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on the activities of the  
European Coal and Steel Community

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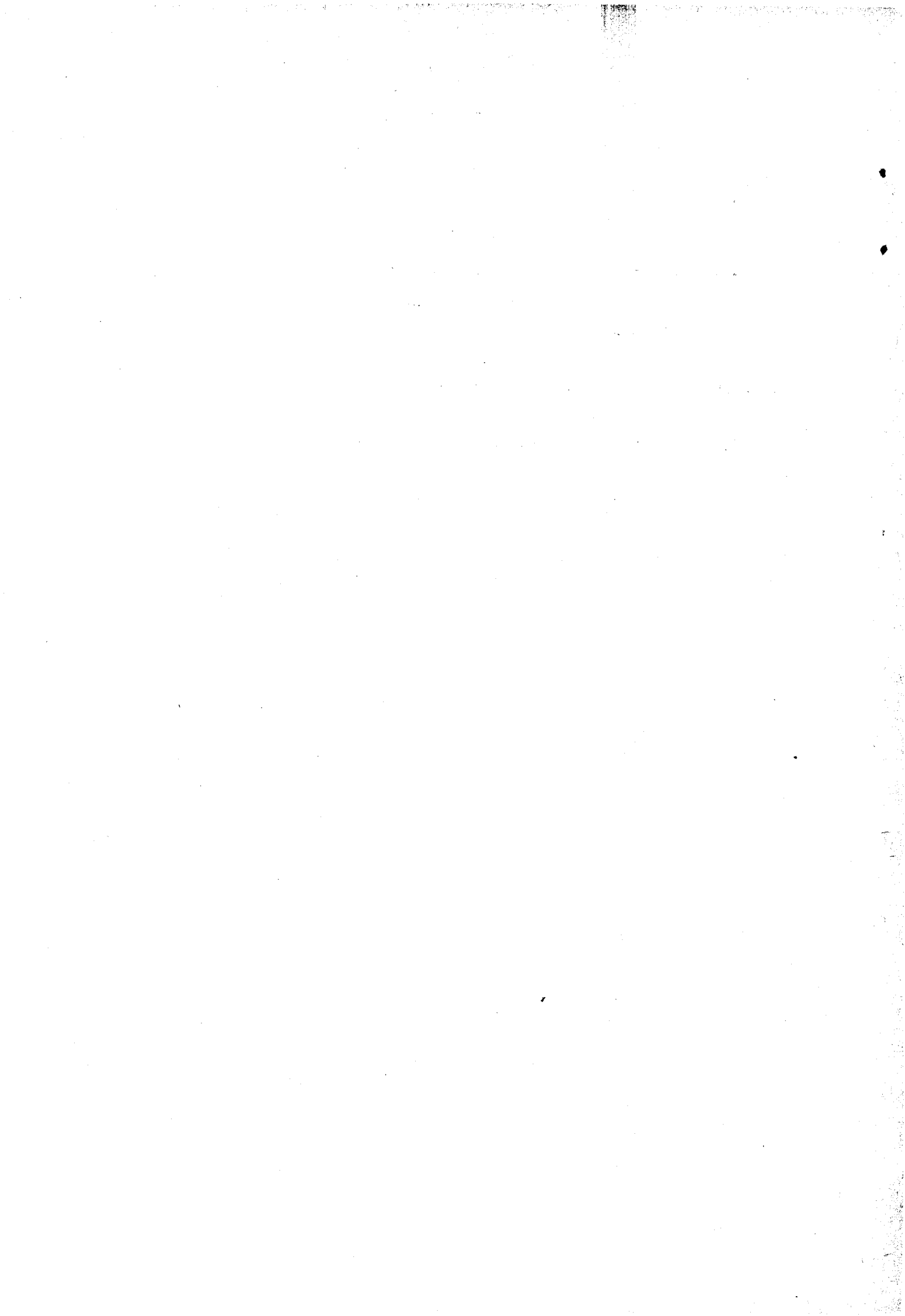
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CHAPTER ONE

THE INSTITUTIONS  
AND THE EXTERNAL RELATIONS  
OF THE COMMUNITY

Operation of the Institutions

1962 saw the resignation of two Members of the High Authority, Mr. Spierenburg and Herr Potthoff, and their succession by Herr K.M. Hettlage (appointed by the representatives of the Governments) and Mr. J. Linthorst Homan (co-opted). Of the present nine Members, three were appointed by co-option.

The Consultative Committee (Chairman, M. Eric Conrot) met seven times during the year 1962-63, and was consulted in connection with the Memorandum on the General Objectives for Steel and with the desirability of making grants in aid of technical research. The Memorandum on Energy Policy was discussed by the Committee.

The European Parliament (President Sig. Gaetano Martino) held eight Sessions, one of which was a joint Session with the Consultative Assembly of the Council of Europe (September 17-18, 1962), and one was devoted to an exchange, or "colloquy," with the Council of Ministers and the Community Executives (November 19-23). With regard specifically to E.C.S.C., the Parliament adopted Resolutions on the co-ordination of energy policies and its social implications, on the Tenth General Report on

E.C.S.C. activities, on the European Miner's Code, on transport as relating to E.C.S.C., and on the pit disaster at Völklingen and European action to improve safety in mines.

The Special Council of Ministers met eight times. Its discussions principally concerned the negotiations for the accession of third countries, energy policy, and the state of the Community market, and more particularly of the Belgian coal market. The Memorandum on Energy Policy drawn up by the Inter-Executive Working Party on Energy, of which a High Authority representative is Chairman, was laid before the Council on June 27, 1962.

There were also two changes on the Bench of the Court of Justice, Mr. R. Lecourt and Herr W. Strauss being appointed in succession to Judges Rueff and Riese. 36 appeals were lodged before the Court during 1962, of which 15, together with a case concerning a cautionary attachment, were against the High Authority. The Court delivered 14 judgments: these included, in cases relating to E.C.S.C., a dismissal of the appeal against the High Authority's refusal to authorize the proposed single coal-selling agency for the Ruhr (Case No. 13/60), a ruling upholding a High Authority recommendation concerning transport rates and conditions of carriage (Case No. 9/61), and judgments with reference to the implementation of the Treaty's rules on pricing (Case No. 16/61), free movement of third-country products in E.C.S.C. (Cases Nos. 9 and 12/60), and scrap (checking for origin; fraudulent practices under the price-compensation scheme).

Co-operation between E.C.S.C. and the other Communities continued through the Joint Services (the Statistical Office, the Information Service and the Legal Department) and through the Inter-Executive Working Parties on Energy and Transport. The main provisions in the remodelled Community Staff Rules and Regulations came into force in 1962.

External relations

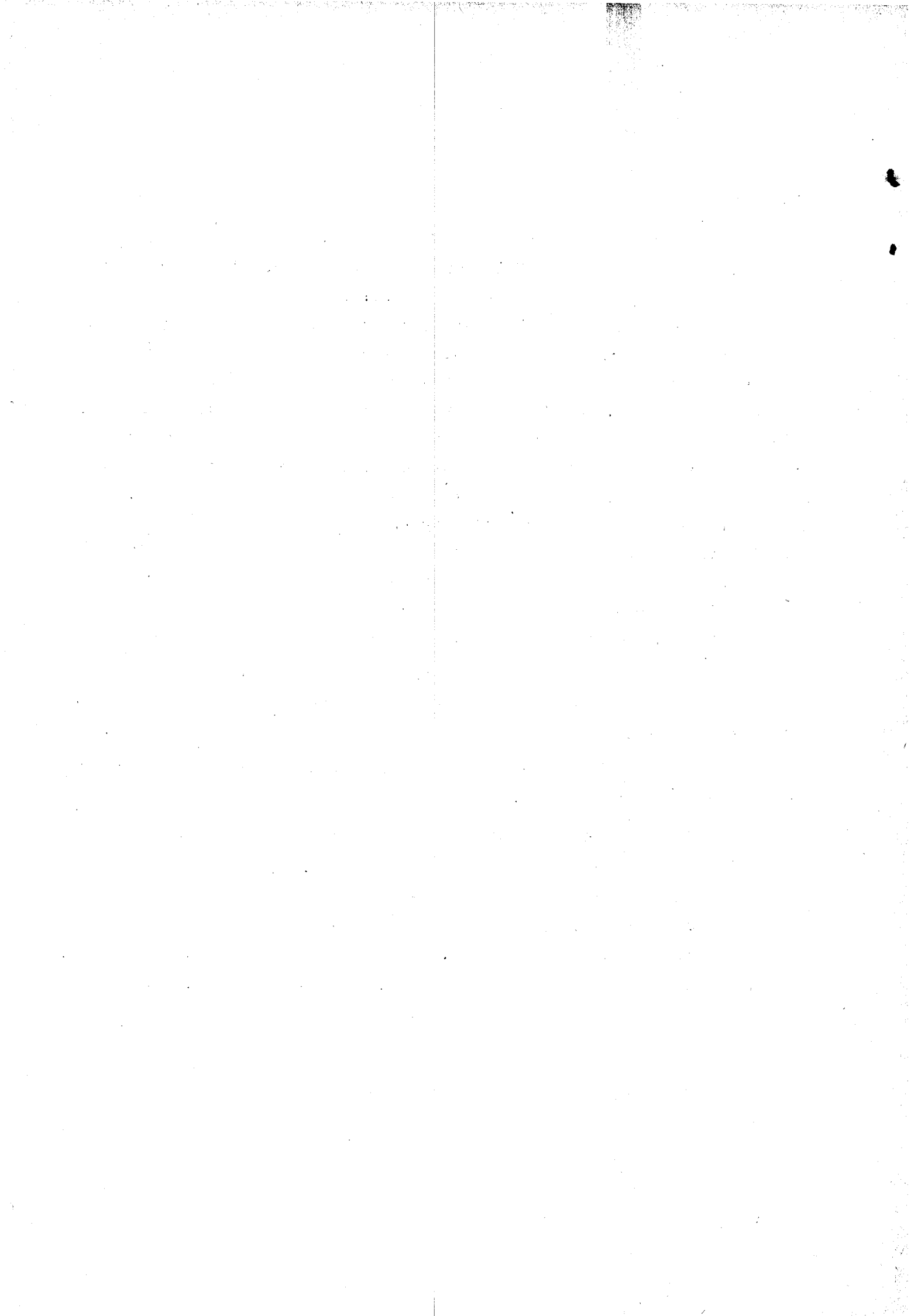
On February 28, 1962, the British Prime Minister informed the President of the Council of Ministers that his Government wished to open negotiations for Britain's accession to E.C.S.C. On June 12, the Council unanimously agreed that negotiations should begin: they were to be held in Luxembourg (in close co-ordination with the parallel talks in Brussels) between the six Paris Treaty Governments and the British Government on the basis of Article 98 of the Treaty, with the High Authority attending in an advisory capacity and having the right to speak. In the course of the negotiations, which went on for just under four months, the representatives of the Six agreed a list of "steel incompatibilities" to be eliminated by Britain upon entry, which was accepted in full by the British delegation on January 22, 1963. With regard to steel, the Six further worked out a draft solution to the problem of harmonized Customs duties, which was also submitted to the British team and accepted by them on the same date.

On January 29, following the deadlock reached in Brussels, the Luxembourg negotiations had likewise to be suspended. The coal side was still under discussion among the Six.

Applications for membership of E.C.S.C. were also received from the Danish and Irish Governments.

Several more countries established diplomatic missions to the High Authority, namely Ivory Coast, Upper Volta, Spain and Israel, while India installed an accredited representative.

The Report also mentions various developments as regards commercial relations with third countries and co-operation with the international organizations (the Council of Europe, O.E.C.D., I.L.O. and U.N.).





CHAPTER TWO

THE COMMON MARKET  
FOR ENERGY

Section 1: The state of the energy market

Short-term energy balance-sheets

It is the High Authority's annual practice, in co-operation with the other two European Executives, to submit an assessment of the market situation to date and outlook for the immediate future.

The latest of these reports, entitled La Conjoncture Energétique dans la Communauté, outlines the position as indicated by the figures for the first nine months of 1962, and gives forecasts for 1963.

The total primary-energy consumption of the Community increased in 1962 by 30 million metric tons hard-coal equivalent (+6.3%) to 509 million. This outstripping of the forecasts was due in part to the hard winter: consumption by private households was 13,200,000 metric tons higher than in 1961, and that by the power-station and transport sectors was also extremely high (+8,100,000 and +4,100,000 metric tons respectively).

Following this steep rise in 1962, consumption may be expected to return to a more normal level in 1963, with a rate of growth of approximately 4%. (This is the average rate for the Community: the national rates vary considerably, from 0.6-1.8% for Benelux to 7.7% for Italy).

With the run on energy, coal was in greater demand than before, but appreciably less so than oil.

Several points of note emerge from Table 2:

(1) there has been a contraction in the percentage represented by the iron and steel industry, as a result of the levelling-off in production and of technological improvements further reducing specific energy consumption. (The coke rate went down from 857 kg. per metric ton of crude steel in 1961 to 810 kg. in 1962.)

(2) the share of the transport sector in energy consumption continues to increase, more particularly in consequence of the expansion of road haulage and the extension of railway electrification and dieselization. Consumption of hard coal in the transport sector fell by almost 1,000,000 metric tons in 1962.

(3) consumption by the thermal power-stations went up in 1962, owing to the increase in the overall demand for electric current, and also to below-average water run-off conditions.

So much for demand: how does the position stand regarding energy supply?

Coal: the supply (production + imports) remains unchanged at approximately 250 million metric tons. The rise in productivity in the pits of the Community has not entirely offset the increase in the industry's labour costs. Oil: supply was plentiful. The share of the Middle East has diminished, from 77.1% in 1959 to 70.6% in 1960 and 65.3% in 1961, while that of Algeria has increased, from 7.1 in 1961 to 11.5% in 1962. Heavy fuel-oil prices have hardened. Electricity: installed hydro-electric capacity increased by 3% in 1962 and thermal capacity by 12%; they are expected to increase by a further 5% and 10% respectively in 1963. Gas: the supply of manufactured gas has fallen off, but that of natural gas is on the increase. Total availabilities in 1963 will be about the same as in 1962, namely approximately 550,000 Tcal., notwithstanding the extension of the pipeline network.

Table 1

Trend in Community primary-energy requirements 1961-63,  
by countries  
( '000,000 metric tons HCE)

	1961	1962 <sup>1)</sup>	1963 (forecasts)	Change in %	
				1962/61	1963/62
Germany (Fed. Rep.)	211.2	221.5	227.0	+ 4.9	+ 2.5
Belgium	34.02	36.24	36.45	+ 6.5	+ 0.6
France	125.9	133.6	139.9	+ 6.1	+ 4.7
Italy	70.8	77.2	83.1	+ 9.0	+ 7.7
Luxembourg	4.86	4.72	4.76	- 2.9	+ 0.7
Netherlands	31.77	35.51	36.14	+ 11.8	+ 1.8
Community	478.6	508.8	527.3	+ 6.3	+ 3.6

<sup>1)</sup> Estimated on basis of first nine months.

Table 2

Trend in Community primary-energy consumption 1961-63,  
by sectors

	'000,000 metric tons HCE			%		
	1961	1962 <sup>1)</sup>	1963 (forecasts)	1961	1962 <sup>1)</sup>	1963 (forecasts)
Iron and steel industry	54.5	53.7	52.9	11.4	10.5	10.0
Other industries	100.9	107.8	111.9	21.1	21.2	21.2
Transport	58.9	63.0	66.6	12.4	12.4	12.7
Households	97.3	110.5	111.7	20.3	21.7	21.2
Thermal power-stations	71.7	79.8	84.9	15.0	15.7	16.1
Hydro power-stations	40.0	37.9	41.0	8.3	7.4	7.8
Miscellaneous other consumers (not surveyed) and statistical adjustments	55.3	56.1	58.3	11.6	11.1	11.0
Total	478.6	508.8	527.3	100	100	100

<sup>1)</sup> Estimated on basis of first nine months.

Overall, the energy market has remained more or less in balance. Thanks to the weather conditions, the collieries succeeded in reducing their stocks by close on 7,000,000 metric tons, but the outlook continues uncertain.

Section 2: The long-term energy outlook

The Inter-Executive Working Party on Energy submitted to the Council of Ministers a study on the long-term energy outlook for the European Community.

This was the first time that analytical energy forecasts (covering quantities, prices and costs) had been worked out at European level.

The document is not intended to stand as an outline of economic policy: it simply sets forth all particulars likely to be of use in defining the scope and analysing the effects of the various possible energy policies. In this respect there is an obvious connection between the study and the Memorandum on Energy Policy which the Working Party also submitted to the Council: the study gives explanatory details concerning the hypotheses adopted, and some points in reply to the main questions asked by the Council as to the competitive capacity of European coal, possible subsidization arrangements, the oil supply position, the prospects with regard to nuclear energy, and so on.

1. Energy requirements

Given the high rate of growth forecast for the Community economy (4.6% a year for G.N.P.), overall energy requirements may be expected to increase by approximately 4% a year, from 460 million metric tons HCE in 1960 to 700 million in 1970 and close on 850 million in 1975.

Table 3

Community overall primary-energy consumption,  
1950-75, by countries

('000,000 m.t. HCE)

	1950	1955	1960	1965	1970	1975
Germany (Fed. Rep.)	129.0	180.9	205.3	239	282	338
Belgium	28.4	33.5	33.9	37	42	48
France	82.5	102.4	121.9	151	187	231
Italy	26.2	43.0	65.6	99	137	176
Luxembourg	3.0	4.9	4.6	6.1	6.6	7.1
Netherlands	20.0	25.2	30.1	38	46	56
Community	289	389	461	570	700	847

Table 4

Community overall primary-energy requirements  
1950-75, by sectors

('000,000 m.t. HCE)

	1950	1955	1960	1965	1970	1975
Primary-energy producers' own consumption and conversion and transmission losses (excl. electricity)	38.2	44.3	43.0	46.7	50.6	57.6
Iron and steel industry "	29.5	42.9	52.0	63.7	77.0	85.6
Other industries "	53.1	71.6	87.6	105.8	125.1	143.2
Transport "	37.6	48.8	59.0	79.8	101.9	127.6
Households "	61.1	86.1	96.5	115.5	133.0	150.5
Power-stations "						
(a) Hydro-electric, nuclear, etc.	19.7	28.8	42.6	48.3	62.1	80.7
(b) Thermal	50.0	66.5	80.6	110.1	150.5	201.8
Total	289	389	461	570	700	847

The sector-by-sector breakdown shows a substantial rise in the share of the thermal power-stations, the proportion forecast for 1975 standing at 23.9% as against 17.5% in 1960. The shares of the iron and steel industry and the household sector are expected to shrink slightly, and that of the transport sector to continue increasing (15% in 1975 as against 12.8% in 1960).

## 2. Share of Community coal

By 1970 or so coal will represent hardly more than one-third of total consumption; the share of Community coal in the coverage of requirements, therefore, will decline, even if the current level of production is maintained.

The competitive capacity of the Community collieries is already considerably impaired, given the present prices of the competing products, imported coal and fuel oil.

Even if we take it that the present disparities in competitive capacity will be corrected, and that the state of the market will return to a more normal level, resulting in a certain hardening of the prices of imported products, no long-term improvement is to be expected in the competitive position of the coalmining industry, since even assuming a steep rise in underground OMS (something like 70% in 15 years) the movement of wages is likely to send costs up fairly substantially.

## 3. Imported coal

The average price of imported American steam-raising coal is expected by 1970 to be between \$13.00 and \$13.50, and the price of American coking coal to be from \$14.50 to \$16.50 landed North Sea port, according to grade.

#### 4. Oil and natural gas

The price of Middle East crude, which accounts for over 80% of Europe's present oil supply, is likely to remain for some years at much the same level as at present. In the longer term, having regard to the trend in opening-up costs, the North Sea prices are expected to work out at \$17.00-19.00, which is appreciably higher than the present level.

Community production of natural gas is estimated to have increased more than fourfold since 1953. By 1975 it will be up to between 32,600 and 42,100 million cu.m., which with imports will bring total availabilities in that year to 53-62,000 million cu.m. (= 62-80 million metric tons HCE).

#### 5. Nuclear energy

The information available definitely suggests that large-capacity nuclear power-stations will in 1970 begin to produce at competitive rates. The contribution of nuclear electricity to the Community's energy supply in that year is expected to be 8 million metric tons HCE, and by 1975 it should be anything from 24 to 40 million, representing 3-5% of the total availabilities.

#### General conclusions of the study

The study outlines the different possible types of energy balance-sheet, all based on free choice for the consumer but assuming different degrees of assistance for the collieries and protection vis-à-vis imported energy.

Pattern of Community energy supply, 1960 and 1975

(% of total)

	Community production		Imports		Total	
	1960	1975	1960	1975	1960	1975
Hard coal	51	15-23 <sup>1)</sup>	3	11-5 <sup>1)</sup>	54	26-28
Brown coal	6	4	1	-	7	4
Oil	4	2	23	50-44	27	52-46
Natural gas	3	5-7	-	3	3	8-10
Water-power	9	7	-	-	9	7
Nuclear energy	-	3-5	-	-	-	3-5
Total	73	36-48	27	64-52	100	100

1) Under "Community production," higher figure is assuming a policy of maximum assistance for Community coal; lower figure is assuming no protection of any kind. Under "imports," the reverse applies.

Owing to the differing trends in the c.i.f. prices of imported products and in the production costs of Community coal respectively, the tonnage of Community coal which could be produced competitively in 1975 without assistance of any kind would be not much above half the present rate of production, despite the increase in energy requirements. Even given maximum assistance to the Community collieries, the share of imported energy will increase very considerably, to over 50% of consumption.

In view of considerations of security of supply and of social and regional factors, it is indispensable that assistance should be given to the collieries, to enable them to maintain their production and sales at a higher level than they would be able to do on the basis of the competitive capacity indicated by a purely economic analysis.



Section 3: The Memorandum on Energy Policy

The Memorandum on Energy Policy was drafted by the Inter-Executive Working Party on Energy in accordance with the instructions given to the High Authority and the E.E.C. and Euratom Commissions by the Ministers of the six countries, meeting in Rome, on April 5, 1962. It comprises the joint proposals of the European Executives for the definition of an energy policy.

1. Final set-up (from January 1, 1970)

The long-term objective is to secure a flow of energy supplies at the lowest possible price, and to establish the essential prerequisites for security of supply. This necessitates employing different methods for oil and for coal.

In the case of oil, the arrangements would include free movement and unrestricted importation of crude oil and petroleum products (except those coming from countries of the Eastern bloc, for which there would be a Community quota system), nil duties on crude oil and low duties on petroleum products in the common external tariffs, publication of prices charged for petroleum products, etc.

In the case of coal, arrangements would include

- (a) a system of Community assistance to internal production, which in view of the choice in favour of an open market for energy would be in the main a system of direct or indirect subsidization;
- (b) free movement of coal within the Community;
- (c) importation of coal from third countries without tariff or quota restrictions, except from countries of the Eastern bloc (see below);

- (d) a Community quota system in respect of coal from countries of the Eastern bloc;
- (e) relaxation of the mode of implementation of the provisions in Article 60 concerning publication of prices and conditions of sale, in order to arrive at equitable conditions of competition vis-à-vis oil;
- (f) regular consultation between the Governments and the High Authority on trends in the coal market;
- (g) definition of General Objectives and orientation of investment accordingly, as required by Articles 46 and 54 of the Treaty of Paris.

2. Transition period (January 1964-end 1969)

With regard to oil, the member States should refrain from taking any new steps which would run counter to the objectives fixed for the final set-up; a system of prior consultation would be organized. Stages would include establishment of the common external tariff for refined products (not later than January 1, 1964), reduction of turnover taxes on fuel oil, etc.

With regard to coal, the aim would be to organize a progressive replacement of the present system based on protection by a system based on subsidization. The subsidization arrangements would need to be worked out with a careful eye to maximum effectiveness. The consultations and decisions needed to ensure better co-ordination and harmonization of policies would take place before the transition period started.

The Memorandum proposes that a European Supporting and Redevelopment Fund for the Community energy sources should be set up, to be responsible, inter alia, for the Community-level financing of marketing subsidies and closure grants, and in the oil sector for promoting prospecting activities with a view to increasing security of supply.

3. Preparatory period (to December 31, 1963)

This period would be devoted to seeking to obtain agreement between the Governments and the Executives on

- (a) the principle of an open Common Market for energy;
- (b) the principle and maximum amount of assistance to internal production;
- (c) the principle of a supply policy;
- (d) the principle of special measures during the transition period (if necessary on a country-by-country basis);
- (e) the timetable for the different stages and the measures in respect of oil and coal, to dovetail with the establishment of the General Common Market, the voting procedures being based on those provided for in the Treaty of Rome.