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EUROPEAN COAL AND
STEEL COMMUNITY

HIGH AUTHORITY

GENERAL SECRETARY

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SUMMARY OF THE FOURTEENTH GENERAL REPORT OF THE HIGH AUTHORITY

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CHAPTER I

THE INSTITUTIONS AND THE EXTERNAL RELATIONS OF THE COMMUNITY

Section 1: The Institutions

Mr. Jean Fohrmann, Deputy to the Luxembourg Parliament and a Vice-President of the European Parliament, was co-opted as a Member of the High Authority following the death in office on May 18, 1965, of Mr. Paul Finet, whose career as a trade-union leader and as Member, and for a time President, of the High Authority is briefly outlined. It was decided to institute a Paul Finet Foundation to aid the dependent children of miners and steelworkers who had lost their lives as a result of industrial accidents or occupational diseases.

The appointments of three other Members expired in 1965, but in accordance with the Treaty they are remaining in office pending the designation of their successors.

The Court of Justice delivered judgment in 29 cases relating to the High Authority. Of the new appeals lodged during 1965, 29 were against the High Authority. The 26 actions withdrawn included 17 brought against the High Authority.

Inter-Executive co-operation

Co-operation continued through the joint services (the Statistical Office of the Communities and the Press and Information Service) and through the two existing Inter-Executive Working Parties on Energy and Transport, in addition to which a new Inter-Executive Working Party on Research was set up. High Authority representatives attended the meetings of various Brussels committees, including the Medium-Term Economic Policy Committee and the Short-Term Economic Policy Committee.

Merger of the Executives and of the Councils

On April 8, 1965, the member States signed the Treaty establishing a single Council and single Commission of the European Communities. So far the Treaty has received parliamentary ratification only in Germany and in France. It will come into force on the first day of the month following the last signatory State's depositing of its instrument of ratification. The High Authority's proposal that one Member of the future consolidated Commission should continue to be chosen by co-option was rejected by the Governments.

Section 2: External Relations and Commercial Policy

The High Authority continued its efforts to secure some degree of co-ordination on commercial policy among the member Governments, in order to get the Common Market for Coal and Steel into as healthy a state as possible given the international circumstances.

The peripheral tariff measures adopted at the beginning of 1964 had undoubtedly helped to establish a more satisfactory situation in the steel market, and Recommendation No. 1/64, requiring peripheral duties on steel to be adjusted to the Italian level of 9% was accordingly kept in force, while the specific duty of \$ 7.00 per ton on imports of foundry pig-iron was renewed for a further year. The restrictions on imports of iron and steel products from countries with State-controlled trading systems were also retained.

In G.A.T.T. the technical preparatory work for the negotiations on steel began in July 1965. E.C.S.C.'s aim in the Kennedy-round is to secure maximum harmonization of tariffs among the major steel-producing and exporting countries. The tariffs for negotiation were lodged with G.A.T.T. by the High Authority on November 13, 1964.

Relations with Britain, both in the Council of Association and during President Delors' official visit to London in June, continued to be affected by the vexed question of the British import surcharge of 15% imposed in October 1964, which the Community industries consider injurious to their interest. The surcharge was subsequently reduced to 10%, but the High Authority is still pressing for its complete abolition.

The High Authority set up a liaison office in Santiago de Chile, and also came to an agreement with the Japanese Government that senior Community and Japanese officials should meet at regular intervals to discuss the position of the steel industry in the world economy.

CHAPTER 2

ENERGY PROBLEMS

According to information available, energy consumption in 1965 will be around 595 million tons hard-coal equivalent, an increase of 4% over 1964.

Total internal energy requirements

	Absolute consumption '000,000 m.t. h.c.e.			% of total		
	1964	1965 (estimated)	1966 (forecast)	1964	1965 (estimated)	1966 (forecast)
Hard coal	237	224	223	41	38	36
Brown coal	38	34	34	7	6	5
Oil (1)	240	270	299	42	45	48
Natural gas	20	23	27	4	4	4
Primary electricity	37	45	45	6	7	7
Total (2)	572	596	628	100	100	100
Contribution of						
a) Community energy	327	322	326	57	54	52
of which: hard coal	214	201	199	37	34	32
b) Imported energy	245	274	302	43	46	48
(1) Of which: motor spirit	1964	1965	1966			
('000,000 m.t.)	49	52	57			
('000,000 m.t. h.c.e.)	69	75	81			
(2) Rounded figures, which may therefore differ from the sum of the individual items.						

To sum up, the general outlook for 1966 is that, parallel with the trend in economic activity, total energy requirements will rise more rapidly, the total for the year, given normal temperature conditions, working out at about 628 million tons hard-coal equivalent. Hard-coal requirements will level off after the steep decline in 1965, and for the first time internal consumption of Community coal will be less than 200 million tons h.c.e. There will be a further increase of about 11% in the consumption of hydrocarbons which will from now on account for over 50% of the total.

The whole of the overall increase in requirements in 1965 was covered by imports, while, in absolute figures, the flow of indigenous energy supplies actually diminished. In consequence of marketing difficulties, Community hard-coal production fell by some 10.5 million tons or nearly 5%, a larger decrease than that suggested by the pit closure programmes. In some coalfields, notably in Belgium, lack of demand again led to short-time working.

Production costs followed much the same trend as in previous years. In all Community coalfields direct wages rose a good deal faster than productivity. The impact of this discrepancy on the enterprises' production costs is being cushioned by the State's assumption of social-security charges; equipment costs have, however, risen fairly considerably, partly owing to increases in the prices of the machines and appliances themselves and partly as a result of the continuing colliery mechanization drive.

Movement of productivity and direct wages in Community collieries

Coalfield	Output per man/shift			Average direct hourly wage
	1964 kg (ton for ton)	1965 kg (ton for ton)	1965/1964 % p.a.	1965/1964 (estimated) % p.a.
Ruhr	2,688	2,766	+ 2.9)	+ 9.0
Saar	2,616	2,740	+ 4.5)	
Campine	1,979	2,102	+ 6.2)	+ 8.0
S. Belgium	1,606	1,697	+ 5.7)	
Nord/Pas-de-Calais	1,709	1,662	- 2.8)	+ 6.0
Lorraine	3,113	3,239	+ 4.0)	
Dutch Limburg	2,140	2,197	+ 2.7	+ 6.0

The net result is an average increase of 5.5% in the production costs of Community collieries.

The short-term c.i.f. prices for single shipments of American coal were slightly up on those ruling at the end of 1964, to \$ 14.50 per metric ton for coking coal mixture.

Some 240,000,000 tons of crude oil were processed at Community refineries in 1965, an increase of about 14% over 1964.

The market for petroleum products showed little change. The prices of heavy fuel oils for delivery in 1965 continued at the same low level as for some years past. Delivered prices of light fuel oil for heating remained at the low level of spring 1964.

1965 highlights in the natural gas sector were the discovery of the Meillon gas field in south-west France (yield provisionally estimated at 1,500 to 2,000 million cu.m. per annum), several finds of unknown extent in the Dutch provinces of Friesland and North Holland, and a strike of commercial flow in the British part of the continental shelf.

Dutch natural gas production was double the 1964 figure, very considerably exceeding the forecast of the end of last year. German reserves, likewise in process of rapid development, are already put at 250,000 million cu.m., and production in 1965 reached 2,700 million cu.m.

Outlook for energy supplies and position in 1966

Current forecasts for the Community in 1966 are:

- (a) a total internal consumption of 628,000,000 tons h.c.e. and a total energy demand of 732,000,000 tons h.c.e., a substantial increase (consumption up by 5.5%);
- (b) a hard-coal production target of about 209,000,000 tons (or about 220,000,000 on a ton-for-ton basis), i.e. a drop of about 2,000,000 tons;
- (c) a slight rise in total internal energy production (all sources together) owing to the expanding gas reserves, though only 15% of the increment in requirements will be covered from indigenous sources;

- (d) a natural-gas production of about 20,000 million cu.m., 20% more than in 1965. With the Netherlands expecting to produce 2 1/2 times as much as in 1965 and Germany 3,500 million to 4,000 million cu.m., the boom in natural gas in north-west Europe will definitely begin to affect the energy position of the countries concerned;
- (e) net energy imports of abt. 340,000,000 tons h.c.e.

All this again reveals a supply/demand imbalance for coal, with a 10,000,000-ton surplus (hard coal and coke together), mainly in Germany.

This outlook should induce the authorities to take steps designed to deal with the difficulties likely to arise from this situation. The present forecast obviously cannot include the effect of such measures; this is not necessarily what will actually happen, but what might happen if they are not taken.

Energy Policy

The outstanding developments in 1965 were the institution of consultation procedures on energy policy, initial studies on coking coal supplies, and above all the introduction of the Community system of State aids to the coal industry, in accordance with the High Authority's Decision No. 3/65. The Community was able, for the first time, to obtain a full picture of the assistance given to the collieries by the member Governments and to appraise this in the light of the criteria set forth in the Decision.

About 90% of the assistance given is intended to defray the collieries' abnormally high social-security charges. It amounts to \$ 4.20 per ton of estimated 1965 production in Germany, \$ 4.70 in France, \$ 5.40 in Belgium and \$ 0.85 in the Netherlands. Neither the first three very similar figures nor the fourth contrasting one are intercomparable. They are relevant only for the country concerned, i.e. as compared with that country's social-insurance system. The very low figure for the Netherlands is due to the fact that pensions there, both in the coalmining industry and elsewhere, are based on straight capitalization.

The size of the "abnormal" burden borne by the collieries in consequence, mainly, of the shift in the age pyramid -- and hence the extent to which they are handicapped in competition if left unaided -- is clearly brought out by the amounts they are having to be paid to offset it.

Subsidization proper, unconnected with the social-security side, is still marginal, \$ 0.40 per ton of coal produced in Germany and \$ 0.80 in France and Belgium. The Dutch collieries have not asked for assistance.

Article 10 of the Protocol of April 21, 1964, provides for consultations between the Governments and the High Authority in the Council of Ministers on proposed measures concerning energy before these are put into effect, except in specially urgent cases; the Governments undertake by this procedure "to do their utmost to co-ordinate these various measures".

These consultations need to be held on a very flexible basis, with no strict procedural forms, so that they can range as widely as possible.

Several such consultations took place in 1965. The German Government was the first to make use of the procedure, submitting details, in letters of November 24 and December 17, 1964, of its plans regarding

- (a) financial assistance for the construction of coal-fired thermal power stations;
- (b) financial assistance for the construction of piped and block-heating installations;
- (c) compulsory licensing of oil imports (for statistical purposes, not involving actual restrictions as to tonnages);
- (d) compulsory declaration of projects for the construction of refineries and pipelines;
- (e) compulsory stockpiling of mineral oils.

For purposes of consultation, the French Government, on February 1, 1965, notified the High Authority and other member States of the 1970 production targets just worked out for each coalfield, for the guidance of the French industry.

The German Government, in letters of August 4 and September 7, 1965, requested consultations on the provision of extra storage capacity for some further 4,000,000 tons of coal, to be partly financed from public funds, and on the curtailing of production by about 2,000,000 tons by introducing idle shifts with full pay.

Coking coal supplies

Under article 12 of the Protocol, the Council of Ministers is required to give its special attention to the Community's long-term requirements of coking coal. The High Authority was accordingly instructed to submit a report to the Council on the prevailing supply situation. It therefore assembled and evaluated all available data on the subject.

The coal requirements of mine-owned and steelworks-owned coking-plants account for some 35% of the Community's total coal consumption; they are met 90% from Community production and 10% from imports, mainly from America. Consequently, with the restrictions on imports of third-country coal, the Community is substantially self-sufficient in this respect. All the same, in the last few years it has tended to rely rather less exclusively on indigenous supplies.

Practically the Community's entire requirements of metallurgical coke are met by Community coking-plants. Germany is the main producer, supplying nearly 60% of all Community coke.

Differences between the prices of imported and indigenous coal face Community steel producers with the double problem, firstly, of conditions of competition vis-a-vis third-country producers, and and secondly, of conditions of competition vis-a-vis another according as their own Government's import policy does or does not allow them ready access to imported coal.

Following a preliminary examination of these findings, it was decided that the study must be supplemented to include fresh data and developments in 1965, notably with regard to coal prices. Work on this is now in progress.

CHAPTER III

THE COMMON MARKET FOR COAL AND STEEL

Section 1: The Common Market for Coal

State of the Common Market for coal in 1965

The coal surplus was even greater in 1965 than in 1964. Pithead stocks rose by 10 million tons to a total of 26 million, not far from the 1959 figure, which was the highest in the Community's history.

Movement of the overall position for hard coal
and briquettes in the Community

(1'000,000 metric tons)

	1962	1964	1965
Community consumption ¹⁾	258.2	253.2	237.5
Changes in consumers' stocks ²⁾	- 2.3	+ 0.2	- 0.5
Intra-Community disposals	255.9	253.4	237.0
Exports to third countries	4.8	2.9	2.0
Total demand	260.6	256.3	239.0
Production ³⁾	228.4	230.4	220.0
Imports from third countries	23.6	31.1	29.0
Changes in producers' and importers' stocks	- 8.5	+ 6.2	+10.0
Total supply	260.6	255.3	239.0
¹⁾ For household sector: sales ²⁾ Exclusive of household sector ³⁾ Including pitch for briquetting purposes; low-grade products in tons of saleable coal.			

Demand for coal

Apart from the unusually high water run-off, no extraneous influences interfered with the movement of coal consumption in 1965. This totalled 238 million tons, as compared with 253 million in 1964, a drop of 6%.

The two largest consumer sectors, the power-stations and the coking-plants, to-day account for 64% of the whole, as against only 48% in 1953, a demonstration that on these two fronts coal is still comparatively well placed.

Electricity requirements are rising so steeply that, despite the steady reduction in the amount of primary energy consumed per kWh produced in the thermal power-stations and the increasing use of oil-fired equipment there, coal sales to this sector would be fairly sure to show an increase in a year of average water run-off.

This trend may be expected to continue in the years ahead provided the measures adopted or decided upon in various member countries produce the effects anticipated. The only factor that might interfere with it would be a further expansion in the use of heavy fuel oil for electricity generation. With the increase in refinery capacity in the Community the amounts of fuel oil on offer are growing rapidly, while in addition the power-stations are tending more and more to install dual-fired plant, in order to be able to adjust their procurements to all price variations.

Consumption of hard coal for coking in 1965 was 20% above the 1953 level, but had shown no actual rise since 1958. Coking-plant production is governed mainly by requirements for metallurgical, industrial and household coke and for coke-oven gas - all of which are declining.

The coking industry's future depends principally on the size of the demand from the iron and steel industry. It has been found in recent years that even a 4% annual increase in pig-iron production does not necessarily mean an increase in coke requirements. The coke rate is being steadily reduced by new techniques and practices such as fuel injection and the admixture of larger proportions of high-grade ore and sinter to the blast-furnace burden.

Over against these two sectors taking more coal than in 1953, the power-stations and the coking-plants, stand four which are taking very much less; the gasworks and the railways, for reasons familiar to all, have been reducing their consumption of coal for years and their

procurements to-day are only 55% and 36% respectively of what they were in 1953, while those of the iron and steel industry (i.e. its procurements of coal proper as distinct from coke) and of the "other industries" group have fallen to 70%. In all these sectors, competition with the alternative fuels - more especially heavy oils, petroleum gas and natural gas - is at its keenest.

The household sector stands midway between the two sectors of expanding and the four of contracting consumption. Sales in 1965, though decreasing, were still only 7% below their 1953 level; nevertheless, although tonnage-wise coal has more or less held its ground, its share of the household market is contracting appreciably.

The volume of trade in solid fuels among the Community countries again decreased in 1965, thus remaining below the level of 1953. Cross-frontier sales of coal and briquettes totalled 17 million tons, 400,000 less than in 1964, while those of coke were down by half a million tons to 9,900,000.

Imports of coal from outside the Community amounted to 28,900,000 tons, a very substantial figure, though 2,200,000 tons below that for 1964. As in previous years, American coal accounted for over two-thirds of the total, with 20,400,000 tons, approximately the same amount as in 1964.

Exports of coal, briquettes and coke fell in 1965 by approximately one million tons, or 16%. The decrease was rather less marked for coke (3,300,000 tons exported) than for coal (2,100,000). In both cases the country chiefly concerned was Germany, which exports three-quarters of the Community total. Exports now account for only 2,5% of Community producers' markets.

The already steep rise of six million tons hard-coal equivalent in pithead stocks in 1964 was followed in 1965 by a still larger one of eleven and a half million.

Pithead stocks of hard coal

(1000,000 metric tons)

Country	end 1963	end 1964	end 1965	Additions to stocks in 1965
Germany (Fed. Rep.)	3,8	8,6	15,6	+ 7,0
Belgium	0,5	1,5	2,4	+ 0,9
France	6,1	5,7	7,2	+ 1,5
Netherlands	0,4	0,9	1,2	+ 0,3
Community	10,8	16,7	26,4	+ 9,6

The aggregate hard-coal production of the Community in 1965 was 218 million tons. This was 10,400,000 tons less than the previous year's figure, and 5,400,000 less than that for 1963, a year of substantial production losses as a result of a long-drawn-out strike in the French pits. The contraction already in progress in France, Belgium and the Netherlands, and there was also a 5% drop in Germany, where the level had remained more or less unchanged since 1959.

Trend in hard-coal production

(1000,000 metric tons)

Country	1953	1959	1962	1963	1964	1965(1)
Germany (Fed. Rep.)	140,9	141,8	141,1	142,1	142,2	135,1
Belgium	30,1	22,8	21,2	21,4	21,3	19,8
France	52,6	57,6	52,4	47,8	53,0	51,4
Italy	1,1	0,7	0,7	0,6	0,5	0,4
Netherlands	12,3	12,0	11,6	11,5	11,5	11,4
Community	237,0	234,9	227,0	223,4	228,4	218,1

(1) Provisional figures.

Colliery productivity

The drive to improve working efficiency went ahead steadily.

Comparative movement of underground labour force
and underground output per man/shift

(%)

	1963		1964		1965	
	Labour force	O.m.s.	Labour force	O.m.s.	Labour force	O.m.s.
Germany (Fed. Rep.)	- 6.4	+ 6.3	- 4.5	+ 3.7	- 5.1	+ 3.4
Belgium	- 2.7	+ 0.1	+ 2.7	- 3.1	- 7.0	+ 6.3
France	- 2.0	+ 1.9	- 3.7	+ 4.5	- 4.0	+ 0.3
Italy	- 31.8	+ 19.3	- 26.7	+ 26.6	- 23.3	+ 14.8
Netherlands	- 1.5	+ 0.8	- 2.3	+ 2.5	- 2.4	+ 2.7
Community	- 4.7	+ 4.5	- 3.3	+ 2.7	- 4.9	+ 2.7

Underground output per man/shift in the Community rose in 1964 by 2.7% from 2,272 kg. to 2,333. This was the smallest improvement since 1961, the year-to-year increase for 1962 being 7.5% and for 1963 4.5%.

Both at enterprise and at industry level the rationalization and reconstruction drive went steadily ahead in 1965 in all coalfields of the Community. The proportion of coal won from fully-mechanized faces increased to 67% as compared with about 30.3% in 1959.

Section 2: THE COMMON MARKET FOR STEEL

General state of the market in 1965

Preliminary estimates put world steel production in 1965, exclusive of that of mainland China, at some 445 million ingot tons, an increase of approximately 4.2% on 1964. The 1965 production in metric tons and percentage change from 1964 for the five biggest producers were:

United States	122 million tons	+ 3.4%
Soviet Union	91 million tons	+ 7.0%
E.C.S.C.	86 million tons	+ 3.7%
Japan	41 million tons	+ 2.4%
United Kingdom	27.5 million tons	+ 3.0%

World steel making capacity, however (still excluding mainland China), which in 1965 reached round about 500 million tons, again well exceeded world demand, even though demand in the United States was abnormally high -- considerably higher than real consumer requirements -- owing to the threatened strike in the American steel industry.

The overcapacity existing at world level is also found at Community level. Community crude-steel production potential rose to over 100 million tons, an increase of more than eight million (including nearly three million in Italy alone) on 1964, whereas actual production rose by only a little over three million tons despite consistently high export demand. The rate of utilization of steelmaking potential fell from 90% in 1964 to 86% in 1965.

The Community's real consumption of steel went up from 68,300,000 to about 71,000,000 ingot tons, an increase of approximately 2,700,000 or 3.9%. This was not, however, accompanied by a corresponding increase in demand, since consumers drew substantially upon the extra stocks they had built up in 1964: apparent crude-steel consumption, i.e. the difference between production and the net balance of external trade, remained practically the same as in 1964, at about 71 million tons, a further confirmation that actual demand does not move in line with real consumption, but deviates from it to a greater or lesser extent, thereby causing unnecessary fluctuations in prices.

Moreover, steel consumption in the Community is no longer expanding at the same rate as industrial production: between 1960 and 1965 real consumption of steel rose at an average 4.5% per annum, as compared with 5.8% for industrial production exclusive of the building trade. This relative slackening-off is due more especially to the use of steels of lighter section, made possible by quality improvement.

In contrast to the stagnation in apparent consumption, export demand was very high, Community steel exports rising from 13,900,000 ingot tons in 1964 to approximately 18,600,000 in 1965, an increase of nearly 34%. Almost one-quarter went to the United States, as compared with 18% in 1964, the year-to-year increase in the total tonnage shipped to that country working out at over 80%. The main reason for these large outside procurements by American consumers was the threatened strike in the American iron and steel industry, which persisted up to the end of August.

Community imports of steel from third countries went down from 3,400,000 ingot tons in 1964 to 2,500,000 in 1965.

The general price level within the Community, which in 1964 rose somewhat out of the trough into which it had fallen in 1963, sagged once more in 1965, particularly in the second half of the year. In contrast to 1963, the drop was due not so much to pressure from third-country prices -- sales by alignment on third-country quotations dwindled from 2,300,000 tons in 1963 to 500,000 in 1965 -- as to stiffer competition among Community producers, some of whom in 1965 published schedules in which most of the prices were lower than those of 1963.

In view of all these circumstances, the High Authority decided to extend up to the end of 1966 the peripheral measures adopted to safeguard the market two years previously, since it considered that to scrap them would be to invite recurrence of the conditions which had made it necessary to introduce them. At the same time, it has followed the movement of the steel market carefully, in consultation with the circles immediately concerned, and has most forcibly emphasized the need to establish that balance between supply and demand which is indicated in the quarterly "programmes with forecasts" it issues under Article 46 of the Treaty.

Over and above these various short-term measures, the High Authority has engaged in a number of medium-term activities designed to improve the situation. It is continuing its studies on the pattern of consumption and the trend towards the use of alternative materials and lighter-weight steels, and is working to promote consumption by such means as the holding of the two highly successful Steel Congresses

in Luxembourg and the equally widely welcomed international housing design competition. It has also commissioned specialized research centres in the Community to carry out studies on steel consumption in third countries, from which it may expect to obtain valuable information as to the movement of the Community's direct exports of steel. A parallel series on indirect exports (capital goods) is approaching completion. On the technical research side the High Authority is concentrating on the new conditions steel is now required to fulfil.

Iron ore

Gross extraction of iron ore in 1965 amounted to 78,700,000 tons, and saleable to 74,700,000, as against 77,300,000 in 1964. This decrease of 3.3% for the Community overall was unevenly distributed, the proportion in Luxembourg being 8.4%, in Germany 8% and in France 2.3% (Italy and Belgium produce only small quantities). In 1964 France, the Community's biggest producer, had registered an increase of nearly 5%.

Imports of third-country ore went up from 47,700,000 to 53,800,000 tons; exports were lower than in 1964, 355,000 tons as against 505,500.

Pig-iron

Community pig-iron production (blast-furnaces and electric furnaces together) in 1965 totalled 63,200,000 tons, an increase of 4% on 1964. Further progress was made in the enrichment of the blast-furnace burden thanks to increased imports of high-grade foreign ores and advances in sintering processes. Consumption of sinter worked out at 1,076 kg. per ton of pig-iron produced, compared with 1,031 kg. in 1964 and 519 in 1954. The two factors between them enabled the average Fe content of the ore and sinter consumed to be raised to nearly 42%, as against about 41% in 1964 and 35% in 1954, and the coke rate to be reduced to 704 kg. per ton of pig-iron produced as against 733 and 960 kg. in 1964 and 1954 respectively.

Steel

Community crude-steel production rose in 1965 by 3.7% to 85,925,000 tons. The increase was principally concentrated in Italy and the Netherlands, the level elsewhere, apart from a minor upturn in Belgium, remaining practically unchanged. The figures, however, need to be seen against the background of developments over the previous few years.

Community crude-steel production

(1'000,000 metric tons)

Country	1960	1961	1962	1963	1964	1965 1)	Percentage change 1965/1964
Germany (Fed. Rep.)	34.10	33.46	32.56	31.60	37.34	36.82	- 1.4
Belgium	7.18	7.00	7.35	7.53	8.73	9.16	+ 5.0
France	17.30	17.58	17.23	17.55	19.78	19.60	- 0.9
Italy	8.56	9.38	9.76	10.16	9.79	12.64	+ 29.0
Luxembourg	4.08	4.11	4.01	4.03	4.56	4.59	+ 0.6
Netherlands	1.94	1.97	2.09	2.34	2.66	3.12	+ 17.3
Community	73.07	73.50	73.00	73.21	82.96	85.93	+ 3.7

1) Provisional figures

The pattern of Community steel production continued to change as a result of the popularity of oxygen steelmaking.

Pattern of crude-steel production, by processes

(% of total production)

	1960	1961	1962	1963	1964	1965 1)
Basic and acid						
Bessemer	49.6	48.4	47.0	45.8	42.1	37.6
Open-hearth	37.8	36.8	36.2	34.5	33.7	31.3
Electric-furnace	10.4	11.5	12.0	12.2	11.6	12.0
Oxygen-blown	2.2	3.3	4.8	7.5	12.6	19.1

1) Provisional figures.

Production of special steels increased in 1965 both absolutely and in relation to total steel production, but its share of the latter remained smaller than in 1961.

Production of special steels

(1000 metric tons, rounded)

Country	1960	1961	1962	1963	1964	1965	Percentage change 1965/1964
Germany (Fed. Rep)	2,968	2,855	2,527	2,481	3,047	3,127	+ 2.6
France	1,470	1,544	1,485	1,483	1,601	1,747	+ 9.1
Italy	1,337	1,567	1,337	1,192	1,070	1,295	+ 21.0
Benelux	199	216	202	194	252	234	- 7.1
Community	5,975	6,183	5,550	5,350	5,970	6,403	+ 7.3
Total crude- steel production	73,076	73,511	73,011	73,218	82,856	85,925	+ 3.7
Share of special steels in total crude-steel production (%)	8.17	8.41	7.60	7.31	7.21	7.45	

Intra-Community trade in steel slackened off in 1965 from nearly 12,300,000 tons (rolled steel weight) to 11,800,000.

Exports to third countries rose steeply, from just under 10,500,000 tons (finished Treaty product) in 1964 to 14,300,000 in 1965; imports dropped from 2,700,000 to 1,900,000.

Prices

The general price level, which had pretty well recovered in 1964 from its heavy slump of the year before (even though not all producers invariably adhered to their published schedule prices), sagged again badly in 1965, particularly during the second half of the year, the prices of some products going even lower than in 1963. Slight signs of improvement, however, appeared at the beginning of 1966.

Lowest schedule prices published

(\$ per metric ton)

	<u>1963</u>	<u>1964</u>	<u>December 1965</u>	<u>January 1966</u>
Reinforcing rods (B),	81.00	94.00	80.00	80.00
Merchant bars (B)	95.00	96.00	90.00	90.00
Sections	97.75 (F)	97.75 (F)	90.00 (B)	90.00 (B)
Wire rod (B)	75.00	90.00	89.00	89.00
Plate	95.00 (B)	106.30 (N)	89.00 (B)	97.00 (B)
Hot-rolled sheet (B)	112.20	130.00	108.00	108.00 (B)
(F)		124.75		

(B) = Belgium; (F) = France; (N) = Netherlands.

1965 Steel Congress

The High Authority's second Steel Congress, this time on "Progress in Steel Processing", held from October 26 to 28, 1965, was attended by some 1,200 delegates from 44 countries. The presence of large numbers of technologists and scientists from non-Community countries was a clear indication that the Luxembourg Steel Congresses are by now a recognized world event.

Section 3: Implementation of the Rules of Competition

The High Authority has for some years been exercised by the structural changes going on in conditions of competition, including in particular the emergence of "competition by substitution", and the problems arising with regard to industrial concentrations as a result of these changes and of the march of technological progress.

Steps taken by enterprises to meet the situation have included some measures -- specialization agreements and concentrations -- requiring authorization under Articles 65 and 66 of the Treaty. In all cases dealt with to date the High Authority has been able to approve the applications, subject, as in the past, to such conditions as it has thought necessary.

In weighing up each projected concentration, the High Authority makes a separate assessment of any social implications it may have, more especially as regards employment. So far, no agreement or concentration between E.C.S.C. enterprises has resulted in serious hardship.

The main developments during the year in connection with cartels and concentrations were as follows:

(a) Cartels

1. On the strength of Prof. Müller-Armack's report on the functioning of the Ruhr joint coal-selling agencies, these were authorized to continue in operation for a further two years, until March 31, 1968.
2. Joint selling of coal through the Comptoir Belge des Charbons ("Cobechar"), whose affiliated collieries account among them for 92% of total Belgian and 8% of total Community production, was authorized to continue until December 31, 1969.
3. The Court of Justice upheld the High Authority's Decision No. 15/64 withdrawing permission for the Société Rhénane d'Exploitation et de Manutention ("Sorema") to belong to the south German wholesalers' joint-selling network.

4. Specialization agreements were authorized concerning the joint selling of wire rod by Salzgitter Hüttenwerke AG and Ilseder Hütte, and of merchant bars and sections by Dortmund-Hörder Hüttenunion AG., Hoesch AG., Hüttenwerk Oberhausen AG. and Mannesmann AG.

(b) Concentrations

1. Authorization was given for a merger between the Société Denain-Anzin and the Société des Forges et Aciéries du Nord et de l'Est, two holding companies jointly controlling the steel firm Usinor.
2. Conditional authorization was given to Aciéries Réunies de Burbach-Eich-Dudelange ("ARBED") to acquire a majority share holding in Hauts-Fourneaux et Aciéries de Differdange-St. Ingbert-Rumelange ("HADIR").
3. A number of concentrations between steel-producing and steel-processing firms were authorized (Flick KG/Südwestfalen AG. and Flick KG./Daimler-Benz AG.; Châtillon/Tissmétal; Pompey/Forges de Bar-sur-Aube).

With regard to its system of pricechecks at coal and steel enterprises, the High Authority points out that, while these have yielded a good deal of useful information, they have not always been as effective as it could wish, since the "partial integration" instituted by the E.C.S.C. Treaty affords the enterprises all sorts of opportunities for engaging in transactions which it cannot evaluate fully by checking up direct on them itself. In a great many cases the co-operation of the national authorities is required.

Section 4: Transport

The implementation of the High Authority's Recommendation No. 1/61, which enjoined the Governments to see to it that rates and conditions of carriage for coal and steel were made properly known to the extent necessary to the functioning of the Common Market, is a matter requiring quite some years of sustained endeavour.

Progress has, however, been made in all the member countries. In some of them, notably Belgium, Italy, Luxembourg and the Netherlands, special enactments had to be introduced for the purpose. In the Netherlands, a series of Decrees the drafts of which had been jointly finalized by the High Authority's Transport Division and the Dutch Ministry of Transport and Public Works were promulgated towards the end of 1965, with effect from January 1 following.

The High Authority is continuing to work on various other matters still outstanding in connection with both internal and cross-frontier carriage.

Now that Recommendation No 1/61 is on the way to being implemented so far as carriage within the individual member countries is concerned, it should soon be possible to begin the multilateral examination of practical measures for dealing with the problems of disclosure of international rates between Community ports on the Rhine and on waterways other than the Rhine, of intra-Benelux and other cross-frontier road-haulage terms, and of railway rates and conditions for consignments carried via Swiss and/or Austrian territory under unpublished agreements between member States.

Current problems in the rail sector include the German State Railways' special rates for the carriage of solid mineral fuels and iron and steel products to and from certain stations in the Saar, in support of which the German Government has pleaded "potential competition" from a projected canal between the Saar and the Palatinate (the so-called "as-if" tariffs). These are being studied in consultation with the E.E.C. Commission.

In the course of the negotiations between the High Authority and the Governments concerning the implementation of Article 70,3 of the Treaty and Recommendation No 1/61, the French and German representatives informed the High Authority that their Governments were planning to settle the problem of disclosure of road-haulage rates and terms by instituting a schedule of international through-rates. Negotiations are in progress, and an intergovernmental agreement on the matter is being drafted. The Belgian and Luxembourg Governments are joining in the talks with a view to arranging for the schedule also to cover haulage between their own two countries and the other two.

Trends in transport of E.C.S.C. products

The general shrinkage observable since 1960 in the total volume of E.C.S.C. products carried by rail and water (road haulage is not included in these statistics) abruptly gave place in 1963 to an expansion of 3.3%; this was followed in 1964 by a further increase of 1.3%, or 6,400,000 tons, to a total figure of 493,300,000 tons. While intra-Community traffic remained almost the same (+ 1%), carriage to and from third countries showed an increase of 2.6%, accounting in 1964 for 23.4% of all traffic, as compared with 23% the previous year.

The distribution among the different modes of transport followed the established pattern, the shares of inland-waterway and seaborne transport increasing respectively in 1964 from 16.1 to 17.5% and from 20.1 to 21.2%, while that of the railways declined from 63.8 to 61.4%.

CHAPTER IV

LONG-TERM DEVELOPMENT OF THE E.C.S.C. INDUSTRIES

Section 1: Investment

Expenditure over the eleven years 1954-64 inclusive on capital projects shown as assets in the enterprises' balance-sheets totalled 14,200 million dollar units of account, giving an annual average of 1,300 million units.

The January 1, 1964, survey for the year ahead had suggested that aggregate capital expenditure would drop from its record 1963 level of 1,800 million units to round about 1,600 million: the survey a year later showed this prediction to have been overall quite accurate, a slight shortfall on the mining side being offset by a rather higher level of expenditure than had been expected in the iron and steel industry.

The results of the 1965 survey as regards capital expenditure are shown below.

Capital expenditure in the E.C.S.C. industries

(1000,000 E.M.A. units of account)

Sector	Actual expenditure as per accounts at January 1, 1965		Estimated expenditure as at January 1, 1965
	1963 1)	1964	1965
Coalmining industry	334	302	354
Iron-ore mines	28	24	31
Iron and steel industry	1,480	1,291	992
Total	1,842	1,617	1,377

1) Corrections made to figures in Thirteenth General Report.

The 1965 survey indicates a further drop in the capital expenditure of the coalmining industry, which had already fallen from 384 million units of account in 1961 to 372 million in 1962 and 334 million in 1963 and now again declined to 302 million in 1964.

The contraction in investment in the Community iron-ore mines which began in 1962 continued during the two following years in all orefields, and the figure for 1964 was less than half that for 1961.

Despite the upturn in steel production in 1964 and a certain temporary improvement in revenues, the decline in investment activity noted in the January 1964 survey continued. Most of the major projects undertaken since 1959 had been completed as planned, except in Italy, where the enterprises pressed ahead vigorously notwithstanding a distinctly unfavourable general business climate. 1965 will in all probability be found to have witnessed a further falling-off, in varying degree, in the Community as a whole, with Italian investment in particular finding a more natural level.

The contraction in 1964 affected the different sectors in more or less constant proportions throughout the Community, investment in pig-iron production plant going down by 14%, in steelmaking plant by 10%, in rolling plant by 15% and on the general services side by 8%.

Overall, the results of the 1965 survey bear out the forecasts for 1964 given in the previous survey.

Hard-coal production potential in 1968 is put at less than 235 million tons, nearly eight million less than in 1964, in spite of the considerable expenditure latterly on productivity improvement, which it was planned to step up further in 1965 in the pits remaining in production.

The Lorraine iron-ore mines also indicated that they would be increasing their capital expenditure somewhat in 1965: this was, however, to be concentrated mainly in productivity improvement and will certainly not make up quantitatively for the closures necessitated in the various Community orefields during the last three years by pressure of foreign competition.

The 1965 survey suggested that investment activity in the iron and steel industry, which had begun to flag in 1964 despite a certain improvement in business conditions, would continue to fall in the years ahead, which would doubtless be more unfavourable economically. Capital expenditure in 1965 appeared nevertheless likely to be above the annual average for the years 1954-60. Although more and more of it was going on the betterment of productivity, the expansion in production potential was scarcely affected, the annual rate of growth between 1964 and 1968 working out at approximately 5%, very little lower than that recorded between 1952 and 1964. It could be that this expansion will outstrip the growth in the demand for steel products: the enterprises fear this may well be so, but many of them are not in a position to modernize at all without substantially adding to their capacity, owing to the immense size of modern production machines.

Specific capital expenditure

The accompanying table shows for each member country the level of capital expenditure per ton produced in the principal producer sectors.

Specific capital expenditure

(E.M.A. units of account per ton or per
1000 kWh produced)

Sector	Germany (Fed. Rep.)	Belgium	France	Italy	Luxem- bourg	Nether- lands	Com- munity
Coal							
average 1954-58	0.9	1.4	1.3	1.3	-	1.1	1.1
average 1959-63	1.0	0.8	0.9	1.5	-	1.1	1.0
1964	1.0	0.8	0.7	3.7	-	0.9	0.9
Coke (all types of plant)							
average 1954-58	1.0	1.1 1)	2.7	1.5	-	- 1)	1.3
average 1959-63	0.7	0.7 1)	1.4	2.4	-	- 1)	0.9
1964	0.4	0.4 1)	0.2	6.5	-	- 1)	0.7
Electricity (generated at mines)							
average 1954-58	4.7	4.9	3.0	12.1	-	2.5	4.0
average 1959-63	3.5	3.0	1.4	0.1	-	1.7	2.7
1964	1.9	0.5	0.3	-	-	1.9	1.2
Iron ore							
average 1954-1958	0.5	0.2	0.5	1.4	0.1	-	0.5
average 1959-1963	0.5	0.3	0.5	0.9	0.2	-	0.5
1964	0.5	-	0.3	0.6	0.1	-	0.3
Pig-iron 2)							
average 1954-1958	2.4	2.4	3.3	2.4	2.5	5.1	2.7
average 1959-1963	2.4	3.9	5.2	6.1	3.0	4.0	3.6
1964	1.6	2.3	2.7	20.5	2.8	2.1	3.2
Crude steel							
average 1954-1958	1.9	1.3	1.2	1.2	1.5	3.7	1.6
average 1959-1963	1.8	2.3	1.6	2.2	1.1	2.8	1.9
1964	1.1	2.8	0.9	6.7	1.5	1.1	1.9
Rolled products							
average 1954-1958	8.1	4.2	6.6	8.7	3.1	7.6	7.0
average 1959-1963	8.0	13.8	10.6	11.6	5.2	16.5	9.8
1964	9.2	7.6	7.5	25.5	4.5	18.1	10.8

- 1) Coke figures for Belgium and the Netherlands have been consolidated.
- 2) Expenditure on burden-preparation installations and blast-furnaces only.

Since, as noted in previous Reports 1), the figures need to be treated with some reserve, it has been felt best to indicate as the reference basis averages relating to periods of several years, adding the latest single-year figures available (in this case those for 1964) simply for guidance. The averages shown in the table are each for a period of five years, which is long enough to ensure that practically no trace remains of any sudden aberrations such as are liable to crop up for individual years. On the other hand, it still needs to be borne in mind that the sectors concerned vary in structure and operating conditions from one country to another, and that the prices of capital goods in units of account for a given year are not strictly intercomparable.

For coal, the two sets of five-year figures show, overall, very little change, specific expenditure going up slightly in Germany and down rather more markedly in Belgium and France. The figures for the individual countries diverge much less from the Community averages than in any other sector.

In the case of the coking-plants, a sharp drop is observable between the first and the second five years; only in Italy was there a temporary increase, still very much in evidence in 1964 owing to the various projects in hand for installing new steelworks-owned and independent plants.

Specific expenditure on pithead power-stations also slumped heavily in 1959-63 in comparison with the 1954-58 level, and would appear from the 1964 figures to be continuing to decline.

In the iron-ore industry specific expenditure showed a decrease in 1964 in the Lorraine orefield, after remaining pretty well unchanged for a number of years, both there and elsewhere in the Community.

In the iron and steel industry the 1959-63 figures were considerably higher than those for the previous five years, but a certain falling-off was recorded in 1964 in all the member countries except Italy.

1) See Eleventh General Report, No. 393

This is particularly noticeable in the pig-iron sector: in Italy large amounts were being spent, primarily on new sinter plants, but also on the modernization of existing blast-furnaces and the construction of new ones, while all the other countries registered a drop in 1964.

Similarly, Italy showed a very substantial increase in specific expenditure on crude-steel and rolling capacity; expenditure on the former also rose, rather less steeply, in Belgium and Luxembourg, and on the latter in Germany and the Netherlands.

Declarations of investment project in 1965

The estimated aggregate value of projects declared to the High Authority in 1965 (with changes notified subsequently) is 710 million dollar units of account, 30% higher than the previous year's figure; one steel firm alone was responsible for nearly half the total. Apart from a handful of major projects in the Dutch and Italian steel industries, there seems in general to be still some reluctance to launch out on new schemes.

Aggregate value of projects declared

('000,000 E.M.A. units of account)

Year	Coalmining industry 1)	Iron-ore mines	Iron and steel industry	Total (1 + 2 + 3)
	1	2	3	4
1956	205	9	638	852
1957	177	25	252	454
1958	251	16	410	677
1959	167	8	495	670
1960	146	6	1,802	1,954
1961	173	10	1,361	1,544
1962	87	-	553	640
1963	72	-	131	203
1964	43	-	501	544
1965	121	-	589	710

1) Including plants producing brown-coal briquettes and low-temperature brown-coal coke; and independent coking plants.

The intended outlay on projects in the coalmining industry in 1965 totalled 121 million units of account (93 million in the Ruhr), about 80% above the average of the three previous years, but nowhere near the level in 1956-1961. About two-thirds of this amount - 82 million units of account - was to go on the pits themselves, in efforts to make the collieries more competitive, notably by concentrating production and coal-preparation installations. Projects declared in connection with coking (mine-owned and independent plants) represented a total expenditure of 34 million units of account, principally on the complete renovation and replacement of old ovens in the Ruhr and on extensions to an earlier project in Italy. No declarations were received concerning pithead power-stations; in the category of "other power-generating plant at mines", however, projects to a value of five million units of account were declared relating to the construction of heating installations.

In 1965 as in the three previous years, no declarations were received from the iron-ore industry.

The total forecast for the iron and steel industry was 589 million units of account, 88 million more than in 1964. Projects for coastal steel plants in the Netherlands and Italy account for two-thirds of this amount, an indication of the continuing lack of enthusiasm for investment elsewhere. The capacity now existing and under extension at all stages in the production cycle would appear to be sufficient to cover future requirements.

The increase in production potential suggested by the declarations is substantial, a necessary consequence of investment aimed mainly at stepping up productivity and introducing new production processes in most parts of the Community. For sintered ore the increase may be put at 600,000 tons for pig-iron at 1,900,000, and for crude steel at 5,200,000 (an addition of an annual 1,100,000 tons in 1966, 1,100,000 in 1967, 700,000 in 1968, and 2,300,000 over the two following years). L/D steelmaking potential in particular can be expected to grow by six million tons, while there will be a simultaneous decline in basic Bessemer.

Net changes in crude-steel production potential
as indicated by investment projects declared

('000,000 tons annual potential)

Country	1960	1961	1962	1963	1964	1965
Germany (Fed. Rep.)	4.6	2.1	0.3	-0.4	1.7	1.6
Belgium, Luxembourg,						
Netherlands	2.7	2.6	0.4	-	0.6	2.6
France	2.0	0.8	-	0.1	2.2	0.0
Italy	3.9	1.0	0.9	0.3	0.3	1.0
Community	13.2	6.5	1.6	0.0	4.8	5.2

Financing of investment

The total value of loans granted by the High Authority over the years up to December 31, 1965, was 655,100,000 units of account, of which 502,900,000 went to industrial investment, 112,800,000 to housing schemes for workers, 29,800,000 to industrial redevelopment and 9,600,000 to "readaptation" (tiding-over and retraining) of redundant workers and to technical research.

Borrowing and lending operations

During 1965 the High Authority raised three loans to a total value of 54,300,000 units of account, two in the form of bond issues on the German and Dutch markets respectively, and one a private loan from a Luxembourg bank.

These operations brought the High Authority's total borrowings at December 31, 1965, to the equivalent of 559,500,000 units of account.

In addition, talks begun in the autumn of 1965 culminated the following January in two more big loans, one of Lit.15,000,000,000 (= 24 million units of account) in the Italian capital market, and the other of 20 million units of account in the international market; the latter was the first bond issue launched by an international organization in units of account.

Funds available for loans to enterprises in 1965, from the year's borrowings and sundry other sources, amounted altogether to 81,200,000 units account. Most of these were relent as raised, i.e. at about 6% interest. The loans were made to assist capital schemes in industry, redevelopment and reconversion projects, and the building of workers' houses.

High Authority loans to end 1965, by sectors and countries

('000,000 units of account and %)

Sector	Germany (Fed. Rep.)	France	Italy	Belgium Luxembourg Netherlands	Community in million units of account %	
Coalmining industry	152.2	31.3	4.8	14.0	202.3	30.9
Iron-ore mines	10.6	13.0	5.7	1.0	30.3	4.6
Iron and steel industry	104.5	55.8	97.6	12.6	270.3	41.3
Sub-total	267.3	100.1	107.9	27.6	502.9	76.8
Workers' housing	49.0	17.2	14.0	32.6	112.8	17.2
Redevelopment and reconversion	1.0	4.9	15.0	8.9	29.8	4.5
Readaptation	5.3	0.3	-	-	5.6	0.9
Research	1.4	0.8	0.4	0.7	3.3	0.5
Miscellaneous	-	-	-	0.7	0.7	0.1
Total	324.0	123.3	137.3	70.5	655.1	100.0

Section 2: Technical Research

The High Authority in 1965 went ahead still more actively with its promotion of technical and economic research concerning production and consumption of coal and steel and personnel safety in the E.C.S.C. industries, as required by Article 55 of the Treaty.

During the year under review, it earmarked for these purposes a total of close on 11,500,000 units of account, of which just over 4,800,000 was allocated to coal, 5,800,000 to steel and about 900,000 to iron ore. This brought the aggregate amount committed for research in these fields between 1952 and the end of 1965 to over 49 million units of account, or if we include the 26 million provided for the various medical and social research projects which the High Authority has sponsored since 1953, to something like 75 million. Actual disbursements by the High Authority towards technical research over the years now total 25,200,000 units of account.

In 1965, as well as encouraging research in the member countries, the High Authority commissioned certain research work on its own account, notably in connection with steel utilization. It concentrated chiefly on projects too large, too costly, too risky or insufficiently assured of practical exploitation afterwards to be undertaken by individual enterprises or groups of enterprises, or even by national research establishments.

At the High Authority's suggestion, an Inter-Executive Working Party was established at the end of 1965, pending the installation of the single merged Commission, to keep the present three Executives in closer touch on matters of technical research. The Working Party then set up an expert committee

- (a) to co-ordinate research activities on matters coming simultaneously within the purview of two or more Executives;
- (b) to compare notes on scientific and technical research carried out in the different Communities, in order to establish the basis and general direction of a future research policy for the merged Commission;
- (c) to study the contribution of research and innovation to economic growth, with a view to making research more economically effective.

Section 3: General Objectives; Energy Outlook

General Objectives for steel

The last set of General Objectives, going up to 1965, was issued by the High Authority in 1961. Since then the whole steel situation has undergone radical changes, both in the Community and in the world at large.

A new draft set of General Objectives for steel is now before the High Authority; it is to be forwarded to the Consultative Committee and to the appropriate Committee of the European Parliament early in April, and published as soon as the consultations required by the Treaty have taken place and any alterations found to be called for have been made.

Long-Term Energy Outlook for the Community, 1965-1980

The first edition of this study was drawn up in 1961-1962; it was intended not so much to forecast developments as to pinpoint processes and factors determining the basic trends in the European energy market.

Now that five years have passed, the time is felt to have come to compare the trends indicated with the actual course of events meantime. This is the object of the new edition now being prepared by the High Authority and the Inter-Executive Working Party on Energy.

The revised study differs from its predecessor in the following respects:

- (a) it incorporates the latest particulars concerning Community energy production, including more especially natural gas and nuclear energy;
- (b) it covers the period up to 1980;
- (c) the outlook for Europe is in each case viewed in close conjunction with the world outlook generally.

The analysis offered of course depends very much on the periods covered. Two main periods have been selected, ending respectively in 1970 and 1980.

The production and consumption apparatus in 1970, of which it is already possible to form a pretty accurate picture, suggest that ample supplies will be available, but that the real headache for the Community will be to assure sales outlets for indigenous coal.

The Community's internal energy requirements are expected to rise from 597 million tons hard-coal equivalent in 1965 to 743 million in 1970, an increase of nearly 25 % in five years. The only sector in which coal consumption is likely to continue growing up to 1970 is that of the thermal power-stations; in the steelworks-owned coking-plants it will probably remain about the same, while in all other sectors it will decline pretty steeply. Sales of Community coal, unless action is taken to restrict the expected flow of imports, will work out between 168 and 196 million tons - less than the total coal consumption recorded in 1965.

The real level of internal demand will depend on the energy policy adopted, and in particular on the arrangements made as to colliery subsidization, since all the indications are that the cost of Community coal will continue to mount between now and 1970, whereas the prices of imported fuels are unlikely to increase much.

Energy consumption and upper and lower limits of
coal disposals in the Community

	All energy		Coal			
	('000,000 tons hard-coal equivalent)		('000,000 tons hard-coal equivalent)		(% of total dis- posals)	
	1965	1970	1965	1970	1965	1970
1. Iron and steel industry 1) (of which: coke)	62	66	52 (50)	51 (50)	23	26-22
2. Other industries 1)	115	144	26	15-22	11	7-9
3. Transport 1)	76	109	7	3	3	2-1
4. Private households 1)	137	165	50	35-45	22	17-20
5. Hydro and nuclear power-stations	42	50	-	-	-	-
6. Conventional thermal power-stations	111	153	58	66-79	25	34-36
7. Other energy producers and converters 1)	46		31		13	
8. Miscellaneous	8	56	4	26-29	2	13-12
9. Total internal consumption	597	743	228	196-229		
10. Exports to third countries and bunkering	79		6	4	2	2
11. Non-energy products (converters' and end consumers' stock changes)	24		- 3		- 1	
12a. Total disposals (indigenous and imported energy)	700		231	200-233	100	100
12b. Coal imports			29	32-37		
12c. Disposals of Community coal 2)			202	168-196		
1) Exclusive of electricity.						
2) Total disposals less imports. The 1965 figure is less than the year's production, as 11 million tons were added to pithead stocks.						

Coverage of Community energy requirements in 1960 and 1970

A. '000,000 tons hard-coal equivalent

	Indigenous energy 1)		Net imports		Total	
	1965	1970	1965	1970	1965	1970
Hard coal	205	168-196	23	32-37	228	200-233
Brown coal	31	36	3	2	36	38
Oil	23	28	243	369-336	268	397-364
Natural gas	23	47	(0.5)	6	23	53
Hydro power and terrestrial heat	39	43	2	2	41	45
Nuclear energy	2	10	-	-	2	10
Total	323	332-360	272	411-383	597	743

B. % of total requirements

Hard coal	34	23-26	4	4-6	38	27-32
Brown coal	5	5	1	..	6	5
Oil	4	4	41	50-45	45	54-49
Natural gas	4	6	..	1	4	7
Hydro power and terrestrial heat	7	6	-	..	7	6
Nuclear energy	..	1	-	-	..	1
Total	54	45-48	46	55-52	100	100

- 1) The tonnage of coal actually produced works out rather higher, as it includes additions to pithead stocks.

Thus in 1970 more than half the Community's energy will be imported, and round about half will consist of petroleum products. If we compare the estimated outlets for coal in 1970 with the Community's 1965 coal production of 211 million tons, it is obvious that the great problem by then will be to find buyers for indigenous coal.

Position around 1980

With regard to the Community's energy supply position in 1980, the two main aspects studied were the sources from which the energy is to come and the best means of ensuring as even a balance as possible between supply and demand.

From estimates of G.N.P. and industrial production, the demand from the main consumer sectors has been forecast at approximately 1,130 million tons hard-coal equivalent, with requirements for the power-stations rising more steeply than any others.

No real difficulty is likely to be encountered in obtaining the necessary amounts of energy, but the prices charged for these may well alter considerably. Actual cost increases of the ordinary kind will probably play only a minor part, but how prices will move is very far from clear. It must be borne in mind that oil, which will by that time constitute something like 60% of the world's energy supply, is produced only in a few areas and marketed only by a few companies: the result could be a sharp divergence between the price and cost trends.

Energy consumption in the Community, by sectors
1965-1980

	'000,000 tons hard-coal equivalent		% of total	
	1965	1980	1965	1980
1. Iron and steel industry 1)	62	74	10.4	6.5
(of which: coke)	(50)	(51)	(8.4)	(4.5)
2. Other industries 1)	115	205	19.3	18.1
3. Transport 1)	76	164	12.7	14.5
4. Private households 1)	137	220	22.9	19.5
5. Hydro power-stations	41	50	6.9	4.4
6. Nuclear power-stations	1	90	0.2	8.0
7. Conventional thermal power-stations	111	246	18.6	21.8
8. Other energy producers and converters 1)	46)	81	7.7)	7.2
9. Miscellaneous 1)	8)		1.3)	
10. Total internal consumption	597	1,130	100.0	100,0
1) Exclusive of electricity				

General Objectives for coal

The changes in the pattern of the energy market have completely altered the whole approach to the drawing-up of General Objectives for coal. It is no longer enough simply to make a market study for the six countries based on costs and demand: the economic survival of Community coal now depends principally upon a policy of subsidization and protection.

The next set of General Objectives for coal will be in quite a different form, inasmuch as they will be dovetailed with economic policy measures to be taken by the Governments. Before completing the work now in hand on them, therefore, the High Authority has held consultations with the Governments; it intends to issue a memorandum on the problems involved in the course of 1966.

CHAPTER V

SOCIAL POLICY

Part I: Manpower Situation

Section 1: Trends in Employment

At September 30, 1965, the total personnel strength of the E.C.S.C. industries (workers, apprentices and clerical, technical and managerial staff) was 1,318,400, as against 1,360,500 a year earlier.

The drop, a considerably larger one than that for 1963-1964 (-42,100 compared with -12,100), was observable in all three sectors, though in differing degrees: in the collieries the rate of wastage was back to the same high figures as in 1962-1963, in the steel industry the numbers employed went down again after a sudden sharp upturn in 1964, and in the iron-ore mines the drift away from the industry continued, though rather more slowly than before.

Various recent indications suggest that the shrinkage is mainly due to the gathering momentum of the structural changes necessitated by market developments.

Coalmining industry

The number employed in the collieries fell from 734,800 at September 30, 1964, to 699,500, including 401,600 underground workers (-26,100) at September 30, 1965 - a substantially greater reduction than in either of the two previous years (-35,300 as against -21,700 and -31,600).

Short-time working owing to poor sales, last witnessed in 1961, had again to be introduced during 1965, though on a limited scale. It was most in evidence in Belgium, where five pits were affected in the Campine and 21 in the Southern coalfield: man-days not worked in these two areas totalled respectively 100,200 and 128,500, and the resulting production loss amounted to 342,000 tons.

Iron and steel industry

The number employed in the Community iron and steel industry was 591,000 at September 30, 1964, and 587,300 at September 30, 1965, a decrease of 3,700 contrasting with the increase of 14,200 recorded for the corresponding period a year earlier.

The reduction was mainly in France (-4,800) and Belgium (-2,000), in consequence of plant closures there; sizeable increases, on the other hand, took place in the Netherlands (+ 1,400) and Italy (+1,900).

In view of the uncertain state of the steel market in 1965, enterprises tended to return to their earlier policy of recruiting only on a limited scale.

For the first time since 1960, a number of plants, notably in Germany, Belgium and France, have been obliged for some months past to reduce the number of working hours per week and/or introduce idle shifts.

Iron-ore mines

Between September 30, 1964, and September 30, 1965, the number employed in the iron-ore mines went down from 34,700 to 31,600, a smaller decrease than in the corresponding periods in 1963-1964 (-4,600) and 1962-1963 (-5,200). Most of the departing personnel were miners.

The number of non-Community nationals employed in the three industries, which had been climbing for three years, dropped in 1965 by 3,100, standing at September 30 at 176,300. With the labour market somewhat less tight than before and future market developments uncertain, employers were more reluctant to sign on foreign workers, who are expensive to recruit and train.

The three E.C.S.C. industries were at September 30, 1965, employing among them 1,022,300 Community nationals (-40,300) and 108,200 foreign workers (+1,300, the newcomers being mostly Spaniards, Portuguese and, in particular, North Africans).

With the all-round decrease in the three industries' personnel strengths, the proportion of workers drawn from outside the Community rose a trifle, from 14.5 % at September 30, 1964, to 14.7 % at September 30, 1965.

Section 2: Occupational Training

After a pause in 1964, the contraction in the number of apprentices in the E.C.S.C. industries recommenced in 1965, the coal industry showing a further decrease and the steel industry only a small increase. The total figure at the end of September was 38,000, compared with 38,400 a year earlier. On the coal side the number of apprentices has fallen by two-thirds in eleven years.

In consequence of the shrinkage in the E.C.S.C. labour force generally, the proportion of apprentices rose very slightly, from 2.3 to 2.9%.

Work of the High Authority

As in the past, the High Authority sought to be of assistance in dealing with the problems arising for both employers and workers out of the multiplying new demands of technological progress with regard to personnel patterns and occupational skills in the mining and iron steel industries.

It continued its various studies in this connection, concentrating more particularly on the latest types of plant and equipment, which can serve as exemplars to all Community enterprises.

At the same time it took a number of practical steps to encourage the development of new teaching aids and methods, which it has always striven to bring into line with the specific requirements of the industries concerned.

Regular exchange of information with the employers' and workers' organizations and with official bodies in the member countries has enabled the results of these studies and experiments to be disseminated on a very extensive scale.

In April 1965, the High Authority issued the report for the crude-steel sector of the series it has commissioned on the impact of technological progress on personnel patterns and personnel training at different production stages in Community steel plants. Another survey, on the rolling-mill sector, is in hand. On the coal side, a study on fully-mechanized workings is approaching completion.

To ascertain the potential value of programmed instruction for purposes of occupational training in the coal and steel industries, the High Authority had three model programmed courses drawn up on specific technical aspects.

These and various other practical activities undertaken in this connection were discussed at the seminar which the High Authority organized for 180 training officers on November 9-10, 1965, on the use of programmed instruction in the E.C.S.C. industries.

In addition to holding seminars on particular subjects, the High Authority fosters a regular interchange of information, opinion and experience among those responsible for occupational training in the Community. This has proved one of the most effective means of promoting both advances in colliery and steelworks personnel training and the lining-up of the methods employed in the different countries. In particular, the systematic dissemination of the results, negative and positive, of experimentation inside and outside the Community is helping to prevent mistakes being made and to stimulate research and innovation in a field which is changing out of recognition with the quickening pace of technological progress.

The High Authority some time ago set up two committees of training specialists, for the coal and steel sectors respectively, to enable close contact to be maintained between the industries, the teaching profession and the public authorities. Problems discussed by the committees in 1965 included the training of foreign workers and the provision of occupational retraining for elderly workers.

As part of its training promotion policy, the High Authority covenanted to contribute to the operating expenses of the International Advanced Technical Training Centre sponsored by I.L.O. which opened in Turin in 1965. The Centre is to take each year some 2,000 trainees (skilled workers, technicians and executives) from the emergent countries, who will be enabled to extend their technological knowledge and at the same time to become sufficiently conversant with modern teaching methods to act themselves where necessary as instructors or training officers.

Section 3: Readaptation of Workers

The High Authority was particularly active during the period under review in assisting with the redeployment of redundant miners and steelworkers.

The Treaty's provisions on the subject were implemented in the Netherlands and in Italy for the first time (though the High Authority had earlier furnished substantial assistance to Italy for this purpose under the Transitional Provisions annexed to the Treaty). The new arrangements introduced in the two countries, which were based on those already in force elsewhere in the Community, were designed to afford workers losing their jobs in consequence of closures or production cutbacks both a continuing income and all necessary facilities for equipping themselves to take up a new occupation: they were to receive tide-over allowances making up the temporary loss of wages, to attend occupational-retraining courses at High Authority and Government expense, and to be refunded the incidental expenses incurred by them in transferring to new jobs.

Readaptation operations

Between February 1, 1965, and January 31, 1966, the High Authority set aside 9,100,000 units of account for readaptation assistance to 29,307 workers. 53% of the men concerned were from the industries in Germany, 20% in Belgium, 2% in France, 16% in Italy and 9% in the Netherlands; 74% of them were coalminers, 12% iron-ore miners and 14% steelworkers.

The increased scale and altered pattern of the appropriation reflect the gathering speed at which the structural changes in the three industries are proceeding and the High Authority's resolve to keep its assistance in line with requirements as they arise. The bulk is likely to continue going to Belgian and German colliery workers, in consequence of the reconstruction of the coalmining industry in progress in these two countries. The High Authority is, however, also aiding the workers affected by the first pit

closures in Dutch Limburg, and the Italian iron-ore miners, whose industry has now run into the same difficulties as the Siegerland and Lorraine orefields.

High Authority readaptation assistance under
Section 23 of the Convention containing the Transitional
Provisions and Article 56 of the Treaty,

March 18, 1954-January 31, 1966

Country	Coalmining industry		Iron-ore mines		Iron and steel industry		Total	
	No. of workers	Amount (\$'000)	No. of workers	Amount (\$'000)	No. of workers	Amount (\$'000)	No. of workers	Amount (\$'000)
Germany	108,990	26,286	8,054	1,283	4,686	723	121,730	28,292
Belgium	47,307	14,750	37	5	1,691	735	49,035	15,490
France	11,182	4,428	3,094	1,405	6,688	1,619	20,964	7,452
Italy	6,180	2,876	1,247	851	16,394	9,845	23,821	13,572
Netherlands	2,700	690	-	-	-	-	2,700	690
Community	176,359	49,030	12,432	3,544	29,459	12,922	218,250	65,496

Section 4: Reconversion and Redevelopment

The High Authority is endeavouring to equip itself to carry out its industrial redevelopment policy on a broader scale. Its responsibilities under the Treaty towards the workers and inhabitants of the Community mining and steelmaking areas require that it should be in readiness to deal with the increasingly serious problems likely to come up shortly with the reconversions, production cutbacks and closures which are now looming in consequence of the rapid changes in the energy market, in the technological field and in the pattern of international competition.

The various area studies already carried out with its assistance are proving of value in giving a picture of conditions in the more gravely threatened regions and enabling advance preparations to be made for their redevelopment.

The High Authority is also planning, however, to extend its more direct activities in this connection, and is mobilizing all available funds for the purpose. In order to streamline its arrangements for part-financing redevelopment operations designed to provide new steady jobs for miners and steelworkers, it decided to adopt a device already used for the purposes of its residential building schemes, namely to add funds of its own from the Special Reserve to the borrowed funds already earmarked, so as to be able to furnish its loans on more advantageous terms.

Remodelled arrangements for redevelopment assistance

After the Council of Ministers had studied the High Authority's memorandum of May 1965 on the subject, the details were settled on September 8 as follows:

- a) loans may be granted to cover up to 30% of the capital expenditure involved by the project, or more in special cases to be assessed individually;
- b) they will ordinarily be granted for periods of from 10 to 13 years;
- c) redemption will be by equal annual instalments beginning from the end of the third year;
- d) the interest will be 4.5% p.a. for the first five years and 6.5% for the remainder (the latter rate subject to alteration should the capital market be particularly tight at the time);
- e) loans will wherever possible be made in the borrower's national currency.

This is an improvement in three respects: the terms will be known to intending borrowers beforehand, the interest rates are well below those in the open market and hence a real incentive to enterprises, and the amount made available for lending on these terms up to December 31, 1966, is 44 million units of account, a considerably higher total than in any previous year.

Redevelopment studies and operations

Most of the studies in hand were completed and two fresh ones begun in 1965, and talks are now going on with a number of member Governments and regional expansion committees in preparation for more. The majority of the studies are intended to serve as the direct basis for redevelopment projects.

Redevelopment assistance given includes:

1. a loan of DM 1,500,000 to the Karl Georg Company, Neitersen, for the installation at Wilroth on the site of the Georg mine, which closed on March 31, 1965, of a subsidiary comprising a forge, drop forge and workshop for motor-car bodies, which provided new jobs for over 200 former miners hitherto unable to find alternative employment in the neighbourhood;
2. a loan of Bfr 750,000,000 towards a big scheme of infrastructure improvement and preparation of industrial sites in the Centre and Borinage coalfields, forming part of a large-scale redevelopment programme for which the High Authority has already advanced funds on several previous occasions;
3. a loan of Ffr 12,500,000 to the Société Chimique de l'Adour (Socadour) for the installation of a new chemical-fertilizer factory, as part of the redevelopment of the Le Boucau area. The operation, which is scheduled to be completed in July 1966, will result in the creation of some 175 new jobs, most of which can be filled by elderly or unskilled workers; nearly 100 ex-steelworkers have already been reabsorbed.

The High Authority's Expert Committee on Industrial Redevelopment continued its efforts to determine the most effective ways of working up the resources of producer areas in difficulties or in decline. It is conducting a comparative study of methods employed in the Community, with special reference to:

- a) location and preparation of industrial sites;
- b) industrial building;
- c) regional action boards and associations;
- d) the social and economic structure of mining and steelmaking areas;
- e) the redevelopment record to date.

Chapter Five Part II: Living and Working Conditions

Section 5: Wages, Social Security and Terms of Employment

European Miners' Charter

In pursuance of its efforts to expedite the work on the European Miners' Charter, the High Authority held separate meetings with the workers', employers' and Government delegates to the Joint Committee on Harmonization of Terms of Employment (Coal).

The workers' delegates agreed for the time being to drop their insistence on a package deal, and instead proposed two points for immediate discussion, the introduction of a shift bonus throughout the Community, and of a fidelity bonus.

The meeting with the employers' delegates, at which only Germany, Belgium and Italy were represented, took place on February 19, 1965.

A few days later representatives of the Governments of the five coal-producing countries met to discuss the unions' proposals. Some of them contended that neither the High Authority nor, consequently the Joint Committee had any jurisdiction in the matter.

In accordance with suggestions made at these meetings, the High Authority department responsible drew up a comparative table of the different arrangements in the nature of shift and fidelity bonuses in use in the Community coalmining industry. This came up for endorsement at the Joint Committee's meeting on June 24. The Committee spent some time discussing precisely what construction was to be placed on the terms "shift bonus" and "fidelity bonus", but was not able to complete the discussion before the end of the meeting.

The unions subsequently requested that the subject should not be dealt with at the Committee's December meeting, but held over for a later occasion pending the submission of proposals on which they were currently working.

Wages and terms of employment

The High Authority continued its studies on rates of pay, social-security arrangements for migrant workers, and the different social-insurance systems and terms of employment (wages, working hours, etc.).

In accordance with its annual practice, it issued a survey of developments in connection with wages, terms of employment, labour relations and social security in the Community industries in 1964.

Substantial increases were recorded in direct hourly wage rates for German and Belgian coalminers, for Luxembourg, German and Italian iron-ore miners, and for Italian, Dutch and German steelworkers.

Section 6: Housing

The High Authority decided to launch a sixth loan-aided scheme for the construction of workers' housing, and to set aside for the purpose the sum of 20 million units of account from the Special Reserve, to be disbursed over the period January 1, 1966 - December 31, 1968.

Scheme VI is intended

- a) to provide the housing accommodation required by the expansion of the Community industries, particularly in areas where new plants are being or are to be installed;
- b) to assist the resettlement of miners who have to transfer to other collieries following reconversions or rationalizations;
- c) to make good the continuing housing shortage in consideration of its undesirable social implications (workers living apart from their families, two or more families occupying the same house, foreign workers living completely uprooted in an unfamiliar environment, workers obliged to travel unduly long distances to their place of employment, etc.).

In allocating the appropriation for Scheme VI, the High Authority will bear in mind the special hardship created around Montceau-les-Mines in central France by the disastrous floods at the end of September 1965.

From the time when it first began providing assistance for the building of houses for E.C.S.C. workers up to January 31, 1966, the High Authority contributed financially, under Experimental Schemes I and II and the five major loan-aided schemes, to the construction of 95,296 dwellings, of which 60,475 were to be rented and 34,821 to be ultimately owner-occupied. At the latter date, 75,418 of these were completed, 13,277 building and 6,601 "in preparation".

At the same date, funds made available for the building of these 100,908 dwellings — out of the High Authority's own resources, loans contracted by it and additional moneys mobilized at its instigation — totalled the equivalent of 220,450,000 units of account.

Operational position of Experimental Schemes I and II
and Loan-Aided Schemes I-V at January 31, 1966

Country	No. of dwellings for which funds still available 1)	No. of dwellings financed	of which:		
			in preparation	building	completed
Germany (Fed. Rep.)	1,100	68,379 2)	3,857	7,220	57,302
Belgium	1,632	5,488 3)	45	2,058	3,385
France	1,170	13,353	2,033	2,046	9,274
Italy	1,175	4,763 4)	567	678	3,518
Luxembourg	135	573	21	41	511
Netherlands	400	2,740	78	1,234	1,428
Community	5,612	95,296	6,601	13,277	75,418

1) Estimated figures. The funds are earmarked but not yet allocated to particular building projects; the dwellings will, however, certainly be financed during 1966.

2) Plus 19 hostels for unmarried workers.

3) Plus 4 hostels for unmarried workers.

4) Plus 3 hostels for unmarried workers.

Section 7: Industrial Health, Safety and Medicine

The High Authority's work in the field of industrial medicine, which dates from 1954, is at present concentrated more particularly on

- (a) physiopathological and clinical research on the genesis and manifestations of occupational diseases (silicosis, chronic bronchitis, emphysema, poisoning by fumes and gases);
- (b) research on traumatology, rehabilitation and burns.

With regard to industrial health, an aspect which the High Authority took up in 1957, the focus is currently on dust prevention and suppression and on occupational psychology and physiology.

The High Authority continued actively promoting the interchange of information on developments in connection with industrial health, safety and medicine.

The Council of Ministers at its meeting on March 11, 1965, approved an amendment to the Decision of July 9, 1957, laying down the terms of reference and rules of procedure of the Mines Safety Commission, whereby the Commission's jurisdiction was extended to include health conditions in coalmines. Accordingly, the Commission will in future be able to submit proposals to the Governments concerning the prevention of health risks and follow the practical action taken to implement them, as it has done in the past in the matter of mine safety.

It was noted at the same time that the Commission's terms of reference as laid down in 1957 also empowered it to investigate any aspects of industrial medicine relevant to the problems coming within its regular purview.