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COMMON MARKET • EURATOM • COAL & STEEL COMMUNITY

23 February 1960

**EIGHTH GENERAL REPORT
OF THE
HIGH AUTHORITY OF THE EUROPEAN COAL AND STEEL COMMUNITY
(SUMMARY)**

The Eighth General Report of the High Authority, which has just been laid before the European Parliament, covers the period from February 1, 1959, to January 31, 1960.

In a foreword, the new High Authority, which took office on September 16, 1959, has tried to examine frankly not only the successes of the Community, but also the practical difficulties of operation and the deficiencies in the means of action at its disposal. On the basis of this analysis, it then outlines the measures it intends to take to achieve the basic objectives of the Treaty: economic expansion, fuller employment and a higher standard of living in the member countries.

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On the credit side, the High Authority first notes that the institutions of the Community are firmly established; the major role played by the European Parliament in their operation was recently demonstrated once again during the revision of the Treaty's readaptation provisions.

The Community is recognized in the international field. On the economic plane, the interpenetration of the national markets (trade across internal frontiers) has made notable strides. The rules of the Common Market have helped to bring clarity into trading conditions and to ensure healthy competition. The Treaty has enabled precautionary measures to be taken to cope with exceptional conditions.

The existence of common rules has meant that the reorganization of the coal industry necessitated by the structural changes in the energy market was not hampered by the introduction of arbitrary restrictions on trade. The Common Market has been a contributing factor in the unprecedented expansion of the steel industry, whose production has risen from a rate of 40 to 70 million metric tons a year since the conclusion of the Treaty.

Financially, the High Authority's credit has been solidly established since its contraction of substantial loans in the capital markets of several countries. It has guaranteed a number of major financial operations, and has opened credits totalling approximately \$40 million derived from the levy, to finance readaptation projects for Community workers affected by industrial reconversions resulting from the introduction of the Common Market.

Even in the field of social affairs, in which it has only very limited powers, the High Authority has achieved notable results. Re-adaptation - the policy of re-employment and resettlement - which constitutes a major innovation in the field of labour policy, has proved so effective that it is likely to play a central part in solving the coal industry's present problems: the "minor revision" of the ECSC Treaty proposed by the High Authority will enable action to deal with the social consequences of structural change in the coal and steel industries. Remarkable progress has also been made with the financial assistance of the High Authority, in the building of workers' houses: the 25,000th house built under this series of projects will shortly be completed. For the first time in European history, comprehensive studies of working conditions generally have been carried out on the basis of comparable data. The High Authority was also responsible for the setting-up of the Mines Safety Commission; it has encouraged basic research on industrial health and medicine, and helped to frame the Convention on Social Security for Migrant Workers.

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Against these items on the credit side, the High Authority notes certain practical difficulties in the operation of the Community, and various gaps in the means of action at its disposal. It is true that the Treaty which gives the High Authority its supranational status does also invest it with extensive powers. But the fact has sometimes been overlooked that the Treaty does not leave it to the High Authority alone to decide whether some of these powers are to be used. Experience has shown that this is a source of possible disagreement between the High Authority and the Council of Ministers. Thus in 1959 the two institutions took different views of the coal situation. In point of fact, the trouble is not so much these divergences in themselves as the atmosphere they tend to create. For the Community to function smoothly and effectively, it is essential that the terms of reference of the different institutions should be scrupulously respected, and that all parties should work to arrive at constructive decisions in conformity with the rules of the Treaty. If an adjustment of these rules proves necessary, the Treaty lays down the procedure to be followed.

The High Authority emphasizes its profound and unanimous conviction that it could not possibly fulfil its responsibilities if the only means at its disposal were that of persuasion, and if the operation of the Community were based on the principle of unanimity. The establishment and maintenance of a common market inevitably involves acts of judgment and political choice which it would be hopeless to expect from institutions which are not invested with certain powers and where the procedure for taking decisions is not adapted to practical needs. The President of the High Authority, Professor Malvestiti, made this point before the European Parliament on January 12, 1960, in the debate on the revision of Article 56 of the Treaty, when he said that the supranational principle was "a new method of knitting together the forces of history, enabling the sterile effects of mere balances of power to be overcome." This method must be preserved at all costs, since it is essential to the work of building Europe.

Where the Governments have had to try to reach agreement by the traditional rules of international negotiation, it has often proved extremely difficult to work out a solution which meets the requirements of the Treaty. The Report notes in this connection that the distortions resulting from differences in ratemaking procedure for transport by road and inland waterway have not yet been eliminated, that no solution has been found to the problem of publicity for transport rates, and that the agreement concluded among the Governments with the object of making a start on free movement of workers within the Community (Article 69) has had hardly any effect in practice.

Flaws have also come to light in the implementation of Article 26 of the Treaty, which makes the Special Council of Ministers responsible for co-ordinating the work of the High Authority with the general economic policies of the Governments. This article has proved inadequate to resolve some of the practical difficulties encountered, more particularly in the field of price policy. Although Community prices are free, Governments have on a number of occasions, without raising the matter in the Council and without possessing direct powers of their own, exerted considerable influence on them, especially during boom periods. The enterprises are not, of course, legally obliged to respect their Governments' wishes in these matters, but it is often very difficult to do otherwise within the national economy. This is a serious problem inasmuch as the long-term expansion of an industry in a given country may be seriously prejudiced if the industry is called upon to make sacrifices which are not asked of its competitors in the Common Market.

Problems relating to price rigidity can also be the result of habits acquired in other days and other circumstances. The new High Authority is faced in this connection with an unsatisfactory position in regard to cartel policy. Article 65 of the Treaty is quite unequivocal; its provisions form part of the legislation of all the member states. The old High Authority tried to introduce changes aimed at bringing the possibility of competition back into the coal market, but it did not obtain the results it hoped for, and a considerable problem remains. It is proving singularly difficult to induce any change in some of the habits of thought encountered. Moreover, the action of Governments on prices and action by producers frequently tend to reinforce each other. Indeed, it is sometimes difficult to distinguish cause from effect. For instance, the fact that a cartel exists will be cited, fairly enough, as a reason for anxiety on the subject of pricing, but at the same time the Government will be taking steps to get the producers to follow a given, and hence co-ordinated, line. This kind of thing is liable to trigger off chain reactions, with one country deciding it is essential for it to centralize its imports because in another country the leading producers have formed a united bloc; the producers in the second country in their turn conclude that they are entitled to do the same thing as their neighbours. Clearly, the adoption of this system on a general scale would spell the end of anything resembling a true common market. It is worth adding, moreover, in connection with the current difficulties in coal, that the price policy of most of the Community mines after the reversal of the cyclical trend in 1958 undoubtedly rendered their competitive position very much more difficult.

This question is thus bound up with the various others which the new High Authority will have to resolve if it is to cope with the central problem now confronting it - the structural adaptation of the European coal industry to its new competitive position both in relation to imported coal and to other sources of energy.

The High Authority's view is that a greater degree of flexibility in the implementation of the rules on non-discrimination and price publication would help to produce greater flexibility in the structure. The Court in 1954 annulled a decision to this effect taken by the old High Authority; the new High Authority has re-opened the matter with a view to achieving the desired end by other means.

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Going on to outline its new plan of campaign, the High Authority states that the serious problem of the rationalization and reorganization of the coal industry can be resolved only by the development of a co-ordinated energy policy. The various measures taken on coal imports, both by the Governments and by itself, are no real answer to the problem,

which is to make the coal mining industry of the Community competitive with the new and cheaper sources of energy from other parts of the world, from which Europe cannot cut itself off without penalizing its whole economy.

The true solution must be sought along three lines:

- (a) by preventing structural rigidity from keeping insufficiently economic production units in operation;
- (b) by encouraging the rationalization of viable production units;
- (c) by easing the reorganization of the coal industry, in particular through the cushioning of its social repercussions.

It was with these three aims in view that the High Authority issued its decision on the application of Article 37 to Belgium, and acted to have Article 56 revised. It is an essential feature of the decision on Article 37 that the restrictions on trade, which are to be regretted, are a temporary feature only: the permanent and essential element is the intensive reorganization of the Belgian coal industry. As regards the revision of Article 56, the number of applications for readaptation recently handled by the High Authority demonstrates how vitally important it is that the provisions of the Article should be amended if the structural alterations are to go through in an orderly manner. The value of readaptation is now generally recognized. Moreover, its importance is not confined to the granting of tide-over allowances to workers between jobs: it is also a means of assisting the establishment of new economic activities, i.e. industrial redevelopment. The High Authority and the Council of Ministers are preparing to tackle the problem of the redevelopment of the areas affected by pit closures, and a conference is to be held with the Governments to decide the basis on which further action should be taken. The Treaty laid down the principle of competition between Community coal and other sources of energy, but it would have been extremely difficult to foresee in 1950 the great changes which were to take place in the competitive situation, or the extent to which trade in coal and oil with third countries was to grow. The situation and the outlook today are altogether different, but the means of action open to the High Authority are still the same, except for the Protocol of October 8, 1957, requiring the High Authority to frame proposals for the co-ordination of energy policy. The new High Authority, in co-operation with the EEC and Euratom Commissions, immediately started on the task of working out concrete proposals on the basis of the Protocol, with the aim of introducing co-ordination step by step before unilateral measures were irrevocably taken in the individual countries. The High Authority considers that the establishment of a co-ordinated energy policy, with all the various specifically ECSC measures this will involve for the adaptation and redevelopment of the coal industry, is its first and foremost task at the present time.

The work of the High Authority and the development of the Common Market are described in detail in the eight Chapters of the Report summarized below.

Chapter One

The Institutions of the Community and Inter-Community Co-operation

This Chapter deals with the main events of the year in each of the institutions of the Community.

With regard to the High Authority, the Report records that its Membership was renewed in September 1959, and gives details of the replanned structure of its working groups, departments and administrative services. Changes made include the setting-up of an Economic and Energy Department and a Department for Labour Problems, Industrial Reorganization and Redevelopment.

The Consultative Committee met ten times during the period reviewed, and gave its opinion on a large number of decisions on which the High Authority consulted it.

The European Parliament met eight times during the same period. It concerned itself in particular with coal problems, the development of energy policy, the co-ordination of external policies, social matters and the question of the seat of the institutions. At its November session it held an important discussion with the Councils of Ministers and the Executives of the Communities.

The Special Council of Ministers, which met ten times, discussed a variety of matters including problems concerning coal, transport, the special problem of Belgium, the revision of Article 56, redevelopment and the co-ordination of energy policies.

The Court of Justice of the European Communities delivered 14 judgments and 46 new appeals against the High Authority were lodged with it. Litigation pending in respect of the Coal and Steel Community now totals 64 cases. The Report gives details of the Court's main judgments in 1959.

Co-operation among the European Communities has come up against a number of organizational difficulties resulting from the fact that they have no common seat. The High Authority and the other European Executives nevertheless continued to do all in their power to improve co-operation. In particular, collaboration among the Executives has been strengthened in the framing of a co-ordinated energy policy, as a result of which a memorandum was drawn up setting forth the procedures to be followed. This was subsequently approved by the Council of Ministers. Ad hoc working parties of officials from the three institutions have jointly worked out basic studies on which the further discussions will be based.

Chapter Two

Commercial Policy and External Relations

The community's main problems in the field of external relations have been questions of foreign trade policy arising out of the coal situation. Although the High Authority has only very limited powers over imports of solid fuels, it strove to strike a fair balance between the effort which the coal crisis imposed on the member countries and the sacrifices required of non-member countries. Measures were taken in Belgium and Germany to restrict imports from third countries, after consultations with the United Kingdom in the Council of Association. In particular, the High Authority sought to avoid discrimination as between one country of origin and another.

With regard to external relations, the Report notes that the Presidents of the three Executives visited the United States and Canada, that an agreement has been concluded between the Swiss Confederation and the member States on freights and conditions of carriage for coal and steel shipments on the Rhine, that a Portuguese Delegation to the High Authority has been set up, and that the Canadian Government has expressed the desire to establish official relations with the Coal and Steel Community

The High Authority has continued to be represented and to follow the work in progress in the international organizations.

Chapter Three

The Energy Market and the Need for a Co-ordinated

Energy Policy

In this Chapter the High Authority describes the present energy situation and the foreseeable trend up to 1965, examines the widely-varying measures adopted by the different member States in this connection, outlines what needs to be done to co-ordinate policy, and gives a brief account of work now in progress.

The present imbalance in the energy market remains particularly apparent in the coal sector, even now that general economic activity has recovered. This indicates that the anomalous trend in the energy economy is due principally to structural changes. In 1959 apparent energy consumption developed in line with the mean trend forecast: it failed to make up the leeway lost in 1958, but was nevertheless slightly above the level for 1957. Coal bore the full brunt of the recession: the fall in coal consumption from 1957 to 1959 was something like 34 million metric tons (coal equivalent) greater than the fall in total energy consumption. Displacement of hard coal by fuel oil and natural gas over these two years is estimated at 12-14 million metric tons coal equivalent while from 1950 to 1958 the share of coal in the total primary-energy supply of the Community fell from 72.5 to 57.7%.

Trend in Apparent Community Consumption of Primary Energy
by Sources of Energy 1)

millions of metric tons, coal equivalent

(actual and estimated figures)

	1950	1955	1958	1959	1960
2)					
Coal	211.3	254.3	242.2	231.9	238.5
Brown coal (young and old)	23.3	30.5)	32.9	31.4	31.2
Hard brown coal	0.5	0.5)			
Oil 3)	34.7	77.2	100.9	112.7	125.5
Natural gas and methane	1.0	5.4	8.8	10.3	11.9
Water power and terrestrial heat 4)	19.9	29.2	34.6	34.6	35.7
Peat	0.6	0.6	0.4	0.5	0.5
Total	291.3	397.7	419.8	421.4	443.3

%

Coal	72.5	63.9	57.7	55.0	53.8
Brown coal	8.0	7.7)	7.9	7.5	7.0
Hard brown coal	0.2	0.1)			
Oil	11.9	19.4	24.0	26.8	28.3
Natural gas and methane	0.3	1.4	2.1	2.4	2.7
Water power and terrestrial heat	0.8	7.3	8.2	8.2	8.1
Peat	0.3	0.2	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0

- 1) Home consumption of primary energy inclusive of imported secondary energy and exclusive of exported secondary energy. Conversion into coal equivalent was made on the basis of a standard coefficient of 7,000 kcal/kg. Deliveries to West Berlin and the Soviet Zone have been counted as exports.
- 2) These figures are not ton for ton, but have been recalculated to take into account the differences in calorific value between low-grade and standard-grade coals.
- 3) Less bunkering fuel.
- 4) Coal equivalent at 400 gr/kWh; takes into account the net movement of imports and exports of electric current.

Assuming a 6% increase in industrial activity in 1960 over 1959, total consumption of primary energy in 1960 should be 13-14 million metric tons higher than in 1959, or approximately 440 million metric tons in all: this represents a long-term rate of growth of about 3%. On the supply side, there is likely to be an overall increase of 6 million metric tons, coal equivalent, in natural gas and hydro-electricity, and sufficient oil available to meet a rise of 11% (7.5 million metric tons) in internal consumption.

The position for coal is more uncertain: a further surplus of several million tons must be expected in 1960, not to mention the still heavy burden on the industry of pithead stocks totalling 40 million metric tons, including coke-oven coke. The forecasts for 1965, based on a long-term annual rate of growth in industrial production of 4.9%, indicate - with a probability of one chance in three - that primary-energy consumption will be somewhere between 516 and 544 million metric tons. Factors which will affect energy requirements and the trend in the pattern of supply include the changes in the means used for transport (larger ships, pipelines for oil), the altered situation in the world oil market, and the future possibilities of importing natural gas into Europe on a major scale.

As a result of recent trends in the energy economy and the speed with which these are progressing, the Community countries have had to do their best to offset or cushion the effects without the benefit of a planned energy policy in any real sense of the word. The Community is thus faced with a whole range of measures at national level, mainly devised to meet the situation in the particular country concerned rather than the needs of the Community as a whole. In order to avoid as far as possible growing divergences between the measures adopted by the different Governments -- and, still more, the undesirable consequences which these are liable to entail for the Common Market -- and to find an enduring solution for the imbalance in the market, it is essential that all action taken in this field within the Community should fit into an overall energy policy. The aims of such a policy should be (a) provision of a regular supply of energy in the best possible economic conditions; (b) creation of conditions favouring the extension of a single energy market, which the new technical conditions are already tending to bring into being; (c) the coherent development of investments in the energy field, taking due account of long-term Community requirements; (d) structural adaptation of the different sources of energy to changes in the competitive situation, without social dislocation; (e) regularity of supply at all phases of the trade cycle.

On the basis of the Protocol of October 8, 1957, and following the procedure laid down in the memorandum of the three Executives, the High Authority hopes in the near future to submit to the appropriate institutions proposals on the principles of a co-ordinated energy policy and the practical steps to be envisaged.

Chapter Four

The Situation in the Coal and Steel Markets

The situation in the Common Market for coal must be viewed in the context of the trend of the energy market as a whole. The general recovery in industrial activity in 1959 did not spread to the coal sector, in which supply continues to exceed demand.

Overall apparent demand for coal fell in 1959 to a level 16% below that for 1957 and 6% below that for 1958. The decrease in real consumption was slightly less, by 14% and 5% respectively. Apparent consumption of coke-oven coke was 10% lower than in 1957. Intra-Community trade in coal showed an increase in 1959 over 1958. Exports to third countries remained small; imports from third countries showed a further substantial drop, from 44 million metric tons in 1957, and 32 million in 1958, to 19 million in 1959. Coal production declined to 235 million metric tons in 1959, from 246 million in 1958 and 248 million in 1957.

Coal Output by Countries

millions of metric tons

	1957	1958	1959	<u>Percentage</u> 1959/58	<u>change</u> 1959/57
Germany)	133.2	132.6	125.6	- 5.3	- 5.7
Saar)	16.5	16.4	16.2	- 1.1	- 1.3
Belgium	29.1	27.1	22.8	-15.9	-21.8
France	56.8	57.7	57.6	- 0.2	+ 1.4
Italy	1.0	0.7	0.7	+ 2.2	-27.2
Netherlands	11.4	11.9	12.0	+ 0.8	+ 5.3
Total	247.9	246.4	234.9	- 3.1	- 5.2

Underground output per man/shift rose, while the number of workers employed fell by some 90,000 in two years. The incidence of short-time working was higher in 1959 than in 1958, but appeared to be on the wane by the end of the year.

The prices of Community coal showed a downward trend in all the coalfields; the c.i.f. prices of American coal, on the other hand, remained more or less unchanged.

The work of the High Authority in the coal sector was mainly concerned in the early part of the year with the production of a crisis plan, on which it has already issued a special report.^{1/} When the plan was rejected by the Council of Ministers, it introduced a series of measures to remedy the direct effects - above all the social effects - of the coal situation particularly in Belgium. It instituted a system of financial aid to miners in Belgium on short-time, for which it allocated five million dollars; a further sum of three million dollars was made available under this scheme, out of which, from January 1, 1960, the men are to be paid allowances on a descending scale; the latter will finally cease at the end of September 1960.

The High Authority has used up the seven million dollars which it made available to help finance the holding of coal stocks, with the object of easing the social effects of the coal situation. In the field of imports, the High Authority renewed its recommendation to the German Government authorizing the latter to impose a duty of DM20 on every metric ton of coal entering the country in excess of a duty-free quota of not less than 5,130,000 metric tons.

In the special case of Belgium, the measures for the reorganization of the industry were intensified: a new schedule of pit closures was drawn up under which the total reduction in capacity to be achieved by 1963 was fixed at 9.5 million metric tons, instead of 5.5 million as previously planned. Over and above this step - which was taken under Article 37, in order that the present difficulties should not produce radical and persistent disturbances in the Belgian economy - the High

^{1/} See special report by the High Authority to the European Parliament on the coal situation (January 31 - May 15, 1959).

Authority was of the opinion that Community deliveries of coal and briquettes to Belgium should be restricted and equitably allocated among the different countries concerned. In return, and in order that the situation should not spread to other areas, shipments from Belgium to these countries are to be controlled under a licensing system. Imports from third countries will be reduced to 600,000 metric tons in 1960, and the Belgian Government has taken steps to prevent an unduly rapid rundown of pithead stocks.

In addition, the High Authority authorized certain subsidies to the Belgian coalmining industry, to be paid on condition that the firms undertook to carry out the reorganization programme or to keep their production within a specified maximum. The subsidies were authorized to enable the Belgian price-schedules to be fixed at a level bringing the delivered prices for Belgian coal roughly in time with those for Ruhr coal.

The marked revival in general economic expansion was immediately reflected in the steel industry, particularly as already during the winter, before it occurred, there had been strong demand for steel for export. The level of activity in the industry in 1959 rose steeply until by the end of the year it represented an annual rate of close on 70 million metric tons.

Community Production of Crude Steel

C o u n t r y	'000 metric tons				Percentage Increase 1959/1958
	1952	1957	1958	1959	
Germany (Fed. Rep.)	15 806	24 507	22 785	25 824	13.3
Saar	2 823	3 466	3 485	3 613	3.7
Belgium	5 170	6 267	6 007	6 426	7.0
France	10 867	14 100	14 633	15 192	3.8
Italy	3 535	6 787	6 271	6 753	7.7
Luxembourg	3 002	3 493	3 379	3 663	8.4
Netherlands	693	1 185	1 437	1 671	16.3
Community	41 896	59 805	57 997	63 142	8.9

No difficulties were encountered, even at the end of the year, in the supply of raw materials. Prices showed remarkable stability, particularly in light of the vigour of the recovery.

The scrap market remained easy, even in the high level of activity reached at the end of the year. The High Authority continued, during 1959, its study of the problems which will need to be disposed of before it can wind up the financial arrangements for price-compensation on imported scrap which were discontinued in November 1958. Pig-iron output reached a total of almost 47 million metric tons, and both exports to third countries and trade within the Community showed increases.

Trade in steel among Community countries expanded during the first quarter of 1959 as against the corresponding period in 1958; in external trade, imports remain largely unchanged while exports are increasing.

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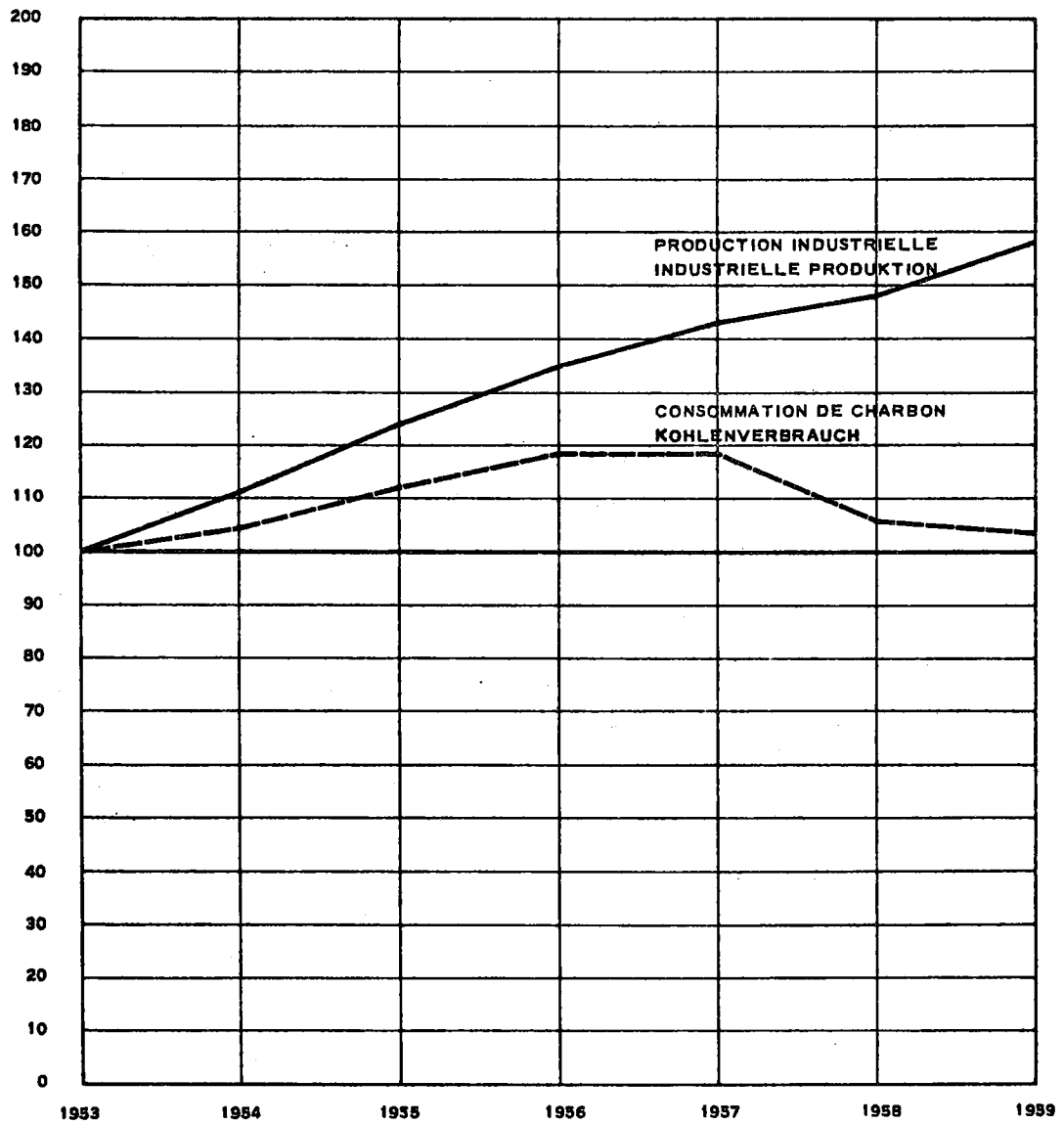
INDICES COMPARES

PRODUCTION INDUSTRIELLE *
CONSOMMATION DE CHARBON

GEMEINSCHAFT

VERGLEICH DER INDEXZIFFERN

INDUSTRIELLE PRODUKTION *
KOHLENVERBRAUCH



* NON COMPRIS BATIMENT, INDUSTRIES ALIMENTAIRES, BOISSONS ET TABAC
* OHNE BAUGEWERBE, NAHRUNGS- UND GENUSSMITTELINDUSTRIE.

The average level of steel prices at the end of 1959 was 12% above that of May 1953, when the Common Market for steel was introduced; if the prices are reckoned in dollars, however, the difference is only 3%. Export prices hardened following the improvements in the market situation, but their average level remains below that for 1957.

Chapter Five

Implementation of the Rules of the Common Market

Price alignments in the coal market by Community enterprises have not as yet been effected on any considerable scale, even if we include alignments on quotations for third-country coal, on which there is no restriction. In May 1959 the High Authority extended the possibilities for alignment with Community prices to include deliveries by road.

Following the French currency reform at the end of 1958, the High Authority in March 1959 addressed a recommendation to the French Government requesting it to take appropriate action to reduce the imbalance of steel prices and the harmful consequences which this was producing for the steel industries in the rest of the Community. The vigorous revival in the steel market in 1959 temporarily reduced the effects complained of, but the problem remained, and talks were continued with the French Government with the aim of reaching a settlement.

With regard to cartels and concentrations, the new High Authority will have to take decisions shortly on a number of matters of considerable importance to the Common Market. These include selling arrangements for Ruhr coal and Belgian coal, mergers planned between August-Thyssenhütte A.G. and Phoenix-Rheinrohr A.G. and between Dortmund-Hörder-Hüttenunion A.G. and Hüttenwerk Siegerland A.G., and the question of the French regulations governing purchases of coal from other Community countries (A.T.I.C.). All these problems are now under study, and some are in process of further discussion with the Governments concerned.

The High Authority authorized an arrangement for the joint sale of Saar and Lorraine coal in certain parts of the Common Market and in third countries. It also issued a decision extending its authorization for the purchase of Community coal by an agency representing the wholesalers of Southern Germany; it made certain that this group was in fact a buying organization and nothing else, and was entirely independent of the coal producers.

In the transport sector, the High Authority applied itself to the problem of harmonization of railway rates and conditions of carriage. The agreements introducing international through-rates for consignments of ECSC products routed from one member country to another via Austria or Switzerland continued to operate satisfactorily. The High Authority also concerned itself with the implementation of the 1957 agreement on Rhine freight-rates, and with the measures to be taken to eliminate the disparities in inland water-transport rates on waterways other than the Rhine. Finally, the High Authority took a major decision requiring publication of rates and conditions of carriage for road-haulage; appeals against this decision have been lodged with the Court of Justice by two member Governments.

Chapter Six

Investment and Technical Research

During the seven years from 1952 to 1958, the coalmining and iron and steel enterprises of the Community spent on the expansion and modernization of their production facilities a total of 7,500 million dollars (E.M.A. units of account). The record level was reached in

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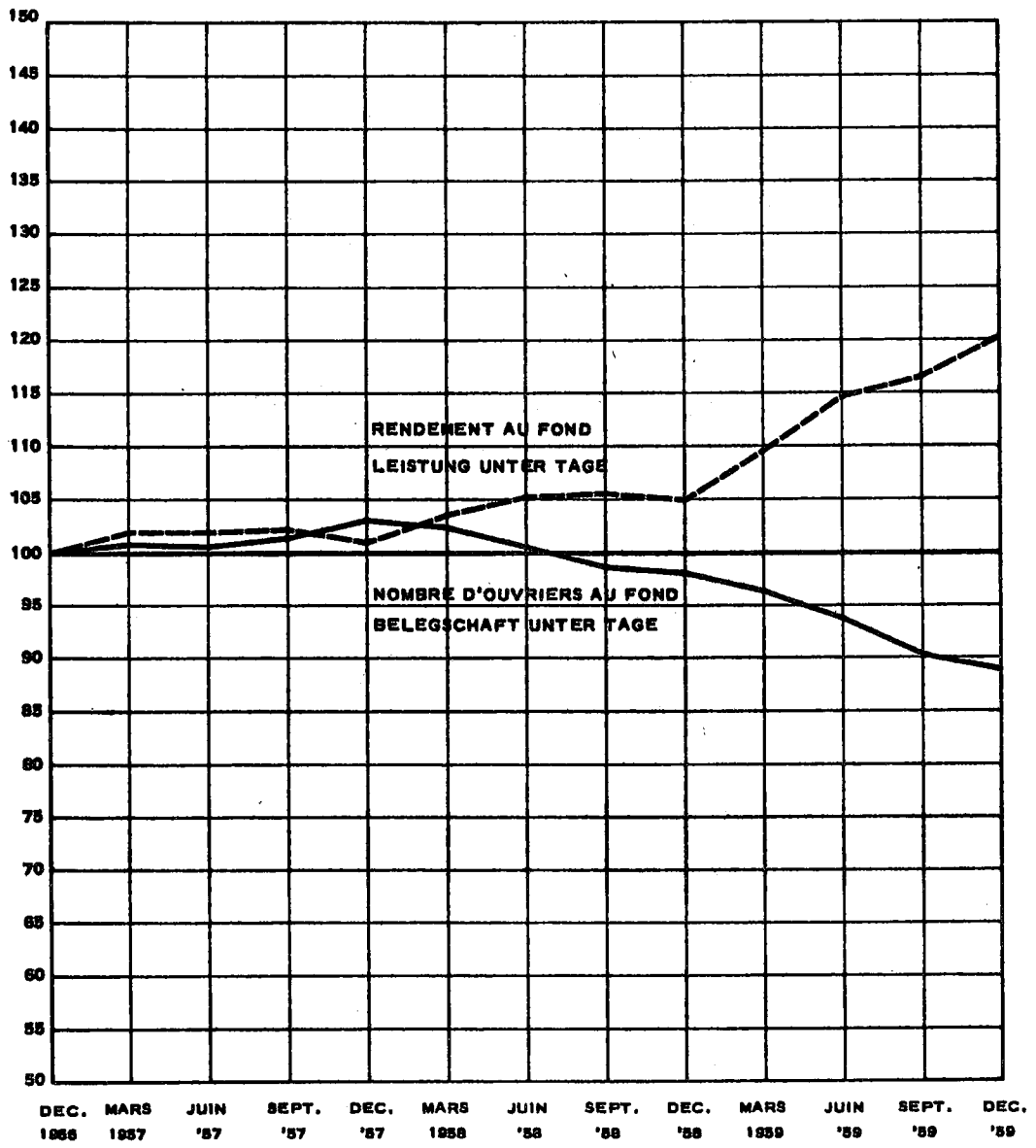
INDICES COMPARES

**RENDMENT
NOMBRE D'OUVRIERS AU FOND**

GEMEINSCHAFT

VERGLEICH DER INDEXZIFFERN

**LEISTUNG
BELEGSCHAFT UNTER TAGE**



1957, with 1,230 million. In spite of the recession, capital expenditure in 1958 was higher than in any of the years 1952-56; the estimated figure for 1959 is approximately the same as for 1958

Industry	<u>\$'000.000</u>							Estimated expenditure as at January 1, 1959
	Actual expenditure as accounted for at January 1, 1959							
	1952	1953	1954	1955	1956	1957	1958	1959
coal industry	505	489	450	416	409	473 ^{1/}	475	515
iron-ore mines	29	28	30	31	44	50 ^{1/}	43	44
iron and steel industry	545	542	453	524	570	708 ^{1/}	629	585 ^{2/}
Total	1 079	1 059	933	971	1 023	1 231 ^{1/}	1 147	1 144

^{1/} Revised from levels shown in Seventh General Report.

^{2/} In view of the uncertainty of projects merely "planned" by iron and steel enterprises, these figures represent only projects "in progress" or "approved".

The only sector in which estimated expenditure shows an increase over the high 1957 level is that of the pithead and steel-works-owned power-stations. Specific capital expenditure, i.e. the amount invested per metric ton of production, remains high, especially for coalmining, coke production and pig-iron production. Investment projects declared to the High Authority during 1959 indicate a clear revival due to the upturn in the economic situation in the second half of the year. The amounts involved in the projects declared in the second half were extremely high, especially in the iron and steel industry; in the coal industry and the iron-ore mines the rate of investment was below the previous year's level, but there was a definite revival in the former during the second half of the year. Opinions issued by the High Authority for the guidance of enterprises on investment projects were concerned with the importance of expanding pig-iron production capacity parallel with steelmaking capacity, and with the installation of plant for sintering iron ore.

The High Authority has granted credits totalling almost 200 million dollar units of account out of the loans raised by it in the United States and Switzerland. It also guaranteed a borrowing operation by a Community steel group.

The High Authority continued to foster technical and economic research in the coal and steel sectors. Since 1952 it has set aside 25 million units of account in all for research purposes, of which 10 million had been spent by the end of 1959.

Chapter Seven

Readaptation, Industrial Redevelopment and Labour Problems

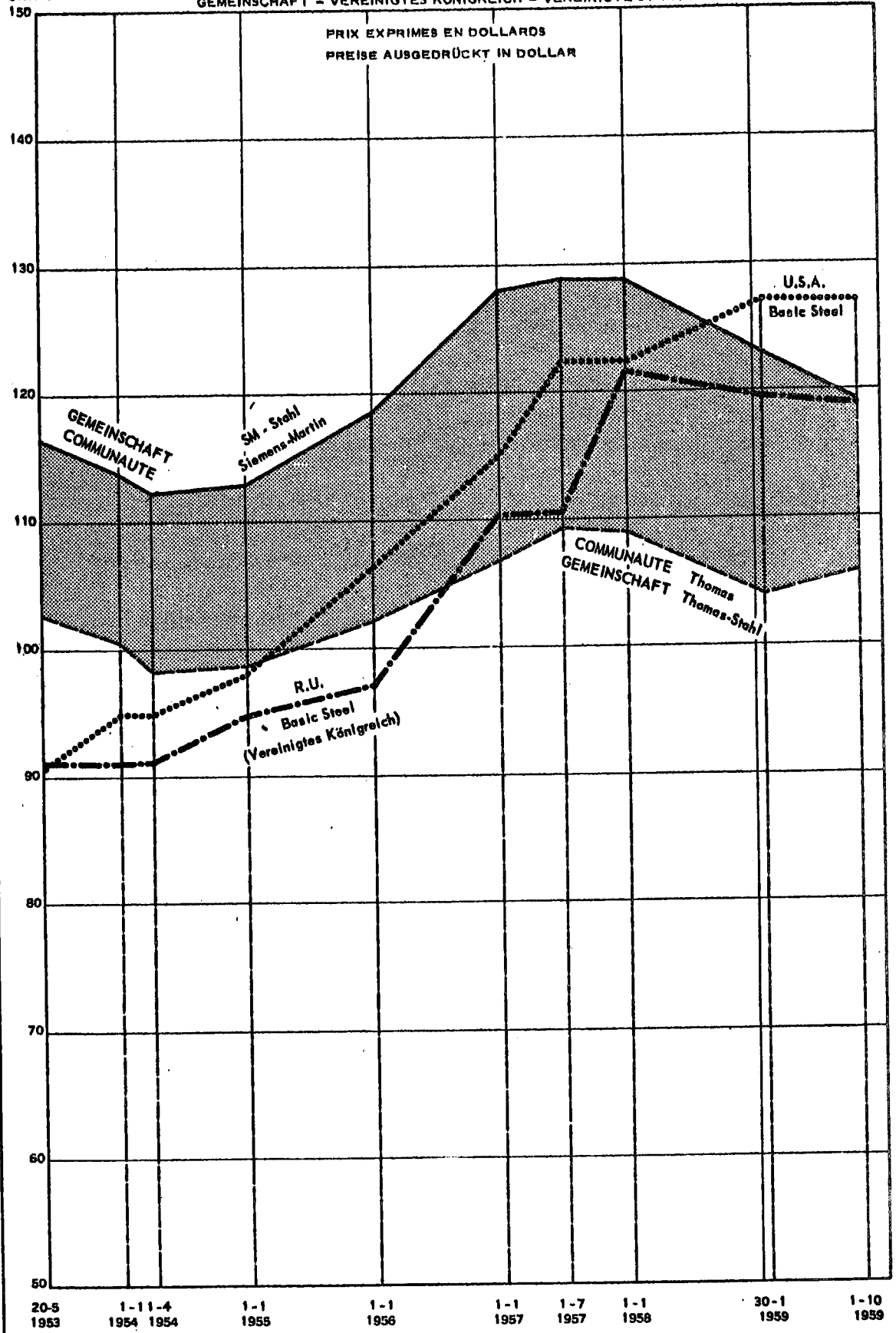
Two separate trends were apparent in the employment situation in the Community industries during 1959. In the steel industry the economic recovery led in some countries to an increase in the labour force, although as a result of the rise in productivity this was not in proportion to the increase in production. In the iron-ore mines and the collieries, on the other hand, the labour force is contracting. The reduction in the numbers employed at the iron-ore mines is part of the rationalization and modernization projects being put through in this industry. The coal crisis has added to employment difficulties in the collieries in some member countries: They have substantially reduced recruitment, and many of them, particularly in Belgium and Germany, have introduced short-time working. The latter reached alarming proportions during the first six months of 1959, but was much less widespread, at any rate in Germany, by the end of the year.

**EVOLUTION DES PRIX DE BAREME MOYENS
ENTWICKLUNG DER DURCHSCHNITTLICHEN LISTENPREISE**

DOLLARDS
-UNITE DE COMPTE
150

COMMUNAUTE - ROYAUME UNI - ETATS UNIS
GEMEINSCHAFT - VEREINIGTES KÖNIGREICH - VEREINIGTE STAATEN

PRIX EXPRIMES EN DOLLARDS
PREISE AUSGEDRÜCKT IN DOLLAR



Personnel Employed in the Community Industries

('000 persons)

Industry	September 1958				September 1959			
	Workers	Apprentices	Salaried Staff	Total	Workers	Apprentices	Salaried Staff	Total
<u>Coal mines</u>								
Germany (Fed. Rep.)	442.9	39.5	47.2	529.6	404.3	31.3	46.7	482.3
Saar	53.6	3.5	6.3	63.4	51.7	2.7	6.4	60.8
Belgium	131.9	2.3	14.7	148.9	115.4	2.1	13.5	131.0
France 1)	204.3	5.7	26.7	236.7	198.4	5.7	26.4	230.5
Italy	3.9	-	0.6	4.5	3.6	-	0.5	4.1
Netherlands	52.2	4.2	7.3	63.7	50.4	3.9	7.4	61.7
Community	888.8	55.2	102.8	1 046.8	823.8	45.7	100.9	970.4
<u>Iron and Steel industry</u>								
Germany (Fed. Rep.)	169.9	6.8	24.6	201.3	174.3	6.3	25.2	205.8
Saar	27.7	0.8	4.1	32.6	28.0	0.3	4.1	32.9
Belgium	51.4	-	7.5	58.9	53.0	-	7.6	60.6
France	126.7	2.3	24.9	153.9	126.3	2.8	25.1	154.2
Italy	52.3	0.2	7.3	59.8	50.4	0.1	7.2	57.7
Luxembourg	18.7	0.4	2.1	21.2	19.2	0.3	2.1	21.6
Netherlands	7.9	0.3	3.3	11.5	8.9	0.4	3.7	13.0
Community	454.6	10.8	73.8	539.2	460.1	10.7	75.0	545.8
<u>Iron-ore mines</u>								
Germany (Fed. Rep.)	19.7	1.0	2.4	23.1	18.0	0.8	2.4	21.2
Belgium	0.0	-	0.0	0.0	0.0	-	0.0	0.0
France	24.4	0.7	3.2	28.3	23.8	0.7	3.3	27.8
Italy	3.1	0.0	0.3	3.4	2.9	-	0.2	3.1
Luxembourg	2.2	-	0.2	2.4	2.1	-	0.2	2.3
Community	49.4	1.7	6.1	57.2	46.8	1.5	6.1	54.4
TOTAL, COMMUNITY	1 392.8	67.7	182.7	1 643.2	1 330.7	57.9	182.0	1 570.6

1) Including some small non-nationalized mines.

In addition to providing the assistance mentioned, with the object of cushioning the social effects of the coal crisis, the High Authority was particularly active in the field of readaptation. During 1959 and up to the beginning of February 1960, it made available a large number of readaptation grants for the benefit of miners and steelworkers obliged to leave or change their employment as a result of the introduction of the Common Market. Assistance under these arrangements involves over 50,000 workers, from 135 enterprises. This brings the total number of workers for whom readaptation has been applied for since the introduction of the Common Market up to 110,000, employed at 195 enterprises. Funds allotted by the High Authority for readaptation since 1953 total nearly 43 million dollars. The member governments concerned supply special aid equal to the High Authority's contribution.

Of the men involved, the majority are miners, and in particular miners employed in Germany and Belgium. For steelworkers, the largest sum has been allotted to meet applications for aid from Italy. To enable the High Authority to continue its readaptation operations after the expiration of the transitional provisions, the "miner revision" procedure has been instituted for the amendment of Article 56 of the Treaty: this Article covered the consequences of technological change only, and thus made no provision for adjustment to the structural changes of the market. On this all-important point of European social policy, the High Authority on January 26, 1960, obtained the agreement of the Council of Ministers to a proposal for amendment of Article 56 which, provided it is approved by the Court of Justice and the European Parliament, will enable it to continue the work it has been doing in the field of readaptation.

In another, closely related field, that of industrial redevelopment, the High Authority and the Council of Ministers in July 1959 declared themselves in favour of calling a conference to examine problems of redevelopment in areas affected by pit closures. The main object of the conference, which will be held not later than June 1960, will be to see what industries can best be attracted to these areas, and what can be done to provide incentives to industrialists to start operations there.

Chapter Eight

Living and Working Conditions

The cost of living in the Community changed very little during 1959. The main points raised in regard to wages and working conditions therefore took the form of claims for shorter working hours and guaranteed employment. Labour relations became strained in Belgium and Luxembourg: in the latter country, however, a settlement was finally accepted by both sides of the steel industry. In the German coal industry the five-day week was introduced from May 1, 1959, while at the same time the shift was lengthened for workers below ground from seven and a half hours to eight.

The High Authority continued its work of gathering and disseminating information in the social field, and took it a step further by carrying out comparative surveys of developments in wage systems and production and organization methods.

It also continued to provide assistance for the building of Workers' houses. Since the last General Report was published it has helped to finance a further ten thousand housing units. This meant that by January 1, 1960, it had approved arrangements to finance approximately 45,000 housing units in all, of which almost 25,000 had been completed, and had set aside for the purpose a total of close on 75 million dollars. In addition, the High Authority carried out a

further sample survey in 1958 on the housing situation of workers in the ECSC industries. The results of the survey, which covered 40,000 workers, indicate that there is still a great deal to be done in this field. As a contribution to more attractive and better laid-out houses for workers, the High Authority in 1959 organized a housing design competition, for which numerous architects entered from various parts of the Community.

During 1959 the High Authority carried on its work of promoting scientific research in the field of industrial medicine. Since 1952 it has allocated for this purpose a total of 4,200,000 dollars, of which 1,200,000 had been spent by the end of 1959.
