COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 640 final/ANNEX

Brussels, 9 november 1979

MEASURES TO BE TAKEN BY THE COMMUNITY IN 1980 TO COMBAT THE CRISIS IN THE IRON AND STEEL INDUSTRY

ANNEX

COM(79) 640 final/ANNEX

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Annex 1

SITUATION AND PROSPECTS OF THE STEEL MARKET

STEEL MARKET SITUATION AT THE END OF 1979

The rise in industrial activity recorded since the end of 1978 in all the Community countries has given place to a slackening in growth in the second part of 1979. The driving forces of this growth, apart from a generalized move to replenish stocks, varied considerably from country to country, from investments in Germany to private consumption in France by way of exports in the Benelux countries.

Germany was the only country to experience a revival in which all final demand sectors participated; in most of the other Community countries the revival was based either on public support measures or on external trade and, in particular, exports to world markets.

The Community iron and steel industry benefited from the steady business which characterized a good number of large steel consumer sectors such as mechanical engineering and motor vehicle industries and the capital goods industry in general.

The real consumption of steel increased in 1979 by 2.8% over 1978.

External demand played a not inconsiderable part in sustaining business in the iron and steel sector during the first half of the year; thereafter it ran out of steam.

In addition, for 1979 as a whole, the net balance of Community external trade in steel fell by a million tonnes over the previous year, owing to a reduction in exports, imports remaining at the same level as in 1978, i.e. at approximately 11.5 million tonnes.

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Steel output increased more than would be justified by the trends in internal consumption and external trade. It reached 140 million tonnes in 1979, i.e. 5.6% more than in 1978. This large increase in output must not, however, be regarded entirely as a real improvement of the situation since it is dependent on the fact that in 1978 some internal consumtion (3.5 million tonnes) was covered by steel taken from the stocks and not by current output, whereas in 1979 not only was the total output consumed but, in addition, approximately 1.5 million tonnes of steel went into stock.

Any real improvement in the situation is in fact one which is a result of an increase in the real consumption of steel, and this, as has already been pointed out, is less than 3%.

Thus, following the fall in output of 30 million tonnes from 1974 to 1975, Community steel production is still well below the 155.5 million achieved in 1974.

Nonetheless, it has made good about half of the total loss since 1977.

As regards, in particular, products subject to the minimum price system, it can be stated that developments have been favourable on the whole.

Where concrete reinforcing bars are concerned, the unfavourable economic situation prevailing for a number of years in the building sector precluded a recovery in Community production, which in 1978 was still at the same level as in 1975, that is, about 2 000 000 tonnes below the record of almost 10 million tonnes achieved in 1974. Nonetheless, the situation in the concrete reinforcing bar sector can be considered quite satisfactory, even though production in 1978 was still at a lower level than in 1974.

An improvement has been recorded in exports to non-Community countries, and the share of the total production for which this accounts, after falling from 24% in 1974 to 16% in 1975, rose again to reach a level in 1978 which brought it back to the 1974 figure. The easing of pressure of supply on the internal Community market consequently brought about an improvement in the price situation.

Since the end of 1978, a revival of demand within the Community has resulted in a considerable growth of activity in the concrete reinforcing bar sector. In the first half of 1979, Community production of concrete reinforcing bars increased by some 15% as compared with the same period in 1978.

As regards merchant bars, the quantitative trend has been very similar to that for concrete reinforcing bars, since the demand for these two categories of product originates in quite closely related sectors of activity.

Community production of merchant bars in 1978 was still below the 1974 output, by almost 4 000 000 tonnes, keeping between 11 and 12 million tonnes a year, the level to which it had fallen since 1975.

As in the case of the concrete reinforcing bars, exports to non-Community countries played an important role in establishing a better equilibrium between the internal demand and the supply intended for the internal market. The proportion of the Community production of merchant bars accounted for by exports, which had fallen from 42% to 35% in 1975 and to 30% in 1976, revived to almost 40% in 1978.

Italy, where rather more than half the Community production of concrete reinforcing bars and somewhat more than a quarter of that of merchant bars are concentrated, is the only country which since 1974 has experienced a steady increase in the production of these products from one year to the next.

The internal recovery which since the end of 1978 has given fresh impetus to activity in the concrete reinforcing bar sector has also affected production of merchant bars. The increase in Community production of merchant bars amounted to about 5% for the first half of 1979 as compared with the same period in 1978.

The utilization of the production capacities for light-section trains intended for the manufacture of both concrete reinforcing bars and other hot rolled steels is still at a low level, the average in the Community since 1975 being about 60%. This is due to the considerable reduction since 1975 in the utilization factor for these facilities in three countries: the Federal Republic of Germany, Belgium and Luxembourg.

In the other Community countries, the utilization factor has been higher; in Italy, it has never been below 70%.

Community production in the hot rolled strip sector, after a reduction of 12 million tonnes between 1974 and 1975, has been gradually increasing to reach, and even slightly exceed, in 1978 the pre-crisis level (about 46 million tonnes).

In three countries, France, Belgium and Italy, the level of production in 1978 exceeded that in 1974; in the other countries, it is still below that level.

The utilization of capacity for hot rolled strip has improved since 1975, the year in which it dropped to 56% on average in the Community. In 1978 the rate was 69% (as compared with 82% in 1974). The country that diverges most from the Community average is Italy, with a very low rate of operation of hot strip mills (58% in 1978 as compared with 47% in 1975 and 81% in 1974).

From the point of view of steel prices, within the Community the trend remains generally quite good in the long product sector; it is still mediocre, in spite of signs of improvement, as regards flat products.

On the export market, with the exception of concrete reinforcing bars, which are quoted at the same prices as in the Community, products generally have to be offered for sale to non-member countries at prices which are below the guidance prices.

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In the United States, after three years of continuous recovery, there was a downturn in the business situation in the first quarter of 1979. The drop in demand was mainly concentrated in the consumer goods sector, business in the capital goods sectors remaining quite good.

During the first nine months of 1979 steel production was about 6% higher than in the same period of 1978; however, after the first quarter of 1979 the growth rate slackened progressively.

Steel imports were much lower than in 1978; it is estimated that they will not exceed 16 million tonnes for the whole of 1979 (-25% compared with 1978).

In Japan the fairly vigorous growth in 1979 has been sustained both by investments and by private consumption. However, the repercussions of higher oil prices have been considerable and this has given rise to the adoption of measures to control demand. This will in turn result in a slackening of economic activity in general and therefore in the iron and steel sector.

Steel production should reach 110 million tonnes in 1979 (i.e. almost 8% more than in 1978).

PROSPECTS FOR 1980

When the prospects for 1980 are drawn up several factors must be taken into account such as: the rise in the price of oil, the tendency of countries to pursue restrictive monetary policies and the instability of rates of exchange.

The price of oil for the user countries at present is on average 30-35% higher than in 1978. In order to obviate the inflationary effects of this price increase, the various countries concerned have implemented restrictive monetary policies, the effects of which lead to a slackening of economic activity in these countries.

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The uncertainty which reigns in the exchange-rate sector could have an adverse effect on the development of world trade.

In the United States, in spite of the uncertain development during the first part of 1980, a slight improvement is expected during the second half of the year; the increase in the gross national product will probably be low throughout the year.

The repercussions of such a development would make themselves felt in the activity of the American iron and steel industry, where the slowing-down observed in 1979 will continue in 1980.

This situation would also effect steel imports, which will probably show a further tendency to decline.

In Japan the growth of the GNP in 1980 will probably be lower than in 1979..

Steel output could reach the level achieved in 1979, with some growth in internal supplies and a certain reduction in exports.

Sumilarly, in the Community countries, a slackening of growth is expected in 1980.

The gross ~~internal~~ domestic product will probably increase only by 2% (3% in 1979). As in 1979, internal demand will remain the motive factor for growth in the Community. However, in 1980, the rate of development of all the components of internal demand, whether they be private consumption or investments, will be lower than in the preceding year.

The steel industry would probably be affected by the rate of growth, which is likely to be very slow in the Community in 1980. A number of buoyant factors which helped to sustain the iron and steel industry in 1979 will cease to operate:

- weakening of the activity of the large steel-consuming sectors within the Community countries and, in particular, of the motor vehicle sector;
- slowing down of the rate of world trade , particularly as a result of:

- the downturn in some third countries,
- the difficulties of the developing countries in financing their investments due inter alia to additional oil costs.

As far as the exports are concerned, a positive factor for 1980 resides in the probable increased flow of imports into the oil-producing countries.

Furthermore, from the internal point of view, the demand for iron and steel products may be sustained by investments which the recent oil crisis will promote in the energy field.

The forward estimate for the Community iron and steel industry for 1980, which must take the above considerations into account, is therefore not very favourable.

The reduced rate of activity in the consumer goods and in the capital goods sectors should have the effect of reducing Community consumption of steel. The reduction could be around 2% compared with 1979.

From the point of view of external trade, a reduction must be expected in exports to non-Community countries, which could amount to 28 million tonnes of crude steel equivalent (as against 32 million in 1979).

Imports from non-member countries should be maintained at about the same level as in 1979; in 1980 they could reach 11 million tonnes.

The figure for steel production derived from the forecasts is 134 million tonnes for the Community as a whole, i.e. a 4.3% drop from 1979 to 1980.

The slackening-off will be more pronounced in respect of flat rolled steel products because of the slowing down anticipated in the motor vehicle sector, which is the largest consumer of cold-rolled sheet steel.

All this means of course, with a return to capacity utilization rates of under 70%, that 1980 will be another difficult year, especially as all the moves to restructure the Community's iron and steel industry have not yet been satisfactorily completed.

Annexe 1 Tableau 1

BESOINS ET DISPONIBILITES DE PRODUITS SIDERURGIQUES DE LA COMMUNAUTE

Millions de tonnes d'acier brut

	1974	1975	1976	1977	1978	1979 (1)	1980 (2)
Consommation apparente	128,9	106,3	124,9	111,5	111,0	119,4	117,0
Importation	7,5	7,5	12,4	12,8	11,4	11,3	11,0
Exportations	34,1	26,5	21,5	27,4	33,0	31,9	28,0
Production	155,5	125,3	134,0	126,1	132,6	140,0	134,0

(1) - Partiellement estimé

(2) - Prévisions.

III/E/1 Annexe 1 TABLEAU - 2

New Orders for Ordinary Steel
Commandes Nouvelles pour Aciers Courants
Auftragseingänge für Massenstähle

(mt (monthly average - moyenne mensuelle - Monatsdurchschnitt)

	From ECSC Origine CECA Aus EGKS	From 3rd Countries Origine Pays Tiers Aus Drittländern	TOTAL
1976	6.38	1.25	7.62
1977	5.83	1.81	7.64
1978	6.10	2.02	8.12
1976 - I	7.64	1.13	8.59
II	6.65	1.27	7.92
III	5.63	1.33	6.96
IV	5.77	1.25	7.02
1977 - I	6.47	1.64	8.11
II	6.35	1.75	8.10
III	4.95	1.94	6.89
IV	5.55	1.92	7.47
1978 - I	6.53	1.86	8.39
II	6.24	2.31	8.55
III	5.30	2.16	7.46
IV	6.30	1.74	8.04
1979 - I	6.87	1.99	8.86
Oct. 1978	6.24	1.85	8.09
Nov. "	6.41	1.68	8.09
Déc. "	6.24	1.70	7.94
Jan. "	7.00	1.99	8.99
Feb. "	6.39	1.78	8.17
Mar. 1979	7.22	2.20	9.42
Apr. "	6.45	1.63	8.08
May "	6.71	1.72	8.43
Jun. "	6.32	2.12	8.44
Jul. "	6.55	1.75	8.30
Aug. "	5.35	1.53	6.88

Annexe 1 TABLEAU - 3

TAUX D'UTILISATION DANS LA SIDERURGIE DE LA COMMUNAUTE

(en pourcentage)

	Allemagne	France	Italie	Pays-Bas	Belgique	Luxemb.	Royaume Uni	Danemark	Irlande		Communauté
1er trim. 1978	59,7	69,4	69,1	56,2	63,1	56,9	60,4	63,7	76,0		63,0
2° " "	65,7	75,8	71,0	67,8	60,6	63,9	66,0	76,3	68,0		67,8
3° " "	63,4	59,4	61,5	70,8	56,1	55,8	55,9	67,0	56,0		60,5
4° " "	53,6	65,1	70,2	71,1	72,0	57,1	64,9	75,7	72,0		62,7
1er trim. 1979	62,7	75,2	69,1	61,1	67,2	67,6	69,7	72,4	72,7		67,4
2° " "	63,1	63,3	63,5	73,5	72,4	71,9	80,4	67,9	95,4		69,0
3° " "	70,9	69,1	60,6	73,2	62,5	64,5	73,0	60,0	93,4		63,0
4° " " (1)	64,0	75,0	69,6	69,0	70,3	71,3	74,9	89,6	90,9		67,8

(1) - prévisions

Annexe 1 TABLEAU ...

PRODUCTION DE RONDS A BETON DANS LA COMMUNAUTE

en 1000 Tonnes

ANNEE/PAYS	1974	1975	1976	1977	1978
ALLEMAGNE	2258	1714	1584	1204	1077
FRANCE	1191	1082	1005	865	837
ITALIE	3627	3314	3869	4001	4049
PAYS-BAS	320	280	239	291	281
BELGIQUE	1381	642	651	447	372
LUXEMBOURG	499	367	391	317	402
ROYAUME-UNI	545	482	775	551	602
DANEMARK	60	41	69	65	78
IRLANDE	---	---	---	---	---
COMMUNAUTE	9831	7922	8582	7741	7698

STRUCTURE DE LA PRODUCTION DE RONDS A BETON DANS LA COMMUNAUTE

(en pourcentage)

Pays \ Année	1974	1975	1976	1977	1978
ALLEMAGNE	22,9	21,7	18,4	15,5	14,0
FRANCE	12,1	13,7	11,7	11,2	10,9
ITALIE	36,7	41,8	45,1	51,7	52,6
PAYS-BAS	3,2	3,5	2,8	3,8	3,7
BELGIQUE	14,0	8,1	7,6	5,8	4,8
LUXEMBOURG	5,0	4,6	4,6	4,1	5,2
ROYAUME-UNI	5,5	6,1	9,0	7,1	7,3
DANEMARK	0,6	0,5	0,8	0,8	1,0
IRLANDE	-	-	-	-	-
COMMUNAUTE	100,0	100,0	100,0	100,0	100,0

Annexe 1 TABLEAU - 4 b

PRODUCTION DE RONDS A BETON DANS LA COMMUNAUTE

VARIATIONS PAR RAPPORT A 1974 (1974 = 100)

Pays \ Année	1974	1975	1976	1977	1978
ALLEMAGNE	100,0	75,9	70,2	53,3	47,7
FRANCE	100,0	90,8	84,4	72,6	70,3
ITALIE	100,0	91,4	106,7	110,3	111,6
PAYS-BAS	100,0	87,5	74,7	90,9	87,8
BELGIQUE	100,0	46,5	47,1	32,4	26,9
LUXEMBOURG	100,0	73,5	78,4	63,5	80,6
ROYAUME-UNI	100,0	88,4	142,2	101,1	110,5
DANEMARK	100,0	68,3	115,0	108,3	130,0
IRLANDE	--	--	--	--	--
COMMUNAUTE	100,0	80,2	86,9	78,3	77,9

Annexe 1 TABLEAU 5.-

PRODUCTION D'AUTRES ACIERS MARCHANDS DANS LA COMMUNAUTE

en 1000 Tonnes

ANNEE/PAYS	1974	1975	1976	1977	1978
ALLEMAGNE	4646	3397	3211	2953	3124
FRANCE	2736	2036	2106	1841	1876
ITALIE	2770	2386	2649	2858	3077
PAYS-BAS	7	10	10	10	---
BELGIQUE	1488	747	840	573	540
LUXEMBOURG	711	470	394	395	427
ROYAUME-UNI	3099	2690	2638	2437	2496
DANEMARK	127	118	145	135	132
IRLANDE	71	30	42	18	38
COMMUNAUTE	15655	11884	12035	11270	11710

STRUCTURE DE LA PRODUCTION D'AUTRES ACIERS MARCHANDS DANS LA COMMUNAUTE

(en pourcentage)

Pays \ Année	1974	1975	1976	1977	1978
ALLEMAGNE	29,7	28,6	26,7	26,2	26,7
FRANCE	17,5	17,1	17,5	16,3	16,0
ITALIE	17,7	20,1	22,0	25,3	26,3
PAYS-BAS	-	0,1	0,1	0,1	-
BELGIQUE	9,5	6,3	7,0	5,1	4,6
LUXEMBOURG	4,5	4,0	3,3	3,5	3,7
ROYAUME-UNI	19,8	22,6	21,9	22,1	21,3
DANEMARK	0,8	1,0	1,2	1,2	1,1
IRLANDE	0,5	0,2	0,3	0,2	0,3
COMMUNAUTE	100,0	100,0	100,0	100,0	100,0

Annexe 1 TABLEAU - 5b

PRODUCTION D'AUTRES ACIERS MARCHANDS DANS LA COMMUNAUTE

VARIATIONS PAR RAPPORT A 1974

(1974 = 100)

Pays \ Année	1974	1975	1976	1977	1978
ALLEMAGNE	100,0	73,1	69,1	63,6	67,2
FRANCE	100,0	74,4	77,0	67,3	68,6
ITALIE	100,0	86,1	95,6	103,2	111,1
PAYS-BAS	100,0	142,9	142,9	142,9	--
BELGIQUE	100,0	50,2	56,5	38,5	36,3
LUXEMBOURG	100,0	66,1	55,4	55,6	60,1
ROYAUME-UNI	100,0	86,8	85,1	80,3	80,5
DANEMARK	100,0	92,9	114,2	106,3	103,9
IRLANDE	100,0	42,3	59,2	25,4	53,5
COMMUNAUTE	100,0	75,9	76,9	72,0	74,8

Annexe 1 Tableau 6

PRODUCTION DE COILS A CHAUD DANS LA COMMUNAUTE (1)

en 1000 tonnes

ANNEE / PAYS	1974	1975	1976	1977	1978
ALLEMAGNE	15.332	10.821	13.507	13.787	14.307
FRANCE	8.541	6.497	8.787	9.563	10.293
ITALIE	6.262	5.288	6.276	6.193	6.349
PAYS-BAS	3.624	2.556	3.202	3.094	3.448
BELGIQUE	5.996	4.359	4.909	5.598	6.596
LUXEMBOURG	470	371	404	436	433
ROYAUME-UNI	6.016	4.322	5.679	5.374	5.286
DANEMARK	--	--	--	--	--
IRLANDE	--	--	--	--	--
COMMUNAUTE	46.241	34.214	42.764	44.045	46.712

(1) pour utilisation directe et pour relaminage.-

Annexe 1 TABLEAU - 6a

STRUCTURE DE LA PRODUCTION DE COILS A CHAUD DANS LA COMMUNAUTE (1)

(en pourcentage)

Pays \ Année	1974	1975	1976	1977	1978
ALLEMAGNE	33,2	31,6	31,6	31,3	30,6
FRANCE	18,5	19,0	20,5	21,7	22,1
ITALIE	13,5	15,5	14,7	14,1	13,6
PAYS-BAS	7,8	7,5	7,5	7,0	7,4
BELGIQUE	13,0	12,7	11,5	12,7	14,1
LUXEMBOURG	1,0	1,1	0,9	1,0	0,9
ROYAUME-UNI	13,0	12,6	13,3	12,2	11,3
DANEMARK	--	--	--	--	
IRLANDE	--	--	--	--	
COMMUNAUTE	100,0	100,0	100,0	100,0	100,0

(1) pour utilisation directe et pour relaminage.-

Annexe 1 TABLEAU - 6 b

PRODUCTION DE COILS A CHAUD DANS LA COMMUNAUTE
VARIATIONS PAR RAPPORT A 1974 (1974 = 100) (1)

Année / Pays	1974	1975	1976	1977	1978
ALLEMAGNE	100,0	70,6	88,1	89,9	93,3
FRANCE	100,0	76,1	102,9	112,0	120,5
ITALIE	100,0	84,4	100,2	98,9	101,4
PAYS-BAS	100,0	70,5	88,4	85,4	95,1
BELGIQUE	100,0	72,7	81,9	93,4	110,0
LUXEMBOURG	100,0	78,9	86,0	92,8	92,1
ROYAUME-UNI	100,0	71,8	94,4	89,3	87,9
DANEMARK	--	--	--	--	--
IRLANDE	--	--	--	--	--
COMMUNAUTE	100,0	74,0	92,5	95,3	101,0

(1) - pour utilisation directe et pour relaminage.-

Annexe 1 TABLEAU - 7.

TAUX D'UTILISATION DES TRAINS A PROFILES LEGERS
ET DES TRAINS A COILS DANS LES PAYS DE LA COMMUNAUTE

(en pourcentage)

PRODUITS & ANNEES / PAYS	PROFILES LEGERS					C O I L S				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
ALLEMAGNE	72,6	54,4	51,6	46,2	47,7	82,2	56,8	69,6	68,0	70,4
FRANCE	88,6	70,9	64,8	61,4	67,5	82,5	56,0	72,1	75,6	78,6
ITALIE	90,1	70,4	74,9	80,2	71,0	80,8	47,3	56,7	54,9	57,3
PAYS-BAS	75,0	72,5	62,3	60,0	60,0	83,7	59,1	64,0	59,6	65,4
BELGIQUE	68,3	34,7	40,3	35,7	42,8	89,6	59,4	65,3	62,9	71,0
LUXEMBOURG	100,0	55,8	49,1	43,7	47,0	83,3	66,7	66,7	66,7	65,7
ROYAUME-UNI	90,9	69,0	75,8	67,4	69,8	87,2	58,9	78,1	66,7	66,7
DANEMARK/IRLANDE	100,0	79,5	71,3	66,7	66,7	--	--	--	--	--
COMMUNAUTE	80,2	60,6	61,5	59,5	60,4	82,1	55,3	67,8	65,7	69,0

Annexe 1: Tableau 8

DESTINATION A L'EXPORTATION ET AU MARCHE INTERIEUR DE LA PRODUCTION COMMUNAUTAIRE DE RONDS A BETON, D'AUTRES LAMINES MARCHANDS ET DE COILS

en 1000 tonnes

Produits / Année	Ronds à béton			Autres aciers marchands			Coils (1)		
	Production	Exportation vers les Pays tiers	Disponibil. pour le marché intér.	Production	Exportation vers les Pays tiers	Disponibil. pour le marché intér.	Production	Exportation vers les Pays tiers	Disponibil. pour le marché intér.
1974	9.881	2.411	7.470	15.655	6.533	9.122	46.241	1.555	44.686
1975	7.922	1.307	6.615	11.884	4.192	7.692	34.214	1.826	32.388
1976	8.582	1.423	7.159	12.035	3.597	8.438	42.764	1.428	41.336
1977	7.741	1.197	6.544	11.270	3.495	7.775	44.045	3.183	40.862
1978	7.698	1.702	5.996	11.710	4.506	7.204	46.712	4.202	42.510

(1) Pour utilisation directe et pour relaminage.

DESTINATION A L'EXPORTATION ET AU MARCHE INTERIEUR DE LA PRODUCTION COMMUNAUTAIRE DE RONDS A BETON, D'AUTRES LAMINES MARCHAND ET DE COILS

(en pourcentage)

PRODUITS / ANNEE	RONDS A BETON			AUTRES ACIERS MARCHANDS			C O I L S (1)		
	production	Export.vers les pays tiers	disponib. pour le Marché Intérieur	production	Export.vers les pays tiers	disponib. pour le Marché Intérieur	production	Export.vers les pays tiers	disponib pour le Marché Intérieur
1974	100,0	24,4	75,6	100,0	41,7	58,3	100,0	3,4	96,6
1975	100,0	16,5	83,5	100,0	35,3	64,7	100,0	5,3	94,7
1976	100,0	16,6	83,4	100,0	29,9	70,1	100,0	3,3	96,7
1977	100,0	15,5	84,5	100,0	31,0	69,0	100,0	7,2	92,8
1978	100,0	22,1	77,9	100,0	38,5	61,5	100,0	9,0	91,0

(1) - POUR UTILISATION DIRECTE ET POUR RELAMINAGE.-

ANNEX 2

RETROSPECTIVE REVIEW OF PRICE POLICY FROM MAY 1977 TO END MAY 1979

For over two and a half years, the Commission has been applying a range of measures designed to raise the selling prices of steel products.

This action has included both internally and externally directed measures.

INTERNALLY DIRECTED MEASURES

The Commission has taken the following action.

In May 1977: it set minimum prices for concrete reinforcing bars and guidance prices for a first series of main products, i.e.: cold reduced sheet, hot rolled, hot rolled plates, wire rod, merchant bars, sections and beams;

In July 1977: it added hot rolled coils and narrow strip to the list of products carrying guidance prices;

In January 1978: it set minimum prices for hot rolled coils and merchant bars; at the same time the list of products carrying guidance prices was supplemented by concrete reinforcing bars;

it tightened up the Decision on minimum prices by:

- limiting the total amount of rebates still allowable in price lists (while acknowledging the validity of of rebates to users for indirect export, with an obligation to make monthly declarations thereof),
- imposing minimum prices on previous contracts (two-month period granted), with a provision for authorised exemption of independent producers using hot rolled wide strip for re-rolling or for the production of tubes or cold rolled sections;
- defining the products subject to the minimum price requirements in terms of shape, dimension and quality.

A number of arrangements were adopted to give practical effect to and strengthen these measures:

- certificates of conformity in primary form to take effect from 1 January 1978,

- the deposit system for five months, from July to November 1978,
- the new, more complete form of certificate of conformity after November 1978, to make possible better supervision of operations.

Measures were also taken in respect of the merchants and stockholders:

- obligation from 1 January 1978 to adhere to the prices applied by the producers for sales from merchants' stocks and to submit certificates of conformity for the three products subjected to minimum price restrictions,
- from June 1978, extension of these obligations to all merchants' sales, i.e. inclusion of direct sales,
- from 1 January 1979, obligation to adhere to the producers' prices for certain hot rolled sheet sizes and for narrow strip, i.e. for products obtained mainly from hot rolled wide strip.

These measures were supervised on a continuous basis by the Commission departments concerned, in cooperation with the Member States' administrations:

- examination of thousands of certificates of conformity and intervention in cases of blatant abuse,
- checks with producers and merchants,
- triggering of sanction procedures and the imposition of fines.

<u>EXTERNALLY DIRECTED MEASURES</u>

From 1 January 1978:

- reference prices at the borders of the Community published,
- anti-dumping procedures against offending third countries,
- bilateral arrangements with the main third countries exporting to the Community,
- supervision of imports (quantities and prices) by means of the system of automatic licences,
- rapid return of import statistics,
- many consultations with third countries to settle disagreements.

All these measures were pursued to increasingly better effect with the cooperation of the national administrations. The mechanisms involved were [illegible] improved.

CONCEPT OF MINIMUM AND GUIDANCE PRICES

First of all it is worth recalling the true meaning of the minimum and guidance price concepts, since several mistaken interpretations have arisen.

The minimum price concept is applicable to the basis price according to the price list and relates to the basic quality of the product: it involves an obligation to introduce the minimum basis price when the price list contains a basis price which is lower, although all undertakings remain free to publish or retain a basis price which is higher.

The guidance price concept is applicable in the same way except that there is no obligation: it is a "recommended" price which the producers are invited to introduce voluntarily in their price lists.

But as soon as a guidance price is introduced by a producer into his price list, it falls under Article 60.

In fact:

Article 60 rules:

- the producer's own price list constitutes the maximum which the producer may reauire the buyer to pay,
- the minimum price is the most favourable price resulting from alignment with the terms of a competing price list.

The provisions on minimum or guidance prices are thus based upon observance of Article 60 and the various Decisions taken for its implementation in respect of comparable transactions.

LEVELS OF MINIMUM AND GUIDANCE PRICES

Minimum prices and guidance prices were adopted:

- in order to alleviate the effects of the precarious financial situation of undertakings which were jeopardizing the attainment of the main objectives of the ECSC Treaty as set out in Article 3;
- in order to increase the revenue of these undertakings from their sales so that such revenue, together with the undertakings' own funds, could be used as it should for implementing the necessary

restructuring measures;

- with reference to the production costs of an average undertaking;
- in keeping with the market trends.

Nevertheless, it was necessary to prevent minimum prices and guidance prices bringing about a distortion of competition which would place the steel industry in a privileged position in comparison with the other economic sectors, or disturbing foreign trade in either exports or imports. Account had to be taken of the general economic policy objectives and both the legitimate interests of the steel consuming undertakings and their competitive position.

It was also necessary to take into account not only the market situation but also the extensive fluctuations which took place in monetary parities. From April 1977 to December 1978, i.e. between the first and the last price publication, currencies moved within a range of +6% for the German mark to -11% for the lira.

A document has been drawn up describing the various phases in the increases or adjustments of prices which the Commission has undertaken.

We can summarize it by saying that:

- the minimum prices for concrete reinforcing bars have always been maintained at their initial levels and their variations have been caused by currency fluctuations;
- the increases over the four phases from September 1977 to July 1978 mainly affected hot rolled flat products; on the other hand, they were very limited for wire rod;
- prices have remained practically unchanged from 1 July 1978 except for reasons of monetary adjustment; the present levels are therefore those set almost 18 months ago;
- the Commission's action has led to the list prices being raised to levels compatible with the objectives pursued.

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It goes without saying that the increases introduced in the producers' price lists are reflected variously according to the currency in which these prices were expressed, since the increases were steeper for currencies which devalued.

It is also clear that the rates of price increase which can be observed through the price lists are very often theoretical. They do not always correspond to effective rates of price increase, even if only for the simple reason that many sales are transacted on an alignment basis, which necessarily means a reduction in prices in relation to the undertaking's own price list.

Moreover, alongside current transactions, there is a volume of non-comparable transactions or transactions involving special features for which the prices are rather different.

It is difficult to gauge the impact of the price policy pursued by the Commissiion for approximately two and a half years. Nevertheless, certain facts may be observed.

Market prices have risen by:

8-12% for wire rod
12-17% for hot rolled wide strip and cold reduced sheet
20-25% for merchant bars and beams and sections
and more for concrete reinforcing bars.
25-30% for hot rolled sheet
and more for narrow strip.

The fairly low rate of increase in the prices for wire rod can be explained by the fact that prices were relatively high in April 1977.

The present market price for hot rolled wide strip does not yet cover the production costs for an average undertaking.

On the other hand, the increase in the prices for merchant bars, beams and sections and concrete reinforcing bars has enabled undertakings to improve their financial situation.

The increase in the prices for hot rolled sheet, although significant, is still not satisfactory in view of their extremely low level in April 1977.

The continuing rise in production costs will in the future require a further increase in the prices of steel products. By way of a comparison, the general index of consumer prices in the Community has increased by over 40% since 1975, the year in which the steel crisis began.

FOB EXPORT PRICES

Export prices have not by any means contributed to improving the revenue of undertakings - quite the contrary. Prices on the world market, with the exception of concrete reinforcing bars which sell at more or less equal prices, are still on average 3-10% lower than the prices on the Community market and even more for cold reduced sheet.

FOB prices which, with the exception of cold reduced sheet, were well above Community prices in 1974, fell back by over half during the second half of 1977. In relation to that period of depression, however, the improvement is significant - approximately 30-35% - but we are still at two-thirds the level of prices obtaining in 1974.

The decline in the value of the US dollar continues to weigh heavily on the producers' efforts.

COMPARISON BETWEEN USA AND JAPAN

In the United States, where the main undertakings have already been reporting successive quarterly gains for over a year, the last price rises this summer have boosted price lists to double their January 1974 levels.

It is only in concrete reinforcing bars that the American ex-works price is lower than our guidance price, but that is above our minimum prices. The American prices are more or less identical to our guidance prices for wide strip and cold reduced sheet. In all other cases, they are on average 8-10% higher.

The Japanese prices have also risen substantially in recent times. Since January 1978, for example, the dealers' domestic rates to consumers have increased by some:

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20-25% for both hot rolled plate and sheet and cold reduced sheet

25-30% for merchant bars (angles)

30-40% for solid cross section merchant bars, including concrete reinforcing bars.

Beams have only increased by approximately 10% but their prices are high.

Generally speaking, the Community prices striven for by the Commission compare favourably with the American and Japanese home prices.

Tables in annex

Trends in steel product prices

1. Minimum prices in EUA
2. Guidance prices in EUA
3. FOB export prices
4. Prices - USA, comparison with the Community

EVOLUTION DES PRIX DE BASE MINIMA EN U.C.E.

[illegible]		5.05.77	(22/7)1.9.77	1.1.78	1.4.78	1.7.78	1.1.79	
Tôles minces, laminées à froid, de moins de 3 mm								
Tôles moyennes et fortes de 3 mm et plus, découpées hors larges bandes à chaud								
Tôles moyennes et fortes, laminées à chaud, de 3 mm et plus (plaques)								
Feuillards								
Profilés, poutrelles et analogues: ≤ 220 mm > 220 mm et poutrelles à larges ailes								
Fil machine								
Fers à béton lisses		198	-	(187,2/205,6)	(193/207,5)	193	193	
Fers à béton à adhérence améliorée avec une limite d'élasticité de 40 kg/mm² et une résistance minimale de 50 kg/mm²		205	-	(193,5/212,5)	(194,4/215,3)	205	205	
Laminés marchands: — de moins de 80 mm — de 80 mm et plus		-	-	240	244,8	244,8	242,8 246,8	
Larges bandes à chaud		-	-	233,50	239	251	251	

Annexe 1

Annexe 2

EVOLUTION DES PRIX DE BASE D'ORIENTATION EN UCE

[illegible]	5 MAI 77	(22/7) 1.9.77	1.1.78	1.4.78	1.7.78	1.1.79
[illegible]	255	300	311	317,5	323,8	323,8
Tôles moyennes et fines [illegible] mm et plus, découpées hors larges bandes à chaud [illegible]	200	225	241	246,2	258,5	258,5
Tôles moyennes et fines, laminées à chaud de 3 mm et plus [illegible]	190	218	233,5	237,7	252	252
Feuillards	–	230	241	246,2	258,5	258,5
Profilés, poutrelles et analogues:						
≤ 200 mm	230	236	247		252,1	254,1
> 200 mm et poutrelles à larges ailes				252,1	264,7	264,7
Fil machine	245	245	255	260,6	260,6	260,6
Fers à béton lisses	–	–	195/213,9	197,8/215,3	206	209,9
Fers à béton à adhérence améliorée avec une limite d'élasticité de [illegible] kg/mm² et une résistance minimale de [illegible] kg/mm²	–	–	201/221,7	204,2/223,1	213	216,9
Laminés marchands:						
– de moins de 80 mm	225	236	247	252,1	252,1	252,1
– de 80 mm et plus					264,7	264,7
Larges bandes à chaud	–	230	241	246,2	258,5	258,5

P[illegible] F.O.B. EXPORTATION

Cotations f.o.b. Anvers
Fr. B. /1000 kg.

Produits	Juil. 73 (1)	Juil. 74 (2)	Juil. 75	Juil. [illegible]	Avril 77	Janv 78 (3)	Mai 79	Oct 79
Tôles minces laminées à froid, de moins de 3 mm	9700	12300	8000	12200	9300	10600	11200	[illegible]
Tôles moyennes et fortes de 3 mm et plus, découpées dans larges bandes à chaud	8750	15000	8000	9500	7500	6800	9500	9000
Tôles moyennes et fortes, laminées à chaud, de 3 mm et plus (quartos)	8600	17000	8250	8800	7400	6600	9300	8700
Feuillards	7750	12000	7700	9700	7600	7400	9600	9300
Profilés, poutrelles et analogues : < 220 mm > 220 mm et poutrelles à larges ailes	8100 8200	12200 12100	7800 7700	10200 10200	7700 7700	6400 6400	9600 9600	9100 9400
Fil machine	8400	17000	7800	10000	7600	7250	10600	[illegible]
Fers à béton lisses	7850	13000	7650	8100	6600	6000	9500	[illegible]
Fers à béton à adhérence améliorée avec une limite d'élasticité de 40 kg/mm², et une résistance minimale de 50 kg/mm²	8000	13250	7850	8300	6800	6200	9700	9500
Laminés marchands : — de moins de 80 mm — de 80 mm et plus	7700	13300	7800	9650	7500	6250	9600	[illegible]
Larges bandes à chaud	7800	12200	7600	9200	7500	6500	9100	[illegible]

(1) Juillet 1973 = cotations en unités européennes au lieu du dollar US, suite à la chute du $ à 34.54 F.B. en juin 1973.
(2) Juillet 1974 = niveau record, ces prix étant même parfois dépassés principalement pour les tôles quarto et le fil machine.
(3) Fin du 2e semestre 1977 = niveau le plus bas.

ANNEXE NO 4

PRIX U. S. A.

$ par 1000 K

PRODUITS	Janv. 74	Sept. 79		DM USA	DM P. O	FF USA	FF P. O	FB USA	FB P. O
[illegible] [illegible] [illegible] and Squared 3/4 & 1.1/2"	196	382,50		694	645/675	1621	1485/1525	11135	10050/10550
A[illegible] Equal [illegible] 2.1/2 x 2.1/2 . 7 3/16"	196	399,-		724	645/675	1692	1485/1525	11616	10050/10550
[illegible] Unequal Leg 3.1/2 x 3 x 7 3/16" ..(1).......	196	536,75		974	645/675	2276	1485/1525	15627	10050/10550
Plate 3 3/4 & 4" width [illegible] 3.1/2" thickn.	196	402,25		730	645/675	1705	1485/1525	11712	10050/10550
[illegible] [illegible]	144	286,50		520 *	505	1215 *	1240	8343 *	8650
[illegible] Standard [illegible] Shapes	200	381,50		692	650	1617	1495	11103	10150
Wide Flange [illegible]	2[illegible]	351,50		692	645	1617	1535	11103	10550
[illegible] (1) [illegible] Bill. [illegible] Card. PC ...	202	385,75		700	665	1635	1535	11231	10400
[illegible] (feuillards laminés à chaud) ...	187	385,75		700	660	1635	1490	11231	10300
[illegible] (Coils laminés à chaud)	180	357,25		648 *	660	1514	1490	10397	10300
[illegible] (Tôles fortes [illegible] bandes)	191	385,75		700	660	1635	1490	11231	10300
[illegible] [illegible]	212	407,75		740	675	1729	1455	11872	10090
[illegible] [illegible]	216	446,50		810 *	725	1892	1370	12996	12000
[illegible]	227	457,50		830	835	1939	1570	13316	12500
[illegible]	[illegible]	305,75							

[illegible] 1.1.79; [illegible] [illegible] [illegible]

ANNEX 3

IRON AND STEEL PRODUCTION COSTS

The information concerning the trend of costs between autumn 1978 and autumn 1979 is based on contributions by the iron and steel industry and available statistics. Considering the complexity of making returns and the professional secrecy aspect, this information can only provide general indications and show general tendencies in the movement of costs. The effects of structural reorganization, the savings achieved in the use of energy and labour and better utilisation of capacities are taken into consideration in the calculation of the data on the trend of costs.

1. Trend of iron and steel plants' costs in the Community between autumn 1978 and autumn 1979 (per tonne of finished product)

1.1. Labour

Labour costs in the Community increased between September 1978 and September 1979 by an average of 6%.

In this figure are included the effects of savings due to staff reductions and other measures concerning the improvement of productivity. In certain countries the efforts in question have to a certain extent been instrumental in absorbing the increase in wages.

1.2. Energy

The increase in energy costs based on coal, the most important form of energy for the iron and steel industry, averages 1% for the Community, this being attributable to long-term contracts concluded by the iron and steel industry in certain countries and to the savings achieved in the use of energy.

! Electricity costs, which are considerable in the case of the electric steel plants in particular, increased by 13% between September 1978 and September 1979. The price of heavy fuel oil plays a limited part. The increase amounts to 50%.

In integrated plants, over 50% of the total energy costs are due to coal. As far as mini-plates are concerned, the costs of electrical energy amount to almost 80% of the total energy consumption costs.

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1.3. Iron ores

The increase in iron ore consumption costs between September 1978 and September 1979 amounted to more than 9%.

1.4. Scrap

The increase in prices for scrap differs markedly from one country to another (27-50%). The average Community increase between September 1978 and September 1979 was 38% for the best qualities. The proportion of scrap per tonne of crude steel tends to diminish in favour of increasing consumption of pig iron if the price of scrap rises.

1.5. Alloys

The cost of alloying metals increased on the average of 32% between September 1978 and September 1979. As regards ordinary steel, only manganese (price increase of 10-15%) and silicon (increase by 40%) have any real significance. The proportion of alloy-metal costs is less than 2% of the total production costs.

1.6. Other costs

The other costs have increased by 9%. These are in particular maintenance and repair costs and certain overheads. They represent more than 20% of the total production costs per tonne of finished product.

1.7. Total cost

The increase in the Community iron and steel industry's total production between September 1978 and September 1979 amounts on the average to 8-9% per tonne of finished product, allowing for the effects of structural reorganization, savings and better use of capacities, which account for over 5%. This increase in costs primarily affects integrated plants. As far as mini-plants are concerned, production costs rose by 20% between September 1978 and September 1979 owing to an increase in prices of electricity and scrap.

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2. <u>Estimate of the trend of the Community iron and steel industry's production costs in 1980</u>

The following factors in particular will cause production costs to rise in 1980:

- A lower level of utilization of capacities, resulting from an estimated reduced production for 1980.
- The renegotiation of contracts for the supply of iron ores. A considerable increase in prices is foreseeable. A rise in the prices of alloy metals is also expected.
- The increase in prices of indigenous energy, especially coal, and a probable rise in prices of heavy fuel oil. This increase in costs will be partly offset by the efforts of the iron and steel industry to reduce energy consumption.
- The probable increase in wages.
- As opposed to the other cost factors, the price of scrap could decrease, probably as a result of the reduction in consumption due to the decline in steel production.

The iron and steel industry estimates the increase in production costs at an average of more than 10% for the Community. This increase could therefore be greater than in 1979.

ANNEX 4

SELF-DISCIPLINE AND QUANTITIES

Comparison between the programmes and the actual output of undertakings subject to the system of voluntary commitments on the limitation of deliveries

A balance sheet showing how well Community steel makers have abided by the quarterly supply programmes established by the Commission has been drawn up as from the fourth quarter of 1978, when a new method for laying down programmes was applied.

The tables in the Annex, for the nine months between October 1978 and June 1979, the programme figures and the deliveries actually made on the internal market of the various groups of products subject to the voluntary discipline of the programmes.

The differences between actual output and the programme figures are shown in tonnages and as percentages of the programmes.

It can be seen that in general, for the products as a whole and across the Community, undertakings have abided by the progrmmes laid doan by the Commission.

In the fourth quarter of 1978, the programme targets were not reached, the actual output of the undertakings having remained 4% below the tonnages recommended by the Commission; in the first quarter of 1979 the programme was abided by, whereas in the second quarter it was exceeded by 2.6%.

The situation takes on a different aspect if instead of considering the overall figures the results are broken down by country and the groups of products are analysed individually.

Looking at the countries, the figures show that Italy has consistently exceeded the programme figures by a considerable amount.

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The only country where deliveries have always remained below the programme figures is Germany. All the other countries have delivered more (sometimes to a considerable extent) than the programme figures recommended by the Commission in one quarter or another.

With regard to the various groups of products it will be noted that deliveries of concrete reinforcing bars which were still well above the recommended figures in the fourth quarter subsequently fell to a substantial degree.

Excess deliveries of wire rods were also noted as from the first and second quarters of 1979, while deliveries of hot rolled flat products were higher still in the second quarter of 1979.

With regard to the other products, the programmes were generally kept to by the undertakings, deliveries fairly often remained below the programme tonnage.

The continued upsurge in excess deliveries noted in respect of hot rolled flat products concern all the Community countries except Germany and Italy; on the other hand, excess deliveries of long products were quite considerable in Italy and the United Kingdom, which are the two countries where there are many small independent producers.

Analysis by country and product also shows excess deliveries of cold reduced sheet by several countries.

As a general conclusion it can be said that the programmes for long products are being better respected. On the other hand, the amount of discipline exhibited by Community producers as regards quantity in the thin sheet sector and above all in that of hot rolled flats is rather low.

In analysing the figures in the annexed tables account must be taken of the that, in certain countries, production activity was disrupted by strikes, which could have caused delivery deficits, compensated by additional deliveries in later quarters.

Annexes: 6

Annexe 4

Annexe 1a

LIVRAISONS DU IVe TRIMESTRE 1978 (MARCHE INTERIEUR DE LA COMMUNAUTE)

Comparaison entre prévisions (P) et réalisations (R)

en 1000 T.

		Poutrel.	Ronds à béton	Autres Aciers March.	Fil Machine	Produits Plats à chaud	Tôles Quarto	Tôles Minces	Total	Ecarts * Quantités	Ecarts * %
ALLEMAGNE	P	147,4	145,0	216,4	364,6	738,7	324,1	435,7	2371,9	- 370,1	- 15,6
	R	126,0	147,3	155,4	383,6	605,1	180,6	403,8	2001,8		
FRANCE	P	155,8	158,4	196,7	422,6	476,2	84,7	567,4	2061,8	+ 321,2	+ 15,6
	R	160,0	166,1	164,0	360,0	596,0	140,0	797,0	2383,0		
ITALIE	P	142,4	621,9	390,0	183,9	867,7	222,6	593,1	3021,6	+ 242,6	+ 8,0
	R	194,3	895,2	506,8	283,6	557,4	193,5	633,4	3264,2		
BELGIQUE	P	169,4	87,0	123,0	174,7	464,9	108,5	472,6	1605,1	- 313,2	- 19,5
	R	67,4	70,2	39,3	146,2	464,1	121,8	382,9	1291,9		
PAYS-BAS/LUXEMBOURG/ DANEMARK	P	216,5	204,9	272,8	259,9	443,4	143,2	452,8	1993,5	- 203,3	- 10,2
	R	184,8	135,2	237,6	223,2	443,1	163,4	402,9	1790,2		
ROYAUME-UNI	P	325,4	89,0	282,0	381,6	532,0	294,7	362,7	2267,4	- 261,9	- 11,5
	R	259,8	93,2	198,9	370,7	564,8	225,9	292,2	2005,5		
COMMUNAUTE	P	1156,9	1306,2	1485,9	1787,3	3522,9	1177,8	2884,3	13 321,3	- 584,7	- 4,4
	R	992,3	1507,1	1302,0	1767,3	3230,5	1025,2	2912,2	12736,6		
Ecarts * Quantités		-164,6	+ 200,9	-183,9	- 20,0	- 292,4	-152,6	+ 27,9	- 584,7		
%		- 14,2	+ 15,4	- 12,4	- 1,1	- 8,3	- 13,0	+ 1,0	- 4,4		

ANNEXE 1 B

LIVRAISONS DU IVe TRIMESTRE 1978 (MARCHE INTERIEUR DE LA COMMUNAUTE)

Ecarts réalisations/ prévisions

		Poutrelles	Ronds à béton	Autres aciers march.	Fil machine	Produits plats à chaud	Tôles quarto	Tôles minces	TOTAL
Allemagne	1000 t	- 21,4	+ 2,3	- 61,0	+ 19,0	- 133,6	- 143,5	- 31,9	- 370,1
	%	- 15,5	+ 1,6	- 28,2	+ 5,2	- 12,1	- 44,3	- 7,3	- 15,6
France	1000 t	+ 4,2	+ 7,7	- 32,7	- 62,6	+ 119,3	+ 55,3	+229,6	+ 321,2
	%	+ 2,7	+ 4,9	- 16,6	- 14,8	+ 25,2	+ 65,3	+ 40,5	+ 15,6
Italie	1000 t	+ 51,9	+ 273,3	+116,8	+ 99,7	- 310,3	- 29,1	+ 40,3	+ 242,6
	%	+ 36,4	+ 43,9	+ 29,9	+ 54,2	- 35,8	- 13,1	+ 6,8	+ 8,0
Belgique	1000 t	-102,0	- 16,8	- 88,7	- 28,5	- 0,8	+ 13,3	- 89,7	- 313,2
	%	- 60,2	- 19,3	- 69,3	- 16,3	- 0,2	+ 12,3	- 19,0	- 19,5
Pays-Bas/ Luxembourg/ Danemark /	1000 t	- 31,7	- 69,7	- 35,2	- 36,7	- 0,3	+ 20,2	- 49,9	- 203,3
	%	- 14,6	- 34,0	- 12,9	- 14,1	- 0,1	+ 14,1	- 11,0	- 10,2
Royaume-Uni	1000 t	- 65,6	+ 4,2	- 83,1	- 10,9	+ 32,3	- 63,8	- 70,5	- 261,9
	%	- 20,2	+ 4,7	- 29,5	- 2,9	+ 6,2	- 23,3	- 19,4	- 11,6
Communauté	1000 t	-164,6	+ 200,9	-183,9	- 20,0	- 292,4	- 152,6	+ 27,9	- 584,7
	%	- 14,2	+ 15,4	- 12,4	- 1,1	- 8,3	- 13,0	+ 1,0	- 4,4

Annexe 2a

LIVRAISONS DU 1er TRIMESTRE 1979 (MARCHE INTERIEUR DE LA COMMUNAUTE)

Comparaison entre prévisions (P) et réalisations (R)

en 1000 T.

		Poutrel.	Ronds à béton	Autres Aciers March.	Fil Machine	Produits Plats à chaud	Tôles Quarto	Tôles Minces	Total	Ecarts * Quantités	Ecarts * %
ALLEMAGNE	P R	153,9 139,2	167,1 170,4	179,8 163,2	411,0 432,3	853,6 696,9	280,8 239,4	570,7 440,4	2616,9 2281,8	- 335,1	-12,8
FRANCE	P R	133,6 139,5	158,4 164,4	181,6 150,9	381,3 333,0	593,0 648,3	146,5 105,0	665,6 726,0	2250,0 2257,1	+ 7,1	+ 0,3
ITALIE	P R	207,4 209,7	774,5 881,7	485,0 596,0	237,6 312,0	696,9 662,1	182,7 177,3	530,5 572,0	3114,6 3416,3	+ 302,2	+ 9,7
BELGIQUE	P R	135,3 140,7	100,0 56,7	73,5 35,7	166,5 149,6	393,6 441,9	112,5 93,3	252,3 248,4	1230,7 1166,3	- 64,4	- 5,2
PAYS-BAS/LUXEMBOURG/ DANEMARK	P R	185,2 189,6	238,2 225,7	262,9 261,8	241,2 249,0	436,5 561,0	154,8 176,4	440,1 502,2	1958,9 2165,7	+ 206,8	+10,6
ROYAUME-UNI	P R	182,1 189,9	100,0 102,9	269,0 230,2	385,0 411,7	530,3 565,6	266,7 227,2	336,1 320,6	2139,2 1988,1	- 151,1	- 7,1
COMMUNAUTE	P R	997,5 1008,6	1533,2 1601,8	1451,8 1437,8	1822,6 1887,6	3550,9 3521,8	1144,0 1018,6	2815,3 2809,6	13320,3 13285,8	- 34,5	- 0,3
Ecarts * Quantités		+ 11,1	+ 63,6	- 14,0	+ 65,0	- 29,1	- 125,4	- 5,7	- 34,5		
%		+ 1,1	+ 4,1	- 1,0	+ 3,6	- 0,3	- 11,0	- 0,2	- 0,3		

* Réalisations/prévisions.

LIVRAISONS DU 1er TRIMESTRE 1979 (MARCHE INTERIEUR DE LA COMMUNAUTE)

Ecarts réalisations/ prévisions

		Poutrelles	Ronds à béton	Autres aciers march.	Fil machine	Produits plats à chaud	Tôles quarto	Tôles minces	TOTAL
Allemagne	1000 t	- 14,7	+ 3,3	- 16,6	+ 21,3	- 156,7	- 41,4	- 103,3	- 335,1
	%	- 9,6	+ 2,0	- 9,2	+ 5,2	- 12,4	- 14,7	- 22,2	- 12,8
France	1000 t	+ 5,9	+ 6,0	- 30,7	- 48,3	+ 55,3	- 41,5	+ 60,4	+ 7,1
	%	+ 4,4	+ 3,8	- 16,9	- 12,7	+ 9,3	- 28,3	+ 9,1	+ 0,3
Italie	1000 t	+ 2,3	+107,2	+111,0	+ 74,4	- 26,8	- 5,4	- 41,5	+ 302,2
	%	+ 1,1	+ 13,8	+ 22,9	+ 31,3	- 4,1	- 3,0	+ 7,8	+ 9,7
Belgique	1000 t	+ 5,4	- 43,3	- 37,8	- 16,9	+ 51,3	- 19,2	- 3,9	- 64,4
	%	+ 4,0	- 43,3	- 51,4	- 10,2	+ 13,1	- 17,1	- 1,5	- 5,2
Pays-Bas/ Luxembourg/ Danemark /	1000 t	+ 4,4	- 12,5	- 1,1	+ 7,8	+ 124,5	+ 21,6	+ 62,1	+ 206,8
	%	+ 2,4	- 5,2	- 0,4	+ 3,2	+ 22,5	+ 14,0	+ 14,1	+ 10,6
Royaume-Uni	1000 t	+ 7,8	+ 2,9	- 33,8	+ 26,7	- 74,7	- 39,5	- 35,5	- 151,1
	%	+ 4,3	+ 2,9	- 14,4	+ 6,9	- 12,9	- 14,3	- 10,0	- 7,1
Communauté	1000 t	+ 11,1	+ 63,6	- 14,0	[illegible]	- 29,1	-125,4	- 5,7	- 34,5
	%	+ 1,1	+ 4,1	- 1,0	+ 3,6	- 0,8	- 11,0	- 0,2	- 0,3

Annexe 3a

LIVRAISONS DU II° TRIMESTRE 1979 (MARCHE INTERIEUR DE LA COMMUNAUTE)

Comparaison entre prévisions (P) et réalisations (R)

en 1000 T.

		Poutrel.	Ronds à béton	Autres Aciers March.	Fil Machine	Produits Plats à chaud	Tôles Quarto	Tôles Minces	Total	Ecarts * Quantités	Ecarts * %
ALLEMAGNE	P R	146,7 141,0	175,3 177,8	174,4 198,2	448,2 422,4	772,5 735,0	275,1 229,2	484,5 446,4	2476,7 2350,0	- 126,7	- 5,1
FRANCE	P R	160,8 162,6	200,1 191,7	190,5 183,4	432,0 409,2	486,9 550,8	143,4 96,3	790,2 724,8	2403,9 2323,8	- 80,1	- 3,3
ITALIE	P R	196,0 211,1	800,5 955,3	448,1 534,6	232,3 329,7	636,9 619,5	208,8 200,4	559,6 516,6	3032,2 3317,2	+ 285,0	+ 9,2
BELGIQUE	P R	144,9 128,0	96,0 80,4	90,6 39,1	187,2 156,3	317,4 468,9	114,0 114,5	253,2 240,8	1203,3 1228,0	+ 24,7	+ 2,1
PAYS-BAS/LUXEMBOURG/ DANEMARK	P R	178,5 158,1	265,0 193,4	320,9 291,2	308,5 301,5	356,4 486,3	145,5 165,7	510,9 505,8	2094,7 2120,0	+ 25,3	+ 1,2
ROYAUME-UNI	P R	225,0 216,2	107,1 120,5	258,9 237,7	400,9 453,5	591,3 692,2	280,9 273,9	336,9 424,1	2201,0 2418,1	+ 217,1	+ 9,9
COMMUNAUTE	P R	1051,9 1017,0	1644,0 1719,1	1483,4 1489,2	2009,1 2072,6	3161,4 [illegible]	1167,7 [illegible]	2944,3 [illegible]	13481,8 13827,1	+ 345,3	+ 2,6
Ecarts * Quantités %		- 34,9 - 3,3	+ 75,1 + 4,6	+ 5,8 + 0,4	+ 63,5 + 3,2	+ 391,3 + 12,4	- 69,7 - 6,0	- 85,8 - 2,9	+ 345,3 + 2,6		

* Réalisations/prévisions.

LIVRAISONS DU IIe TRIMESTRE 1979 (MARCHE INTERIEUR DE LA COMMUNAUTE)

Ecarts réalisations/ prévisions

		Poutrelles	Ronds à béton	Autres aciers march.	Fil machine	Produits plats à chaud	Tôles quarto	Tôles minces	TOTAL
Allemagne	1000 t	- 5,7	+ 2,5	+ 23,8	- 25,8	- 37,5	- 45,9	- 38,1	- 126,7
	%	- 3,9	+ 1,4	+ 13,6	- 5,8	- 4,9	- 16,7	- 7,9	- 5,1
France	1000 t	+ 1,8	- 8,4	- 2,1	- 22,8	+ 63,9	- 47,1	- 65,4	- 80,1
	%	+ 1,1	- 4,2	- 1,1	- 5,3	+ 13,1	- 32,8	- 8,3	- 3,3
Italie	1000 t	+ 15,1	+154,3	+ 86,5	+ 97,4	- 17,4	- 8,4	- 43,0	+ 285,0
	%	+ 7,7	+ 19,3	+ 19,3	+ 41,9	- 2,7	- 4,0	- 7,7	+ 9,2
Belgique	1000 t	- 16,9	- 15,6	- 51,5	- 30,9	+151,5	+ 0,5	- 12,4	+ 24,7
	%	- 11,7	- 16,3	- 56,8	- 16,5	+ 47,7	+ 0,4	- 4,9	+ 2,1
Pays-Bas/ Luxembourg/ Danemark	1000 t	- 20,4	- 71,6	- 29,7	- 7,0	+129,9	+ 38,2	- 14,1	+ 25,3
	%	- 11,4	- 27,0	- 9,3	- 2,3	+ 36,4	+ 26,3	- 2,7	+ 1,2
Royaume-Uni	1000 t	- 8,8	+ 13,4	- 21,2	+ 52,6	+100,9	- 7,0	+ 87,2	+ 217,1
	%	- 3,9	+ 12,5	- 8,1	+ 13,1	+ 17,1	- 2,5	+ 25,9	+ 9,9
Communauté	1000 t	- 34,9	+ 75,1	+ 5,8	+ 63,5	+391,3	- 69,7	- 85,8	+ 345,3
	%	- 3,3	+ 4,6	+ 0,4	+ 3,2	+ 12,4	- 6,0	- 2,9	+ 2,6

ANNEX 5

STATEMENT ON MINIMUM PRICE CONTROLS AND PENALTIES IMPOSED

1. Controls involving producers and dealers carried out since May 1977

   Number : 181

   (of which 127 involved the producers and 54 involved the dealers).

2. Number of certificates of conformity submitted to the Commission by the customs authorities from September 1978 to the end of October 1979 : 136.909

   These certificates have been sorted and classified on the basis of firms. Certificates from more than 55 firms have been the subject of monthly controls.

3. Penalties imposed for non-compliance with the pricing rules since 31 May 1978

   34 fines involving : 2 in the Federal Republic of Germany
   3 in Belgium
   3 in France
   25 in Italy
   1 in the Netherlands

   Aggregate amount : 920 520 EUA (approximately Bfrs 37 000 000)

   Comments

   Appeals were lodged with the Court of Justice by 14 firms. On 12 July 1979 the Court delivered its judgment in respect of one of these appeals (reduction of the fine but firm ordered to pay costs).

   As regards the other 13 appeals, the Advocate-General is expected to deliver his opinion on 5 December 1979 and the judgments are expected early in 1980.

   Four draft decisions on penalties are currently being scrutinized under the enabling procedure.

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Apart from the 34 fines mentioned above, 64 warning letters have been sent to firms or dealers (slight under-quotations; erroneous application of alignment rules or Commission decisions).

A number of explanatory letters have also been forwarded in order to correct certain findings.

4. A total of 111 proceedings have been instituted against firms or dealers who would appear to have failed to observe the rules.

N.B.

(a) Since 1 January 1979, hearings have been held for 39 firms in order to enable oral observations to be submitted on the infringments in issue. These hearings have all been incorporated in minutes, which have been forwarded to the firms concerned for approval.

(b) 29 penalty proceedings are in progress at the present time, some of them being at a very advanced stage.

5. Absence of certificates of conformity

Since 1 December 1978, we have been notified of 1 807 cases of absence of certificates of conformity by the Customs authorities. In every case explanations and trade documents have been called for from the firms or dealers concerned.

Acceptable justifications have usually been given by the firms in question.

STRUCTURAL REORGANIZATION OF THE COMMUNITY IRON AND STEEL INDUSTRY

1. 1974-1979 period

During the 1974-1979 period the investment policy aims and the structures of production and plants were radically changed in almost the whole of the Community iron and steel industry.

It was mainly as from 1977 that the changes were seen to be highly significant, which is explained in particular by:

- the persistence of a low level of production in contrast to the previous tendencies, which confirms the structural character of the crisis, characterised by very low production capacity utilization factors;
- a general awareness of the necessity to revise downwards the medium-term development of needs;
- a more and more critical financial situation for the undertakings, which involved them in investment efforts with priority given to an improvement of competitiveness and a reduction of costs rather than to an enlargement of production potential.

After a constant and rapid rise of production capacities it was only as from 1977 that the Community iron and steel industry's development projects showed a downward trend compared with previous plans.

For various reasons, however, this drop remained limited in comparison with the expected development of needs:

- several investment projects adopted during the years prior to 1974 reached maturity in the very heart of the crisis. Between 1974 and 1979 the increase in crude steel production was 12%; in the Community potential over the same period production had fallen by 19%;
- decisions to reduce excess capacities are often officially announced a long time after the actual closure of the plants concerned. In other words, nominal capacities are often maintained which are geared to an obsolete technology the use of which is nil or very low.

Certain undertakings fear that an over-hasty announcement of the closure of some of their plants may have an adverse effect on the rationalization efforts of competing undertakings.

This shows the extent to which Commission-governed industry concertation is a major factor in a more accurate appreciation of the balance between supply and demand;

- the effect of technical progress, even without noteworthy investments, finds expression in far from negligible increases in the productivity of plants;
- considerable recourse to the compensation principle. The acceptance of recessions in certain sectors or products is compensated for, sometimes to a very large extent, by increases in capacities in other sectors considered to be less vulnerable. This was particularly the case during the 1974-1979 period and would appear very likely to be the case again, to judge by the results of the 1979 survey, between now and 1982, and especially 1983.

The table below shows the changes which occurred between 1974 and 1979 in production capacities for crude steel, long products, flat products (excluding coils⸸) and coils*.

COMMUNITY - DEVELOPMENT OF PRODUCTION CAPACITIES - 1974-1979

in million of tonnes and in % increase

	1974		1977		1979
Crude steel	178.9	+12.2%	200.7	+ 1.4%	203.5
Long products	64.7	+ 4.8%	67.8	0 %	67.8
Flat products	63.0	+11.7%	70.4	+ 2.3 %	72.0
Coils*	56.3	+22.0%	67.1	+ 2.4%	68.7

*Also known as "hot rolled strip".

⸸The figures relating to 1979 reflect the intentions of undertakings at the beginning of this year and are therefore to be considered as provisional.

- After the marked rise in crude steel production potential extending into 1977, the rate of growth was subsequently very considerably slowed down and the production potential installed during the following years proved to be much lower than the intentions stated in the preceding years. Thus production potential planned for 1979 is 12.3 million tonnes beyond what the undertakings intended at the beginning of 1976 and 4.6 million tonnes below what they envisaged even one year previously. Such a development has certainly made it possible to obviate a collapse in utilization factors but it remains insufficient to ensure a long-term recovery of the sector.

The relatively weak growth in plant capacity has not prevented a very considerable rationalization at the level of steel-making processes. (The proportion of electric and oxygen steel plants rose from 78% in 1974 to 94% in 1979.)

Furthermore, in spite of the Community iron and steel industry's precarious financial situation, not inconsiderable efforts to reduce production costs have been made, notably by a massive introduction of continuous-casting plants. The production potential for continuous casting increased by over 150% during the 1974-1979 period, the proportion of continuously cast steel rising during this period from about 12% to some 30%.

- Long products were the first to be affected by the crisis, partly owing to an adverse trend on the market but also because of a relative worsening of competitiveness compared with flat products (higher degree of plant obsolescence, decreased productivity and profitability.) The improvement of competitiveness in this sector has in general been obtained by the closure of the most obsolete plants and by modernization investments in existing plants.

The overall growth in the production potential is relatively weak compared with flat products or coils*; furthermore, in the case of light sections, there was a reduction in absolute terms of 1.7 million tonnes between 1974 and 1979, this reduction being achieved in its entirety in 1979.

*See footnote on p. 2.

- With regard to flat products and coils*, the bulk of the growth took place between 1974 and 1977 through the starting-up of projects, mainly in the fields of coils* and cold rolled plate, adopted during the period preceding this crisis. It is also towards these products that undertakings turn when they are endeavouring to change their production structures to more remunerative sectors.

- The danger imbalances between supply and demand shifting from long products to flat products seems to be increasing, even if on the whole, the plants' technical competitiveness has greatly improved during the period under review.

2. 1979-1982/198 period

Obviously the figures for excess production capacities contained in the general objectives for steel represent only orders of magnitude and an indication of the general tendency which supply should follow in order to adapt better to the conditions of the market trend. Some excesses would be considerably decreased if undertakings avoided declaring nominal capacities for certain plants instead of the real production potential, having regard to their manufacturing programmes or if they avoided maintaining in their capacity balances plants actually closed down.

It is therefore probable that the production potential is over-estimated (which the general objectives allow for in the determination of the maximum utilization factors; this does not, however, modify in any way the interpretation of the general tendency.

Important rationalization movements have taken place or are taking place in all the Community countries; they have, moreover, led to a radical change in the production structure of certain undertakings and to many alignments making for better concentration of production on the most effective tools.

However, in spite of this progress problems persist for which solutions will have to be found in order to ensure satisfactory equilibria:

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*See footnote on p.2

- supply and demand
- of the various finished products
- between finished products and crude steel.

These solutions involve in particular concertation between all the undertakings concerned, the governments and the Commission, so that certain investments can be slowed down or certain disinvestments speeded up.

From the table below it is seen that by 1982 the rate of growth of the production potential will remain limited, as has been the case since 1977. However, the undertakings still envisage, in contrast to the expected needs of the market, a certain rise in the flat products and coils category*.

If, on the other hand, one considers the projects envisaged but still not adopted for 1983, much more serious imbalances are to be feared.

COMMUNITY - DEVELOPMENT OF PRODUCTION POTENTIAL FROM 1979 TO 1982 AND 1983#

in millions of tonnes and in % variations compared with 1979

	1979	1982	1983
Crude steel	203.5	201.7	205.9
		- 0.9%	+ 1.2%
Long products	67.8	68.1	69.1
		+ 0.4%	+ 1.5%
Flat products* (except coils)	72.0	72.5	75.4
		+ 0.7%	+ 4.0%
Coils*	68.7	72.2	78.9
		+ 5.1%	+ 9.3%

The table in Annex I provides for the year 1983 a comparison of the trend of excess capacities as derived from the general objectives for steel on the basis of the existing capacities in April 1978 and new data - 1982 and 1983 - resulting from the survey on investments in January 1979.

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*See footnote on p.2.

#For 1983 the figures represent the projects envisaged but not yet adopted.

While it is certain that the figures thus provided do not make it possible to arrive at an appraisal of the technical adaptations in progress, which will bring about a marked improvement in the competitiveness of the Community iron and steel industry, the fact remains that the trend which is emerging will not contribute, especially in the case of flat products, to the revival of plant utilization factors, an essential element in the recovery and long-term maintenance of sufficiently remunerative prices. A special effort in this field is still indispensable.

A cutback is therefore imminent, but it is far from attaining the level desired by the latest general objectives for steel. Noteworthy differences exist from one region to another. Thus, in the crude steel sector, appreciable cutbacks are planned in certain regions, whereas others continue to foreshadow a steady expansion compared with their historical positions (see Annex 2).

Finally, the Basic Bassemar and open-hearth processes, while not being completely phased out by 1982/1983, will account for no more than approximately 40% of the total, compared with 22% in 1974. Conversely, the very rapid expansion of the continuous-casting process will persist. In 1983 capacities may well be almost double their 1977 level and the proportion of continuously cast steel may well exceed 47% (compared with 29% in 1979

COMMUNAUTE - EQUILIBRE DE L'OFFRE ET DE LA DEMANDE - ANNEE 1983

PRODUITS	Besoins estimés Hypothèse favorable	Capacités nécessaires (1)	Excédents par rapport aux capacités d'avril 1978		Excédents par rapport aux capacités annoncées pour 1982 (A + B)		Excédents par rapport aux capacités annoncées pour 1983 (A + B + C)	
	mio t	mio t	mio t	%	mio t	%	mio t	%
I. ACIER BRUT	148,3	174	27,5	13,6	27,7	13,7	31,9	15,5
II. PRODUITS FINIS								
Profilés lourds	12,7	15,9	4,5	22,0	3,9	19,7	5,0	23,9
Profilés légers	21,2	26,5	5,3	16,7	3,8	12,5	3,6	12,0
Fil machine	11,3	14,1	4,2	23,0	3,9	21,7	4,6	24,6
Feuillards (2)	8,6	10,7	1,4	9,1	1,0	8,5	0,9	7,8
Tôles fortes et moyennes (2)	16,8	21,0	5,1	19,5	4,9	18,9	5,7	21,3
Tôles minces à froid	31,4	39,4	4,0	9,0	5,1	11,5	7,3	15,6
TOTAL (3)	102,0	127,6	24,5	16,0	22,6	15,0	27,1	17,5
III. LARGES BANDES À CHAUD	55,2	69,0	--	--	3,2	4,4	9,9	12,5

(1) en supposant un taux d'utilisation de 85 % pour l'acier brut et de 80 % pour les produits finis laminés

(2) y compris feuillards et tôles fortes et moyennes ex coils

(3) sans larges bandes à chaud (coils)

ANNEXE 2

ACIER BRUT

Evolution des possibilités de production par régions - en indices (1974 = 100)

REGIONS	1974	1977	1978	1979	[illegible]
Allemagne du Nord	100	114,5	122,7	123,6	[illegible]
Rhénanie du N/Westphalie	100	112,2	110,7	110,7	[illegible]
Allemagne du Sud	100	110,7	135,7	153,2	[illegible]
Sarre	100	108,5	111,0	111,0	[illegible]
R.F. d'Allemagne	100	112,1	114,0	[illegible]	[illegible]
Belgique	100	107,9	[illegible]	[illegible]	[illegible]
France - Est	100	93,6	79,5	[illegible]	[illegible]
France - Nord	100	114,4	124,6	[illegible]	[illegible]
France - autres régions	100	167,7	167,7	167,7	[illegible]
France	100	[illegible]	[illegible]	[illegible]	[illegible]
Italie - régions côtières	100	129,5	123,5	[illegible]	[illegible]
Italie - autres régions	100	103,3	123,5	125,0	[illegible]
Italie	100	117,6	123,5	129,3	[illegible]
Luxembourg	100	122,[illegible]	113,4	107,[illegible]	
Pays-Bas	100	134,[illegible]	136,1	[illegible]	[illegible]
Ecosse	100	[illegible]	[illegible]	[illegible]	[illegible]
Pays de Galles	100	96,7	95,6	[illegible]	[illegible]
Angleterre - Nord	100	100,8	107,8	115,8	123,[illegible]
Angleterre - autres régions	100	113,9	94,4	83,3	77,[illegible]
Royaume-Uni	100	100,0	96,5	[illegible]	[illegible]
Danemark	100	200,0	200,0	200,0	[illegible]
Irlande	100	100,0	100,0	100,0	[illegible]
Total EUR 9	100	112,2	113,0	113,7	[illegible]

ANNEX 7

INTEREST REBATES ON RESTRUCTURING AND RECONVERSION LOANS

Restructuring

Despite the necessity of reducing overall production capacity, there is still an absolute need for investment to restore the competitiveness of the Community steel industry. Among other things, the Community's continuous-casting capacity is inadequate compared with Japan and a large number of blast furnaces need to be improved if they are to be compatible with current technology (specific consumption of coke : 500 in Europe, when 400 could suffice). Furthermore, many rolling mills are not up to the task of producing certain dimensions of the desired quality.

The apparent volume of investment has virtually remained constant for eight years, but in fixed-rate currency terms it has fallen by about half. Because of their financial situation, firms are reluctant to invest and consequently face the risk of becoming even less competitive. Community funds are therefore essential to encourage and assist them to invest on the basis of interest rebates. Such funds will also provide an incentive to harmonization and, if possible, a degree of coordination aimed at avoiding the installation of excessive capacity, while at the same time ensuring that modernized machinery complies with valid technical and economical standards.

For 1980 the investments projects in respect of which interest-rebate applications have been made involve funds already amounting to 64 million EUA. However, the Commission feels that this figure can be reduced to 43 million EUA by the application of very strict criteria and the implementation of various harmonization measures.

Annexe 7

Reconversion

This need for restructuring will inevitably entail additional reorganization of staff and to this end reconversion funds will have to be made available.

After a rather slow start, there is now evidence of a sharp increase in applications for reconversion aid, already amounting to 52 million EUA for 1980.

Experience in reconversion shows that such operations are subject to a certain time-lag and that consequently needs for the year in question will also amount to 43 million EUA.

The ECSC budget cannot provide the 86 million EUA necessary for interest rebates for 1980 and a request will therefore have to be made for an aggregate amount of 70 million EUA from the EEC General Budget.

In view of the fact that the ECSC has used up its own financial resources and, given the impossibility of a substantial increase in the levy, it is logical that the EEC should provide the additional funds needed, if only on the grounds of the complementarity of the Treaties and the solidarity between the Communities which they have established.

Moreover, a deterioration in the situation of the iron and steel sector would have repercussions on the Community's general economic situation. However, this general economic situation is the responsibility of the EEC, which can take appropriate steps to preclude the detrimental effects for which the crisis in the steel industry would otherwise have on this situation.

TREND OF EMPLOYMENT IN THE IRON AND STEEL INDUSTRY

As far as employment is concerned, the Community iron and steel plan pursued the aim of better phasing of the dismissal of employed staff than would have been involved in ruthless application of certain economic rules. Thus for the Community as a whole the reduction of employment was much more gradual than the corresponding process for production. It was only in 1978, as shown in the table below, that the production/employment ratio was restored to its 1974 level.

Community - Trend in indices (1974 = 100)
of production and total employment in the iron and steel industry

	1974	1975	1976	1977	1978
Production	100	80.8	86.2	81.1	85.3
Total employment	100	96.0	95.2	90.4	85.8

During the first few years of crisis, the relatively high level of employment compared with production was for the most part adjusted by:

- natural wastage;
- large-scale application of measures for shortening the working week (almost a quarter of the staff were affected by the measures in 1975);
- a marked restriction of overtime.

These measures, to which was added a solidarity in production cuts through quarterly delivery programmes, have, in certain regions and certain undertakings, considerably attenuated the harsh and urgent character of the consequences of the crisis.

Since the beginning of 1977 the anti-crisis plan has made it possible to reduce very appreciably the differences between capacity utilization factors in the various countries. Whereas in 1976 the widest differences were as much as 21 points, they were 12 points in 1977 and approximately 9 points in 1978.

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The progressive implementation since 1977 of arrangements having effects of a far more structural character has given rise to a sharp decline in the number of persons affected by the reduction of the working week and by an even more marked reduction of the hours of work lost.

Community - Proportion of staff affected by the reduction of the working week and hours of work lost (compared with 1975 = 100)

	1975	1977	1978	1979 (8 months)
Staff affected by reductions of the working week	100	74	45	17
Hours of work lost	100	68	29	10

For the past two years early retirement has been the chief measure with a structural effect. It is, however, difficult accurately to evaluate for the Community as a whole the departures due to early retirement owing to the differences in national laws. They are in principle included under the head of retirement; in some cases, however, they are counted among the dismissals. In the countries for which statistics are available there is seen in some cases to have been a doubling of numbers leaving through retirement as from 1977.

The reduction of employment has affected all regions of the Community except for Italian coastal regions. The average reduction of staff was approximately 14% between the end of 1974 and the end of 1978 (see table). Only the regions which have long been industrialized show rates of reduction much greater than the Community average, they are:

- the Saar
- Belgium
- Eastern France
- Luxembourg
- Scotland
- Wales
- Ireland

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In these regions, the efforts made to improve the competitiveness of their iron and steel industries are accompanied more than in others by the closure of obsolete, unproductive plants, the effects of which on employment are more pronounced. The average reduction of employment in these regions between the end of 1974 and the end of 1978 was 24%, compared with a reduction of 9% in the other regions of the Community. It must be pointed out, however, that in 1978 the average utilization factor for production capacities in these regions was very close to that of the other Community regions, i.e., 64% compared with 65.9%.

Annexe 3 - 4 -

EVOLUTION DE L'EMPLOI PAR REGIONS

(Nombre d'ouvriers et d'employés inscrits en fin d'année)

Régions	1974	1975	1976	1977	1978	1978/1974 en %
Allemagne du Nord	30124	28837	29062	27424	26447	- 12,2
Rhénanie/Westphalie	150288	143414	141416	137490	133633	- 11,1
Allemagne du Sud	12876	12055	11634	11587	11459	- 11,0
Sarre	29528	28563	27991	24238	22502	- 24,5
Allemagne	223103	212869	210103	200739	194041	- 13,0
Wallonie	56488	52291	50049	42684	41206	- 27,1
Flandre	7250	7057	7149	6924	6925	- 4,5
Belgique	63738	59348	57198	49608	48131	- 24,5
France-Est	80618	79606	78203	70456	62851	- 22,0
France-Nord	40910	40431	40013	37454	35229	- 13,9
France :autres rég.	36101	35516	35509	34850	33243	- 7,9
France	157629	155553	153725	142760	131323	- 16,7
Italie:rég.côtières	39309	39339	40782	40600	40060	+ 1,9
Italie:autres rég.	56287	56765	57209	55973	55508	- 1,4
Italie	95595	96104	97991	96573	95568	± 0
Luxembourg	23145	21036	21317	17089	16500	- 28,7
Pays-Bas	24722	24965	24661	23001	21072	- 14,8
Ecosse	23229	21548	*	18976	16700*	- 28,1
Pays de Galles	61299	56444	*	54566	49000*	- 20,1
Angleterre Nord	64171	60704	*	59562	56400*	- 12,1
" autres rég.	40237	37011	*	39208	37200*	- 7,5
Royaume-Uni	188936	175707	173977	172312	159300	- 15,7
Danemark	2181	2455	2676	2509	2500	+ 14,6
Irlande	996	680	751	704	700	- 29,7
EUR 9	780045	748717	742399	705295	669135	- 14,2

* partiellement estimé

Annexe 2 - 5 -

EVOLUTION DE L'EMPLOI PAR REGIONS EN INDICES

(1974 = 100) %

REGIONS	1974	1975	1976	1977	1978
Allemagne du Nord	100,0	95,7	96,5	91,0	87,8
Rhénanie/Westphalie	100,0	95,4	94,1	91,5	88,9
Allemagne du Sud	100,0	95,6	90,4	90,0	89,0
Sarre	100,0	96,7	94,8	82,1	76,2
Allemagne	100,0	95,4	94,7	90,0	87,0
Wallonie	100,0	[illegible]	88,6	75,6	72,9
Flandre	100,0	[illegible]	[illegible]	95,5	95,5
Belgique	100,0	93,1	89,7	[illegible]	75,9
France-Est	100,0	98,7	97,0	[illegible]	[illegible]
France-Nord	100,0	98,6	97,8	[illegible]	[illegible]
France-autres régions	100,0	98,4	98,4	[illegible]	[illegible]
France	100,0	98,7	97,5	[illegible]	[illegible]
Italie-régions côtières	100,0	100,1	103,7	[illegible]	[illegible]
Italie-autres régions	100,0	100,8	101,6	99,4	[illegible]
Italie	100,0	100,5	102,5	101,0	[illegible]
Luxembourg	100,0	90,9	92,1	73,3	71,3
Pays-Bas	100,0	101,0	99,8	93,0	[illegible]
Ecosse	100,0	92,8	-	81,7	71,9 *
Pays de Galles	100,0	92,1	-	80,0	75,9 *
Angleterre Nord	100,0	94,6	-	92,8	87,9 *
Angleterre-autres régions	100,0	92,0	-	97,4	92,5 *
Royaume-Uni	100,0	93,0	92,1	91,2	[illegible]
Danemark	100,0	112,6	122,7	115,0	114,6
Irlande	100,0	65,3	75,4	70,7	70,3
EUR 9	100,0	[illegible]	[illegible]	[illegible]	[illegible]

* partiellement estimé

Annexe 8

STRUCTURE DE L'EMPLOI PAR REGIONS ET PAR ANNEE EN %

REGIONS	1974	1975	1976	1977	1978
Allemagne du Nord	3,9	3,8	3,9	3,9	3,9
Rhénanie/Westphalie	19,3	19,2	19,0	19,5	20,0
Allemagne du Sud	1,6	1,6	1,6	1,7	1,7
Sarre	3,3	3,8	3,8	3,4	3,4
Allemagne	28,6	28,4	28,3	28,5	29,0
Wallonie	7,3	7,0	6,7	6,0	6,2
Flandre	0,9	0,9	1,0	1,0	1,0
Belgique	8,2	7,9	7,7	7,0	7,2
France-Est	10,3	10,6	10,5	10,6	9,4
France-Nord	5,3	5,4	5,4	5,3	5,2
France-autres régions	4,6	4,8	4,8	4,?	[illegible]
France	20,2	20,8	20,7	20,2	19,5
Italie-régions côtières	5,0	5,3	5,5	5,?	?,0
Italie-autres régions	7,2	7,6	7,7	7,9	[illegible]
Italie	12,2	12,9	13,2	13,?	14,6
Luxembourg	3,0	2,8	2,9	2,4	2,?
Pays-Bas	3,2	3,3	3,3	3,3	3,?
Ecosse	3,0	2,9	-	2,7	2,5 x
Pays de Galles	7,9	7,5	-	7,7	7,3 x
Angleterre Nord	8,2	8,1	-	8,4	8,4 x
Angleterre-autres rég.	5,1	5,0	-	5,6	5,6 x
Royaume-Uni	24,2	23,5	23,4	24,4	23,8
Danemark	0,3	0,3	0,4	0,4	0,4
Irlande	0,1	0,1	0,1	0,1	0,1
EUR 9	100,0	100,0	100,0	100,0	100,0

x partiellement estimé

STEEL POLICY 1980

" SCRAP "

1. Motivation

In 1978 the European steel industry consumed 61 million tonnes of scrap in achieving a steel production of 132 million tonnes. This clearly demonstrates the importance of scrap supply for the European steel industry.

On the hand the choices which will be made within the framework of the restructing in respect of new investments (integrated or electric) depend largely on estimates for the future supply of scrap.

In addition the structure of the steel industry in the candidate countries for entry into the Community will in the medium term modify the supply/demand equilibrium and displace the centres of consumption and supply of scrap within the enlarged Community.

In these circumstances the current desorganization at European level of the procedures for surveillance of the scrap market and the control of exports can only be considered as most inopportune.

In contrast it should be recognised that present state of the scrap market in Europe and the world plus the common worry of the states not to encourage the introduction of restrictions in the liberal philosophy of trade (GATT agreement) go against the strict application of 1953 decision to forbid exports of scrap to Third countries.

Further the increasing divergence of the national policies of the Member States make it in practice impossible to return to the strict applica' of the decision.

As a result the Commission proposes to search for a new equilibrium between the various interests by one the one hand integrating the problem scrap into general anti-crisis plan for 1980 and on the other hand by suggesting a flexible system of surveillance and consultation based on the Benelux proposition of 1977.

Annexe 9

2. Proposition for a Community regime on exports

a) The proposition foresees a certain consultation and concertation between Member states on the subject of exports of iron and steel scrap from the Community.

b) The proposition diverges from a strict application of the decision of 1953 in the sense that exports will not be subject to the unanimous approval of the Member States.

c) Each Member State must inform the Commission and the other Member States one month before the beginning of the quarter of the exports that it will authorize during that quarter.

d) Consultations of a group composed of the Representatives of Member States and the Commission may take place on the request of Commission or Member States on the measures proposed on(c).

e) These consultations, which have as their objective the verification that a stable supply of the European market in scrap is assured, will consist of an examination of the economic and commercial situation of the market and its future development. They will take place one month after the receipt of the information indicated in (c) above.

f) At the conclusion of the consultations foreseen in (e) the measures proposed under (c) can be carried out.

g) In exceptional circumstances (to be defined) a Member State can withdraw suspend or reduce its export quota with exception of licences already issued whilst informing the Member States and the Commission.

h) In the case of exhaustion of the quotas, additional exports can be authorized without informing the Commission orMember States beforehand within the limits of a volume inferior to ___ % of the original quota.

i) The measures indicated under(g) and (h) would be the object of ex-post consultations under the conditions laid down in point (e)

j) Safeguard measures can be taken in case of serious disturbance of the market (to be defined).

k) The Commission can propose modifications to the position taken by the Member States in respect of exports when the Commission and/or a Member States are of the opinion that rapid measures are required in the interest of the Community.

l) The Member States undertake to examine without delay the measures indicated under (k) and to take a decision within ________ days which follow the proposition by the Commission by a unanimous or majority vote.

THE DEVELOPMENT OF THE COMMUNITY STEEL TRADE WITH THIRD COUNTRIES

I. INTRODUCTION

The external measures applied in 1978 and 1979 have contributed towards remedying the deterioration of the Community steel market as far as prices are concerned without hampering traditional patterns of trade.

II. IMPORTS

A. Imports from all third countries

The annexed tables show:

1. Community imports from all third countries during the two first quarters of 1979 had a rythm that compares with the one in 1976, the reference year for the Arrangements (see table 2)

2. The relative share of imports in apparent consumption (market penetration) has remained within reasonable limits for the Community as a whole (see table 1); for individual member states however certain variations have taken place:

   - for France, the Netherlands and Belgium/Luxembourg, market penetration has declined during the first half-year 1979 as compared to the same period in 1976;
   - the F.R. of Germany has seen her share of imports increase;
   - in Italy, the share of imports, although higher in 1979 than in 1978 (January to June), still stays notably lower than in 1976.

B. Imports from "Arrangement" countries

During the first six months of 1979, imports from these countries stayed about 7% below the reference year's (1976) level, although a certain increase in relation to 1978 could be noted.

However this development is not identical for all member states where the same tendencies as those observed for total imports came to bear; in the United Kingdom,. imports from "Arrangement" countries slowed markedly down during the first six months of 1979 (see table 4)

The main reason for this development can be found in certain exporting countries' changed attitude: in 1978 and 1979 principally Japan, but also South Korea and Australia, performed at levels well below those reached in former years.

III. EXPORT DEVELOPMENT

Community steel exports have grown considerably since 1977, particularly in 1978; in early 1979 (January to June) however this tendency has slowed down, for the Community as a whole as well as for individual member states. Net steel trade balances have improved notably during this period in each member state.
The export increase was particularly marked for France, the F.R. of Germany and for the Netherlands whose respective shares in total Community figures increased. The United Kingdom's share, on the other hand, declined.

Annexe VI   Table 1

SHARE OF IMPORTS IN APPARENT CONSUMPTION (*) - ECSC PRODUCTS

%

	D	F	I	NL	UEBL	UK	DK	IRL	EUR 9
1979 (6 mois	12,57	4,31	9,27	7,19	15,38	7,18	34,78	12,50	10,03
1978	12,57	5,55	6,98	16,13	17,86	8,28	27,03	17,69	10,00
1977	13,32	6,32	9,77	17,61	26,92	7,64	36,91	12,39	11,32
1976	10,50	5,39	10,24	11,04	24,06	7,72	31,19	8,11	9,88

(*) Production + Imports - Exports

Table 2

IMPORTS FROM THIRD COUNTRIES OF ECSC PRODUCTS

'000 t

	1976	1977	1978	1979 (6 months)
BR DEUTSCHLAND	3387	3836	3729	[illegible]
FRANCE	1026	1014	913	371
ITALIA	2038	1860	1242	899
NEDERLAND	366	526	531	268
BELGIQUE/LUXEMBOURG	1065	1059	762	345
UNITED KINGDOM	1393	1214	1339	617
IRELAND	22	42	58	19
DANMARK	472	434	323	185
EUR 9	9767	9985	8897	4870

Annexe 10 Table 3

EXPORTS OF ECSC PRODUCTS TO THIRD COUNTRIES

000 t

	1976	1977	1978	1979 (6 months)
BR DEUTSCHLAND	5255	6711	8665	3376
FRANCE	3020	4615	5338	2336
ITALIA	2206	2624	3558	1577
NEDERLAND	1027	1228	1579	847
BELGIQUE/LUXEMBOURG	2735	3314	3960	1974
UNITED KINGDOM	2041	2657	2521	1168
IRELAND	0	0	1	0
DANMARK	190	214	224	104
EUR 9	16474	21363	25846	11952

Annexe 10 Table 4

IMPORTS OF ECSC PRODUCTS (*) FROM ARRANGEMENT COUNTRIES

000 t

	1976	1977	1978	1979 (5 months) [illegible]
B.R. DEUTSCHLAND	3286	4002	3758	[illegible]
FRANCE	956	976	876	326
ITALIA	1964	1771	986	682
NEDERLAND	377	535	536	247
BELGIQUE/LUXEMBOURG	913	1024	649	312
UNITED KINGDOM	1375	1096	1211	542
IRELAND	20	31	53	16
DANMARK	463	436	329	169
EUR 9	9354	9871	8398	[illegible]

(*) Products covered by the Arrangements