

EUROPEAN COAL & STEEL COMMUNITY

HIGH AUTHORITY

Information Service

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PRESS RELEASE

Community's \$100-million Guarantee Fund

High Authority's First Financial Report

The High Authority of the European Coal and Steel Community ~~had~~ raised \$140.3 million by the end of last year through its ~~levy~~ on the Community's coal and steel industries, the High Authority's Finance Division disclosed today. Of this first European federal tax, Germany provided 47%, France 29%, Belgium 11%, Italy 6%, the Netherlands 4% and Luxembourg 3%. The levy is imposed as a percentage of coal and steel production, and stood at 0.9% until the end of last June; it was then cut to 0.7% and was further reduced to 0.45% at the beginning of this year.

In its first financial report, covering the years 1953-55 and published in Luxembourg today, the High Authority stated that most of the \$140.3 million raised has gone to form a loan guarantee fund now standing at \$95 million. Of the remainder, \$15.9 million has been allocated to a fund for re-training and resettlement of workers put out of work by the increased competition of the common market, \$3.6 million has gone to finance research work and \$4.5 million covers administrative expenses and amounts not yet allotted.

The report indicates that the loan guarantee fund, which will not be further increased after it reaches \$100 million around the middle of this year, is a powerful financial weapon in the hands of the High Authority. "It is generally considered as sufficient for permitting much larger loan and guarantee operations" for the coal and steel industries, the report says. While admitting that so far such action by the High Authority has been limited, it expects coal and steel firms to ask for guarantees of bank credits and capital issues on an increasing scale now that the High Authority's credit is widely known and established.

Between \$3,000 and \$3,300 million were invested in the Community's coal and steel industries in the three years 1953-55, the report states, and the year 1956 would see investment of a further \$1,000 million. 1955 was probably the peak year.

But the capital needs of the six countries' coal and steel industries are still great, particularly for sinking new pits in the Ruhr to replace those which will soon be worked out. The report forecasts substantial demands on the High Authority for finance.

The main barrier to the increased financing by the High Authority was provided by the restrictions surrounding the Community countries' capital markets, the report said. These controls were preventing the High Authority from borrowing long-term funds and re-lending them at low interest rates to coal and steel firms. The report urged the introduction by the six Governments of "automatic freedom" for capital transfers within the Community.

The report showed that only \$24.5 million of the total of \$140.3 million raised through the levy had been spent on the Community's administrative expenses.

The High Authority had raised loans totalling \$117.4 million which it had re-lent to Community firms, chiefly for modernization of coal-mines, coking plants and iron ore mining and processing plants, and the construction of pit-head power stations using low-grade coal. In addition, banks with which it had lodged its funds had made available "entirely at their own risk" a further \$42 million of medium-term credits at interest rates ranging from 4½% in France, Belgium and Luxembourg to 5 1/4% in Italy. These rates were much lower than the usual rates of 6 - 8% applied to such loans in the Community.

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Gross Proceeds of the Levy

(In million EPU Accounting Units)

| Country | 1953 | 1954 | 1955 | Total | % of total for the Community |
|-------------|-------|-------|-------|--------|------------------------------|
| Germany | 15.23 | 25.03 | 25.67 | 65.93 | 47 |
| Belgium | 3.84 | 5.80 | 5.86 | 15.50 | 11 |
| France | 10.13 | 15.43 | 15.64 | 41.20 | 29 |
| Italy | 1.72 | 2.89 | 3.43 | 8.04 | 6 |
| Luxembourg | 1.07 | 1.62 | 1.71 | 4.40 | 3 |
| Netherlands | 1.35 | 2.00 | 1.88 | 5.23 | 4 |
| Community | 33.34 | 52.77 | 54.19 | 140.30 | 100 % |

High Authority Fund Allocations

(in million EPU Accounting Units)

| | at the end of | | |
|---|---------------|------|-------|
| | 1953 | 1954 | 1955 |
| I. Guarantee Fund..... | 20.0 | 52,5 | 95.0 |
| II. Provisions | | | |
| a) for the financing of readaptation measures | 3,8 | 12,7 | 15,9 |
| b) for the financing of research work.... | 0.2 | 3.0 | 3.6 |
| c) for administrative expenditures (including balances not yet allocated) | 1.0 | 2.5 | 4.5 |
| Total | 25.0 | 70,7 | 119.0 |

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Long-Term Loans Raised by High Authority

| Country | Lender | Amount of the loan | Maturity of loan also credits (years) | Original rate of interest of inter-est (%p.a.) | Rate of interest for final borrower (%p.a.) |
|------------|---------------------------------|--------------------|---------------------------------------|--|---|
| U.S.A. | Export-Import Bank | \$ 100.000.000 | 25 | 3 7/8 | 4.1 |
| Germany | Rheinische Girozentrale | DM 25.000.000 | 25 | 3 3/4 | 4.5 |
| Germany | Landesbank für Westfalen | DM 25.000.000 | 25 | 3 3/4 | 4.5 |
| Belgium | Caisse d'Epargne et de Retraite | Bfrs 200.000.000 | 25 | 3 1/2 | 3.75 |
| Luxembourg | Caisse d'Epargne de l'Etat | Bfrs 25.000.000 | 25 | 3 1/2 | 3.75 |
| Saarland | Landesbank und Girozentrale | Bfrs 350.000.000 | 20 | 4 1/4 | 4.5 |

5-Year Credits to Industry Resulting from Placing of Levy Funds

| Country | Amount in national currency | Equivalent in millions of EPU-Units | Interest rate for the final borrower % p.a. |
|------------|-----------------------------|-------------------------------------|---|
| Germany | DM 100 million | 24 | 4 7/8 % |
| Belgium | Bfrs 300 " | 6 | 4 1/2 % |
| France | Ffrs 2.500 " | 7 | 4 1/2 % |
| Italy | Lire 2.000 " | 3 | 5 1/4 % |
| Luxembourg | Bfrs 100 " | 2 | 4 1/2 % |
| | | 42 | |