalmining industry.

The increasing proportion of crude oil from the more expensive sources, together with the rise in the price of fuel oil due to the increasing proportion of this which will come to be used in refining, are tending to induce a general rise in the price of oil, which is in direct competition with coal for so many of its uses.

The bulk of the imported coal comes from the United States. The f.o.b. charges normally payable amount to \$3.50 per ton and the freight-rates, which are today between \$10.00 and \$13.00, cannot be expected in the long term to fall below \$5.00 or \$6.00; these charges are, of course, additional to the price ex-mine, which is at present between \$7.00 and \$9.00.

As regards Community coal, substantial savings will be possible in equipment and supplies as a result of improved transport and roof-support techniques underground, and more particularly of greater economy in the collieries' own energy consumption.

Overall capital expenditure, now amounting to about \$450m. per annum for the maintenance and gradual modernization of existing capacities, will certainly have to be increased to enable modernization to be speeded up and the necessary new production capacities to be provided. It will be necessary to reckon on something like a further \$150m. per annum. This expenditure will, however, in the long term ensure that coal production is competitive and profitable.

The increase of 33% considered possible in underground output over twenty years (at an annual rate of approximately 2% up to 1960, 1% from 1960 to 1965 and 1.5% from 1965 to 1975,

i.e. an average of about 1.5% per annum for the whole period), together with an increase of 25—30% in surface output over the same period, should result in a considerable lowering of real production costs, the more so as labour costs account for some 50%, or more, according to the method of calculation, of total production costs.

308. A factor not to be overlooked in the operation of the market is the movement of wages. It may be reckoned that for surface workers these will develop more or less in line with wages in industry generally, while for underground workers they will remain rather ahead. Now, wages in the economy as a whole move in the long term at least in proportion to increases in productivity, and the estimates on which the forecasts of energy and coal requirements have been based indicate an all-round rise of more than 75% in productivity throughout the economy over twenty years.

This very marked disproportion between the rate of increase in productivity in the economy generally and in the coal industry with its difficult natural conditions, and the gap that is liable to result in the coalmining industry between the rate of increase in wages and the rate of increase in productivity, mean that it is not possible to count on a lowering of production costs in actual cash following the lowering of real production costs. Calculations show, however, that there is some reason to hope that if a progressive increase in prices proves inevitable it will at least be moderate and scarcely noticeable from one year to the next. The production costs of coal mined in the Community must in the long term be kept down to such a level that in its natural markets it is still cheaper than imported coal, even allowing for the wage increases inevitably entailed by general economic advance and the maintenance of the labour force in the collieries.

Section 3 - Objectives for steel

309. The investment surveys indicate that steel production potential in 1960 will cover the upper limit of estimated requirements.¹⁾ The real problem is that, if a balance is not

¹⁾ See No. 363 below.

achieved between the different production processes and the raw materials available, the total figure for capacity installed can easily remain no more than a figure on paper, without ever coming to represent actual production at all.

As regards finished iron and steel products, it is difficult to establish accurately whether there is a serious discrepancy between the breakdown of manufactures and the breakdown of requirements for the different types of product. Studies at this stage have been in the nature of preliminary approaches only: summary estimates have already revealed an increase in the proportion of heavy products and flats (though in the latter case it is still below the figures reached in the United States and Britain), but a more detailed analysis will now have to be undertaken.

This sector is, moreover, characterized by a certain flexibility. If the number of sections and sizes were reduced by standardization, to the advantage of the consumer, this would not only lower production costs, but would actually of itself increase the practical capacity of existing plant. A proportion of the plant can at all times be switched to another type of manufacture, in accordance with market requirements. Marginal adjustments of this kind are usually all that is needed to restore the balance. Even the strip-mills, as was found in the United States during the war, can be put on to the production of heavy plate if there is a shortage at a time when the sheet market is more or less saturated. But this is an extreme case, and the difficulties should not be underestimated, since it involves the installation of auxiliary plant and disrupts the synchronism between the hot and cold mills. Attention should therefore be drawn to the pressing demand now apparent for heavy plate: the oil and shipbuilding industries' requirements seem likely to continue increasing.

As regards the balance between the successive stages in steelmaking and processing, the investment surveys suggest that the position is improving. Following recent large-scale

investments in the rolling-mills, the proportion of capital expenditure on steelmaking plant is showing a sharp rise. The rate of utilization of the rolling-mills is also on the increase, which is indicative of an adjustment both in steelmaking potential and in the auxiliary installations and finishing-plant.

310. If the targets for production capacity are to remain realistic, co-ordinated action will be needed to remedy the imbalance already in evidence between pig-iron and steel production, the imbalance which may be expected to emerge after 1960 between iron-ore resources and pig-iron production, and the more and more acute imbalance between the tonnages of coke available and the tonnages required by the iron and steel industry.

A. — *The pig-iron/steel balance and the scrap problem*

311. Broken down by manufacturing processes, the development of Community steel production potential may be tabulated as follows:

(in % of total steel production)

	Actual production		Production potential	
	1952	1956	1958	1960
Basic Bessemer	54.8	51.8	49	49
L.D. and Rotor ¹⁾	—	—	1	3
Open-hearth	36.6	38.9	38	36
Electric-furnace, acid				
Bessemer and other	8.6	9.3	12	12 ²⁾

¹⁾ See No. 314 below.

²⁾ This is probably an underestimate. Being quicker to complete, capital schemes for electric furnaces are drawn up on a shorter-term basis. The opposite applies in the case of basic Bessemer production.

Provided this trend corresponds to market requirements, and in particular to the rapid increase in the demand for electric-furnace steels, also observable in the United

States, there is, of course, no reason to restrain it. The development of these production processes must not, however, be allowed to entail an increase in scrap consumption out of step with availabilities. Now, electric-furnace steel is made very largely from scrap, though it can incorporate other ferrous matter too: the conclusion is that there will have to be a correspondingly greater reduction in the input ratio in the blast-furnaces and in the production of open-hearth steel.

312. *Scrap resources.* — Scrap is high-grade ferrous matter, and moreover a useful means of reducing the amount of coke required. In the short term, therefore, it gives production capacity a certain flexibility.

Availabilities are, however, to all intents and purposes fixed, so that in the long term it is the main bottleneck in steel production.

This state of affairs must always be borne in mind. In particular, care must be taken to see that arrangements designed to overcome general economic difficulties do not in practice tend to encourage increases in scrap consumption which cannot be covered by availabilities.

Scrap is obtained from four sources:

- steelworks' own arisings;
- recovery from processing enterprises;
- salvage
- imports.

(a) *Own arisings.* — Between the increase resulting from the expansion in the production of flats, and the decrease resulting from technical advance, the indications are that own arisings will continue to account for the same percentage of overall steel production as before, namely 21%, plus 4% of other steel scrap recovered in the steelworks and their ancillary plants.

(b) *Process scrap.*— The amount of scrap arising in the processing industries depends on the relative steel consumption by those yielding a high proportion of scrap, such as the motor industry, and those yielding little or none, such as the building industry. At the same time, the demand for sizes closer to buyers' own specifications, together with various technical improvements, is tending to reduce scrap yield. These factors would appear to balance out more or less, leaving the percentage of prompt industrial scrap at 12-13% of steel consumption.

(c) *Salvage scrap.*— Salvage scrap is the most rigid element of all. It is governed by the amount of steel consumed during an earlier period. It cannot increase unless steel consumption has increased in years gone by; the increase, if any, can be accelerated only provided the average scrapping period of iron and steel articles, and more particularly of industrial machinery and equipment (which would appear to be about 20 years in the Community), gradually shortens. Such a shortening of the scrapping period will in the long term cause a slight rise in availabilities of salvage scrap. Availabilities now coming on to the market represent the reduced civilian steel consumption of the war years and the small volume produced immediately after the war, so that no substantial increase can be expected until 1965 and after.

(d) *Imports.*— Some tonnages of scrap are still being offered for sale in the world market. They come on the one hand from underdeveloped areas with no iron and steel industry and no foundries, and on the other from the United States, where the processing industries yielding large amounts of scrap are very highly developed and the scrapping period is shorter than it is in the Community.

These availabilities, for which the iron and steel industry of the Community is, incidentally, competing with those in other countries, are likely to fall off a good deal in the future in consequence of the general expansion in steel production by the countries now exporting scrap, including the underdeveloped countries, and of the tendency to use scrap rather than pig-iron for steel-making in order to save investment costs. Furthermore, in the United States in particular, there is increasing concentration on the production of electric-furnace steel, which absorbs large tonnages of scrap.

It is, therefore, advisable to allow for a considerable reduction in the scrap imports of the Community.

Forecasts of scrap availabilities may therefore, be summarized as follows.¹⁾

(*'000,000 metric tons*)

	1955	1960		1965	
	actual	average trend	upper limit	average trend	upper limit
Hypothesis, steel	52.6	67.0	73.5	78.5	86.0
<i>Scrap resources of the iron and steel industry</i>					
Own arisings	12.9	16.4	17.9	19.3	21.1
Process scrap	5.8	7.5	8.3	8.7	9.5
Salvage scrap	4.3	4.5	4.5	4.5	4.5
Imported scrap . . .	2.9	1.5	1.5	1.5	1.5
		(2.0) ¹⁾	(2.0) ¹⁾		
Total availabilities	25.9	29.9¹⁾	32.2¹⁾	34.0	36.6

¹⁾ If it is assumed that scrap imports reach 2 m. metric tons, the total figures would then be 30.4 and 32.6 respectively.

Taken in proportion to steel production, therefore, scrap consumption by the steelworks and blast-furnaces should develop as follows. (Consumption in 1955 totalled only 24,800,000 metric tons, and additions to stocks 1,100,000.)

	1955	1960		1965	
	actual	average trend	upper limit	average trend	upper limit
Kg. scrap per metric ton of steel	472	447 ¹⁾	439 ¹⁾	433	426

¹⁾ If it is assumed that scrap imports reach 2m. metric tons, these figures should read 454 and 445 kg. per metric ton respectively.

¹⁾ For further details see *Statistical Annex*, Tables 43 and 44.

This situation makes it clear that it is absolutely imperative to reduce the overall input ratio of scrap throughout the entire iron and steel industry.

The measures which will be necessary if this is to be done, so far from restricting the expansion in production, are on the contrary the only means of preventing serious disruption, as a result of reliance on resources which cannot be increased correspondingly.

313. *Investments in pig-iron.* — As the importation of pig-iron, for the purpose of avoiding a bottleneck, can only be on a very limited scale, it is essential that action be taken forthwith to extend pig-iron production capacity in the Community, and at the same time, in order that full use may be made of that capacity, to extend the coking-plants. As we have seen, a beginning has been made in the latter respect.

Accordingly, for steel production to continue expanding, it will be necessary to ensure that the ratio of pig-iron production to steel production is improved. The improvement is likely to be only a moderate one, and the more scrap is released by the reduction in the blast-furnace input ratio the more moderate it will be. Moreover, it should be borne in mind, in assessing total pig-iron production capacity, that the increase in the production which goes to the foundries is a good deal less. The results may be tabulated as follows.¹⁾

¹⁾ The figure of 71m. metric tons given in the table under No. 294 above as representing coke requirements by the blast-furnaces in 1975 was based on a pig-iron/steel ratio of 792 kg. per metric ton and overall scrap resources of 44,400,000 metric tons (11,500,000 process scrap, 6,000,000 salvage scrap, 1,000,000 imported scrap). The hypothesis adopted for the coke input ratio is shown in No. 318 below.

Kg. pig-iron per m. t. of steel	1955 actual	1960		1965	
		average trend ²⁾	upper limit ²⁾	average trend	upper limit
Consumption of pig-iron by steel- works	709	720	729	731	738
Ratio of total pig- iron to total steel production	780 ¹⁾	782	788	788	794

¹⁾ 788 kg. per metric ton in 1956; 750 at the beginning of 1957.

²⁾ If it is assumed that scrap imports reach 2m. metric tons, these figures should read 712/722 and 774/781 kg. per metric ton.

314. *Practical implications for steel.* The necessary increase in the proportion of pig-iron calls for action of two kinds:

(a) In the manufacture of open-hearth steel, the input ratio of pig-iron must be stepped up: a considerable margin remains to be made good before there is any approximation to the lowest scrap-consumption figures in the Community itself.

In the manufacture of electric-furnace steel, the scrap input ratio can also be lowered by the use of Duplex steel in the integrated steelworks.

Note should also be taken of those ore-dressing processes which yield a product that can be used in place of scrap, such as the Krupp-Renn balls.

(b) With the advance in technical methods, concentration will need to be less on production processes and more on the specific uses of steel, which are coming to have less and less to do with the actual steelmaking processes. With this end in view, it is desirable that quality standards and specifications should be adapted to the new techniques.

Special mention should be made in this connection of the value of recently-evolved methods for producing in the converter higher-quality steels some of which are equal to the best open-hearth steels.

These methods include more particularly:

- (i) the use in the converter of oxygen-enriched air, which reduces the nitrogen and phosphorus content;
- (ii) the use of mixtures of oxygen and steam or oxygen and carbon dioxide, which give still better qualities of steel for certain purposes;
- (iii) the Linz-Donawitz process, in which pure oxygen is blown down under high pressure on to the metal through the converter-mouth, and which enables hematite and low-phosphorus pig-iron to be blown in return for a comparatively small capital expenditure;
- (iv) the Perrin process, which produces higher-quality steels by stirring in specially-compounded slag melted in the electric furnace;
- (v) developments in the conversion of basic Bessemer pig-iron with oxygen in the rotary furnace, which deserve particularly attentive study.

B. — *Iron ore*

315. Iron-ore requirements will increase sharply as a result of the expansion planned in steel production, the more so as scrap availabilities will not increase at the same rate. Iron-ore resources are considerable, both in the Community and in the world generally: no shortage need therefore be feared if action is taken in good time to make them available.

In estimating iron-ore requirements, it is advisable to allow for a certain input ratio of scrap in the blast-furnaces, which may be cut to an average of 85 kg. per metric ton of pig-iron, and subsequently to 80, given adequate availabilities of coke; in addition, 2m. metric tons of iron will continue to be extracted from calcined pyrites, which leaves the following tonnages to be extracted from iron ore:

('000,000 m. t.)

Iron-ore requirements	1955 actual	1960		1965	
		average trend	upper limit	average trend	upper limit
'000,000 m. t. Fe content ⁽¹⁾	32.4	42.7 ²⁾	47.4 ²⁾	51.2	56.6

¹⁾ Including 400,000 metric tons Fe content for traditional Community exports.

²⁾ If it is assumed that scrap imports will reach 2 m. metric tons, these figures should read 42.3 and 47.0 respectively.

As regards the upper limit of requirements for 1960, the following supplies would have to be assured:

	Community production ¹⁾	Imports from traditional sources	Imports from new sources
'000,000 m. t. Fe content . .	30	13-14	3.5-4.5
'000,000 m. t. iron ore	104	23-25	7 -9

¹⁾ Development of iron-ore extraction in the Community.

	Actual extraction 1955	Estimated potential 1960
	('000,000 m. t. crude ore)	
France { Lorraine	46.7	{ (approx.): 70
West and Centre/Midi	4.2	
Germany (W.)	15.7	21
Luxembourg	7.2	9.3
Italy	2.2	3.5
Belgium	0.1	0.2
Community:	76.1	10.4
	('000,000 m. t. Fe content)	
	22.3	30

Should requirements reach the upper limit, it would mean that 32m. metric tons of rich ore would have to be imported, as against 18,500,000 in 1955.

It is advisable that arrangements should be made now to conclude long-term contracts with those third-country producers who are in a position to step up deliveries quickly to the tonnages required.

316. The increase in iron-ore requirements from 1960 onwards can only be covered if the appropriate action is taken now to step up extraction in the Community and in overseas countries.

Within the Community, this will mean developing

- such further potential as may still exist in the Lorraine orefield;
- the hitherto almost untapped resources in Western France;
- the new ore deposits discovered in Lower Saxony.

In the overseas countries, and particularly in Africa, considerable resources have been found which the iron and steel industry of the Community should be much more active in helping to open up, as the British and American industries are already doing.

If imports are not planned in advance, they are liable to prove insufficiently elastic to cover peak requirements. In these circumstances, it may be necessary, so far as it is possible to be certain of buying, to take the upper limit of requirements as the basis for the production capacity of the Community's own enterprises and of the overseas enterprises in which they have an interest, unless appropriate stockpiling arrangements are made.

The producers' attention should also be drawn to the very considerable changes which will take place in their operating conditions — and even to the competition which may ensue between enterprises differently situated locationally — as a result of the inevitable radical alteration in the geographical pattern of iron-ore supplies, two-thirds of which have for more than fifty years been furnished from Lorraine and Scandinavia. The main points to be noted in this connection are:

- the scale of the transport, handling and storage facilities which will be required (with special regard to seasonal considerations);
- the effect of the use of a larger proportion of imported ore (which has as a rule a high iron and a low phosphorus content), on the development of the different steelmaking processes.

C. — *Coke*

317. There is no real substitute for the coke produced in the Community. If the coke requirements of the iron and steel industry are not reduced, they are likely either not to be fully covered, or to involve over-costly additional investment in the coal sector, or to constitute an undue burden on the balance of payments of the member States.

It is planned to reserve an increasing proportion of coke supplies for the iron and steel industry; in return, the industry will need to adapt itself to the ranges and sizes of coke which it will be possible to supply.

Savings can be made in the coke consumption of the iron and steel industry, firstly, by reducing the blast-furnace input ratio, and secondly, by perfecting processes which will make it unnecessary to pass the ore through the blast-furnace at all.

(a) In spite of a certain reduction in the use of scrap, it will be possible to cut the coke input ratio if the blast-furnace burden is enriched by the inclusion of a larger proportion of richer and sintered ore, and by the probable increase in the beneficiation of lean ore from the Community. This aim of reducing the coke input ratios also enhances the importance of the various other technical processes likely to contribute to it.

Special mention should be made of the possibility of using sources of energy other than coke for the non-chemical side of its action in the blast-furnace.

In view of this development in the supply situation and in technical processes, the object should be to obtain a substantial reduction in the average coke input ratio at the blast-furnaces of the Community. The ratio stood at 970 kg. coke per metric ton of steel in 1955, and could be brought down to 900-920 in 1960 880-900 in 1965 and 840-860 in 1975.

(b) For some time to come it will be advisable to concentrate particularly on *the development of technical processes* enabling iron to be produced from the ore without metallurgical coke. These include more especially the use of the low-shaft furnace and various methods of direct reduction at present still in the experimental stage.

318. The annual rate of capital expenditure as estimated up to 1960 shows an overall increase, but does not keep pace with the overall value of the production. From 1960 onwards the financing of entirely new steelworks is likely to constitute an even bigger problem.

The progress made in standardization and productivity, the effects of which are felt mainly in steelmaking and in the manufacture of finished products, should make it possible throughout the entire production process gradually to absorb any increases in fuel and labour costs, which principally affect the early stages in production.

319. These, then, are the objectives suggested for the coal-mining and iron and steel industries. They are proportionate to the degree of responsibility which these industries are called upon to bear, in virtue of the vital importance of their production and methods for the prosperity of the Community economies, the raising of the standard of living and the balancing of energy requirements and supplies, on which continued expansion depends.

CHAPTER THIRTEEN

THE COAL POLICY OF THE HIGH AUTHORITY

320. By issuing its General Objectives, the High Authority is providing for the guidance of the enterprises, the Governments and itself a coherent picture of the production capacities to be achieved and the technical improvements to be made. The Objectives themselves should not be confused with the policies adopted for iron and steel and for coal, but they are indissociable from them.

Coal policy is a statement of the general manner in which the enterprises should develop their production and carry on their activities, and the means which will be placed at their disposal to help them to do so. In the drawing-up of the General Objectives, on the other hand, it was necessary to opt between certain alternatives. If we were to start out from the concept that the Community must at all costs meet its energy requirements from its own internal resources, the production-capacity targets would be entirely different from those which have in fact been set, and the work of achieving them would not proceed without a hermetic system of protective barriers, substantial financial aids and firmly-guaranteed markets. This, however, is not the policy underlying the Treaty, or of the High Authority, or of the member States. The Community is not a self-sufficient entity, and it seeks to meet its requirements in an economic manner, although with due regard for dependability of supply.

321. The economic development of Europe over the last hundred years and more has depended on coal — to be precise, on the coal which Europe extracted from its own soil. This basic fact constitutes the very foundation of the European Coal and Steel Community. A new situation is now developing whereby the coal produced in Europe is exposed to increased competition from imports, and to increased competition from other sources of energy, notably oil products.

The Community is thus faced with a fundamental problem. Greater dependence on outside sources of energy entails dangers of various kinds:

- some arise from strategic considerations or from the possibilities of political upheavals in other parts of the world;
- others concern possible difficulties in regard to payments in foreign currencies, inasmuch as obstacles to international trade preclude any likelihood that cheaper energy, thanks to larger imports, will ensure wider markets for the export of other European products;
- others again are in connection with the pressure which any reduction in the Community's own resources would enable outside producers to exert and the rise in prices liable to occur as a result of monopolistic practices.

322. The combination of assured resources and economic supplies is particularly difficult to achieve under the conditions which govern coal production in Europe, where new capacity can be developed only by means of very long-term investment, and installations once closed down are liable to be lost for ever. It is this combination which the Community as a unit must endeavour to bring about, by reconciling the wishes of the producers, who are concerned principally with the maintenance of resources, with those of the consumers, who when they are not passing through a period of shortage look mainly for advantages in regard to prices.

The High Authority does not believe that the answer can be supplied in the form of a definite proportion of overall energy requirements to be covered out of coal, or in the form of a proportion of overall coal consumption to be met out of the Community's own production. Experience gained in periods of energy shortage and the results produced by such shortages make it sufficiently clear that we cannot regard the supply position as assured when it is merely a case of covering actual requirements while allowing a sizeable deficit to continue. What is needed is an overall energy policy affording adequate dependability and the most economic conditions possible for meeting all foreseeable requirements.

323. The High Authority feels it should the gist of the proposals contained in the Report by the Heads of Delegations to the Intergovernmental Committee set up by the Messina Conference.¹⁾ In one of the sections on priority measures, it was suggested in regard to energy not that the Common Market should be extended first and foremost to forms of energy other than coal, or that new powers of decision should be instituted forthwith, but that the High Authority should be directed, in consultation with the Council of Ministers and with a special advisory committee of producers and consumers of the different forms of energy, to *study and comment on the increase in energy requirements, the planning of investments, and ways and means of facilitating energy exchanges in order to reduce the cost both of supplies and of development.*

Had this overall picture of requirements and necessary developments been available at the time, it would doubtless in itself have enabled Europe to get through the oil-supply crisis of the last few months more satisfactorily. The energy problem cannot, in the final analysis, be dissociated from the introduction of the General Common Market, but the High

¹⁾ See *Rapport des Chefs de Délégations aux Ministres des Affaires Etrangères*, Messina Committee, Brussels, April 1956, pp. 126 ff.

Authority would emphasize once again that long-term forecasts will have to be drawn up without delay, and that preparatory action as outlined in the Brussels Report must be instituted at once, in the actual interests of a successful Common Market. The need for such action was recently recognized by the Conference of Foreign Ministers which met in Rome on March 25, 1957, when it requested the High Authority to submit to the Council concrete proposals for the implementation of the Brussels Report in regard to energy.

Section I - Coal and energy

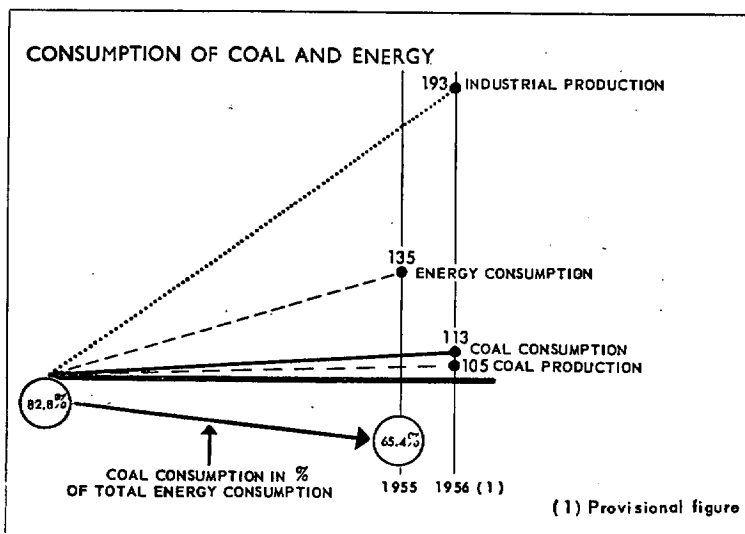
324. An examination of the trend in energy consumption and in the Community coal market over the past few years reveals the following fundamental facts:

(1) *The contribution of coal towards the meeting of energy requirements in the Community is steadily decreasing, although in varying degrees in the different countries.*

This is brought to light if we compare the energy-consumption, coal-consumption and general-production indices from 1929 to 1956.

	1929	1937	1952	1953	1954	1955	1956 ¹⁾
Industrial-production index	100	102	136	143	159	179	193
Coal-production index	100	101	101	100	102	104	105
Energy-consumption index	100	102	119	118	125	135	—
Coal-consumption index	100	95	100	94	97	105	113
Coal consumption in % of energy consumption . . .	82.8%	77.6%	70.0%	67.8%	66.3%	65.4%	—

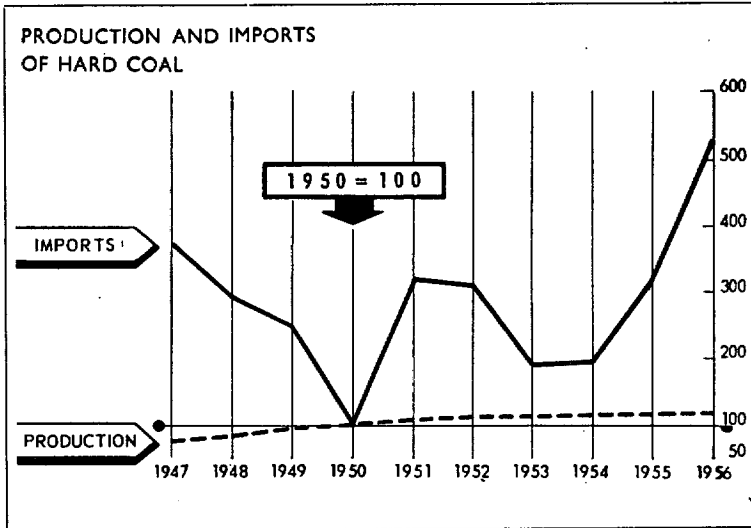
¹⁾ Provisional figures.



(2) As can be seen from this table, *fluctuations due to the state of the market have been much more marked in the demand for coal than in total energy consumption.*

(3) *Coal production has varied very little, in spite of the fluctuations in demand, and discrepancies have had to be made up out of imports, which have themselves varied a good deal from year to year.*

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
<i>Production</i>										
'000,000 m.t.	162.3	181.6	209.4	217.3	231.4	238.9	237.0	241.7	246.4	249.1
Indices (1950 = 100)	75	84	97	100	106	110	110	112	114	115
<i>Imports</i>										
'000,000 m.t.	27.4	21.2	17.9	7.2	23.2	22.3	13.8	13.9	23.0	38.0
Indices (1950 = 100)	378	294	249	100	323	310	192	194	320	528



(4) *The prices of coal produced in the Community have registered a steady rise with very little fluctuation, despite the very marked variations in the prices of imported coal.*

(Indices: 1st 6 months of 1950 = 100)

	Germany (W.) (pithead prices)	France (pithead prices)	American coal (c. i. f. Antwerp/ Rotterdam)
1951	112	122	153
1952	130	141	120
1953	155	140	102
1954	151	141	89
1955	157	136	117
1956	163	138	147
1957 Feb.	170	144	152

325. While there could be no question but that energy requirements would continue to grow, it was still permissible up till fairly recently to doubt whether the contribution of coal

towards the meeting of those requirements would in point of fact be likely to fall off. The High Authority's preliminary studies on coal policy emphasized the uncertainties and the varying interpretations of this trend.

Notwithstanding the increase in general production, coal consumption had remained practically constant over a very long period, from 1913 to 1950, as a result of the savings achieved in its utilization and of the development of competing forms of energy. Between 1949 and 1954, these latter factors began to induce a gradual decrease in consumption, both in the United States and in the Community.

But a third interpretation was already emerging. It was noted that economies in the utilization of energy could not be pushed beyond a certain point: the classic example is the minimum quantity of coal required to produce one kilowatt-hour of electric current. Moreover, of the competing sources of energy, hydro-electric power for one is costing more and more to produce. Thus after continuing level for some time, and even falling off slightly, coal requirements now look like going up again fairly steeply, as part of a still steeper rise in overall energy requirements.

The exceptionally swift expansion in overall production during the past few years, the economic prospects indicated by the sustained increase in productivity, the introduction of automation and the approach of the nuclear age, the immediate effects of this trend on the use of steel and the consumption of electricity make it now certain that a turning-point has been reached and that after a long period of stagnation coal is due to forge ahead once more.

326. It has been possible to analyze this trend in the course of the studies undertaken in compliance with the Council of Ministers' resolution of October 13, 1953. In implementation of the resolution, a joint committee of represent-

atives of the Governments was set up, with a High Authority representative in the chair and with instructions to work out, firstly, the prospects and conditions for the general development of the national economies five years and ten years ahead, and secondly, the prospects as regards the development of the different sources of energy and the factors affecting energy consumption.

The sub-committee which the committee then appointed to study the general economic development prospects of the six countries drew up a forecast for 1965 of the gross national product of each country and of the product of the industrial sector, employing methods which had as far as possible been lined up and rendered comparable. Factors which were taken into account included, in particular, the likely development of the working population and of productivity. The work of the sub-committee — a first experiment in joint economic calculation by the six countries — suggested an annual increase of slightly over 4% per annum in the gross national product, and approximately 5% in the product of the industrial sector.

In regard to energy, a second sub-committee began its studies by drawing up energy balance-sheets for the six Community countries. Its object was to provide a coherent picture of the energy economy, from the raw materials to the various forms of energy as used by the end consumer. This involved working over thousands of figures and drawing up tables for country-by-country comparisons.

On the basis of the material thus provided, the sub-committee then established forecasts of total energy requirements, and as far as possible their breakdown by sectors, up to 1965 and 1975. These point to a tremendous increase in requirements for the different sources and forms of energy. The forecasts were compared with the estimates of future production potential in respect of the various sources of energy, and

the conclusion arrived at was that the deficit could only be covered with the aid of entirely new sources of energy.

Furthermore, the sub-committee carried out a study of certain conditions affecting the development of the different sources of energy. It assembled a considerable amount of material on the pricing of the various forms of energy and the Customs duties and taxes charged on them, which will make it possible to check when the time comes whether there are any distortions in the conditions of competition between them.

327. Against this general background, we are faced right away with too major changes.

Coal and oil products

The demand for coal is governed by the trend in overall production, though it is cushioned by savings in consumption per unit and by the substitution of other sources of energy.

Saving and substitution go on at a fairly regular rate. Clearly, therefore, so far as coal consumption is concerned, they offset the effects of the expansion in overall production only more or less in proportion to that expansion.

The exceptionally rapid rate of expansion during the past few years thus explains the renewed increase in coal requirements, and at the same changes the relationship between coal and oil products.

In a slowly-expanding economy, oil products are commonly regarded as formidable competitors against which coal needs to be protected. Where the trend is more favourable, the increase in energy requirements is such as to enable all

forms and sources of energy to be developed simultaneously, and the problem is no longer to protect one against the other, but to see that they are properly complementary and do not encroach upon one another's special characteristics and uses.

When forecasts suggest that it will be difficult to produce, and even in some cases to import, all the coal which may be needed, it is only reasonable to concentrate not so much on opening up new markets and maintaining traditional ones as on channelling the coal towards the uses for which it is irreplaceable.

If the covering of energy requirements is to be economically distributed over the different competing sources of energy, it is also important to ensure that price-fixing methods, and variations in price according to the state of the market, shall not show fundamental discrepancies due not to genuine economic or technical factors but to endeavours by Governments or by private interests to influence the market.

Needless to say, potential variation in the price of coal produced is very much less than in that of oil products, since in the oil industry direct production costs (particularly labour costs) represent a much smaller fraction of the price.

Although the price of coal remains steady while the price of oil products fluctuates enormously according to the state of the market, in coal production, the less flexible of the two, which is called upon to meet peak requirements. There will have to be greater stabilization of the exchange quotations for oil, with a view to circumventing this contradictory and indefensible state of affairs. We may note one effort now being made in this direction: freight charges as included in the price of oil products are no longer calculated on the cost of the cargo concerned, but on an adjustable average of current charter-parties.

It is to the interest of all concerned that oil should become a regulating factor instead of a disrupting one in the coal market itself.

Primary and secondary energy

328. An analysis of the requirements which determine the future of coal shows that a very large proportion of these are accounted for firstly by coking and gas production, and secondly by the generation of thermal electricity. It is important to note the consequences which this entails for the coal economy.

This large-scale consumption in the processing plants increases the proportion of sales by the producers themselves and their direct-selling agencies, which is bound to affect the location, structure and functions of the coal distributing trade.

Moreover, the processing of coal into secondary energy and the accompanying valorization are a most important advantage to coal from the point of view of competition with other sources of energy, and where they are carried out in mine-owned plants, they can make a major contribution to the balancing of operations. The indirect use of coal gives consumers the opportunity to benefit by all the savings which can be made on processing and on the end use: in consumption costs these successive savings cushion the incidence of any increases in the price of primary energy.

None the less, the main point is that coal production must be economic if it is to play its proper part in the all-round expansion of the economy. The price is the element which will determine the proportion of the energy requirements which will be covered by coal (and more particularly by Community coal), and to a certain extent the date at which nuclear energy will become fully competitive.

Section 2 - Production and exports

Production conditions

329. Coal-winning conditions in the Community being what they are, production is extremely rigid.

In the short term, it depends directly on manpower. Thus, the possibility of increasing production is limited by the human factor and by the difficulty of attracting and expanding a skilled labour force. Any decrease in production entails the problems of unemployment and short-time working. Moreover, the coalmining industry is burdened by particularly heavy charges which push up the collieries' production costs when production falls off.

In the long term, the possibility of increasing production is limited by the time required for investments to yield results, while reductions to be achieved by closing down certain workings are inadvisable in view of the fact that European pits need to be maintained and operated all the time, so that any interruption of work is likely to result in the mine's being lost altogether.

In contrast with this rigidity in production, a certain section of demand is irregular — in particular the demand governed by the level of iron and steel production, which is among those most affected by market fluctuations and itself exaggerates their magnitude, and the demand closely bound up with electricity production in countries where hydro-electric power, which is extremely dependent on weather conditions, is a major factor.

These variations cannot be reduced to any significant extent by the manipulation of prices: the demand for energy is bound up with the rate of overall production, and the demand for coal, which is the preponderant part, cannot be appreciably increased by price cuts.

These basic facts, even more than the terms of the Treaty, make it unthinkable that the Community should even attempt to achieve economic self-sufficiency. It is not possible, without doing the most serious harm, to base production capacity on peak demand as created by general expansion, plus boom conditions in the market, plus limited water-power availabilities, plus low temperatures. If the Community were to endeavour to meet its entire consumption out of its own production, the development and maintenance of production capacities capable of meeting such exceptional requirements would involve an investment, expenditure which would weigh very heavily on the industry because of decreasing returns and its amortization on an average production volume which would be well below capacity. Moreover, the labour needed to meet peak requirements could not be fully employed during all the periods when the demand for coal was below the maximum.

The fact has therefore to be faced that the Community as a whole no longer has a surplus production. It will doubtless keep up, though it will not be able to increase, its traditional exports to countries very closely linked economically with its member States. But from now on it will have to be realized that imports are not the exception, but the rule.

The balance of tonnages and prices

330. This new factor means that the whole import policy pursued will need to be changed radically.

The traditional coal policy enabled production to remain comparatively stable in face of fluctuations in consumption by manipulating imports, *i.e.* countering these fluctuations by altering the volume of imports.

A considerable proportion of the imported supplies bought by the countries which have always had a coal deficit

used to come from countries which are today members of the Community, so that this method of regulating the level is now quite impossible so far as they are concerned. Nor can such a policy be pursued at Community level, in view of the radical changes in the outside sources of supply.

The most important outside source of supply today is the United States. Imports of American coal, which would have been inconceivable before the war, and were still regarded as abnormal even after it, simply reflect the fact that, in consequence of favourable natural mining conditions and intensive modernization, coal prices have gone up very little in the United States in comparison with prices generally, whereas in the Community they have risen very steeply.

While American production, which is mined in shallow pits, and indeed to an increasing extent in opencast workings, is remarkably elastic and can provide increasing tonnages at comparatively steady prices, the shipping space available is quickly exhausted, and the maritime freight-rates can go up to three times their ordinary level if demand is considerable enough. It is for this reason that the delivered prices of American coal vary so enormously, and it becomes necessary to revise the entire import policy.

As a result of the variations in freight-rates, irregular imports crowded into periods of strong demand induce a marked increase in the average price of outside supplies. Moreover, it would be unreasonable to expect the coal-owners to modify their prices in order to compete with fluctuations in the prices not of other coal-owners (themselves operating under different conditions), but of an entirely different sector, the shipping trade. There is thus no relation between the permissible flexibility in the price of Community coal and the extremely erratic movements of the delivered prices of imported coal.

When the supply situation, the forecasts of requirements and the estimated production potential suggest that the importation of coal is becoming a permanent factor in economic affairs, it is essential to establish such importation on a stable long-term basis. Only if this is done will it be possible to obtain the most favourable and least fluctuating buying and shipping terms, and to develop the up-to-date special transport, loading and unloading facilities needed for this particular traffic.

Such a policy is necessary in order to reduce the average cost of coal supplies and to balance the market by stabilizing the delivered price of imported coal. There is, however, the risk that it may shift the whole burden of the fluctuations in consumption on to coal production itself.

It is obvious, therefore, that rational importation can only be based on a policy of regularizing production.

Stockpiling policy

331. To stabilize production in face of fluctuations in demand, it is necessary to pursue a policy of building up stocks. The only possible basis for such a policy is an accurate analysis of the manner in which the lag between production and demand manifests itself in practice. It must not be allowed to prevent or to hold up indefinitely the necessary adjustments to production or prices.

Stocks differ first of all according to the length of time for which they are kept. It has always been the practice to build up seasonal stocks for heating purposes, so that production can continue all the year round although consumption is confined to the winter months. The greatest problem is to differentiate between stocks which accumulate as a result of a temporary falling-off in demand and stocks of poor-quality

or very expensive coal which might accumulate in a genuinely free market. Uncertainty as to the long-term trend in the demand for coal formerly made it difficult to adopt a policy of profiting by such brief declines in demand to build up stocks, since it was impossible to be sure that the tonnages stocked could subsequently be disposed of simultaneously with day-to-day production. The forecasts of increasing consumption, and even of difficulty in meeting demand, remove the biggest obstacle to a concerted policy.

As regards, the nature of the stocks, we have to disregard the tonnages of poor-quality coal which are not likely to find a buyer except at times of really abnormal shortage. As regards saleable coal the irregularity in demand affects the different grades in very varying degrees. The coal used by the iron and steel industry for chemical purposes is subject to all the fluctuations felt in the market; certain other grades less highly valued take the first brunt of any recession; household coal, on the other hand, is in the steadiest demand.

From the point of view of location, we have to distinguish between producers' and consumers' stocks. Most of the stockpiling in the Community is as a rule done at the collieries which means, that in the event of supply or transport difficulties, these stocks are less readily available than if they were built up actually on the spot where they are to be consumed. The iron and steel industry for the most part makes do with a few days' stocks only, thus shifting the effects of any tightness or weakness in the market on to the coalmining industry. Most consumers' stocks tend to increase as soon as the market hardens, and to drop when consumption drops, thus accentuating the fluctuations in demand.

332. Any policy aiming at stabilizing production must take these points into account.

As regards poor-quality coal, the solution lies in its direct use and valorization in the collieries' ancillary plants,

for the production either of gas or of electricity. It is the policy of the High Authority to facilitate all research and investment necessary for dealing with this problem.

The High Authority recommends those price-fixing methods by which producers encourage their customers to take more regular deliveries, and to buy more than they need at times when demand is comparatively slack.

Regularity of production depends, however, on the existence of greater long-term stockpiling facilities at the pitheads. At the lowest point of the decline in 1953—54, pithead stocks averaged not more than 8% of total production, and of that one half was made up of low-grade products. All things considered it is surprising that the production of such a basic commodity as coal has to be reduced as soon as the producers have accumulated stocks equal to less than one month's consumption. If we take the case of other products, such as cereals, and other countries as different from one another as the United States and Switzerland, it is evident that stocks can quite well be accumulated on a considerably larger scale.

333. The High Authority has been engaged on taking a census of coalyards and of ways and means of financing stockpiling. In its view, the development of larger coalyards equipped with up-to-date handling facilities enabling stockpiling to be carried out at a low material cost, is a fixed investment in the best interests of the Community. It is inviting the Governments and the banks to study methods of granting cheap credit for stockpiling purposes, such as, in particular, more extensive and flexible warranting arrangements: the accumulation of coal at the pitheads is, despite the long-term upward trend in consumption, the most reliable sign of a coming recession, which justifies the expansion of credit.

It is all the more in the producers' own interest to produce for stock since even when production is temporarily

stopped, the operating expenses (maintenance costs in particular) still continue, and since they may reasonably expect to sell the coal later at a better price, while the material and financial costs of stockpiling are relatively low.

334. In view of the limits within which these incentives operate, and of the fact that it is politically and practically impossible for coal prices to shoot up during a boom period, it is considered advisable to examine whether complementary arrangements could be instituted to increase stockpiling, if need be, to the level indicated by the general interest and by concern to ensure steady employment and stable market conditions, with due allowance for the fact that the High Authority is not allowed either to grant loans or to set aside funds from the levy for this purpose.

335. The irregularity of demand does not, of course, affect all the producers and all the coalfields in the same way. A policy of stockpiling is recommended, however, not in the interests of particular producers, but in those of the Community as a whole: it is the *sine qua non* for any rational import policy and for leaving the most favourably-situated producers entirely free as regards their distribution policy. Moreover, it will eliminate one of the risks which explains the widespread disinclination for coalmining as an occupation. Thus not only will it help to fulfil one of the most imperative requirements of social policy, full employment, but we have also to bear in mind that mineworkers lost at times of crisis are very difficult to get back when production has again to be increased. Stabilization is the first prerequisite for a policy of expansion.

Section 3 - Conditions for expansion

Price-fixing conditions

336. In view of the expected expansion of the European economy, there can be no question but that more coal will

have to be produced. It is therefore imperative that all impediments to such a development should be done away with, and that coalmining should become a prosperous industry offering attractive openings for investment.

Article 3, *d* of the Treaty underlines this when it states that the institutions of the Community must ensure “that conditions are maintained which will encourage enterprises to expand and improve their ability to produce.”

The reference in Article 3, *c* to the establishment of the lowest possible prices is not, of course, intended as a backing for pressure likely to deprive the industry of its means of expansion, or as justification for artificial methods of masking the real trend in production costs. The low prices referred to are to be established by means of modernization, of the rational organization of operations and of the economic distribution of markets. They must benefit all consumers equally, and must not be fixed so that some buyers have to pay more in order that rebates may be granted to others. In order that continued expansion may be assured, they must be such as to “permit of the necessary amortization and provide the possibility of normal returns on invested capital. This is essential in respect not only of the capital borrowed from outside sources, but also of the industry’s own capital resources, if they are to be attracted to the coalmining industry and retained there, instead of being invested elsewhere.

Even so, the return is not guaranteed, but care is taken to see that it is possible to obtain one, *i.e.* that it is not rendered impossible by improper price-fixing practices or by the exposure of the industry to competition under abnormal conditions. This does not, obviously, mean that all enterprises can be sure of operating at a profit at all times, only that, on the average of good and bad years together, those enterprises will pay which are genuinely needed to keep the market normally supplied.

337. The crux of the problem is the relative rise in coal prices due to the lag between the increase in productivity in industry as a whole and that in the coalmining industry. As wages move in proportion to general productivity — and it is even possible that wages in the coalmining industry will draw still further ahead of those in other sectors — this disparity in the rate of increase in productivity entails a rise in the price of coal, which is only partially offset by savings on other items, and may easily be accentuated by the financial burden of further capital expenditure. Endeavours have been made to gauge the ultimate outcome of these various factors and to estimate the extent of the inevitable price increase, which should, it is calculated, remain fairly moderate. It may, moreover, be partly compensated by improvements in conditions of coal utilization. In particular, there is still considerable scope for increased efficiency in the processing of coal into secondary energy.

338. The implications of this rise in coal prices have to be assessed in conjunction with the overall energy supply situation. Hydro-electric plant will from now on cost more and more to operate, and there will be no more economic all workable sites left to open up in twenty years' time.

In view of the hazards of oil production, it is difficult to be sure whether the law of rising costs will also make itself felt in regard to oil products. It must, at any rate, be borne in mind that fuel-oil consumption will increase faster than petrol consumption, so that there is bound to be a corresponding increase in the price, which has so far been kept down by the receipts from the sale of white products.

The basic contribution of nuclear energy, the cost of which will go down during the next few years and will have no cause to rise again subsequently, is that it should prevent the rocketing of energy prices which until recently seemed inevitable for the world, and in particular for Europe. There is

thus a time-limit for the rise in the prices of the traditional forms of energy.

339. Viewing the situation from this angle, it is reasonable to wonder whether the production costs of coal are not being unduly burdened by the laws and regulations in force, in comparison with the costs of importation and of other forms of energy. An endeavour to work out a proper basis for assessment must not be taken as an attempt to mask by artificial means the elements which make for an increase in production costs.

With this end in view, the High Authority, through the Joint Committee, is engaged on a study of the question with the six Governments, which it is hoped will produce concrete results at an early date.

It has been observed that the largest margin of influence is to be found in the field of social security. All social-security systems involve to some extent a pooling of charges and advantages, *i.e.* a certain cleavage between a particular industry's production costs and the advantages accruing to the labour force in that industry. This dissociation can in certain circumstances assume considerable proportions.

Thus, for instance, we may have a system under which social benefits are provided entirely out of the general budget, while the budget itself is based on taxes on luxury goods and on profits. Obviously, if the basic industries sell at average production cost, they will not participate in this charge.

A closer examination of the matter shows that what makes social charges appreciably higher in the coalmining industry than elsewhere is the retirement-pension system. It is only fair to ask whether an industry should include the cost of maintaining its former workers in its production costs. This arrangement has a number of economic disadvantages:

it affords relief to those sections of industry where the number of workers employed is increasing, and bears unnecessarily heavily on those where their number is declining. Accordingly, either it makes matters worse for those industries which are not prospering as they should, or it limits the good effect of increased productivity on production costs.

It seems therefore conceivable that retirement pensions as well as sickness benefits, housing and concessionary coal for the pensioners, should be made the responsibility of the country. On the other hand, it must be borne in mind that under the system now in force in the Community countries all industries are expected to share in social-security expenditure on the basis of the wages they pay, just as indirect taxes are payable by practically all of them. It would definitely amount to subsidization if the coalmining industry were to be exempted from paying the normal contribution to the social budget, or the normal indirect taxes.

One solution would be for the coalmining industry no longer to have to bear the charges relating to retired miners, but pay instead the general old-age pension contribution to the social budget of the nation, with due regard to any variation in the rate of the contribution. This would mean that the nation was responsible for the difference by which the amounts payable under the pensions scheme for miners exceeded those payable under the general pensions scheme. The coalmining industry would, however continue to set aside for pensions the portfolio-earnings of the social-security funds. To the extent that these resources sufficed, there would be no charge on operations.

Action along these lines would not disturb the balance of the market if it was taken in concert by the six Governments. The object would be to prevent an excessive burden on coal prices: there would be no suggestion of a subsidy to relieve the industries of certain of their own genuine production costs.

A different policy would have to be envisaged only if the rules of the General Common Market were such that, in order to avoid external protective barriers, direct assistance was afforded to other forms of energy produced on the soil of the member States.

The price level and price structure

340. A sharp distinction should be drawn between the level and the structure of coal prices, *i. e.* the average price and the relations, on either side of that average, among the prices of the different types and grades.

The size of the problem involved by the adjustment of availabilities and requirements in the different grades, and by the disparate incidence of general market conditions on the sales of each grade, cannot be properly assessed if the price structure is allowed to remain strictly unchanged. A considerable number of consumers are, of course, only equipped to use one particular grade, but there is always a margin — sometimes quite a substantial one — of consumers who are in a position to switch from one grade to another according to price advantage.

The various considerations as regards the unequal development of the different uses to which coal is put serve to support the contention that the price structure must not remain rigid, but must have the opportunity to adjust itself. Coal used for chemical purposes — that is, for the most part, the coal going to the iron and steel industry — does not react to market fluctuations in the same way as coal used for the production of energy. Moreover, with technical methods in their present stage, it is primarily this particular coal which cannot be replaced by other sources of energy. The price relations should therefore be such as to ensure that the appropriate grades are reserved for uses for which no sub-

stitute can be provided, even though in other uses they are being replaced by other sources of energy.

341. Flexibility in the general price level raises another entirely different problem. It gives rise to apprehension on the part both of the Governments and of some producers, since the Governments are concerned over the rises in price which it would involve, and the producers over the drops between the rises.

The proportion which coal represents in the overall value of production is doubtless overestimated: it is not in fact more than 5%, and no higher than the proportion represented by steel, and there is no object in limiting one particular price by itself if the result is that the gains accruing are merely spent on other products. Stress is also laid on the proportion represented by the railways and public utility services (gas, electricity) in the consumption of coal, and on the stability of their prices. As regards the railways, the incidence of any variation in the price of coal is limited, in view of the proportion represented by this fuel in the prime cost of transport, and is, moreover, decreasing with the continuing shrinkage in coal consumption by the railways. The gas and electricity rates for household consumption, are comparatively stable, the proportion represented by coal in production costs being sufficiently small, in comparison with distribution costs, for this stability to be unaffected by any change in coal prices. On the other hand index-linked rates are already in existence for industrial consumption. Moreover, while present circumstances make it necessary that coal prices should be flexible, serious difficulties would arise if they were so only in respect of direct consumption, and not of indirect consumption in the form of gas and electricity.

If imports were to continue subject to marked price fluctuations, and were left completely free at all times, there would be no point in discussing the matter, for flexibility in the levels of the prices actually charged at different times by Com-

munity producers would be an absolute necessity. Steep drops would be inevitable at certain times, and the only way to ensure, in the long run, that they did not prejudice the maintenance and expansion of production would be to offset them at other times by even steeper increases.

Fluctuations of this magnitude are not in line with the operating conditions of a basic industry with fixed costs and a large labour force. They would, moreover, encourage speculation: since one fall in prices is usually taken to augur a further fall, demand would be less and less, and since, equally, one is felt to be the prelude to a further rise, demand would go up by leaps and bounds.

342. A fixed price level in disregard of changes in the market situation is not, however, a realistic solution either. It encourages buyers to dispose of their stocks when demand is less pressing, and to build them up when market hardens. It must moreover, be realized that in actual practice the prices paid by the consumer would not be as stable as those listed in the schedules. When economic conditions undergo a change, import prices rise sharply from well below to well above home prices, and at the same time their weighting in the general structure becomes conspicuously greater. As for home production, if schedule prices are not allowed to increase beyond a certain level, all rebates, alignments, zone-delivered prices and similar arrangements are very quickly discontinued, so that the average price actually charged itself goes up.

A balance of prices can in the ultimate analysis be achieved only by slight fluctuations of producers' prices, to whatever extent deferrable expenditure or reserves allow, together with an import policy which will ensure that existing currents of trade are maintained and that there are no violent fluctuations in delivered prices. Only by a combination of measures with both these ends in view will it be possible to restore unity in the Common Market between production and imports.

The structure of production

343. It is largely as a result of the exceedingly high price of imports under boom conditions that it has been possible so far to keep in operation even the most costly pits within the Community. This import situation cannot, however, be expected to last for ever, and the enterprises should assess their future prospects on the premise not of \$ 12.00 freight-charge on American coal, but of a long-term price in which the regular freight element will be not more than \$ 5.00 to \$ 6.00 per metric ton.

The extremely tight state of the market and the very lively demand likewise make it possible for wide disparities in price to persist within the Common Market itself. At the slightest improvement in the situation, even though demand as a whole reacts very little to changes in the price of coal, it will shift quickly from home produced to imported coal, or from one source of supply to another.

Parallel with its endeavours to draw the attention of the Governments to the charges which press so heavily on coal, the High Authority is obliged, notwithstanding the paucity of the facilities allowed it by the Treaty in the matter, to do what it can to iron out the discrepancies in prices and distortions in costs which are resulting from unco-ordinated action by the different Governments.

The other factor which the enterprises are being asked to take into consideration is not so much the present structure of production costs as what it may be expected to become in the comparatively near future, more particularly as a result of wage terms, changes in currencies and the retention or otherwise of Government measures now in force.

344. No outside authority is entitled under the Treaty and the Common Market rules to decide whether an enterprise shall keep going or close down. Once the conditions of importation and competition in the Community are more or less normal,

the marginal collieries will be able to recognize their true position. In any event, production costs are not the sole decisive factor in a colliery's situation. The quality of the coal, the selling price it will fetch, the distance to the markets, the competitive position are all essential elements to be taken into account. Accordingly, very roughly speaking, the situation of a coalmining enterprise depends on the type of coal it produces and the relation in which it stands to the coalfield in which it is situated. It is, moreover, unusual to find a colliery working in isolation, and the concentration of a number of pits with unequal output into a single enterprise and the integration of collieries with enterprises in other industries are automatic compensations. Thus the position of a colliery is governed not only by its operating costs and receipts, but by the state of the larger financial set-up of which it forms a part.

Collieries now in difficulties may be divided into three groups:

a) those with no prospect of ultimate recovery;

b) those whose difficulties are of a temporary nature only, and which can be set on a sound footing by means of a further concentration of pits, modernization or increased valorization;

c) those whose difficulties are due to general economic considerations (*e. g.* the grade they produce is less in demand for the moment, or is expected to undergo an unfavourable change in price).

345. Where necessary, if no other solution is forthcoming, the Treaty allows the institution of temporary financial arrangements either to regulate the process of closing down collieries which are having to be abandoned, at a rate which will make it possible to reduce, and if possible re-employ, the personnel in an equitable manner, or to tide collieries over until such time as the measures adopted by them make their operations profitable once more, or to enable them to overcome the temporary effects of the economic situation.

One misapprehension should, however, be dispelled. It is too frequently assumed that future requirements will be so great as to demand that all pits be kept working, and that if these requirements are to be met there can no longer be any question of closing down any colliery. This reveals a failure to grasp the true effect of the marginal collieries on coal. Their effect on prices is not confined to the fraction represented by their production costs in the average for the industry as a whole: this is negligible. The industry will be better able to absorb wage increases in proportion as operations are concentrated on the more productive pits, and the effects of such increases on production costs are accordingly lessened.

It is particularly important to realize that the manpower shortage is now, and may continue to be, the principal bottleneck in the expansion of coal production. The low-output collieries are tying up manpower which could be employed elsewhere on more productive operations. In these circumstances, the maintenance of the marginal collieries is only keeping Community production down instead of keeping it up and increasing it.

The greater the shortage of manpower, the more difficult the coalmining industry's general competitive position becomes, and the more necessary it is to extend the most economic pits and to sink large new ones, always provided the production costs, even if they should be burdened with heavier financial charges, will still be lower than the average for the coalfield concerned at the time when the pits come into operation.

The High Authority has decided to work in co-operation with the Governments with a view to finding ways and means of lightening the financial burden and reducing the risks on investments in the coalmining industry, since the whole future of the Community's economic expansion depends on these investments.

CHAPTER FOURTEEN

INVESTMENTS IN THE INDUSTRIES OF THE COMMUNITY

346. Alongside its work on the definition of the General Objectives, the High Authority continued to avail itself of the means afforded it by the Treaty for bringing investment operations in the Community industries into line with these objectives. In the iron and steel industry, the guidance it has provided has helped to divert investment away from a trend which did not harmonize with the development in the availabilities of raw materials. In the coalmining industry, it has concentrated particularly on the need to sink new pits, since the expansion of operations in existing pits will not suffice to raise production to the level desired.

Section 1 — **The work of the High Authority**

347. *Studies and general information work.*—The work of the committees set up to study the various aspects of the General Objectives has made it possible for a large number of leading officials and experts in the Community industries, and for the High Authority itself, to go thoroughly into the problems of achieving a balanced development of Community production, both in the Common Market and in the wider context of the general economies of the member States. The committees have carried out surveys on the trend in capital

expenditure and production potential up to 1960 for steel and 1975 for coal¹).

348. The High Authority has widely publicized the results of its annual investment survey. A report on the 1956 survey, containing full details of the different products and areas involved has been sent to each enterprise in the Community, thus enabling it to visualize its own capital schemes in relation to all investments completed and planned in the Common Market as a whole. By way of conclusion to this report, the High Authority draws attention to "a disparity between the development of steel production potential and of the output of the requisite raw materials (with the exception of iron ore), which runs right back through the various production stages — a lack of balance between pig-iron and steel, between coke and pig-iron, and between coal and coke²."

349. As a logical conclusion to the recognition of this disequilibrium between pig-iron and steel production, the High Authority issued a general opinion urging upon the iron and steel enterprises the need for paying the closest attention to a balanced development of pig-iron and steel production capacities when drawing up their own capital schemes, and for the strictest care in avoiding the construction of any new steelmaking plant not accompanied (allowing for works' own scrap arisings) by a higher, or at least equivalent, increase in pig-iron production capacity. It added that this aspect of the problem would be among the prior considerations governing all examination of capital schemes notified to it, and all opinions which it might be called upon to issue on such schemes³).

¹) See Chapter XII above.

²) See *Investments in the Coalmining and Iron and Steel Industries of the Community, a Report on the 1956 Survey (Position as at January 1, 1956)*, p. 41 (High Authority, July 1956). The report on the 1957 survey, giving the position as at January 1, 1957, will be published in June 1957.

³) See *Official Gazette of the Community*, July 19, 1956.

350. Compulsory declaration of investment projects was introduced on September 1, 1955, in respect of all schemes involving a total expenditure of over 500,000 E. P. U. units of account for entirely new plant, or 1,000,000 units of account for replacements and conversions¹⁾. In view of the need to have a full picture of all capital schemes likely to affect scrap consumption, the High Authority subsequently abolished these limits in respect of "investments relating to steel furnaces and hot-blast cupolas used in steel production²⁾".

This system of prior declaration enables the High Authority to keep the enterprises regularly informed of the trend in investments in the Community as a whole. At intervals it publishes summaries of the declarations received³⁾. These also give it the opportunity to issue general opinions on the trend in investments, on improvements recorded, and on the directions in which special exertions are called for.

The lists of opinions published in the *Official Gazette* give only the name of the enterprise and the main features of the scheme concerned: those with an interest in the matter can, however, then apply to the enterprise for full details of the opinion⁴⁾.

351. *Opinions on enterprises' investment projects.*—Between September 1, 1955, and March 31, 1957, the High Authority

¹⁾ Decision No. 27-55, of July 20, 1955, *Official Gazette of the Community*, July 26, 1955.

²⁾ Decision No. 26-56, of July 11, 1956, *Official Gazette of the Community*, July 19, 1956.

³⁾ See *Fourth General Report of the High Authority*, April 1956, Nos. 186—191, and *Bulletin Mensuel d'Information de la Haute Autorité*, July 1956, No. 59, November 1956, Nos. 52-55, and January 1957, No. 51.

⁴⁾ See *Fourth General Report of the High Authority*, April 1956, No. 178, and *Official Gazette of the Community*, March 15, May 5, July 19, July 21, October 18, November 16 and December 27, 1956, and January 2, February 21, March 11 and March 23, 1957.

received 193 declarations. 47 opinions in all were issued in connection with the 176 declarations examined up to March 31.

Many of the declarations received related to routine work of improving technical installations work as involved by the everyday activities of coalmining and iron and steel enterprises, and to the extension and modernization of their production facilities in line with recent technical and economic developments. These projects did not call for any particular comment.

The High Authority welcomed, and indeed in its opinions explicitly commended, a number of projects expected to lead to substantial increases in production in those sectors which are liable to form bottlenecks in the expansion of the Community's economy. These include the extension of certain existing pits and the sinking of new ones, the extension and construction of large pithead power-stations, the construction of new coking-plants or coke-oven batteries as well as blast furnaces, and the extension of sintering facilities.

The High Authority has expressed its interest in the tests in connection with new technical processes, such as the Renn process, the low-shaft furnace, continuous casting, and full gasification of coal, and is determined to keep abreast of future developments.

The High Authority appreciated the special efforts made by the enterprises to take into account the prevailing scrap shortage and step up their steel production without buying additional tonnages of scrap in the market. It examined with the utmost care all projects for the installation of new production plants for open-hearth and electric-furnace steel: in a large number of cases means were found of enabling

¹⁾ See *Annex on Statistics*, Table 45.

the enterprises to operate these furnaces without recourse to extra purchases of scrap, *e. g.* by increasing pig-iron production, by saving scrap in the other steelmaking plant of the enterprises and in the blast-furnaces, by employing the pig-iron/ore process or the Duplex process and so forth. Some cases did, however, arise in which no solution could be found, and the High Authority was accordingly obliged, in conformity with its general opinion of July 19, 1956¹⁾, to issue unfavourable opinions aimed at discouraging projects which would have resulted in considerably increased tightness of the scrap market.

352. Compulsory declaration of capital schemes has thus enabled the High Authority to provide guidance for development of investment operations, by means both of the overall information published in its summaries and of its opinions on particular projects. In addition, out of the visits which High Authority experts have been called upon to make to enterprises in the course of examining declarations, and the discussions in Luxembourg which a number of enterprises have taken it upon themselves to arrange before officially declaring their projects at all, there has grown up a very flexible and fruitful system of co-operation in the lining-up of investments to conform with the General Objectives of the Community.

353. *Financing of investments.*—By an agreement signed on June 6, 1956, with the Crédit Suisse, the Société de Banques Suisses and the Union de Banque Suisse, the High Authority contracted a loan of Sfr. 50,000,000, by the issue of 50,000 bearer bonds of Sfr. 1,000 each at $4\frac{1}{4}\%$ interest for a period of 18 years²⁾. This loan is to be redeemed from the sixth year onwards in twelve annual instalments of Sfr. 3,750,000 and a final instalment of Sfr. 5,000,000. After July 15, 1963, how-

¹⁾ See No. 349 above.

²⁾ For previous High Authority loans, see *Annex on Finance*, No. 7, *Third General Report of the High Authority*, April 1955, No. 153, and *Fourth General Report of the High Authority*, April 1956, No. 196.

ever, the High Authority is to have the option of prepaying the loan in full or of increasing the annual instalments. Under the Act of Pledge, the service of the loan is secured by the common lien on the obligations held by the High Authority from the enterprises to which funds have been advanced out of the loans contracted by the High Authority, and on securities therefor¹⁾).

The three banks agreed severally to purchase the total amount of the loan; which was then offered to the public for subscription at par, from July 5 to 10, 1956, and was considerably oversubscribed.

Considering that the loan was contracted and floated at a time of increasing tightness in the capital market and of a market rise in interest rates, that it was open to public subscription for five days only, and that many subscriptions were for comparatively small amounts (which indicates keen interest on the part of small investors), we can safely conclude that the Community's first public loan has been an outstanding success, and has demonstrated that the credit of the High Authority is firmly established in a financial market which was rightly regarded as a hard testing-ground.

354. The proceeds of the loan were re-lent at $4\frac{7}{8}\%$ per annum, with no further margin than was required to cover the financial charges for the borrowing and lending operations, for the same period and on the same redemption terms as the loan itself.

As regards the criteria adopted for allocation, since the actual amounts available were relatively small and the iron and steel industry had not been eligible for appropriations from the loan contracted in the United States in 1954, the High Authority decided:

¹⁾ See No. 356 below.

- to consider only projects in the iron and steel industry, selecting those which the enterprises undertook to complete quickly and which were of special importance to the Community;
- to concentrate the funds available on a limited number of projects, to which it would be in a position to contribute on a scale genuinely enabling the enterprise to complete the scheme more quickly;
- to take into account the tightness in the supply of scrap and coke, and give priority accordingly to the dressing, beneficiation and sintering of iron ore, to the construction and improvement of blast-furnaces, and to coking-plants.

355. The details submitted in support of the applications for loans were examined by the High Authority, and the projects which it was considered stood a chance of being approved, as being in conformity with the criteria just listed, were discussed with the managements of the enterprises concerned. At the same time, the banking institutions acting on the High Authority's behalf reported on the financial situation of the enterprises and the securities offered.

On the basis of the inquiries made and the opinions received, the High Authority finally selected six projects involving a total expenditure of Sfr. 171,000,000, to which it contributed funds to the value of Sfr. 50,000,000, allocated among the following enterprises:

ILVA Alti Forni e Acciaierie d'Italia S. p. A., Genoa;
Acciaierie e Ferriere Lombarde FALCK S. p. A., Milan;
CORNIGLIANO S. p. A., Genoa;
AG. der DILLINGER Hüttenwerke, Dillingen, Saar;
Hüttenwerk ILSEDE PEINE, Peine, Hannover;
Hüttenwerk OBERHAUSEN AG., Oberhausen, Rhineland.

The loans to the three enterprises in Italy total Sfr. 27m. and those to the enterprises in Germany and the Saar Sfr. 23m.

The increase in annual production capacity upon the completion of these schemes will be:

750,000 metric tons of sintered ore;
1,189,000 metric tons of pig-iron;
332,000 metric tons of coke.

356. The experience gained in the course of various borrowing and lending operations in the different Community countries has revealed a number of deficiencies and restrictive provisions in the Act of Pledge, under which securities are held in common pledge for the benefit of all lenders¹).

With a view to disposing of these difficulties, the High Authority, after studying the matter in co-operation with legal and financial experts from the different countries, suggested a number of amendments to its lenders and to the Bank for International Settlements. These were accepted and embodied in a supplemental indenture entered into on May 16, 1956, by the High Authority and the Bank for International Settlements.

Section 2 - **The trend in investments in the iron and steel industry**

357. *Expansion in steel production: the disequilibrium between pig-iron and steel.* — Steel production in the Community has been expanding very rapidly for some years. From 42m. metric tons in 1952, it had risen by 1956 to 57m., an increase of 8% per annum. This is a rate never before achieved, not even between 1894 and 1913, the previous period of record expansion for the countries which now form the Community, when the increase was 6% per annum. It is double the rate registered in the United States since the end

¹) See *Annex on Finance*, No. 9.

of the war (4%), and very nearly equal to that in the Soviet Union (9%). The rate of increase for the United Kingdom, 5.5%, is, incidentally, also much higher than any other in the history of the British iron and steel industry.

To sustain such a rapid expansion it was necessary to invest very considerable amounts, especially as part of the Community's iron and steel plants had been destroyed during the war or dismantled after it, while another part was obsolete owing to the fact that the normal overhauls and replacements had not been possible while hostilities were in progress, or even during the years immediately following, since the shortage was so great that it had to be kept in operation. Industrial investments in the iron and steel industry of the Community between 1952 and 1955 amounted to \$ 12.00 per metric ton produced during that period.

With capital required on such a scale and so difficult to secure, it is hardly surprising that the industry sought to save on investment per ton, and developed instead steelmaking processes based on scrap, which circumvent the need for constructing blast-furnaces, coking and sintering-plants, and so forth¹⁾.

Scrap consumption in the blast-furnaces and steelworks accordingly continued high, at 477 kg. per metric ton of steel in 1953 and 480 kg. in 1956. Internal availabilities in the Community, however, fell from 587 kg. per metric ton in 1953 to 423 in 1956. Since war scrap, which was still being used to a certain extent in 1952, finally came to an end, availabilities of salvage scrap have remained practically unchanged: as scrap from this source represented something like 10% of total steel production, this meant a deficit of 100 kg. for every extra metric ton of steel produced, for the same specific scrap consumption. It was only possible to balance supplies with the aid of scrap imports from third countries, which went up from 500,000 metric tons in 1953 to 3,200,000 in 1956.

¹⁾ From 1952 to 1956, production of open-hearth and electric-furnace steel increased by 44% and 46% respectively, as against only 28% for basic Bessemer.

In view of the danger inherent in this development — since the possibilities for importing scrap are very limited, and imports can be maintained at their present level only if they are progressively reduced in the long term — the High Authority has done its best, as described above, to direct fresh investments towards the expansion of pig-iron production. As a result of its work in this connection, and of the pressure exerted by the present and probable future state of the market on the enterprises' decisions, numerous schemes for expanding pig-iron production have in fact been put in hand, and may be expected in time to restore the balance between pig-iron and steel.

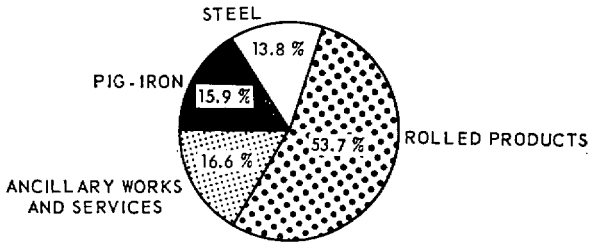
358. *Reversal in the trend in investments: ultimate prospects of a balanced situation.* — Industrial investment by the iron and steel industry during the period 1952—55 remained steady at approximately \$ 550m. per annum, except in 1954, when as a result of the recession it dropped to \$ 450m. In 1956, it rose to nearly \$ 600m. Forecasts for the next few years are considerably higher¹⁾).

1956 shows a very marked change, in the distribution of investments by sectors. From 1957 onwards there is a totally different type of distribution indicated by the figures shown in the diagram following²⁾).

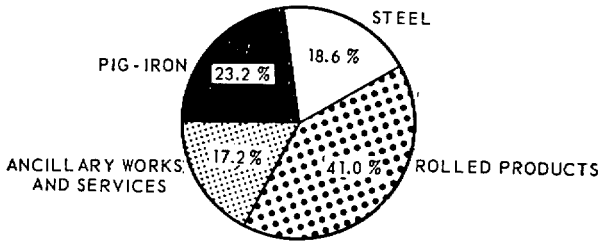
¹⁾ For further details, see *Statistical Annex*, Tables 46 and 47.

²⁾ Based on the provisional findings of the 1957 investment survey. For further details, see *Statistical Annex*, Table 48.

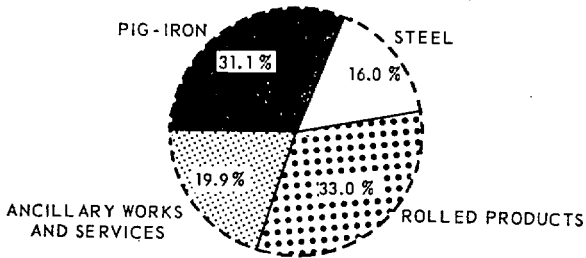
DISTRIBUTION OF CAPITAL INVESTMENTS
IN THE IRON AND STEEL SECTOR



1952 - 1955



1956



FORECASTS
1957 - 1960

The change in the trend of iron and steel investment becomes still more clearly apparent if we compare the breakdown of expenditure in 1955 with that of the estimated expenditure shown in the investments projects declared to the High Authority between September 1, 1955, and March 31, 1957 (approximately \$ 9m.¹)

	Expenditure 1955	Déclarations
<i>Pig-iron</i>		
Coking-plants at the steelworks	3.3%	5.5%
Preparation of burden	3.6%	10.3%
Blast-furnaces	8.2%	2.14%
	15.6%	37.2%
<i>Steel</i>		
Basic Bessemer steelworks	5.2%	8.7%
L/D and Rotor steelworks ¹)	—	3.6%
Open-hearth steelworks	5.7%	6.3%
Electric-furnace and other steelworks	2.8%	3.7%
	13.7%	22.3%
<i>Rolled products</i>	55.2%	29.4%
<i>General services</i>		
Production plant and distribution systems for electricity, oxygen, etc.	5.9%	3.3%
	9.6%	7.8%
	15.5%	11.1%
Total:	100.0%	100.0%

¹) See No. 314 above.

The proportion represented by pig-iron production plant is thus more than doubled, whereas the proportion represented by the rolling-mills nearly halved. The increase in expenditure on the steelworks is chiefly on processes based on pig-iron.

¹) For breakdown of declarations received from the iron and steel industry, see *Statistical Annex*, Table 49.

359. The shift in investment is reflected in the trend in production potential. The net increase in production potential indicated by the projects declared between September 1, 1955; and March 31, 1957, is 8m. metric tons for pig-iron and 7,900,000 for steel, *i. e.* approximately one ton of pig-iron to one of steel. Since the required ratio, availabilities of scrap being what they are, is approximately 800 kg. of pig-iron to one ton of steel, the very much more marked increase in regard to pig-iron tends to offset the lag observable during recent years when ratio of increase was only 500 kg. of pig-iron per ton of steel.

Although this compensatory action has been undertaken with great vigour, it will still, owing to the timelag between investment and results, take a year or two to show its first effects, and must be prosecuted very energetically if complete adjustment is to be achieved within a reasonable space of time.

360. The development of the iron and steel economy up to and after 1956 may be tabulated as follows, on the basis of the provisional (and partly estimated) figures in the 1957 survey¹).

¹) For further details of the provisional results of the 1957 investment survey, see *Statistical Annex*, Table 50.

('000,000' m. t. p. a.)

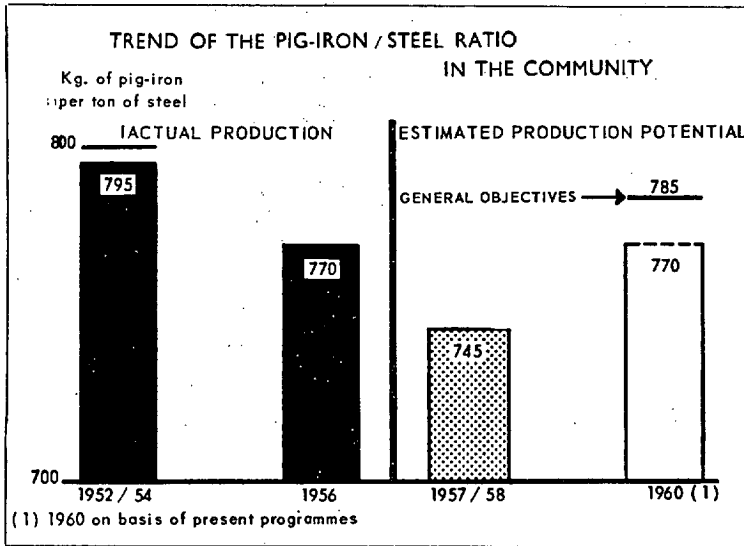
	Actual production		Production potential as indicated by investements started or approved by the beginning of 1957		
	1952	1956	1956 (provisional figures)	1960 (provisional figures)	
Sintered ore ¹⁾	14.6	18.2	20.0	40	+100%
Pig-iron	34.8	43.6	45.5	58	+28%
Steel	41.9	56.8	58.5	75	+28%
Finished rolled products ²⁾	29.2	39.6	41.0	53	+30%

¹⁾ Sintered ore and other elements in the ferrous charge, at iron and steelworks only.

²⁾ Production potential referred to is that for finished products allowing for availabilities of crude steel. The technical capacity of the actual rolling-mills is increasing less rapidly, which serves to illustrate the observations in No. 362 below; overall figures are, however, not yet available. As these figures are provisional only, it is too early as yet to draw any conclusions from the slight disparity between the estimated increase in steel and that in rolled products.

The increase in sintering at the iron and steel works is most remarkable, particularly in view of the fact that for a number of years it merely moved parallel with the trend in pig-iron production. Whereas sinter production increased from 14,600,000 in 1952 to 18,200,000 metric tons in 1956, the projects declared over the last year and a half alone make provision for an increase of nearly 10m. metric tons. By 1960, sinter production may well be double what it was in 1956. Counting the proportion sintered at the mines themselves, approximately one-third of the ferrous-matter burden of the blast-furnaces will be sintered by that date.

The parallel increase in production potential for pig-iron and for steel indicates that by 1960 the pig-iron/steel ratio should be back where it was in 1956, after touching its lowest level in 1957 and 1958 as a result of the unco-ordinated investments in preceding years.



361. The breakdown of the net increase in steel production potential indicated by capital schemes declared, in comparison to the breakdown of actual production in 1956, reveals a very rapid development of the new processes based on pig-iron, and of electric-furnace steel at the expense of open-hearth¹⁾.

	Production 1956	Declarations
Basic Bessemer steel	51.8%	44.1%
L/D and Rotor steel	—	23.4%
Open-hearth steel	38.0%	17.1%
Electric-furnace and other steel	9.3%	15.4%
Total:	100.0%	100.0%

¹⁾ For further details, see *Statistical Annex*, Table 49.

After 1958, this new trend in investment will begin to show its effects on the overall production structure, and from 1960 onwards the new manufacturing processes based on pig-iron will account for 2,500,000—3,000,000 metric tons.

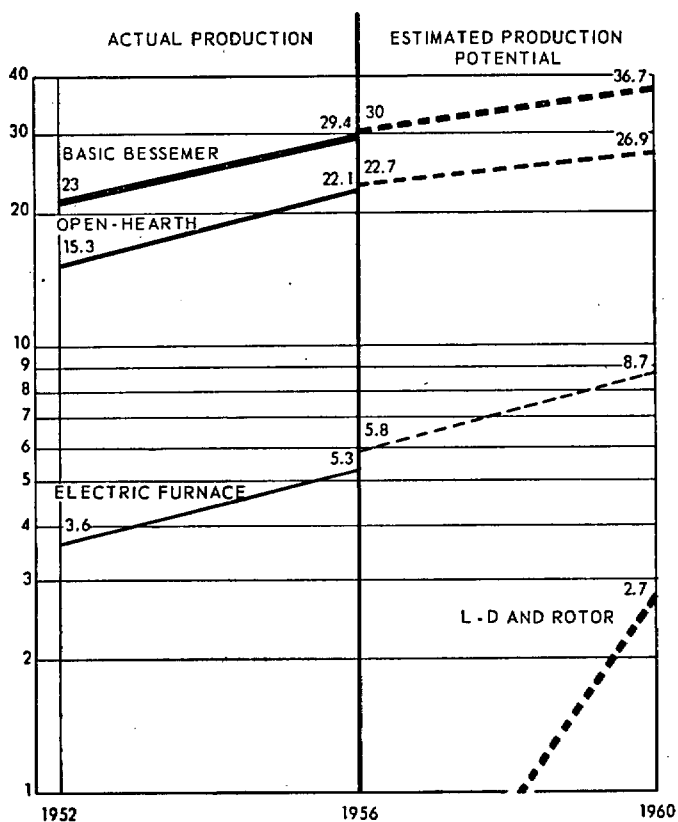
The breakdown of production by manufacturing processes shows that the proportion represented by basic Bessemer steel, which can be definitely improved in quality by the use of oxygen, will tend to become stable from 1958 onwards¹⁾. It is open-hearth steel which is affected by the introduction of new methods and the sustained increase in the proportion of electric-furnace steel. Taking the picture as a whole, we may note that the processes based on pig-iron show a marked upward trend.

In this connection, mention should be made of the projects for constructing entirely new integrated steelworks whose production is to be based mainly on pig-iron. They are to be sited near the sea (Bremen, Vado Ligure, subsequently Dunkirk, etc.), to facilitate supplying with imported coking fines and iron ore.

¹⁾ See No. 311 above.

TREND OF STEEL PRODUCTION
BY MANUFACTURING PROCESSES

('000,000 metric tons)



362. Apart from the modernization of existing rolling-mills and the construction of new ones, the increase in the production potential for *rolled products* is due very largely to fuller utilization of present capacity. The projects declared, which aim directly at an extension of technical steel-rolling capacity, provide only for an increase of 600,000 metric tons for sections and 900,000 for flats, as against an increase in steel production of 7,900,000 metric tons. On the other hand, they provide for an increase of 3,500,000 metric tons in the capacity of the blooming and roughing-mills, which come between the actual steelmaking plant and the various types of finished-product mill. This indicates a definite rise in the rate of utilization of the finishing-mills.

The general and rapid increase in the production of flats is especially in evidence in the Community. Production in this sector rose twice as fast as the production of sections between 1952 and 1956, and although flats already represent such a proportion that the rate of increase is inevitably down, the difference will still be considerable between 1956 and 1960.

	1952	1956	1960
Sections	80	100	125
Flats	60	100	140

The proportion represented by flats in total rolled-steel production, which rose from 36% in 1952 to 42% in 1956, will be 45% in 1960. It should, however, be noted that in 1955 flats already accounted for 48% of rolled-steel production in Great Britain and 64% in the United States.

363. *Probable development in the context of the General Objectives.*—No insurmountable difficulties are likely to be encountered.

tered in the implementation of the capital schemes planned. Despite the number of new works constructed, the overall volume of investment in the Community iron and steel industry is increasing at a slower rate than the overall volume of production, so that the average investment charge per ton will probably be not more than the average of \$ 12.00 recorded for the last few years. This trend is attributable more particularly to the fact that the expansion schemes, which are focused principally on the extension of blast-furnace and steelworks capacity, they already have a basis in the large-scale — and costly — operations completed over the last few years for the installation of new rolling-mill capacity. The fact remains, however, that these ambitious investments are still a heavy charge on the financial position of the industry.

As matters now stand in regard to schemes so far in hand and approved for the expansion of pig-iron and steel production potential, the upper limit of estimated steel requirements for 1960 (73,500,000 metric tons) could only be covered by recourse to the importation of larger tonnages of scrap than have been estimated as likely to be required. It will be necessary, therefore, to see that the schemes already approved in respect of pig-iron production are completed as quickly as possible; further schemes could also be launched with the object not of increasing steel production, but of replacing scrap by pig-iron.

To help the Community achieve its coal targets, it will be necessary also to keep up, and if possible intensify, investment aimed at reducing the specific consumption of coke by stepping up ore beneficiation and sintering, putting into practice the improvements worked out in blast-furnace processes, and so on.

By increasing the efficiency of the blast-furnaces, this type of investment will at the same time serve to further the necessary expansion of pig-iron production potential.

As regards steel production potential, the completion of the projects now in hand and approved alone would mean an increase

in production by 1960 to 73m. metric tons¹⁾, which practically corresponds to the upper limit of estimated requirements²⁾, Further projects which are planned by the enterprises but have not yet been finally approved would mean additional substantial increases in capacity from 1960 onwards.

In comparing estimated requirements with estimated expansion in production potential, we have, of course, to bear in mind the inevitable timelag in the completion of the schemes. Moreover, the installations with which the present record output figures have been achieved, some include obsolete equipment which will have to be replaced — a process which would in most cases be held up in the event of a decline in economic activity. Again, the very scale on which it is installing new plant frequently means that the industry has to expand by stages, so that production potential can at times be actually ahead of demand. Finally, many capital schemes, in addition to stepping-up production, result in improvements in quality and in lower production costs, which often put them on a paying basis even before the plant installed can be fully utilized.

At the same time, it should be remembered that, even where there are no new projects aimed directly at increasing steel production potential, there are constant increases brought about by modernization and adaptation schemes, and by the introduction of new processes, such as oxygen-blowing; and leaving investment on one side altogether, we have the increase in the productivity of the plant by means of a better organization and planning of work, improvements on details which often prove extremely effective, and so on. In addition, the increase which it is hoped to ensure in pig-iron production potential, in order to balance the situation as regards ferrous materials generally, will doubtless also bring about a certain additional stepping up of steel production potential.

¹⁾ Even if each individual works can actually achieve the maximum production potential indicated in its declaration, a margin is bound to remain for the Community as a whole owing to the operational difficulties and incidents which always arise in a certain proportion of the enterprises. Statistics have show that this margin is about 3%, *i.e.* approximately 2m. metric tons out of the volume of production estimated here.

²⁾ See No. 288 above.

Viewed overall, the fact that the estimated expansion in steel production facilities may bring production potential even above the upper limit of requirements is not in itself sufficient to suggest any likelihood of over-equipment. Any recession intervening would, besides, probably slow up the completion of the schemes. But it is conceivable that the time has now come when the expansion in steel production potential may possibly outstrip the estimated increase in demand.

Section 3 — The trend in investments in the iron-ore mines

364. Since the end of the war, a number of very large-scale capital schemes have been carried out in the iron-ore mines of the Community with the object of modernizing them and increasing their output potential. Between 1952 and 1955, capital expenditure went up to approximately \$30m. per annum. Following the very rapid expansion in steel production over the last two years, further schemes have been started, bringing the rate of expenditure up to nearly \$50m. in 1956, a figure which seems likely to be maintained during the next few years¹).

365. Gross extraction by the Community iron-ore mines rose from 65,300,000 metric tons in 1952 to 80,700,000 in 1956, and may be expected to exceed 100,000,000 metric tons in 1960²). The main increase was in the Lorraine orefield, where production reached 49,600,000 in 1956 as against 37,700,000 in 1952, thus for the first time exceeding even the record output of 48m. metric tons registered in 1929. Underground o.m.s. rose during the same period of 1952—56 from 8.6 to 11.9 metric tons, and total extraction is likely to exceed 65m. metric tons in 1961.

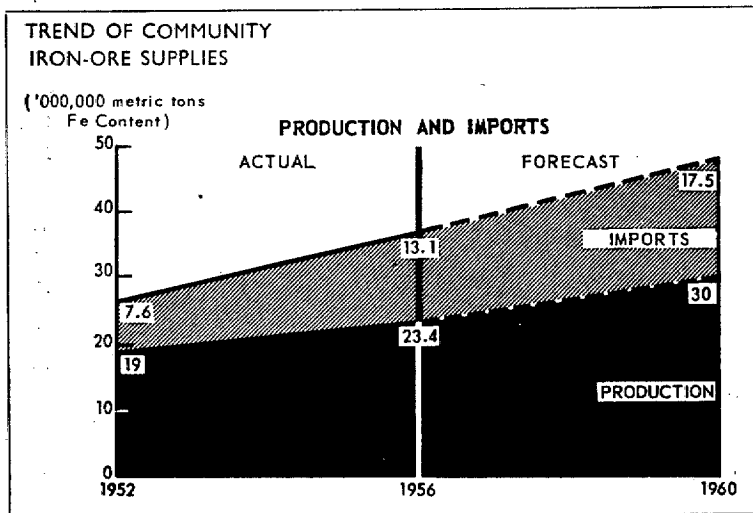
The development schemes of the iron-ore mines are drawn up on a very long-term basis, and most of them were

¹) See *Statistical Annex*, Table No. 46.

²) Or, in terms of Fe content, 19m., 23,400,000 and 29,300,000 metric tons respectively.

already in hand when the system of compulsory prior notification was instituted, so that only seven declarations, relating to a total expenditure of \$ 10m. were received from the iron-ore industry between September 1, 1955, and March 31, 1957. The schemes in question were principally for improvements to ore-preparation plant: only one was to bring about a substantial increase in production capacity.

366. In spite of the speed with which it is increasing, the output of the Community iron-ore mines now suffices only to cover a smaller and smaller proportion of requirements. The ratio of output to imports, which has stood at approximately 70:30 for more than forty years, will by 1960 be nearer 60:40, with output up from 22,300,000 metric tons Fe content in 1955 to 30m. in 1960, and imports from 10,400,000 metric tons Fe content to 17,500,000¹⁾. This change in structure also raises the problem of ensuring dependable supplies long-term contracts and financial link-ups with the mines), and the most economic transport, handling and storage facilities²⁾.



¹⁾ For further details see *Statistical Annex*, Table No. 51.

²⁾ See No. 316 above.

Although the reserves of the main Community ore-fields suggest that it will not be possible to push the rate of extraction much above that expected to be achieved by 1960, this level should not be regarded as the ceiling to the expansion of Community production. There are certain prospects for development in some orefields already being worked, for example in Western France, and of deposits which have only recently been discovered, such as those in Lower Saxony. Technical and economic considerations in regard to the working of these fields will decide whether, in order to ensure the necessary dependability of supply, these new resources will be opened up, or whether future expansion in steel production will be based entirely on the stepping-up of imports from third countries.

Section 4 - The trend in investments in the coalmining industry

367. A great deal has been done in the way of replacement and modernization since the end of the war in the Community coalmining industry, more particularly with the aim of bringing production and output back to the pre-war levels.

	Coal production		Ancillary activities	
	Production of hard coal (<i>'000,000 m. t.</i>)	Underground o. m. s. (<i>kg</i>)	Total production of coking-plants (<i>'000,000 m. t.</i>)	Output of pithead power-stations (<i>'000,000,000 kWh</i>)
1938	242	1 590	58	9
1952	239	1 390	62	17
1956	249	1 525	75	28

Thus, in spite of considerable technical advances in modernization and in the concentration of pits, coal production is still not much above the pre-war level, and average output is not yet even up to what it was then. On the other hand, the ancillary activities have expanded considerably: expansion in the pithead

power-stations is dependent upon the availabilities of low-grade products, while on the other hand expansion in the coking-plants mainly follows the requirements of the iron and steel industry. This raises a problem as to coal supplies, which is only accentuated by the present outlook as regards investments in the various sectors of the coalmining industry.

368. The overall picture of investments started, approved and planned as at the beginning of 1957 in the coalmining industry of the Community shows a certain revival from 1956 on after the decline during 1955¹⁾.

(*'000,000 dollars*)

1952	495
1953	454
1954	445
1955	406
1956	420

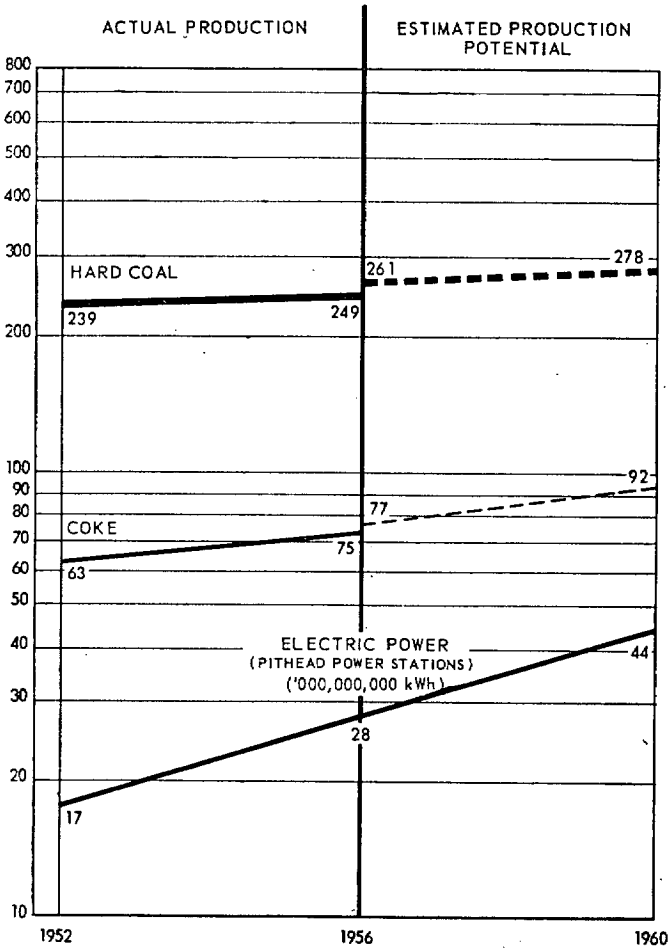
Estimated expenditure for 1957 and 1958 totals approximately \$ 600m. It should, however, be borne in mind that short-term forecasts on capital expenditure are usually considerably in excess of the ultimate actual expenditure.

Between September 1, 1955, and March 31, 1957, the High Authority received 87 declarations of investments, involving a total expenditure of \$ 358,300,000 for the coalmining industry as a whole²⁾. This is a very small amount compared with that for the iron and steel industry. Since annual expenditure is normally about the same in both industries, present commitments in the coalmining industry must be considered as rather on the low side.

¹⁾ Actual expenditure for 1953 to 1956; estimated expenditure for investments started, approved and planned by the beginning of 1957. For further details, see *Statistical Annex*, Table No. 52.

²⁾ See *Statistical Annex*, Table No. 55.

PRODUCTION TRENDS IN THE HARD-COAL INDUSTRY
 ('000,000 metric tons)



369. *Pits.*— The trend in capital expenditure on pits over the past few years has been as follows:

	('000,000 dollars)
1952	261
1953	241
1954	242
1955	256
1956	249

These figures are remarkably regular. Taken in relation to the tonnage extracted, they represent about \$ 1.00 per metric ton. This regularity is itself, incidentally, the result of opposing trends in the different Community coalfields. The investments forecast for 1957 and 1958 amount to approximately \$ 362m. and \$ 334m. respectively. These figures are doubtless somewhat inflated, but they do indicate a definite recovery in colliery investment.

Production potential is estimated as likely to rise from 261m. metric tons in 1956 to close on 280m. in 1960.

A comparison between 1956 production potential and the actual production for the same year shows a fairly considerable margin, which was due mainly to insufficient personnel and threatens to become bigger as production capacity increases, if effective action is not taken to see that the efforts being made in the field of investment are not brought to nothing by lack of manpower¹⁾.

370. Of the investment projects declared to the High Authority between September 1, 1955, and March 31, 1957, those relating to pits were few in number and involved only com-

¹⁾ See No. 108 above. The forecasts shown already allow for a reduction in the number of days worked in the year: for the Ruhr, for example, they are based in 290 working days a year.

paratively small amounts (37 in all, totalling \$ 109,600,000)¹). Admittedly, in some coalfields work had been begun on a number of very long-term programmes before the introduction of compulsory prior notification, so that these are not among the schemes declared.

Notwithstanding the improvement which is expected to materialize in 1957 and 1958, this trend in capital expenditure on pits does give cause for some concern.

The increases in production which are to be achieved by the long-term programmes now in hand and approved will not nearly suffice to cover the requirements indicated in the General Objectives²). This is a very serious problem for the coalmining industries of the Community.

371. *Coking-plants.* — Capital expenditure on the coking-plants of the Community as a whole, with the exception of coking-plants at the steelworks, shows a marked decline over the past two years.

	('000,000 dollars)
1952	97
1953	124
1954	105
1955	85
1956	85

Expenditure in 1957 and 1958 is estimated at approximately \$130m., which, though doubtless inflated as such forecasts usually are, indicates a definite improvement in investment in this sector³).

¹) See *Statistical Annex*, Table No. 53.

²) See No. 297 above, and *Statistical Annex*, Table No. 54.

³) For further details, see *Statistical Annex*, Tables Nos. 47 and 52.

372. Investment projects declared to the High Authority between September 1, 1955, and March 31, 1957, totalled 42 (including those for coking-plants at steelworks), involving an overall expenditure of \$ 139,700,000 and an increase in capacity of over 7m. metric tons¹).

The 1957 investment survey suggests that the trend in production capacity between 1956 and 1960 will be as follows:

('000,000 m.t.)

Coking-plants	1956	1960	Increase
Mine-owned)	51.6	59.0	7.4
Independent)	6.2	7.1	0.9
At steelworks)	19.6	26.4	6.8
Total:	77.4	92.5	15.1

¹) Including approximately 500,000 metric tons of low-temperature coke.

In 1956, the output of the mine-owned coking-plants represented 66.7% of the total, that of the independent coking-plants 8%, and that of the coking-plants at the steelworks 25.3%. The survey and the declarations received indicate that a spurt may be expected from the coking-plants at the steelworks, whose share is due to rise steadily until by 1960 it will have reached 28.5%, as against 63.8% for the mine-owned and 7.7% for the independent coking-plants. This may be attributed, firstly, to the desire to ensure a more regular flow of supplies to the blast-furnaces, and secondly, to the fact that new iron and steel works are now being built near the sea, where they can conveniently receive shipments of coking fines²). Moreover, the coking-plants at the steelworks are in an especially favourable position as regards energy since they can use blast-furnace gas for heating the ovens and coal gas for other purposes.

¹) For further details see *Statistical Annex*, Tables 49 and 53.

²) See No. 361 above.

373. With production potential, for practical purposes, at 88m. metric tons and 95% utilization of technical capacity, and with the demand at more or less the same level, the coke gap should be closed by 1960¹). Investment in the coking-plants is, therefore, pretty well in line with requirements.

As regards supplies to the coking-plants, it will be necessary to use a larger proportion of types of coal other than the traditional fines in order to ease the increasing shortage of these latter. In assessing the projects declared and in its discussions with the enterprises, the High Authority is careful to keep this point in mind and to urge that action should be taken with this end in view.

374. *Pithead power-stations.* — Capital expenditure on pithead power-stations and other generating-plant at the collieries remained high during the past two years, and energy production increased very rapidly²).

	Expenditure (<i>'000,000 dollars</i>)	Production (<i>'000,000,000 kWh</i>)
<i>1952</i>	134	16.7
<i>1953</i>	107	18.9
<i>1954</i>	112	21.8
<i>1955</i>	79	24.7
<i>1956</i>	103	27.8

As it proved after all impossible to start on certain large-scale schemes which had been planned for 1955, the expenditure for that year was comparatively low. According to the 1957 survey, estimated expenditure for 1957 is \$151m., and for 1958 \$162m.

¹) See No. 293 above.

²) See *Statistical Annex*, Table No. 52.

Expenditure on small steam-raising and current-generating plant represented a fairly high proportion of the total up to 1954, but since that time it has been going down steadily, from \$23m. in 1954 to \$17m. in 1955 and \$13m. in 1956. Projects submitted in this connection now relate only to replacement and overhaul operations.

The investment projects declared to the High Authority between September 1, 1955, and March 31, 1957, were 20 in number; they involve a total expenditure of \$157,700,000, in respect of a maximum power output of 1,190 MW.

375. The High Authority has frequently drawn attention to the importance of expanding power-stations run on low-grade coal and has assisted various schemes for this purpose by granting credits and encouraged them by issuing opinions commending the declarations received. It is now even more favourably disposed towards such operations in view of the fact that the proportion of low-grade products in the tonnages of hard coal extracted is on the increase and that they give the most economic results when used in this way. There is, of course, never any difficulty in selling electric current.

Special mention should also be made of the technical progress recorded. Thanks to the linking-up of various distribution networks, it has been possible to construct a number of large power-stations with a high output. From now on there will be quite a number of projects for 100-MW turbo-alternators. Large installations of more than one set to produce up to 600 MW are also scheduled.

Specific consumption will go down: as early as 1955 less than 3,500 kCal/kWh was being consumed by plant representing 41% of the total power rating and producing 47% of the total energy supplied by the pithead power-stations, which works out at approximately 500 gr. per kWh produced, but the new plant will consume only 380-400 gr.

In the next few years, there will be a further rapid increase in the output potential of the pithead power-stations. On the basis of an average of 5,000 load-hours per annum, it will go up from 27,800m. kWh in 1956 to 43-44,000m. in 1960¹). Although the proportion of low-grade coal extracted is rising, there may still come a time when they will not be available in sufficient quantities for this very rapid expansion in the pithead power-stations to continue at the same pace.

376. *Plants producing manufactured fuels and brown-coal briquettes.* — The production of manufactured fuels is coming more and more to be concentrated in plants at the collieries. The production capacity of the independent manufactured-fuel plants is well in excess of their normal production, so that investment is negligible.

Projects relating to the manufactured-fuel plants at the collieries are on a limited scale. Although medium-term operations are planned for increasing the production capacity for ovoids, investments as a whole in this sector are falling off as a result of the gradual discontinuance of briquetting.

Production capacity for brown-coal briquettes (B.K.B.) may be expected to remain unchanged at about 17m. metric tons. The rate of investments is declining²).

Only one project has been declared to the High Authority in the manufactured-fuel sectors.

¹) For further details, see *Statistical Annex*, Table 54.

²) For further details, see *Statistical Annex*, Tables 52 and 54.

CHAPTER FIFTEEN

TECHNICAL RESEARCH IN THE COMMUNITY

377. Under Article 55 of the Treaty, the High Authority is required to encourage technical and economic research by co-ordinating the work of existing research centres and by granting financial assistance. It has duly continued its activities in this regard. In addition, the research work undertaken in previous years in respect of both coal and steel will be given a further stimulus by the recent publication of the General Objectives and the findings of the Conference on Safety in Coalmines.¹⁾

From its earliest days the High Authority was quite concerned over the comparatively slight emphasis on technical research in the industries of the Community as against the tremendous importance attached to it by the corresponding industries in the United States, the Soviet Union and the United Kingdom. The partitioning-off of the economies of the six Community countries was, of course, largely to blame for this lag, which persisted in spite of the very considerable efforts that had been made. What was needed was that special support should be provided for such joint research work, and the findings made available to all comers.

¹⁾ Research in the fields of sociology (building of workers' houses, etc.) and social medicine (industrial health and medicine) is dealt with in Chapter X above.

378. Prior to any financial action by the High Authority, there have always been discussions in the Consultative Committee and the Council of Ministers, which have brought out the importance of laying down general criteria to establish whether or not applications for assistance could be granted. Any decision to set aside funds from the levy for the purpose of assisting research schemes moreover requires the agreement of the Council of Ministers.

379. The High Authority realizes the need for flexibility in the application of the principles governing its policy in this field, and seeks therefore to stimulate wherever possible those programmes which it considers to call for its financial assistance. The last thing it wants is that its work should overlap with what is already being done by the producers and the research centres. Its aim is, on the contrary, to make it possible to embark on programmes which are too ambitious for the funds directly available, and which are rendered more effective by co-ordination.

It regards technical research in particular as one of the most important elements in its long-term expansion policy. This view is clearly apparent in the General Objectives which it established in 1956. Accordingly, in order to ensure that its action shall be as effective as possible, it now applies a number of definite criteria in selection. These include:

- whether the research work proposed is likely to help in the achieving of its General Objectives;
- whether the scheme will be of value, direct or indirect, to a substantial number of enterprises;
- whether it can stimulate private initiative by encouraging projects of value to the Community which cannot be properly developed for lack of funds, by means either of financial grants or of co-ordinating action.

380. *As regards coal*, the expert committees on mining techniques and on coal valorization and coking which were set up in April 1953, and which are also assisted by British experts continued their work of co-ordinating research and promoting the technical development of the British and Community coalfields.¹⁾

They worked in close co-operation with the Technical Committee which sat between the beginning of 1956 and the month of September to frame proposals concerning the General Objectives, and also with the Conference on Safety in Coalmines which opened in September 1956 and ultimately concluded its proceedings early in 1957.

381. The Technical Committee worked out the objectives for the future research programme. The research and development operations in question are for the most part already well in hand in the various Community coalfields, and in certain cases have been for a number of years, but they are still of immediate importance today and must be pursued with vigour, particularly in the following fields:

- roof support and control, by the development of improved support systems in the gate-roads (sturdier support material requiring less maintenance) and at the face (better-constructed props and roof bars and more extensive use of mechanized methods of coal-face support);
- *driving of roadways*, by the development of appropriate machines and methods for speeding up tunnelling operations;
- *coal-getting*, by the development of appropriate machines and methods for working thin seams;

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 200.

- *rock pressure*, by scientific research on the mechanism of pressure, and by the systematic assembling of all experience gained in practice, with a view to increasing safety and improving methods of coal-winning and roof support;
- *emission of firedamp*, by the development of methods and facilities for detecting sources of firedamp in good time, for ensuring methodical firedamp drainage, and for improving ventilation generally;
- *air-conditioning in pits*, by the development of more efficient air-conditioning plant for use underground, with the aim of improving working conditions, increasing output and keeping up continuity of coal-winning operations at great depths.

382. The Conference on Safety in Coalmines was mainly concerned with the development and perfecting of instruments for the quick and accurate indication of accumulations of firedamp, for measuring the firedamp content of the air, and for detecting underground fires, if possible at their inception.¹⁾ Research on these points should be aimed, it was felt, firstly at enabling these dangers to be dealt with promptly or if possible eliminated, and secondly at contributing to a better knowledge of their causes and the manner in which they formed and spread underground, in order to help prevent big mine disasters due to firedamp mixtures, dust explosions and fires.

Particular emphasis was laid on the need to develop practical, sturdy and reliable automatic devices, which could eventually be introduced in all mines, for the firedamp, oxygen and carbon-monoxide content of the air underground. With regard to carbon monoxide, what was primarily required for underground workings was a continuously recording apparatus indicating to within 1/1000 %, over and above the intermittent manually operated detectors now in use.

¹⁾ See No. 254 above.

The High Authority, after hearing the views of the Consultative Committee and obtaining the agreement of the Council of Ministers, granted a subsidy of 200,000 dollar units of account to be used for organizing competitions and financing prizes to stimulate and remunerate research in this field.

383. *As regards steel*, the research work begun in 1955 has been continued with the aid of a High Authority grant of 1,583,000 dollar units of account. The projects concerned relate mainly to the following points.¹⁾

Comparative tests with different grades of coke in blast-furnaces. The High Authority set aside \$ 1,000,000 for comparative industrial tests at the Dillinger Hüttenwerke, in the Saar, with hard Ruhr coke and softer grades of coal less suited for coking than the Ruhr coal.

The tests will be carried out in two identical blast-furnaces and under identical operating conditions.

Difficulties over coke supplies had hitherto made it impossible to be sure of a regular flow of Ruhr coke, which will be necessary throughout the tests. Arrangements were then made for the tests to begin after the end of the cold weather (which is also liable to have deleterious effects on the quality of the research.)

Study of the technical conditions in steel-rolling. The High Authority, on March 31, 1955, set aside 200,000 dollar units of account for research to pinpoint the incidence of steelrolling conditions on the properties of steel (by identical tests on different rolling-mills), and to establish the factors governing the formation and adhesion of scall.

The works and laboratory tests have now been completed, and the results are in process of evaluation. The final report will be submitted about the middle of 1957.

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 201.

Improvement of the quality of refractory materials. The High Authority set aside 278,000 dollar units of account for the systematic testing in a number of Community open-hearth furnaces of silica bricks used for the roof of this type of furnace.

The experiments at the works were completed in March 1957. The laboratory tests will take some months longer. The report may be expected by the end of the year.

Study on flame radiation. The International Flame Radiation Study Committee set up in 1948 is carrying out tests at IJmuiden, in the Netherlands, with the object of improving the thermal efficiency of the fuels used in different industries, and in the iron and steel industry in particular.

In July 1955, the High Authority made a grant of 105,000 dollar units of account to expedite the construction of an experimental furnace.

The High Authority is kept regularly informed of the results of all these tests.

384. If steel production is to expand along the lines forecast, the consumption of pig-iron will have to be very much greater than it is at present. However, in order to ensure that sufficient tonnages of pig-iron will be available, blast-furnace and coking-plant capacity will have to be substantially increased.¹⁾

These investments, which call for very large amounts of capital, can be reduced, in proportion as the coke input ratio per ton of pig-iron is itself reduced. The report stresses that redoubled efforts will be needed in the field of technical research, in order to permit of a really substantial reduction of the coke input ratio at the blast-furnaces.

In June 1956, the High Authority instituted a research programme aimed at making it possible to reduce the input ratio. This included:

¹⁾ See No. 310 above.

- a grant of 850,000 dollar units of account for tests in Liège in a low-shaft furnace operated as a small blast-furnace. In this way each test can be carried out in less time and at less cost than it would take in an ordinary blast-furnace. In addition, the Liège plant is outstandingly well equipped both for the preparation of the burden and for all other relevant work.

A big programme of tests extending over three years has been worked out with the object of making a systematic study of the different factors affecting the coke input ratio;

- a credit of 650,000 dollar units of account, to be allocated, after consultation with the Technical Research Committee attached to the High Authority, to enterprises and research centres engaged on tests likely to lead to reductions in the input ratio.

In all, the assistance granted by the High Authority for technical research on steel amounts to 3,083,000 dollar units of account.

385. A team of iron and steel experts from the Community countries visited the United States in March and April 1957 on a study and fact-finding mission organized by the High Authority and the American Iron and Steel Institute, to acquaint themselves with American industrial management and administration methods.

386. The High Authority's co-ordination committee iron and steel nomenclature, which is engaged on fixing the so-called "Euro-norms" in order to arrive at a standardized common nomenclature for the Community countries, continued its work.¹⁾ The Euro-norms, which are lined up with the existing national standards and based on the work of the International Standardization Organization (I.S.O.), are designed for use in dealing with Common Market products in all the countries of the Community.

¹⁾ See *Fourth General Report of the High Authority*, April 1956, No. 202.

The Committee pushed ahead with its work in 1956, and achieved good results. In addition to Euronorms 1—55 (pig-iron and ferro-alloys), which have already been established, sixteen further Euronorms are practically ready and are at present being checked by the various working parties to see whether any further corrections are necessary. When this has been done, they will be submitted to the Committee for final adoption. They relate principally to the manner in which certain testing methods should be employed, and to technical delivery terms which are universally accepted. They also include a number of definitions.

As regards the international classification of the various types and grades of hard coal, the U.N. Economic Commission for Europe recently concluded its proceedings in Geneva. The High Authority took these as a basis for drawing up a classification of the types and grades of hard coal produced in the Community, which will be published in the near future.