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THE COMMON ASSEMBLY

Annex to the Official Gazette

BULLETIN OF QUESTIONS AND REPLIES

Question No. 18 by Mr. Wolfgang Pohle, Member of the Common Assembly

By its letter of March 20, 1954, the High Authority has conceded to the French Government the right to continue, as from April 1, 1954, the granting of subsidies for coking coal delivered from the Ruhr coalfields to Lorraine. This preferential measure does, however, not apply to metallurgical coke from the Ruhr coalfields.

- (a) Does the High Authority consider this arrangement to be compatible with the principles of the Treaty of the E.C.S.C.?
- (b) In view of the results of the negotiations which have so far taken place between the experts, will the reduction to be expected in the freight rates for shipments from the Ruhr to Lorraine be such as to anticipate a decrease by an amount which could necessitate and/or justify a compensatory payment of 1,150 Fr. frs. per ton?

Reply of the High Authority

- (a) The authorization which the High Authority by its letters of March 8, 1953 (Official Gazette of March 13, 1953, pp. 86 and following),¹ March 20, 1954 (Official Gazette of March 24, 1954, p. 272)¹ and July 29, 1954 (Official Gazette of August 1, 1954, p. 480),^{1,2} granted to the French Government in respect of the continuance, within certain limits, of the subsidies in existence at the time when the Common Market was introduced, does not apply solely to coking coal, but also to coke, and covers purchases from all countries of the Community, i.e. not exclusively purchases from the Ruhr.

This question, therefore, is based on an erroneous assumption. Under the terms of Article 4 c of the Treaty, subsidies or state assistance are prohibited and must be abolished. However, notwithstanding the principle laid down in the Treaty, the continuance of subsidies and state assistance

¹ This reference applies to the German, French, Italian and Dutch editions of the Official Gazette of the European Coal and Steel Community, published in Luxembourg.

² See pages 21 and 22 of the English edition.

during the transitional period is allowed for under Section 11 of the Convention. The authorizations granted to the French Government in respect of the continuance of the subsidies are founded on this particular provision of the Convention containing the Transitional Provisions.

- (b) The object of the authorization to continue the subsidies for imported *coking coal* was to ensure possibilities of producing coke in which more extensive use can be made of highly volatile fines from the Saar and Lorraine.

The amount of the subsidies was calculated so as to bring the delivered price of imported coking coal into line with that of fines from Lorraine, while allowing for differences in quality. In view of the fact that the difference between the delivered prices of Lorraine coal and that of imported coal is greater than the amount of the additional charges resulting from the practice of "interruption of freight rates", the subsidy is not limited to this amount.

The object of the subsidy for imported *coke* is to grant the Saar and French iron and steel industries a financial assistance by way of compensation for the additional charges resulting from the practice of the "interruption of freight rates" until such time as price parity is established with the delivered price of a comparable quality of coke from the French coalfields.

The scheme provided for the payment of these two subsidies is such as to ensure that a reduction of the delivered price, whether due to a reduction of the producers' list-prices or to a lowering of freight rates, is automatically followed by a reduction of the subsidy.

The average amount of subsidy paid for coking coal imported into France amounted to 1,489 Fr. frs. per ton at the time when the Common Market for coal was introduced. By the scheme adopted when the authorization was granted, the average amount of subsidy has now been brought down to approx. 1,000 Fr. frs. as a result of the list-price reductions which have occurred in the meantime.

In view of the fact that the subsidy for coking coal is greater than the amount payable to compensate for the additional charges resulting from the "interruption of freight rates", the continuance of the remainder of the subsidy might, to a certain extent, be considered necessary even after the introduction of transport through-rates, for the purpose of ensuring the attainment of the objective, viz. the coking of coal of higher volatile content. At the moment, it is not yet possible to give any details of the amount of this residual subsidy.

As far as coke is concerned, the reduction of the list prices and the changes which have occurred in freight rates have made it possible, in respect of 95 per cent of the imports, to bring the delivered prices of imported coke into line with those of home-produced coke: on this tonnage, the subsidy has been abolished. As for the remaining 5 per cent, the amount of subsidy has dropped from 683 Fr. frs. to 300-350 Fr. frs.

The High Authority is receiving quarterly reports from the French Government on the further development in respect of the subsidies; it will continue to watch this problem closely with a view to their ultimate complete elimination.

Question No. 19 by Mr. J. Vendroux, Member of the Common Assembly
(August 4, 1954)

Will the High Authority explain the incongruity which exists, according to the statistics it has published for May 1954 (Monthly Report for July), between the iron-ore stocks held in the Community (which increased by 1,300,000 tons from the beginning of 1954) and imports from third countries (which rose by more than 300,000 tons a month during the same period)?

Does it envisage taking steps to improve this obviously paradoxical situation?

Reply of the High Authority
(September 13, 1954)

In times of temporary fluctuations in the consumption of iron-ore, as in the case of other raw-materials, it is quite normal that production and imports cannot automatically and systematically adjust themselves to the new situation.

On the one hand, contracts for imports are concluded on a long-term basis, usually for deliveries over a year; they are firm contracts which must be taken up whatever situation may arise in the consumption in the course of the year for which such imports have been contracted. On the other hand, iron-ore extraction in the Community is, by its very nature, not flexible enough to adjust itself, at short notice, to a decline in consumption.

As for the figures quoted by the honourable member of the Common Assembly, it should be noted that the rise in imports from third countries, from approx. 600,000 tons in February 1954 to more than 900,000 tons in the following month, is of a seasonal nature. Shipping in the northern ports is practically paralysed during the winter months. The tonnages given are below the monthly average of any normal year.

The development as regards stocks is, therefore, by no means attributable to any increase in imports from third countries, but is the result of a drop in consumption which fell by 1,000,000 tons between January 1953 and January 1954. Besides, this situation has changed in the meantime inasmuch as in France, for instance, consumption and extraction have been balanced during recent months, with a slight tendency towards a contraction of stocks.

Moreover, the High Authority can restrict imports from third countries only under the conditions laid down in Article 74 of the Treaty establishing the European Coal and Steel Community. These conditions were not fulfilled at the time, nor are they fulfilled today, as far as iron-ore imports are concerned.

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