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MEASURES TO BE TAKEN BY THE COMMUNITY IN 1980 TO COMBAT THE CRISIS IN THE IRON AND STEEL INDUSTRY

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I. ANALYSIS OF THE SITUATION AND GENERAL GUIDELINES

1. All the measures which have been put into effect by the Commission in the iron and steel sector since 1977 with a view to combating the crisis situation have been aimed at certain objectives, i.e.:
 - to ensure that the undertakings enjoy financial conditions that permit them to make a proper contribution to the financing of their restructuring with their own funds;
 - to point this restructuring towards the general objectives laid down by the Commission;
 - to take responsibility for the social repercussions of restructuring.

2. Internally, a balance sheet of the results at the end of the third year of operation of the programme shows that the progress achieved towards these objectives varies, especially if a distinction is drawn between long products and flat products.

However, whether from the point of view of the market or restructuring, developments have certainly been positive and the situation with which the Community iron and steel industry is now faced is better than it was three years ago.

An analysis of the trends in the various fields affected by the measures adopted under the anti-crisis plan leads to the following conclusions (see Annexes):

- (a) as regards the quantitative aspect of the market, the constraints of the delivery programmes have helped to re-establish a better balance between the supply and demand of various products in the Community, especially with effect from the last quarter of 1978.

The compliance of the undertakings with the targets given by the Commission has become more and more strict and has permitted a consolidation of the market, notably in the long products sector.

- (b) The better quantitative situation on the market is reflected in the internal price levels.

Market prices in the long products sector have increased markedly and, in some instances, are now at the level of the guide prices.

The prices situation in regard to flat products, especially in regard to coils, is less satisfactory. Despite the increases which have occurred, the level reached by these prices does not offset the increases in cost that have also occurred in the meantime.

All through the crisis period, iron and steel production costs have continued to rise. The highest cost increases in 1979 were recorded for energy and scrap.

- (c) In the pursuit of the iron and steel policy, the Commission is always mindful of the need to supply European steel users at prices which enable it to meet external competition. A comparison of internal EEC prices with American and Japanese prices in mid-1979 revealed that the former are 5-15% below Japanese prices, and 4-10% below American prices.

- (d) Extensive rationalization measures, sometimes appreciably altering the production pattern of certain undertakings, are under way in all the Community countries, although at different rates. On the other hand, although the growth rate of production capacities has slackened since 1977, this has still not resulted in an adequate rise in rates of utilization.

The situation in regard to long products, especially in regard to reinforcing bars and light sections in general, has greatly improved, both from a quantitative standpoint and from the standpoint of the competitiveness of the plants.

By contrast, in the case of flat products, particularly coils and cut plates, a worsening of the imbalance between supply and demand is discernible.

- (e) The employment situation has undergone some improvements during the last two years. This is reflected, for example, in a considerable reduction in the numbers of employees affected by short-term working and in lost working hours. However, this is mainly the consequence of a constant decrease in the level of employment in the iron and steel industry, which must be progressively adapted to the production level. Hence, the structural adaptation of the production apparatus still has repercussions in the social sector and requires some measures of support.
- (f) The prospects for 1980 do not appear to be as good as those for 1979. The expected slowing-down of growth in the Community will also affect the iron and steel industry. It is expected that internal steel consumption and exports to non-member countries will fall; this will give rise to a drop in steel output which could be six million tonnes lower in 1980 than in 1979 (whereas 1979 saw an increase of 7.5 million tonnes over 1978).
- (g) From the above analysis it can be seen that the programme of anti-crisis measures could be made less strict in regard to reinforcing bars and merchant bars. However, the risk of the situation deteriorating in 1980 requires the Commission to create the means whereby these products could again be made subject to the previous constraints, as quickly as possible.

Needless to say the Commission will monitor market trends closely in order to be able to make the necessary diagnosis at any time.

On the other hand, a measure of constraint on the price of coils must be maintained without its being necessary for this measure to be subject to all the procedures in the present Decision.

Moreover, because of the imbalance which still exists between supply and demand and the risk of a further increase in this imbalance, it is important to maintain some voluntary constraints in the field of quantities by means of the delivery programmes.

Also, the programme of anti-crisis measures must enable the restructuring of the European iron and steel industry to be continued or even accelerated in 1980. At the end of 1980, the iron and steel industry should be able to be in a better position as regards quantitative balance and competitiveness.

3. Externally, the second year of operation of the measures adopted in December 1977 has given proof to their effectiveness. The main aim - to permit the level of prices in the Community to be firmer - has been achieved, i.e. the level of prices in respect of the majority of products being imported has risen by about 25% by comparison with the end of 1977.

On the other hand, the combination of unilateral measures (basic prices and anti-dumping rules) and Arrangements in a better international economic situation has led to a decline in imports into the Community in 1978, the first year of application of the Arrangements, by comparison with the two previous years. As regards the first half of 1979, Community imports from non-member countries which have concluded an Arrangement are comparable to those of 1978 (4.36 million tonnes as against 4.16 million).

Exports of Community iron and steel products developed favourably in 1978 and 1979. The tonnage exported in 1978 exceeded that of 1977 by 19 %; the level reached in 1979 will again be high, although the trend is tending to reverse.

Having regard to the improvement in the iron and steel sector from a worldwide standpoint and also from a Community standpoint and taking account of the progress of restructuring, there could be justification for thinking that the measures pertaining to the external aspect need not be extended. However, the prospects for 1980 are not very favourable. As a result of the energy problems and other cyclical factors, in the iron and steel sector in particular a reduction in consumption and exports must be expected. This would advocate a continuation of the present system.

However, it seems desirable to slacken some of the tie-ropes. This will prove necessary in order to avoid any risk of crystallising protectionist tendencies, which would not be in the interest of the Community, the world's second largest steel exporter.

II. INTERNAL ASPECTS

PROGRAMME OF ANTI-CRISIS MEASURES FOR 1980

1. - Pricing policy.

A. - Minimum prices

As regards reinforcing bars and merchant bars, the measures adopted by the Commission, the improvement in demand and the advance made in restructuring have substantially changed the market situation.

The output of these products in 1979 has risen distinctly in relation to previous years. This increase is due to the growth in internal demand resulting from a cyclical improvement in the building sector and to the increase in exports on the world market. This positive trend has given rise to a fairly large increase in the prices of these two products within the Common Market and on the world market.

This increase in prices has exceeded the increase in production costs and has therefore helped to improve the financial position of the undertakings.

Hence, the conditions governing a state of crisis laid down by Article 61 now no longer exist. However, some reductions in list prices by a few of the smaller producers has been noted since October. As regards export prices, some weakening has also been noted quite recently.

It cannot therefore be ruled out that this weakening will become more marked in 1980 and that the market position of these products will again become critical.

There is therefore a real risk that the conditions stipulated by Article 61 will arise again in 1980.

The risk of such a downturn and the possible rapidity with which the position could deteriorate have now induced the Commission to bring up to date, in cooperation with the enterprises and associations, the studies prescribed by Article 61 and to proceed to consultation of the Council and the Consultative Committee on the re-introduction of minimum prices in respect of reinforcing bars and merchant bars during the first half of 1980.

In these consultations the Commission will indicate the hypothetical situation and all those elements which, in the opinion of the Commission, would justify such a measure and the level of minimum price which it would propose to fix in the event that the hypothesis is realised. These elements are the same as those on which the introduction of minimum prices was based, namely :

- the fall of market prices below the ruling minimum prices;
- the reduction of the rates of capacity utilisation below the 1977 level;
- and the imminent risk of substantial redundancies in an essential part of the steel industry.

If the situation described above should occur during the first half of 1980, the Commission will inform the Council and the Consultative Committee and take the decision eight days later.

As regards coils, a sector for which the results on the level of restructuring are completely unsatisfactory, a distinct increase in output and a fairly modest improvement in prices have been noted. The rise in production costs has been higher than the improvement in prices. The financial result obtained is therefore not satisfactory.

The advance in the price of coils is mainly due to the anticrisis measures, i.e. peripheral measures and minimum prices.

The current situation is therefore not as stable as desired; the market remains fundamentally in a position of serious imbalance.

As is shown by the forecasts for 1980, a distinct weakening in the flat products sector is to be expected.

The Commission therefore proposes that a minimum price should be maintained for coils in 1980.

The new Decision will be similar to the existing one with the exception of Article 2(5), which relates to certain contracts for deliveries of wide hot-rolled strip for re-rolling or the manufacture of cold-rolled tubes or sections.

The Commission would not intervene in such transactions. It would prefer to leave the task of negotiating the price terms relating to these transactions in the hands of the producers and users.

However, the Commission will require the iron and steel undertakings to inform it of the contracts that have been concluded, together with the prices and the quantities delivered each month, so that it can check whether these prices conform to the rules of the ECSC Treaty and assess whether the trend is in line with the objectives of the Treaty, especially the objectives of Articles 2 and 3, and the policy of price improvement.

The minimum prices relating to coils will be published in the national currencies.

As regards the price levels, a continuation of the present level is proposed.

On the other hand, to correct a trend which runs counter to the objectives laid down for reducing capacities and concentrating production in the most efficient plants, the Commission needs reinforcement of its powers, both of inducement (interest rebates) and of dissuasion (non-transferability of aids), and closer liaison with industrialists and governments.

B. GUIDANCE PRICES

The trend in prices in 1979 has been characterized by an appreciable rise in respect of the long products. On the other hand, the price rise in respect of the flat rolled products has been fairly modest, not to say insufficient. It is feared that the drop in demand will again exert heavy pressure on the level of iron and steel prices in 1980. It is therefore desirable to publish some guidance prices for 1980 relating to the same products for which the Commission has published guidance prices in the past.

The 8-9% increase in the manufacturing costs of rolled products between September 1978 and September 1979 and the continuation of cost increases require the guidance prices to be increased.

However, this increase need not be uniform. It should take account of the manufacturing cost structures of the various iron and steel products and the market conditions.

Hence, the result is an increase in guidance prices of:

- 2% in respect of sheet and coils;
- 3% in respect of strip mill plate, reversing mill plate and narrow strip;
- 6% in respect of reinforcing bars;
- 7% in respect of wire rod, Category 1 merchant bars and Category 1 sections;
- 8% in respect of Category 2 merchant bars and Category 2 sections.

2. COMPLIANCE BY DEALERS WITH THE PRICING RULES

The involvement of dealers in the pricing rules represents an essential element in the programme of anti-crisis measures which has enabled the Commission to exercise greater discipline over the market and to monitor the prevailing prices. Nevertheless, the involvement of dealers in complying with the pricing rules should be limited to those sectors where the Commission has evidence that the conditions provided for under Article 61 continue to apply. Accordingly, the dealers' involvement is limited to coils and coil derivatives, i.e., hot sheet and strip.

If during the 1980s the Commission were to decide on the reintroduction of minimum prices for concrete-reinforcing rounds and merchant bars, steps would have to be taken to reimpose compliance by the dealers with the pricing rules governing these two products.

The decision involving the dealers in price compliance requires an unanimous Council Decision based on the first paragraph of Article 95.

3. DELIVERY PROGRAMMES

Since the introduction of the new method in the last quarter of 1978 there has, in general, been a noticeable improvement in compliance with the delivery programmes. A feature of the new method is a more efficient level of burden-sharing and more accurate monitoring of production and forecasts.

In view of the abovementioned uncertainties surrounding the current situation and the prospects for the future, on the one hand, and the need for accelerated restructuring, on the other, continuation of the delivery programmes is essential. However, starting from the

first quarter of 1980, provision has been made to exclude concrete-reinforcing rounds from these programmes because of improved market conditions and the restructuring progress already achieved. They will be reintroduced if the Commission adopts a new minimum-prices decision on concrete-reinforcing rounds.

4. MINIMUM-PRICES CONTROLS

a) Certificates of conformity and statistical certificates

The obligation incumbent on firms and dealers to send certificates of conformity with their deliveries of hot-rolled wide strip should be extended, since this product is still subject to minimum-prices rules.

As regards concrete-reinforcing rounds and merchant bars (products for which minimum prices have been suspended), certificates of conformity will be replaced by statistical certificates the model of which will be similar to certificates of conformity.

b) Partial involvement of dealers on a provisional basis

Pursuant to the decision taken under Article 95, it will be necessary to subject dealers to price controls and the issue of certificates of conformity for hot-rolled wide strip.

Since minimum prices have been suspended in the case of concrete-reinforcing rounds and merchant bars, the obligation incumbent on dealers to draw up certificates of conformity and to submit to controls will be totally suspended.

c) Stepping-up of inspections

The checks carried out on producers of wide strip and dealers in this product should be stepped up both on the basis of the certificates of conformity and by means of on-the-spot inspections (Article 61).

On the basis of Article 60, monitoring of the application of the prices of products subject to guidance prices will be intensified at the level of the producers.

d) Position with regard to penalties

See annex.

5. RESTRUCTURING

As far as investment projects are concerned, even though they are fewer by comparison with the intentions declared over the past few years, information supplied by the companies suggests that the cuts are not yet sufficient to clear up the problems of overcapacity. As regards crude steel and long products, the situation is tending to improve despite surpluses of capacity which, in some cases, are still considerable. As for flat products, on the other hand - and, in particular, coils - production capabilities are continuously growing, notwithstanding the extent of the new capacity set in train since the beginning of the crisis⁽¹⁾. Unless the projects are reviewed in the very near future, a deterioration in the quantitative imbalance affecting these products is inevitable.

In this context, the Community rules on aid to the steel industry, on which the Council has recorded its agreement in principle, and also the restructuring criteria assume considerable importance. These criteria, the essential aim of which is to improve the profitability of the steel industry, involve close cooperation among the Commission, the governments and the companies.

In view of the scale of the necessary investment, the restoration of the steel industry's competitiveness must as far as possible be aided by means of interest rebates.

Investment projects for 1980 in respect of which interest-rebate applications have been made, require funds already amounting to 64 million EUA, but the Commission feels that this figure can be reduced to about 43 million EUA through the application of very strict criteria and the implementation of various harmonization measures⁽²⁾.

(1) The production installations for coils existing in 1978 would already be adequate to meet the demand estimated in the General Objectives for 1983. On the basis of the latest available figures for 1983 the excess capacity for coils could reach 10 million tons, the highest amount for any of the specified products.

(2) This amount of 43 million EUA includes the interest rebates for certain coal and steel investments. For the latter, application follows on the basis of information published by the Commission (O.J., 25.11.1974, C. 146/1, and 22.7.1977, C 174/1).

As far as reconversion is concerned, requirements for the year in question will also amount to 43 million EUA.

The ECSC budget can provide only part of the 86 million EUA necessary for interest rebates for 1980 and an application will therefore have to be made for a supplementary amount of 70 million EUA.

6. SOCIAL ASPECTS

The rationalization moves currently afoot, whether they concern the closure of plants or the improvement of their competitiveness, involve what is at times a wide discrepancy between lay-offs in the steel industry and the practicable temporary or permanent redeployments. In the light of these circumstances the Commission has sent the Council a draft Decision containing a proposal for financial participation by the ECSC, over and above the conventional intervention measures, in temporary measures of an exceptional nature designed to benefit the steel industry. Such a participation would apply provided that the autonomy of decision of the social partners is not infringed and that a boost to employment could be achieved without harming the competitiveness of enterprises. These measures would have the following character:

- early retirement of workers who are at least 55 years of age, or of workers under 55 years of age if they have been engaged in work of an arduous nature;
- assumption of partial responsibility for the loss of wages resulting from measures aimed at phasing out jobs or overtime;
- payment of special allowances for the partial covering of additional wage costs incurred by reason of reorganization of the labour cycle.

During the examination of the draft EEC Budget the European Parliament has inserted a credit of 100 million EUA designed to furnish a contribution of the EEC Budget to the ECSC to finance the new temporary social measures associated with the restructuring of the steel industry. This signified the political will of the elected Parliament to see the establishment of specific social measures in favour of workers affected by the restructuring of the steel industry.

These measures would seem indispensable to the solution of the employment problems which the restructuring of the steel industry creates or aggravates. They are adapted to the characteristics of the working conditions in this sector and to the development of employment in the regions concerned. Finally, these measures have already achieved a very wide consensus between the interested organizations (trade unions, employers and consumers) in the ECSC Consultative Committee. Moreover, the establishment of these measures constitutes an essential element for an effective participation of the all social partners in the restructuring of the steel industry.

7. RESEARCH

The structural crisis which the European steel industry has been going through for the last few years has made it necessary to draw up new guidelines for the Community-financed research programme, so as to ensure that the limited budgetary resources are put to the best use and that they meet the technological priorities and economic exigencies of the situation. It is clear that the future viability of the European steel industry will depend on its ability in the future to attain the highest standards of competitiveness. Technology will play a key role in this task of restructuring and re-organization.

Improved competitiveness being the goal, it has been decided that future research should concentrate on three main objectives:

- to cut down production and manufacturing costs (mainly with regard to energy) and develop productivity;
- to improve the quality of products in every aspect;
- to improve the performance of each product and extend the range of uses for steel.

8. SCRAP

The economic situation and current economic trends are not such as to require strict rules on Community scrap exports of the type introduced following the unanimous agreement of the Member States in 1953.

The magnitude of the problem of supplying scrap for the modern steel industry, and in particular for the Community, shows that the current moves to dismantle all Community controls in this area are somewhat rash.

Given these circumstances a renewed attempt can be made, as part of a general reshuffle when the new anti-crisis plan for 1980 is discussed, to secure, on the basis of appropriate consultations, a flexible and reasonable compromise solution.

Such a solution is the subject of the memo annexed hereto.

III. EXTERNAL ASPECTS

In so far as the internal policy contains elements which tend gradually to restore normal market conditions, the external aspects will have to be adjusted along similar lines.

The machinery of the external system, namely the system of basic prices, Arrangements based on compliance with internal delivered prices and on the maintenance of traditional patterns of trade, and the surveillance of imports, will remain in operation, although it will undergo modulations depending on the target objective.

1. SYSTEM OF BASIC PRICES

1.1. Basic prices are currently being reviewed with the object of bringing them into line with the cost variations recorded in the reference countries. Publication of the new prices is expected with effect from 1 January 1980.

1.2. Similarly, it has been found that the setting of basic prices for semi-finished products (blooms, billets, sheet bars and slabs) is no longer justified, in view of the type of product and the non-comparable nature of the operations. Furthermore, these products are used for the most part by the steel industry itself, so much so that the constraints imposed by the supplier countries can be replaced by a system of constraints imposed by the industry.

As regards special steels, the maintenance of basic prices is under review. A certain number of the 14 positions currently covered together represent only a small proportion of the Community's total imports of special steels. Nevertheless, the sensitivity of some of these products must be borne in mind, irrespective of the quantities involved.

Moreover, this review will have to take into account the fate which will befall these products under the US trigger-prices system.

2. ARRANGEMENTS

2.1. Geographical coverage

The countries with which the Community concluded arrangements in 1979 have regarded the operation of these arrangements as generally satisfactory.

2.2. Product coverage

2.2.1. As was stated earlier, it is desirable for there to be some consistency between the list of products subject to basic prices and the list of products covered by the quantitative aspects of the Agreements.

2.2.2. A consultation clause should be included in the Arrangements regarding ECSC products that are not covered by the basic prices or the quantitative provisions of the Arrangements.

2.2.3. In this manner, all ECSC products are covered for the countries with which the Commission concluded an Agreement. Should ECSC products not be covered by the quantitative provisions of the Agreements, the abovementioned consultation clause will enable any problem arising to be discussed. Community monitoring also enables permanent observation to be exercised.

If necessary, anti-dumping measures could be adopted on the basis of the Commission's anti-dumping Recommendation (329/77/ECSC).

2.3. Quantitative aspects

2.3.1. The system should be kept in force in its present form:

- reference to traditional trade patterns with the EFTA countries;
- exact quotas drawn up for the whole of the Community with regard to the other free market economy countries;
- exact quotas with regard to the state-trading countries broken down by Member State and, in certain cases, by product category.

2.3.2. The reference year selected by the Council (1976) should be maintained as the reference year for the traditional trade patterns. However, as regards the non-EFTA countries with market economies, a re-examination, case by case, of the quantitative assessments should be made.

4. SPECIFIC CASES OF THE APPLICANT COUNTRIES

4.1. The cooperation to be implemented with Greece and the two applicant countries, Spain and Portugal, will require a reference to be made to their special status in the preamble, and the "acquis communautaire" to be applied smoothly immediately on accession. Specific regular consultations will be established to that effect.

4.2.1. Greece

Since Greece will become a Member State on 1 January 1981, it is no longer desirable a priori that it should continue to be treated simply as an applicant country.

The best solution would therefore be to begin talks with the Greek authorities in order progressively to subject the Greek steel industry to the discipline required of producers within the Community so that the transition may be made smoothly on the date of effective membership.

4.2.2. Portugal

Since this country has received the special treatment applicable to the EFTA countries, and the small volume of its steel exports to the Community has not caused any problems, Portugal should continue to be treated in the same manner as the other EFTA countries.

4.2.3. Spain

Spain, an applicant country, has become not only the Community's largest steel supplier but also the supplier whose impact on the Community market has been the greatest. The provisions of the 1980 Arrangements should more than suffice to take into account any demands from Spain for preferential treatment.

In the case of this country, it will be advisable to retain a consultation clause in the event of difficulties with products of first-stage processing.

In conclusion and in the light of the foregoing, the Commission requests the Council to record its agreement on the following:

- the Commission will propose, in line with the OECD Declaration, that all the countries which export steel to the Community conclude bilateral Arrangements with the Community involving price restraints aimed at avoiding any disruption of the Community market, which is organized on the basis of the Community's guidance prices and minimum prices. This can only be achieved if at the same time assurances are given as to the maintenance of the traditional trade patterns with reference to 1976, without ignoring the possibility of a drop in consumption in 1980;
- the Commission will regularly report to the Steel Liaison Committee on the progress in the negotiations; this Committee will discuss any problems arising in relation to the negotiations, with a view to finding solutions;
- important problems which cannot be solved by the Liaison Committee will be submitted to the Permanent Representatives Committee;
- the Commission will submit the texts of the 1980 Arrangements to the Permanent Representatives Committee for approval before signing them.

Moreover, the Commission requests the Council to take note of the fact that it reiterates the statements entered in the minutes of 30 January 1979 (T/1015/78, Part II, item 2) on the deadline for consultation and on indirect imports.

The Commission calls upon the Council to take a decision quickly to enable it to enter into negotiations without delay and thus to ensure that the measures already adopted are prolonged without interruption.

GENERAL POLICY CRITERIA FOR RESTRUCTURING
THE COMMUNITY STEEL INDUSTRY

1. The General Objectives "Steel" laid down by the Commission forecast the development of demand in the medium term by major product category and the production capacity needed to meet this demand. They represent the general reference framework for the activity of the Commission and all the sectors concerned.

The general situation requires a global reduction of production capacities aimed at a better structural adaptation of enterprises to market conditions.

2. The Commission will see to it that the entire steel industry participates equitably in this effort of adaptation, taking account particularly of social and regional problems.

In this context, the Community anti-crisis plan and the actions carried out by the Commission to restructure the iron and steel industry are aimed at:

- avoiding any aggravation of existing imbalances by limiting to the strictly necessary the installation of new capacities, given the likely development of demand for individual products;
- to avoid that the restructuring measures lead to the transfer of imbalances from one product category to another;
- improving the competitiveness of undertakings by reducing their costs, increasing their productivity and improving product quality;
- to optimise the supply patterns by developing cooperation, possibly transnational, in all cases where such an approach seems desirable and remains compatible with the provisions of Articles 65 and 66 of the ECSC Treaty.

3. When it issues its opinion on investment projects on the basis of Article 54, the Commission will pronounce on their conformity with the principles of the Community steel policy. In its appraisal of State aids granted to steel enterprises, the Commission will make sure that such aids fit into the framework of those principles and opinions. Similarly, in its appraisal of State aids to steel enterprises it will take account of these principles and opinions.

4. The problem of restructuring must, therefore, be looked at from two points of view:
 - the application of general and technical policy criteria for the restructuring of plants;
 - the establishment of closer Commission-government-industry consultation.
5. The criteria which the Commission intends to take as its basis for restructuring must be flexible, not just because of the diversity of existing industrial configurations, but also because of the investment strategies adopted by the management of the undertakings. The undertakings must be able to adapt their structures to new requirements by favouring the development of certain products as a function of market trends.
6. Restructuring is pointless unless it ensures that the European steel industry is viable in the long term, i.e. provides it with a high enough level of profitability for it to keep its plant up to date and to improve its financial structures.

Although low rates of capacity utilisation are not the only reason for the lack of profitability of undertakings, they are, nevertheless, one of the basic reasons, and in particular because of the large proportion of fixed costs per tonne this involves together with the current low level of prices. In this context, investments for restructuring must, as a matter of priority,

- improve the competitiveness of plants by reducing the production costs involved, irrespective of the utilisation rates they are obliged to employ,
- to increase plant productivity, as long as this increase does not result in a rise in the capacity of the undertaking or group with respect to the whole range of rolled products.

7. The growth in production capacity for certain items which will result from this will require permanent consultation between the Commission, the governments and the management of the undertakings with a view to creating the synergies which are necessary for the long-term balance envisaged in the General Objectives.
8. The Commission will set going as quickly as possible the consultation procedure on the maximum production possibilities announced by the enterprises both for crude steel and for the principal categories of products. It remains to be seen in what cases and for what products existing capacities and those planned for by the undertakings will exceed demand in the long term.
9. What is required, therefore, is
 - on the one hand, that investment plans submitted by the undertakings to the Commission indicate precisely the place of the project in the undertaking's development strategy,
 - and, on the other hand, that State aids to the steel industry can be appraised in the overall context of the beneficiary and of the Community.
10. To ensure the coherence of all restructuring projects, the Commission must have the plans envisaged by the undertakings for the period covered by the latest investment survey, i.e. 1982, by 30 June 1980.
11. The Commission will be limiting aid and loans from the Community to projects which contribute to the restructuring of undertakings in line with the objectives and procedures thus defined.