

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(87) 640 final

Brussels, 26 November 1987

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

AMENDING COM(87)388 FINAL/2 OF 17 SEPTEMBER 1987

- STEEL POLICY -

I. On 29 October 1985, acting on a proposal from the Commission, the Council decided to terminate the system of quotas established pursuant to Article 58 of the ECSC Treaty after a transitional period not exceeding three years, with the last year (1988) constituting a period in which the system would be considerably relaxed. The intention was that the steel industry should take advantage of this period to complete its restructuring, since the Council and the Commission recognized that the worst of the crisis was over.

For its meeting on 21 September 1987 the Council had received a Communication from the Commission proposing that the quota system should be extended for a period not exceeding three years, together with closure incentives, for product categories Ia (hot rolled coil), Ib (cold rolled sheet), II (plates) and III (heavy sections), on an updated basis.

The Council agreed with the Commission that the quota system could only be extended if the steel industry was prepared to give undertakings concerning the elimination of excess capacity. The Council called upon the Commission to appoint Three Wise Men to ascertain what concrete assurances the industry could give.

II. The Three Wise Men carried out their task between 10 October and 15 November 1987.

It emerged that the industry was not in a position to contemplate satisfactory restructuring arrangements or to give undertakings in this connection. Furthermore, the possible arrangements proved to be to a large extent independent of the continuation of the quota system.

The industry has openly admitted that there is at present no state of manifest crisis in the case of category Ia, which is by far the most significant - and Commission statistics show that the same applies to category Ib. However, the industry justified its request that the quotas should be continued by invoking the risk that competition might be distorted by the subsidies which might be granted to several companies in infringement of the strict Aids Code (Decision 3484/85/ECSC) operated by the Commission from 1 January 1986. The Commission, which is bound by the Treaty, cannot but note that the quota system is linked to the existence of a manifest crisis, characterized by a reduction in demand necessitating a reduction in capacity, whereas infringements of the Aids Code must be dealt with by other means for which provision is made in the ECSC Treaty.

III. a) In these conditions, the Commission cannot but note that the acceptable state of affairs allows a shortening of the transitional period envisaged in 1985 for categories Ia and Ib. It foresees the ending of the quotas for these categories on 30 June 1988.

b) With regard to categories II and III, in line with its Communication COM(87)388/2 final of 17 September 1987, the Commission is ready to consider an extension of the quotas until the end of 1990 if the following conditions are met:

- by 15 December 1987, it will have clear indications of the willingness of firms to undertake a sufficient reduction in capacity;

- by 15 March 1988, it will have received guaranteed undertakings to reduce production capacity by at least 75% of the surplus the Commission deems to exist.

In the case of these conditions not being fulfilled for one of these categories, quotas will end for that category on 30 June 1988, as for the categories Ia and Ib.

c) For the category - or categories - for which the quota system will end on 30 June 1988, the Commission will allocate to firms quotas for the second quarter of 1988 some 2.5% higher than would correspond to a market assessment to prepare for the return to the free market.

d) In setting up the quotas for 1988 - and possibly subsequent years - the Commission will no longer propose to legally base the system on ECSC Article 5862, as the Three Wise Men had noted the modest influence of purchases and sales of quotas on the process of restructuring.

e) Finally, the Commission upholds its decision to liberalize categories IV (wire rod) and VI (merchant bars) as of 1 January 1988.

IV. The Commission nevertheless urges the Council rapidly to approve the social and regional measures set out in COM(87)388/2 final of 17 September 1987, concerning steel policy, including their budgetary consequences and, if necessary, the transfer from the EEC budget to the ECSC budget. It would point out that the employment situation which prompted these proposals is to a large extent independent of the maintenance of the quota system: the figures now available concerning job-shedding envisaged by the industry over the next few years unfortunately indicate that the estimates contained in the Communication in question were not too high.

Whatever the industrial policy decisions taken, the Council should therefore give top priority to examining the RESIDER programme and the social measures proposed by the Commission which are an integral part of the above-mentioned Communication; the social and regional measures are essential components of Community steel policy. If the Council does not rapidly approve the proposals put forward in this connection the Commission will not be prepared to implement any extension of the quota system after 31 December 1987.

- V. In conclusion, the Commission wishes to modify the first indent of the proposals at the end of its Communication COM(87)388/2 final. It requests the Council to give its assent to the extension of the quota system beyond 31 December 1987 for categories Ia, Ib, II and III under the condition noted in point IV (agreement on the accompanying measures).

The quota system will be extended until 30 June 1988 and possibly until 31 December 1990 for categories II and III, providing that the conditions noted in point III are met.

COMMUNITY STEEL POLICY

ANALYSIS AND RECOMMENDATIONS

REPORT DRAFTED AT THE REQUEST OF THE
COMMISSION OF THE EUROPEAN COMMUNITIES

U. COLOMBO

H. FRIDERICHS

J. MAYOUX

**Mr K.-H. Narjes, Vice-President of the
Commission of the European Communities**

Dear President,

On 8th October 1987, the Commission gave us the mandate to find out if, in the three categories of steel products for which it could envisage production quotas being maintained (given that such quotas would all be abolished in 1988 for the other categories), steel companies are ready to make undertakings for a sufficient and rapid reduction of the production capacity which the Commission judges to be excessive.

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After examination and consultations undertaken over an extremely brief period, we come to the conclusion:

- that the excess capacity for the three categories taken together is more than 16 million tonnes;
- that companies are not ready to make corresponding undertakings, and this is for a variety of reasons (although autonomous plans to reduce capacity might be seen over the coming months), but that they request nevertheless, almost unanimously, that quotas be maintained;
- that quotas must therefore, here as in other product categories, be abolished.

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However, it has appeared necessary to us to take the precaution:

- 1) of making the companies and the Member States concerned face their responsibilities, by offering them a concrete procedure to begin and agree autonomous or collective plans for rationalisation which could lead to a sufficient volume of capacity reduction;

- 2) of noting that the offer of a time-scale necessary for this action to be undertaken must not leave the slightest doubt as to the determination of Community authorities to eliminate a quota system which was conceived to ensure security for the carrying out of restructuring operations, but which, contrary to the intentions of those who conceived it, could actually compromise the efforts necessary for rationalisation, a system which, in addition, at least in the case of Category Ia, even in the opinion of the companies, could not be based on a state of manifest crisis;
- 3) of progressing to the elimination of quotas by increasing them automatically by 2.5% each quarter, starting with next April, to favour the transition towards a free market, whilst having, at the same time, the possibility of dropping this automatic mechanism for a category in which the Commission has received the required assurances in time;
- 4) of being much more rigorous in the granting and the surveillance of aids, by putting into operation a preventative measure, by only authorising the payment of agreed aids after the fulfilment of the conditions accepted by the Member States and the companies, and finally by classifying as aids indirect assistance which is not exactly provided for in the current interpretation of the aids code.

Action by the Commission in the field of aids is doubly necessary in order to encourage, here also, the rapid taking of the necessary industrial decisions, and the taking away of justifications or pretexts for the maintenance of quotas: it is, in fact, imperative to ensure that aids are used strictly for restructuring, and do not bring about any new distortion of competition.

We remain at your disposition for any further clarification that you may wish to have of our work.

We remain,

Yours faithfully,

U. COLOMBO

H. FRIDERICHS

J. MAYOUX

cc: MM P. SUTHERLAND, Commissioner
A. MATUTES, Commissioner

A N A L Y S I S

I. On 15 October the Commission instructed us:

- "1. to obtain the clearest possible information on plant closures which might be made during the three years of the quota system and on the categories of products which would be affected, in line with the restructuring objectives set by the Commission
2. to report on the conditions set by steel enterprises for the achievement of the possible closures which had been identified
3. to submit the results of our work by 16 November to the Member of the Commission responsible for the steel industry and the two Members of the Commission who also belong to the Commission's Steel Group."

II. In order to carry out these instructions, we contacted the largest manufacturers of products in Categories Ia (hot-rolled wide strip), II (heavy plate) and III (heavy sections).

We also contacted those government authorities who wished to be consulted.

Because of the limited time at our disposal, we concentrated primarily on Category Ia, II and III products, partly for the following reasons:

- these are the only categories for which the Commission proposes a possible extension of the quota system for the next three years.
- long products in Categories IV (wire rod), V (concrete reinforcing bars) and VI (merchant bars) are manufactured by a large number of companies, most of them relatively small, and there are wide differences in quality and operating efficiency; hence free market forces should serve to select and reduce capacity in Europe as far as is necessary.

- on the other hand, flat Category Ia and II flat products and Category III products are generally produced by large integrated steelworks, and the share accounted for by smaller companies is now only marginal (except for small sections - see point IV). For products of the same quality the difference in operating costs has become relatively small. Moreover, private companies fear that once the quota system has been dismantled, if the serious overcapacity problems continue, public undertakings, or at least the weakest of them, may receive aid unjustifiably, and this would undermine the rules of fair competition.

Some manufacturers would have liked us to extend the scope of our analysis to Category IV, V and VI products. The solutions for the restructuring of flat and long products are indeed related, and in the short term it would seem easier to use a combination of market forces and closure incentives to achieve restructuring in the light long products sector, where restructuring is urgently needed.

However, for the reasons set out above, we have limited our analysis to the major problems affecting manufacturers of Category Ia, II and III products.

Lastly, following the same line of thought as the Commission, we have concentrated mainly on possibilities of closures at the hot-rolling stage, even though we are conscious that further rationalisation will also be required at the production stages upstream and downstream.

III. Steel production is divided very unevenly between the three product categories which we investigated: in the last twelve months, production figures in the Community of Ten (excluding Spain and Portugal, which for steel purposes are subject to transitional arrangements) were in the order of 50 million tonnes of hot-rolled coils, a little more than 8 million tonnes of heavy plate, and in the order of 7 million tonnes of sections.

According to the Commission's forecasts, the scale of production in these same Member States should decrease in 1990 to 48 million tonnes (Category Ia) and 6.5 million tonnes (Categories II and III) respectively; for the Community of Twelve (including Spain and Portugal) these figures would reach 52 (Ia), 7 (II) and 8 (III) million tonnes. Manufacturers broadly agree with these production forecasts.

IV. On the other hand, (*) most manufacturers considered that the Commission's estimates of excess capacities in the Community of Ten by 1990 (assuming no closures), at 10 million tonnes for Category Ia, 6 million tonnes for Category II, and 3.5 million tonnes for Category III, were over-estimated, especially for Category Ia.

The producers adduced several reasons for this view, including:

- the immediate economic climate has turned out better than expected;
- real production capacity (expressed as MPP) is smaller than the Commission's figure, particularly because in recent years the thickness of the final product has been reduced and the proportion of special steels has considerably increased, which makes the earlier MPP estimates overstated, despite some easing of bottle-necks and modernisation;
- despite obvious overcapacity, there are sometimes difficulties in obtaining supplies of hot-rolled coils.

There is no doubt that the improved trading conditions over the last few months in the Community, especially in the automotive industry, together with an easing of pressure from major competitors on the Community and world markets, have helped European manufacturers to form this opinion. But these are merely short-term considerations. We consider that to restore the market to health demands a substantial reduction in capacities close to the Commission's estimates, for the Community not counting Spain and Portugal. Including Spain and Portugal increases the Community's excess capacities for Category Ia products by at least 1 million tonnes.

V. Against these findings, we have to report that we have not obtained firm commitments on a large enough scale from the companies, especially for hot-rolled wide strip (Category Ia). This attitude is certainly influenced by the encouraging short-term situation referred to above: most of the undertakings state that they are making profits in this sector.

(*) Excess capacities have been calculated against present capacities (maximum production potential, MPP) of 70.5 million tonnes in Category Ia, 14.2 million tonnes in Category II, and 11.7 million tonnes in Category III, and assuming an average utilisation rate of 80%.

In this situation, undertakings would come up against major difficulties both in obtaining agreement from their shareholders for stopping or reducing output, and in justifying closures to the trades unions and to the national and regional authorities. Moreover, almost all the private undertakings concerned have only one wide strip mill and its closure would drive them out of this market altogether.

Several undertakings, in which the State is the main shareholder, have stated that any action by themselves to reduce wide strip capacity would depend on reductions of a comparable order of magnitude in other Member States, which would weaken political and social opposition to such closures. In any case, all the producers consider that substantial closures - which they can not define at the moment - would not be possible for another two or three years.

As a result, it has been impossible to obtain any precise commitments for closures in Category Ia, by far the largest of those we examined, although a few projects were mentioned.

- VI. The scale of excess capacity in the sectors of heavy plates and heavy sections (**Categories II and III**) can not be denied. There are many undertakings for which these sectors are no longer profitable, and several of them are considering ways of withdrawing from the market, or at least reducing output and losses

Here again, we have nevertheless been unable to obtain a satisfactory amount of firm and precise commitments. Even considering that a large proportion of reversing mill plate can also be produced on wide strip mills, which involves a close connection with Category Ia and therefore requires complex decisions by some undertakings, the producers seem to us to be adopting a short-term position, and seem not to be fully aware of the seriousness of the problem of excess capacity.

Similarly, we found the response of the major producers of sections (Category III) inadequate. We are aware that this category is not homogeneous and should be regarded as the aggregate of two sub-categories:

- on the one hand, small sections (medium-quality products) can be manufactured by the electric arc route, just as well as in integrated plant. In this sub-category, the Commission could also have proposed allowing market forces to solve the problems of competition between the two production methods by forcing the disappearance of the less competitive producers.

- on the other hand, large sections are mostly manufactured by a very small number of large integrated producers. Here again, we consider that there is a real problem of overcapacity which some of these producers seem not to have taken on board, perhaps because a large proportion of the output from the mills concerned is not subject to the quota system.

VII. Eurofer's proposed system for buying and selling quotas does not seem likely to have any major rôle to play (except perhaps for Category II): either the undertakings intend to keep for themselves the quotas released by closures, by allocating them to other plant, or else they make closures subject to obtaining from other undertakings quotas in one of the other categories. There are very few whose sole condition for closing plant is the purchase by other undertakings of the quotas released.

Although the large integrated undertakings have wanted the quota system to be continued, justifying it either as a defence against the influence of state subsidies, or as the only way of keeping prices at a level permitting restructuring, they have not supported the possibility of granting closure premiums from a fund made up of contributions from the undertakings, as proposed by the Commission. But some of them have said that it would be useful to consider, over and above the social and regional aids planned by the Commission, national aids to closures (including for installations upstream and downstream of the hot-rolling process). Such a decision would require unanimity in the Council.

D I A G N O S I S

VIII. The above findings prompt the following conclusions concerning the quota system:

1. The production quotas protect the Community's steel industry, but they overshoot the objective of providing a breathing space for effective and adequate reorganisation of production. While they do not actually prevent rationalisation from taking place, they go too far in softening the financial and commercial pressures to act quickly in order to adapt to the foreseeable market situation. Without assurances on a sufficiently rapid rationalisation, the continuation of quotas in principle can not be recommended.

2. The abolition of quotas, if it is decided upon, must provide as much incitement as possible. It must lead manufacturers to take industrial decisions, but must not itself overshoot its objective, taking into account in particular the risk of a weakening of external trade, due as much to economic developments in the United States and the rest of the world, as to the advent in the very near future of significant new production capabilities in developing countries.

IX. As far as State aid to companies is concerned, we must state that the Community is bogged down by an approach which is more legalistic than economic and does not give market operators the assurance of sufficiently equal and, when all is said and done, acceptable conditions of competition.

In this connection, it should be noted:

- that several State enterprises now have very low financial costs, or perhaps no financial costs at all, a fact which indicates that the aid granted has gone far beyond its objectives, being for undertakings in a difficult market situation, and which have had significant adjustment problems. This makes the aid recipients excessively optimistic and significantly reduces the immediate need to enter into arrangements with other companies in order to make joint capacity reductions.

- that it is not out of the question that the accounts of companies involved in a considerable amount of steelmaking activity will merely show a break-even situation for 1986, a fact which makes one reflect about the conditions in which consolidations or transactions with the group in which the steelmaking activity is included are carried out, and hence about the real results and the financing arrangements.
- that it is argued that it is up to the other companies to restructure, as the company in question has done its duty and is now in a healthy financial situation, while at the same time there is a refusal to pay the large fines due to the Community.
- that companies in the Community do not receive any support described as aid, but do receive considerable loans, to cover operating deficits, from banks (more often than not public ones) which do not seem to be unduly concerned about recovering the debts in question. When the time comes, and if the company can not pay the interest on these loans or if it has been decided, late in the day, to close it down, it can be expected that the Community will be asked to give its absolution for past errors.

However, the problem of aid is not inextricably bound up with the fate of the quotas. It is a problem which affects the companies' activities as a whole, and in fact often affects them more acutely in steel sectors which are not at present subject to quota restrictions under Article 58 of the Treaty.

If the Community authorities agreed to consider allowing requests for aid, they could only do so, therefore, on the basis of the situation of the company as a whole and not in relation to a particular product line.

Although it is undeniable that considerable efforts have been made to examine the situation of the companies and monitor State aid, and although the Commission's task vis-à-vis the Member States is a difficult one, the situation is not yet sufficiently clear.

It should be added that the Community must rapidly consider the case of Finsider. This major Italian public enterprise, which has made considerable investments as part of the development of the Mezzogiorno, must undertake in-depth reorganisation in order to ensure its viability and its future. This presupposes not only major industrial decisions but also special aid to offset its debts, which at present preclude any hope of a revival.

Unfortunately, it is not out of the question that other companies will also soon be in a very critical situation.

R E C O M M E N D A T I O N S

X. Preliminary remarks

- 1) Let us remember that the surplus capacity which must be shed in order to enable the Community's steel industry to adapt to the market in 1990 is very considerable, even if the present economic situation masks this fact to some extent.

In the Community of Twelve, where the industries of all the Member States are subject to the same regime, the problem of overcapacity will be aggravated by the fact that the temporary modernisation problems, reducing the production potential of Spanish steelworks, will have been resolved.

However, the transitional rules applying to Spanish and Portuguese companies make it impossible in the immediate future to involve them in the additional capacity reductions being asked of the Community companies which are subject to the quota system, in return its continuation.

Our estimates, for the Community of Ten, of the excess capacity in the various categories for which the Commission has proposed extending the system of quotas are as follows:

Category Ia (hot-rolled wide strip)	: 8 million tonnes
Category II (heavy plate)	: 5 million tonnes
Category III (heavy sections)	: 3 million tonnes

- 2) It is obvious that, having been protected by a quota system for seven years, and having become accustomed to the system being extended, the companies are not prepared to give adequate undertakings regarding closures in order to justify extending the system.

The five weeks of our mission were not long enough to get the steel companies into a corner over this.

- 3) However, in view of the international economic situation, it may be foreseen that the current situation of comparatively high prices will not last long, and it is certain that overcapacity will again weigh heavily on the market, forcing the steelmakers to restructure and close plants down.

The Commission must therefore act firmly, but with a sense of its responsibilities.

The current quota system can not be maintained unless firm undertakings are given by the companies on capacity reductions. On the other hand, if market forces are suddenly allowed to operate freely, the fall in prices which would undoubtedly follow could affect all companies, and hence make the proposed restructuring more difficult

- 4) The structural crisis in the European steel industry is not affecting all countries and all product categories in exactly the same way.

Where flat products and heavy sections are concerned, it should be remembered that there are two extremes, with, on the one hand, the disastrous financial situation of the Italian flat products industry is forcing it to pursue a much more selective and rigorous approach than hitherto. On the other hand, the structure of the German steel industry, which is largely private and more fragmented than in the other Member States, makes it necessary to organise the requisite restructuring on the basis of production and marketing agreements, and alliances or even mergers between the various producers. This restructuring process calls for rapid and constructive concerted efforts as part of an overall strategy. However, it must be noted that the financial situation of many of these companies, judged by the companies themselves to be satisfactory, does not always lead them to take this course in all cases where this would be desirable.

The state of the steel industries in the other European Community countries lies between these two extremes. The package of measures to be adopted must therefore take account of this reality, and allow the overall restructuring of the European industry to be carried out with appropriate means and with the required degree of flexibility.

- 5) There is no short-term possibility of restoring this sector to health, whether this be for financial, political or social reasons. While it is not out of the question that substantial progress can be achieved in the immediate future, we must look to the longer term for agreement between producers to make adequate closures. At all events, these closures must be anticipated so as to meet the deadlines. Companies should refrain from any investment in the plants in question and prepare for their closure by reducing production. These reductions could, for example, be obtained by reducing the number of shifts or by creating bottlenecks upstream so as to reduce the plants' maximum production potential.

But companies must not be tempted to think that these operations can replace permanent plant closures: on the contrary, they are temporary measures to prepare for the effective reduction of the number of mills and of unprofitable surplus production capacity, and to soften the harsh consequences of closures for the workers concerned by spreading these consequences over a period of time.

XI. Quota system

The following scheme is proposed for Categories I, II and III:

- 1) The Commission will calculate the production quotas for the Community market for the first quarter of 1988 (already sold for the most part) in accordance with the usual rules, i.e. the calculation will be adjusted to foreseeable market possibilities without any unusual degree of restriction.

This quota would then be taken as the definitive basis. The following three quarters of 1988 would be seasonally adjusted on this first-quarter basis, which would be frozen. The amount of the quotas would be based on these seasonally adjusted data and increased by 2.5% in the second quarter of 1988, by 5% in the third, by 7.5% in the fourth and by 10% in the first quarter of 1989, thus allowing for both a regular increase and seasonal adjustment. At the end of this period the quota system will be abolished.

- 2) The export production ceilings will be fixed on the present procedure and based on market assessment, as will be the quantitative provisions applying to third-country imports into the Community. There would be no change, at least for the time being, in relations with non-Community countries.
- 3) If, by 15 March 1988, the Commission receives guaranteed commitments to reduce capacity by at least 75% of the surpluses identified, it could decide to suspend permanently the quarterly increase in the quota and return to the present procedure of calculating the adjusted quotas quarter by quarter on the market possibilities, over the period up to 31 December 1990 at the most.
- 4) These provisions (automatic increases in the quarterly quotas and possible abolition) would be replaced by the permanent abolition of quotas on 1 January 1988, if, by 15 December 1987, the Commission has not received clear indications that undertakings are prepared to commit themselves to adequate capacity cuts.

5) Such an indication could result in a commitment to a large enough number of rationalisation projects proposed by steel undertakings to the Commission on their own initiative in agreement with one or more other undertakings following the same action. It is quite possible that enough rationalisation schemes will be put forward to make the Commission's objectives essentially feasible and realistic. These schemes, as well as the names of the undertakings concerned, would remain confidential. The schemes would be tested in the industry and then negotiated among the undertakings concerned.

As said before, if all the projects together make up a proposal for large enough capacity closures, the Commission could, at the appropriate time, i.e. at the latest by 15 March 1988, suspend its decision to automatically increase the quotas under Article 58 on the basis of the frozen first-quarter quota.

XII. Aids to undertakings

The aids code as it now exists should not be modified: any relaxation in its requirements could be taken by the producers as an incentive to less rigorous management. The fact remains that the Community will soon be confronted, as already said, with the case of at least one undertaking in an extremely serious financial situation.

In the event of a Member State being prepared to grant aids to save a company from bankruptcy, the Commission and the Council will have to take specific action (as there should be few such cases). As a rule, any application by a Member State to grant aids should be rejected; but if the Commission and the Council were to consider that a sympathetic response should be given, they should be guided by the following principles:

- they must require an independent survey to evaluate the minimum aid necessary and to frame a restructuring plan for the undertaking which includes substantial closures of excess capacities;
- they must stipulate that the aid may be granted only if the Member State and the undertaking are firmly committed to closing identified excess capacity under a very strict timetable;
- they must arrange for inspection of the use of the aid by the recipient undertaking to prevent it being used to undercut prices and increase market share;

- they must require that aid should not be paid to the recipient company until it has completed the restructuring programme. If, exceptionally, a Member State is authorised to grant aid before completion of the necessary closures, it must undertake to pay into the ECSC budget an amount equivalent to the aid granted if the conditions attached to the granting of aid are not met. At the same time, if the production capacity is still subject to quotas, the Commission should reduce the undertaking's quotas.

Given the importance of reducing overcapacity rapidly, the Commission and the Council could consider the possibility of giving special attention to such applications if they carry a commitment to close plant in the first six months of 1988.

The Commission should also step up its preventive action and make fuller use of its powers under the Treaty to carry out regular inspections several times a year of the financial situation of undertakings so that it can be alerted as soon as an abnormal situation arises. It could then promptly advise the company's management of the measures to be taken to avoid getting again into a situation where in the end it has to fall back on public funds.

XIII. Social and regional measures

It is essential that all the measures set out above should go hand-in-hand with a programme offering an adequate response to the social and regional problems which steel restructuring will unfortunately bring in its train.

We are accordingly asking the Council to give urgent consideration to the Commission's proposals in these areas. It is only through corrective mechanisms like those proposed by the Commission that measures to help in the redeployment of workers can be sustained.

It seems desirable that, whilst allowing for political and social differences between Member States, the Community and the national authorities should carefully consider how to give maximum impact to incentive premiums enabling workers in the steel industry who could lose their jobs to take up other occupations or set up in business on their own account

Urgent consideration should also be given to the RESIDER programme proposed by the Commission, whose aim is to launch new economic activities in the regions hit by the crisis.

The social and regional measures are the essential complement to any industrial restructuring effort by companies, and are absolutely necessary for such efforts to meet with success. Everything that the Community, the governments and the companies can achieve in this area will allow faster progress to be made towards the modernisation of the sector.

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As a final point, we must again emphasise the extreme gravity of the steel crisis, which is much worse than most in the industry admit.

This crisis demands a resolute and unequivocal stance from the Community authorities to make the industry face up to its responsibilities.

It is a matter of urgency that steel companies should be restructured to meet world competition and become fully competitive in a market which will be increasingly open.

We believe that the opinions presented here could be useful in encouraging the Commission, the national governments and the industry itself to take up their shares of responsibility in the strategic interest of an industry which is still vital to the economy and to European society.