

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

FINANCE DIVISION

Financial Report

for the years 1953 - 1954 - 1955

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

René Mayer	President
Franz Etzel	Vice-President
Albert Coppé	Vice-President
Léon Daum	Member of the High Authority
Paul Finet	Member of the High Authority
Enzo Giaccherio	Member of the High Authority
Heinz Potthoff	Member of the High Authority
Dirk Spierenburg	Member of the High Authority
Albert Wehrer	Member of the High Authority

FINANCE DIVISION

P. Delouvrier, Director

H. Skribanowitz, **C.D.A. van Lynden**,
Alternate Directors

The balance-sheet of the High Authority
is expressed in EPU Accounting Units.

Present parity: 1 EPU Unit = 1 US \$

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The High Authority presents a report on its entire activity once a year. This report is usually prepared for presentation to the Ordinary Session of the Common Assembly of the European Coal and Steel Community meeting in May of each year.

The High Authority wishes, apart from this general reporting, to publish a separate yearly report on its financial activity. These special reports will always refer to the preceding calendar year and are intended for distribution to the finance and economic authorities, to banks and financial institutions, to the managements of the enterprises of the coal and steel industry and to other interested business circles.

The present report is the first of its type and covers for this reason not only the year 1955 but also the years 1953 and 1954.

I. OBJECTIVES OF THE FINANCIAL ACTIVITY OF THE HIGH AUTHORITY

The Treaty by which the European Coal and Steel Community has been established on April 18, 1951, charges the executive branch of the Community with the execution of the task "of promoting the orderly expansion and modernization of the production" and of "assisting the enterprises in the financing of projects relating thereto".

With that in view, the Treaty provides:

- the High Authority is authorized to borrow (art. 49),
- the proceeds of loans to the High Authority may be used for the granting of credits to enterprises (art. 51 para. 1 and art. 54 para. 1),
- the High Authority may guarantee loans which the enterprises contract with third parties (art. 54 para. 1).

The High Authority has a rather wide field of financial activity; it can grant credits itself or guarantee credits granted by third parties if such credits serve the following purposes:

- a) the financing of industrial capital investments within the coal and ore mining industry and the steel producing industry;
- b) the financing of the construction of housing for miners and steel workers;
- c) the financing of capital investments carried through by enterprises not directly under the jurisdiction of the Community, provided that such works and installations will directly contribute to an increase of production, to a decrease of production costs, or facilitate the sale of the products under the jurisdiction of the High Authority;
- d) the financing of the creation of new jobs for the manpower set free either by the technical progress or as a temporary consequence of the creation of a common market.

The High Authority began its activity on August 10, 1952; the execution of the financial provisions of the Treaty by the High Authority began thus at a time when the coal and steel industry of the member countries was experiencing a considerable shortage of long term capital. For that reason, the promotion of the financing of capital investments serving the reconstruction and modernization of plants was imperative. It will generally be well recollected in what poor condition the capital markets of the countries of the Community, excepting the Netherlands, were at that time. The scarcity of loan capital was clearly reflected by the high rates of interest and the short life times of the loan issues of the market and of the bank credits. In view of this situation, the High Authority at that time formulated the following objectives of its activity in the financial sector:

- a) approach to the foreign capital markets (to which the basic industries had no direct access) with a view to mobilizing capital for the financing of industrial capital investments;
- b) stimulation of the capital markets within the Community to make available the necessary supplemental credits for the industrial capital investments and for the construction of housing for workers;
- c) efforts to decrease investment and production costs by a decrease of the credit costs, and efforts to harmonize the interest rates in the different countries of the Community.

These objectives could be pursued only with the help of long term loans at low interest rates which the High Authority could relend to the enterprises with the lowest possible charges and commissions. But for an institution as recently established as the High Authority, it was rather difficult to find access to the capital markets.

In order to find this access, the High Authority had first of all to establish a firm basis for its own operations.

II. BASIS OF LOAN OPERATIONS OF THE HIGH AUTHORITY

The High Authority's credit is based on the following:

- 1) the fiscal capacity of the High Authority, in other words its right to impose a levy on the production of coal and steel,
- 2) the existence of a Guarantee Fund, i. e. a capital, equivalent to \$ 100 million,
- 3) the constitution of a Common Pledge in favor of the lenders to the High Authority; this Common Pledge which consists of the obligations of the borrowing enterprises and the security therefor accords absolutely equal security rights to all lenders to the High Authority.

The Fiscal Capacity

Articles 49 and 50 of the Treaty establishing the European Coal and Steel Community grant to the High Authority the right of imposing a levy on the value of the production of coal and steel in the six member countries; it is explicitly provided that the proceeds of this levy may also be used as cover for the obligations of the High Authority resulting from the granting or guaranteeing of credits.

The coal and steel production subject to this levy amounted in 1955 to about **7 billion EPU Accounting Units (dollars)**.

The High Authority is authorized, by its own decision and without consultation of the Special Council of Ministers of the Community, to impose this levy up to a rate of 1% on the production value. Thus, a considerable annual tax revenue is assured. Drawing on the production value of 1955, the High Authority could have collected in that year a total levy of **70 million EPU Accounting Units (dollars)**. If necessary, the rate of this levy could also be fixed at more than 1%. This would, however, require the unanimous approval of the Special Council of Ministers.

Thus, the production power of the coal and steel industry of the member countries, through the mechanism of the levy, contributes to the creation of an entirely unprecedented common credit which is at the disposal of all enterprises in need of it.

The Guarantee Fund

When starting its activity the High Authority wished to establish its credit as quickly as possible and decided, for this reason, to utilize a considerable amount of the proceeds of the levy for the immediate establishment of a Guarantee Fund, i. e. a capital guaranteeing the claims of all its creditors. The Guarantee Fund is available to cover losses or temporary deficiencies which might arise in the course of the credit and guarantee operations of the High Authority. Its existence provides the best assurance for the punctual observance of the interest and amortization service of the loans granted to the High Authority. On the other hand, the existence of a Guarantee Fund protects the enterprises paying the levy against the risk of a sudden increase in the rate of the levy. Should some of the borrowing enterprises temporarily not be in the position to observe their interest and amortization service vis-à-vis the High Authority and if there were no Guarantee Fund — a sudden increase of the rate of the levy would become inevitable in order to enable the High Authority punctually to meet the obligations to its lenders. Such difficulties of payment by the enterprises would — if ever — arise in the time of a crisis and it would be hard — at such a time — to increase the fiscal burden of all the enterprises.

The High Authority has decided for the time being to limit the allocations to the Guarantee Fund to the amount of 100 million of EPU Accounting units (dollars). A Guarantee Fund of this magnitude is generally considered as sufficient for permitting much larger loan and guarantee operations corresponding on one hand with the needs and technical possibilities of investments in the coal and steel industry, and on the other with the lending capacity of the capital markets and with the maintenance of an appropriate ratio between the High Authority's own financial resources and its borrowings.

It may be well assumed that the magnitude of the Guarantee Fund already created will make superfluous further allocations for this purpose, from levies, for a number of years to come.

The Common Pledge

In accordance with the wishes of the U. S. Government in lending to the High Authority, an Indenture was concluded between the High Authority and the Bank for International Settlements, Basle, on November 28, 1954. Later on, this Indenture has been adhered to also by all the other lenders to the High Authority; any changes of its provisions require the assent of all lenders. The Indenture is known as the «Act of Pledge» and regulates the mechanism of borrowing and lending on the following principles:

- a) The Treaty establishing the Community provides already, as mentioned, that the proceeds of the loans shall only be utilized for the granting of credits; this provision is supplemented by the Act of Pledge authorizing the High Authority to make loans only at interest rates not less than those paid by it for the funds borrowed.
- b) The obligations of the borrowing enterprises and the securities therefor are separated in a special portfolio on which the lenders to the High Authority have a preferential lien as compared with other creditors.
- c) Under the Common Pledge all present and future lenders to the High Authority have and will have absolutely equal rights.
- d) The Common Pledge comes legally into operation by the pledging to the Bank for International Settlements of all obligations of the borrowing enterprises and the security therefor.

The Act of Pledge is an instrument of guarantee which is little known in European finance. The special feature of the procedure is the fact that it grants entirely equal rights to all present and future lenders to the High Authority as regards the obligations of the borrowing enterprises and the security therefor. These claims and securities are and will be held by the Bank for International Settlements, Basle, in the Common Pledge for the protection of all present and future lenders to the High Authority.

The term «Common Pledge» has frequently been misinterpreted by the public as requiring that the debtors of the High Authority be jointly and severally liable with their securities. This is in no way true. In fact, each debtor is liable vis-à-vis the High Authority only for the funds borrowed by him, and the securities supplied by him to the High Authority cover only his own debt. The term «Common» has a significance only for the lenders to the High Authority. It indicates that all securities included in the Pledge are held for the common, pro-rata, benefit of all lenders to the High Authority. This procedure provides the lenders with the advantage of a wider spread of risk. The bigger the portfolio of the «Common Pledge», the wider the spread.

The pledging of the obligations and securities to the Bank for International Settlements has no effects whatsoever on the other rights and undertakings of the borrowers from the High Authority.

Apart from its rôle as Depositary holding the claims and the securities, the Bank for International Settlements agreed to act also as agent of the High Authority for the technical handling of loan and credit agreements. Thus, a clear separation of these operations from other financial operations of the High

Authority (employment of levy funds, expenditure for research and readaptation etc.) is assured.

Thus, the Bank for International Settlements receives, by order of the High Authority, the proceeds of loans and, on the other hand, it releases the amounts of the credits granted. On maturity of interest and amortization, the borrowers from the High Authority remit the due amounts to the Bank for International Settlements which, in turn, automatically uses them for servicing interest and amortization of the loans of the High Authority.

Whatever the developments of the policy of European integration may be — by the procedure described above with the Bank for International Settlements as the key figure, the smooth operation of the High Authority's loan service is assured.

III. RESOURCES OF THE HIGH AUTHORITY AND THEIR UTILIZATION

The general levy collected on the value of the coal and steel production since January 1, 1953, was calculated at the following rates:

1953 — from January 1 to February 28	0.3 %
— from March 1 to April 30	0.5 %
— from May 1 to June 30	0.7 %
— from July 1 to December 31	0.9 %
1954 — from January 1 to December 31	0.9 %
1955 — from January 1 to June 30	0.9 %
— from July 1 to December 31	0.7 %
1956 — since January 1	0.45%

During the period from January 1, 1953 to December 31, 1955, the levy collected at the above rates yielded, in the currencies of the member countries, an equivalent of **140,3 million EPU Accounting Units (dollars)**. This amount was further supplemented by other revenues amounting to 3,25 million of EPU Accounting Units. The following table shows the gross proceeds of the levy as broken down by years and countries:

Gross proceeds of the levy

(in million EPU Accounting Units)

Country	1953	1954	1955	Total	percentage 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 %

The proceeds of the levy are intended to cover the administrative expenses of the High Authority and of the other branches of the Community (Common Assembly, Special Council of Ministers, Court of Justice) and also to finance expenditure on technical, economic and medical research and on the readaptation of manpower. The funds earmarked for the latter purposes are set aside on special accounts pending their utilization. For the period August 8, 1952 to December 31, 1955, the amount of funds actually spent reached a total of **24,55 million EPU Accounting Units**. The various local currencies were utilized in making these expenditures in the same proportions as their collection under the levy.

The balance of the proceeds of the levy and other revenue (after deduction of the afore-mentioned expenditure) has been allocated as follows at the end of the three years under review:

(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

The envisaged amount of 100 million EPU Accounting Units (dollars) in the Guarantee Fund will probably be reached by the end of the first half year of 1956.

IV. EMPLOYMENT OF THE PROCEEDS OF THE LEVY

The resources of the Guarantee Fund and the amounts temporarily not needed for the financing of readaptation and research or for the payment of administrative expenses are deposited by the High Authority with commercial and investment banks in the countries of the Community. Such deposits are made with due regard to the requirements of liquidity on one hand and on the other hand with the intention of securing the greatest possible benefits for the coal and steel industry. The placing of substantial funds as time deposits provides a natural basis for special agreements with the banks to increase the volume of medium-term credits at reduced rates of interest available to the coal and steel industry. The total of such medium-term credits additionally made available to the coal and steel industry by our banking friends, entirely under their own responsibility, amounts to **42 million EPU Accounting Units** as of now and including the agreements completed at the beginning of 1956. The following table shows the breakdown by countries and the conditions of the five-year-credits granted to the industry as a result of our policy regarding the 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 million	6	4 ¹ / ₂ %
France	Ffrs 2,500 million	7	4 ¹ / ₂ %
Italy	Lire 2,000 million	3	5 ¹ / ₄ %
Luxembourg	Bfrs 100 million	2	4 ¹ / ₂ %
		42	

The above rates of interest are significantly lower than the rates usually applied to credits of this nature in most of the countries of the Community, which vary between 6 and 8%.

The making available to the coal and steel industry of these medium-term credits proved to be possible thanks to the friendly co-operation of the following banking institutions:

Germany	Kreditanstalt für Wiederaufbau, Francfort/Main
Belgium	Banque de la Société Générale, Brussels, Banque de Bruxelles, Brussels Société Belge de Banque, Brussels
France	Crédit National, Paris
Italy	Istituto Mobiliare Italiano, Rome

Luxembourg Banque Internationale, Luxembourg
Banque Générale, Luxembourg

In the Saarland, negotiations concerning the establishment of similar credit facilities are still under way. In the Netherlands the coal and steel industry did not show interest in obtaining such facilities in 1955/56.

Apart from the wish to provide supplemental medium-term credits for the coal and steel industry, our depositing policy was guided by the following principles:

- safety of the deposits;
- maintenance of liquidity;
- appropriate yield.

According to these principles we have deposited our funds with first class banking institutions with due regard to the requirements of liquidity and at normal interest rates. Up to this time the levy funds have always been deposited in the same currencies in which they have been collected. The Treaty establishing the Community provides for the conversion and transfer of levy funds within the Community to the extent required to allow their utilization for the purposes specified by the Treaty.

V. REVIEW OF LOAN AND CREDIT OPERATIONS

In 1954 and 1955 the High Authority succeeded in obtaining six long-term loans (with maturities of 20 to 25 years) totalling **117,4 million EPU Accounting Units**. The proceeds of these borrowings have been used for making loans to enterprises at interest rates which included a margin covering the High Authority's costs and expenses in connection with these operations. The rates of interest for the final borrowers, as reflected in the following table, appear advantageous — if compared with the usual conditions applied on the capital markets of the Community.

Country	Lender	Amount of the loan (resp. of credits granted out of it)	Maturity of loan resp. credits (years)	Original rate of interest (% 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	Ffrs 350.000.000	20	4 ¹ / ₄	4,5

The dollar credits granted by the High Authority have been supplemented

in Germany, by the Kreditanstalt für Wiederaufbau by long-term credits in the total amount of 160 million Deutsch Marks and

in Belgium, by the Société Nationale de Crédit à l'Industrie by similar loans in the total amount of 1200 million Belgian Francs.

The U.S. loan

The first loan to the Community, the 100 million dollar loan, was granted by the U. S. Government through the Export-Import Bank of Washington. This loan can in no way be compared with the loans the United States granted to European countries after the second World War, under the various kinds of economic assistance. The loan to the High Authority was granted on a purely commercial basis and under conditions as prevailing at that time on the American capital market. This is true both of the rate of interest and of the demand to have the loan secured according to banking requirements and amortized by increasing instalments after three years free of repayment. Thus, already at that time all due provision was made that the first loan should in no way differ from the private loans which might be floated at a later date on the capital markets of the United States or of Europe.

In the granting of credits out of the proceeds of this loan, the High Authority was also guided by economic and banking principles in order to be, too, in a position to meet its obligations vis-à-vis the American lenders.

In consideration of the economic situation it had to face in 1954, the High Authority decided to use the proceeds of this borrowing to finance the following branches of the coal and steel industry:

equipment of the coal-mines,
pit-head power stations,
coking plants,
production and dressing of iron ore.

The High Authority further demanded that the projects to be financed by it showed tangible results within the shortest possible time; furthermore, the funds were made available only as supplementary credits and great stress was put on the use also of domestic financing resources. When examining the economic necessity and profitableness of the projects planned by the enterprises, the High Authority sought in the various countries the advice of independent committees of experts, in which industry, labour and governments were represented.

When the High Authority made known that it would start a credit operation in the amount of 100 million dollars, it received from the enterprises situated in the various countries of the Community, with the exception of the Netherlands, applications for the financing of projects involving total costs of about 500 million dollars. In view of the scarcity of available funds, only projects particularly worthy of promotion were selected out of these applications. The total sum of approved projects, however, still amounted to \$ 370 million. The High Authority could contribute to the latter amount with credits totalling only 100 million dollars. This amount was broken down as follows:

German enterprises	\$ 47,6 million
Belgian enterprises	\$ 14,0 million
French enterprises	\$ 21,8 million
Saar enterprises	\$ 10,4 million
Italian enterprises	\$ 5,2 million
Luxembourg enterprises	\$ 1,0 million
	<hr/>
	\$ 100,0 million
	<hr/>

The breakdown of this amount by types of projects is noteworthy:

Modernization of coal-mining installations including coking plants	\$ 35,14 million
Pit-head power stations for the consumption of low-grade coal	\$ 46,31 million
Expansion of facilities for the production and dressing of iron ore	\$ 18,55 million
	<hr/>
	\$ 100,00 million

The contribution to the financing of workers' housing

The second operation transacted by the High Authority was directed toward the financing of miner's housing.

Originally the High Authority intended to use a part of the dollar loan, viz. \$ 25,000,000, for this purpose, the provisions of the Agreement with the United States specifically envisaging this possibility. Subsequently, however, it became evident that construction enterprises could not satisfactorily use dollar credits, and that technical difficulties precluded the use of the particular local currency which the United States was willing to make available. By using the remaining \$ 25,000,000 of the U. S. loan for the financing of additional industrial projects, the High Authority, however, was able to release in the countries of the Community an equivalent amount of national currencies for housing construction. These funds were made available, in the form of long-term loans, by the credit institutions with which the High Authority had already co-operated as depositary of short and medium-term funds.

In France and Italy, the High Authority succeeded in procuring funds for the construction of housing, without borrowing itself. In these two countries, arrangements were made with some special institutions for the granting of housing credits at reduced interest rates. Adding up the credits extended by the High Authority itself and the credits procured with the assistance of the High Authority, as intermediary, in France and Italy, the financing of miner's housing is reflected by the following table:

Country	Number of housing units	Total cost in national currency	Contribution of the High Authority in national currencies = million EPU Accounting Units
Germany	10.000	DM 200 million	DM 50 million = 11,9
Belgium	1.600	Bfrs 400 million	Bfrs 200 million = 4,0
Belgium	—	—	Bfrs 20 ¹⁾ million = 0,4
Luxembourg	25	Bfrs 10 million	Bfrs 5 million = 0,1
Italy	400	Lire 1000 million	Lire 500 million = 0,8
Saarland	350	Ffrs 800 million	Ffrs 350 million = 1,0
France	2.500	Ffrs 5000 million	Ffrs 2500 million = 7,0
Community	14.875		25,2

1) This amount is destined for the construction of centers for the accommodation of foreign workers. As these projects are not yet definitely established, it is still impossible to give exact data regarding the number of units and their total cost.

VI. GUARANTEE OPERATIONS

Up to the present time, the High Authority has not yet been requested to guarantee loans directly floated by the enterprises of the coal and steel industry or to guarantee credits granted by banks to the enterprises directly. Thus, operations of this nature, which the High Authority is authorized to carry out by the Treaty, took place neither on the foreign capital markets nor on the markets within the Community.

It may be assumed, however, that in the future an appropriate importance will be attached to this kind of operation, now that the credit of the High Authority is more widely known and appreciated.

VII. EUROPEAN CO-OPERATION

The activity of the High Authority in the field of borrowing and granting credits, besides its direct effect on the industry and on the construction of workers' housing, exercised a favorable influence on the development of European and International co-operation in the financial sphere. Since, in accordance with Article 51 of the Treaty, the High Authority cannot itself exercise a banking function, it is employing the services of banking institutions in the countries of the Community for the execution of its loan and credit operations. These institutions are the following:

Germany:	Kreditanstalt für Wiederaufbau,
Belgium:	Société Nationale de Crédit à l'Industrie, Caisse Générale d'Épargne et de Retraite,
France:	Caisse des Dépôts et Consignations, Crédit National,
Italy:	Istituto Mobiliare Italiano,
Luxembourg:	Caisse d'Épargne de l'État.

These banks — each in its respective country — have been appointed as Agents of the High Authority, and as Sub-Depositaries of the Bank for International Settlements, Basle, the Depositary under the Act of Pledge. In the course of the execution of the tasks entrusted to them, with operations reaching beyond the boundaries of their countries, these banks have shown an extraordinary measure of understanding of the specific problems of the first European Community. The numerous joint meetings with the directors of all these banks or with their officers have always been conducted in a constructive spirit and offered all participants the benefit of a unique exchange of experience and information.

But the other banks, too, i. e. the banks to which the High Authority entrusted the administration of its levy funds, are rendering us most valuable assistance by their advice and co-operation, thus contributing to the promotion of the Community and European co-operation.

VIII. OUTLOOK

At the beginning of the year 1956, the question arises whether or not and to what extent the High Authority will be in a position to contribute to the realization of the present capital investment requirements of the coal and steel industry.

The total cost of the projects executed in the industries of the Community from 1953 to 1955 amounted to about 3 to 3,3 billion of EPU-Accounting Units and is estimated at **about 1 billion EPU Accounting Units (dollars)** for 1956.

The annual volume of capital investment by the coal and steel industries of the Community is considered as having reached its peak last year. But, whatever the opinion on the business outlook may be, it seems that substantial capital investments for the purpose of modernization of plants and installations and for the expansion of production capacity are still imperative in many branches of these industries. In Germany, a special problem is posed by the need to con-

struct new collieries to replace those that are running out in the near future; this question owing to the order of magnitude of the capital requirements and to the time needed cannot be considered as a day-to-day problem but must be seen in a longer view. — The inquiries and reports reaching us and the results of our own studies on the demand for financial assistance indicate that the High Authority is also expected to contribute its share in the future to the financing of all sorts of projects.

The High Authority's ability to obtain funds in the long-term capital market and to relend these funds at low rates of interest to the enterprises of the Community could be facilitated most notably if it were possible to eliminate the barriers still surrounding the capital markets of the countries of the Community. At present there is no automatic freedom of the movement of capital serving the financing of investments in the coal, steel and ore industries of the Community. With such freedom realized the High Authority would be better able to carry out the financial tasks conferred upon it by the Treaty, which are designed to complement its economic and social functions — common market for coal and steel, free circulation of coal and steel workers, etc. . . The establishment by the Governments of the member countries of automatic freedom for such transfer of capital would be in keeping with the logic of the Treaty and in line with the aims pursued by the European Payments Union.

In concluding the report we call special attention to the Annex and to the Balance-Sheet as of December 31, 1955.

For the High Authority

THE MANAGEMENT OF THE FINANCE DIVISION

ANNEX

REPORT ON THE PEREQUATION LEVY

The German and the Dutch coal industries, the production costs of which are below the average costs of the Community, are paying — in addition to the general levy — a perequation levy during the so-called transition period (February 10, 1953 to February 10, 1958). The proceeds of this perequation levy are used for the payment of non-reimbursable aid to Belgian and Italian mines; the raising of this levy and the payment of this aid will cease at the end of the transition period.

In the period under review, the following amounts of perequation levy were collected and disbursed:

(in million EPU Accounting Units)

	German Account	Dutch Account	Total
Proceeds of 1953.....	9,4	0,8	10,2
Proceeds of 1954.....	15,0	1,2	16,2
Proceeds of 1955.....	12,6	1,3	13,9
Total	37,0	3,3	40,3
Payments to Belgian mines.....	29,8	2,6	32,4
Payments to Italian mines.....	5,6	0,4	6,0
Total	35,4	3,0	38,4
On hand, as of December 31, 1955	1,6	0,3	1,9

The balances temporarily on hand at the end of the year are held by the High Authority only as trust funds; for that reason they are not included in the Balance-Sheet.

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

BALANCE-SHEET

December 31, 1955

(in EPU Accounting Units)
(1 unit = \$ 1,—)

Assets

Liabilities

I - GRANTED LOANS		I - LIABILITIES UNDER SECURED NOTES	
a) Disbursed for the financing of industrial projects		issued under Loans	
in US-Dollars in the equivalent of	100.000.000,00	- in US-Dollars in the equivalent of	100.000.000,00
b) Disbursed for the financing of housing projects		- in German Marks in the equivalent of	11.900.000,00
in Belgian Francs in the equivalent of	260.000,00	- in Belgian Francs in the equivalent of	260.000,00
c) Undisbursed Balances			
in German Marks in the equivalent of	11.900.000,00	II - CAPITAL RESERVES	
	112.160.000,00	Guarantee Fund	
II - DUE FROM BANKS		in various currencies in the equivalent of	95.000.000,00
Sight and fixed deposits in various currencies		III - PROVISIONS	
in the equivalent of	118.755.236,54	a) for expenditure on readaptation	
III - OTHER ASSETS		in various currencies in the equivalent of	15.914.634,32
	471.252,59	b) for expenditure on technical and economic research	
		in various currencies in the equivalent of	3.638.974,00
		c) for administrative expenses, including balances not yet allocated	
		in various currencies in the equivalent of	4.452.000,79
		IV - OTHER LIABILITIES	
			220.880,02
	231.386.489,13		231.386.489,13

Note : The claims and securities under Loans (see Assets I) are pledged to the Bank for International Settlements, Basle, in favor of the holders of Secured Notes issued by the High Authority (see Liabilities I).

Auditor's Note

Having examined the books, vouchers and documents of the book-keeping and the explanations given to me I herewith certify that the financial situation of the High Authority as of Dec. 31, 1955, is correctly and properly reflected in the above document.

Luxembourg, March 10, 1956

Urbain J. Vaes
Auditor

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

Finance Division

P. Delouvrier
H. Skribanowitz C.D.A. van Lynden