

EUROPEAN COAL AND
STEEL COMMUNITY

HIGH AUTHORITY

GENERAL SECRETARY

LUXEMBOURG

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INFORMATION BACKGROUND

REPORT ON INVESTMENTS

IN THE COMMUNITY'S COAL AND STEEL INDUSTRIES

Expenditure to 1st January 1965 and future planned Investments

The following report gives a picture of actual expenditure in new investment carried out by firms in 1964 and planned by them for 1965 (results of the annual enquiry on investments), followed by a summary of new planned investment announced in the first half of 1965. The report concludes with a short account of the High Authority's contribution since 1st January 1965 to financing investment programmes considered to be in line with the general objectives of the Community.

I.- REPORT ON INVESTMENTS

In the enquiry * carried out by the High Authority on investments made by ECSC undertakings up to 1st January 1965 and their effects on output capacity, only the smallest firms are excluded, accounting for less than 0.4% of the Community's total coal and steel output.

General Developments

Investment in the Community's coal and steel industries over the last eleven years has been at an annual average of \$1,300,000,000. Investment in the iron and steel industry has risen almost continuously and represents 80% of total new investment in the Community in 1964 as compared with 49% in 1954. For the extractive industries, coal and iron-ore mining, investment remained fairly steady until 1962 but dropped sharply subsequently. In 1964 their share of total investment was 20% as compared with 51% in 1954. In 1964 total capital expenditure was \$1,670,000,000 for all ECSC's industries, a somewhat higher figure than the annual average since 1954 but lower than in 1963.

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* published in English as "Investment in the Community Coalmining and Iron and Steel Industries, Report on the 1964 Survey".

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Capital Expenditure in the Community's Industries
1954 to 1965

(in \$ million EMA Units of Account)

Sector	Actual Expenditure											Estimated Expenditure
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Coalmining industry	450	416	409	473	474	411	377	384	372	334	302	354
Iron-ore mines	30	31	44	50	41	40	43	52	47	28	24	31
Iron and steel industry	453	524	570	708	644	587	775	1123	1230	1480	1291	992
Total	933	971	1023	1231	1159	1038	1195	1559	1649	1842	1617	1377

The output capacity of the coalmines has diminished slowly since 1959 and that of the iron-ore mines now seems to be stabilised at a level slightly below the maximum level of 1962. The growth in the iron and steel industry's output capacity is likely to continue at a rate almost as fast as in the last few years.

Actual Production and Production Capacity
in the Community's Industries

Product	Actual Production			Output Capacity		
	1952 in million tons	Mean annual rate of increase in %	1964 in million tons	1964 in million tons	Mean annual rate of increase in %	1968 in million tons
Coal	237.4	- 0.3	228.0	242.5	- 0.8	234.7
Iron-Ore	65.3	+ 1.9	81.5	92.3	+ 1.4	97.4
Pig-Iron	34.7	+ 4.8	60.7	68.8	+ 4.7	82.7
Crude Steel	41.8	+ 5.8	82.7	91.9	+ 5.0	112.2

Coal Industry

Further reduction in new capital investment took place in 1964 in most sectors of the coalmining industry; coalmines and more especially coking plants and power stations. Only briquetting plants showed increases in sums equivalent to those spent in recent years.

The declarations by coalmining companies of their plans for 1965 shows a certain recovery in investments. However, despite the efforts achieved to increase productivity in most collieries, the closures made necessary by competition from other sources of energy will lead to a drop of approximately 8 million tons in output capacity by 1968; this reduction will affect all coalfields of the Community with the exception of Sulcis, Aachen and Lorraine.

For mine-owned coking plants, output capacity in 1968 should be some 1.5 million tons lower than in 1964.

The development of pit-head power stations will in contrast continue further although at a somewhat slower rate than forecast in previous enquiries; maximum electricity capacity is now expected to increase by about 14% over the next four years. Among other coal-consuming installations construction or extension of district heating plants should be noted.

Iron-Ore Mines

The investments in this sector in 1964 are less than half the average amounts spent in the years 1956 to 1962. This drop affects all iron-ore mining fields of the Community.

The reduced level of investments is not sufficient to make up for capacity which has been closed under pressure from competing imported iron-ores. The total output capacity of the Community, which in 1962 was more than 105 million tons, has thus fallen to 92 million tons in 1964. A slight recovery is however to be expected in the near future due entirely to expansion in Lorraine while all other iron-ore fields will continue to reduce capacity.

Iron and Steel Industries

Capital expenditure in this sector was noticeably lower in 1964 than in the immediately preceding years. This reduction is the result of lower investment by German, Belgium, and in particular, French, undertakings; the level of capital expenditure remains much the same in the Netherlands and in Luxembourg while Italy maintains a high rate of investment with capital expenditure in 1964 well above the German figure.

In the different production sectors, capital expenditure on pig-iron, crude steel and rolled products diminished in approximately equal proportion. Expenditure on general services remained high. The general downward trend seems likely to be continued in 1965 without however affecting the rate of increase in output capacity forecast for 1964 to 1968.

At the end of this period output capacity should reach 91 million tons for sinter and slightly less than 83 million tons for pig-iron. This represents an increase of 29% and 20% respectively over the 1964 levels.

The forecast for crude steel capacity indicates a similar development: this should increase from 92 million tons in 1964 to 112 million tons in 1968, a rise of 22% due almost exclusively to an increase of more than 150% in oxygen-blown steel-making plant. According to the enquiry, this process should be able to supply more than 30% of all Community steel in 1968, approximately the same amount as basic Bessemer plants, which are slowly contracting, and open-hearth.

For steel rolling mills, the considerable expenditure over the last few years on hot and cold wide-strip mills is now showing signs of slowing down; thus production capacity in flat products which now accounts for 48% of the total as compared with 37% in 1952 should no longer advance at a rate faster than that expected for sections. The enquiry also confirms the rapid increase in continuous casting installations, chiefly in Germany, on which expenditure in 1966 will be four times that of 1964.

Although total capital expenditure in 1964 is lower than in previous years, a trend which is likely to continue in 1965, the rate of increase in the Community industry's output capacity will remain high. It will thus make possible in 1968 a total output of near 108 million tons crude steel, at the rate of 96% employment of capacity. It will remain for the studies now under way on the next set of general objectives for steel to judge whether this level of capacity will not be somewhat greater than likely demand.

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Crude Steel Output Capacity

in million metric tons

R e g i o n	Output Capacity			Output	Estimated Output Capacity			
	1955	1963	1964	1964	1965	1966	1967	1968
North Germany	2.4	5.3	5.3	4.8	6.3	6.7	6.8	6.8
Ruhr	18.2	28.6	29.7	26.9	31.5	33.0	33.6	34.2
South Germany	1.4	1.4	1.6	1.3	1.9	1.9	1.9	1.9
Saar	3.3	4.2	4.5	4.3	5.0	5.1	5.1	5.5
GERMANY (Federal Republic)	<u>25.3</u>	<u>39.5</u>	<u>41.1</u>	<u>37.3</u>	<u>44.7</u>	<u>46.7</u>	<u>47.4</u>	<u>48.4</u>
BELGIUM	<u>6.3</u>	<u>8.8</u>	<u>9.8</u>	<u>8.6</u>	<u>10.4</u>	<u>10.7</u>	<u>11.5</u>	<u>12.1</u>
East France	8.8	13.4	13.5	12.4	14.0	14.4	15.4	16.5
North France	2.8	5.2	5.6	5.3	5.9	6.1	6.3	6.2
France - Other regions	1.8	2.4	2.4	2.1	2.6	2.7	2.7	2.6
FRANCE	<u>13.4</u>	<u>21.0</u>	<u>21.5</u>	<u>19.8</u>	<u>22.5</u>	<u>23.2</u>	<u>24.4</u>	<u>25.3</u>
Italy - Coastal regions	2.0	4.6	4.9	4.3	7.6	8.8	9.5	10.0
Italy - Other regions	3.7	6.3	6.7	5.5	6.8	6.9	7.1	7.1
ITALY	<u>5.7</u>	<u>10.9</u>	<u>11.6</u>	<u>9.8</u>	<u>14.4</u>	<u>15.7</u>	<u>16.6</u>	<u>17.1</u>
LUXEMBOURG	<u>3.3</u>	<u>4.5</u>	<u>4.8</u>	<u>4.6</u>	<u>4.9</u>	<u>5.1</u>	<u>5.1</u>	<u>5.3</u>
NETHERLANDS	<u>1.0</u>	<u>2.9</u>	<u>3.1</u>	<u>2.6</u>	<u>3.5</u>	<u>3.6</u>	<u>3.6</u>	<u>3.6</u>
Total	55.0	87.6	91.9	82.7	100.4	105.0	108.6	111.8

II.- DECLARATIONS OF NEW PLANNED INVESTMENT, 1st HALF 1965

In order to give a complete analysis of investment for any one period it is necessary to complete the data concerning actual expenditure, such as shown in the annual enquiry, with a knowledge of new planned investment. This latter leads to expenditure over the following years and the most important of these investment plans must be declared to the High Authority at least three months before work begins.

The declarations of new planned investment made during the first half of 1965 are compared with the declarations made in previous years in the following table.

(in \$ million)

	First Half 1965	Half Yearly Average				
		1964	1963	1962	1961	1960
Coal Industry	114	22	36	44	86	73
Iron-Ore Mines	-	-	-	-	5	3
Steel Industry	225	250	65	276	681	901
Total	339	272	101	320	772	977

For the coal industry, total planned expenditure declared during the first half of 1965 is around \$114 million, a higher level than for the years 1959 and 1964. This should not however be taken to indicate a notable recovery in investment in this sector; for the most part the projects in question will be carried out over a large number of years. The declarations do however show the extent of the effort undertaken by the coal industry to improve its competitiveness and to maintain output capacity in the most productive pits; the declared investment programmes concern in particular the construction and linking up of pits and preparation of coal. They affect more particularly the Ruhr coalfield and to a lesser extent Lorraine.

The investment declarations for the iron and steel industry were very low in 1963 although actual expenditure in that year reached a record high level: this expenditure represents the completion of several major programmes decided on in previous years. In 1964 when these major works were reaching their conclusion, the value of new planned investment declared to the High Authority began a recovery which seems to be confirmed in 1965, indicating a return to the practice of new investment no doubt encouraged by less unfavourable business conditions.

The average amounts for the first and second half of 1964 and first half of 1965 - \$250 and 225 million - are at a level near to the half-yearly average for the period since 1956, but however do not imply any great increase in production capacity over the figures given in the annual inquiry (see above). It can be hoped that the reduction in capital expenditure in 1964 and early 1965 will be followed by a recovery in those sectors where increases in productivity remain necessary.

III.- HIGH AUTHORITY AID WITH INVESTMENT FINANCE

During the first half 1965, the High Authority raised three loans in the Community of a total value of \$54.3 million. Two bond issues of DM 150 million and Fl. 40 million were placed on the German and Dutch capital markets and a medium-term loan of DM 23 million was contracted with a Community banking firm. In addition, the High

Authority had a total of some \$15.1 million available from previous loans.

The major part of these available amounts was re-loaned to the coal and steel industries of the Community at the current rate of interest of 6% per annum. However, a sum of \$7.1 million was kept in reserve; it is to be used for assistance with the financing of workers' housing and for an industrial project requiring the agreement of the Council of Ministers.

The loans made in the first half of 1964 were, as in the past, for projects in line with the general objectives of the Community. The chief beneficiaries were the German and Italian coal and coke industries, with \$27.7 million, the German, Italian, Belgian and French iron and steel industries with \$28.9 million and lastly certain undertakings participating in industrial re-development with \$5.7 million.

As regards the coal industry, the High Authority assisted in particular with those projects improving mining conditions and thus reducing mining costs; help was also given for valorisation plants (coking plants, coal-fired power stations, district heating plants).

The loans given to the steel industry have made it possible to reduce the degree of disequilibrium between different stages of production in integrated coastal works, to promote the concentration of pig-iron and oxygen production in powerful plants serving several steel-works and to modernise rolling-mills chiefly engaged in producing merchant bars.

Including the above loans, the total of financial assistance supplied by the High Authority for industrial purposes (1) since the start of its activity up to the 1st of July 1965 is as follows:

(in million EMA Units of Account and in %)

Sector	Germany (F.R.)		France		Italy		Belgium Luxembourg Netherlands		Community	
	Value	%	Value	%	Value	%	Value	%	Value	%
Coal Industry	148.4	28.1%	31.3	5.9%	4.8	0.9%	14.0	2.6%	198.5	37.5%
Iron-Ore	10.6	2.0%	13.0	2.4%	5.7	1.1%	1.0	0.2%	30.3	5.7%
Steel Industry	104.5	19.8%	55.8	10.6%	97.4	18.4%	12.4	2.3%	270.1	51.1%
Industrial Redevelopment	1.1	0.2%	4.9	0.9%	15.0	2.9%	9.0	1.7%	30.0	5.7%
	264.6	50.1%	105.0	19.8%	122.9	23.3%	36.4	6.8%	528.9	100.0%

(1) The table does not include loans given by the High Authority for the construction of workers' housing, for workers' readaptation and for research.