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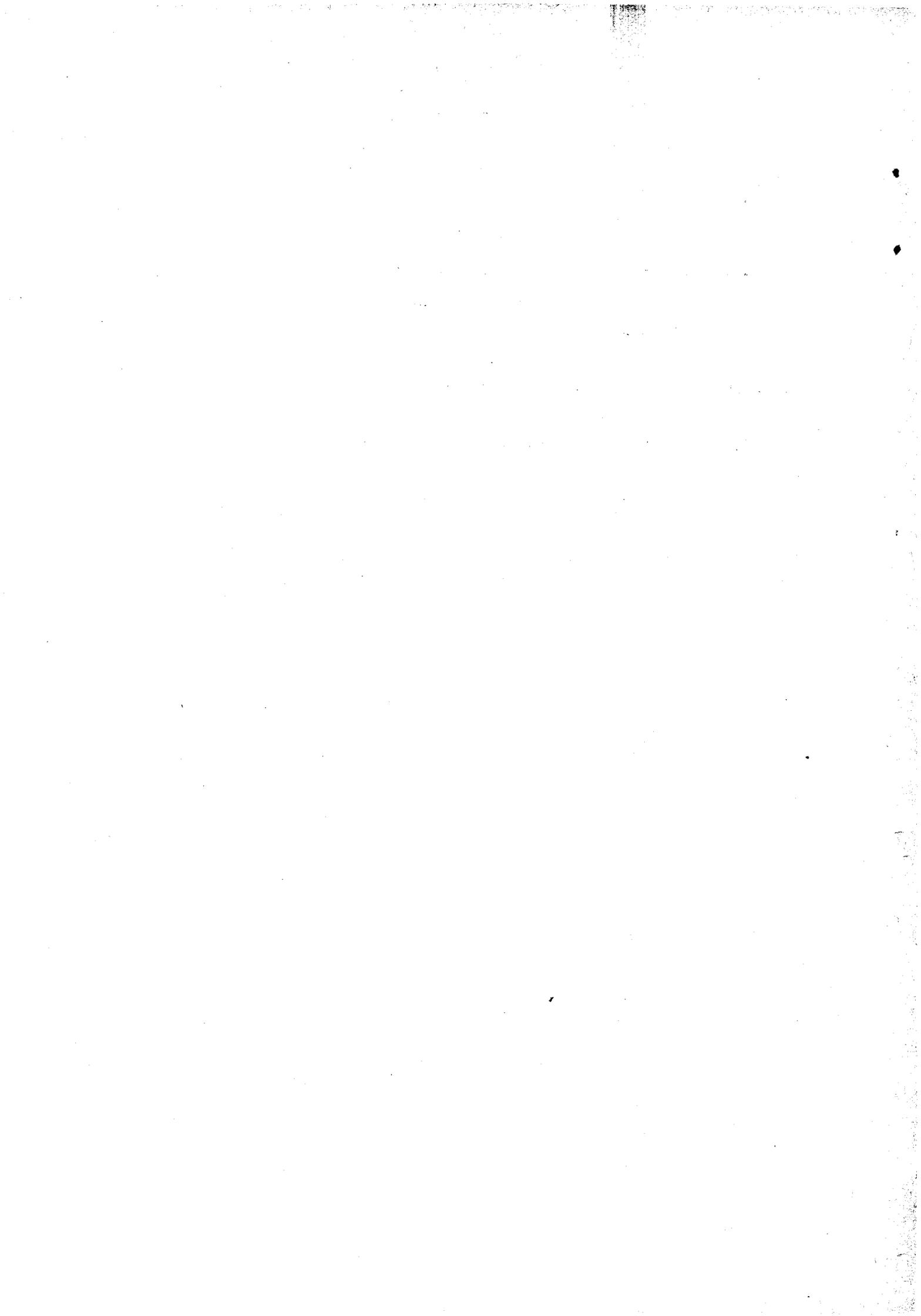
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CHAPTER ONE

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

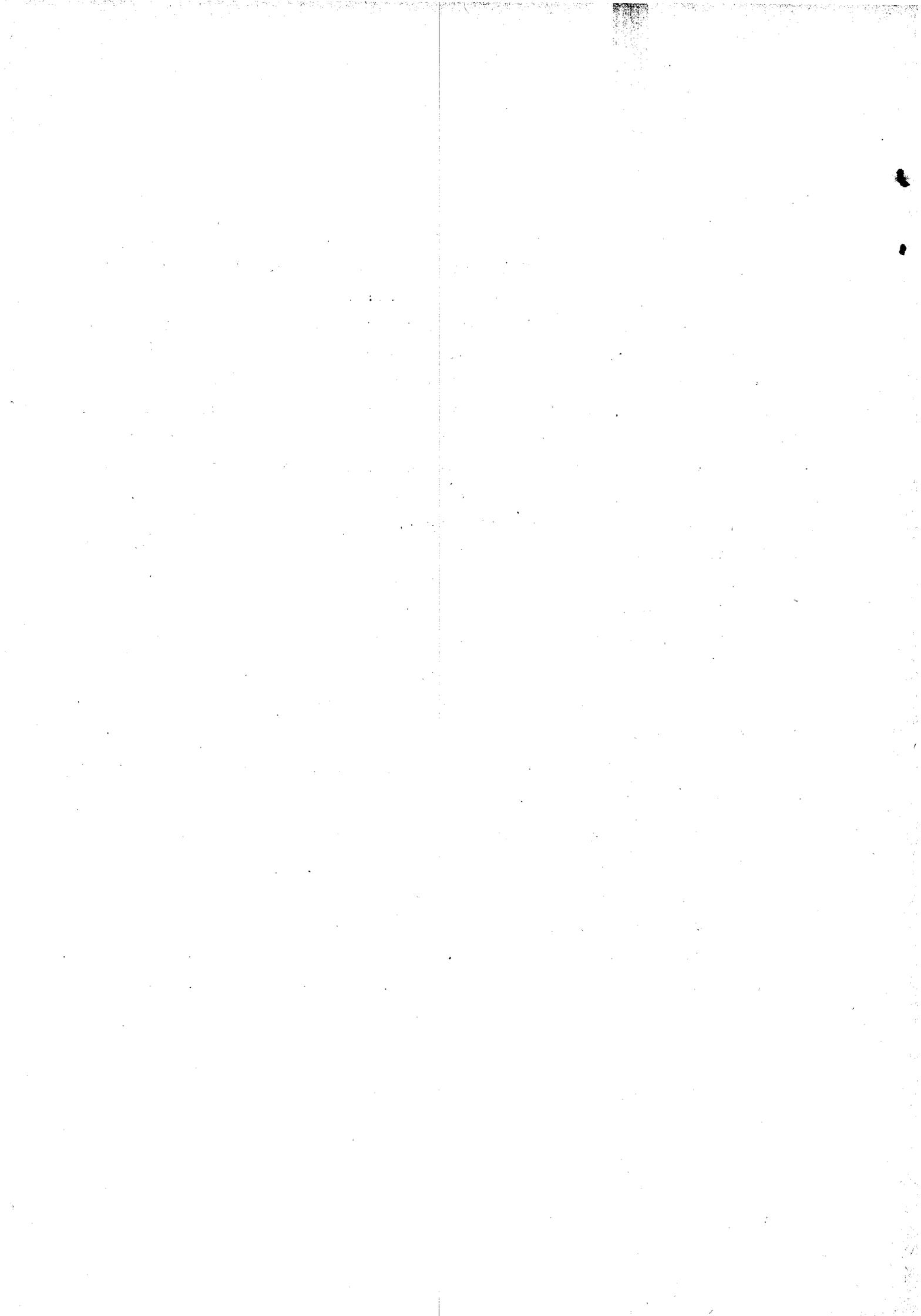
On February 28, 1962, the British Prime Minister informed the President of the Council of Ministers that his Government wished to open negotiations for Britain's accession to E.C.S.C. On June 12, the Council unanimously agreed that negotiations should begin: they were to be held in Luxembourg (in close 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 ¹⁾	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

¹⁾ 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 ¹⁾	1963 (forecasts)	1961	1962 ¹⁾	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

¹⁾ 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 ¹⁾	3	11-5 ¹⁾	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.

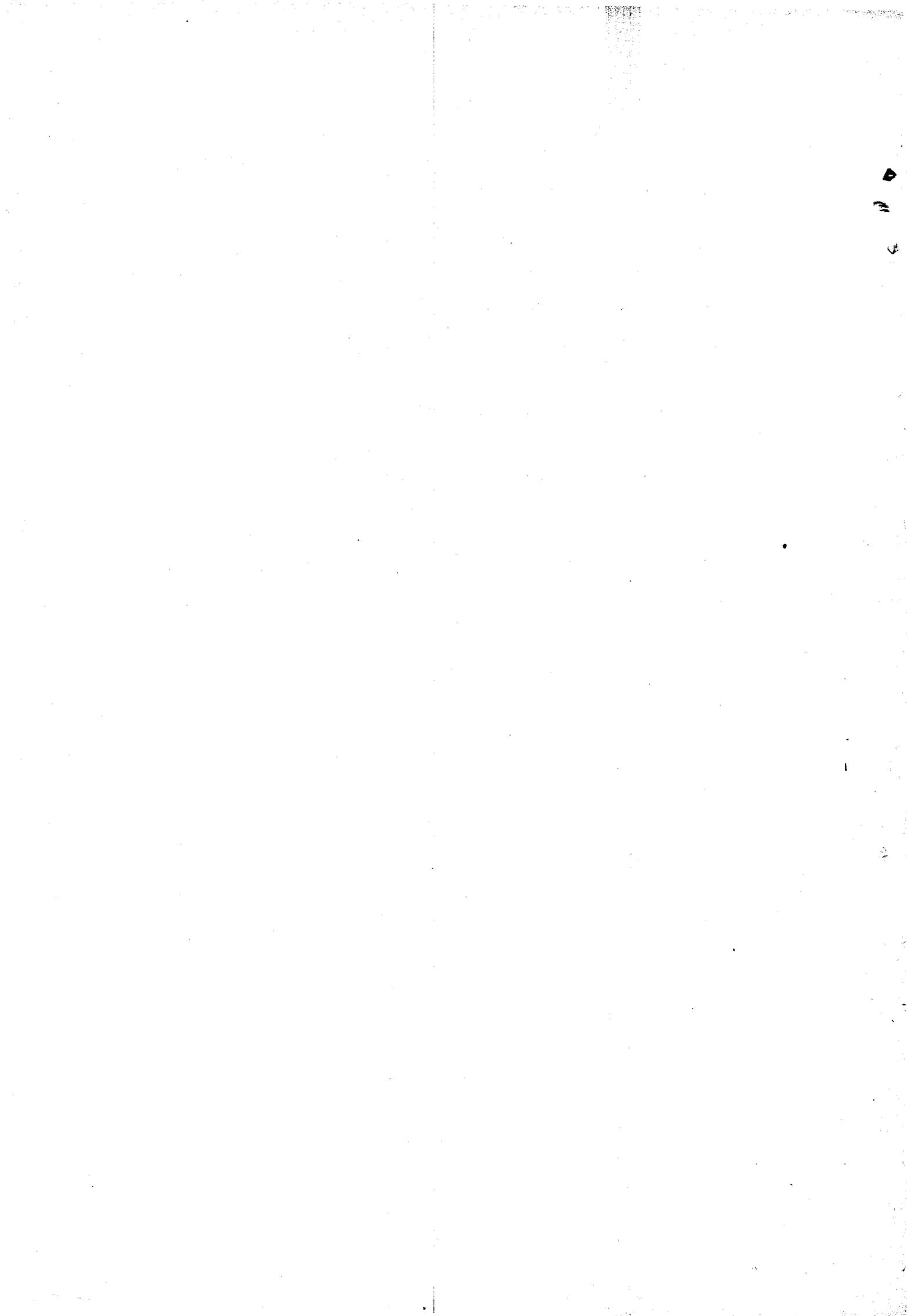
With regard to coal, the aim would be to organize a progressive replacement of the present system based on protection by a system based on subsidization. The subsidization arrangements would need to be worked out with a careful eye to maximum effectiveness. The consultations and decisions needed to ensure 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.



CHAPTER THREE

THE COMMON MARKET
FOR COAL AND STEEL

A. Trend in the coal market

The movement of the coal market in 1962 was not markedly different from that in the previous year.

Total supply remained the same, the decrease in Community production being offset by the increase in imports. Demand was higher than in 1961, owing to a rise in the requirements of the household and power-station sectors, largely in consequence of weather conditions: the need to continue heating well into the spring of 1962 caused a rise in domestic consumption and a reduction in dealers' stocks.

Apart from these exceptional circumstances, seen purely economically and technically coal consumption is gradually declining at about 2% a year. Given average weather conditions, the demand for coal is increasing only in one sector, namely the power-stations; it remains steady in the household sector, and is falling on all other fronts, including carbonization. In the carbonization sector consumption of coal is being affected by the levelling-off in steel production and the technological improvements in blast-furnace operating conditions.

Level of stocks

The balance-sheet for 1961 showed a decrease of 2,800,000 metric tons in pithead stocks of hard coal. In 1962, the position was expected to remain more or less unchanged, but in fact temperature and water run-off conditions resulted in a rundown of something like 8,000,000 metric tons, so that at the end of the year producers' stocks of hard coal amounted to only 16,800,000 tons, importers holding a further 5,200,000. Coking-plant stocks of coke-oven coke, on the other hand, stayed at 6,200,000 tons. Total producers' stocks (of coal and coke) worked out at 25 million tons HCE: this compares favourably with the 1959 peak of 42,500,000, but is nevertheless well above the highest level previous to 1959, namely 16,000,000 tons (in 1954).

It should, however, be noted that the proportion of the saleable grades put to stock has decreased considerably while that of low-grade products has risen. This being so, the grades most in demand, including in particular those for private households, had to be supplied from current production and not from stock.

Demand still declining slowly

In present economic conditions, internal Community demand for coal is showing a steady downward trend. The unusual weather during 1962 produced an upturn, so that total demand at the end of the year was 4,000,000 metric tons (1.5%) higher than in 1961; even so, however, this was some 4,000,000 tons (1.4%) lower than the peak figure recorded for 1957.

The divergence between the trends in industrial production and coal consumption continues, as may be seen from the following table.

1953 = 100

Year	Industrial production	Gross energy consumption	Gross hard-coal consumption
1953	100	100	100
1957	143	127	118
1959	157	128	103
1960	178	139	107
1961	199	144	105
1962	201	153	106

Production 1.3% down

The contraction in Community hard-coal production which has been in progress since 1957 continued further: production in 1962 totalled 227 million metric tons, or 1.3% less than in 1961. This was much the same reduction as for the year before, but this time it occurred in all the producer countries, except in France where production remained unchanged. In the Netherlands, where production had risen substantially between 1957 and 1961, there was in 1962 a drop of about 8%. Short-time working owing to lack of sales, which in 1961 had still represented a forfeiture of 1,200,000 metric tons, was discontinued altogether in 1962, except in the French Centre/Midi (where it affected only a very small tonnage) and in one or two pits in the Ruhr.

Hard-coal production, by countries

'000 m.t.

Country	1953	1956	1959	1961	1962	Change 1962/61	
						m.t.	%
Germany (Fed. Rep.)	140,889	151,497	141,833	142,741	141,136	- 1,605	- 1.1
Belgium	30,060	29,555	22,757	21,539	21,218	- 321	- 1.5
France	52,588	55,129	57,606	52,357	52,360	+ 3	
Italy	1,126	1,076	735	740	693	- 47	- 6.4
Netherlands	12,297	11,836	11,978	12,621	11,573	- 1,048	- 8.3
Community	236,961	249,092	234,908	229,998	226,980	- 3,018	- 1.3

The simultaneous decrease in the underground labour force and increase in output per man/shift continued at almost the same rate as in the previous year.

The number of underground workers employed fell by 33,600, or 6.7%, the total thus standing at the end of 1962 at 471,000, as against 504,700 at the end of 1961 and 608,600 at the end of 1959. The greatest reduction was in Belgium, with 9.7%, and the smallest in France, with 2.8%: the figure for Germany was 7.8% and for the Netherlands 4%. The shortage is being felt everywhere, and is in some countries impeding the improvement in productivity.

Community underground OMS continued to rise, the average now working out at 2,174 kg. The average increase in 1962 was 5.6%, a little lower than in 1961 when it was 7.4%.

In France and the Netherlands, where increases had already been achieved in previous years, output again rose, in France by 2.3% to average 1,922 kg. and in the Netherlands by 0.7% to average 2,070. This

represents a new and improved level for these countries, following advances in mechanization during the last few years and the introduction of the five-day week in the Netherlands mines.

In Belgium, the shortage of skilled labour continued to hamper efforts to raise productivity: the rates of increase for the last three years have been successively 13.6%, 8.7% and 6.1%, a notable slackening-off.

Germany (F.R.) has the highest OMS in the Community, 2,372 kg., representing an increase of 7.5%: further mechanization is in progress, and winning is being concentrated on the richer seams.

Imports 23% up

Imports from third countries rose substantially in 1962, to a total of 23,100,000 metric tons: this is 4,300,000 tons, or 23%, more than in 1961. The increase affected imports from all four of the Community's main outside suppliers, the United States, the United Kingdom, the Soviet Union and Poland, and all the Community importer countries increased their total outside procurements, though in differing degrees.

'000 m.t.

Importer country	1953	1956	1959	1961	1962	Change in % 1962/61
Germany (Fed. Rep.)	5,045	13,682	5,956	5,652	6,940	+ 12.3
Belgium	1,135	2,838	1,437	830	1,258	+ 51.6
France	1,615	8,804	2,236	2,361	2,964	+ 25.5
Italy	4,235	7,634	6,352	6,751	8,241	+ 22.1
Netherlands	1,803	5,120	3,336	3,207	3,737	+ 16.5
Community	13,839	38,116	19,316	18,801	23,140	+ 23.1

Exports also up

Exports of hard coal and coke rose by 1,000,000 metric tons, or 13.5%, to total 8,360,000 tons. (The 1954 figure was 13,500,000 tons). The increase was practically entirely in shipments by Germany. The Community's largest customers were Switzerland with 1,880,000 metric tons, Austria with 1,580,000, Sweden with 1,210,000, and Denmark with 1,070,000.

Changes in intra-Community trade

Trade in hard coal and hard-coal briquettes reached about the same overall volume as in 1961, namely 20,700,000 metric tons.

Germany is still the biggest supplier of Community coal (14,600,000 metric tons) and France the biggest buyer (8,290,000). A country-by-country analysis shows, however, that some changes have occurred in the trade currents, more especially as regards deliveries by Germany. Thus

German sales to Belgium and the Netherlands have increased substantially, partly as a result of the relaxation in the partial "isolation" of the Belgian coal market; deliveries of Community coal to Italy, on the other hand, which began to fall off in 1960, declined still further in 1962 owing to the drastic price cuts Community producers have to make to sell in Italy in competition from third-country coal. Italian imports of Community coal dropped from 3,400,000 metric tons in 1961 to 2,600,000 in 1962, i.e. by 23.4%.

Prices and tariff protection

In 1962 as in 1961, producers in computing their sale prices had to take account of two factors, the upward thrust represented by the all-round rise in wages, which was only partially offset by improved productivity, and the downward pressure of competition from other energy sources and from third-country coal.

Overall, the producers were anxious to keep their prices steady in those consumer sectors where competition from liquid fuels was keen, and to obtain the necessary increase in revenues from sales either to the "specific" sectors (e.g. coking plants) or to sectors in which thanks to exceptional circumstances demand was outstripping supply (private households).

The simultaneous fall in the c.i.f. prices of third-country coal would undoubtedly have affected the Community producers' sales had steps not been taken to protect the most exposed markets.

In view of these protective arrangements, it seems unlikely that the price increases in the coal market during 1962 will make much difference to the producers' sales potential or to the usual flows of

trade. On the other hand, the rise in the price of the household grades may well, in the medium term, encourage the switch to oil in this sector, with the result that coal will begin to lose ground there as rapidly as coke has been doing since 1957. As for the industrial grades, and the "specific" grades in particular, the price increases are not being followed by any slackening in demand, but in this sector, in which availabilities of third-country coal could reach quite substantial proportions, the increases were introduced behind tariff and quota protection.

More frequent price alignments

Most of the increases in coal prices in 1961-62 were pretty much the same in all coalfields, and consequently resulted in little change in alignments within the Common Market.

In all, E.C.S.C. producers sold approximately 10 million metric tons, or about 4.3% of total production, by alignment on lower quotations by their competitors, as against 9,300,000 tons in 1961. More than half of these sales represented alignments by the Saar on Ruhr delivered prices to Southern Germany. The Belgian producers sold 3 million tons by alignment on the prices of the Ruhr and the Netherlands collieries.

On the other hand, competition from third country fuels, notwithstanding tariff and quota protection, became keener during 1962, and in consequence there was an increase in sales by alignment, which totalled 9 million metric tons as against 8 million in 1961. This represents 3.9% of production and 4.7% of sales. The Belgian producers were obliged to align 19.2% of their sales on quotations from third countries; for the other countries, however, the figures were much lower, 2.7% for the Netherlands, 4% for Germany, and nil for France.

B. The reconstruction of the coalmining industry

Although the sales trend in the Common Market in 1962 was in general more favourable than could have been expected, the Community coalmining industry pushed firmly ahead with the rationalization measures it had adopted in and after 1957. As in previous years, further progress was made towards adjusting coal production to demand and at the same time making the industry more competitive.

The main rationalization and reconstruction measures have included the following.

1. The average underground OMS of the Community, which in 1958 had been only 1,598 kg., has been steadily increased and in 1962 stood at 2,174 kg. There was a 4.6% increase over 1961: this rate is admittedly not as high as that for 1959-60, which was 9 or 10%, but it is nevertheless very much higher than anything achieved before 1958, when the figure was about 1.5-2% a year.
2. In view of the shrinkage in the underground labour force, which has been proceeding at a rate of something like 7-10% a year since 1958, the industry has pressed on with the mechanization of coal-winning operations. Whereas in 1958 only 27% of total coal production came from fully-mechanized workings, in 1962 the proportion was 55%.
3. The number of pits in operation in the Community decreased further in 1962 by 12, from 291 at the end of 1961 to 279 at the end of 1962. The number has been reduced since the end of 1957 by 30% and since the end of 1953 by about 60%.
4. As a result of the closures which have taken place in the last few years and of the concentration of adjacent pits, the Community pits now in operation are fewer but, in many cases, larger and more productive. Average net daily production per pit has risen from 2,115 metric tons

in 1957 to almost 3,000 in 1962, an increase of 41%. The average size of Community pits has increased by at least 74% since 1953.

5. Nevertheless, the Community coalmining industry must continue with its drive for both "positive" and "negative" rationalization in all fields of underground operation. In addition, in the case of pits proving economically viable, it must carry on an intensive recruitment campaign for underground personnel.

The industry must do its best to retain the underground workers from the pits which have to be closed: that is to say, it must encourage them as far as possible to sign on at other, viable collieries. It must also recruit more new workers, if necessary from third countries. In both cases, it is of the greatest importance to recruitment that good housing accommodation should be available within easy reach of the pits.

C. The High Authority's work concerning coal

1. Special action on behalf of Belgium

In view of the seriousness of the situation and the need to push on with the reconstruction drive -- and, in particular, to effect the necessary closures without undue disturbance to social conditions -- the High Authority continued the partial isolation of the Belgian coal market throughout 1961 and 1962. The forecasts for 1963, however, indicated that this would no longer be necessary, and indeed would not really be the answer to the problems arising. From January 1, 1963, therefore, the Belgian coal market was restored, for trade purposes, to its position as part of the Common Market. (This had already been done in respect of the household grades on August 1, 1962).

However, since the reconstruction process must continue, by other means, and since the Belgian Government considers that the state of the Belgian coal industry requires drastic structural reform, the High Authority and the Belgian authorities are discussing the compatibility with the Treaty of a joint administrative Board with powers of decision and control in respect of prices, production programming and joint selling.

In this connection, the Belgian Government has undertaken to specify by name the pits to be closed in 1963 under a schedule providing for the abandonment of capacity representing a total of 2,000,000 metric tons, and to see to it that when completed, these closures represent a reduction of annual production by not less than 800,000 tons. It has further been agreed that the Belgian Government is to carry on the reconstruction beyond 1963 in accordance with an overall programme to be drawn up and submitted to the High Authority during the first quarter of 1963.

2. The German "shift bonus"

Since the Court of Justice delivered judgment on February 23, 1961, concerning the financing of the shift bonus for miners, the High Authority and the Federal Government have been seeking a compromise whereby this arrangement could be rendered legally acceptable and not rank as an unlawful subsidy. At the end of 1962, the Federal Government announced that a Cabinet decision had been taken that the Act instituting the bonus was to be amended requiring collieries to refund the amounts paid over by the authorities for the bonus.

The Report describes the arrangements approved by the High Authority in respect of imports of third-country coal into Germany: these provide for a duty-free quota of six million metric tons, the duty payable on amounts above this figure remaining fixed at DM. 20.00 per ton.

Lastly, the Report lists the various steps taken by the High Authority in connection with the trading regulations of joint coal-selling agencies in Germany and in Belgium.

D. The Common Market for steel

General state of the steel market

Though 1962 was marked by a certain slackening in activity, the Community steel market continued to move steadily towards greater internal unity (characterized by expansion in intra-Community trade exchanges and price interpenetration), while at the same time developing an increasing sensitivity to competition from third countries, owing to rising imports, which was expressed in a tendency to align on world prices.

As against this trend in demand, the expected increase in capacity continued, with the result that the position became recognizably that of a buyer's market in the making. With the iron and steel industry now in possession, thanks to revolutionary technological advances, of increasingly powerful and efficient production plant, it appears unlikely that there will be any change in this situation in the near future.

Keener competition

The consequent sharpening of competition was reflected in a 7.5% increase in orders placed in Community countries other than the consumer's own, and still more in increased price interpenetration, by the rise in the proportion of tonnages sold by alignment in part or in full on the lowest price-schedules in force in the Community.

But one of the most important developments of 1962 is that the Common Market for steel has now come to be more and more under the influence of third-country competition. Not only did Community steel exports drop by 10% owing to competition from other world exporters, but this third-country competition has begun to make its effects felt within the Community too, more especially with regard to semi-finished products, such as coils, but also in respect of finished products and special

steels, such as stainless sheet. Imports increased overall by 25%. At the same time, the Common Market is feeling the impact of world prices, in consequence of the alignment of Community sales on quotations from third countries: towards the end of the year these alignments were reaching such proportions that the High Authority was obliged to issue a reminder as to the Treaty's requirements in this respect.

High Authority guidance

The High Authority's object in its market guidance activities was, and will continue to be, to help ensure that production is tailored as closely as possible to the movement of real demand. Where the two fail to correspond, the result is unduly sharp variations in the volume of steel production, which have adverse effects on regularity of employment and efficient utilization of capacity.

Steel production

1962, like 1961, was an average year for the Community iron and steel industry, but a rather weaker one owing to the sag in exports during the second half of the year. Crude-steel production totalled only 72,700,000 metric tons as against 73,200,000 in 1961 and 72,800,000 in 1960: the decrease from 1961 to 1962 represents 0.7%.

A breakdown by countries shows an increase of 5% for the Netherlands, 4% for Italy and 5% for Belgium (though in this last case it must be borne in mind that the 1961 production figures were affected by strikes); in Germany and Luxembourg, on the other hand, production dropped by 3%, and in France by 2%.

The share of flat products in total production, which had gone down in 1961 to 45.1%, increased again in 1962 to 47%, as compared with a previous maximum of 46.6% in 1960.

Real consumption

The real consumption of the Community consumer industries continued to rise, but more slowly, the increase being only 3% as against 7% from 1960 to 1961. This contrasts with the movement of general industrial production, the rate of growth in which went down only from 6.6% in 1961 to 6.0% in 1962.

Slight decline in orders

Orders from all sources totalled 52,100,000 metric tons as against deliveries of 53,100,000. The net decrease in orders in hand was thus 1 million tons. Delivery dates shortened to an average of slightly less than two months at the end of 1962. The drop in orders may influence producers to sell from stocks, if it is felt that there are indefinite prospects of speedier deliveries than were possible during the long post-war period when demand usually stretched capacity to the utmost.

Record level of internal trade

The proportion of total Common Market orders represented by tonnages ordered from one Community country by another reached the new record figure of 21.7%, as against the earlier record of 20.2% for 1961. The general economic situation resulted in increased competition within the Common Market: in particular, plants which formerly sold a large part of their production in the world market turned more and more, owing to the slack state of business there, to selling within the Community.

Deterioration in trade with third countries

The Community's external trade position deteriorated somewhat in 1962.

Community exports of Treaty semi-finished and finished products were running in 1960 at 10,800,000 metric tons: in 1961 they still reached 10,500,000, but in 1962 they fell to 9,300,000.

The Common Market, thanks to the economic vitality it has all along displayed and the potential openings it offers, is undoubtedly being viewed with increasing interest by all producers in search of new outlets in a world in which iron and steel production capacity is now more than adequate to meet demand. While the Community's exports fell, then, its imports rose, reaching 2,300,000 metric tons in 1962 as against 1,900,000 in 1960 and 1961. Some imports of ingots and traditional semis decreased; imports of coils, on the other hand (in particular for rerolling in the Community), increased sharply, even though the Community's own capacity for coils is not being fully utilized.

One new development in 1962 was the appearance in the Common Market of a larger and larger range of products from third countries (including in particular the Eastern European countries, Japan and the United Kingdom) which had previously sent in the main only coils, tinplate and certain special qualities of sheet.

Prices affected by world competition

Prices in the Community markets were more affected by third-country competition in 1962 than in the preceding years. It was not so much that the official schedules had to be changed, as that there was a greater tendency to align the prices charged on lower E.C.S.C. schedule prices or on quotations from third countries.

The most important development as regards the published schedules was the increase in French prices, which considerably reduced the disparity between these and the prices charged in the rest of the Community. After a number of upward adjustments had been made early in the year in the extras and in the basis prices for certain products, an all-round increase, which had long been felt to be necessary, was introduced in August, ranging from 2.75% to 7.3% according to product, and averaging 4.5%.

As a result of the keener competition, alignment on third-country quotations was practised on a larger scale than in any previous year.

Competition in the export markets among the steel producers of the different countries sharpened appreciably, so that prices went down steadily during the year. Those of reinforcing rods, other merchant steels, sections and wire rod were particularly affected, while those of flat products, such as hoop and strip, heavy and medium plate, and sheet, were rather less so. On an arithmetical average, the prices of these products have declined by something like 34% from the boom level of 1960. The keener competition in the export markets (which is not due to any shrinkage in world demand) has led to a reduction in the Community steel-works' share in world imports as a whole.

E. The High Authority's work concerning steel

The Report first deals with the winding-up of the scrap-price compensation arrangements, which went ahead in 1962. The High Authority at the same time took further steps for the recovery of the sums fraudulently drawn by scrap dealers: the investigations, which were conducted in co-operation with the national authorities, led to several prosecutions and civil actions before the courts of various Community countries.

The High Authority followed with the greatest attention the development of the position regarding price alignments on third-country quotations towards the end of 1962. It was felt that these were coming to be practised on such a scale as to amount to an abuse of the possibilities allowed under Article 60 of the Treaty: whereas in 1961 the monthly average tonnage sold by alignment was only 38,000, as against an average 160,000 tons actually imported monthly from third countries, the figure for December 1962 was 354,000, as compared with imports of 200,000 tons.

The High Authority was reasonably entitled to conclude (and had, moreover, definite documentary evidence to support the conclusion) that this abnormal alignment rate pointed at the very least to insufficient examination as to whether the alignments in question really were to meet competition from third countries -- if not actually to blatant malpractice. It accordingly published in the Official Gazette an announcement that it intended to enforce stricter observance of the rules concerning alignment on Community quotations.

Imbalance between supply and demand

The High Authority also felt it to be its duty under Article 46 of the Treaty to draw the attention of the steel producers' and workers' representatives to the state of affairs and probable effects resulting from the imbalance between supply and demand in certain sectors. It pointed out that if the situation observed at the end of 1962 were to continue, undesirable repercussions were likely to ensue, including quite possibly a decline in the wage level and a curtailment of investment.

Unfairly-priced imports

The High Authority requested the Co-ordinating Committee of the Council of Ministers to set up an ad hoc committee to consider what action could be taken against unjustifiably low quotations from third-country suppliers which could be shown to be having disruptive effects on the market. The Committee at its meeting on January 24, 1963, duly did so.

Publication of steel dealers' prices

There has been a steady growth in activities by dealers in the Common Market. Firms of this type do not come directly under the Treaty's provisions concerning price publication and non-discrimination, and cannot be compelled to observe these rules except through the producers. As a result, market transparency in the steel sector is diminishing as interpenetration progresses, and it is becoming possible to circumvent the provisions of Article 4 and Article 60. The High Authority therefore issued an official notice to the iron and steel enterprises reminding them that they are expected to require their middlemen, when dealing direct with consumers, to observe the pricing rules of the Treaty.

F. Cartels and concentrations

1. Cartels

1) Ruhr coal-selling agencies

The judgment delivered by the Court of Justice on May 18, 1962, an outstanding event in the field of cartels, finally settled the long

dispute between the High Authority and the Ruhr mining companies, the Court finding that the establishment of a single Ruhr coal-selling agency was incompatible with Article 65 of the Treaty. This meant that for so long as the Treaty was not amended by a "major revision," the High Authority was not entitled to endorse the setting-up of such an agency. Accordingly, the High Authority, by Decision No. 6/62, of June 6, 1962, ruled that the transitional arrangement in force should come to an end on the completion of the current coal year, i.e. on March 31, 1963.

On November 24, 1962, the Ruhr collieries applied to the High Authority for the authorization of agreements providing for the establishment of two coal-selling agencies.

2) Belgian coal-selling agency

By Decision No. 1/63, of January 16, 1963, the High Authority granted authorization for the period February 1, 1963-December 31, 1965 in respect of joint-selling agreements concluded by certain of the Belgian collieries affiliated to the Comptoir Belge des Charbons ("Cobechar").

The aggregate production of the Cobechar collieries in 1961 represented approximately 77% of Belgian coal production and 7.2% of total Community production. The first percentage comprises 51% of the total production of the Campine coalfield and 98% of that of the coalfields in the south of the country.

Five collieries remain independent of Cobechar.

3) Oberrheinische Kohlenunion

The High Authority extended up to March 31, 1967, its authorization of joint buying of fuels by coal wholesalers in Southern Germany affiliated to the Oberrheinische Kohlenunion (O.K.U.).

4) Specialization and joint-selling agreements

By a Decision of July 11, 1962, the High Authority authorized agreements between the two German iron and steel enterprises Salzgitter and Peine concerning specialization in and joint selling of wire rod.

2. Concentrations

By a Decision of April 25, 1962, the High Authority authorized the joint launching by nine Belgian, Luxembourg and French firms of a new steel concern, Sidmar, to be established near Ghent, Belgium. Authorization was given, however, on condition that the new enterprise's production of finished products would consist exclusively of wide strip and other flats.

This was the first time the High Authority had been called upon to take a decision under Article 66 in respect of a joint venture, since previously such projects were not regarded as coming within the terms of Article 66,1. From now on, enterprises must expect the High Authority to consider the Article as applying to joint ventures for the production or processing of Treaty products, which would be liable to affect competition in the Common Market.

On October 10, 1962, the High Authority authorized the Società Falck, of Milan, to acquire part of the registered capital of Sidmar, and hence a share in the control of the venture.

Other concentration operations on which decisions were taken included

- (a) concentration of Capito und Klein with Krupps;
- (b) acquisition of a majority interest in Bedel, Paris, by Marine;
- (c) acquisition of 50% of the shares in Breda Siderurgica by Fiat, Turin;

- (d) acquisition of shares in Süddeutsche Drahtverarbeitungswerke by Klöckner-Werke.

The total number of cases examined by the High Authority under Article 66 up to January 31, 1963, was 180, of which 68 had been taken up by it on its own initiative. In 6 cases authorization was granted; in a further 40 it was decided that Article 66 did not apply.

Spot-checks on enterprises

During the period under review, disciplinary proceedings were instituted on the basis of High Authority inspectors' reports in five cases in the coal sector and in thirteen in the iron and steel sector.

TRANSPORT

The outstanding event in the transport field was unquestionably the judgment delivered by the Court of Justice on July 12, 1962, concerning the appeal lodged by the Netherlands Government against the High Authority's Recommendation No. 1/61.

The Court laid particular stress upon the member States' obligation to ensure that rates and conditions of carriage are made public in such a way as to enable the provisions of Article 70 to be properly implemented and the Common Market itself to operate in accordance with the requirements of Article 60. It has thus definitely been made clear that the member States are obliged to require carriers to make their rates and terms known, to whatever extent is necessary to the fulfilment of the Treaty's objectives in this respect. Mere notification of these to the High Authority, without actual publication, would not be regarded as adequate to the requirements of the Recommendation.

In the course of its sustained campaign to get the Treaty and the Recommendation fully and effectively implemented in respect of all modes of transport, the High Authority was compelled to invoke Article 88 against certain Governments. Talks are now in progress between the High Authority and the Governments in question, with the object of expediting the working-out of proposals on the subject.

CHAPTER FOUR

LONG - TERM DEVELOPMENT
OF THE E. C. S. C. INDUSTRIES

I. Investment

During the eight years 1954-61, capital outlay by Community enterprises totalled 9,100 million dollar units of account, of which 37% went on the collieries, 4% on the iron-ore mines and 59% on the iron and steel industry.

Capital expenditure in 1961 amounted to 1,500 million dollars, over one-quarter as much again as in the previous record year of 1957 for which the figure was \$1,200 million. However, although investment in the iron and steel and iron-ore industries continued to grow, in the coal industry it remained at the same very low level to which it fell in 1960: whereas in 1954 capital expenditure in the coal sector was approximately the same as in the steel sector, by 1957 it had dropped to two-thirds, and by 1961 to not much over one-third. The forecasts for 1962 (which work out overall some 25% higher than the actual expenditure recorded for 1961) indicated a continuing rise in investment in the iron and steel and iron-ore industries, and continuing stagnation on the coal side.

The results of the 1962 survey on investment may be summarized as follows.

\$'000,000

Industry	Actual expenditure as per accounts at January 1, 1962		Estimated expenditure as at 1.1.62.
	1960	1961	1962
Coalmining industry	377	382	447
Iron-ore mines	43	49	64
Iron and steel industry	775	1,122	1,500
Total	1,195	1,553	2,011

Slackening in 1962

The falling-off in the volume of new investment projects declared by E.C.S.C. enterprises which had already set in during the last two months of 1961 continued throughout 1962. The total value of these projects, \$640 million (of which the steel industry accounts for \$553 million), was only one-third of that recorded in 1960, and 40% of that for 1961; it is close to the average level for the years 1956-59 (approximately \$660 million per annum).

Production potentials in 1965, as suggested by the 1962 investment survey plus projects declared during the year

'000,000 metric tons

Product	Potential suggested by 1962 survey	Potential suggested by 1962 survey plus projects declared during the year
Sinter	77.16	80.20
Pig-iron	78.06	78.37
Basic Bessemer steel	35.73	35.06
Oxygen-blown and other steels	21.62	22.80
Open-hearth steel	30.73	30.46
Electric-furnace steel	10.80	11.21
Total, crude steel	98.88	99.53
Light and heavy sections	30.47	30.62
Wire rod	8.57	8.61
Hot-rolled strip and tube strip	6.28	6.28
Plate	10.97	10.86
Hot-rolled sheet	3.04	2.90
Cold-reduced sheet	14.08	14.46
Total, rolled products	73.41	73.73
Hot-rolled wide strip (coils, etc.)	21.15	21.61

II. Financing of investment

Loans granted by the High Authority since it began its activities totalled, at December 31, 1962, \$398,200,000, of which \$312,200,000 went to aid industrial investment projects, \$67,000,000 the building of workers' housing, and \$9,300,000 industrial redevelopment operations. The outstanding balance at December 31, 1962, of loans contracted by enterprises separately under High Authority guarantees amounted to \$29,600,000.

High Authority industrial loans helped to finance projects to an aggregate value of approximately \$1,500 million, 14% of all investment effected in the Community industries since 1954. It should be noted that the investments to which the High Authority contributes are as a rule key projects serving to further the balanced expansion of the industries to an extent which is not fully brought out by straight figures.

In the housing field, High Authority loans have helped to make possible the building of over 67,000 workers' dwellings on exceptionally advantageous terms.

In addition to its work in these by now traditional directions, the High Authority in 1962 backed up the measures introduced for the reconstruction of the coalmining industry by substantially extending its lending operations for the purpose of helping to finance industrial redevelopment, or rather the establishment of new, economically sound activities providing productive re-employment for workers becoming redundant owing to closures, cutbacks or reconversions by Community enterprises.

In order to engage in these additional activities, the High Authority had naturally to raise fresh funds in 1962. Its various borrowings during the year, obtained in the United States, the Netherlands, Luxembourg, Belgium and Switzerland, amounted in all to \$69,800,000.

In its lending operations in respect of industrial projects, the High Authority rates the following as priority items:

coal: projects relating to installations principally designed to increase output and lower production costs, projects for pithead power-stations;

iron and steel: projects relating to installations for ore extraction, blast-furnace burden preparation and pig-iron production, to oxygen steelmaking plant, and to rationalization and specialization of production.

High Authority industrial loans in 1962 totalled \$60,600,000. Applications for such loans represented a total of over \$200 million, almost three-quarters of which was asked for by German enterprises.

Loans granted by the High Authority
up to December 31, 1962

\$'000,000 and %

Category of project	Germany (Fed. Rep.)	France	Italy	Benelux	Community	%
Coalmining industry	100.2	27.0	2.4	14.0	143.6	36.1
Iron-ore mines	10.6	12.0	5.7	1.0	29.3	7.3
Iron and steel industry	58.3	28.9	42.1	10.0	139.3	35.0
Sub-total	169.1	67.9	50.2	25.0	312.2	78.4
Workers' housing	37.3	11.1	4.3	14.3	67.0	16.9
Redevelopment	-	0.4	-	8.9	9.3	2.3
Readaptation	5.4	0.3	-	-	5.7	1.4
Research	1.4	0.8	0.3	0.8	3.3	0.8
Miscellaneous	-	-	-	0.7	0.7	0.2
Grand total	213.2 (53.5%)	80.5 (20.2%)	54.8 (13.8%)	49.7 (12.5%)	398.2 (100%)	100%

Section 4: Technical and economic research

The High Authority continued and intensified its work in furtherance of research on production and consumption of coal and steel and on industrial safety.

In accordance with the various resolutions and recommendations which followed the publication in 1961 of its memorandum on the principles and criteria of research policy, the High Authority is now at work on a further document which it hopes to bring out shortly, containing directives concerning application for and approval of grants in aid of technical and economic research (on coal, iron ore and steel), together with an aide-mémoire on recipients' obligations as regards making the results of the research generally available. It is planned to bring the directives up to date at regular intervals, and also to issue periodic progress reports on research results to date.

The High Authority has up to now made available out of the levy research grants to a total of \$36,830,000. This may be broken down as follows:

Coal	\$ 8,680,000
Iron and steel	\$15,190,000
Industrial health and safety	} ... \$12,960,000
Experimental housing schemes	

Of the \$8,680,000 allocated so far for research on coal, \$1,545,000 was laid out during the year under review.

Technical research: coal

All the research projects relating to coal have as their object to increase the competitive capacity of the Community coalmining industry and enable it to take its proper share in supplying the Community's energy requirements. The aim is to lower production costs by improving the operating methods used and developing new and better ones, to increase the industry's earnings by improving the quality of the products and encouraging the conversion of the actual coal into higher-grade or "valorized" fuels, and to enable coal products to be offered in the form most in line with consumers' nowadays much more exacting requirements as to efficiency and convenience of handling. The research projects which the High Authority is subsidizing thus fall under three main heads:

production techniques (fundamental and applied research);
coal valorization (comprehensive fundamental studies on coking);
coal utilization (fuel efficiency).

A highly satisfactory standard of co-operation has been established, both among the research centres of the Community and between them and the High Authority; this is clearly demonstrated by the fact that much of the coal research sponsored by the High Authority is being carried on in the form of joint Community-level projects.

The High Authority is also making itself responsible for disseminating the results of the research, in order to ensure that they really are made available to all those directly concerned.

Technical research: iron ore/steel

High Authority-aided research is in progress on
beneficiation of low-grade Community-mined ores;
investigation of ore resources outside the Community;
improvement of pig-iron production processes;
improvement of thermal efficiency at steel plants;
automation;
basic studies for the promotion of technological
progress.

CHAPTER FIVE

S O C I A L P O L I C Y

Part One: Manpower Problems

Section 1: Trends in employment

As regards the coalmining industry, the main item on the credit side for 1962 is the practically complete disappearance of short-time working due to poor sales, the incidence being only 0.07% of total shifts workable, as compared with 0.7% in 1961.

Against this must be set, however, the continuing shrinkage in the numbers employed: at September 30, 1962, the underground labour force totalled 450,400 men, a drop of 26,200 since January 1.

The decrease was due more to distaste for mining as a career than to the actual discharges of personnel which have necessarily accompanied the further closures, concentrations and rationalizations effected by the collieries: a considerable number of miners (54%) left the industry of their own accord, while at the same time difficulties were encountered in recruitment within the coalfields.

The necessary manpower not being available on the spot, the collieries were obliged once more to look to other Community countries and to third countries for their new intake. The number of foreign workers in the pits now stands at 98,000.

Quite apart from the fact that the employment of miners from a large number of widely-differing countries is liable to hamper the raising of productivity (which depends to a considerable extent on the men working as a homogeneous unit), the expense of recruiting and training these newcomers and getting them adjusted to the changed environment adds substantially to production costs.

The iron and steel industry's total personnel expanded by 2,200 during the first nine months of 1962, standing on September 30 at 581,900: the increases were mainly concentrated in Italy and the Netherlands. The number of entrants from other countries is rising.

In the iron-ore industry the gradual contraction in the labour force which has been going on for some years took a sharper turn in 1962, the net wastage working out at 4,700, mainly in Germany.

In implementation of Article 64 of the Treaty, a further 160 E.C.S.C. labour cards were issued between October 1, 1961, and September 30, 1962. (The total for the period September 1, 1957-September 30, 1961, was 1,535.)

The number of cardholders who have obtained employment in Community countries other than their own rose from 318 to 423. The second schedule of occupations entitling those following them to a card was adopted by all the member countries, and will be published shortly in the Official Gazette of the Communities.

Section 2: Vocational training

The contraction in the number of apprentices at the collieries went on, though rather less markedly: the decreases occurred mainly in Belgium (-300) and in Germany (-4,000). On the other hand, the number of apprentice tradesmen at the pits is rising (+44% from 1955 to 1962), as well as increasing in proportion to the number of apprentices overall. This is all to the good from the point of view of advancing mechanization.

In the iron and steel industry the upward trend continued, if anything becoming still more pronounced: the total number of apprentices is now 13,000, the highest figure since 1955.

In the iron-ore industry the number of apprentices has fallen by one-half in two years in Germany; in France it remains about the same.

In addition to apprentice training, the High Authority is pleased to note that enterprises are arranging specialized and advanced training courses for workmen already employed and for technical, supervisory and managerial personnel, right up to the highest grades. This trend, (and also the increase in the number of apprentice tradesmen) is in line with the greater emphasis now being placed on skills in the Community industries, in consequence of technological advances.

The High Authority is making special efforts to encourage such activities, through its new action programme, under which it arranges for employers' and workers' representatives and training officers from the enterprises to meet regularly to exchange and compare information, experience and opinions.

It is therefore most regrettable that, owing to the unco-operative attitude adopted by some national Government departments, it has so far not been possible to resume the discussions which the High Authority initiated some time ago concerning the abolition of Customs and administrative formalities in connection with the exchange of teaching aids.

The High Authority in 1962 published a number of studies, including one on instructor training, and issued surveys on the training of managerial personnel; it is now engaged in studying vocational training in the light of the trends in the E.C.S.C. industries.

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manpower pattern and why miners were leaving the pits and boys in the mining areas choosing careers in other industries.

The various separate social-security arrangements for mineworkers were discussed in detail at a European Conference convened by the Community Executives in December 1962.

The High Authority continues to attach great importance to the matter of the European Miner's Code. In its view, the Code would help not only to improve the whole standing of the miners as a class, but to reduce the manpower turnover at the collieries, thus serving the interests of the industry as a whole. However, the discussions held in 1962 in connection with the drafting of the Code showed that managements and men were still far from seeing eye to eye on the subject. The High Authority worked hard to reconcile the opposing standpoints, and will continue to do everything in its power to secure an agreement between the two sides.

Section 2: Housing

Community-aided building of houses for workers continued steadily in 1962 under the new Scheme V. Part of the funds allocated for this scheme has been specially earmarked to be devoted to improvements in housing design and layout and in town planning, in line with the workers' natural wish for better living conditions to correspond with their higher earnings.

Under Scheme V, the High Authority is planning, during the period up to June 30, 1965, to grant loans and guarantees up to a total of \$75,000,000, one-third to come from the Special Reserve and two-thirds to be raised in the capital markets of the member countries. With the amounts which will be furnished by the housing associations, this is expected to pay for some 25,000 dwellings.

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The High Authority plans to conduct its redevelopment activities in future in still closer co-operation with the other European Institutions, and in particular with the European Investment Bank.

Part Two: Living and Working Conditions

Section 1: Wages, social security and terms of employment

As it was felt that special attention might suitably be called, upon the completion of the first ten years of the Common Market for coal and steel, to the changes which have taken place in the economic and social situation of miners and steelworkers during that time, three comprehensive studies were undertaken in 1962 (for publication about the middle of 1963) on, respectively, social policy, trends in social security and collective bargaining in the E.C.S.C. industries from 1953 to 1963.

It may be added in this connection that the High Authority's studies on wages, social security and terms of employment are recognized to be of considerable practical value, as is the work of the Joint Committees on harmonization of terms of employment in the coalmining and in the iron and steel industry. Both afford useful guidance to the employers' and workers' representatives in their negotiations at national level and in their attitudes generally.

The Joint Committee on Harmonization of Terms of Employment (Coal) requested the High Authority to undertake a sociological survey from which it could be established what changes were taking place in the

Over the years, up to January 1, 1963, the High Authority has financially assisted the building (under its two experimental schemes and the first four of its loan-aided schemes) of 66,896 dwellings, of which 41,071 were intended to be rented and 25,825 to be ultimately owner-occupied; the total amount mobilized by it for the purpose, directly and indirectly, now works out at \$162,900,000.

At January 1, 1963, 47,318 of these dwellings were completed, 12,187 building and 7,391 "in preparation." Of the total of 66,896 dwellings, 52,477 are in Germany, 3,227 in Belgium, 5,856 in France, 3,523 in Italy, 339 in Luxembourg and 1,474 in the Netherlands.

Section 3: Industrial health, medicine and safety

A memorandum was drawn up outlining the principles and objectives of High Authority policy on industrial health and safety, and explaining the streamlined procedure it has now adopted regarding research grants.

Several new research programmes are in preparation: the nature of these clearly shows the High Authority's determination that the benefit of earlier fundamental research sponsored by it, which has yielded a substantial scientific basis for further work, shall not be lost. Some of the fundamental studies are to be extended, but the main focus is to be on applied research, the results of which can be turned to immediate account to improve health and safety standards.

Section 4: The Mines Safety Commission

The two pit disasters during 1962, at Völklingen, in the Saar, and Heessen, in Westphalia, which between them caused the loss of 330 lives, focused attention once more on the question of the Mines Safety Commission's means of action.

The High Authority on June 26, 1962, gave it as its view that the Commission should be able to make on-the-spot investigations as to the implementation of its recommendations and those of the Conference on Safety in Coalmines, and to inquire into safety problems and the action taken to deal with them, and that it should also take part in the national authorities' inquiries into accidents, in order to assemble practical information on the causes and circumstances of accidents generally.

The High Authority also instructed its Labour Problems Department to examine together with the national authorities and the employers' and workers' organizations the various problems likely to arise if the Commission's terms of reference were extended to include the subject of occupational-disease hazards.

