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EUROPEAN COAL AND
STEEL COMMUNITY

HIGH AUTHORITY

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INVESTMENTS IN THE COMMUNITY'S
COAL AND STEEL INDUSTRIES

As in previous years, the High Authority has conducted a survey of past and future investment by Community enterprises as at January 1, 1964, and its foreseeable effects on production potential. The survey covers all but a few very small enterprises, which this year account among them for less than 0.5% of the Community's total coal production and less than 0.4% of its total crude-steel production.

Capital Expenditure

Capital expenditure entered by Community enterprises on the credit side of their balance-sheets over the ten years 1954-63 totalled 12,600,000,000 dollar E.M.A. units of account. During this period investment in the extractive industries remained fairly steady until 1962, but dropped sharply in both in 1963; investment in the iron and steel industry, on the other hand, rose steadily, particularly striking increases being reported from 1961 onwards.

In 1954 the breakdown of Community investment was 49% for the iron and steel industry, 48% for the coalmining industry and 3% for the iron-ore mines: in 1963, as a result of the contrasting trends since then, the corresponding figures were 80%, 18% and 2%.

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Capital Expenditure in the Community Industries, 1954-1965

\$ '000,000 (EMA units of account)

S E C T O R	Actual Expenditure											Estimated Expenditure (Categories A+B+C) (1)
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Coalmining industry	445	408	405	471	469	406	371	385	381	327	334	266
Plants producing BKB and low-temperature brown-coal coke	5	8	4	2	5	5	6	4	6	9	10	8
Iron-ore mines ..	30	31	44	50	41	40	43	52	49	33	29	21
Iron and steel industry	453	524	570	708	644	587	775	1,123	1,228	1,458	1,238 ⁽¹⁾	684 ⁽¹⁾
TOTAL	933	971	1,023	1,231	1,159	1,038	1,195	1,564	1,664	1,827	1,611	979

(1) The estimates for the iron and steel industry relate only to expenditure on projects already in progress (A) or approved (B) at January 1, 1964, not to those merely planned (C)

Production Potential

Hard-coal production potential may be expected to contract gradually up to 1967, at about the same rate as actual production has shrunk since 1952. This is due partly to the smaller number of coal-winning shifts taken as a basis for calculation in certain coal-fields, and partly to pit closures.

Extraction of iron-ore increased satisfactorily from the inception of the Community until 1961. Since then it has been slowly dwindling, Lorraine is now practically the only orefield in production which is felt still to offer some scope for expansion.

In the iron and steel industry the expansion made possible by the large-scale investment which has been and still is being effected should continue at a fair pace, though not so fast as was suggested by earlier surveys.

Actual Production and Production Potential
in the Community Industries

P R O D U C T	Actual production			Production potential		
	1952 ('000,000 m.t.)	Mean annual rate of increase in %	1963 ('000,000 m.t.)	1963 ('000,000 m.t.)	Mean annual rate of increase in %	1967 ('000,000 m.t.)
Hard coal	237.4	-0.6	222.9	243.2	-0.2	241.2
Iron-ore	65.3	+1.9	80.2	97.9	+1.1	102.2
Pig-iron	34.7	+4.0	53.4	65.9	+3.8	76.5
Crude steel	41.8	+5.2	73.1	87.6	+4.0	102.5

Actual production has never exceeded 96% of the sum of the individual production potential declared. For practical purposes 96% may be considered the highest rate of actual production achievable in the Community overall.

Community Ratios of Actual Production to
Production Potential

%

P r o d u c t	1955	1956	1957	1958	1959	1960	1961	1962	1963
Hard coal	94.9	94.6	95.1	94.8	89.3	92.6	92.7	92.0	91.7
Coke	93.2	96.5	96.1	92.2	84.3	85.7	85.3	85.0	84.2
Iron-ore	95.4	95.1	94.9	91.3	90.9	94.6	91.7	87.6	81.9
Pig-iron	96.3	96.0	94.7	87.9	88.3	94.3	90.9	85.5	81.0
Crude steel	95.8	96.1	94.1	85.7	89.6	95.6	91.7	87.3	83.4

DEVELOPMENTS IN THE MAJOR SECTORS

COAL

From 1957 to 1962, each successive annual investment survey indicated a lower rate of expansion in Community production potential for hard coal, and from 1963 onwards the forward estimates are of a slow but steady contraction, the latest data now suggesting a reduction from 243,000,000 metric tons in 1963 to 241,000,000 in 1967. The latter figure may be set against the forecast of approximately 245,000,000 given for the Community's 1970 requirements of coal from all sources in the Study on the Long-Term Energy Outlook drawn up in December 1962 by the Executives of the three European Communities.

The 1964 survey also points for the first time to a certain contraction in Community coke potential: despite additions to coking capacity at the Italian coastal iron and steel plants, the maximum possible production, given 96% utilisation, is now expected to fall from 79,000,000 tons in 1963 to 76,000,000 in 1967, representing an input of rather less than 100,000,000 tons of coking coal. If the 1967 demand from consumer sectors other than the blast-furnaces and sintering-plants is put at approximately 20,000,000 tons, this leaves about 56,000,000 for the iron and steel industry - a supply well in line with the probable pig-iron potential in that year, particularly in view of the expected further reduction in specific consumption of coke per ton of pig-iron produced.

IRON-ORE

Capital expenditure in the Community iron-ore industry began markedly to decline in 1963. Only the producers in Lorraine, and to a very minor extent those in Western France, are still thinking in terms of expanding their production potential in the years ahead, and even the Lorraine mines' estimates are for only 72,000,000 tons in 1966, as compared with the figure of 75,000,000 suggested in the 1963 survey. The estimates of aggregate Community potential in 1966 have been revised since last year from 108,500,000 tons to 101,000,000, so that the proportion of imported high-grade ores in the Community iron and steel industry's total flow of supplies will continue to rise rapidly.

IRON and STEEL

The iron and steel enterprises view their prospects with much more confidence: in continuance of various major projects launched earlier, their expenditure in 1963 reached a record figure of approximately \$20 per ton of steel produced, nearly twice the specific expenditure for 1959 or for almost any year before that.

Although several integrated coastal plants are building, a growing proportion of capital expenditure is going on the modernisation of existing equipment, as is clearly shown by the fact that the estimated rate of expansion in capacity is decreasing despite the very large sums being invested. Indeed, it would appear that the

modernisation drive is now extending to all three sectors of the industry - the blast-furnaces, the steelworks proper and the rolling-mills - whereas formerly some Community enterprises were more anxious to expand than to imitate their main competitors in going over to the latest production processes in a big way.

The January 1, 1964, estimates suggest a maximum possible production of pig-iron in 1967, assuming 96% utilisation, of 73,500,000 metric tons - less than the 1962 survey's figure of 75,000,000 tons for 1965. This deceleration in the blast-furnace sector is, however, counterbalanced by an improvement in the driving rate as a result of the increase in the ratio of maximum production of sinter to maximum production of pig-iron, which will make it possible to step up the proportion of sintered ore in the blast-furnace burden.

The increasing concentration on oxygen steels, mainly at the expense of basic Bessemer, is reducing the average amount of pig-iron required per ton of crude steel produced, so that the falling-off in blast-furnace expansion is not greatly affecting the trend in the steelworks sector. The current estimates put maximum crude-steel production in 1967, given 96% utilisation, at 98,500,000 tons, altogether, including 25,000,000 tons of oxygen steel. While the total figure is no higher than last year's estimated total for 1966, stress must be laid on the very high proportion represented by the oxygen-blown steels, namely 26%, exactly the percentage suggested in the Community's latest General Objectives of April 5, 1962.

Investment in the rolling-mill sector, which in and after 1960 was concentrated more particularly on hot and cold-wide-strip capacity, is now more evenly divided among the roughing, the flat-product and the section mills. While modernisation is going ahead actively on the traditional roughing mills, a number of enterprises, principally in Germany, are experimenting with the new continuous-casting process. The proportion of finished products rolled in continuous or semi-continuous mills in the Community as a whole is expected by 1967 to be nearly 60%, as against a mere 49% in 1960 and 56% in 1963.

IRON AND STEEL INDUSTRY

- Capital Expenditure by Areas -

\$'000,000 (EMA units of account)

A R E A	Actual Expenditure							Estimated Expenditure (projects in progress, or approved)	
	1954	1955	... (1)	1960	1961	1962	1963	1964	1965
Northern Germany (2)		60.88		35.92	90.86	103.52	109.83	54.08	18.17
North Rhine/Westphalia	210.22	216.31		165.47	271.48	262.67	291.16	272.01	136.32
Southern Germany (3)		12.00		27.71	17.99	19.26	9.58	10.76	4.16
Saar	15.61	19.41		40.84	41.71	29.94	32.33	31.02	19.27
GERMANY	225.83	308.60		269.94	422.04	415.90	442.90	367.87	177.92
BELGIUM	32.92	33.14		136.88	127.56	139.45	153.42	112.14	97.60
Eastern France .		71.40		134.66	186.01	227.58	173.31	138.43	57.66
Northern France	125.86	22.54		74.24	152.37	159.62	103.87	70.97	16.76
France - other areas		14.27		23.15	34.40	36.57	36.83	36.95	21.39
FRANCE	125.86	108.21		232.05	372.78	423.77	314.06	246.35	95.81
Italy - coastal areas .		10.35		43.78	54.77	77.76	347.88	337.08	220.68
Italy - other areas ...	35.85	25.56		19.40	52.09	79.95	100.20	92.30	40.67
ITALY	35.85	35.91		63.18	106.86	157.71	448.08	429.38	261.35
LUXEMBOURG	25.08	22.13		28.43	31.37	39.37	43.51	28.67	15.78
NETHERLANDS ...	7.94	16.34		44.71	62.43	52.53	56.10	54.08	35.05
Total	453.48	524.33		775.19	1123.04	1228.22	1458.07	1238.49	683.51

(1) Capital expenditure concerning 1956 - 1959 appears in the tables of the 1963 Survey's Report.

(2) Schleswig-Holstein, Lower Saxony, Hamburg, Bremen.

(3) Hesse, Rhineland-Palatinate, Baden-Württemberg, Bavaria.

IRON AND STEEL INDUSTRY

- Production and Production Potential by Areas -

'000,000 metric ton

A R E A	Production potential			Actual production	Expected production potential			
	1955	1962	1963	1963	1964	1965	1966	1967
Northern Germany (1)	2.4	4.9	5.3	4.0	5.3	5.7	6.2	6.2
North Rhine/Westphalia ...	18.2	27.5	28.6	22.5	29.3	29.5	30.4	30.1
Southern Germany (2)	1.4	1.5	1.4	1.2	1.5	1.5	1.5	1.5
Saar	3.3	4.2	4.2	3.8	4.3	4.4	4.4	4.6
GERMANY	25.3	38.1	39.5	31.5	40.4	41.1	42.5	42.4
BELGIUM	6.3	8.3	8.8	7.6	10.0	10.1	10.7	11.5
Eastern France	8.8	12.9	13.4	11.3	13.9	14.3	14.5	14.6
Northern France	2.8	4.5	5.2	4.4	5.7	6.0	6.1	6.2
France - other areas	1.8	2.4	2.4	1.8	2.4	2.6	2.6	2.6
FRANCE	13.4	19.8	21.0	17.5	22.0	22.9	23.2	23.4
Italy - coastal areas	2.0	4.4	4.6	4.6	4.9	7.4	9.2	9.7
Italy - other areas	3.7	6.0	6.3	5.6	6.6	7.0	7.1	7.2
ITALY	5.7	10.4	10.9	10.2	11.5	14.4	16.3	16.9
LUXEMBOURG	3.3	4.3	4.5	4.0	4.5	4.7	4.7	4.8
NETHERLANDS	1.0	2.5	2.9	2.3	3.2	3.5	3.5	3.5
Total	55.0	83.4	87.6	73.1	91.6	96.7	100.9	102.5

(1) Schleswig-Holstein, Lower Saxony, Hamburg, Bremen.

(2) Hesse, Rhineland-Palatinate, Baden-Württemberg, Bavaria.