

EUROPEAN
COAL AND STEEL COMMUNITY

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S U M M A R Y
OF THE
F I F T H
A N N U A L G E N E R A L R E P O R T
ON THE ACTIVITIES OF THE HIGH AUTHORITY

to be laid before the Common Assembly
at its Ordinary Session in Strasbourg
on May 14, 1957.

L U X E M B O U R G

April 1957

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INTRODUCTION

1. This special issue of the High Authority's monthly information bulletin is devoted to a summary of the General Report published each year, in accordance with the Treaty, one month before the Ordinary Session of the Common Assembly.

2. The Ordinary Session to open on May 14 in Strasbourg will be the last before the expiry of the transition period of five years which began with the introduction of the Common Market for coal on February 10, 1953.

It has been up to the High Authority to examine its record over the transition period; it has had to ask itself how far the forecasts have been borne out by the facts, and how far the machinery instituted has produced results; it has obviously been obliged to take into account the importance for the building of Europe of such outstanding events as the framing and signature of the Treaties establishing the European Economic Community and the European Atomic Energy Community.

And the results of its self-questioning on the progress it has made, and of its consideration of the new conditions in which it now has to do its work, the High Authority has sought to embody in its General Report:

The fact which stands out above all the rest, and which is duly emphasized in the introduction to the Report, is that the steel production of the Community rose by 36% between 1952 and 1956. The High Authority does not seek to claim for the Common Market the whole credit for this advance: general production in Europe has been expanding as never before. But it is none the less

a fact that expansion in steel production has been very greatly assisted by a more regular flow of coal supplies, by more active and stable trade in iron ore between member countries, by the reduction of international freight charges in conformity with the Treaty, and by the possibility of a coordinated policy regarding scrap imports.

3. Part One of the Report deals with the operation of the institutions of the Community over the past twelve months, the development of its information policy, and the consolidation and extension of its external relations, particularly with the United Kingdom and Switzerland.

Part Two, on the operation and structure of the Common Market, describes trends in the coal and steel markets, and summarizes the action taken by the High Authority.

Living and working conditions in the Community are dealt with in a further special section on social developments and the High Authority's action and policy in this field.

Finally, Part IV, devoted to the long-term development of the Common Market, describes the General Objectives which the High Authority is seeking to achieve, by means, in particular, of its policy on coal, investment and technical research.

THE INSTITUTIONS; EXTERNAL RELATIONS

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

5. After briefly recapitulating the work of the institutions during the past twelve months, the Report gives an account of the High Authority's activities in the field of information aimed at making known the existence, implications and objectives of the Community, and the results already achieved through the new channels which it has instituted.

6. The High Authority has continued its endeavours to intensify cooperation between the Community and the countries outside it. An essential element to success is, in its view, closer contact between the Community and those countries whose interests are similar or complementary to its own. The formulas devised to ensure such contact may vary to suit the structure and interests of the countries concerned, as well as those of the Community and the responsibilities it is called upon to fulfil.

United Kingdom: A valuable and successful system of cooperation has grown up through the Council of Association instituted under the Agreement of December 1954, covering in particular such matters as trade in coal, the stage-by-stage elimination of impediments to trade, and the long-term objectives for production, consumption and supply.

Switzerland: A Consultation Agreement was signed in May 1956, and the international through-rates already in force between the Community countries were extended to cover Treaty products carried by rail across Swiss territory.

Austria: A procedure was established in July 1956 for the joint examination of any difficulties arising in connection with trade in coal or steel. A tariff agreement settling certain Customs problems was also signed. Negotiations are in progress for an agreement extending international through-rates to Austria.

United States: An agreement on Customs tariffs was concluded in April 1956. Discussions were held concerning the Community's supplies of imported scrap.

THE OPERATION AND STRUCTURE OF THE COMMON MARKET

7. The main feature in the economic development of the Community countries since 1954 has been a very marked expansion, which continued into 1956, although on the whole at a somewhat slower rate than previously. The industrial production of the Community countries increased in 1956 by approximately 8% over 1955, as against more than 12% from 1954 to 1955.

In the course of the last twelve months, iron and steel production has been hampered by bottlenecks in production capacity, and by certain difficulties in regard to the supply of raw materials.

THE COMMON MARKET FOR STEEL

8. Crude-steel production reached 56,800,000 metric tons in 1956, as against 52,600,000 in 1955. This was a sizeable increase, but much less so than that from 1954 to 1955.

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

	<u>1952</u>	<u>1955</u>	<u>1956</u>	<u>Variations</u>	
	('000,000 m.t.)			1956/1952	1956/1955
<u>Community</u> . . .	<u>41.8</u>	<u>52.6</u>	<u>56.8</u>	<u>+ 35.8 %</u>	<u>+ 7.9 %</u>
United Kingdom.	16.7	20.1	21.0	+ 25.7 %	+ 4.4 %
United States .	84.5	106.1	104.3	+ 23.4 %	- 1.7 %
Soviet Union. .	34.5	45.3	48.6	+ 40.8 %	+ 7.3 %
Eastern Europe.	10.7	13.9	15.2	+ 42.0 %	+ 9.4 %
Japan	7.0	9.4	10.6	+ 51.4 %	+ 12.7 %
Other countries	16.8	22.5	25.1	+ 49.4 %	+ 11.9 %
 <u>World:</u>	 <u>212.0</u>	 <u>269.9</u>	 <u>281.6</u>	 <u>+ 32.8 %</u>	 <u>+ 4.3 %</u>
	=====	=====	=====	=====	=====

The Community's share in world production, which had been falling steadily from 1929 to 1951, shows a substantial rise from 1952 to 1956.

	<u>1929</u>	<u>1951</u>	<u>1956</u>
<u>Community</u>	<u>29.4 %</u>	<u>17.9 %</u>	<u>20.1 %</u>
United Kingdom.	8.1 %	7.5 %	7.4 %
United States	47.4 %	45.2 %	36.9 %
Soviet Union	4.2 %	14.9 %	17.2 %
Eastern Europe.	4.8 %	4.6 %	5.4 %
Other countries	6.1 %	9.9 %	13.0 %

10. Exports of iron and steel products to third countries have risen steeply; up to the end of 1956 they failed to keep pace with the even steeper increase in demand, but since that time they have tended to outstrip it. They went up from 7,700,000 metric tons in 1955 to 8,900,000 in 1956, an increase of 15%. The Asian countries have now become the Community's biggest customer.

Imports from third countries remained at the same level as for the previous year, at 1,500,000 metric tons.

11. It was no doubt owing to the shortness of supply in the home markets of the Community that there was a certain falling-off in the trade in iron and steel products between Community countries during 1956. These exchanges declined from 5,700,000 metric tons in 1955 to 5,100,000 in 1956, a drop of 10%. The level is, however, still 140% above that for 1952 (2,100,000 metric tons).

12. The High Authority has seen to it that trade among Community countries was carried on under normal conditions of competition: that is, in particular, without discriminations. For instance, it requested the Italian Government to take action on various duty and tax exemptions enjoyed by the Italian shipbuilding industry, and also made representations to the French Government concerning certain provisions in the French Customs tariff and special terms allowed to manufacturers of agricultural machinery on their purchases of steel.

13. Keeping the iron and steel industry of the Community supplied with iron ore presented no particular difficulty in 1956, thanks to a stepping-up both of production (22,600,000 metric tons iron content, as against 21,600,000 in 1955) and of net imports (12,800,000 metric tons iron content, as against 10,100,000 in 1955), and to withdrawals from stocks. The scrap supply position, on the other hand, raises serious problems for the expansion of steel production, although it was possible to meet demand in 1956 by further increasing imports from the United States. The High Authority accordingly considered it necessary to embark on a re-organization of the Common Market for scrap. The object of the previous compensation scheme had been merely to keep prices within reasonable limits. Compensation payments, hitherto levied on a uniform basis, have ^{now} been increased for those producers who by consuming greater tonnages of scrap augment the Community's structural deficit and oblige it to step up its imports.

14. Prices of iron and steel products and raw materials continued to rise in 1956, although the increase never reached the proportions recorded in 1950-51 as a result of events in Korea.

Scrap prices, which had shown little variation during the first six months of 1956, went up steadily in the second half of the year.

The prices of rolled products, which had dropped to index 96 at the end of 1954 (1953 = 100), were up again to 102 by the end of 1955 and 110 by February 1957. Heavy and medium plates have risen more markedly than the other products. Firms in the Netherlands, Italy, Luxembourg and Belgium have increased their prices more than those in France and Germany, but the average prices of Community enterprises as a whole have increased less than the home prices of British and American firms.

Home Prices of Merchant Steels

(May 1953 = 100)

	<u>January 1954</u>	<u>January 1955</u>	<u>January 1956</u>	<u>February 1957</u>
<u>Community</u>	97	95	100	108
United Kingdom	100	99	107	118
United States	105	109	118	128

THE COMMON MARKET FOR COAL

15. The hard-coal production of the Community rose from 246,400,000 metric tons in 1955 to 249,100,000 in 1956. This is a very small increase compared with that in the other major producer areas, with the exception of the United Kingdom and Eastern Europe.

	<u>1952</u>	<u>1955</u>	<u>1956</u>	<u>Variations</u>	
	(1000,000 m.t.)			1956/1952	1956/1955
<u>Community</u>	<u>238.9</u>	<u>246.4</u>	<u>249.1</u>	+ 4.2 %	+ 1.1 %
United Kingdom	230.1	225.2	225.6	- 2.0 %	+ 0.2 %
United States	458.1	449.0	488.3	+ 6.6 %	+ 8.8 %
Soviet Union	230.0	276.1	305.0	+ 32.6 %	+ 10.5 %
Eastern Europe	110.4	123.0	124.7	+ 12.9 %	+ 1.4 %
Other countries	228.4	276.3	294.3	+ 28.8 %	+ 6.5 %
World:	<u>1,495.9</u>	<u>1,596.0</u>	<u>1,687.0</u>	+ 12.8 %	+ 5.7 %

16. Coke production, on the other hand, rose by 9% to 74,800,000 metric tons in 1956, from 68,600,000 in 1955.

17. Only very small withdrawals could be made from stocks to supplement the small contribution by production to total availabilities, but the pressure of demand was such that imports of hard coal from third countries had to be considerably stepped up, from 23 m. metric tons in 1955 to 38. m. in 1956, an increase of 65% (approximately the same as the increase recorded the previous year). Close on 80% of these imports were from the United States -- 30,200,000 metric tons in 1956 as against 15,900,000 in 1955.

18. Hard-coal exports to third countries fell off appreciably: they totalled only 5,700,000 metric tons in 1956 as against 10,100,000 in 1955.

19. Exports of coke to third countries fell off to a lesser degree (6.8%), from 5,300,000 metric tons in 1955 to 5 m. in 1956. Germany, which is responsible for more than three-quarters of the tonnage exported, supplied 3,800,000 metric tons in 1956, as against 4,100,000 in 1955.

20. Total availabilities of hard coal and briquettes in the Community in 1956 rose to 284,600,000 metric tons, 7.1% more than in 1955 (265,800,000 metric tons). This increase is slightly less than the increase in the total industrial production of the Community (8%).

All consumer sectors, with the exception of shipping and bunkering, received bigger supplies than they did in 1955. The increase was particularly marked in the case of households and power-stations. It was inconsiderable in the industries other than the iron and steel industry.

Total supplies of coke amounted to 70,400,000 metric tons in 1956, as against 65,700,000 in 1955. Most of the increase went to the household and artisan sectors.

21. Trade in hard coal and hard-coal briquettes between Community countries in 1956 worked out at 19,700,000 metric tons, which is 15% less than in 1955 (23,200,000 metric tons), although it still is 20% above the level for 1952 (16,300,000 metric tons). The drop is attributable to the fact that stocks in Belgium and France were to a great extent exhausted after the very large-scale withdrawals of 1955. In the countries where there were already no pithead stocks left, the level of deliveries remained unchanged from one year to the other.

22. Trade in coke, on the other hand, expanded slightly in 1956, with 9,100,000 metric tons as against 9 m. in 1955. These figures for the most part represent sales by Germany to other Community countries (France, Luxembourg, etc.), which remained at the same level as in 1955, with 7,100,000 metric tons.

23. The rise in coal production costs, mainly as a result of higher wage costs, inevitably led to an increase in the selling prices of coal in all the coalfields of the Community.

The prices of coal imported from third countries also show a noticeable increase, as a result of the rise in maritime freight charges. Freight rates have, however, fallen sharply since the beginning of 1957.

24. The High Authority, having closely followed the trend in the Common Market for coal, came to the conclusion that the position was not such as to justify the declaration of a "serious shortage" and the consequent implementation of Article 59 of the Treaty.

It held frequent discussions with the Governments, producers and trade unions, in the endeavour to work out arrangements to cope with supply problems. In particular, it contacted the French and German collieries in connection with deliveries from the Ruhr to the iron and steel industry in Lorraine and to coking-plants in Italy, sales by the Lorraine collieries to Southern Germany, and the supplying of domestic consumers in the Community generally.

25. Following the debate at the Extraordinary Session of the Common Assembly in November 1956 on the situation in the Common Market for coal, the High Authority submitted to the Council of Ministers a list of the problems requiring priority attention, in consultation with the member Governments. The Council instructed a technical committee to join with High Authority experts in studying coal supply problems and possibilities for dealing with them, together with any coordinated action which the Governments could take to meet total energy requirements.

TRANSPORT

26. The High Authority is meeting considerable difficulties in regard to transport, since the Treaty invested it with very limited powers in this field.

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

28. Special domestic tariff measures have been listed and are now in process of revision. The High Authority is also, in cooperation with a committee of experts appointed by the Governments, engaged on a study of the problem of harmonizing rail-transport freight charges and conditions, which has proved from the beginning a particularly thorny one.

29. The High Authority has continued its efforts to solve the problems of eliminating disparities in inland water-transport rates, and of making compulsory the publication of road-haulage charges and conditions. It has not so far proved possible to reach agreement in either of these fields.

THE STRUCTURE OF THE COMMON MARKET

30. Since April 1956 the High Authority has granted eleven applications for the authorization of concentrations. These included three schemes for integrating coalmining and iron and steel enterprises and two for iron and steel enterprises only; the remainder concerned mergers between iron and steel enterprises and processing firms.

31. As regards the coal-handling agencies, the High Authority authorized joint selling of fuels by the Belgian collieries belonging to the Comptoir Belge des Charbons ("Cobechar"). It further caused the French Government to discontinue the system whereby all contracts for the purchase of coal from other Community countries had to be signed by the Association Technique de l'Importation Charbonnière (A.T.I.C.), and reserved the right to re-examine the problem of allowing French consumers and dealers to obtain supplies from Community producers and dealers following the reorganization of A.T.I.C. Finally, it checked up on the operation of the Ruhr coal-selling agencies and examined a number of complaints lodged in this connection: it thereupon took such action as was indicated to put a stop to the abuses reported and prevent any recurrence.

PROBLEMS OF THE TRANSITION PERIOD

32. The High Authority supervised the gradual reduction of Italian Customs duties on non-metallurgical coke and on ordinary and special steels from other Community countries, which are scheduled to disappear completely on the expiry of the transition period. Duties on pig-iron were suspended.

33. French subsidies on coking coal were discontinued altogether on March 31, 1957. The only subsidies still in existence are those paid to briquetting-plants not owned by mines. The amount paid in subsidies has dropped from Ffr.13,000 m. in 1953 to Ffr.5,000 m. in 1956.

34. The High Authority extended the zone-delivered prices charged by some Community coalfields up to the end of the transition period.

35. The compensation scheme for Belgian coal once again underwent a number of changes. The Belgian collieries were subdivided into three groups. Group 1 included enterprises

whose operating results were such that, as from January 1, 1957, it would be possible for them, ^{economically} to charge the selling prices fixed by the High Authority; Group 2 consisted of enterprises which were expected to become competitive in the Common Market by the end of the transition period, and would therefore receive the entire proceeds of the compensation levy; Group 3 comprised the enterprises which had no prospect of becoming competitive in the Common Market, and would receive no further assistance under the compensation scheme from February 10, 1957, onwards.

The High Authority also finally settled the compensation due on the coal from the Italian coalfield of Sulcis.

LIVING AND WORKING CONDITIONS IN THE COMMUNITY

SOCIAL TRENDS

36. The economic expansion has meant a considerable tightness in the labour markets of the Community, which made itself felt more particularly in the coalmining industry.

The total number of miners employed underground has decreased in all the countries of the Community except Germany and the Netherlands.

	<u>End of 1955</u>	<u>End of 1956</u>	<u>Difference</u>
Belgium	106 900	99 700	- 6 200
France	142 100	140 700	- 1 400
Germany(W)	329 200	338 400	+ 9 200
Italy	4 900	4 600	- 300
Netherlands	30 400	30 800	+ 400
Saar	37 100	36 800	- 300
<u>Community :</u>	650 600	651 000	+ 1 400

37. The extremely active trade situation in which the Community industries have been operating has given an added impetus to the improvement in living and working conditions.

The rise in wages has been accounted for not so much by changes in the scales fixed by collective-bargaining agreements as by increases in the amounts actually paid by the enterprises.

In addition, inconsideration of the improvement in productivity, the trade unions have claimed, and in many cases secured, either a shorter working day or working week, or more holidays with pay and paid official holidays.

Finally, as a result of the workers' constant anxiety for greater stability -- a guaranteed income, security of employment or old-age pension -- there have been a number of new collective-bargaining agreements and new laws meeting certain of their wishes on one or more of these issues.

INCREASE IN DIRECT WAGES PER HOUR IN THE IRON
AND STEEL INDUSTRY

(1953 = 100)

	<u>1954</u>	<u>1955</u>	<u>October 1956</u>
Belgium ¹⁾	(104)	(110)	(114)
France	104	118	130
Germany (W)	104	114	123
Italy	106	110	118
Luxembourg	102	110	124
Netherlands	107	119	125
Saar	101	115	132

INCREASE IN DIRECT WAGES PER HOUR IN THE COALMINES
(underground workers)

(1953 = 100)

	<u>1954</u>	<u>1955</u>	<u>4th qtr. 1956</u>
Belgium	101	103	132
France	101	110	117
Germany (W)	104	113	{133 145 2)
Italy	103	109	155
Netherlands	111	118	127
Saar	103	109	122

1) The Belgian index is not directly comparable with indices for other countries.

2) Including shift bonus.

HIGH AUTHORITY ACTION IN THE SOCIAL FIELD

38. One of the Community's ever-present major problems is that of adjusting manpower to production, while duly respecting requirements on the social side. The High Authority's work in this field during the past year has been particularly concentrated on the coalmining industry.

Its first building scheme, providing for a total of 15,000 housing units, is in process of completion, and a second, for approximately 20,000 further units, has now been launched.

The readaptation operations already embarked upon have been continued; others have been begun in France, Italy and Belgium, one is also under study for Germany.

The High Authority has also gone ahead with its study and information activities for the improvement of living and working conditions, more particularly in connection with industrial health and safety. It is financing a research programme on the combating of silicosis and carbon-monoxide poisoning.

THE SOCIAL POLICY OF THE HIGH AUTHORITY

39. The social objectives of the Community are defined in the Treaty as follows :

"to contribute to the development of employment and the improvement of the standard of living in the participating countries through the creation of a common market";

"to safeguard the continuity of employment," and at the same time "progressively establish conditions which will in themselves assure the most rational distribution of production at the highest possible level of productivity."

With this end in view, the High Authority has begun to define its social policy, which it is basing on the same principles as before, namely action

- (a) to level up terms and conditions of employment ;
- (b) to improve working conditions by increased emphasis on industrial health ;
- (c) to raise the standards of the workers by vocational training ;
- (d) to ensure greater stability of the labour force by building workers' houses and by causing the enterprises to adopt a positive policy ;
- (e) to keep the workers informed of developments by means of surveys and studies on social problems.

THE LONG-TERM DEVELOPMENT OF THE COMMON MARKET

THE GENERAL OBJECTIVES

40. The Treaty lays down that the High Authority shall "periodically set out the General Objectives with respect to modernization, the long-term planning of production and the expansion of production capacity.

A first memorandum on the subject, going only as far as 1958, was published in July 1955. This established the broad outlines of the work to be done, and stated that specialized committees would be carrying on the study of the various aspects. On the basis of these studies, in which more than 150 experts (producers, trade-union representatives, economists, etc.) took part, it is now possible to arrive at practical conclusions.

It should first of all be stressed once again that these conclusions can never be quite final, since they are based on estimates of requirements and means of production for 1960, 1965 and, for the very long-term investments in the coalmining industry, 1975.

These General Objectives do, however,

- (a) provide the enterprises of the Community with a number of points to be taken into account in their investment policy which they could never assemble unaided ;
- (b) enable the High Authority to issue its opinions on investment programmes and plan its loans to enterprises,
 - to establish the conditions under which it will be possible to achieve the objectives laid down, and
 - to suggest to the various Governments what action they should take in those sectors of the coalmining and iron and steel industries which still fall under their jurisdiction (taxation, credit, etc.).

41. The forecasts for coal and steel requirements, which govern the production capacity to be installed, are principally based on the overall development forecast for the economies of the Community as a whole.

In view of the varying amount of time it takes for capital schemes to be completed, the period for which these estimates are of practical relevance to the decisions of the enterprises extends up to 1960 for steel, and 1965 for the raw materials needed in steelmaking, but for the coalmining industry, which needs fifteen years to get an entirely new pit into operation, it goes up to 1975 and beyond. It is essential to have some kind of forecast for steel and pig-iron production up to that apparently remote date -- not actually for the iron and steel industry itself, but for the coalmining industry, which has to meet the iron and steel industry's requirements of fuels for which there is no satisfactory substitute.

42. Steel. - The target for the production potential is 73,500,000 metric tons by 1960 and 86,000,000 by 1965 ; a 1975 figure of 105 m. metric tons overall production may be taken as a basis for estimating coal requirements for the production of metallurgical coke.

To achieve these objectives, three lines of co-ordinated action will be necessary, viz.

a) As regards the balancing of the pig-iron/crude steel ratio and the scrap problem, the aim must be

- to reduce the overall throughput rate of scrap in overall steel production ;
- to expand pig-iron production capacity, which will involve stepping up the input ratio of pig-iron and employing steelmaking processes based on the use of pig-iron (oxygen blowing, Linz-Donawitz process, Perrin process).

b) As regards iron ore, supply problems are likely to arise from 1960 onwards. This prospect will have to be countered, firstly, by the conclusion of long-term contracts for increased imports, particularly from the orefields of third countries, and secondly, by the development of production within the Community and in the overseas territories. The latter will involve the development of:

- deposits not yet worked on any considerable scale in the Western French orefield. ;
- a programme designed to raise the production of the Lorraine orefield to 62,200,000 metric tons per annum by 1960 ;
- the new orefield discovered in Lower Saxony ;
- deposits in Africa.

c) As regards coke, a saving will have to be made

- by cutting the input rate of coke in the blast-furnaces, by means of an enriched burden and of better sintering, charge preparation and ore enrichment;
- by perfecting new methods of producing metal from ore without using metallurgical coke (low-shaft furnaces).

43. Coal. Coal requirements are estimated at 308m. metric tons in 1960, 332m. in 1965 and 362m. in 1975.

For these objectives to be achieved, action will be required in three fields, viz.

a) Deposits - Production can be increased

- by a better utilization of expanding capacities ;

- by linking up seams as yet unworked to existing shafts, by means of an extension of all essential services ;
- by sinking entirely new pits, none of which can be expected to be in operation before 1965 (Ruhr, Campine, Saar and Aachen coalfields).

b) Manpower

Action will need to be taken to increase the number of underground workers as quickly as possible. Thereafter, underground output will have to be stepped up by one-third between now and 1975, enabling production to be developed with a labour force which, once it has been properly reconstituted, should remain numerically more or less constant.

c) Orientation of demand and valorization of production. The object should be to bring the coalmines on to a sounder paying basis by

- reducing their own consumption of coal ;
- increasing the production potential of the coking-plants from 70m. metric tons in 1955 to 87,900,000 in 1960 ;
- extending the range of coking coals by various methods of preparing and mixing ;
- producing more substitute fuels (briquetting) in order to lessen the demand for coke from household consumers ;
- perfecting processes for the full gasification of coal, in order to meet gas requirements ;
- effecting savings in the washing and dressing of coal ;
- increasing the use of low-grade coal for the production of electric current ;
- developing the use of coal in the production of chemicals.

COAL POLICY

44. A combination of assured resources and economic supplies is particularly difficult to achieve under the conditions which govern coal production in Europe, where new production capacity can be developed only by means of very long-term investment, and pits once closed are liable to be lost for ever. The coal policy of the Community must be to ensure such a combination, by reconciling the wishes of the producers, who are concerned principally with the maintenance of resources, with those of the consumers, who, when they are not actually passing through a period of shortage, look mainly for a favourable price level.

The High Authority does not believe that the answer to these problems can be supplied in the form of a definite proportion of overall energy requirements to be covered out of coal, or of a proportion of overall coal consumption to be met out of the Community's own production. Experience gained in periods of energy shortage, and the results of such periods, make it sufficiently clear that we cannot regard the supply position as assured when it is merely a case of covering actual requirements while allowing a sizeable deficit to continue. What is needed is an overall energy policy designed to ensure that all foreseeable requirements are met as dependably and economically as possible.

After examining the position of coal in relation to the other sources of energy, the production conditions which make importation no longer an exceptional, but a structural necessity, the problem of the prices of imported coal, and the need to stabilize production by a policy of stockpiling, the Report goes on to study the possibilities for expanding coal production, which is essentially conditioned by the price level and price structure.

It will be necessary to make radical changes in the machinery for the importation of American coal, in order to avoid the excessive costs caused by the concentration of imports into boom periods. There

will have to be a regular long-term import policy, accompanied by a policy aimed at regularizing production itself by systematic stockpiling.

The High Authority welcomed the recent resolution by the six member Governments requesting that it should submit concrete proposals for an overall energy policy. It will be basing these on the Report of the Heads of Delegations to the Brussels Conference.

INVESTMENTS.

45. At the same time as it was working out the details of the General Objectives, the High Authority was continuing to make use of the possibilities open to it under the Treaty for lining up investments in the Community industries with the Objectives.

In the iron and steel industry, this helped to switch trend of investment away from a line of development which looked like clashing with the position as regards availabilities of raw materials.

In the coalmining industry, the High Authority laid particular stress on the need for new pits, since even increased output by the existing collieries would not bring production up to the level desired.

46. It was made compulsory in September 1955 to declare all investment programmes on and over a specified scale.

This system enables the High Authority to keep the enterprises abreast of the trend in investments in the Community as a whole. It publishes regular lists of declarations received. These further give

it the opportunity to issue a general opinion on the trend in investments, any changes in projects, and the directions in which special efforts are called for:

Between September 1, 1955, and March 31, 1957, the High Authority received 193 declarations. 47 opinions in all were issued in connection with the 176 declarations examined up to the latter date.

47. For the purpose of financing investments, the High Authority raised a loan of Sfr.50m., or approximately \$12m., with a number of Swiss banks. The proceeds of this loan were re-lent to enterprises whose investment projects are intended to increase production in respect of patent fuels, iron ore, pig-iron and coke.

At the time of going to press, the High Authority has just floated a loan of \$35m. in the United States, the proceeds of which have been set aside for projects concerned in particular with the production of coal and pig-iron.

48. Iron and steel industry. In these various ways, the High Authority has sought to focus new capital expenditure on the development of pig-iron production. Its activities as a whole, and the pressure which conditions and prospects in the market have indeed been exerting on enterprises' own plans, have resulted in the launching of a considerable number of projects for the expansion of pig-iron production capacity, which give reason to hope that in time the balance between pig-iron and steel will be restored.

Industrial investments in the iron and steel sector from 1952 to 1955 remained steady at about \$550m. per annum, except in 1954, when there was a decline in trade which brought them down to \$450m. A considerably higher rate of investment is forecast for the next few years.

1956 saw a very noticeable change in the apportionment of investments as between the different branches. From the beginning of 1957, there was a quite different breakdown, giving the following averages :

	<u>1952-55</u>	<u>1956</u>	<u>Forecasts</u> <u>1957-60</u>
Pig-iron	15,9 %	23,2 %	31,1 %
Steel	13,8 %	18,6 %	16,0 %
Rolled products	53,7 %	41,0 %	33,0 %
Ancillary services	16,6 %	17,2 %	19,9 %
	<u>100,0 %</u>	<u>100,0 %</u>	<u>100,0 %</u>
	=====	=====	=====

49. Coalmining industry. Total investments in hand, approved or planned in the Community coalmining industry at the beginning of 1957 show a certain upswing from 1956 onwards, after the slackening-off in 1955.

\$ millions

<u>1953</u>	448
<u>1954</u>	445
<u>1955</u>	406
<u>1956</u>	420
<u>1957</u>	610
<u>1958</u>	601
<u>1959</u>	476

Notwithstanding a certain increase in capital expenditure in recent years on the actual pits, the expansion in production which the schemes now in hand or approved are likely to bring about will not by any means meet the requirements set forth in the General Objectives. This poses a very serious problem for the coalmining industries of the Community.

Capital expenditure on coking-plants, which fell off sharply in 1955 and 1956, seems to be recovering. The 1957 survey suggests that production capacities will expand sufficiently to enable the Community to close its coke gap by 1960.

Expenditure on pithead thermal power stations and other power-generating plant at the collieries has continued at a high level during recent years, and the increase in production has been very rapid. There will probably be a further increase over the next few years.

TECHNICAL RESEARCH

50. The High Authority's work in connection with technical research forms an integral part of, and essential complement to, its long-term planning policy. The expansion of industry depends largely on the progress made in scientific and technical knowledge and on the speed with which such knowledge is applied in practice on the broadest possible scale.

In the coalmining and iron and steel sectors, it is essential to co-ordinate and direct research work, and to see that the results are made available to a wider public. It is also necessary to concentrate in this field, as in the field of investment, on those projects which are to be considered as taking priority in the overall context of long-term development indicated by the General Objectives. For this reason, the High Authority has continued to take an active part, not only in co-ordinating the actual studies, but also in directing them into specific channels by means of financial grants.

51. In 1956, technical research in connection with coal was able to profit by the study work of the General Objectives Committees and of

the Conference on Safety in Coalmines. The High Authority granted assistance totalling \$200,000 to finance research on the detection of noxious gases in mines.

As regards steel, the High Authority set aside \$1,500,000 for research on ways and means of reducing the consumption of coke in blast-furnaces. Work continues on the other research projects already begun, which include tests with various grades of coke in blast-furnaces, a study of technical conditions in steel-rolling, and endeavours to improve the quality of refractory materials.

ANNEX ON FINANCE

52. The general levy imposed by the High Authority on coal and steel production yielded \$173,700,000 between January 1, 1953, and December 31, 1956.

As at December 31, 1956, the assets of the High Authority were as follows :

	<u>'000 \$</u>
Guarantee fund	100,000
Special reserve 1)	8,646
Provisions :	
· expenditure for readaptation	21,760
· expenditure for technical research	7,000
for service of loans	30
still to be allocated	7,561
<u>Total :</u>	<u>144,561</u>

53. The High Authority's assets are so invested as to ensure both a reasonable return and adequate availability for immediate use.

Agreements have been entered into with the banks with whom the High Authority's assets are deposited enabling the industries of the Community to obtain medium-term credits at low rates of interest. The total amount of the credits thus provided stands at \$43,800,000.

1) Workers' housing and other loans.

54. Since its inception, the High Authority has itself granted 93 loans to 73 enterprises, to a total of \$137,000,000 of which \$129,000,000 came from funds raised by borrowing and \$8,000,000 from funds from other sources ¹⁾.

Loans out of funds raised by borrowing may be broken down by types of investment as follows :

Collieries and coking-plants	\$ 35,140,000
Pithead power stations	46,310,000
Iron ore	18,550,000
Pig-iron production	11,660,000
Workers' housing	17,400,000
<u>Total :</u>	<u>\$ 129,060,000</u>

This financial assistance by the High Authority has contributed to the implementation of investments in the Community's industries totalling more than \$500 million.

1) The total of \$137,000,000 does not include the proceeds of the loan floated in the United States in April 1957 (\$35m.).