

EUROPEAN COAL AND STEEL COMMUNITY

HIGH AUTHORITY

# Financial Report

for the year 1965

No. 11

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:	
: 1.00	U.S.A. \$
: 4.00	DM
: 50.00	Bfr.
: 4.93706	Ffr.
: 625.00	Lire
: 50.00	Lfr.
: 3.62	Fl.
: 4.37282	Sfr.
: 0.35714	£

## CONTENTS

	Page
I. The Levy . . . . .	8
II. Financing of Readaptation . . . . .	8
III. Financing of Research . . . . .	9
IV. Overall Survey of Revenues, Expenditures and Allocations . .	10
V. Employment of High Authority Funds . . . . .	12
VI. Borrowing Operations . . . . .	12
VII. Lending and Guaranty Operations . . . . .	15
VIII. Conclusions and Outlook . . . . .	21

### ANNEXES:

Statement of Revenues and Expenditures for 1965

Balance-Sheet as of December 31, 1965

Summary of Allocations from Net Excess of Revenues

Comparative Table regarding Revenues and Expenditures

The Eleventh Financial Report of the High Authority of the European Coal and Steel Community relates to the calendar year 1965, the thirteenth year of E.C.S.C.'s financial operations.

Capital expenditures in the Community's coal and iron and steel industries in 1965 can as yet only be estimated on the basis of the forecasts submitted by the enterprises to the High Authority at the beginning of the year and its projects which they subsequently announced to the High Authority.

These estimates indicate that capital expenditure in the coal and iron-ore sectors, which had dropped between 1961 and 1964 from 380 to 294 million and from 52 to 24 million units of account, respectively, the lowest amounts since the Community's inception, stabilized in 1965 at or just above the 1964 level. In the iron and steel industry 1960-63 had been years of extremely vigorous investment activity despite a rather poor business climate, but in 1964 a downturn occurred, which it is believed became even more pronounced in 1965.

Overall, capital expenditures in the E.C.S.C. industries probably amounted in 1965 to about 1,400 millions units of account, as compared to 1,600 million in 1964.

Also in 1965, as is described in the body of the Report,

- (1) the rate of the levy was maintained at its 1964 level of 0.20 % during the first half of the year, and was raised to 0.25 % effective on and after July 1, 1965;
- (2) borrowings were, as in 1964, confined entirely to Europe; and
- (3) loans contracted totalled 54,300,000 units of account, and loans granted 75,100,000.

Borrowings during 1965 brought the total amount of loans made since 1954 to 559.50 million units of account, and the total amount of loans granted (from borrowings and from its own resources) and guarantees furnished by the High Authority since 1954 rose to 702.20 million units.

## I. THE LEVY

Net revenues from the levy in 1965 amounted to 23.30 million units of account, as compared with 20.22 million in 1964. The increase was due mainly to the High Authority's action in raising the rate of the levy from 0.20 to 0.25 % effective on July 1, 1965 but also in part to a rise in Community steel production.

TABLE 1

### Proceeds of the Levy

	1964		1965	
	Million Units of Account	%	Million Units of Account	%
<i>A — Branches of Industry</i>				
Coal Industry . . . . .	5.40	27	5.74	25
Iron and Steel Industry	14.82	73	17.56	75
Total	20.22	100	23.30	100
<i>B — Geographical Distribution</i>				
German Federal Republic . . . . .	10.36	51.2	11.46	49.2
Belgium . . . . .	1.78	8.8	2.06	8.8
France . . . . .	4.53	22.4	5.16	22.2
Italy . . . . .	2.05	10.1	2.83	12.1
Luxembourg . . . . .	0.66	3.3	0.77	3.3
Netherlands . . . . .	0.84	4.2	1.02	4.4
Community	20.22	100.0	23.30	100.0

It is worth noting that in 1953 the coal industry's share of the total levy was 53 % and the steel industry's 47 %, whereas by 1965 the coal industry's share was down to 25 %.

## II. FINANCING OF READAPTATION

In 1965 grants of a total of 9.14 million units of account (as against 1.97 million the previous year) were approved under Article 56 of the Treaty for readaptation assistance to workers laid off by enterprises in Germany, Belgium, France, Italy and the Netherlands. 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 1965: the amount was increased by the commitments under Article 56 just referred to, and decreased, first by

disbursements (totalling 2.58 million units of account during the year) and, second, by cancellations of earlier commitments which had proved not to be required (totalling 2.31 million units).

Funds for readaptation include, in addition to the amount to cover commitments approved (16.73 million units), the amount of loans outstanding (0.29 million units) plus a contingency reserve of 10 million units.

TABLE 2

**Contributions to Readaptation**

(in million Units of Account)

	Amount at December 31, 1964	Commit- ments entered into in 1965	Disburse- ments and cancellations in 1965	Amount at December 31, 1965
<b>A — Type of Measure</b>				
Readaptation under Section 23 of the Con- vention . . . . .	0.600	—	0.137	0.463
Readaptation under Ar- ticle 56 of the Treaty .	11.884	9.135	4.749	16.270
Total	12.484	9.135	4.886	16.733
<b>B — Funds available</b>				
In addition to the amount committed at December 31, 1965:				
(a) amount of loans outstanding . . . . .				0.291
(b) uncommitted balance held as contingency reserve . . . . .				10.000
			Total	27.024

**III. FINANCING OF RESEARCH**

The High Authority continued its activities in this field in 1965.

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

New grants made during the year under review totalled 9.88 million units of account, as compared with 5.42 million in 1964. At the same time work went ahead on the research sponsored earlier, requiring disbursements amounting to 8.23 million units of account. The figure for "funds available" at December 31, 1965, was adjusted accordingly.

The funds for research include, in addition to the amount to cover commitments approved (21.81 million units of account, representing payments

still due under partial-financing contracts entered into by the High Authority), the amount of loans outstanding (2.74 million units) plus a contingency reserve of 3 million units.

TABLE 3

Contributions to Research

(in million Units of Account)

	Amount at December 31, 1964	Commit- ments entered into in 1965	Disburse- ments and cancellations in 1965	Amount at December 31, 1965
<b>A — Type of Research or Field of Industry</b>				
Iron and Steel Industry	3.797	0.377	1.992	2.182
Coal Industry . . . . .	9.267	3.732	3.627	9.372
Ore Mining . . . . .	3.105	—	0.249	2.856
Experimental Housing .	0.069	—	—	0.069
Industrial Health, Sa- fety and medicine . . .	3.927	5.767	2.364	7.330
Total	20.165	9.876	8.232	21.809

**B — Funds available**

In addition to the amount committed at December 31, 1965:

(a) amount of loans outstanding . . . . .	2.740
(b) uncommitted balance held as contingency reserve . . . . .	3.000
Total	27.549

**IV. OVERALL SURVEY OF REVENUES, EXPENDITURES AND ALLOCATIONS**

The following tables give the High Authority's comparative revenues and expenditures for 1964 and 1965, and afford 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	1964	1965
Levy . . . . .	20.22	23.30
Interest on bank deposits and investments . .	7.93	6.95
Fines and interest on arrears . . . . .	0.02	0.01
Receipts for pension fund . . . . .	1.75	8.10
Sundry receipts . . . . .	0.42	0.29
Sub total	30.34	38.65
Interest and charges on loans outstanding . . .	20.55	26.74
Total	50.89	65.39



The substantial rise in revenues in 1965 is due partly to higher proceeds from the levy, but more to an increase in the receipts for the pension fund and in interest payments and service charges on loans. The jump in receipts for the pension fund is a consequence of the special payments made to it by the High Authority following on actuarial revaluation.

TABLE 5

**Total Expenditures of the High Authority**

(in million Units of Account)

Nature of Expenditure	1964	1965
Special payments to pension fund . . . . .	—	5.16
Administrative expenses <sup>(1)</sup> . . . . .	16.48	17.82
Bank charges and issue costs . . . . .	4.75	1.55
Non-repayable readaptation grants . . . . .	2.37	2.58
Non-repayable research grants . . . . .	4.73	8.23
Pensions . . . . .	0.72	0.39
Sub total	29.05	35.73
Interest, etc., paid on funds borrowed . . . . .	18.63	23.84
Total	47.68	59.57

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

The increase in expenditures for 1965 is mainly the result of the special payments to the pension fund and to the higher outlay for technical research.

The following table shows the movement of all funds and reserves during the past three years.

TABLE 6

**Movement of Funds and Reserves**

(in million Units of Account)

	Position as at December 31, 1963	Changes in 1964	Position as at December 31, 1964	Changes in 1965	Position as at December 31, 1965
I. (a) Guaranty fund . . . . .	100.—	—	100.00	—	100.00
(b) Special reserve . . . . .	58.82	+ 7.37	66.19	+ 4.48	70.67
II. (a) Funds for readaptation . . . . .	33.72	— 10.94	22.78	+ 4.24	27.02
(b) Funds for research . . . . .	25.30	+ 0.65	25.95	+ 1.60	27.55
III. (a) Pension fund . . . . .	12.64	+ 1.02	13.66	+ 7.71	21.37
(b) Cover for contingent liabilities . . . . .	2.—	+ 4.—	6.—	— 6.—	—
IV. Sundry liabilities . . . . .	—	—	—	+ 2.35	2.35
	232.48	+ 2.10	234.58	+ 14.38	248.96
V. Unallocated balance . . . . .	20.39	+ 1.09	21.48	— 8.56	12.92
Total	252.87	+ 3.19	256.06	+ 5.82	261.88

## V. EMPLOYEMENT OF HIGH AUTHORITY FUNDS

In the placing of its funds the High Authority sought during 1965 as in previous years both to obtain as good a return as possible and to keep adequate liquid funds at its disposal. Receipts from the levy and from interest payments were mostly allowed to remain in the countries concerned, either as demand or time deposits with banks or as readily marketable securities.

Interest on these totalled 6.95 million units of account, as against 7.93 million in 1964. Most of this amount, 4.48 million units in all, was credited to the special reserve.

In accordance with what has by now become established practice, the banks in the Community with which High Authority funds are deposited furnish additional medium-term loans in the national currency to coal and steel enterprises, at the instance of the High Authority but on their own responsibility. These loans, which are granted at moderate rates of interest for terms of up to ten years, had by the end of 1965 reached an aggregate amount of 187.27 million units of account, the sum currently outstanding being 63.46 million, broken down by countries as follows:

<i>(in million Units of Account)</i>	
German Federal Republic . . . . .	35.96
Italy . . . . .	10.17
France . . . . .	9.52
Luxembourg . . . . .	4.00
Belgium . . . . .	3.81
Netherlands . . . . .	—
Total	63.46

## VI. BORROWING OPERATIONS

Capital expenditures remained very substantial in 1965, though slightly lower than in previous years, and as a result the High Authority received a large number of applications for industrial loans. In order to meet them, it continued its efforts to raise the necessary funds by borrowing on as favorable terms as possible.

In 1965, however, the capital market was for the most part extremely tight. The interest equalization tax imposed by the American authorities in 1963 has had the effect of pretty well excluding European borrowers from Wall Street; while it is true that some European loans have been nominally floated in New York in spite of the tax (which makes it disadvantageous for U.S. citizens to acquire foreign securities), they were in fact issued entirely outside the United States.

At the same time, as a result of various other measures by the American authorities, many American companies have been raising capital for their foreign subsidiaries in Europe instead of in the United States, while their European subsidiaries have retransferred to the United States part of the

funds they were holding in Europe. The American Government has also drastically restricted lending abroad by American banks. Finally, the development of new forms of financings, notably convertible bonds, has on several occasions caused difficulties in organizing the more usual type of bond issue. The combined effect of these constricting factors has raised interest rates considerably in most European countries.

For these reasons, the High Authority raised only three loans in the European market during 1965, two bond issues in Germany and the Netherlands, respectively, and one private loan from a Luxembourg bank. The High Authority was, incidentally, only prepared to borrow provided it could do so on terms more favorable than could have been secured by the enterprises operating independently.

The three loans, which totalled 54,3 million units of account, were as follows:

- (1) DM 150 million, a 20-year bond issue at  $5\frac{1}{2}\%$  purchased at  $99\%$  by a syndicate of German banks headed by the Dresdner Bank and Deutsche Bank, and quoted on the Frankfurt, Berlin, Hamburg, Düsseldorf and Munich exchanges;
- (2) Fl. 40 million, a 20-year bond issue at  $5\frac{3}{4}\%$  purchased at par by a syndicate of Dutch banks headed by the Amsterdam-Rotterdam Bank and the Algemene Bank Nederland, and quoted on the Amsterdam exchange;
- (3) DM 23 million, a five-year private loan at  $5\frac{1}{2}\%$  from a Luxembourg bank.

These brought the High Authority's total borrowings through December 31, 1965, to 559.48 million units of account. Redemption payments to that date amounted to 84.82 million units, leaving 474.66 million outstanding.

The following table gives particulars of the different loans contracted through the end of 1965.

TABLE 7

## Total Amount of Borrowings

Year	Interest % p. a.	Term (Years)	Initial Amount		Amount outstanding at December 31, 1965 (equivalent in Units of Account)	
			In currency concerned	Equivalent in Units of Account		
1954	3 <sup>7</sup> / <sub>8</sub>	25	\$	100,000,000	100,000,000	72,900,000
1957	5-5 <sup>1</sup> / <sub>2</sub>	5-18	\$	35,000,000	35,000,000	19,300,000
1958	4 <sup>1</sup> / <sub>2</sub> -5	5-20	\$	50,000,000	50,000,000	30,400,000
1960	4 <sup>3</sup> / <sub>4</sub> -5 <sup>3</sup> / <sub>8</sub>	5-20	\$	35,000,000	35,000,000	25,000,000
1962	5 <sup>1</sup> / <sub>4</sub>	20	\$	25,000,000	25,000,000	25,000,000
1964	5 <sup>1</sup> / <sub>4</sub>	20	\$	30,000,000	30,000,000	30,000,000
					275,000,000	202,600,000
1955	3 <sup>3</sup> / <sub>4</sub>	25	DM	50,000,000	12,500,000	8,931,750
1957	4 <sup>1</sup> / <sub>4</sub>	20	DM	2,977,450	744,362	518,076
1964	5 <sup>3</sup> / <sub>4</sub>	12	DM	100,000,000	25,000,000	25,000,000
1964	5 <sup>1</sup> / <sub>2</sub>	15	DM	100,000,000	25,000,000	25,000,000
1964	5 <sup>3</sup> / <sub>4</sub>	12	DM	30,000,000	7,500,000	7,500,000
1965	5 <sup>1</sup> / <sub>2</sub>	18	DM	150,000,000	37,500,000	37,500,000
1965	5 <sup>1</sup> / <sub>2</sub>	5	DM	23,000,000	5,750,000	5,750,000
					113,994,362	110,199,826
1961	4 <sup>1</sup> / <sub>2</sub>	5	Fl.	10,000,000	2,762,431	2,762,431
1961	4 <sup>1</sup> / <sub>2</sub>	20	Fl.	50,000,000	13,812,155	13,812,155
1962	4 <sup>3</sup> / <sub>4</sub>	20	Fl.	25,000,000	6,906,077	6,906,077
1962	4 <sup>3</sup> / <sub>4</sub>	25	Fl.	6,000,000	1,657,459	1,458,564
1962	4 <sup>1</sup> / <sub>2</sub>	5	Fl.	20,000,000	5,524,862	3,701,657
1963	4 <sup>1</sup> / <sub>2</sub>	5	Fl.	10,000,000	2,762,431	2,762,431
1963	4 <sup>5</sup> / <sub>8</sub>	30	Fl.	1,750,000	483,425	451,381
1964	5 <sup>3</sup> / <sub>4</sub>	20	Fl.	25,000,000	6,906,077	6,906,077
1965	5 <sup>3</sup> / <sub>4</sub>	20	Fl.	40,000,000	11,049,724	11,049,724
					51,864,641	49,810,497
1964	5	20	Ffr.	150,000,000	30,382,454	30,382,454
1956	4 <sup>1</sup> / <sub>4</sub>	18	Sfr.	50,000,000	11,434,269	8,003,988
1961	5 <sup>1</sup> / <sub>4</sub>	5	Sfr.	9,000,000	2,058,168	617,451
1961	4 <sup>1</sup> / <sub>2</sub>	5	Sfr.	2,290,000	523,690	157,107
1962	4 <sup>1</sup> / <sub>2</sub>	18	Sfr.	60,000,000	13,721,123	13,721,123
					27,737,250	22,499,669
1963	5 <sup>1</sup> / <sub>2</sub>	20	Lire	15,000,000,000	24,000,000	24,000,000
1957	3 <sup>1</sup> / <sub>2</sub>	25	Lfr.	5,000,000	100,000	—
1957	5 <sup>3</sup> / <sub>8</sub>	25	Lfr.	100,000,000	2,000,000	1,767,332
1961	5 <sup>1</sup> / <sub>4</sub>	25	Lfr.	100,000,000	2,000,000	2,000,000
1961	5	25	Lfr.	100,000,000	2,000,000	2,000,000
1962	4 <sup>3</sup> / <sub>4</sub>	15	Lfr.	300,000,000	6,000,000	6,000,000
1962	5 <sup>1</sup> / <sub>8</sub>	25	Lfr.	250,000,000	5,000,000	5,000,000
1964	5 <sup>3</sup> / <sub>8</sub>	20	Lfr.	150,000,000	3,000,000	3,000,000
					20,100,000	19,767,332
1957	3 <sup>1</sup> / <sub>2</sub>	25	Bfr.	200,000,000	4,000,000	3,088,000
1957	3 <sup>1</sup> / <sub>2</sub>	25	Bfr.	20,000,000	400,000	308,800
1962	5 <sup>1</sup> / <sub>4</sub>	20	Bfr.	300,000,000	6,000,000	6,000,000
1963	5 <sup>1</sup> / <sub>2</sub>	20	Bfr.	300,000,000	6,000,000	6,000,000
					16,400,000	15,396,800
					559,478,707	474,656,578

## VII. LENDING AND GUARANTY OPERATIONS

The total amount available to the High Authority in 1965 for lending—from its own resources, from borrowings in 1965 and in the preceding years, and from repayments on earlier loans—was 81.17 million units of account, which may be broken down as follows:

*(in million Units of Account)*

1. Borrowed funds		
— already available at beginning of year . . . . .	12.64	
— 1965 borrowings . . . . .	54.30	
— repayments on earlier loans . . . . .	<u>2.46</u>	69.40
2. Own resources (Special Fund)		
— unexpended receipts from previous years . . . . .	7.06	
— interest earned in 1965 and allocated by the High Authority to the special reserve . . . . .	4.48	
— repayments on earlier loans . . . . .	<u>0.23</u>	<u>11.77</u>
Total		<u>81.17</u>

As in the past, these funds were employed for loans to aid industrial investment, the building of houses for miners and steelworkers, and a variety of redevelopment projects. The assistance for the industrial and redevelopment projects came exclusively from borrowed funds, and that for the housing schemes partly from borrowings and partly from the Special Fund.

The total amount loaned in 1965 was 75.07 million units of account, broken down by sectors and countries as follows.

TABLE 8  
Loans Granted in 1965

*(in million Units of Account)*

Sector	Germany (Fed. Rep.)	France	Italy	Belgium	Nether- lands	Commu- nity
Coal mines and coking- Plants . . . . .	29.15	—	2.38	—	—	31.53
Iron-ore mines . . . . .	—	—	—	—	—	—
Iron and steel industry	5.95	0.40	20.92	1.77	—	29.04
	35.10	0.40	23.30	1.77	—	60.57
Industrial redevel- opment . . . . .	1.00	4.48	—	—	—	5.48
Workers' housing . . . . .	—	3.55	1.37	3.00	1.10	9.02
Total	36.10	8.43	24.67	4.77	1.10	75.07

The main outlines of the various credit operations carried out in 1965 were as follows:

## **I. Aid for industrial investment projects**

### **(a) Loans**

The High Authority's 1965 appropriation for industrial loans was 60.57 million units of account. All the loans concerned were to the coal and iron and steel industries, none being granted to iron-ore mines. Projects rated as eligible in the coal sector were those for the acquisition of plant and equipment primarily intended either to improve productivity and lower production costs, or to serve in the utilization of coal, and for the construction of pithead power-stations and piped-heating installations. On the iron and steel side assistance was concentrated on projects to construct blast-furnace, burden-preparation and pig-iron production plant, oxygen steelworks and continuous-casting installations, to modernize and specialize production, and to build steel plants to be jointly operated by two or more enterprises. The loans were made repayable over periods of from 18 to 20 years, at interest rates ranging from  $5\frac{3}{4}$  to  $6\frac{3}{8}$  %.

The recipients may be classified by sectors and objects of loans as follows:

### **Coalmining industry**

Productivity and production-cost improvement and coal utilization:

Essener Steinkohlenbergwerke AG, Essen;  
Ewald-Kohle AG, Recklinghausen;  
Fornicoke S.p.A., Savona;  
Steinkohlenbergwerk Friedrich Heinrich AG,  
Kamp-Lintfort, Kr. Moers;  
Hansa Bergbau AG, Dortmund;  
Steinkohlenbergwerk Heinrich Robert AG, Hamm, Westphalia;  
Hoesch AG Bergbau, Essen-Altenessen;  
Bergbau-Aktiengesellschaft Lothringen, Bochum;  
Monopol Bergwerks-Gesellschaft mbH, Kamen, Westphalia;  
Rheinstahl Bergbau AG, Essen;  
Steinkohlenbergwerke Mathias Stinnes AG, Essen;  
Steinkohlenbergwerk Westfalen AG, Ahlen, Westphalia.

Piped heating:

Wuppertaler Stadtwerke AG, Wuppertal-Barmen.

## **Iron and steel industry**

Burden preparation and pig-iron production:

Italsider S.p.A. (Oscar Sinigaglia plant), Genoa.

Oxygen steelmaking:

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

Continuous casting:

Hüttenwerk Oberhausen AG, Oberhausen.

Modernization and specialisation:

Bochumer Verein für Gußstahlfabrikation AG, Bochum;

Ferriere di Cogoleto S.p.A., Cogoleto, Genoa;

Experton-Revollier, Renage, Isère;

Acciaierie e Ferriere Lombarde Falck S.p.A., Milan;

Giuseppe e Fratello Redaelli S.p.A., Milan.

Plants for joint operation:

Centrale Commune d'Oxygène, Société Coopérative, Charleroi.

### **(b) Guaranties**

During 1965 the High Authority gave a guarantee of 2,5 million units of account in respect of loans raised by an enterprise from other sources.

This operation on the one hand, and redemption instalments on earlier High Authority-backed borrowings on the other, brought the High Authority's total guarantee commitments at December 31, 1965, to 44,14 million units of account, as compared with an initial 47.01 million.

## **2. Loans for industrial redevelopment and reconversion**

Loans granted for industrial redevelopment and reconversion totalled 5.50 million units of account, as compared with 15 million in 1964. They were made in response to applications by the following four enterprises:

Kautex-Werke Reinold Hagen, Hangelar, Siegburg;

Société Bretonne de Fonderie et de Mécanique, Lorient;

Firma Karl Georg Neitersen, Westerwald, and

Société Chimique de l'Adour ("Socadour"), Bayonne,

Basses-Pyrénées.

The High Authority can of course act in this field only in line with projects put forward by the national Governments.

In 1965 the High Authority decided to adopt a number of special arrangements for aiding industrial redevelopment and reconversion by which in the future:

- applications for loans are to be forwarded to it by the Governments concerned;
- loans may cover up to 30 % of the capital costs of the project, but not more except in special cases to be dealt with individually;
- loans will ordinarily be granted for a term of 10 to 13 years with an initial redemption-free period of three years;
- loans will bear 4½ % interest for the first five years and 6½ % for the remainder;
- the funds will, wherever possible, be furnished in the currency of the country concerned.

The financial amount set aside by the High Authority for this purpose will consist, like that for workers' housing, partly of funds from the special reserve and partly from borrowings.

### **3. Loans for workers' housing**

The High Authority's contributions to the housing schemes for miners and steelworkers come as a rule from the special reserve. They are furnished in the currency of the country concerned, to obviate any exchange risk to the recipients, and as they carry a very low rate of interest, they can be combined with other capital raised from national sources at prevailing market rates so as to reduce the overall interest charges payable by the borrowing enterprises as a whole.

The High Authority mobilizes these supplemental funds either directly from its own borrowings or indirectly by interesting institutional investors in partial financing of the projects concerned.

In 1965 the High Authority went ahead with its disbursements for Building Scheme V, and more especially with the payment of its "special tranche," all contracts for which were signed at December 31, 1965, except one.

Loans granted by it during the year amounted to 9 million units of account, of which 5.4 million came from the special reserve and 3.6 million from borrowings. At December 31, 1965, the total number of dwellings financed with High Authority assistance was over 95,000, of which more than 75,000 had been completed.



#### 4. Recapitulation of direct lending operations 1954-65

Loans granted by the High Authority since its inception, from its own resources and from borrowed funds, amounted in all at December 31, 1965, to 655.16 million units of account. With the guarantees also furnished by it during the same period, having a value of 47.01 million units, the total amounts to 702.17 million, not counting the indirect assistance mobilized by approaching investors on behalf of individual enterprises.

The following table gives a detailed breakdown of the High Authority's direct assistance, by way of loans and guarantees, to the different sectors within its jurisdiction in Community countries.

TABLE 9

**Loans and guaranties granted to December 31, 1965  
by type of investment and countries (initial amounts)**

(in million Units of Account)

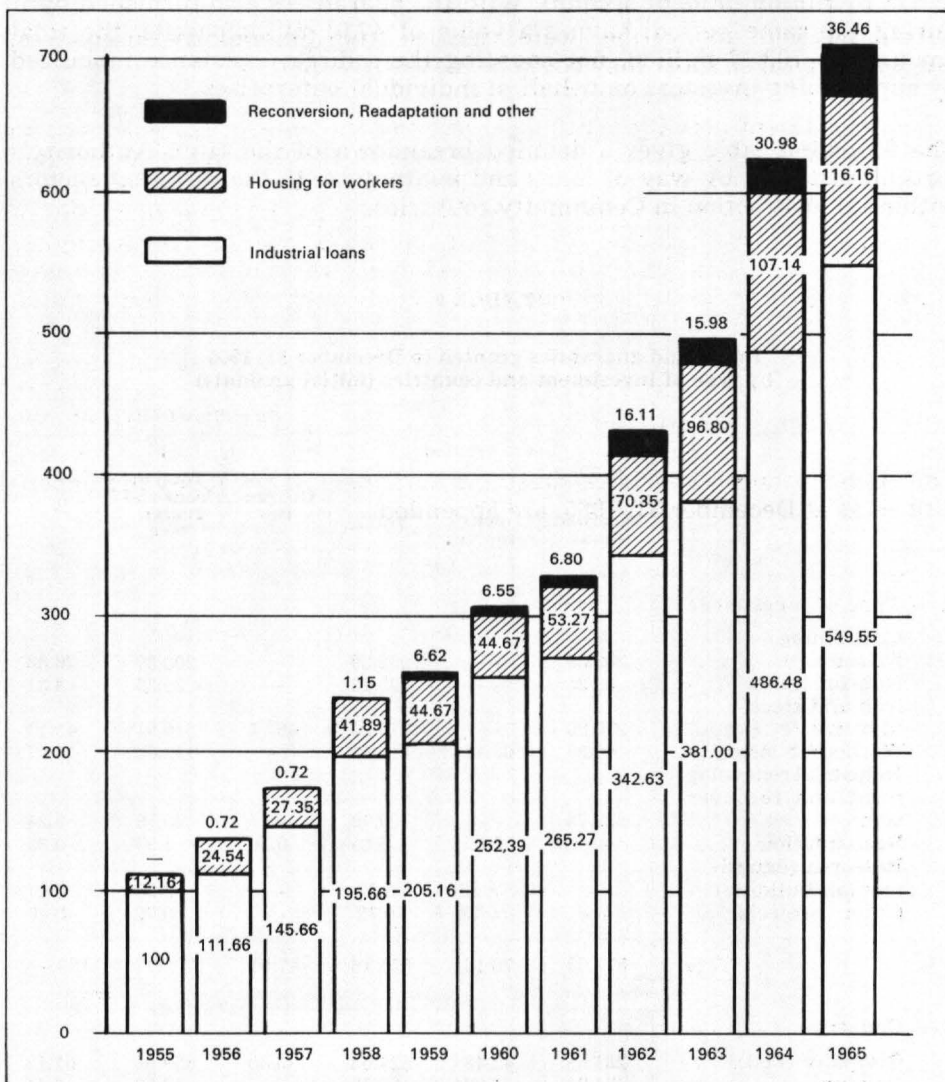
	Loans granted			Guaran- ties	Total of loans and guaran- tees	%
	from borrowed funds	from own resources	Total			
<i>A — Type of investment</i>						
Coalmining industry (1) . . . . .	202.39	—	202.39	—	202.39	28.83
Iron-ore mines (2) . . . . .	30.25	—	30.25	—	30.25	4.31
Iron and steel industry (1) . . . . .	270.20	—	270.20	46.71	316.91	45.13
Workers' housing . . . . .	44.38	68.45	112.83	—	112.83	16.07
Industrial redevelop- ment and reconver- sion . . . . .	29.79	—	29.79	—	29.79	4.24
Readaptation . . . . .	—	5.65	5.65	0.30	5.95	0.85
Research (experi- mental building) . . . . .	—	3.33	3.33	—	3.33	0.47
Other projects . . . . .	—	0.72	0.72	—	0.72	0.10
Total	577.01	78.15	655.16	47.01	702.17	100.—
<i>B — Country</i>						
Germany (Fed. Rep.)	281.55	42.48	324.03	35.00	359.03	51.13
Belgium . . . . .	54.73	4.30	59.03	—	59.03	8.41
France . . . . .	105.02	18.29	123.31	11.71	135.02	19.23
Italy . . . . .	130.87	6.41	137.28	0.30	137.58	19.59
Luxembourg . . . . .	2.70	2.40	5.10	—	5.10	0.73
Netherlands . . . . .	2.14	4.27	6.41	—	6.41	0.91
Community	577.01	78.15	655.16	47.01	702.17	100.—

(1) Including coking-plants and thermal power-stations

(2) Including sintering-plants

**Initial Amounts of Loans Granted and Guaranties  
given as at December 31 of the Years 1965 to 1965**

*(in million Units of Account)*



## VIII. CONCLUSIONS AND OUTLOOK

Despite the exceptionally unpromising conditions in the capital markets in recent months, the High Authority contracted a number of loans in 1965.

Substantial loan applications were received from Community enterprises, but with capital so short they could be met only in part.

Since investment activity continues high and the enterprises will need to borrow a substantial portion of the capital they require, the High Authority must expect a further flow of applications in 1966. It will, as always, do its utmost to pursue an active policy with regard to the financing of investments. In view of the tightness of the capital market and the emergence of new ways in which investors can place their money, it may well be obliged to consider introducing new arrangements for raising capital.

In addition, the trend in the coal and steel sectors will necessitate a further appreciable extension of the High Authority's activities in connection with assistance for industrial redevelopment.

The High Authority's balance-sheet and statement of revenues and expenditures as at December 31, 1965, are appended.

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

**REVENUES AND EXPENDITURES IN THE YEAR 1965**

(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: 4.937; German (W) marks: 4.—; Luxembourg francs: 50.—; Dutch guilders: 3.62; Italian Lire: 625.—; Swiss francs: 4.372

Expenditures	For the period January 1, 1965 to June 30, 1965	For the period July 1, 1965 to Dec. 31, 1965	Total for the year 1965
<b>I - EXPENDITURES IN CONNECTION WITH BORROWINGS OPERATIONS:</b>			
Interest and Fees:			
Interest on funds borrowed	11,263,229.62	11,961,501.30	23,224,730.92
Fees to depositary and agent banks	296,056.49	320,656.—	616,712.49
Miscellaneous	17.31	11.06	28.37
<i>Total Expenditures in connection with borrowing operations</i>	<b>11,559,303.42</b>	<b>12,282,168.36</b>	<b>23,841,471.78</b>
<b>II - OTHER EXPENDITURES:</b>			
Special payment to the Pension Fund	5,163,293.94	—.—	5,163,293.94
Administrative Expenses	9,124,688.53	8,691,103.51	17,815,792.04
Financial Expenses	1,521,587.15	32,452.12	1,554,039.27
Expenditures for Research	4,093,423.02	4,138,934.52	8,232,357.54
Expenditures for Readaptation	1,598,269.85	979,281.97	2,577,551.82
Expenditures for Pensions	205,620.62	188,208.99	393,829.61
<i>Total Other Expenditures</i>	<b>21,706,883.11</b>	<b>14,029,981.11</b>	<b>35,736,864.22</b>
<b>Total Expenditures</b>	<b>33,266,186.53</b>	<b>26,312,149.47</b>	<b>59,578,336.—</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,313,091.96</b>	<b>4,505,181.95</b>	<b>5,818,273.91</b>

The following allocations and withdrawals were made in the year 1965:

**ALLOCATIONS:**

To the Special Fund	4,482,810.23
For Readaptation	4,241,851.61
For Research	1,598,506.29
To the Pension Fund	7,711,453.48
To Sundry Accounts	2,349,470.62

**WITHDRAWALS:**

From the Unallocated Revenue	8,565,818.32
From Contingent Fund	6,000,000.—

20,384,092.23

14,565,818.32

5,818,273.91

**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*

Revenues	For the period January 1, 1965 to June 30, 1965	For the period July 1, 1965 to Dec. 31, 1965	Total for the year 1965
<b>I - REVENUES FROM LENDING OPERATIONS:</b>			
Interest Received:			
on loans from borrowed funds	11,983,782.30	13,058,470.28	25,042,252.58
on undisbursed loan funds	481,778.98	163,936.64	645,715.62
on loans from funds not borrowed	401,638.96	429,127.74	830,766.70
Guaranty fees	112,493.64	107,271.77	219,765.41
Sundry Receipts	44.21	3.—	47.21
<i>Total Revenue from lending operations</i>	<i>12,979,738.09</i>	<i>13,758,809.43</i>	<i>26,738,547.52</i>
<b>II - LEVY:</b>			
German Enterprises	5,165,281.—	6,294,477.06	11,459,758.06
Belgian Enterprises	929,322.38	1,125,634.56	2,054,956.94
French Enterprises	2,476,086.47	2,688,268.17	5,164,354.64
Italian Enterprises	1,249,840.75	1,580,052.81	2,829,893.56
Luxembourg Enterprises	343,611.38	422,279.30	765,890.68
Dutch Enterprises	440,355.25	583,093.66	1,023,448.91
<i>Total Levy</i>	<i>10,604,497.23</i>	<i>12,693,805.56</i>	<i>23,298,302.79</i>
<b>III - OTHER REVENUES:</b>			
Interest on Deposits and Investments	3,821,160.80	3,128,096.08	6,949,256.88
Fines	5,600.00	7,580.77	13,180.77
Receipts for Pension Fund	6,997,781.25	1,107,501.84	8,105,283.09
Miscellaneous	170,501.12	121,537.74	292,038.86
<i>Total Other Revenues</i>	<i>10,995,043.17</i>	<i>4,364,716.43</i>	<i>15,359,759.60</i>
<b>Total Revenues</b>	<b>34,579,278.49</b>	<b>30,817,331.42</b>	<b>65,396,609.91</b>

In the original, 23 + 23a were a one-page foldout.

#### Auditor's Note

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 for the year 1965 are correctly and properly reflected in the above document.

Luxembourg, March 23, 1966

Urbain J. VAES  
Auditor

23a

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

**BALANCE-SHEET DECEMBER 31, 1965**

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: 4.937; German (W) marks: 4.—; Luxembourg francs: 50.—; Dutch guilders: 3.62; Italian Lire: 625.—; Swiss francs: 4.372

LIABILITIES

<p>I - LOANS<sup>(1)</sup></p> <p style="padding-left: 20px;">in U.S.A. dollars</p> <p style="padding-left: 20px;">in German (W) marks</p> <p style="padding-left: 20px;">in Dutch guilders</p> <p style="padding-left: 20px;">in French francs</p> <p style="padding-left: 20px;">in Italian lire</p> <p style="padding-left: 20px;">in Swiss francs</p> <p style="padding-left: 20px;">in Luxembourg francs</p> <p style="padding-left: 20px;">in Belgian francs</p>	<p>202,600,000.—</p> <p>110,199,826.30</p> <p>49,810,497.23</p> <p>30,382,454.34</p> <p>24,000,000.—</p> <p>22,499,668.40</p> <p>19,767,332.06</p> <p>15,396,800.—</p>	<p>474,656,578.33</p>
<p>II - RESERVES</p> <p style="padding-left: 20px;">A) Guaranty Fund</p> <p style="padding-left: 20px;">B) Special Fund</p>	<p>100,000,000.—</p> <p>70,676,535.65</p>	<p>170,676,535.65</p>
<p>III - ALLOCATIONS FOR FINANCIAL AID</p> <p style="padding-left: 20px;">A) for readaptation</p> <p style="padding-left: 40px;">1. commitments entered into for grants</p> <p style="padding-left: 40px;">2. loans (per contra)</p> <p style="padding-left: 40px;">3. uncommitted balance</p> <p style="padding-left: 20px;">B) for research</p> <p style="padding-left: 40px;">1. commitments entered into for grants</p> <p style="padding-left: 40px;">2. loans (per contra)</p> <p style="padding-left: 40px;">3. uncommitted balance</p>	<p>16,733,072.43</p> <p>291,200.09</p> <p>10,000,000.—</p> <hr style="width: 100%;"/> <p>27,024,272.52</p> <p>21,809,366.44</p> <p>2,740,052.21</p> <p>3,000,000.—</p> <hr style="width: 100%;"/> <p>27,549,418.65</p>	<p>54,573,691.17</p>
<p>IV - PENSION FUND</p>		<p>21,370,672.79</p>
<p>V - INTEREST RECEIVABLE BUT NOT YET DUE<sup>(2)</sup></p>		<p>7,693,642.82</p>
<p>VI - BONDS AND COUPONS PAYABLE</p>		<p>6,795,569.26</p>
<p>VII - SUNDRY ACCOUNTS</p>		<p>2,678,268.59</p>
<p>VIII - UNALLOCATED REVENUE</p>		<p>12,916,279.32</p>
<p>IX - LIABILITIES UNDER GUARANTIES (per contra)</p>	<p>44,136,137.79</p> <hr style="width: 100%;"/>	<p>751,361,237.93</p> <hr style="width: 100%;"/>

<sup>(1)</sup> Including Secured Notes for 186,030,101.32

<sup>(2)</sup> Of which related to Secured Notes 3,186,845.06

*In the original, 26 + 26a were a one-page foldout.*

**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



ASSETS

I - LOANS FROM FUNDS BORROWED <sup>(1)</sup>			
A) Disbursed Loans:			
in U.S.A. dollars		202,600,000.—	
in German (W) marks		110,199,826.30	
in Dutch guilders		49,782,872.92	
in French francs		30,382,454.34	
in Italian lire		24,000,000.—	
in Swiss francs		22,499,668.40	
in Luxembourg francs		19,767,332.06	
in Belgian francs		15,396,800.—	474,628,954.02
B) Undisbursed Loan Funds:			
in Dutch guilders		27,624.31	27,624.31
			474,656,578.33
II - LOANS FROM OWN RESOURCES			
A) Loans from Special Fund for the financing of housing projects		63,278,492.08	
B) Other Loans			
1. from funds allocated for readaptation	291,200.09		
2. from funds allocated for research	2,740,052.21		
3. from other funds	350,468,18	3,381,720.48	66,660,212.56
III - CASH AND OTHER CURRENT ITEMS			
A) Cash and due from banks		145,742,130.99	
B) Other short and middle-term placements with banks		5,306,289.30	151,048,420.29
IV - INVESTMENT SECURITIES			46,600,103.90
V - INTEREST RECEIVABLE BUT NOT YET DUE			9,932,906.90
VI - SUNDRY ACCOUNTS			2,463,015.95
VII - ENTERPRISES' LIABILITY UNDER GUARANTIES (per contra)		44,136,137.79	
			751,361,237.93

<sup>(1)</sup> 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: 186,030,101.32      of item III: 3,351,567.18      of item V: 3,321,793.92

**Auditor's Certificate**

Having examined the books, vouchers and documents of the book-keeping and the explanations given to me, I hereby certify that the financial condition of the High Authority as of December 31, 1965 is correctly and properly reflected in the above document.

Luxembourg, March 23, 1966

Urbain J. VAES  
Auditor

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

Luxembourg, December 31, 1965

Department of  
Credit and Investments

**Summary of Allocations from Net Excess of Revenues**

(in thousand Units of Account)

	Fiscal years				1965/65 (first half)	Total
	1952/62	1962/63	1963/64	1964/66		
Net Excess of Revenues over Expenditures	239,856	10,526	4,035	2,963	4,505	261,885
<i>Allocations:</i>						
To Guaranty Fund . . . . .	100,000	—	—	—	—	100,000
To Special Fund . . . . .	46,210	8,331	8,000	4,643	3,493	70,677
For Readaptation . . . . .	32,758	2,671	(12,289)	784	3,100	27,024
For Research . . . . .	21,859	(723)	6,917	2,495	(2,999)	27,549
To Pension Fund . . . . .	10,105	1,762	1,480	7,104	919	21,370
To Contingent Fund . . . . .	2,000	—	4,000	(6,000)	—	—
To Sundry Accounts . . . . .	—	—	—	—	2,349	2,349
<b>Total Allocation</b>	<b>212,932</b>	<b>12,041</b>	<b>8,108</b>	<b>9,026</b>	<b>6,862</b>	<b>248,969</b>
<i>Unallocated Balance:</i>						
For each period . . . . .	26,924	(1,515)	(4,073)	(6,063)	(2,357)	12,916
Brought forward from previous periods . . . . .	—	26,924	25,409	21,336	15,273	—
<b>Total Unallocated Balance</b>	<b>26,924</b>	<b>25,409</b>	<b>21,336</b>	<b>15,273</b>	<b>12,916</b>	<b>12,916</b>

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

Luxembourg, December 31, 1965

Department of  
Credit and Investments

**Comparative Table Regarding Revenues and Expenditures**

(in thousand Units of Account)

	Fiscal years July 1 to June 30				
	1961/62	1962/63	1963/64	1964/65	1965/66 (first half)
<i>Revenues</i>					
Interest on Loans etc . . . . .	12,897	15,512	17,930	24,319	13,759
Levy . . . . .	28,246	19,626	19,109	20,826	12,694
Other Revenues . . . . .	11,969	10,126	10,021	16,117	4,364
<b>Total Revenues</b>	<b>53,112</b>	<b>45,264</b>	<b>47,060</b>	<b>61,262</b>	<b>30,817</b>
<i>Expenditures</i>					
Special Allocation to Pension Fund . . . . .	—	—	—	5,163	—
Interest and Fees paid . . . . .	11,702	14,001	16,244	21,886	12,282
Administrative Expenses . . . . .	13,391	14,456	15,525	17,362	8,691
Financial Expenses . . . . .	1,430	1,327	3,043	4,352	0,033
Expenditures for Research . . . . .	4,361	3,850	5,009	6,177	4,139
Expenditures for Readaptation . . . . .	1,989	888	2,912	2,559	0,979
Expenditures for Pensions . . . . .	195	216	292	800	0,188
<b>Total Expenditures</b>	<b>33,068</b>	<b>34,738</b>	<b>43,025</b>	<b>58,299</b>	<b>26,312</b>
<b>Excess of Revenues over Expenditures</b>	<b>20,044</b>	<b>10,526</b>	<b>4,035</b>	<b>2,963</b>	<b>4,505</b>