

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

Financial Report

for the year 1966

No. 12

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

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The tables contained in this Report as well as the Balance Sheet and the Statement of Revenues and Expenditures attached to it are expressed in units of account of the European Monetary Agreement (E.M.A.). All amounts contained therein are the equivalents of various currencies computed at the following rates for

1 E.M.A. Unit:

US\$:	1.00
DM	:	4.00
BF	:	50.00
FF	:	4.93706
Lire	:	625.00
LF	:	50.00
Fl	:	3.62
SF	:	4.37282
£	:	0.35714

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Statement of Revenues and Expenditures for 1966

Balance Sheet as of December 31, 1966

Summary of Allocations from Net Excess of Revenues

Comparative Table regarding Revenues and Expenditures

This financial report relates to the calendar year 1966, the fourteenth year of the European Coal and Steel Community's financial operations.

Capital expenditure in the Community's coal and steel industries during the last year can as yet only be estimated on the basis of the forecasts submitted by enterprises for the survey carried out on January 1, 1966⁽¹⁾ and of the major projects which they subsequently announced to the High Authority.

These estimates indicate that capital expenditures are likely to be in the neighbourhood of 280 million and 20 million units of account for the coal and iron-ore sectors respectively. These are very close to the figures recorded in 1964 and 1965 (when capital investment was very much lower than in previous years), which were 291 and 279 million units of account for coal and 24 and 26 million for iron ore.

Between 1961 and 1964 investment in the iron and steel industry was very high, averaging over 1,000 million units of account a year and reaching a record of 1,500 million in 1963. The downturn first noted in 1964 became more marked in 1965, when effective investment fell below 1,000 million units of account (935 million). The current estimates of iron and steel enterprises total about 920 million units of account, which is roughly the same as the figure for the previous year.

Overall therefore, capital expenditures in the E.C.S.C. industries probably amounted to something like 1,200 million units of account during 1966; this is much the same as the 1965 figure which was well below those for the years 1961-1964.

Three points should be noted concerning the High Authority's financial operations:

- (1) The rate of the levy, which was raised to 0.25% on July 1, 1965, remained unchanged throughout 1966.
- (2) In 1966, borrowings in certain national markets within the Community and on the international capital market amounted to 103 million units of account. For the first time, a loan was placed in units of account.
- (3) Total lending during the year amounted to 90.06 million units of account.

Operations during 1966 brought the total sum borrowed to 662.48 million units of account, while the total amount of loans granted and guarantees furnished rose to 790.64 million.

⁽¹⁾ See "*Les Investissements dans les industries du charbon et de l'acier de la Communauté — Rapport sur l'Enquête 1966*" (Investment in the Community's coal and steel industries — Report on the 1966 Survey) Luxembourg, July 1966.

I — THE LEVY

Revenues from the levy in 1966 amounted to 26.78 million units of account, as compared with 23.30 million in 1965.

This increase, achieved despite a slight drop in production, was due mainly to the raising of the rate of the levy from 0.20 to 0.25% on July 1, 1965.

The figure of 26.78 million relates exclusively to production subject for the levy in 1966. The amount of 30.87 million shown in Table 4 takes account of outstanding levy payments.

TABLE 1

Proceeds of the levy

	1965		1966	
	Million units of account	%	Million units of account	%
A — Branches of Industry				
Coal Industry	5.74	24.6	6.67	24.9
Iron and Steel Industry . .	17.56	75.4	20.11	75.1
Total	23.30	100.0	26.78	100.0
B — Geographical distribution				
Germany (Fed. Rep.) . . .	11.46	49.2	12.70	47.4
Belgium	2.06	8.8	2.43	9.1
France	5.16	22.2	5.89	22.0
Italy	2.83	12.1	3.65	13.6
Luxembourg	0.77	3.3	0.88	3.3
Netherlands	1.02	4.4	1.23	4.6
Community	23.30	100.0	26.78	100.0

It is worth noting that the coal industry's share is down from 53% in 1953 to 25% in 1965 and 1966.

II — FINANCING OF READAPTATION

In 1966, grants totalling 16.55 million units of account (as against 9.14 million in 1965) were approved by the High Authority, under Article 56 of the Treaty, for readaptation assistance to workers laid off by enterprises in the Community. This increase was due to the more rapid shutdown of plant and workings in Germany, combined with pit closures in the Nether-

lands. It should be recalled that the High Authority can act under Article 56 only at the request of the Governments concerned and then only if the Governments undertake to pay out at least an equal amount for the same purpose.

Table 2 shows the various changes in the amount of the funds allocated for readaptation during 1966. The amount was increased by the commitments under Article 56 just referred to, and decreased, first by disbursements (totalling 1.42 million units of account during the year) and, second, by cancellations of earlier commitments which had proved not to be required (totalling 4.57 million units of account).

Funds for readaptation include, in addition to the amount to cover commitments approved (27.29 million units of account), a contingency reserve of 10 million units of account.

TABLE 2

Movement of funds allocated for readaptation

(in million units of account)

	Amount at December 31, 1965	Commitments entered into in 1966	Reductions in 1966 (¹)	Amount at December 31, 1966
A — Cover for existing commitments	16.733	16.551	5.992	27.292
B — Contingency reserve	10.000	—	—	10.000
Total	26.733	16.551	5.992	37.292

(¹) Disbursements and cancellations.

III — FINANCING OF RESEARCH

The High Authority continued its activities in the research field in 1966.

Its assistance for research is normally in the form of non-repayable grants; in very special cases some loans have been made (solely in connection with the experimental building of workers' housing).

New grants, for research projects connected with the E.C.S.C. industries, totalled 14.70 million units of account during the year under review (as compared with 9.88 million in 1965), mainly in the iron and steel sector. At the same time, work went ahead on the research sponsored earlier, requiring disbursements amounting to 9.25 million units of account. The figure for "funds available" at December 31, 1966 was adjusted accordingly.

The funds for research include a contingency reserve of 3 million units of account, in addition to the amount to cover commitments approved (24.44 million units of account, representing payments still due under partial-financing contracts entered into by the High Authority).

TABLE 3

Movement of funds allocated for research

(in million units of account)

	Amount at December 31, 1965	Commitments entered into in 1966	Reductions in 1966 (¹)	Amount at December 31, 1966
A — <i>Cover for existing commitments</i>				
Iron and steel industry	2.182	8.214	2.561	7.835
Coal industry	9.372	3.057	4.589	7.840
Ore mining	2.856	0.896	0.918	2.834
Experimental housing	0.069	—	—	0.069
Industrial health, safety and medicine	7.330	2.534	4.007	5.857
Total	21.809	14.701	12.075	24.435
B — <i>Contingency reserve</i>	3.000	—	—	3.000
Grand total	24.809	14.701	12.075	27.435

(¹) Disbursements and cancellations; actual payments amounted to 9.25 million units of account.

IV — OVERALL SURVEY OF REVENUES, EXPENDITURES AND ALLOCATIONS

The following tables give the High Authority's comparative revenues and expenditures for 1965 and 1966, and affords an overall picture of its respective end-of-year financial positions.

TABLE 4

Total revenues of the High Authority

(in million units of account)

Nature of revenues	1965	1966
Levy (¹)	23.30	30.87
Interest on bank deposits and investments	6.95	8.21
Fines and interest on arrears	0.01	0.12
Receipts for Pension Fund	8.10 (²)	2.35
Sundry receipts	0.29	0.24
Sub-total	38.65	41.79
Interest and charges on loans outstanding	26.74	30.82
Total	65.39	72.61

(¹) The figure for 1966 includes revenues from production during the year, amounting to 26.78 million units of account, certain outstanding levy payments amounting to 4.09 million.

(²) Special payment of 5.90 million units of account, including 5.16 million from the High Authority.

TABLE 5

Total expenditures of the High Authority

(in million units of account)

Nature of expenditure	1965	1966
Special payments to Pension Fund	5.16	—
Administrative expenses ⁽¹⁾	17.82	19.78
Bank charges and issue costs	1.55	0.06
Non-repayable adaptation grants	2.58	1.42
Non-repayable research grants	8.23	9.25
Pensions	0.39	0.47
Sub-total	35.73	30.98
Interest etc., paid on funds borrowed	23.84	28.12
Total	59.57	59.10

⁽¹⁾ Including the High Authority's contributions to the administrative expenses of the other Community institutions (European Parliament, Council of Ministers, Court of Justice).

TABLE 6

Movement of funds and reserves

(in million units of account)

	Position as at December 31, 1964	Changes in 1965	Position as at December 31, 1965	Changes in 1966	Position as at December 31, 1966
I. (a) Guaranty Fund	100.—	—	100.—	—	100.—
(b) Special Reserve	66.19	+ 4.48	70.67	+ 8.22	78.89
II. (a) Funds for readaptation	22.78	+ 4.24	27.02	+ 10.27	37.29
(b) Funds for research	25.95	+ 1.60	27.55	— 0.11	27.44
III. (a) Pension Fund	13.66	+ 7.71	21.37	+ 1.88	23.25
(b) Cover for contingent liabilities	6.—	— 6.—	—	—	—
IV. Sundry liabilities	—	+ 2.35	2.35	+ 7.52	9.87
	234.58	+ 14.38	248.96	+ 27.78	276.74
V: Unallocated balance	21.48	— 8.56	12.92	— 5.28	7.64
Total	256.06	+ 5.82	261.88	+ 22.50	284.38

V — EMPLOYMENT OF HIGH AUTHORITY FUNDS

In the placing of its funds, the High Authority sought during 1966, as in previous years, both to obtain as good a return as possible and to keep adequate liquid funds at its disposal. To this end, receipts from the levy and from interest payments were allowed, as far as possible, to remain in the countries concerned, either as time deposits with banks or as readily marketable securities.

Despite a marked drop in the funds available over the year, during which total bank deposits and investment holdings fell by 7 million units of account, interest revenue rose from some 7 million units in 1965 to 8.2 million in 1966.

These earnings are in fact the main source of the Special Reserve, which, for many years, has played a major part in financing workers' housing programs and, starting in 1966, has contributed substantially to loans for industrial redevelopment and reconversion.

Higher interest earnings were mainly due to the rising trend of interest rates in many markets during 1966.

With the reversal of this trend, starting at the end of 1966, results are unlikely to be as good in 1967. In addition, the disbursements which the High Authority will have to make this year to cover higher expenditures on readaptation, will further reduce the funds available for investment and will require bigger liquid reserves.

VI — BORROWING OPERATIONS

The tightness of the capital market noted in 1965 increased in 1966. There are a number of reasons for this development during the year:

- (a) in the case of private investment, the fairly general rise in labor costs had the double effect of modifying the structure and level of production costs and of increasing total demand. Under the influence of these two factors, enterprises in some sectors either invested in the expansion of existing activities or turned to new lines for which relatively dearer labor could, to some extent, be replaced by capital. Quite a number of firms combined the two;
- (b) Government investment continued at a high level and the particularly inelastic demand for capital in this sector was little affected by higher rates of interest;
- (c) in a number of cases, lower earnings prevented enterprises from plowing back their profits and forced them to rely more on the market; these changes in the financing of investment coincided with Government credit restrictions;
- (d) on the international market, the United States which remained a net exporter of capital until the "voluntary restraint" program was introduced, started to borrow; direct or indirect loans to American firms in the form of European issues accounted for a substantial part of all issues in this market.

Because of these factors, Community enterprises were compelled to go to the market for a considerable part of their heavy investment requirements and to ask the High Authority for large loans.

The High Authority responded by floating five loans during 1966. All were issued on European markets through which loans could be granted to enterprises on terms generally more favorable than could have been obtained elsewhere.

These issues, totalling 103 million units of account, were as follows:

- (1) 15 billion lire: bond issue at 6%, purchased at 96.50% by a syndicate of Italian banks headed by the Banca Nazionale del Lavoro.

- (2) 20 million units of account: bond issue at 5.75% purchased at 99³/₈% by a syndicate of banks from inside and outside the Community, headed by the Kredietbank S.A. Luxembourgeoise.

This was the first loan placed by the High Authority in units of account. By balancing borrowers' and lenders' charges, this type of transaction is in certain circumstances, a useful instrument of international co-operation.

- (3) 15 billion lire: a private loan at 6% from an Italian financial institution.
- (4) US\$15 million: bond issue at 6¹/₂% purchased at 99¹/₂% by an international syndicate of banks headed by the Banca Commerciale Italiana.
- (5) US\$20 million: bond issue at 6¹/₂% purchased at 98¹/₂% by an international syndicate of banks headed by the Banca Commerciale Italiana.

All five are 20-year issues.

All these loans were floated either in national markets within the Community or in the international capital market. In the latter case, arrangements were made with the syndicates concerned to insure that the bonds could not be sold, offered or transferred to United States residents or nationals.

These operations during 1966 brought the High Authority's total borrowings, from its inception to December 31, 1966, to 662.48 million units of account.

Table 7 summarizes these loans by country, with 1966 operations shown separately.

TABLE 7

(in million units of account)

Currency borrowed	Position as at December 31, 1965			Operations during 1966		Position as at December 31, 1966		
	Total sum borrowed	Repayments	Sum outstanding	New borrowing	Repayments	Total sum borrowed	Repayments	Sum outstanding
US\$	275.000	72.400	202.600	35.000	9.850	310.000	82.250	227.750
DM	113.994	3.794	110.200	—	0.525	113.994	4.319	109.675
Fl	51.865	2.055	49.810	—	5.579	51.865	7.634	44.231
FF	30.382	—	30.382	—	—	30.382	—	30.382
SF	27.737	5.237	22.500	—	1.632	27.737	6.869	20.868
Lire	24.000	—	24.000	48.000	—	72.000	—	72.000
LF	20.100	0.333	19.767	—	0.176	20.100	0.509	19.591
BF	16.400	1.003	15.397	—	0.145	16.400	1.148	15.252
a. u.	—	—	—	20.000	—	20.000	—	20.000
	559.478	84.822	474.656	103.000	17.907	662.478	102.729	559.749

Table 8 gives particulars of the different loans contracted by the High Authority since it began financial operations.

TABLE 8

Total amount of borrowings

Year	Interest % p. a.	Term (years)	Initial amount		Amount outstanding at December 31, 1966 (equivalent in units of account)	
			In currency concerned	Equivalent in units of account		
1954	3 ⁷ / ₈	25	US\$	100,000,000	100,000,000	68,900,000
1957	5-5 ¹ / ₂	5-18		35,000,000	35,000,000	17,400,000
1958	4 ¹ / ₂ -5	5-20		50,000,000	50,000,000	28,100,000
1960	4 ³ / ₄ -5 ³ / ₈	5-20		35,000,000	35,000,000	23,350,000
1962	5 ¹ / ₄	20		25,000,000	25,000,000	25,000,000
1964	5 ¹ / ₄	20		30,000,000	30,000,000	30,000,000
1966	6 ¹ / ₂	20		15,000,000	15,000,000	15,000,000
1966	6 ¹ / ₂	20		20,000,000	20,000,000	20,000,000
					310,000,000	227,750,000
1955	3 ³ / ₄	25	DM	50,000,000	12,500,000	8,442,425
1957	4 ¹ / ₄	20		2,977,450	744,362	483,091
1964	5 ³ / ₄	12		100,000,000	25,000,000	25,000,000
1964	5 ¹ / ₂	15		100,000,000	25,000,000	25,000,000
1964	5 ³ / ₄	12		30,000,000	7,500,000	7,500,000
1965	5 ¹ / ₂	18		150,000,000	37,500,000	37,500,000
1965	5 ¹ / ₂	5		23,000,000	5,750,000	5,750,000
					113,994,362	109,675,516
1963	5 ¹ / ₂	20	Lire	15,000,000,000	24,000,000	24,000,000
1966	6	20		15,000,000,000	24,000,000	24,000,000
1966	6	20		15,000,000,000	24,000,000	24,000,000
					72,000,000	72,000,000
1961	4 ¹ / ₂	5	Fl	10,000,000	2,762,431	—
1961	4 ¹ / ₂	20		50,000,000	13,812,155	13,812,155
1962	4 ³ / ₄	20		25,000,000	6,906,077	6,906,077
1962	4 ³ / ₄	25		6,000,000	1,657,459	1,392,265
1962	4 ¹ / ₂	5		20,000,000	5,524,862	1,878,453
1963	4 ¹ / ₂	5		10,000,000	2,762,431	1,850,829
1963	4 ⁵ / ₈	30		1,750,000	483,425	435,359
1964	5 ³ / ₄	20		25,000,000	6,906,077	6,906,077
1965	5 ³ / ₄	20		40,000,000	11,049,724	11,049,724
					51,864,641	44,230,939
1964	5	20	FF	150,000,000	30,382,454	30,382,454
1956	4 ¹ / ₄	18	SF	50,000,000	11,434,269	7,146,418
1961	5 ¹ / ₄	5		9,000,000	2,058,168	—
1961	4 ¹ / ₂	5		2,290,000	523,690	—
1962	4 ¹ / ₂	18		60,000,000	13,721,123	13,721,123
					27,737,250	20,867,541
1957	3 ¹ / ₂	25	LF	5,000,000	100,000	—
1957	5 ³ / ₈	25		100,000,000	2,000,000	1,701,145
1961	5 ¹ / ₄	25		100,000,000	2,000,000	1,945,557
1961	5	25		100,000,000	2,000,000	1,944,008
1962	4 ³ / ₄	15		300,000,000	6,000,000	6,000,000
1962	5 ¹ / ₈	25		250,000,000	5,000,000	5,000,000
1964	5 ³ / ₈	20		150,000,000	3,000,000	3,000,000
					20,100,000	19,590,710
1966	5 ³ / ₄	20	a. u. (1)	20,000,000	20,000,000	20,000,000
1957	3 ¹ / ₂	25	BF	200,000,000	4,000,000	2,956,000
1957	3 ¹ / ₂	25		20,000,000	400,000	295,600
1962	5 ¹ / ₄	20		300,000,000	6,000,000	6,000,000
1963	5 ¹ / ₂	20		300,000,000	6,000,000	6,000,000
					16,400,000	15,251,600
					662,478,707	559,748,760

(1) At present, this unit of account has the same value as that used by the former European Payments Union, as defined in Article 26 (a) of the latter's charter i. e. 0.88867088 grams of fine gold. This value may change under certain circumstances.

VII — LENDING AND GUARANTY OPERATIONS

The total amount available for lending to enterprises in 1966—from the High Authority's special reserve, from borrowings in 1966 and the preceding years and from repayments on earlier loans—was 119.91 million units of account, made up as follows:

1. *Borrowed funds:*

(in million units of account)

— already available at beginning of year	0.03	
— 1966 borrowings	<u>103.00</u>	103.03

2. *Own resources:*

(a) *Special Reserve*

— unexpended receipts from previous years	7.40	
— allocation for 1966	8.22	
— repayments on earlier loans	1.06	

(b) <i>Sundry items</i>	<u>0.20</u>	<u>16.88</u>
Total		<u><u>119.91</u></u>

These funds were used in decreasing order for loans to industry for re-development projects and the building of houses for miners and steelworkers, and for a single readaptation project. The industrial projects were financed wholly out of borrowed funds while the readaptation loan came entirely from the High Authority's own resources, which also provided the loans for houses construction; the redevelopment projects were financed partly out of the High Authority's resources and partly out of borrowed funds.

The total amount loaned in 1966 was 90.06 million units of account.

TABLE 9

Loans granted in 1966

(in million units of account)

Sector	Germany (Fed. Rep.)	Belgium	France	Italy	Nether- lands	Luxem- bourg	Commu- nity
I — Coal mines	18.10	—	0.56	—	—	—	18.66
Iron-ore mines . .	—	—	—	—	—	—	—
Iron and steel industry	25.68	—	4.00	19.76	—	—	49.44
Total I	43.78	—	4.56	19.76	—	—	68.10
II — Industrial redevelopment . .	2.80	—	—	2.83	11.36	—	16.99
Workers' housing .	3.43	—	1.34	—	—	—	4.77
Readaptation . .	—	—	0.20	—	—	—	0.20
Total II	6.23	—	1.54	2.83	11.36	—	21.96
Grand total	50.01	—	6.10	22.59	11.36	—	90.06

Further particulars of the various credit operations carried out are given below:

1. Aid for industrial investment projects

(a) Loans

Of the various categories, loans for industrial projects again occupied the leading place in 1966, when a total of 68.10 million units of account were made available under this heading. The loans were made repayable over periods from 12 to 20 years, at interest rates ranging from 6.25 to 7% per annum. As the High Authority lends borrowed funds at cost, the interest on loans had to be increased as the borrowing rate rose.

The recipients may be classified by sectors as follows:

Coalmining industry:

Productivity and production-cost improvement and coal utilization:

Société Alsacienne de Houilles et Agglomérés, Strasbourg-Rheinhafen;

Gewerkschaft Auguste Victoria, Marl (Kr. Recklinghausen);

Concordia Bergbau Aktiengesellschaft, Oberhausen;

Klöckner Werke A.G., Duisburg;

Friedrich Krupp Hüttenwerke Aktiengesellschaft, Bochum;
Hüttenwerk Oberhausen Aktiengesellschaft, Oberhausen;
Gebrüder Stumm G.m.b.H., Brambauer (Westfalen);
Essener Steinkohlenbergwerke A.G., Essen;
Hibernia Aktiengesellschaft, Herne;
Hamborner Bergbau Aktiengesellschaft, Duisburg-Hamborn.

Iron and steel industry:

Raw material-preparation and pig-iron production:

Italsider S.p.A. (Trieste plant), Genoa.

Oxygen steel-making (in some cases for the joint benefit of several neighboring firms):

Société des Forges et Aciéries de Dilling, Dillingen/Sarre;
Dortmund-Hörder Hüttenunion Aktiengesellschaft, Dortmund;
Société Métallurgique de Normandie, Mondeville;
Klöckner-Werke A.G., Duisburg.

Continuous casting:

Terni, Società per l'Industria e l'Elettricità, S.p.A., Rome.

Modernization and specialization:

Gebrüder Böhler & Co, Aktiengesellschaft, Düsseldorf-Oberkassel;
Stahlwerke Bochum, Aktiengesellschaft, Bochum;
Acciaierie e Ferriere Lombarde Falck, S.p.A., Milan;
Giuseppe e Fratello Redaelli S.p.A., Milan;
Theodor Wuppermann G.m.b.H., Leverkusen;
Röchling'sche Eisen- und Stahlwerke G.m.b.H., Völklingen/Sarre;
Rasselstein Aktiengesellschaft, Neuwied;
Erkenzweig & Schwemann Edelstahlwerke und J. C. Söding & Halbach,
Hagen.

Table 10 shows the distribution by countries of all industrial loans granted by the High Authority since its inception, with separate figures for 1966.

TABLE 10

Aid for industrial investment projects

(in million units of account)

Country	Position at December 31, 1965			Operations during 1966		Position at December 31, 1966		
	Total sum loaned	Total repay- ments	Sum out- standing	New loans	Repay- ments	Total sum loaned	Total repay- ments	Sum out- standing
Germany (Fed. R.)	267.315	48.771	218.544	43.780	10.085	311.095	58.856	252.239
Belgium	26.565	8.710	17.855	—	0.730	26.565	9.440	17.125
France	100.127	16.945	83.182	4.560	2.804	104.687	19.749	84.938
Italy	107.829	20.244	87.585	19.764	3.056	127.593	23.300	104.293
Luxembourg	1.000	1.000	—	—	—	1.000	1.000	—
Netherlands	—	—	—	—	—	—	—	—
Community	502.836	95.670	407.166	68.104	16.675	570.940	112.345	458.595

(b) *Guarantees*

The Treaty provides that the High Authority may also facilitate the carrying out of enterprises' investment programs by giving its guarantee to loans which they obtain from other financial institutions.

Before giving its guarantee, the High Authority naturally studies both the technical and financial aspects of the investment program concerned.

As a result, its guarantee not only covers lenders against all financial risks but also provides them with valuable guidance as to the economic soundness of the project.

With this type of financial backing, the firms concerned have been able to negotiate loans on capital markets outside their own countries on the same terms as borrowers regarded as first-class risks.

Moreover, the low commission so far charged by the High Authority for guarantees in such cases has materially contributed to the success of the investment programs concerned.

During 1966, however, the High Authority was not asked to give any guarantees, with the result that, on December 31, commitments under this heading stood at 43.02 million units of account.

2. Loans for industrial redevelopment and reconversion

Under the terms of the High Authority's 1965 decision on the financing of redevelopment and reconversion, loans may be granted for this purpose from both borrowings and the Special Reserve. By using its own funds, the

High Authority was again able to comply strictly with the terms established in 1965.

Loans granted for industrial redevelopment and reconversion totalled 16.99 million units of account in 1966, composed of 10.81 million from borrowed funds and 6.18 million from the High Authority's own resources. 13 loans were granted to the following recipients who are listed below by countries:

Germany

Para-Gummiwerke Arthur Brugger G.m.b.H., Wuppertal Barmen	Brunswick coalfield
Elektro-Chemie Ibbenbüren G.m.b.H., Ibbenbüren (Westphalia)	Lower Saxony coalfield
Dr. Hermann E. Müller, Bergneustadt (Cologne)	Aachen coalfield

Italy

Fratelli Biglino, s.n.c., Genoa	Genoa region
Trafilerie e Punterie Bresciani S.p.A., Genoa	" "
Grasso S.p.A., Savignone (Genoa)	" "
Italsvenska Mineraria s.n.c., Isola del Cantone (Genoa)	" "
Industrie Aeronautiche e Meccaniche Rinaldo Piaggio S.p.A., Genoa	" "
Preti I.D.A., S.p.A., Sant'Olcese (Genoa)	" "
Olympo Stampi S.p.A., Rezzato (Brescia)	Brescia region

Netherlands

Van Doorne's Automobielfabriek (D.A.F.) N.V., Eindhoven	Dutch Limburg coalfield
Eurocarpet N.V., Helmond	" " "
N.V. Steenfabriek Nievelsteen, Eyselshoven	" " "

The next two tables summarize the aid given by the High Authority for industrial redevelopment and reconversion, by countries and industries respectively. The second shows that branches of industry outside the normal scope of the E.C.S.C. have also been helped. The firms concerned undertook to find jobs for former miners and steelworkers remaining unemployed after the shutdown of plants in their own sectors.

TABLE 11

Loans for industrial redevelopment and reconversion

A — Breakdown by countries

(in million units of account)

Country	Position at December 31, 1965	Loans during 1966	Position at December 31, 1966
Germany (Fed. Rep.) . .	0.995	2.800	3.795
Belgium	8.903	—	8.903
France	4.890	—	4.890
Italy	15.000	2.832	17.832
Luxembourg	—	—	—
Netherlands	—	11.360	11.360
Community	29.788	16.992	46.780

B — Breakdown by industries

(in million units of account)

Industry	Amount
Power stations	15.000
Iron and steel and metal processing .	4.574
Mechanical engineering	4.540
Motor-vehicle manufacture	9.669
Rubber (tires)	6.383
Chemicals	4.882
Floor coverings	1.000
Miscellaneous	0.732
Total	46.780

3. Loans for workers' housing

There were no changes in the High Authority's policy in 1966 and housing programs are still, as a rule, financed from the Special Reserve. Loans for workers' housing are furnished in the currency of the country concerned to avoid any exchange risks to the recipients. As they carry a very low rate of interest, they can be combined with other capital raised from national sources at prevailing market rates. The High Authority mobilizes these additional funds either directly from its own borrowings or indirectly by interesting institutional investors in partial financing of the projects concerned.

During the year under review, the High Authority went ahead with the "special tranche" of Building Scheme V and started on Scheme VI covering the period January 1, 1966 to December 31, 1968. 20 million units of account were allocated from the special reserve for this program as a whole.

Disbursements, in 1966, for the two programs totalled 4.76 million units of account, all from the special reserve.

At December 31, 1966, the total number of dwellings financed with High Authority assistance was about 102,000, of which some 85,000 had been completed.

TABLE 12

Loans for workers' housing

(in million units of account)

Country	Position at December 31, 1965			Operations during 1966		Position at December 31, 1966		
	Total loans granted	Repay- ments	Sum out- standing	New loans granted	Repay- ments	Total loans granted	Repay- ments	Sum out- standing
Germany (Fed. Rep.)	48.348	6.153	42.195	3.425	1.110	51.773	7.263	44.510
Belgium	22.812	1.387	21.425	—	0.331	22.812	1.718	21.094
France	17.307	0.725	16.582	1.337	0.278	18.644	1.003	17.641
Italy	14.224	1.334	12.890	—	0.024	14.224	1.358	12.866
Luxembourg	3.308	0.163	3.145	—	0.076	3.308	0.239	3.069
Netherlands	5.627	0.626	5.001	—	0.182	5.627	0.808	4.819
Community	111.626	10.388	101.238	4.762	2.001	116.388	12.389	103.999

4. Loans for readaptation

In 1966 one loan was granted under the heading "readaptation" but was in fact intended for building houses, so that workers laid off in their home district could purchase new accommodation in another area where jobs are available.

During the year 0.20 million units of the total allocation were disbursed from the readaptation account for this purpose.

5. Recapitulation of direct lending operations 1954-1966

By the end of 1966, loans granted by the High Authority, since its inception, from its own resources and from borrowed funds, amounted in all to 743.63 million units of account. With the guarantees also furnished during the same period of 47.01 million units, the total amount of the High Authority's direct financial assistance was 790.64 million units.

The following table gives a detailed breakdown of the High Authority's direct assistance by way of loans and guarantees.

TABLE 13

Loans and guarantees granted to December 31, 1966 by type of investment and countries

(initial amounts)

(in million units of account)

	Loans granted			Guarantees	Total of loans and guarantees	%
	from borrowed funds	from own resources	total			
<i>A — Type of investment</i>						
Coalmining industry ⁽¹⁾	221.05	—	221.05	—	221.05	27.96
Iron-ore mines ⁽²⁾	30.25	—	30.25	—	30.25	3.83
Iron and steel industry	319.64	—	319.64	46.71	366.35	46.33
Workers' housing	44.39	72.—	116.39	—	116.39	14.72
Industrial redevelopment and reconversion	40.60	6.18	46.78	—	46.78	5.92
Readaptation	—	5.84	5.84	0.30	6.14	0.78
Research (experimental building)	—	2.96	2.96	—	2.96	0.37
Other projects	—	0.72	0.72	—	0.72	0.09
Total	655.93	87.70	743.63	47.01	790.64	100.—
<i>B — Country</i>						
Germany (Fed. Rep.)	327.12	46.17	373.29	35.—	408.29	51.64
Belgium	54.73	4.—	58.73	—	58.73	7.43
France	109.58	19.83	129.41	11.71	141.12	17.85
Italy	152.43	7.44	159.87	0.30	160.17	20.26
Luxembourg	2.70	2.40	5.10	—	5.10	0.64
Netherlands	9.37	7.86	17.23	—	17.23	2.18
Community	655.93	87.70	743.63	47.01	790.64	100.—

⁽¹⁾ Including coking-plants and thermal power stations.⁽²⁾ Including sintering plants.

The following are two of the factors which helped make possible this volume of assistance:

(a) help from the Bank for International Settlements in Basle which acts as agreed third party for loans negotiated by the High Authority under the Act of Pledge during the first years of its activity;

(b) collaboration between the High Authority and a number of investment houses in the six Community countries. Several of these houses, which specialize in industrial loans, act as agents for the High Authority in the countries concerned and thereby assist the Community's lending operations. There are so far eight national agents, as follows:

Germany (Fed. Rep.): Kreditanstalt für Wiederaufbau;

Belgium: Caisse Générale d'Epargne et de Retraite;
Société Nationale de Crédit à l'Industrie;

France:	Caisse de Dépôts et Consignations; Crédit National;
Italy:	Istituto Mobiliare Italiano;
Luxembourg:	Caisse d'Épargne de l'État;
Netherlands:	Nationale Investeringsbank (Herstelbank) N.V.

The High Authority takes this opportunity of renewing its thanks to the Bank of International Settlements and to these financial institutions for their effective co-operation.

The High Authority's balance-sheet and statement of revenues and expenditures as at December 31, 1966, are appended.

ANNEXES

**STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR 1966**

BALANCE SHEET AS OF DECEMBER 31, 1966

**SUMMARY OF ALLOCATIONS FROM NET EXCESS
OF REVENUES**

**COMPARATIVE TABLE REGARDING
REVENUES AND EXPENDITURES**

**HIGH AUTHORITY OF THE
EUROPEAN COAL AND STEEL COMMUNITY**

REVENUES AND EXPENDITURES IN THE YEAR 1966

(Including revenues and expenditures in connection with borrowing and
lending operations)

All amounts are stated in E.M.A. units of account and are the equivalent of various currencies computed at the following rates for 1 E.M.A. unit of account: US\$: 1.—; Belgian francs: 50.—; French francs: 4.93706; German (W) marks: 4.—; Luxembourg francs: 50.—; Dutch guilders: 3.62; Italian Lire: 625; Swiss francs: 4.37282

Revenues	For the period January 1, 1966 to June 30, 1966	For the period July 1, 1966 to December 31, 1966	Total for the year 1966
I - REVENUES FROM LENDING OPERATIONS			
Interest received:			
— on loans from borrowed funds	13,526,296.20	14,589,906.20	28,116,202.40
— on undisbursed loan funds	566,671.04	957,973.61	1,524,644.65
— on loans from funds not borrowed	420,367.59	435,478.77	855,846.36
Guaranty fees	108,720.61	111,909.91	220,630.52
Sundry receipts	12,955.87	91,551.05	104,506.92
<i>Total revenue from lending operations</i>	<i>14,635,011.31</i>	<i>16,186,819.54</i>	<i>30,821,830.85</i>
II - LEVY			
— German enterprises	6,448,853.69	6,428,476.25	12,877,329.94
— Belgian enterprises	1,261,056.16	1,207,668.54	2,468,724.70
— French enterprises	3,087,576.25	2,914,661.77	6,002,238.02
— Italian enterprises	1,751,557.16	2,046,368.96	3,797,926.12
— Luxembourg enterprises	440,364.02	437,288.82	877,652.84
— Dutch enterprises	622,364.61	609,773.46	1,232,138.07
<i>Sub-Total</i>	<i>13,611,771.89</i>	<i>13,644,237.80</i>	<i>27,256,009.69</i>
Levy declared but not yet paid in	3,607,091.—	—	3,607,091.—
<i>Total levy</i>	<i>17,218,862.89</i>	<i>13,644,237.80</i>	<i>30,863,100.69</i>
III - OTHER REVENUES			
— Interest on Deposits and Investments	4,016,670.85	4,197,463.98	8,214,134.83
— Fines	109,071.78	7,856.91	116,928.69
— Receipts for Pension Fund	1,148,987.37	1,199,935.03	2,348,922.40
— Miscellaneous	103,816.07	140,004.87	243,820.94
<i>Total other revenues</i>	<i>5,378,546.07</i>	<i>5,545,260.79</i>	<i>10,923,806.86</i>
Total revenues	37,232,420.27	35,376,318.13	72,608,738.40

Auditor's Certificate

Having examined the books, vouchers and documents of the book-keeping and the explanations supplied to me, I herewith certify that the revenues and expenditures of the High Authority as of December 31, 1966 are correctly and properly reflected in the above document.

Luxembourg, April 4, 1967

Urbain J. VAES
Auditor

Expenditures	For the period January 1, 1966 to June 30, 1966	For the period July 1, 1966 to December 31, 1966	Total for the year 1966
I - EXPENDITURES IN CONNECTION WITH BORROWING OPERATIONS:			
— Interest on funds borrowed	12,890,525.11	14,129,191.58	27,019,716.69
— Fees to depositary and agent banks	333,531.99	397,222.82	730,754.81
— Miscellaneous	24.72	17,673.72	17,698.44
— Redemption recoverable issuing costs	—	352,232.11	352,232.11
<i>Total expenditures in connection with borrowing operations</i>	<i>13,224,081.82</i>	<i>14,896,320.23</i>	<i>28,120,402.05</i>
II - OTHER EXPENDITURES			
— Administrative expenses	9,982,054.47	9,797,532.84	19,779,587.31
— Financial expenses	45,100.71	15,058.49	60,159.20
— Expenditures for research	4,276,207.99	4,978,733.80	9,254,941.79
— Expenditures for readaptation	1,151,733.10	265,637.07	1,417,370.17
— Expenditures for pensions	241,944.75	231,029.81	472,974.56
<i>Total other expenditures</i>	<i>15,697,041.02</i>	<i>15,287,992.01</i>	<i>30,985,033.03</i>
Total expenditures	28,921,122.84	30,184,312.24	59,105,435.08
EXCESS OF REVENUES OVER EXPENDI- TURES	8,311,297.43	5,192,005.89	13,503,303.32
RECOVERABLE ISSUING COSTS	8,981,690.57	—	8,981,690.57
Total assets	17,292,988.—	5,192,005.89	22,484,993.89

The following allocations and withdrawals
were made in the year 1966:

ALLOCATIONS

— To the Special Fund	8,215,962.51	
— For readaptation	10,267,244.95	
— To the Pension Fund	1,875,947.84	
— To sundry funds	7,515,095.05	27,874,250.35

WITHDRAWALS

— From the unallocated revenue	5,275,090.77	
— From research	114,165.69	5,389,256.46
		<u>22,484,993.89</u>

**For the High Authority
of the European Coal and Steel Community**

A. R. A. THEUNISSEN
*Director General
of
Credit and Investments*

Joseph DINJEART
*Director General
of
Administration and Finance*

**HIGH AUTHORITY OF THE
EUROPEAN COAL AND STEEL COMMUNITY**

BALANCE SHEET DECEMBER 31, 1966

All amounts are stated in E.M.A. units of account and are the equivalent of various currencies computed at the following rates for 1 E.M.A. unit of account: US\$: 1.—; Belgian francs: 50.—; French francs: 4.93706; German (W) marks: 4.—; Luxembourg francs: 50.—; Dutch guilders: 3.62; Italian Lire: 625; Swiss francs: 4.37282

ASSETS

I - LOANS FROM FUNDS BORROWED ⁽¹⁾		
(A) Disbursed loans		
— in US dollars		227,630,000.—
— in German (W) marks		109,663,016.26
— in Italian Lire		53,036,713.62
— in Dutch guilders		44,230,939.23
— in French francs		30,382,454.34
— in Swiss francs		20,867,540.85
— in Luxembourg francs		19,590,709.38
— in Belgian francs		15,251,600.—
— in units of account		15,000,000.—
		535,652,973.68
(B) Undisbursed loan funds		
— in US dollars		120,000.—
— in Italian Lire		18,963,286.38
— in units of account		5,000,000.—
— in German (W) marks		12,500.—
		24,095,786.38
		559,748,760.06
II - OTHER LOANS		
(A) Loans from Special Fund for the financing of housing projects		66,977,506.40
(B) Loans from Special Fund for reconversion		6,178,694.38
(C) Loans from funds allocated for readaptation		486,516.40
(D) Loans from funds allocated for research		2,692,273.58
(E) Miscellaneous		947,166.43
		77,282,157.19
III - CASH AND OTHER CURRENT ITEMS		
(A) Cash and due from banks		129,230,246.43
(B) Other short and middle-term placements with banks		9,449,365.74
		138,679,612.17
IV - INVESTMENTS (SECURITIES AT COST)		51,523,139.27
V - INTEREST RECEIVABLE BUT NOT YET DUE		12,487,234.39
VI - RECOVERABLE ISSUING COSTS		13,117,546.56
VII - OTHER ASSETS		5,880,042.94
VIII - ENTERPRISES LIABILITY UNDER GUARANTIES (per contra)		<u>43,017,354.47</u>
		<u>858,718,492.58</u>

⁽¹⁾ The following claims and related securities under loans granted from funds borrowed as well as other items of the Assets are pledged to the Bank for International Settlements in Basle in favor of the holders of Secured Notes and Coupons issued by the High Authority:

of item I: 174,519,890.66

of item III: 1,979,901.41

of item V: 3,130,203.45

Auditor's Certificate

Having examined the books, vouchers and documents of the book-keeping and the explanations supplied to me, I herewith certify that the financial condition of the High Authority as of December 31, 1966 is correctly and properly reflected in the above document.

Luxembourg, April 4, 1967

Urbain J. VAES
Auditor

LIABILITIES

I - LOANS ⁽¹⁾			
— in US dollars		227,750,000.—	
— in German (W) marks		109,675,516.26	
— in Italian Lire		72,000,000.—	
— in Dutch guilders		44,230,939.23	
— in French francs		30,382,454.34	
— in Swiss francs		20,867,540.85	
— in Luxembourg francs		19,590,709.38	
— in Belgian francs		15,251,600.—	
— in units of account		20,000,000.—	559,748,760.06
II - RESERVES			
(A) Guaranty Fund		100,000,000.—	
(B) Special Fund		78,892,498.16	178,892,498.16
III - ALLOCATIONS FOR FINANCIAL AID			
(A) for readaptation			
1. commitments entered into for grants	27,291,517.47		
2. uncommitted balance	10,000,000.—	37,291,517.47	
(B) for research			
1. commitments entered into for grants	24,435,252.96		
2. uncommitted balance	3,000,000.—	27,435,252.96	64,726,770.43
IV - PENSION FUND			23,246,620.63
V - INTEREST PAYABLE BUT NOT YET DUE ⁽²⁾			9,850,883.28
VI - BONDS AND COUPONS PAYABLE			4,224,792.45
VII - OTHER LIABILITIES			10,386,979.02
VIII - UNALLOCATED REVENUE			7,641,188.55
IX - LIABILITIES UNDER GUARANTIES (per contra)		43,017,354.47	
			<u>858,718,492.58</u>

(¹) Including Secured Notes for 174,532,390.65

(²) Of which related to Secured Notes 3,003,381.79

**For the High Authority
of the European Coal and Steel Community**

A. R. A. THEUNISSEN
*Director General
of
Credit and Investments*

Joseph DINJEART
*Director General
of
Administration and Finance*

**HIGH AUTHORITY
of the
EUROPEAN COAL AND
STEEL COMMUNITY**

Luxembourg, April 4, 1967

Department of
Credit and Investments

Comparative Table regarding Revenues and Expenditures

(in thousands of units of account)

	Fiscal years July 1 to June 30				6 months ended De- cember 31, 1966
	1962/63	1963/64	1964/65	1965/66	
<i>Revenues</i>					
Interest on loans	15,512	17,930	24,319	28,394	16,187
Levy	19,626	19,110	20,826	26,306	13,644
Levy declared but not yet paid in.	—	—	—	3,607	—
Other revenues.	10,126	10,021	16,117	9,743	5,545
Total revenues	45,264	47,061	61,262	68,050	35,376
<i>Expenditures</i>					
Interest and fees paid	14,001	16,244	21,886	25,506	14,896
Administrative expenses	14,456	15,525	17,362	18,673	9,798
Special allocation to the Pension Fund	—	—	5,163	—	—
Financial expenses	1,327	3,043	4,352	78	15
Expenditures for research	3,850	5,009	6,177	8,415	4,979
Expenditures for readaptation	888	2,912	2,559	2,131	265
Expenditures for pensions	216	292	800	430	231
Total expenditures	34,738	43,025	58,299	55,233	30,184
<i>Excess of Revenues over Expenditures</i>	10,526	4,035	2,963	12,817	5,192
Recoverable issuing costs	—	—	—	8,981	—
Total assets	—	—	—	21,798	5,192

**HIGH AUTHORITY
of the
EUROPEAN COAL AND
STEEL COMMUNITY**

Luxembourg, April 4, 1967

Department of
Credit and Investments

Summary of Allocations from Net Excess of Revenues

(in thousands of units of account)

	Period					6 months ending Decem- ber 31, 1966	Total
	1952/62	1962/63	1963/64	1964/65	1965/66		
Net excess of revenues over expenditures	239,856	10,526	4,035	2,963	21,798	5,192	284,370
<i>Allocations:</i>							
to Guaranty Fund	100,000	—	—	—	—	—	100,000
to Special Fund	46,210	8,331	8,000	4,643	7,858	3,850	78,892
for readaptation	32,758	2,671	12,289	784	8,529	4,838	37,291
for research	21,859	723	6,917	2,495	285	3,397	27,435
to Pension Fund	10,105	1,762	1,480	7,104	1,827	969	23,247
to Contingent Fund	2,000	—	4,000	6,000	9,009	855	9,865
Total allocations	212,932	12,041	8,108	9,026	27,508	7,115	276,730
<i>Unallocated balance:</i>							
for each period	26,924	1,515	4,073	6,063	5,709	1,923	7,641
brought forward from pre- vious periods	—	26,924	25,409	21,336	15,273	9,564	—
Total unallocated balance	26,924	25,409	21,336	15,273	9,564	7,641	7,641