

EUROPEAN COAL AND STEEL COMMUNITY

COMMISSION OF THE EUROPEAN COMMUNITIES

Financial Report

for the year 1968

No. 14

EUROPEAN COAL AND STEEL COMMUNITY

COMMISSION OF THE EUROPEAN COMMUNITIES

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The figures given in this report and in the attached balance sheet and statement of revenues and expenditures are expressed in units of account of the European Monetary Agreement (EMA). All such amounts are the equivalents of sums in national currencies computed at the following rates for

1 EMA unit:

US\$	1.00
DM	4.00
BFr	50.00
FFr	4.93706
Lit	625.00
LFr	50.00
Fl.	3.62
SFr	4.37282
£	0.41666

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Balance sheet as of 31 December 1968

Statement of revenues and expenditures for 1968

This financial report relates to the calendar year 1968, the sixteenth year of the European Coal and Steel Community's financial operations.

Since 1 July 1967, date of the entry into force of the Treaty establishing a single Council and a single Commission of the European Communities, the single Commission exercises the powers vested in the former High Authority by the Treaty of Paris, with each of the three Communities remaining a separate entity.

Consequently, this report refers only to the "Commission" of the European Communities unless the name "High Authority" has to be used.

During the year covered by this report, crude steel production has shown an appreciable increase from 89.8 million tons in 1967 to 98.6 million tons in 1968. At the same time, coal production continued its expected downward trend, decreasing from 184.6 million tons to 175.8 million tons.

Capital expenditures in the coal and steel industries in 1968 can as yet only be estimated on the basis of the forecasts submitted by ECSC enterprises to the Commission on 1 January 1968.⁽¹⁾

According to these estimates, about 247 million units of account should have been invested in the *coal sector* in 1968 (as against 242 million in 1967) and 24 million in *iron-ore mining* (16 million in 1967). Experience shows, however, that the amounts estimated for the ECSC mining industries at the beginning of the year are, in fact, fulfilled by no more than 85 or 90%. Therefore, for the Community coal sector, real capital expenditures in 1968 may be put at something like 15% below the forecast referred to above.

After four years marked by high capital investment (averaging 1,300 million units of account from 1961 to 1964), the years 1965, 1966 and 1967 were marked by a sharp downturn to only 932, 848 and 750 million units of account respectively in the *iron and steel sector*. On the other hand, estimates submitted by iron and steel enterprises suggested a marked reversal in the downward trend for 1968. For the first time since 1961, the year 1968, with an amount of 905 million units of account, showed an increase in expenditure as compared with the previous year. In view of the buoyant economic conditions in the iron and steel sector, it would be reasonable to assume that real capital expenditures in 1968 will come close to the forecasts which the iron and steel enterprises made on 1 January of that year.

On the basis of these forecasts, capital expenditures in the ECSC industries came close to 1,150 million units of account in 1968 as against 1,013 million units of account in 1967.

The new upward trends seem likely to continue. The important projects which, pursuant to the regulations in force, were announced during the period from 1 January to 31 December 1968 by the Community's mining and iron and steel

⁽¹⁾ See "Les investissements dans les industries du charbon et de l'acier de la Communauté — Rapport sur l'enquête 1968" (Investment in the Community's coal and steel industries — Report on the 1968 Survey), Luxembourg, July 1968.

industries amount to 115 and 669 million units of account respectively. Thus, their total value (784 million units of account) exceeded the estimated cost for large projects which had been submitted during each one of the three preceding years (752 million units of account in 1967, 448 million in 1966, 710 million in 1965).

Three remarks should be made concerning the ECSC's financial operations:

- 1) The total balance-sheet for 1968 exceeded 1,000 million units of account.
- 2) After being raised to 0.30% on 1 July 1967, the rate of the levy remained the same during 1968.
- 3) Borrowings in 1968 amounted to 108 million units of account. All these borrowing operations were carried out in the countries of the Community.
- 4) Total lending during the year amounted to 97.59 million units of account.

Since the beginning of the ECSC's financial operations and including the year 1968, total borrowings up to 31 December 1968 amounted to 828 million units of account. The total amount of loans granted, and of guarantees furnished, rose to 966.86 million units of account.

I—THE LEVY

The levy on enterprises' declared production in 1968 amounted to 35.78 million units of account as against 30.66 million units of account in 1967. This increase can be explained by the fact that, during the first half year of 1967, the rate of the levy was only 0.25% as against 0.30% as from 1 July 1967. There was also the additional fact of the economic trends on the market for steel.

It is worth noting that the coal industry's share has decreased from 53% in 1953 to 20% in 1968.

TABLE 1

Proceeds of the levy

	1967		1968	
	Million units of account	%	Million units of account	%
<i>A—Branches of industry</i>				
Coal industry	6.82	22.2	7.16	20.0
Iron and steel industry	23.84	77.8	28.62	80.0
Total	30.66	100.0	35.78	100.0
<i>B—Geographical distribution</i>				
Germany (Fed. Rep.)	14.28	46.6	16.85	47.1
Belgium	2.84	9.3	3.65	10.2
France	6.45	21.0	7.18	20.1
Italy	4.76	15.5	5.41	15.1
Luxembourg	1.01	3.3	1.23	3.4
Netherlands	1.32	4.3	1.46	4.1
Community	30.66	100.0	35.78	100.0

II—FINANCING OF READAPTATION

Readaptation assistance granted by the Commission in 1968 under Article 56 of the ECSC Treaty amounted to 12.92 million units of account (as against 18.99 million units of account in 1967). As has been mentioned in our previous reports, the Commission's action is subject to two conditions, namely that its assistance must be requested by the Governments concerned and that these same Governments must take on at least 50% of the expenditure connected with readaptation.

Table 2 below shows the various changes in the amount of the funds allocated for readaptation during 1968. It should be noted that the amount was increased by the commitments under Article 56 just referred to, and decreased, firstly, by disbursements during 1968 (5.07 million units of account) and secondly, by the use of a part of the contingency reserve (1 million units of account).

It is recalled that, in addition to the amounts to cover commitments approved by the ECSC under Article 56 (47.99 million units of account), funds for readaptation include a contingency reserve reduced to 1 million units of account on 31 December 1968.

TABLE 2

Movement of funds allocated for readaptation

(in million units of account)

	Amount at 31 December 1967	Commitments entered into in 1968	Reductions in 1968 ⁽¹⁾	Amount at 31 December 1968
A—To provide for existing commitments	40.14	12.92	5.07	47.99
B—Contingency reserve	2.00	—	1.00	1.00
Total	42.14	12.92	6.07	48.99

⁽¹⁾ Disbursements (4.88 million units of account), cancellations (0.19 million units of account) and transfers (1 million units of account).

III—FINANCING OF RESEARCH

As has been mentioned several times, Commission assistance for research, granted under Article 55 of the ECSC Treaty, is normally in the form of non-repayable grants. It is only in very special cases that such assistance has been in the form of loans (in connection with the experimental building of workers' housing).

Assistance granted in 1968 for new research projects connected with ECSC enterprises totalled 5.10 million units of account as against 11.40 million units of account in 1967 and involved both the coal and the iron and steel sectors.

Together with these new projects, work went ahead on research sponsored earlier, requiring disbursements amounting to about 8.15 million units of account. The figure for "funds available" at 31 December 1968 has been adjusted accordingly.

As with the funds for readaptation, the funds for research include a contingency reserve in addition to the amount to cover commitments approved (22.11 million units of account, representing payments still due under partial-financing contracts entered into by the ECSC). Following the withdrawal of 1 million units of account, due to circumstances, this reserve is now down to 1 million units of account.

TABLE 3
Movement of funds allocated for research

(in million units of account)

	Amount at 31 December 1967	Commitments entered into in 1968	Reductions in 1968 ⁽¹⁾	Amount at 31 December 1968
A—To provide for existing commitments:				
iron and steel industry	8.92	2.25	2.61	8.56
coal industry	8.14	2.28	3.54	6.88
ore mining	3.31	—	0.03	3.28
experimental workers housing	0.07	—	—	0.07
industrial health, safety and medicine	5.37	0.57	2.62	3.32
Total	25.81	5.10	8.80	22.11
B—Contingency reserve	2.00	—	1.00	1.00
Grand total	27.81	5.10	9.80	23.11

(1) Disbursements (8.15 million units of account), cancellations (0.65 million units of account), transfers (1 million units of account).

IV—OVERALL SURVEY OF REVENUES, EXPENDITURES AND ECSC ALLOCATIONS

The following tables compare the ECSC's revenues and expenditures for 1967 and 1968, and give an overall picture of the Community's respective end-of-year financial positions.

TABLE 4

Total revenues of the ECSC

(in million units of account)

Nature of revenues	1967	1968
Interest and charges on loans outstanding	33.35	37.74
Levy	30.66	35.78
Interest on bank deposits and investments	9.50	11.36
Fines and interest on arrears	0.08	0.01
Receipts for Pension Fund	2.39	0.45
Sundry receipts	0.22	0.03
Total	76.20	85.37

TABLE 5

Total expenditures of the ECSC

(in million units of account)

Nature of expenditure	1967	1968
Interest etc., paid on funds borrowed	32.94	38.71
Administrative expenses	21.03	19.08
Bank charges	0.10	0.03
Non-repayable readaptation grants	6.13	4.88
Non-repayable research grants	9.90	8.15
Pensions	0.49	0.08
Improvement reconversion	0.03	0.18
Total	70.62	71.11

It is pointed out that the Pension Fund revenues and expenditures refer to the period from 1 January to 4 March only, pursuant to the Council of Ministers' decision to charge pensions on the Commission's budget as from 5 March 1968. As regards administrative expenses, the decrease is explained by the fact that, pursuant to the Merger Treaty, the ECSC contributes a fixed amount of 18 million units of account per annum. The excess amount of 1.08 represents the expenditures out of credits carried forward to 31 December 1967.

TABLE 6

Movement of funds and reserves

(in million units of account)

	Position as at 31 Decem- ber 1966	Changes in 1967	Position as at 31 Decem- ber 1967	Changes in 1968	Position as at 31 Decem- ber 1968
I—(a) Guarantee Fund	100.00	—	100.00	—	100.00
(b) Special Reserve	78.89	+ 4.69	83.58	+ 2.18	85.76
II—(a) Funds for readaptation	37.29	+ 4.85	42.14	+ 6.85	48.99
(b) Funds for research	27.44	+ 0.37	27.81	— 4.70	23.11
(c) Funds for redevelopment and reconversion ⁽¹⁾	—	+ 1.11	1.11	+ 1.72	2.83
III—Pension Fund	23.25	+ 1.89	25.14	+ 0.37	25.51
IV—Sundry liabilities	9.87	— 1.17	8.70	— 0.04	8.66
	276.74	+ 11.74	288.48	+ 6.38	294.86
V—Unallocated balance	7.64	— 6.18	1.46	+ 7.88	9.34
Total	284.38	+ 5.56	289.94	+ 14.26	304.20

⁽¹⁾ These funds are to be used for financing the special interest rates on reconversion loans (cf. Chapter VII, No. 2, page 18 of this report).

V—EMPLOYMENT OF ECSC FUNDS

Apart from the borrowed funds which, until payment to definitive beneficiaries, are temporarily in the form of funds and can, therefore, only be employed during relatively short periods, the funds which are genuinely employed by the ECSC are mainly funds which are paid to it by the enterprises in the form of levy. Since the beginning of its financial operations, the ECSC has applied the principle of using levy revenues in the currency of the contributing enterprises. The transfer from one Community currency to another or to a non-Community currency is, therefore, effected only to the extent that such a transfer covers a proportion of the administrative expenses or when it is required to meet commitments under the contracted borrowing operation.

The fluctuations which the international money market has suffered during 1968 have not led the ECSC to change its traditional policy which has always aimed at the maximum possible return for its funds while at the same time maintaining the necessary liquidity.

Interest earnings in 1968 have amounted to 11.36 million units of account, 9.11 of which on its own funds and 2.25 on borrowed funds. In 1967, these earnings had risen to 8.02 and 1.48 units of account respectively. This increase is mainly due to the following two factors:

- 1) On average, the ECSC disposed in 1968 of nearly 5% more funds than in the previous year.
- 2) In 1968, there appeared a certain amount of tightness on several money markets, thus leading to fairly large increases in the rates of interest.

VI—BORROWING OPERATIONS

Rates of interest on the capital markets of the Community countries have been relatively stable in spite of certain limited changes. On the whole, rates of interest did not exceed the levels of 1967, whilst, on the international market, the large number of dollar convertible debentures issued by American companies in particular, increased still further the cost of conventional borrowing operations.

In order to meet the numerous requests for credit submitted to the Commission of the European Communities under Article 54 and Article 56 of the Treaty, the ECSC has, during 1968, floated five loans on the markets of those member countries which offered the most favourable terms. The total amount represented by these operations reached the value of 108 million units of account, and the various issues were as follows:

- 1) Lit15,000 million: bond issue at 6% for 20 years purchased at 97.50% by a consortium of Italian banks headed by the Banca nazionale del lavoro, Rome;
- 2) DM120 million: various private loans at $6\frac{1}{2}$ to $6\frac{7}{8}$ % for from 3 to 10 years from several German banks;
- 3) FB750 million: bond issue at $6\frac{3}{4}$ % for 15 years purchased at 99% by a group of Belgian banks headed by the Société générale de banque, Brussels;
- 4) DM60 million: two private loans at $6\frac{1}{4}$ % for 13 years from two German Banks;
- 5) Lit15,000 million: bond issue at 6% for 20 years purchased at 97.50% by a consortium of Italian banks headed by the Banca nazionale del lavoro, Rome.

Loan operations since 31 December 1967 are summarized in Table 7.

TABLE 7

(in million units of account)

Cur- rency borrowed	Position as at 31 December 1967			Operations during 1968		Position as at 31 December 1968		
	Total sum borrowed	Repay- ments	Sum out- standing	New borrowing	Repay- ments	Total sum borrowed	Repay- ments	Sum out- standing
US\$	355.000	92.300	262.700	—	11.800	355.000	104.100	250.900
DM	121.494	5.608	115.886	45.000	6.136	166.494	11.744	154.750
Lit	72.000	—	72.000	48.000	—	120.000	—	120.000
Fl.	57.390	11.432	45.958	—	2.402	57.390	13.834	43.556
FFr	16.400	1.298	15.102	15.000	0.278	31.400	1.576	29.824
SFr	30.382	—	30.382	—	—	30.382	—	30.382
LFr	27.737	7.727	20.010	—	1.887	27.737	9.614	18.123
Units of account	20.100	0.833	19.267	—	0.941	20.100	1.774	18.326
BFr	20.000	—	20.000	—	—	20.000	—	20.000
	720.503	119.198	601.305	108.000	23.444	828.503	142.642	685.861

Table 8 gives particulars of the loans current at 31 December 1968.

TABLE 8
Total amount of current borrowing⁽¹⁾
(Position as of 31 December 1968)

Year of issue	Interest % p.a.	Term (years)	Initial amount		Amount outstanding at 31 December 1968 (equivalent in EMA units of account)
			In currency of loan	Equivalent in EMA units of account	
1954	3 ⁷ / ₈	25	US\$ 100,000,000	100,000,000	60,400,000
1957	5 ¹ / ₂	18	25,000,000	25,000,000	13,600,000
1958	5	20	35,000,000	35,000,000	23,500,000
1960	5 ³ / ₈	20	25,000,000	25,000,000	20,050,000
1962	5 ¹ / ₄	20	25,000,000	25,000,000	23,350,000
1964	5 ¹ / ₄	20	30,000,000	30,000,000	30,000,000
1966	6 ¹ / ₂	20	15,000,000	15,000,000	15,000,000
1966	6 ¹ / ₂	20	20,000,000	20,000,000	20,000,000
1967	6 ¹ / ₂	20	25,000,000	25,000,000	25,000,000
1967	6 ⁵ / ₈	20	20,000,000	20,000,000	20,000,000
				320,000,000	250,900,000
1955	3 ³ / ₄	25	DM 50,000,000	12,500,000	7,416,600
1957	4 ¹ / ₄	20	2,977,450	744,362	408,655
1964	5 ³ / ₄	12	100,000,000	25,000,000	22,250,000
1964	5 ¹ / ₂	15	100,000,000	25,000,000	22,925,000
1964	5 ³ / ₄	12	30,000,000	7,500,000	6,000,000
1965	5 ¹ / ₂	18	150,000,000	37,500,000	37,500,000
1965	5 ¹ / ₂	5	23,000,000	5,750,000	5,750,000
1967	6 ³ / ₄	5	30,000,000	7,500,000	7,500,000
1968	6 ¹ / ₂ -6 ⁷ / ₈	10	120,000,000	30,000,000	30,000,000
1968	6 ¹ / ₄	13	60,000,000	15,000,000	15,000,000
				166,494,362	154,750,255
1963	5 ¹ / ₂	20	Lit 15,000,000,000	24,000,000	24,000,000
1966	6	20	15,000,000,000	24,000,000	24,000,000
1966	6	20	15,000,000,000	24,000,000	24,000,000
1968	6	20	15,000,000,000	24,000,000	24,000,000
1968	6	20	15,000,000,000	24,000,000	24,000,000
				120,000,000	120,000,000
1961	4 ¹ / ₂	20	Fl 50,000,000	13,812,155	11,961,326
1962	4 ³ / ₄	20	25,000,000	6,906,077	6,450,276
1962	4 ³ / ₄	25	6,000,000	1,657,459	1,259,668
1963	4 ⁵ / ₈	30	1,750,000	483,425	403,315
1964	5 ³ / ₄	20	25,000,000	6,906,077	6,906,077
1965	5 ³ / ₄	20	40,000,000	11,049,724	11,049,724
1967	6 ³ / ₈	5	20,000,000	5,524,862	5,524,862
				46,339,779	43,555,248
1957	3 ¹ / ₂	25	BFr 200,000,000	4,000,000	2,676,000
1957	3 ¹ / ₂	25	20,000,000	400,000	267,600
1962	5 ¹ / ₄	20	300,000,000	6,000,000	5,880,000
1963	5 ¹ / ₂	20	300,000,000	6,000,000	6,000,000
1968	6 ³ / ₄	15	750,000,000	15,000,000	15,000,000
				31,400,000	29,823,600
1964	5	20	FFr 150,000,000	30,382,454	30,382,454
1956	4 ¹ / ₄	18	SFr 50,000,000	11,434,269	5,431,278
1962	4 ¹ / ₂	18	60,000,000	13,721,123	12,692,038
				25,155,392	18,123,316
1957	5 ³ / ₈	25	LFr 100,000,000	2,000,000	1,557,905
1961	5 ¹ / ₄	25	100,000,000	2,000,000	1,827,947
1961	5	25	100,000,000	2,000,000	1,823,484
1962	4 ³ / ₄	15	300,000,000	6,000,000	5,400,000
1962	5 ¹ / ₈	25	250,000,000	5,000,000	4,716,861
1964	5 ³ / ₈	20	150,000,000	3,000,000	3,000,000
				20,000,000	18,326,197
1966	5 ³ / ₄	20	Units of account ⁽²⁾ 20,000,000	20,000,000	20,000,000
					685,861,071

(1) Other loans have been completely repaid by 31 December 1968. When these are taken into account, the initial amount of borrowings stands at 828,503,569.25 units of account.

(2) At present, this unit of account has the same value as that used by the former European Payments Union, as defined in Article 26 (a) of the latter's charter, i.e. 0.88867088 grammes of fine gold. This value may change under certain circumstances.

VII—LENDING AND GUARANTEE OPERATIONS

The total amount available to the Commission in 1968 for lending to enterprises was 134.68 million units of account.

These amounts consisted of the ECSC's own resources and of borrowings during 1968 and previous years, and also of repayments on earlier loans.

The total amount is made up as follows:

(in million units of account)

1) *Borrowed funds:*

(i) already available at beginning of year	10.45	
(ii) 1968 borrowings	108.00	
(iii) anticipated repayments	7.86	126.31

2) *Own resources (Special Reserve):*

(i) unexpended receipts from previous years	5.75	
(ii) allocation for 1968	0.60	
(iii) repayments on earlier loans	2.02	8.37
Total	134.68	

As in 1967, these funds were used for loans to industry, for redevelopment and reconversion projects and for the building of workers' housing. It is worth mentioning that the loans to industry and the loans for redevelopment and reconversion projects were financed wholly out of borrowed funds and the home-building loans out of the ECSC's own resources.

TABLE 9

Loans granted in 1968

(in million units of account)

Sector	Germany (Fed. Rep.)	Bel- gium	France	Italy	Nether- lands	Luxem- bourg	Commu- nity
I—Coal	10.75	—	13.01	—	—	—	23.76
Iron and steel	12.75	0.14	—	10.05	13.82	—	36.76
Total I	23.50	0.14	13.01	10.05	13.82	—	60.52
II—Industrial redevel- opment and reconver- sion	13.26	10.55	8.90	—	0.05	—	32.76
Workers' housing	1.63	—	1.92	—	0.36	0.40	4.31
Total II	14.89	10.55	10.82	—	0.41	0.40	37.07
Grand total	38.39	10.69	23.83	10.05	14.23	0.40	97.59

1. Aid for industrial investment projects

(a) Loans

Although the loans for redevelopment and reconversion have considerably increased during the last years, the financing of industrial investment projects, under Article 54 of the Treaty of Paris, still represents the major part of the ECSC's finance activity.

Loans to industry in 1968 amounted to 60.52 million units of account as against 45.35 million units of account in 1967. Since funds made available for this purpose came from borrowed funds, their interest rates ranged from 6³/₄% to 7%.

The projects assisted all fall within the priority classes laid down in the Community's "General Objectives", as follows:

Coal mining industry:

(i) Productivity and production-cost improvement and coal utilization:

Hoesch AG Bergbau, Essen-Altenessen;
Steinkohlenbergwerk Westfalen AG, Ahlen (Westphalia).

(ii) Pithead power stations likely to use low-grade fuels:

Charbonnages de France, Paris (Houillères du bassin du Nord/Pas-de-Calais, Douai);
Saarbergwerke AG, Saarbrücken.

Iron and steel industry:

(i) Raw-material preparation and pig-iron production:

Italsider SpA (Trieste Works), Genoa.

(ii) Oxygen steel-making:

S.A. des forges et aciéries de Dilling, Dillingen (Saar);
Koninklijke Nederlandsche Hoogovens en Staalfabrieken N.V., IJmuiden.

(iii) Continuous casting:

Società industriale siderurgiche meccaniche e affini SpA (SISMA), Milan.

(iv) Modernization and specialization:

August Thyssen-Hütte AG, Duisburg-Hamborn;
Usines métallurgiques de Saint-Eloi, Thy-le-Château;
Acciaierie e ferriere lombarde Falck SpA, Milan;
Hoesch AG, Dortmund;
Fried. Krupp Hüttenwerke AG, Bochum.

Table 10 below shows the distribution by country of all industrial loans granted by the ECSC since its inception. This Table also gives the separate figures for 1968 relating to new loans and repayments of previous loans.

TABLE 10

Aid for industrial investment projects

(in million units of account)

Country	Position at 31 December 1967			Operations during 1968		Position at 31 December 1968		
	Total sum loaned	Total repay- ments	Sum out- standing	New loans	Repay- ments	Total sum loaned	Total repay- ments	Sum out- standing
Germany (Fed. Rep.)	353.440	66.764	286.676	23.500	16.593	376.940	83.357	293.583
Belgium	26.565	10.190	16.375	0.140	1.118	26.705	11.308	15.397
France	104.687	22.629	82.058	13.013	7.204	117.700	29.833	87.867
Italy	130.593	26.021	104.572	10.046	3.636	140.639	29.657	110.982
Luxembourg	1.000	1.000	—	—	—	1.000	1.000	—
Netherlands	—	—	—	13.820	—	13.820	—	13.820
Community	616.285	126.604	489.681	60.519	28.551	676.804	155.155	521.649

(b) *Guarantees*

The ECSC Treaty provides that the Commission may also facilitate the implementation of enterprises' investment programmes by guaranteeing loans which they obtain from outside sources.

Since the Commission studies both the technical and financial aspects of the investment programme concerned before making a decision, such a guarantee has the double advantage of covering lenders against all financial risks and providing them with guidance as to the economic soundness of the project.

With this type of financial backing, the firms concerned should normally be able to negotiate loans on capital markets outside their own countries on the same terms as borrowers regarded as first-class risks.

Moreover, the commission charged for such guarantees has been kept so low that it has little effect on the cost of the operations concerned.

No requests for guarantees were received in 1968. Contractual repayments, amounting to 47.01 million units of account, on loans previously guaranteed, have reduced commitments under this heading to 39,84 millions of account on 31 December 1968.

2. Loans for industrial redevelopment and reconversion

During 1968, loans for redevelopment and reconversion projects increased further as against 1967, when they had already accounted for a substantial part in the ECSC's financial activities.

Previous reports had already underlined the fact that the terms for redevelopment and reconversion were generally special ones, with a rate of 4½% for the first five years and 6½% thereafter.

Loans in 1968 amounted to 32.76 million units of account and were shared among the following recipients for thirteen projects, classified by region:

	(region or coalfield)
1. <i>Germany</i> (Fed. Rep.)	
Rhein. Zinkwalzwerk GmbH & Co., KG, Datteln	Ruhr
Ruhr-Zink GmbH, Datteln	Ruhr
Spanplattenwerk Münsterland GmbH & Co., KG, Dorsten	Ruhr
Borsig AG, Berlin	Ruhr
Chemische Werke Hüls AG, Marl	Ruhr
Faserwerke Hüls GmbH, Marl	Ruhr
Hüttenwerke Kayser AG, Lünen	Ruhr
2. <i>Belgium</i>	
Caterpillar Belgium S.A., Gosselies	Province of Hainaut
Crédit communal de Belgique, Brussels, for the Limburgse Economische Raad, Hasselt	Province of Limburg
3. <i>France</i>	
Kléber-Colombes S.A., Colombes	Lorraine
Omnium national de transports et d'exploitations routières (ONATRA), Marseilles	Lorraine
Société d'équipement du Pas-de-Calais (SÉPAC), Arras	Nord
4. <i>Netherlands</i>	
N.V. Bouwbedrijf Noordland, Roermond	Province of Limburg

Table 11 summarizes these types of loans by countries and by industries. The breakdown by industry shows that branches of industry outside the normal scope of the ECSC have also been helped. The firms concerned undertook to find jobs for former miners and steelworkers laid off by shutdown of pits or steelworks, or by the reduction or the change in the activities of those enterprises at which they were employed.

TABLE 11

Loans for industrial redevelopment and reconversion

A—Breakdown by countries

(in million units of account)

Country	Position at 31 December 1967			Operations during 1968		Position at 31 December 1968		
	Total sum loaned	Total repay- ments	Sum out- standing	New loans	Repay- ments	Total sum loaned	Total repay- ments	Sum out- standing
Germany (Fed. Rep.)	10.578	—	10.578	13.263	—	23.841	—	23.841
Belgium	13.903	1.254	12.649	10.547	0.688	24.450	1.942	22.508
France	10.713	0.039	10.674	8.899	0.025	19.612	0.064	19.548
Italy	25.352	0.500	24.852	—	0.896	25.352	1.396	23.956
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	13.610	0.345	13.265	0.055	—	13.665	0.345	13.320
Community	74.156	2.138	72.018	32.764	1.609	106.920	3.747	103.173

B—Breakdown by industries

(in million units of account)

Industry	Amount
Chemicals	21.132
Iron and steel and metal processing	18.654
Power stations	15.000
Mechanical engineering	14.768
Industrial estates	11.838
Rubber (tyres)	11.383
Motor vehicle manufacture	9.669
Miscellaneous	3.476
Floor coverings	1.000
Total	106.920

3. Loans for workers' housing

During 1968, the Community continued its policy of providing money for workers' housing by means of credits granted under scheme VI and the special tranche of scheme V.

It will be recalled that loans for workers' housing are, in principle, financed from the Special Reserve, i.e. the ECSC's own resources. These loans are also, as a rule, furnished in the currency of the country concerned to avoid any exchange risks to the recipients. Moreover, the generous terms in the matter of interest rates enable borrowers to combine this type of loan with other capital raised from

national sources at terms prevailing on these markets. This type of operation makes it possible to increase considerably the means available, while at the same time maintaining the final rate at a favourable level.

The Community raises other capital either directly by using borrowed funds or indirectly by associating institution investors with the financing of the projects concerned.

In 1968, disbursements made within the context of the two schemes mentioned above amounted to 4.31 million units of account. These funds came entirely out of the Special Reserve.

The opening in November 1968 of the 100,000th dwelling built under the various schemes financed by the ECSC gives an indication of the scope of the Community action in this field.

TABLE 12

Loans for workers' housing

(in million units of account)

Country	Position at 31 December 1967			Operations during 1968		Position at 31 December 1968		
	Total loans granted	Repay- ments	Sum out- standing	New loans granted	Repay- ments	Total loans granted	Repay- ments	Sum out- standing
Germany (Fed. Rep.)	54.659	8.576	46.083	1.626	1.369	56.285	9.945	46.340
Belgium	22.812	2.077	20.735	—	0.549	22.812	2.626	20.186
France	21.593	1.743	19.850	1.922	0.769	23.515	2.512	21.003
Italy	14.224	1.494	12.730	—	0.172	14.224	1.666	12.558
Luxembourg	3.308	0.353	2.955	0.400	0.117	3.708	0.470	3.238
Netherlands	5.627	0.990	4.637	0.357	0.184	5.984	1.174	4.810
Community	122.223	15.233	106.990	4.305	3.160	126.528	18.393	108.135

4. Recapitulation of direct lending operations (1954—1968)

Up to 31 December 1968 and since its inception, the ECSC has granted loans amounting in all to 919.85 million units of account made up of 821,10 million units of account from borrowed funds and 98,75 million units of account from its own resources.

Including guarantees furnished over the same period, the total amount of direct ECSC financial assistance was 966.86 million units of account.

Table 13 below gives a detailed breakdown of this direct assistance.

TABLE 13

Loans and guarantees granted to 31 December 1968 by sector and by country
(initial amounts)

(in million units of account)

	Loans granted			Guarantees	Total of loans and guarantees	%
	from borrowed funds	from own resources	Total			
A—Type of investment						
Coal industry ⁽¹⁾	253.44	—	253.44	—	253.44	26.21
Iron-ore mines ⁽²⁾	30.25	—	30.25	—	30.25	3.13
Iron and steel industry	393.12	—	393.12	46.71	439.83	45.49
Workers' housing	44.39	82.14	126.53	—	126.53	13.09
Industrial redevelopment and reconversion	99.90	7.02	106.92	—	106.92	11.06
Readaptation	—	5.92	5.92	0.30	6.22	0.64
Research (experimental building)	—	2.95	2.95	—	2.95	0.31
Other projects	—	0.72	0.72	—	0.72	0.07
Total	821.10	98.75	919.85	47.01	966.86	100.00
B—Country						
Germany (Fed. Rep.)	412.74	50.95	463.69	35.00	498.69	51.58
Belgium	70.34	4.07	74.41	—	74.41	7.70
France	136.95	25.15	162.10	11.71	173.81	17.98
Italy	173.00	7.44	180.44	0.30	180.74	18.69
Luxembourg	2.70	2.80	5.50	—	5.50	0.57
Netherlands	25.37	8.34	33.71	—	33.71	3.48
Community	821.10	98.75	919.85	47.01	966.86	100.00

⁽¹⁾ Including coking plants and thermal power stations.

⁽²⁾ Including sintering plants.

At the end of a year during which the total balance sheet of the European Coal and Steel Community has exceeded 1,000 million units of account, the Commission wishes once again to thank its banking syndicates, its agents in the various countries and the Bank for International Settlements at Basle, who have co-operated so efficiently for many years.

The ECSC's balance sheet as at 31 December 1968 and the statement of revenues and expenditures for 1968 are appended to this report.

ANNEXES

BALANCE SHEET AS OF 31 DECEMBER 1968
STATEMENT OF REVENUES AND EXPENDITURES FOR 1968

BALANCE SHEET
OF THE EUROPEAN COAL AND STEEL COMMUNITY
AS OF 31 DECEMBER 1968

All amounts are stated in EMA units of account and are the equivalent of various currencies computed at the following rates for 1 EMA unit of account:
US\$: 1.—; Belgian franc: 50.—; French franc: 4,937; German (W) mark 4.—;
Luxembourg franc: 50.—; Dutch guilder: 3,62; Italian lire: 625.—; Swiss franc:
4,373

ASSETS

I—Disbursed loans		737,983,421.59
II—Cash and due from banks		178,367,019.17
III—Investments		54,929,366.08
IV—Fixed assets		1.—
V—Recoverable issuing costs		15,038,004.25
VI—Miscellaneous		11,797,066.03
VII—Regularization account		18,625,546.23
		1,016,740,424.35
Enterprises' liabilities under guarantees	39,842,217.65	

Auditor's Note

Having examined the books, vouchers and documents of the book-keeping and the explanations supplied to me, I herewith certify that the financial condition of the European Coal and Steel Community as of 31 December 1968 is correctly and properly reflected in the above document.

Luxembourg, 21 April 1969

J. DE STAERCKE
Auditor

		LIABILITIES
I—Loans		685,861,071.53
II—Reserves		
A. Guarantee Fund	100,000,000.—	
B. Special Fund	85,766,578.77	185,766,578.77
III—Allocations		
A. for financial aid	74,926,236.11	
B. for other purposes	8,658,868.26	83,585,104.37
IV—Pension Fund		25,509,350.79
V—Miscellaneous		12,954,193.97
VI—Regularization account		13,721,667.24
VII—Unallocated balance		9,342,457.68
		<u>1,016,740,424.35</u>
		<u><u>1,016,740,424.35</u></u>
Liabilities under guarantees	39,842,217.65	

For the European Coal and Steel Community
The Commission of the European Communities

A.R.A. THEUNISSEN
*Director General
of
Credit and Investments*

F. GILLET
*Director
of
Credit*

Explanatory notes to the Balance Sheet as of 31 December 1968

ASSETS

I—Disbursed loans

A. Loans from funds borrowed

in US dollars	250,447,000.—	
in German (W) marks	152,250,255.01	
in Italian lire	93,945,400.—	
in Dutch guilders	39,972,209.97	
in French francs	30,382,454.34	
in Swiss francs	29,392,600.—	
in Luxembourg francs	20,000,000.—	
in Belgian francs	18,326,197.24	
in units of account	18,123,316.30	652,839,432.86

B. Other loans

Loans from Special Fund for the financing of housing projects	73,225,272.98	
Loans from Special Fund for reconversion	6,892,422.39	
Loans from funds allocated for readaptation	537,465.86	
Loans from funds allocated for research	2,565,452.82	
Miscellaneous	1,923,374.68	85,143,988.73

III—Investments

Total investments amount to 54,929,366.08 units of account with the following breakdown:

a) reimbursable within a year:	6,331,426.69
b) reimbursable within 1 to 3 years:	8,920,768.58
c) reimbursable after three years:	39,677,170.81

IV—Fixed assets

This item refers to buildings owned by the ECSC. These are:

- 1) a building in Paris, rue des Belles Feuilles (in co-ownership with the other two European Communities);
- 2) a building in London owned by the Community on long-lease tenure.

Their purchase-prices have been written-off to a value of one unit of account.

V—Recoverable issuing costs

The amount of 15,038,004.25 units of account represents issuing costs on loans. They are recoverable in annual fractions over the remaining life of the loans.

VI—Miscellaneous

The total amount of 11,797,066.03 units of account consists of:

- 1) 1,967,402.28 due from debtors subject to the ECSC-levy;
- 2) 431,068.73 due from various other debtors;
- 3) 9,398,595.02 funds set aside for the payment of overdue coupons and of drawn bonds.

VII—Regularization account

This item consists of

- 1) interest and commissions receivable but not yet due on 31 December 1968: 15,593,456.50 units of account
- 2) levy claimed over the month of December, but becoming due after 31 December 1968: 3,032,089.73 units of account

LIABILITIES

	Equivalent in units of account	Units of account
<i>I—Loans</i>		
in U.S. dollars	250,900,000.—	
in German (W) marks	154,750,255.01	
in Italian lire	120,000,000.—	
in Dutch guilders	43,555,248.64	
in French francs	30,382,454.34	
in Swiss francs	29,823,600.—	
in Luxembourg francs	20,000,000.—	
in Belgian francs	18,326,197.24	
in units of account	18,123,316.30	685,861,071.53
<i>III—Allocations</i>		
A. For financial aid		
1. <i>for readaptation</i>		
commitments entered into for grants	47,991,681.76	
uncommitted balance	1,000,000.—	48,991,681.76
2. <i>for research</i>		
commitments entered into for grants	22,106,719.13	
uncommitted balance	1,000,000.—	23,106,719.13
3. <i>for reconversion</i>		
		2,827,835.22
		<u>74,926,236.11</u>
B. For other purposes		
		8,658,868.26

IV—Pension Fund

This item totals 25,509,350.79; from 5 March 1968 on commitments relating to the payment of ECSC-pensions have been transferred to the Member-States.

V—Miscellaneous

Of the total of 12,954,193.97 units of account a sum of 9,398,594.95 refers to bonds and coupons payable as well as to commissions on these operations. The remainder of 3,555,599.02 units of account refers to various liabilities.

VI—Regularization account

Consists of interest and commissions payable but not yet due on 31 December 1968, totalling 13,721,667.24 units of account.

VII—Unallocated balance

The sum of 9,342,457.68 units of account represents unallocated excess of revenues over expenditures.

Note: Till 1961 the claims and related securities under loans granted from funds borrowed as well as other items of the assets are pledged to the Bank for International Settlements in Basle in favour of the holders of Secured Notes and Coupons issued by the ECSC,

on the assets, Item I for 148,514,310.67 units of account, Item II for 729,365.99 units of account and Item VII for 2,691,553.43 units of account,

on the liabilities, Item I for 149,097,310.67 units of account and Item VI for 2,596,612.63 units of account.

REVENUES AND EXPENDITURES
OF THE EUROPEAN COAL AND STEEL COMMUNITY
FOR THE YEAR 1968

(Including revenues and expenditures in connection with borrowing and lending operations)

All amounts are stated in EMA units of account and are the equivalent of various currencies computed at the following rates for 1 EMA unit of account: US\$: 1.—; Belgian franc: 50.—; French franc: 4,937; German (W) mark 4.—; Luxembourg franc: 50.—; Dutch guilder: 3,62; Italian lire: 625.—; Swiss franc: 4,373

EXPENDITURES

A. Expenditures in connection with borrowing operations		38,709,177.80
B. Budgetary expenditures:		
Administrative expenditures	19,077,498.18	
Expenditures for research	8,147,286.30	
Expenditures for readaptation	<u>4,882,243.34</u>	32,107,027.82
C. Other expenditures:		
Financial expenses	31,812.27	
Bonification reconversion	181,143.79	
Expenditures for pensions	<u>80,478.58</u>	293,434.64
D. Excess of revenues over expenditures		14,256,514.79
		<u>85,366,155.05</u>
The following allocations and withdrawals were made:		
Allocations		
to the Special Fund	2,182,852.82	
for financial aid	3,864,747.55	
to the Pension Fund	371,751.93	
to the unallocated revenues	<u>7,881,905.31</u>	14,301,257.61
Transferred from other funds		— 44,742.82
		<u>14,256,514.79</u>

Auditor's Note

Having examined the books, vouchers and documents of the book-keeping and the explanations supplied to me, I herewith certify that the revenues and expenditures of the European Coal and Steel Community as of 31 December 1968 are correctly and properly reflected in the above document.

Luxembourg, 21 April 1969

J. DE STAERCKE
Auditor

		REVENUES
A. Revenues from lending operations		37,734,038.46
B. Levy		35,781,179.73
C. Other revenues:		
Interest on deposits and investments	11,360,993.79	
Fines	6,630.94	
Receipts for pensions	452,230.51	
Miscellaneous	31,081.62	
		11,850,936.86
		<u>85,366,155.05</u>

For the European Coal and Steel Community
The Commission of the European Communities

A.R.A. THEUNISSEN
Director General
of
Credit and Investments

F. GILLET
Director
of
Credit

Explanation of the revenues and expenditures of the ECSC for the period
1 January 1968 to 31 December 1968

EXPENDITURES

- A. The expenditures in connection with borrowing operations totalling 38,709,177.80 units of account consist of:
- | | |
|--------------------------------------|---------------|
| Interest on funds borrowed | 35,837,647.13 |
| Fees to agent banks | 820,289.96 |
| Miscellaneous | 305,588.26 |
| Redemption recoverable issuing costs | 1,745,652.45 |
- C. Among the other expenditures, those for pensions totalling 80,478.58 units of account cover the period from 1 January 1968 to 4 March 1968.

REVENUES

- A. The revenues from lending and guarantee operations totalling 37,734,038.46 units of account consist of:
- | | |
|-------------------|---------------|
| Interest on loans | 36,851,362.86 |
| Guarantee fees | 209,411.26 |
| Sundry receipts | 673,264.34 |
- C. The receipts for the Pension Fund cover the period from 1 January 1968 to 4 March 1968.