EUROPEAN COMMUNITY

FOR COAL AND STEEL

BULLETIN

N° 3 Information Service, High Authority, Luxembourg, March 1954

COMMON MARKET FOR COAL : THE SECOND STAGE

During the last two months, the High Authority has been preparing the second stage in the transition from national policies to a fully effective common market for coal.

Last year, on 10 February 1953, it took the first step, prescribed in the Treaty, by taking over from the governments of the member states their powers to determine price policy ; by abolishing the frontier barriers to trade (customs duties, quantitative restrictions, etc) ; and by reducing the mass of subsidies and similar devices by which nations sought economic insulation or advantage against rival states.

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This year, by a decision which will take effect on 1 April, the High Authority has further reduced the subsidies. But it has become clear that further progress towards an effective common market will require a prior modification of the structure of the monopoly sales and buying agencies which dominate the market.

NOTES

(1) In Germany, the government raised the average internal pithead price by 8/- ($ 1.20) per ton - about 10 % - just before the establishment of the common market. This corresponded to the higher, double price then paid by non-German buyers , which remained unchanged. When the common market was established, however, the exclusion of the internal German turnover tax of 4 % from sales made outside Germany, diminished prices for non-German consumers. There were only minor variations in price in other countries in the Community.

In Belgium, the Community's equalisation fund, financed, half by the low cost coal producers (Germany and the Netherlands) and half by the Belgian Government lowered pithead prices on the average by 4/- (60 cents) or almost 4 %. This fund, available for 5 years only, permits Belgium's expensive coal to be sold on the common market while her coal industry is being modernised and tranformed to become competitive in the Community. The progress made in modernising the Belgian pits so far is at present being investigated by the High Authority.

The new situation created by the abundance of coal on the market points up this fact. In March 1953, price ceilings were fixed partly because of shortages of some major sorts of coal, especially coking coals for the steel industry, to prevent undue price increases (1). Today, there are no acute shortages and considerable pithead stocks exist in Belgium, France and, for coke, in Germany. The supply situation no longer justifies price ceilings being maintained.

Yet, if prices were formally freed, in fact, the power to fix them would simply be transferred to the national agencies. This power has always, in the past, been reserved by governments and cannot now be handed over to private organisations which have no responsability to the Community as a whole. For this reason, the High Authority has decided temporarily to maintain price ceilings after April 1st.

However, price ceilings which have applied since 15 March 1953 to most sorts of coal, will now be limited to the basins which set the general level of prices and produce the coking coals most needed in the Community. These are the Ruhr and, in France, the Nord et Pas-de-Calais.

The ceilings, for the Ruhr will be lowered by 3s 6d (50 cents) per ton mostly for industrial coals and metallurgical coke (a drop of about 4 % on the present price of these sorts). This cut is made possible by the almost total abolition of the discriminatory rebates made by the German coal producers to favoured groups of consumers (see page 10). The end of the rebates will result in increased receipts to the industry. These receipts are being redistributed to consumers generally, in the form of lower prices for industrial coals.

Price ceilings (which producers treat in practice as fixed prices) are to last as long as it takes to modify the national coal organisations. Preliminary discussions will be opened with the governments of

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(2) In the deep-mining conditions usual in Europe - pits often go down to 3,000 feet - it is normal for 10 years to elapse between the first boring of a shaft and the attainment of normal production rates. Current production is cut at short notice mainly by laying off labour. The recovery of such a loss of production is a difficult operation and the technical problems of increasing productive capacity quickly are practically insurmountable. The usual policy therefore is to maintain production as much as possible when demand is low, to make sure that it shall be adequate when the needs are high.

the member states, and with the interested trades unions and producers on the problems involved in the transformation or ending of the agencies. In particular, talks on the future of the German coal organisations, the most important in the Community, are expected to begin soon.

MONOPOLY SALES AGENCIES

The national monopolies have grown particularly strong in coal because of the inherent lack of flexibility of the industry in face of changes in demand, and of the close relation between production and employment. (2) Governments wished to maintain productive capacity at home, often for strategic reasons or as an insurance against periods of shortage when imports might cease. Trade unions were anxious to safeguard the level of employment. Producers sought to protect themselves by aligning prices on the more expensive among them, thereby tending to ensure extra profits to the cheaper ones. National policies based on these motives found their natural expression in the sales agencies and cartels which not only satisfied some of the inherent needs of the coal industry but helped to maintain production, sometimes literally, at all costs. Today, however, the activities of the agencies are often incompatible with a large common market where considerations of price can once more take precedence.

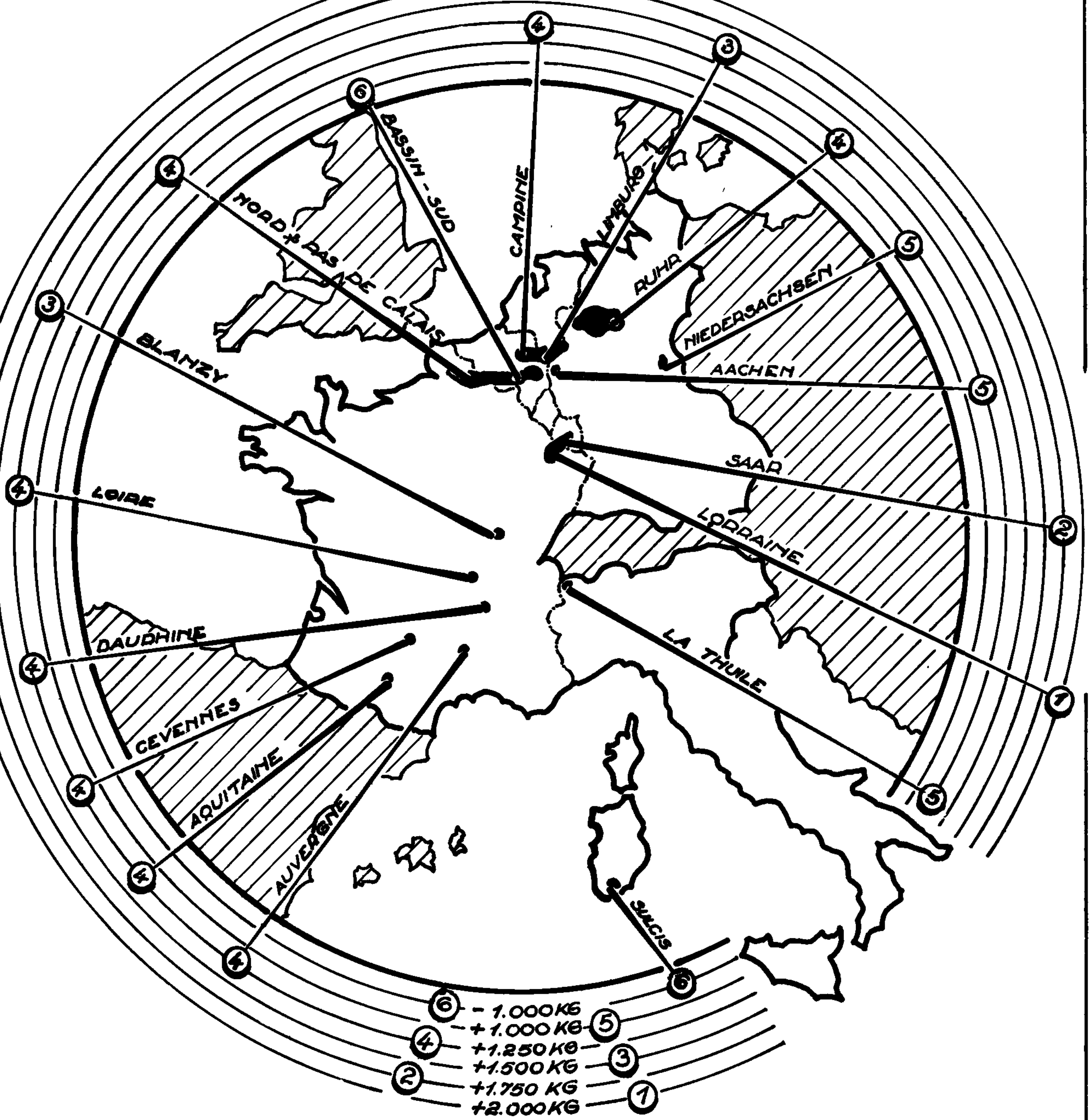
In the Ruhr, which produces 80 % of the Community's coke for the blast furnaces, six regional sales agencies are coordinated by the Gemeinschaftsorganisation Ruhrkohle (Common Organisation for Ruhr Coal), commonly known as the "GEORG". In France, the nationalised Charbonnages de France (Collieries of France) and the importing agency set up by the government, the Association Technique des Importateurs du Charbon (Technical Association of Coal Importers) - the "ATIC" - dominate the market. One of the most urgent tasks before the High Authority will now be to divest these and their sister organisations in the Community countries of the power they have developed to influence prices and allocate sales, thereby limiting the customers' free access to supplies.

CORRECTION

to Bulletin N° 2

Page 3 : "Productivity in Industry per Head of Employed (1950)". The figure for the U.K. should be "50" and not, as in the text, '60'.

PRODUCTIVITY IN COMMUNITY COAL REGIONS



OUTPUT PER MANSHIFT UNDERGROUND

JANUARY 1954 (in Kilograms)

- The productivity figures given are averages per region. There are in fact within each region considerable differences in output per manshift (OMS)
- Average Community OMS (underground): 1.426 kgs equivalent British OMS in 1953 was 1.630 kgs
- Note: 1000 kilograms = 1 metric ton

Production in the main regions was (week ending 31.1.54 in '000 tons):

Belgium:	Campine	200
	South	413
France:	Nord	603
	Lorraine	264
Germany:	Ruhr	2.394
	Aachen	141
Saar		356
Netherlands:	Limburg	247

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(3) Transport costs on the average account for 20 % of the delivered price of coal in the Community. Delivered prices to the consumer, transport and distribution services included, are often twice as high as the pithead price.

Thirty cases of major inequalities of cost to consumers arising out of discriminatory freight rates have been corrected, with a gross saving to the industries of the Community of £ 750,000 ($ 2 million) per annum. The most important instance for coal was the ending of the higher rate that was charged by the German railways for transporting Saar and Lorraine coals into southern Germany, as compared with the rates for carrying German coal.

A Transport Commission of government experts convened by the High Authority is to produce proposals by October 1954, notably for the setting up of cheaper international through rates in the Community.

This subject will be treated more fully in a later Bulletin.

The investigation into the activities of these bodies is now complete. But before action against them can be taken, the precise results, e.g. on employment in marginal mines which must be transformed or closed, will have to be defined, and methods of preventing harmful developments worked out. This is the object of the forthcoming discussions with governments, trades unions and producers. In dealing with the agencies and the cartels behind them, the High Authority will be digging at the roots of the tight national organisation of markets which existed before the common market. It will have to find Community-wide solutions to the problems which, in a national setting, led to the creation of the cartels.

NETWORKS OF SUBSIDIES

In the national markets, the coal industry was in all cases closely supervised by the governments and tied up with governmental systems of economic controls. In this way, a complicated network of subsidies, rebates, equalisation funds and differential transport rates, etc., has grown up in Europe and has for many years been looked upon as normal (3). It was particularly important in France, Germany and the Netherlands. Yet all countries attempted in one way or another to lower the price of coal, for instance to the domestic consumer . The Dutch achieved this by ironing out all differences of price, including transport, on each category of coal, home produced or imported, sold in their country. In some cases, as in that of the government subsidies to the small French briquette-making factories on the coast (mainly on the Channel and the Atlantic seaboard), the desire to keep the price of domestic coal low coincided with the need to maintain capacity and employment. These plants, which depended on supplies of British coal now no longer available in the same quantities as before the war, had, at high cost, to fetch supplies great distances from central and southeastern France. This was extremely uneconomic and the subsidy rose, in some instances in 1952, to more

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(4) The problem is losing some of its importance as new methods have been developed in Lorraine of producing coke with a larger proportion of local coals and a smaller admixture of Ruhr coal. 54 % of the coke produced in 1953 came from the Lorraine fields as against 46 % in 1952. The proportion is ultimately expected to rise to 75 %.

than £ 5 per ton. In other cases, such as that of the sales of the Aachen coalfields to southern Germany in competition with the Ruhr, a subsidy concealed as a preferential rail rate was provided to ensure outlets for production.

The most striking example of the complications and distortions created by subsidies is provided by Germany, the main exporter, and France, the biggest importer of coal in the Community. The German coal industry had to grant heavy rebates to a large number of internal consumers. The annual amount involved in these rebates immediately before the opening of the common market was well over £ 20 million, or more than 4 % of total receipts. At the other extreme from these favoured consumers, were those in countries outside Germany who had long paid more for German coal than the ordinary German buyer. One of the biggest of these consumers was the French steel industry, the main part of which is situated in Lorraine and is particularly dependent on imports of Ruhr coking coal and coke for the blast furnaces. To ensure that it was not handicapped vis-à-vis the Ruhr steel industry, the French government subsidised the imports to bring them down to a level corresponding to internal delivered prices. It also subsidised the export of Saar and Lorraine coal sold in southern Germany, in return for which increased supplies of coking coal and coke were obtained. The total annual cost of these subsidies was running at over £ 10 million a year by the end of 1952. In addition to this, both the French and the Germans, eager to build up their productive capacity of coke, have been and are still distorting the price relation of coke to coking coal. German coke was priced cheaply compared with coking coal, so that the French had every incentive to buy coke already processed. The French, by their subsidies, in their turn, made coking coal cheaper again and pressed forward with the building of coke ovens, though they still used large admixtures of Ruhr coking coal in them (4).

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(5) The German ocean-going shipping companies which formerly obtained a rebate of £ 1.5.0d ($ 3.60) on their coal (almost 1/3 of the pithead price) were deprived of this privilege by the High Authority, as it was considered to favour them unduly in competition with the shipping lines of other Community countries. The German companies have appealed to the Court of Justice against this decision. The case is under review, and a judgment is expected shortly.

CUTTING THE SUBSIDIES

It was impossible without creating hardship, to abolish these subsidies, equalisation funds, etc., all at once. It was necessary to have a period of adaptation to the common-market which would make it easier to end them. The High Authority decided to proceed by stages.

Thus, when it established the common market, it reduced and abolished some of the German rebates and lowered by 30 % the subsidies to the French briquette-making plants (5). As a result of the opening of frontiers, Aachen coal began to flow weatwards to its natural markets in Belgium, the Netherlands and France, and sales to southern Germany dropped.

INSTITUTIONS OF THE COMMUNITY

III - THE COMMON ASSEMBLY

The Assembly is the Parliament of the Community. It may, by a vote of no-confidence (passed by 2/3 majority on the basis of the annual Report presented to it at its ordinary session in May by the High Authority), overturn the High Authority collectively. The Assembly meets also in extraordinary session to debate High Authority policy (eg. in January 1954 it examined investment aims).

At the invitation of the governments of the member states of the Community, the Assembly formed itself on 9.9.52 (with 9 co-opted members) into an «ad hoc» Assembly to draw up a draft Treaty for an European Political Authority. This draft providing for an European executive responsible to an Assembly elected directly by all the voters of the member states, was handed to the Governments on 9.3.53 and is under discussion between them.

The Assembly is composed of 78 Parliamentarians elected annually by the national Parliaments from amongst their own number. France, Germany, Italy each provide 18 members (3 Saarlanders are included in the French total); Belgium, the Netherlands, each 10; and Luxemburg 4.

EXECUTIVE (May 1953 - May 1954)

PRESIDENT:

Paul - Henri SPAAK (Belgian socialist)

VICE - PRESIDENTS:

Herman PUENDER (German Christian Democrat)

Pierre-Henri TEITGEN (French Popular Republican)

G.VIXSEBOXSE (Dutch Historical Christian)

Alessandro CASATI (Italian Liberal)

Jean FOHRMANN (Luxemburg Socialist)

NOTES

(6) The general level of productivity in the Community is lower than in 1938. The figures for Output per Manshift (Underground) in kilograms (1,000 kg = 1 metric ton) are :

	1938	1954 (February)
Belgium	1.085	1.098
France	1.226	1.493
Germany	1.916	1.487
Netherlands	2.371	1.512
Saar	1.570	1.777
COMMUNITY AVERAGE	1.590	1,417
British Average	1.510	1.630 (1953)

Whereas in Britain the price of coal has risen at a rate corresponding to the rise in general prices since 1938, and in the United States about 5 % less, in Germany it has risen by 38 %, and in France by 22 %, more than general prices.

The causes of the regression in productivity in the Community are, of course, complex. In the Netherlands, for instance, the greater difficulties encountered in working the seams now under exploitation provide the main explanation. In Germany, the rapid turnover in the labour force is an important factor. In Belgium, under-investment before 1951 is partly to blame.

The Common Assembly, debating the High Authority's investment policy in January of this year, strongly stressed the need to reduce the costs of production of coal and to subordinate the High Authority's proposed capacity targets to considerations of productivity alone.

There are high cost mines all over the Community not only, for instance, in the Borinage of Belgium, but also in the Centre and South of France, and, in Germany, in the southern Ruhr and Lower Saxony.

Largely as a result of the changes in the price of German coal, the High Authority was able to have the French subsidies reduced. By the end of the first year of the common market for coal, the amount spent in subsidies of various kinds had substantially fallen.

Now, these amounts are to be further compressed. All the German rebates will be abolished. The French subsidies on imported coke and coking coal and to the briquette-making plants will again be reduced. Talks are in progress to bring the Dutch equalisation fund to an end.

POLICY OF INCREASED PRODUCTIVITY

All these subsidies must disappear for the common market to function with full effect. Yet subsidies reflect rather than create economic distortion. Coal costs and prices are distorted in Europe basically because of the very aims of economic self-sufficiency or domination which have for many years prompted national policies. The elimination of these distortions, which have sunk deep into the structure of the coal industries of the Community, will require a steady long-term policy of increasing productivity by concentrating output in the profitable mines. This is, in any case, necessary to permit the coal industry to compete with imported coal and substitute fuels. Twenty-three per cent of the power resources of the Community were supplied by fuel oil and hydroelectric power in 1953 against 13 % in 1937.

The High Authority, in its coal policy, is more and more stressing the need to increase productivity. This will mean the gradual transformation or, as it seems, in relatively few cases, the closing down of marginal, high cost mines (6). The High Authority must, like the national authorities in the past, ensure that there are no harmfully abrupt shifts of production and protect labour - by "readaptation" (see Bulletin N° 2.pp.7-8) - from the risks of unemployment. But it must equally insist, as national authorities have note always done, that cartel arrangements may not hinder consumers from having equal access to supplies. By loosening the cartels' stranglehold, it can increase the consumers' opportunities to obtain lower prices. This, in turn, will give an incentive to producers to lower their costs. Here, the High Authority's power to coordinate investments and provide cheap money to finance them, is important, since the weight of investment charges included today in the sales price of coal must be reduced.(This is an important factor in the difference in price between British and continental production). In defining the Community's coal policy, action on investments, cartels and "readaptation" must all be coordinated to the one end of lowering prices, while at the same time ensuring that the workers benefit through increased productivity.

EVE OF COMMON MARKET	FIRST YEAR OF COMMON MARKET	w.e.f. 1 APRIL 1954
REBATES TO PARTICULAR CONSUMERS		
GERMANY: Rebates for domestic consumers, shipping, railways, fisheries, etc. Loss to coal industry equivalent to over £ 20 ($ 56) millions (estimated) p.a., or over 4% of receipts in 1953.	Reduction to railways, abolished for ocean going shipping etc. Equivalent to overall reduction of 10%.	Abolished. A fund equivalent to less than 10% of former rebates set up, at industry's cost, to lower expense to poor domestic consumers.
SUBSIDIES		
FRANCE: Treasury subsidies		
1) for imported coke 2) for imported coking coal	Dropped, principally, as a result of fall in imported German prices by about 50% by end of 1953.	Overall reduction
3) for Saar Lorraine exports to S. Germany	Dropped, principally, as a result of higher German internal prices and lower freight rates, by 30% by end of 1953.	
4) for briquette-making plants on Channel and Atlantic deprived of normal pre-war supplies of British coal (production 1 1/2 million tons).	Reduction by 30% by end of 1953.	Reduction to 40% of 1952 figure.
Total estimated cost 4th quarter 1952 at rate of £15,5 ($ 44), millions per annum.	Global reduction to annual rate of approximately £ 11 ($ 31) million per annum by end 1953.	Further global reduction expected about £ 8,5 millions by end 1954.
GERMANY: in form of preferential transport rates, to encourage sales of Aachen coal in S. Germany at Ruhr prices (about 15/= ($ 2) per ton on 800.000 tons in 52).	Reduced zoning prices of approximately 9/= ($ 1.25) per ton (loss borne by producers) for S. Germany. The opening of frontiers has diverted Aachen production to natural markets in Belgium, France, Netherlands. Sales to S. Germany dropped by 300.000 tons.	Further shift of sales from S. Germany to areas west of Aachen expected. Zoning prices can then be abolished.
EQUALISATION FUNDS		
NETHERLANDS: to make all prices including those of imported coal equal for equal quality to all consumers in Netherlands, with transport costs ironed out.	Temporarily maintained.	Talks in progress to abolish equalisation fund.
FRANCE: to decrease the difference between the coal from the high and low cost mines to the consumers; about 100 frs. per ton, or £ 2 million in 1952 transferred.	Total of transfer reduced to about £ 1,250,000	Is decreasing with shift of production away from high cost mines and is expected to end in coming years.
MISCELLANEOUS		
ITALY: Customs duties on coke (allowed by Treaty as exception).	Temporarily maintained.	Zoning for rhenish lignite abolished, but introduced for mines of lower Saxony to face up to Ruhr competition.
FRANCE: equalisation fund on imported briquettes and anthracites; price zoning for Lorraine-Saar coals sold in Paris area and west of France.		In France, equalisation fund on imported anthracite and briquettes to be simplified and reduced.
GERMANY: price zoning for Rhenish lignite.		
LUXEMBURG: equalisation fund on imported coal.	EQUALISATION FUND PROVIDED FOR BY TREATY	
	To permit Belgian and Italian mines to face common market competition while they modernise production during Transition Period of 5 years (i.e. before 9 February 1958) an equalisation fund paid in half by low cost mines of the Community (Dutch and German), half by governments concerned to: 1) Belgian mines 2) Italian mines Total amount of transfer £ 3,5 ($ 10) millions	Must end by end of Transitional Period 9 February 1958. May be exceptionally extended for 2 years till 9 February 1960. Fund to be provided at decreasing rate. Situation of Belgian mines to be reviewed in July 1954.

THE MONTH PAST

1954	Feb 19.	High Authority decides to set aside $ 1 million (£ 350,000) for construction of houses for technical research into better and cheaper construction of workers' housing. The High Authority is expected to contribute to construction of 1000 houses concentrated on sites of at least 50 dwellings each (for details see Bulletin No.2 pp. 6 - 7).
	Feb 19.	Italian government and two associations of Italian steel producers lodge appeals with the Court of Justice against High Authoritys new rules of price publication. These follow French government's appeal lodged on Feb. 10 against same rules. (see Bulletin No. 1, p. 8).
	Feb 20.	High Authority endows two scholarships a year of £ 300 ($ 840) each for research work on the activities of the Community.
	Feb 26.	High Authority sets inspection system of Company books in action with visits by chartered accountants to four firms - in Belgium, France, Germany and Luxembourg. Five Dutch firms of chartered accountants hired on a first contract of 6 months for the job of checking on the exact reflection of real prices in published price lists (see Bulletin No. 1, pp. 6 - 8 for background).
		New price lists put out by steel firms in accordance with High Authority s decision that price lists must be changed if real prices diverge by 2 1/2% or more from the published price (calculated over an average of the previous 60 days). New price lists register a drop compared with those published on Mays 20 1953.
	Mar 16 - 18	Congress of Coal and Steel Trades Unions affiliated to International Confederation of Free Trades Unions in Luxembourg. The Unions ask for closer participation in High Authority work, in particular with regard to the preparation of development programmes.
	Mar 18.	High Authority allocates £ 500,000 ($ 1,400,000) towards reinstallation in Lorraine from 1954 - 1956 of 5,000 miners due to become redundant as modernisation programme for mines in Central and Southern France proceeds. The French government is to contribute an equal sum.
	Mar 20.	High Authority decides to fix price ceilings for pilot basins of the Community. The Ruhr (at level 4 % below 1953 level) and Nord et Pas-de-Calais. Rebates,subsidies cut.Preliminary conversation on problems involved in ending of cartel and monopoly practices on coal market to be opened with governments of member states, trades unions and producers.

THE WEEKS AHEAD

early April	High Authority due to travel to Washington to open loan talks with the U.S. Government.
April 9 - 10	(postponed from March 22) Counsil of Ministers consulted by High Authority on regulations concerning concentrations of industrial power liable to become monopolies.
May 12	(postponed from 10 - 12 March) First public hearing of Court of Justice - appeal by German ocean-shipping companies against High Authority decision of 31 March 1953 to end rebates on coal prices formerly accorded them.
May 11 - 26	Common Assembly meeting in Strasbourg. Ordinary session, to debate High Authority's Annual report on the activities of the Community.
May 17 - 26	(postponed from end of March) Intergovernmental Conference on the Free Movement of Labour in the Community (see Bulletin No. 2, pp. 9 - 10).