

EUROPEAN COAL AND STEEL COMMUNITY

COMMISSION OF THE EUROPEAN COMMUNITIES

Financial Report

for the year 1973

No 19

EUROPEAN COAL AND STEEL COMMUNITY

COMMISSION OF THE EUROPEAN COMMUNITIES

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⁽¹⁾ up to 30 June 1973.

⁽²⁾ from 1 October 1973.

The figures in this report and the attached ECSC balance sheet and Revenue and expenditure accounts, together with the main features of loans contracted, are expressed in units of account. All such amounts are the equivalent of sums in national currencies computed at the following rates of exchange:

1 u.a. =	{	BFr	48.6572
		LFr	48.6572
		Dkr	7.57831
		DM	3.21978
		FFr	5.55419
		Fl	3.35507
		Lit	727.640
		UK £	0.51165
		Irish £	0.51165
		SFr	3.85221
US \$	1.18643		

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LUXEMBOURG, JULY 1974

This financial report covers the year 1973, the twenty-first year of the European Coal and Steel Community's existence and the nineteenth year of its borrowing and lending operations.

It should be recalled that since the entry into force of the Treaty establishing a single Council and a single Commission of the European Communities (1967), the Commission exercises the powers vested in the former High Authority, each of the three Communities continuing to be governed by its own treaty. Consequently, this report refers only to the 'Commission' of the European Communities unless it is absolutely necessary to use the name 'High Authority'.

I — SHORT OUTLINE OF THE GROWTH IN INVESTMENTS IN THE COAL AND STEEL INDUSTRIES

In order to guide the parties concerned and help the Community in its own courses of action, the ECSC Treaty provides for the following instruments, in addition to the general objectives which describe the broad outlines of investment policy:

- (i) the annual survey of investment conducted directly among enterprises and the survey of investment financing conducted among professional associations of employers and workers;
- (ii) prior notification by enterprises of investment programmes in excess of certain estimated costs and the giving of reasoned opinions on these programmes⁽¹⁾.

The details below, collected by the Commission from enterprises or their employers' and workers' associations, relate to capital expenditure, methods of financing and recent trends in the readiness of enterprises to embark on new programmes.

(a) Capital expenditure by enterprises⁽²⁾

During the year covered by this report, the crude steel production of the six original Community Member States rose by 9.7 million tonnes from 113.1 million in 1972 to 122.8 million in 1973. The steel production of the enlarged Community attained 150 million tonnes, an increase of 11 million over the figure for 1972. The coal production of the six original countries continued to decrease over the same period, falling from 151.8 million tonnes to 139.7 million; the corresponding figures for the nine countries were 271.3 in 1972 and 269.9 in 1973.

According to the annual survey of investment as of 1 January 1973, still restricted to the six original Community countries, 1973 capital expenditure in the coal sector should have totalled some 179 million units of account and in iron ore mining 27 million units of account. Experience shows, however, that in general only 85—90 % of expenditure forecast for the ECSC mining industries at the beginning of the year is actually incurred.

Estimated expenditure in the iron and steel industry for 1973 was nearly 2 700 million units of account. This sum would be an all-time ECSC record. The upward trend in capital expenditure would thus be uninterrupted since the end of the sixties: 1 700 million units of account in 1970, 2 300 million in 1971, 2 600 million in 1972.

⁽¹⁾ Articles 5, 46, 47 and 54 of the ECSC Treaty.

⁽²⁾ 'Investments in the Community's coal and steel industries — Report on the 1973 survey', published in July 1973.

This survey covers only the six original Community Member States.

TABLE 1

Capital expenditure in the ECSC industries from 1954 to 1973

(in million units of account)

Sector	Actual expenditure								Planned expenditure (cat. A+B) ⁽¹⁾ ⁽²⁾			
	1954-1964 (annual average)	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	
Coal industry ⁽³⁾	297	219	189	159	150	101	108	136	142	179	77	
Briquette and low-temperature brown coal coke plants	6	8	4	5	4	4	2	7	9	7	5	
Iron-ore mines	39	25	17	16	21	20	21	26	21	27	8	
Iron and steel industry	855	932	848	730	802	1 039	1 706	2 266	2 628	2 693	1 735	
Total	1 197	1 184	1 058	910	977	1 164	1 837	2 435	2 800	2 906	1 825	

⁽¹⁾ Estimates for the mining industries (coal industry and iron-ore mines) as well as for the iron and steel industry take into account only expenditure already incurred (cat. A) and approved (cat. B).

⁽²⁾ On 1 January 1973, industry could not have more than a partial view of the expenditure it would actually incur during 1974. The estimates of capital expenditure as given in the above table and the other tables of this 1973 cannot, therefore, be so accurate for 1974 as for 1973.

⁽³⁾ Excluding capital expenditure on thermal power plants and other mine power supply installations.

(b) Recent trends

The enterprises' propensity to invest showed the following trend.

For the iron and steel industry as a whole, the total amount of declared investment programmes — as direct from actual expenditure recorded in the accounts for the same years — fell from around 3 000 million units of account on average for 1969 and 1970 to 669 million in 1971, 770 million in 1972 and 694 million in 1973.

The table below illustrates movements since 1969 in total planned expenditure for investment programmes declared by the iron and steel industry.

TABLE 2

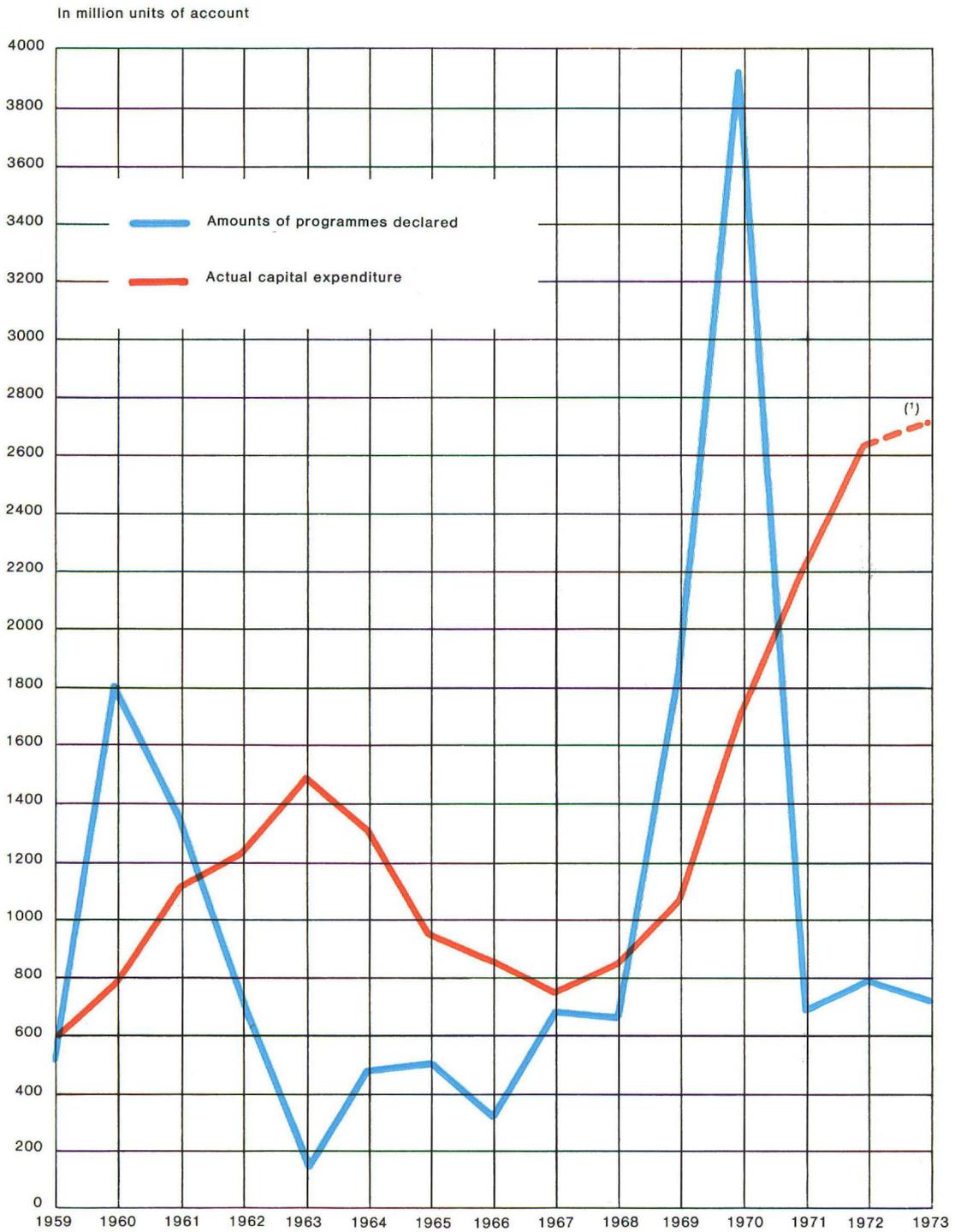
Planned expenditure for programmes declared

(in million units of account)

1969	1970	1971	1972	1973
1 848	3 994	669	770	694

FIGURE 1

INVESTMENTS IN THE STEEL INDUSTRY OF THE COMMUNITY



(¹) Survey at 1 January 1973.

The figures for the early months of 1974 would seem to show greater propensity to invest on the part of the iron and steel industry. Certain consequences of the recent world-wide energy crisis (rise in prices of fuel and raw materials, transport costs, etc.) appear not only to have no negative effects on the level of investment planned, but to have prompted enterprises to approve programmes in line with the expected demand for certain iron and steel products.

Programmes submitted for the coal industry were far lower in value than in 1972 (131 million units of account), totalling only 16 million in 1973.

The experience of the past decade shows that actual capital expenditure reflects changes in the total value of investment decisions taken only after an interval of some 3 years, and no doubt in reduced measure. Forecasts for actual expenditure would seem to bear out that the peak in investments declared in 1970 is currently making itself felt after a comparable time lag. Thus the number of applications to the ECSC for financial assistance is considerable and seems likely to remain so for the next few years.

II — BORROWING OPERATIONS BY THE ECSC

Interest rates have, on the whole, shown a tendency to rise during the year.

Nevertheless, in view of the large number of applications for loans the Commission continued to borrow as much as possible on various capital markets, national as well as international, private as well as public.

It carried out 13 borrowing operations for a total amount equivalent to 262.86 million units of account (against 229.2 million in 1972). The ECSC's total borrowing since its first financial operations has therefore reached 1 517.60 million units of account. The loans floated or contracted during 1973 had the following main characteristics:

1. 80 million SFr
(20 767 300 u.a.)
Bond issue for a fifteen-year period underwritten at par on the Swiss capital market. The bonds bear 6.25 % interest payable annually. The loan will be repaid in five equal annual instalments from 20 February 1984. It is quoted on the five Swiss stock exchanges.
2. 800 million LFr
(16 441 554 u.a.)
Twelve-year private placement on the international capital market. The bonds bear 7 % interest payable annually. The loan will be repaid in eight equal annual instalments from 15 March 1978. It is quoted on the Luxembourg stock exchange. This loan contains a clause prohibiting sale to Belgian and Luxembourg residents.
3. 150 million DM
(46 587 034 u.a.)
Fifteen-year bond issue at par. The bonds bear 6.50 % interest payable annually. The loan will be repaid in ten equal annual instalments from 1 April 1979. It is quoted on the five stock exchanges of the Federal Republic of Germany.
4. 200 million FFr
(36 008 651 u.a.)
Bond issue on the international capital market. It is represented by:
 - (a) 50 million FFr of bonds issued at par bearing 7 % interest for 7 years, repayable in three more or less equal instalments from 1 July 1978;
 - (b) 150 million FFr of bonds issued at 99.50 % bearing 7.50 % interest for 18 years and repayable in fourteen progressive annual instalments from 1 July 1978.Interest is payable annually. The two series of bonds are quoted on the Luxembourg stock exchange.
5. 800 million LFr
(16 441 554 u.a.)
Fifteen-year private placement on the international capital market. The bonds bear 7 % interest payable annually. The loan will be repaid in ten equal annual instalments from 1 July 1979. It is quoted on the Luxembourg stock exchange. This loan contains a clause prohibiting sale to Belgian and Luxembourg residents.

- | | |
|--|--|
| 6. 140 million SFr
(36 342 775 u.a.) | Private bond issue represented by:
(a) 65 million SFr of bonds bearing 6.75 % interest for 5 years and repayable on 15 October 1978;
(b) 75 million SFr of bonds bearing 7 % interest for 7 years and repayable on 15 October 1980.
Interest is payable annually. |
| 7. 300 million LFr
(6 165 583 u.a.) | Twelve-year private bond issue. The bonds bear 8 % interest payable annually. The loan will be repaid from 7 November 1977 in nine more or less equal instalments. |
| 8. 50 million SFr
(12 979 562 u.a.) | Five-year private loan at 7.25 % payable annually and repayable on 7 November 1978. |
| 9. 100 million DM
(31 058 023 u.a.) | Fifteen-year bond issue at 98.50 %. The bonds bear 7.75 % payable annually. The loan will be repaid in ten equal annual instalments from 1 November 1979. It is quoted on the five stock exchanges of the Federal Republic of Germany. |
| 10. 200 million LFr
(4 110 389 u.a.) | Twelve-year private bond issue. The bonds bear 8 % interest payable annually. The loan will be repaid from 7 November 1977 in nine more or less equal instalments. |
| 11. 1 000 million BFr
(20 551 943 u.a.) | Twelve-year bond issue at 98.25 %. The bonds bear 7.75 % interest payable annually. The loan will be repaid in eight equal annual instalments from 5 December 1978. It is quoted on the Brussels and Antwerp stock exchanges. |
| 12. 500 million LFr
(10 275 971 u.a.) | Fifteen-year bond issue at 98.50 %. The bonds bear 7.25 % interest payable annually. The loan will be repaid in twelve progressive annual instalments from 20 December 1977. It is quoted on the Luxembourg stock exchange. |
| 13. 250 million LFr
(5 137 986 u.a.) | Private eight-year loan at 7.50 % payable annually. The loan will be repaid from 20 December 1976 in six more or less equal instalments. |

Including operations in 1973, the total value of loans contracted by the ECSC from its inception up to 31 December 1973 was equivalent to 1 517.60 million u.a.

The following table shows the loan position at 31 December 1973.

FIGURE 2

TOTAL AMOUNT OF BORROWINGS CONTRACTED AT 31 DECEMBER 1973

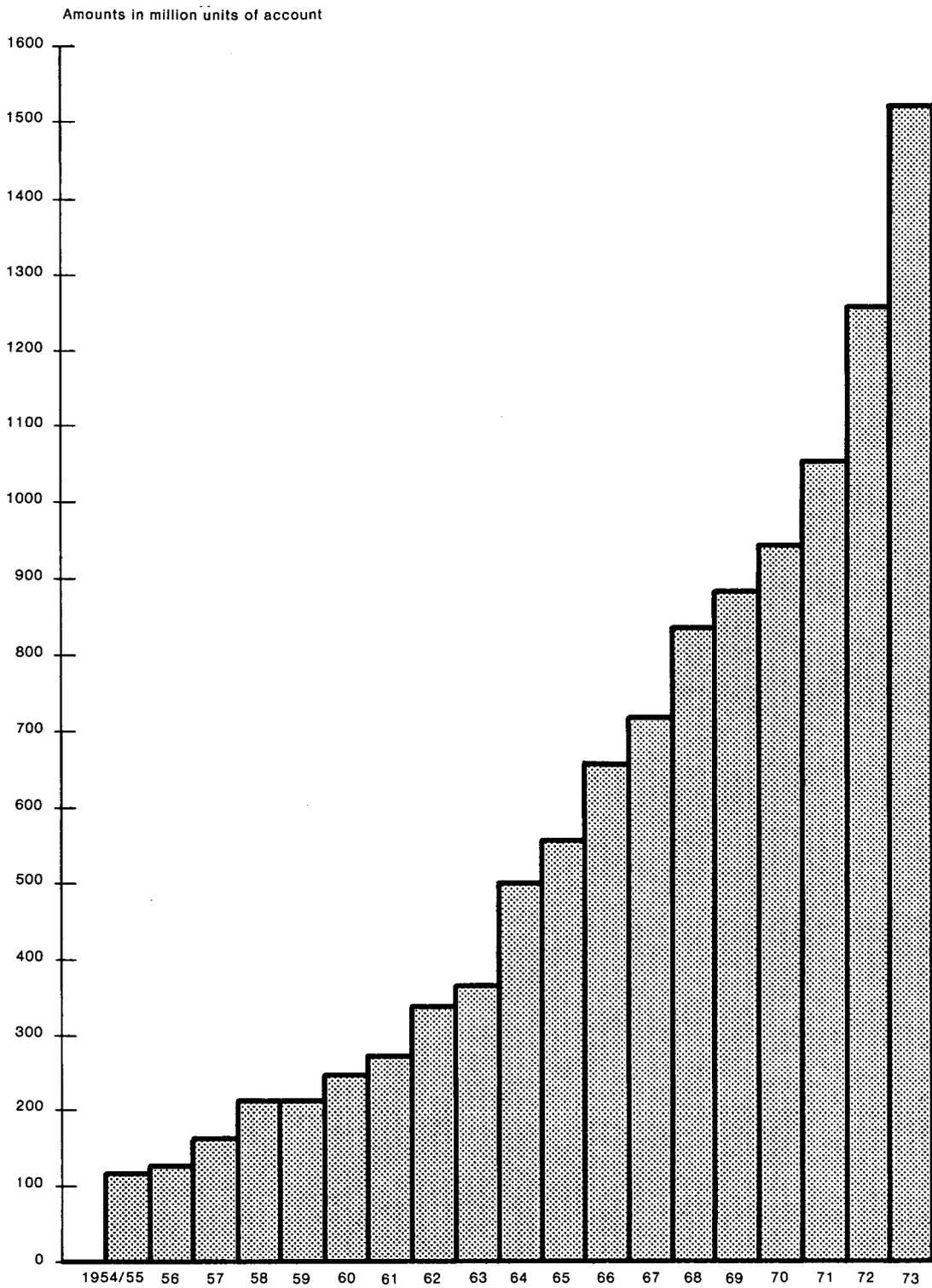


TABLE 3⁽¹⁾*(in million units of account)*

Currency borrowed	Total borrowed ⁽²⁾	Repayments	Balance outstanding
US \$	341.36	153.11	188.25
DM	436.67	99.74	336.93
Lit	158.05	12.37	145.68
FFr	127.83	8.44	119.39
Fl	61.92	33.12	28.80
SFr	130.13	21.62	108.51
BFr	77.48	6.53	70.95
LFr	114.16	7.77	106.39
£	50.—	—	50.—
units of account	20.—	2.60	17.40
	1 517.60	345.30	1 172.30

⁽¹⁾ The main characteristics of loans contracted by the ECSC to 31 December 1973, and the definitions of £ (European Monetary Units) and units of account, are given in Annex 1.

⁽²⁾ After adjustment for the new exchange rates adopted for the conversion of national currencies to units of account, listed on page 4.

III — LOANS AND GUARANTEES

Funds available to the Commission in 1973 for lending to enterprises totalled 349.31 million units of account, broken down as follows:

1. Borrowed funds

(i) available at beginning of year	54.24	
(ii) product of loans floated in 1973	289.71	
(iii) premature repayments	<u>0.26</u>	344.21

2. Own funds

repayments of earlier loans	<u>5.10</u>	<u>5.10</u>
		349.31

As in 1972, these funds were used for loans to industry (Article 54 of the Treaty) for redevelopment and reconversion projects (Article 56) and the building of workers' housing. In 1973, the loans to industry and those for redevelopment and reconversion projects were disbursed wholly from borrowed funds and the housing loans from the ECSC's own resources, except for a sum of 0.77 million units of account drawn from borrowed funds.

In the same period, total loans rose to 286.41 million units of account (compared with 188.50 million units of account in 1972).

The funds available at 31 December 1973 permitted substantial disbursements to be made in the first quarter of 1974 for a number of loans approved in the last few months of 1973.

TABLE 4

Loans extended in 1973

(in million units of account)

Sector	Germany (Fed. Rep.)	Bel- gium	Den- mark	France	Italy	Nether- lands	Luxem- bourg	Com- munity
I — Coal industry	54.19	—	—	—	—	—	—	54.19
Iron and steel industry	108.17	—	7.81	103.65	0.38	3.18	—	223.19
Generating plants	—	0.62	—	—	—	—	—	0.62
Total	162.36	0.62	7.81	103.65	0.38	3.18	—	278.—
II — Industrial redevelopment	—	—	—	2.37	0.38	—	—	2.75
III — Worker's housing	2.37	0.72	—	0.76	1.01	0.80	—	5.66
Grand Total	164.73	1.34	7.81	106.78	1.77	3.98	—	286.41

1. Industrial loans (Article 54)

1973 was marked by a considerable increase in the loans granted for industrial programmes, as provided for in Article 54 of the ECSC Treaty.

Loans of this type totalled 278.00 million units of account, or almost double the level recorded in 1972 (148.25 million).

It was possible to maintain the normal interest rate of 7.5 %, fixed on 13 July 1972, up to 19 December 1973, despite the general rise in interest rates. On this date, however, it was raised to 8.25 %.

Pursuant, however, to a decision by the Commission published in the Official Journal of the European Communities on 18 June 1970, certain loans are eligible for a reduced rate of interest for the financing of investment which is deemed to be of particular advantage to the Community. This preferential rate is fixed at 3 points below the normal rate.

Loans to industry which may be granted by the Commission at the reduced rate must be intended either:

- (i) for investment resulting from measures by the public authorities in the interests of safety and health (pollution control, for example), particularly when the cost of such investments imposes an excessively unequal burden on the existing installations of similar enterprises in the various regions;
- (ii) for investment of a multinational nature which, conforming to the criteria laid down by the Commission as regards structures, would help to promote the Community integration of ECSC enterprises, on condition that projects of this nature are still subject to tax, legal or administrative disadvantages;
- (iii) for investment having as its object the elimination of bottlenecks affecting an entire ECSC industry and which fall within the framework of the general objectives and Community policies laid down for the sectors in question;
- (iv) for investment having as its object the establishment of research or vocational training centres within the ECSC field.

The loans to industry disbursed in 1973 were earmarked for financing the following programmes:

In the coal-mining industry

— Thermal power station using blast furnace gas:

CETEC Centrale Thermique Minière de l'Est de Charleroi, Farciennes

— Establishment of coking facilities:

Eschweiler Bergwerksverein, Eschweiler (Erin coking plant)

Ruhrkohle Aktiengesellschaft, Essen (Osterfeld, Zollverein and Minister Stein coking plants)

— Coking plant rationalization programmes:

Ruhrkohle Aktiengesellschaft, Essen (Scholven, Prosper and Hansa coking plants)

— Collieries rationalization programme:

Ruhrkohle Aktiengesellschaft (Grimberg, Haus Aden and Monopol III pits)

In the iron and steel industry

— Establishment of coking facilities:

Soc. Dunkerquoise de Cokéfaction SA, Paris (Dunkirk plant)

Koninklijke Nederlandsche Hoogovens en Staalfabrieken NV, IJmuiden

Soc. Marseillaise de Cokéfaction 'Marcoke' SA, Paris (Fos-sur-Mer coking plant)

— Rationalization of the production of pig-iron and steel:

Edelstahlwerk Witten AG, Witten
Fried. Krupp Hüttenwerke AG, Bochum (Rheinhausen plant)
Mannesmann AG, Düsseldorf (Huckingen plant)
Stahlwerke Peine-Salzgitter AG (Peine and Salzgitter plants)
Ferriere Acciaierie di Udine SAFAU/SpA., Udine

— Rationalization of the production of long products:

August Thyssen-Hütte AG, Duisburg-Hamborn (Beeckerwerth plant)
Creusot-Loire SA, le Creusot
AG der Dillinger Hüttenwerke, Dillingen/Saar
Klöckner Werke AG, Duisburg (Bremen plant)
Rasselstein AG, Neuwied/Rhein
Rheinstahl Hüttenwerke AG, Essen (Hattingen plant)
Stahlwerke Bochum AG, Bochum

— Overall investment in coastal plants:

Det Danske Staalvalsevaerk A/S Frederiksvaerk
SOLMER-Société lorraine et méridionale de laminage continu, Paris (Fos-sur-Mer plant)
USINOR Union Sidérurgique du Nord de la France, Paris (Mardyk plant)

— Production of high carbon and special steels:

Compagnie des Forges de Châtillon-Commentry-Biache SA, Paris (Isbergues plant)
SOFIFOS, Paris (Fos-sur-Mer plant)

— Vocational training centre:

Theodor Wuppermann GmbH, Leverkusen

In the energy sector, the Commission's policy in granting loans was based on the desire to maintain mining capacities which could cover the bulk of the iron and steel industry's coking coal requirements, and also keep up the level of coal supplies to thermal power stations.

In the iron and steel sector, the loans were spread over all stages of production — steel industry coking plants, blast furnaces, steelworks — mainly of the oxygen converter type — and rolled products. A considerable portion of the industrial loans went into the financing of coastal iron and steel plants already installed or under construction.

The Commission's loans were still largely granted to the six original Member States. However, the large volume of loan applications currently under study promises a considerable expansion in these lending operations in 1974 for the new Member States.

Some of these loans were eligible for an interest rebate. As in 1972, the Commission continued to encourage the establishment of coking capacity to compensate for current or imminent closures. Other smaller loans were granted to multinational projects conducive to the Community integration of ECSC enterprises, vocational training and protection of the environment. Other projects are currently under study.

TABLE 5

Loans for industrial investment (Article 54)

(in million units of account)

Country	Total loaned at 31 December 1972	New loans in 1973 (1)	Total loaned	Balance outstanding
			Position at 31 December 1973 (1)	
Denmark	—	7.81	7.81	7.81
Germany (Fed. Rep.)	444.83	162.36	607.19	422.25
Belgium	68.63	0.36	69.25	52.36
France	189.35	103.65	293.—	242.54
Italy	174.71	0.38	175.09	112.31
Luxembourg	3.12	—	3.12	2.27
Netherlands	33.27	3.18	36.45	32.52
Community	913.91	278.—	1 191.91	872.06

(1) After adjustment for the new exchange rates adopted for the conversion of national currencies to units of account, listed on page 4.

2. Loans for industrial redevelopment and reconversion (Article 56)

Financing of redevelopment and reconversion projects decreased in 1973. Loans disbursed totalled 2.75 million units of account.

Redevelopment and reconversion loans may enjoy special terms, as described above. The annual interest payable on them was raised on 19 December 1973 from 4.50 % per annum for all or part of the loan granted. The normal rate which was raised on the same day from 7.50 % to 8.25 % per annum is payable from the sixth year. As in the previous year, redevelopment and reconversion projects were financed out of borrowed funds.

The lower rate was granted to beneficiaries on the undertaking that a proportion of the new jobs created would be reserved in the first instance for workers made redundant in the coal and iron and steel industries.

Applications for redevelopment and reconversion loans are submitted to the Commission, under the terms of the Treaty, by the Government of the Member State concerned. The geographical distribution of loans granted therefore largely coincides with national policies for the redevelopment of mining, and sometimes steel, areas in decline.

The rather low figures for 1973 can be explained, at least in part, by the favourable economic situation which greatly assisted the reemployment of iron and steel workers or redundant miners in most of the Community countries. However, the scale of decisions taken now and of the applications received, in addition to the expected changes in the coal and steel industries promise greater activity in lending operations for the months to come.

Loans for industrial redevelopment and reconversion were granted to the following enterprises:

France

Lorraine S.à.r.l. Viessemann, Faulquemont
Rhône-Alpes Ets. Allibert, Grenoble

Italy

Ferriere, Acciaierie di Udine SAFAU SpA., Udine

The table below summarizes these types of loans both by country and by industry.

TABLE 6

Loans for industrial redevelopment and reconversion (Article 56)

A — Breakdown by country

(in million units of account)

Country	Total loaned at 31 December 1972 ⁽¹⁾	New loans in 1972	Total loaned	Balance outstanding
			Situation at 31 December 1973 ⁽¹⁾	
Germany (Fed. Rep.)	88.71	—	88.71	81.—
Belgium	34.35	—	34.35	27.86
France	55.19	2.37	57.56	53.37
Italy	25.94	0.38	26.32	15.90
Luxembourg	—	—	—	—
Netherlands	24.55	—	24.55	19.71
Community	228.74	2.75	231.49	197.84

⁽¹⁾ After adjustment for the new exchange rates adopted for the conversion of national currencies to units of account, listed on page 4.

B — Breakdown by industry

Type	Amount (in million units of account)	%
Motor vehicle manufacture	48.939	21.14
Chemicals	35.242	15.23
Non-ferrous metals	24.336	10.51
Iron and steel works	21.703	9.38
Industrial estates	21.260	9.19
Power stations	18.889	8.16
Rubber	16.312	7.04
Electrical equipment	7.475	3.23
Mechanical engineering	7.089	3.06
Paper and printing	7.026	3.04
Articles of cast iron, steel and other metals	5.535	2.39
Ceramic ware, glass, lime and stone	5.257	2.27
Plastic article manufacture	2.923	1.26
Textiles and clothing	2.331	1.01
Aeronautical engineering	1.374	0.59
Food industries	1.251	0.54
Metal industries	1.233	0.53
Transport	1.068	0.46
Joinery and furniture manufacture	0.800	0.35
Miscellaneous	1.443	0.62
	231.486	100.00

3. Loans for housing (Article 54, 2)

1973 saw a continuation in the policy of financing housing. These loans are in principle granted from the ECSC's own funds at a rate of 1 % per annum on a long-term basis. As a rule they are furnished in the currency of the country con-

cerned to avoid any exchange risks to the recipients. They are sometimes combined with loans granted either by financial establishments or by the ECSC at the normal rate from borrowed funds.

Own resources allocated by the Commission for 1971 and 1972 to the 7th housing programme totalled 3.3 million units of account. Of the contracts concluded under this programme, 3.78 million were paid out in 1973, depending on the stage of construction reached. To fulfill earlier commitments under the 5th and 6th programmes, a total of 1.11 million units of account was made available to recipients.

The loans disbursed from own funds at a rate of 1 % thus totalled 4.89 million units of account in 1973 (compared with 6.93 million in 1972), which were supplemented by 0.77 million units of account from borrowed funds.

TABLE 7

Loans for workers' housing (Article 54, 2)

(in million units of account)

Country	Total loaned at 31 December 1972 ⁽¹⁾	New loans in 1973	Total loaned	Balance outstanding
			Position at 31 December 1973 ⁽¹⁾	
Germany (Fed. Rep.)	76.24	2.37	78.61	54.54
Belgium	25.34	0.72	26.06	15.60
France	24.30	0.76	25.06	17.65
Italy	13.44	1.01	14.45	9.64
Luxembourg	3.81	—	3.81	2.62
Netherlands	7.83	0.80	8.63	6.07
Community	150.96	5.66	156.62	106.12

⁽¹⁾ After adjustment for the new exchange rates adopted for the conversion of national currencies to units of account.

4. Guarantees

The ECSC Treaty states that the Commission may also facilitate the implementation of enterprises' investment programmes by guaranteeing loans obtained by them from outside sources.

This type of financial backing is not only intended to cover lenders' risks; it also enables the firms concerned to raise loans on capital markets outside their own countries, to which access would otherwise be difficult for them.

No new requests for guarantees were received in 1973. Redemption of the initial amounts of loans previously guaranteed, to a total of 53.15 million units of account, reduced the remaining commitments to 25.23 million at 31 December 1973.

5. Overall survey of direct lending operations and guarantees (1954 — 1973)

From the start of its financing activities to 31 December 1973, the ECSC granted loans to a total of 1 591.10 million units of account: 1 466.72 million from borrowed funds and 124.38 million from its own resources.

Including guarantees furnished over the same period, the total amount of ECSC financial assistance was 1 644.25 million units of account (compared with 1 354.29 million to the end of 1972).

The table below gives a detailed breakdown of this assistance by sector and by country.

TABLE 8

Loans paid out and guarantees granted up to 31 December 1973 by investment category and country (initial amounts)⁽¹⁾

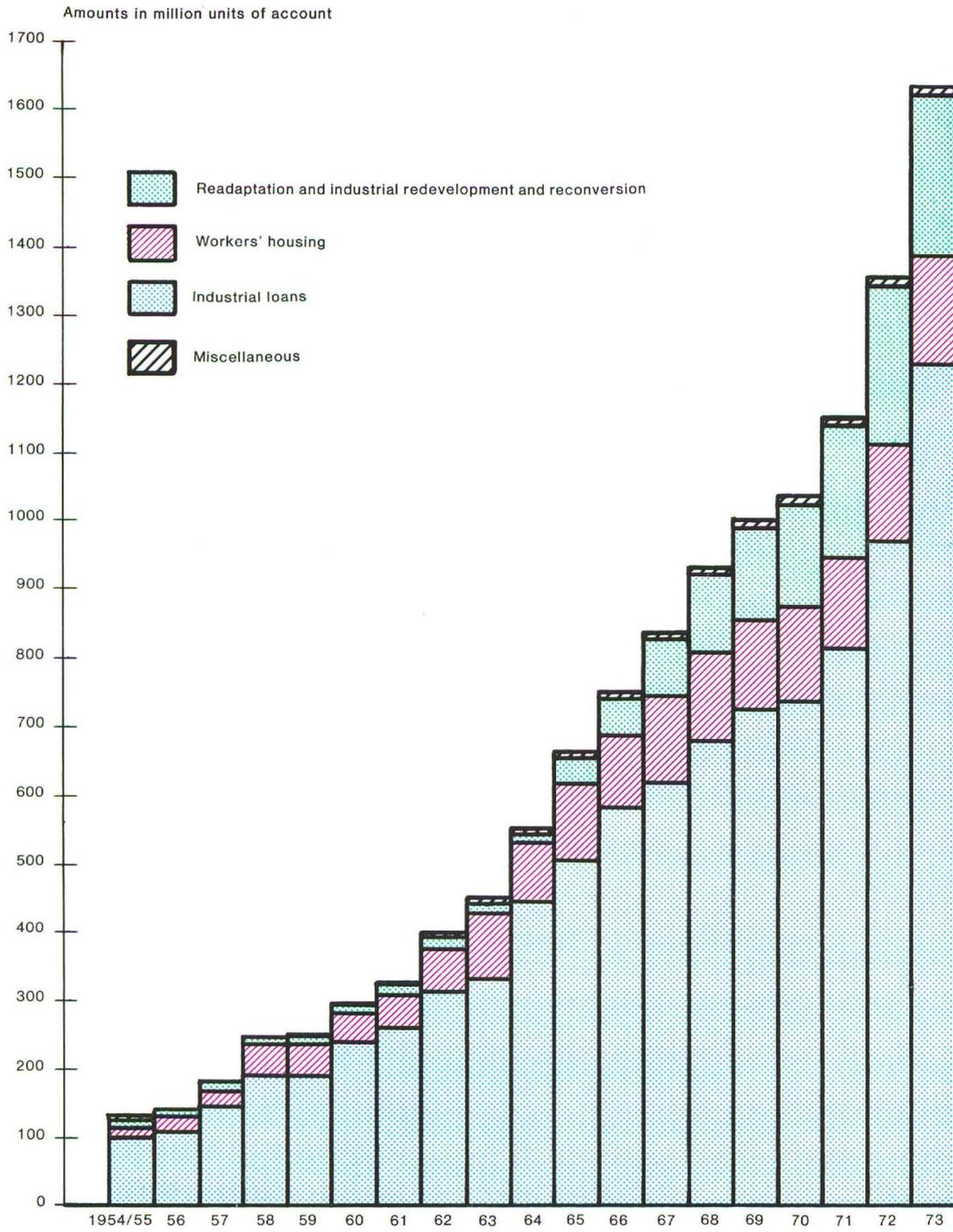
(in million units of account)

	Loans			Guarantees	Total loans and guarantees	%
	from borrowed funds	from own resources	Total			
<i>A — Type of investment</i>						
Coal industry	334.50	—	334.50	—	334.50	20.34
Iron-ore mines	26.05	—	26.05	—	26.05	1.58
Iron and steel industry	825.42	—	825.42	52.90	878.32	53.42
Industrial redevelopment and reconversion	225.46	6.03	231.49	—	231.49	14.08
Workers' housing	49.36	107.27	156.63	—	156.63	9.53
Miscellaneous	5.93	11.08	17.01	0.25	17.26	1.05
Total	1 466.72	124.38	1 591.10	53.15	1 644.25	100.00
<i>B — Country</i>						
Denmark	7.81	—	7.81	—	7.81	0.47
Germany (Fed. Rep.)	711.25	71.49	782.74	42.49	825.23	50.19
Belgium	125.22	4.91	130.13	—	130.13	7.91
France	350.45	26.29	376.74	10.41	387.15	23.55
Italy	207.48	8.57	216.05	0.25	216.30	13.16
Luxembourg	4.86	2.88	7.74	—	7.74	0.47
Netherlands	59.65	10.24	69.89	—	69.89	4.25
Community	1 466.72	124.38	1 591.10	53.15	1 644.25	100.00

⁽¹⁾ After adjustment for the new exchange rates adopted for the conversion of National currencies to units of account, listed on page 4.

FIGURE 3

BREAKDOWN BY SECTOR OF LOANS AND GUARANTEES GRANTED
AT 31 DECEMBER 1973



IV — CHANGES IN RESERVES AND PROVISIONS, MANAGEMENT OF LIQUID ASSETS

The table below shows the changes in ECSC reserves and provisions between 31 December 1972 and 31 December 1973.

TABLE 9

Changes in reserves and provisions

(in million units of account)

	Position at 31 December 1972	Changes in 1973	Position at 31 December 1973
I — (a) Guarantee Fund	100.00	+ 12.00	112.00
(b) Special Reserve	87.00	+ 3.00	90.00
II — Pension Funds	25.86	+ 0.66	26.52
III — Provisions			
(a) for readaptation	67.72	+ 38.89	106.61
(b) for research	26.20	— 5.62	20.58
(c) assistance (Art. 56)	10.50	— 2.77	7.73
(d) assistance (Art. 54)	6.20	— 0.86	5.34
(e) for coke	—	+ 4.00	4.00
IV — Other provisions	18.01	+ 11.88	29.89
Total	341.49	61.18	402.67
V — Unallocated balance	0.18	+ 0.32	0.50
Grand Total	341.67	61.50	403.17

ECSC funds grew in 1973 as a result of the following developments:

(a) Payment by the new Member States of the first instalment of their contribution pursuant to protocol No 24 of the Act of Accession on their participation in the funds of the ECSC.

The total amount of these contributions was fixed at 57.71 million units of account payable in three annual instalments; the first instalment totalled 14.68 million.

(b) Increased income from the levy, fixed at 0.29% since 1 January 1972. This income totalled 62.89 million units of account⁽¹⁾ in 1973, compared with only 47.21 million in 1972.

The increase of 15.68 million is explained by the favourable economic situation in the iron and steel sector, by the rise in all the average values used as the basis of assessment, and by the extension of the levy to the enterprises of the new Member States.

⁽¹⁾ Comprising 12.09 million units of account from the coal industry and 50.80 million units of account from the iron and steel industry.

(c) Increased income resulting from the management of liquid assets.

Whilst the objective is an optimum yield on the assets of the ECSC, the management of liquid assets also reflects a concern to maintain sufficient liquid reserves and the need for security. It also pays attention to the social aspects of certain forms of financial assistance, such as loans for the construction of workers' housing disbursed out of the ECSC's own funds at a rate of interest much lower than the rates current on money markets.

Revenue from interest on funds invested totalled some 20.70 million units of account compared with 14.8 million in 1972. This increase was due to higher rates on the money markets and, to some extent, to the increase in liquid assets.

This revenue has been used in particular to finance outright aid (readaptation, technical research, aid to coke and coking coal, etc.) and reduced rate loans, in accordance with the social, regional and industrial objectives of the Community.

The financial activities reviewed in this report were made possible by the active assistance of banking groups and ECSC agents in the various Member States, to whom the Commission expresses its sincere gratitude. At the same time it wishes to thank the Bank for International Settlements in Basle for its continued and efficient cooperation as a depository for transactions under the 'Act of Pledge' ⁽¹⁾.

⁽¹⁾ A contract of surety concluded by the ECSC at the start of its operations in favour of its fund raisers in order to provide access to the international market. The Act of Pledge governs all loans contracted before 1961, when the ECSC obtained the consent of its lenders to issue its loan stock without special surety.

ANNEXES

- I — MAIN CHARACTERISTICS OF LOANS CONTRACTED
TO 31 DECEMBER 1973
- II — ECSC BALANCE SHEET AS OF 31 DECEMBER 1973
- III — ECSC REVENUES AND EXPENDITURES FROM 1 JANUARY 1973
TO 31 DECEMBER 1973

Annex I

MAIN CHARACTERISTICS OF LOANS

Year of issue	Interest % p. a.	Term (years)	Initial amount		Balance outstanding at 31 December 1973 (in units of account)	
			in currency of loan	equivalent in units of account		
1954	3 ⁷ / ₈	25	US-\$	100 000 000	84 286 473	30 427 417
1957	5 ¹ / ₂	18		25 000 000	21 071 618	3 455 745
1957	5	5		10 000 000	8 428 647	—
1958	5	20		35 000 000	29 500 266	10 114 377
1958	4 ¹ / ₂	5		15 000 000	12 642 971	—
1960	5 ³ / ₈	20		25 000 000	21 071 618	9 945 804
1960	4 ³ / ₄ -5	5		10 000 000	8 428 647	—
1962	5 ¹ / ₄	20		25 000 000	21 071 618	12 727 257
1964	5 ¹ / ₄	20		30 000 000	25 285 942	18 543 024
1966	6 ¹ / ₂	20		15 000 000	12 642 970	10 957 241
1966	6 ¹ / ₂	20		20 000 000	16 857 295	14 581 560
1967	6 ¹ / ₂	20		25 000 000	21 071 618	19 638 748
1967	6 ⁵ / ₈	20		20 000 000	16 857 295	15 719 427
1971	7 ³ / ₄	15		20 000 000	16 857 295	16 857 295
1973	7	15		30 000 000	25 285 942	25 285 942
					341 360 215	188 253 837
1955	3 ³ / ₄	25	DM	50 000 000	15 529 011	5 387 200
1957	4 ¹ / ₄	20		2 977 450	924 737	244 130
1964	5 ³ / ₄	12		100 000 000	31 058 023	10 559 728
1964	5 ¹ / ₂	15		100 000 000	31 058 023	15 591 127
1964	5 ³ / ₄	12		30 000 000	9 317 406	2 795 222
1965	5 ¹ / ₂	18		150 000 000	46 587 034	35 872 016
1965	5 ¹ / ₂	5		23 000 000	7 143 345	—
1967	6 ³ / ₄	5		30 000 000	9 317 406	—
1968	6 ¹ / ₂ -6 ⁷ / ₈	10		120 000 000	37 269 627	23 293 517
1968	6 ¹ / ₄	13		60 000 000	18 634 814	14 907 851
1969	6 ¹ / ₄	15		40 000 000	12 423 209	12 423 209
1969	6 ¹ / ₂	13		50 000 000	15 529 011	13 976 110
1969	6 ³ / ₄	15		50 000 000	15 529 011	15 529 011
1971	7 ¹ / ₂	15		100 000 000	31 058 023	31 058 023
1972	6 ¹ / ₂	15		100 000 000	31 058 023	31 058 023
1972	7	16		150 000 000	46 587 034	46 587 034
1973	6 ¹ / ₂	15		150 000 000	46 587 034	46 587 034
1973	7 ³ / ₄	15		100 000 000	31 058 023	31 058 023
					436 668 794	336 927 258
1963	5 ¹ / ₂	20	Lit.	15 000 000 000	20 614 590	13 743 059
1966	6	20		15 000 000 000	20 614 590	17 865 978
1966	6	20		15 000 000 000	20 614 590	17 865 978
1968	6	20		15 000 000 000	20 614 590	20 614 590
1968	6	20		15 000 000 000	20 614 590	20 614 590
1972	7	15		20 000 000 000	27 486 119	27 486 119
1972	7	15		20 000 000 000	27 486 119	27 486 119
					158 045 188	145 676 433
1957	3 ¹ / ₂	25	BFr	200 000 000	4 110 388	1 923 662
1957	3 ¹ / ₂	25		20 000 000	411 040	192 366
1962	5 ¹ / ₄	20		300 000 000	6 165 583	3 884 317
1963	5 ¹ / ₂	20		300 000 000	6 165 583	4 315 908
1968	6 ³ / ₄	15		750 000 000	15 413 957	15 413 957
1970	8 ³ / ₄	20		500 000 000	10 275 971	10 275 971
1971	7 ³ / ₄	15		700 000 000	14 386 360	14 386 360
1973	7 ³ / ₄	12		1 000 000 000	20 551 943	20 551 943
					77 480 825	70 944 484
1970	8	15	£ ⁽¹⁾	50 000 000	50 000 000	50 000 000
				carry forward	1 063 555 022	791 802 012

Annex I

CONTRACTED TO 31 DECEMBER 1973

Year of issue	Interest % p. a.	Term (years)	Initial amount		Balance outstanding at 31 December 1973 (in units of account)		
			in currency of loan	equivalent in units of account			
				Brought forward	1 063 555 022		791 802 012
1964	5	20	FFr	150 000 000	27 006 638		18 567 064
1971	8 ¹ / ₂	18		150 000 000	27 006 638		27 006 638
1972	7 ¹ / ₄	15		150 000 000	27 006 638		27 006 638
1973	7 ¹ / ₂	15		60 000 000	10 802 656		10 802 656
1973	7	7		50 000 000	9 002 213		9 002 213
1973	7 ¹ / ₂	18		150 000 000	27 006 638	127 831 421	27 006 638
1961	4 ¹ / ₂	20	Fl.	50 000 000	14 902 819		7 913 397
1961	4 ¹ / ₂	5		10 000 000	2 980 564		—
1962	4 ³ / ₄	25		6 000 000	1 788 338		1 001 469
1962	4 ³ / ₄	20		25 000 000	7 451 409		4 500 651
1962	4 ¹ / ₂	5		20 000 000	5 961 127		—
1963	4 ¹ / ₂	5		10 000 000	2 980 564		—
1963	4 ⁵ / ₈	30		1 750 000	521 599		348 726
1964	5 ³ / ₄	20		25 000 000	7 451 409		5 484 237
1965	5 ³ / ₄	20		40 000 000	11 922 255		9 552 707
1967	6 ³ / ₈	5		20 000 000	5 961 127	61 921 211	—
1957	3 ¹ / ₂	25	LFr	5 000 000	102 760		—
1957	5 ³ / ₈	25		100 000 000	2 055 194		1 157 854
1961	5 ¹ / ₄	25		100 000 000	2 055 194		1 516 166
1961	5	25		100 000 000	2 055 194		1 505 763
1962	4 ³ / ₄	15		300 000 000	6 165 583		2 466 233
1962	5 ¹ / ₈	15		250 000 000	5 137 986		3 978 707
1964	5 ³ / ₈	20		150 000 000	3 082 791		2 260 714
1971	6 ¹ / ₂	8		150 000 000	3 082 791		3 082 792
1971	7	15		250 000 000	5 137 986		5 137 986
1971	7 ³ / ₄	12		300 000 000	6 165 583		6 165 583
1972	6 ³ / ₄	12		300 000 000	6 165 583		6 165 583
1972	6 ³ / ₄	12		400 000 000	8 220 778		8 220 778
1973	6 ³ / ₄	15		300 000 000	6 165 583		6 165 583
1973	7	12		800 000 000	16 441 554		16 441 554
1973	7	15		800 000 000	16 441 554		16 441 554
1973	8	12		300 000 000	6 165 583		6 165 583
1973	8	12		200 000 000	4 110 389		4 110 389
1973	7 ¹ / ₄	15		(*) 500 000 000	10 275 971		10 275 971
1973	7 ¹ / ₂	8		(*) 250 000 000	5 137 986	114 166 043	5 137 986
1956	4 ¹ / ₄	18	SFr	50 000 000	12 979 562		1 297 956
1961	5 ¹ / ₄	5		9 000 000	2 336 321		—
1961	4 ¹ / ₂	5		2 290 000	594 464		—
1962	4 ¹ / ₂	18		60 000 000	15 575 475		8 566 511
1969	5 ¹ / ₂	18		60 000 000	15 575 475		15 575 475
1972	7 ¹ / ₂	12		50 000 000	12 979 562		12 979 562
1973	6 ¹ / ₄	15		80 000 000	20 767 300		20 767 300
1973	6 ³ / ₄	15		65 000 000	16 873 431		16 873 431
1973	7	7		75 000 000	19 469 344		19 469 344
1973	7 ¹ / ₄	5		50 000 000	12 979 562	130 130 497	12 979 562
1966	5 ³ / ₄	20	u.a. (2)	20 000 000	20 000 000		17 400 000
					1 517 604 194		1 172 300 966

(1) The European Monetary Unit (E) is a unit of account, the value of which is fixed invariably at DM 3.66 or BFr 50 or FFr 5.55419 or Lit. 625 or LFr 50 or Fl 3.62 depending on the choice of the holder.

(2) At present, this unit of account has the same value as that used by the former European Payment Union, as defined in Article 26 (a) of its Charter, i. e. 0.88867088 grammes of fine gold. This value could change under certain circumstances.

(*) Loans contracted in 1973 and paid out in 1974.

Annex II

ECSC BALANCE SHEET

All amounts are stated in Units of account and are equivalent of the
US \$ 1.18643 = DM 3.21978 = BFr 48.6572 = FFr 5.55419 = Lit 727.640 = LFr 48.6572

ASSETS

I — Disbursed Loans	1 189 404 772.96
II — Cash and due from Banks	265 391 434.90
III — Short and middle term placements	19 482 606.31
IV — Investments	67 446 062.54
V — Fixed assets	1.—
VI — Recoverable issuing costs	14 085 219.37
VII — Miscellaneous	41 681 025.59
VIII — Regularization account	34 211 546.34
	<hr/>
	1 631 702 669.01
	<hr/>
Memorandum accounts:	
I — Due on debentures	15 413 957.24
II — Enterprises' liabilities under guarantees	25 234 643.36
III — Contributions due from new Member States	31 406 998.—

Auditor's Note

Having examined the books, vouchers and documents of the bookkeeping and the explanations supplied to me, I herewith certify that the financial position of the European Coal and Steel Community as of December 31, 1973, is correctly and properly reflected in the above document.

Luxembourg, 7 June 1974

P. GAUDY
Auditor

AS OF 31 DECEMBER 1973

various currencies computed at the following rates for 1 unit of account:
 = Fl 3.35507 = SFr 3.85221 = Dkr 7.57831 = UK £ 0.51165 = Irish £ 0.51165

LIABILITIES

I — Loans		1 159 140 747.38
II — Reserves		
A — Guarantee Fund	112 000 000.—	
B — Special Fund	<u>90 000 000.—</u>	202 000 000.—
III — Allocations		
A — Financial Aid	144 260 482.63	
B — Other	<u>29 890 871.82</u>	174 151 354.45
IV — Former Pension Fund		26 521 121.43
V — Miscellaneous		37 159 309.25
VI — Regularization account		32 234 098.79
VII — Unallocated balance		496 037.71
		<u>1 631 702 669.01</u>
Memorandum accounts:		
I — Debentures to be paid	15 413 957.24	
II — Liabilities under guarantees	25 234 643.36	
III — Unallocated contributions from new Member States	31 406 998.—	

European Coal and Steel Community
 Commission of the European Communities

A. NICOLETTI
 Director-General
 of Credit and Investments

R. HACKER
 Director
 of Issues and Treasury

Explanatory notes to the Balance Sheet as of December 31, 1973

ASSETS

		<i>Units of account</i>
<i>I. Disbursed loans</i>		
A. Loans from funds borrowed		
— in US dollars	188 253 837.15	
— in German (W) marks	310 683 228.92	
— in Italian lire	145 137 102.78	
— in Dutch guilders	28 801 187.47	
— in French francs	119 177 737.87	
— in Swiss francs	105 290 210.04	
— in Luxembourg francs	79 165 453.44	
— in Belgian francs	49 641 711.13	
— in units of account	17 400 000.—	
— in EMU	<u>50 000 000.—</u>	1 093 550 468.80
B. Other loans		
— from Special Fund for the financing of workers' housing projects	80 633 101.18	
— from Special Fund for industrial redevelopment and reconversion	1 829 226.72	
— from funds allocated for readaptation	373 494.90	
— from funds allocated for research	2 376 354.66	
— Miscellaneous	<u>10 642 126.70</u>	95 854 304.16

IV. Investments

Total investments amount to 67 446 062.54 units of account.

V. Fixed assets

This item includes properties owned by the ECSC. These are:

1. a building in Paris (in co-ownership with the two other European Communities);
2. two buildings in London held by the Community on long-lease tenure;
3. a building in Washington.

The purchase prices of these buildings have been written off to a value of one unit of account.

VI. Recoverable issuing costs

The amount of 14 085 219.37 units of account represents the portion of issuing costs on current loans which has not yet been written off. These costs are recovered in annual instalments throughout the term of the loans.

VII. Miscellaneous

The total amount of 41 681 025.59 units of account consists of:

1. 2 950 380.97 due from debtors subject to the ECSC-levy;
2. 3 069 567.51 due from debtors various;
3. 35 661 077.11 funds earmarked for the payment of overdue coupons and drawn bonds.

VIII. Regularization accounts

This item consists of

1. 29 264 179.63 units of account interest and commissions receivable but not yet due on 31 December 1973;
2. 4 947 366.71 units of account ECSC-levy claimed over the month of December, and falling due after 31 December 1973.

LIABILITIES

I. Loans

Units of account

— in US dollars	188 253 837.15	
— in German (W) marks	336 927 258.03	
— in Italian lire	145 676 433.40	
— in Dutch guilders	28 801 187.47	
— in French francs	119 391 846.50	
— in Swiss francs	108 509 141.51	
— in Luxembourg francs	90 982 820.65	
— in Belgian francs	70 944 485.09	
— in units of account	17 400 000.—	
— in EMU	50 000 000.—	1 156 887 009.80

III. Allocations

A. Financial Aid

1. For readaptation

— commitments entered into for outright grants 106 615 871.43

2. For technical and economic research

— commitments entered into for outright grants 20 578 100.93

3. Assistance under Art. 56 (Industrial redevelopment and reconversion)

7 726 756.48

4. Assistance under Art. 54 (Industrial loans)

5 339 753.79

5. For coke

4 000 000.—

144 260 482.63

B. Other

29 890 871.82

IV. Former ECSC Pension Fund

This item totals 26 521 121.43 units of account. As of 5 March 1968 commitments for the payment of ECSC pensions were transferred to the Member States.

V. Miscellaneous

Of the total, a sum of 35 660 066.55 units of account refers to bonds and coupons due and commissions payable on them. The remainder of 1 499 242.70 units of account refers to miscellaneous credit accounts at the end of the business year.

VI. Regularization account

This item comprises interest and commissions payable but not yet due on 31 December 1973, totalling 32 234 098.79 units of account.

VII. Unallocated balance

The sum of 496 037.71 units of account under this heading represents unallocated excess of revenues over expenditures. Till July 1961 the claims and related sureties 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. The amounts pledged are:

— assets:

73 576 075.19 units of account under Item I,
106 476.31 units of account under Item II and
1 373 209.15 units of account under Item VII;

— liabilities:

73 576 075.19 units of account under Item I and
1 302 791.22 units of account under Item VI.

Annex III

ECSC REVENUES AND EXPENDITURES

(Including Revenues and Expenditures in con

All amounts are stated in units of account and are equivalent of the
US \$ 1.08571 = DM 3.66 = BFr 50 = FFr 5.55419 = Lit 625 = LFr 50

EXPENDITURES

A — Servicing of borrowing operations and guarantees		79 566 780.30
B — Budgetary expenditures:		
— Administrative expenditures	18 000 000.—	
— Expenditures for research	11 670 438.24	
— Expenditures for readaptation	5 081 990.37	
— Coke aid	425 500.—	35 177 928.61
C — Other expenditures:		
— Financial expenditures	456 107.21	
— Assistance under Art. 56	3 425 471.48	
— Assistance under Art. 54	1 438 693.19	5 320 271.88
D — Excess of revenues over expenditures		61 504 605.16
		<u>181 569 585.95</u>
		<u>61 504 605.16</u>
Excess of revenues over expenditures		<u>61 504 605.16</u>
New allocations to Special Accounts:		
Former pension fund	661 226.50	
Financial aid	33 645 509.53	
Guarantee fund	12 000 000.—	
Miscellaneous	11 882 380.67	
Unallocated balance	315 488.46	
Special reserve	3 000 000.—	61 504 605.16
		<u>61 504 605.16</u>

Auditor's Note

Having examined the books, vouchers and documents of the bookkeeping 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 1973 are correctly and properly reflected in the above document.

Luxembourg, 7 June 1974

P. GAUDY
Auditor

FROM 1 JANUARY 1973 TO 31 DECEMBER 1973

nection with Borrowing and Lending Operations)

various currencies computed at the following rates for 1 unit of account:
 = Fl 3.62 = SFr 4.0841 = Dkr 7.5 = UK £ 0.416667 = Irish £ 0.416667

REVENUES

A — Servicing of lending operations and guarantees		71 328 232.17
B — Levy		62 894 027.11
C — Other revenues:		
— Interest on deposits and investments	20 702 335.48	
— Contributions from new Member States	19 237 712.57	
— Miscellaneous	<u>7 407 278.62</u>	47 347 326.67
		<u>181 569 585.95</u>

European Coal and Steel Community
 Commission of the European Communities

A. NICOLETTI
*Director-General
 of Credit and Investments*

R. HACKER
*Director
 of Issues and Treasury*

**Explanatory notes to the Revenues and Expenditures of the ECSC for the period
from 1 January 1973 to 31 December 1973 (in units of account)**

REVENUES

A. The revenues on the servicing of lending operations and guarantees totalling 71 328 232.17 units of account, is broken down as follows:

Interest on loans	66 019 780.40
Guarantee fees	112 800.15
Miscellaneous	5 195 651.62

EXPENDITURES

B. The expenditures for the servicing of borrowing operations and guarantees totalling 79 566 780.30 units of account, is broken down as follows:

Interest on funds borrowed	66 615 309.87
Fees to agent banks	1 579 181.37
Amortization of recoverable issuing costs	11 060 735.28
Miscellaneous	311 553.78