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EUROPEAN PARLIAMENT

# Working Documents

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15 January 1979

DOCUMENT 567/78

Report

drawn up on behalf of the Committee on Economic  
and Monetary Affairs

on the ~~situation~~ situation in the iron and steel industry  
in the Community

Rapporteur: Mr V. ANSQUER

1.2.1

PE 56.113/fin.



At its sitting of 14 November 1978 the European Parliament, on the basis of the motion for a resolution tabled by Mr Müller-Hermann, on behalf of the Christian-Democratic Group (Group of the European People's Party) pursuant to Rule 14 of the Rules of Procedure (Doc. 446/78), authorized the Committee on Economic and Monetary Affairs to submit a report on the situation in the iron and steel industry in the Community.

Because of the connection between the subjects, the Committee on Economic and Monetary Affairs decided also to express its opinion in this report on Amendment No. 3 by Mr Hans-Werner Müller to the motion for a resolution tabled by Mr Porcu and others (Doc. 233/78) on the situation in the iron and steel industry, which had been referred to it as the committee responsible at the sitting of 7 July 1978.

On 21 November 1978, the Committee on Economic and Monetary Affairs appointed Mr Ansquer rapporteur.

The committee considered the draft report at its meetings of 1 December 1978, 19 December 1978 and 9 January 1979.

At its meeting of 9 January 1979 the committee adopted the motion for a resolution by 10 votes to one.

The opinion of the Committee on Economic and Monetary Affairs for the Committee on Social Affairs, Employment and Education on the communication from the Commission (COM(78) 570 final) on the social aspects of the iron and steel policy is reflected in paragraphs 11 to 13 of the motion for a resolution and points 5 to 7 of the explanatory statement.

Present: Mr Pisani, chairman; Mr Ansquer, rapporteur; Mr Amadei, (deputizing for Mr Spénale), Lord Ardwick, Mr Dankert, Mr Deschamps, Mr Glinne, Mr Porcu, Mr Schwörer, Mr Starke and Mr Stetter.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the situation in the iron and steel industry in the Community

The European Parliament,

- having regard to the motion for a resolution on the situation in the iron and steel industry, tabled by the Christian-Democratic Group (Group of the European People's Party) (Doc. 446/78),
  - having regard to the statement by the Commission on the situation in the iron and steel industry at the sitting of 14 November 1978,
  - having regard to the Communication from the Commission of the European Communities on the social aspects of the iron and steel policy (COM(78) 570 final),
  - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 567/78);
1. Emphasizes once again that the iron and steel industry remains an essential industry for economic development and employment in the Community;
  2. Notes that the Community iron and steel industry is experiencing a structural crisis of world-wide scale aggravated by economic difficulties and the fall in demand, and that this sector is faced in particular with serious problems of over-capacity, productivity and financing;
  3. Without prejudice to the stimulation of demand, stresses that the anti-crisis policy incorporates three essential and indivisible elements:
    - accompanying social measures;
    - job creation;
    - the restructuring of the iron and steel industry and of the steel processing industries;
  4. Notes that the anti-crisis plan implemented by the Commission is helping to improve the market situation, and approves its renewal for 1979;

5. Supports, to this end, for as long as necessary:
  - the continuation of the policy of minimum prices and guide prices and of close control by the Commission over the implementation of these short-term economic measures to prevent distortions of competition;
  - the renewal of the bilateral agreements, provided that the Commission ensures that they are not infringed;
6. Firmly reminds the undertakings that, in matters that concern them, they must observe the provisions of the anti-crisis plan;
7. Requests the Member States and the Commission actively to seek and implement measures to promote higher steel consumption within and outside the Community;
8. Emphasizes that the Community has special responsibility for coordinating the national plans and restructuring projects and therefore requests the Commission to take all appropriate steps to ensure the necessary and continuous consistency between these plans and the Community's general objectives;
9. Requests the Commission also:
  - to keep under very close review the actual implementation of the restructuring plans and the utilization of the aids granted for this purpose with a view to restoring competitiveness and free competition in this sector;
  - to satisfy itself that Community aids supplement national aids and to not replace them;
10. Requests the Council to adopt as soon as possible the draft Commission decision establishing rules for aids in the iron and steel industry as an instrument vital to the consistency of Community action;
11. Emphasizes that the restructuring of the iron and steel industry will be impossible and intolerable unless associated regional and social measures are implemented at the same time, especially with regard to employment, since the Community cannot ignore the social and regional consequences of restructuring in the iron and steel industry without disqualifying itself in the eyes of public opinion, and, in this spirit, requests the Commission to give particular attention to single-industry regions;
12. Welcomes in these circumstances the work at present being undertaken by the Commission on the social aspects of the iron and steel policy with a view to improving and better adapting the ECSC's instruments for social intervention;

13. Noting that the growing concentration in the iron and steel sector has had harmful consequences which require to be identified and counteracted, and observing that, however necessary they may be, the ECSC's various social intervention measures and the improvements and innovations that could be made themselves create no, or very few jobs; therefore urges the Commission and Council to implement a genuine Community industrial policy based on the development of small and medium-sized undertakings, sub-contracting and the services sector, as well as on the high-technology sectors, since such redeployment is the corollary of the restructuring of sectors in decline;
14. For all these reasons considers it essential that the ECSC budget should be allocated the necessary resources and in particular urges the Council to reach an early agreement on the transfer of the revenue from ECSC customs duties to this budget;
15. Considers also that to cope with problems on this scale, the Community needs substantial financial resources and must have access to other funds, in particular through the European Investment Bank, the Regional Fund, and the new Community financial instrument;
16. Urges the Commission, in its pursuit of the Community iron and steel policy and its search for a true consensus, to resolve to use every means at its disposal and urges all the undertakings, trade unions and governments of the Member States to give their unconditional support and cooperation;
17. Instructs its President to forward this motion for a resolution to the Commission and Council of the European Communities, to the governments of the Member States and to the national parliaments.

EXPLANATORY STATEMENT

It was appropriate that, two years after the launching of the anti-crisis policy, now due to be renewed for 1979, the Committee on Economic and Monetary Affairs, which is following closely the developments in the iron and steel industry, should consider the present situation and the objectives and instruments of Community policy in this sector.

I. THE SITUATION IN THE COMMUNITY IRON AND STEEL INDUSTRY

(a) The present state of the iron and steel industry

1. On the basis of a current production capacity of 200 million tonnes and an average utilization of 85%, the Community iron and steel industry is at present suffering from a surplus production capacity of 40 million tonnes. Studies carried out by the Commission show that in spite of an annual increase in internal demand of around 2.5%, there would still be a surplus capacity in 1983 of between 20 and 25 million tonnes.

The productivity of the Community iron and steel industry is lower than that of some of its competitors, particularly Japan; the production of one tonne of crude steel requires on average 8.3 hours work in the Community and less than six hours in Japan.

The employment situation in the iron and steel industry has steadily deteriorated since 1975: 60,000 jobs were lost between December 1975 and April 1978. To begin with, a policy of overmanning was followed, leading to a freeze on recruitment, short-time working and early retirement.

Since September 1977, however, the rate of dismissals has increased, and the Commission estimates that the reduction in the labour force between now and 1980 will amount to 100,000 or 140,000, depending on whether a productivity index of 3% or 4% is chosen<sup>1</sup>.

The iron and steel industry suffered very heavy losses in 1977: in Germany, DM 400 million; in Belgium, Bfrs 12,000 million; in Luxembourg, Bfrs 4,500 million; in the United Kingdom, £443 million; in Italy, Lit 315,000 million; in the Netherlands, Fl 417 million and in France, FF 5,000 million.

<sup>1</sup> Communication from the Commission on the social aspects of the iron and steel policy, p.5 (Doc.COM(78) 570 final)



(b) Assessment of the implementation of the anti-crisis plan

2. Since 1976 the Commission has gradually implemented an anti-crisis plan comprising a package of short-term economic measures relating to output, the fixing of minimum or guide prices and the restriction of imports. Community steel production in 1978 will total around 132 million tonnes, representing an increase of 4-4.5% as compared with 1977 and a rate of increase equal to the increase in world production over the same period. Although still inadequate, the productivity of the Community iron and steel industry has nevertheless improved. The gap between the most competitive and least competitive national industries has narrowed: in 1975 the worst rate of productivity was 17 hours and the best 6.7 hours per tonne, whereas productivity now averages 8.3 hours per tonne. There has also been an attempt to substitute products with a high added value for products with a low added value.

This suggests that the Community iron and steel industry will still be faced in the years to come by problems of excess production capacity and low productivity which will have serious social and regional repercussions. However, the anti-crisis plan implemented by the Commission has helped to improve the market situation and the gradual adaptation of the iron and steel facility.

## II. OBJECTIVES

3. The Committee on Economic and Monetary Affairs approves the renewal of the anti-crisis plan for 1979, since the short-term economic measures it comprises are essential if the proposed adjustments in the Community iron and steel industry are to be carried out.

The first priority is the restructuring of this sector. In this connection the Commission must fulfill its responsibility for coordinating the national restructuring plans and ensuring that they are consistent with the Community's general objectives for steel. The aim for 1983 is production of 180 million tonnes, which requires an annual investment of 2,000 million EUA in the Community iron and steel industry. It is also important to continue the research carried out by undertakings and by the Member States with a view to improving products and methods; these research activities should account for 10% of general expenditure.

4. During a debate in the European Parliament on 14 November 1978 the Commission also acknowledged the need to seek suitable methods of promoting an increase in the consumption of steel within and outside the Community.

In addition, the Commission undertook to investigate whether the opportunities to take supplies of Community ore particularly from Lorraine, were being neglected in comparison with sources from outside the community.

5. The probable scale of manpower reductions and their social and regional repercussions make it essential for the Community to implement a series of measures which cover the social aspects of the iron and steel policy. This is a crucial matter. Without these measures, restructuring will be intolerable and impossible. The Commission intends to continue using the opportunities provided by the ECSC Treaty to cope with this problem. Leaving aside general ECSC intervention measures consisting in loans to facilitate the implementation of investment programmes (Article 54) and conversion loans (Article 56), intervention of a mainly social nature consists in the granting of readaptation aid (Article 56(2)(b)). The purpose of such aid is the re-employment of redundant workers in the best possible conditions. Aid of this type is granted for a limited period and consists of a tideover allowance or a pre-retirement pension, the financing of vocational retraining, resettlement allowances and grants to ensure income support for workers temporarily laid off. The total amount of appropriations allocated to vocational retraining increased from 18m EUA in 1967 to 60m EUA in 1978 (of which 75% was earmarked for the iron and steel industry).

6. These measures do not fully meet the needs of the present social situation. The Commission is therefore thinking of supplementing and extending them. The Committee on Economic and Monetary Affairs approves the Commission's intention to guarantee the coherent and uniform approach to readaptation aid and to ensure that equal access to Community aid is compatible with the need to align it with different national systems. It would also be appropriate, as the Commission points out, to reconsider the rate of Community aid so that the allowance received by steel workers in the less-favoured countries does not fall below a given minimum.

The Commission is also contemplating the implementation under Article 56(2)(b) and Article 45 of the ECSC Treaty of the following new measures:

- lowering of the retirement age;
- restructuring of shift or team work;
- introduction of a shorter working week;
- restrictions on overtime.

The committee approves the principle underlying these innovations, but would point out that they must be compatible with the objective of restoring the iron and steel industry's competitive position.

7. The Commission's communication confines itself to the enumeration of a series of social aid measures, which, however necessary they may be to alleviate some of the effects of restructuring, will in themselves create no or very few new jobs. It is therefore essential that the Commission and Council implement a genuine Community industrial policy that encourages the advanced technology sectors, small and medium-sized undertakings and the services sector to bring about industrial redeployment, which will create jobs in those areas affected by the iron and steel crisis. The Commission's aim is to create 100,000 jobs between now and 1985 to compensate for redundancies in the iron and steel sector.

### III. MEASURES

To achieve the economic and social objectives necessitated by the adaptation of the Community iron and steel industry, the Commission, which under the Treaty of Paris has the necessary powers and special responsibility in this field, should prepare and implement a series of economic, commercial and financial measures.

#### (a) Short-term economic measures

8. The Committee on Economic and Monetary Affairs considers the package of anti-crisis measures to be necessary during the transitional period now facing the iron and steel sector and it therefore approves their renewal for 1979. The application of these measures must nevertheless be controlled, since they would otherwise lead to unacceptable distortions of competition. The control measures<sup>1</sup> described by Commissioner Davignon in his statement on 14 November 1978 are essential. We particularly welcome the Commission's efforts to simplify procedures and step up discipline. The Commission has also undertaken to introduce measures aimed at steadying the sometimes indiscriminate discount policy pursued by some iron and steel undertakings. However, in addition to these checks, whose number cannot be increased indefinitely, it is important that the Member States and the undertakings should support the Commission's policy. The Committee on Economic and Monetary Affairs is also concerned that, when the minimum and guide prices are fixed, the Commission should take into consideration the situation of the downstream processing industries, which are large employers.

As regards relations with third countries, the committee approves the renewal of the bilateral agreements with our competitors, provided that they are not infringed. In particular, it is important that the applicant countries should understand that their behaviour must not impede the Community's development.

<sup>1</sup> Over a two-year period the Commission carried out 125 checks in undertakings, imposed 16 penalties, considered nearly 500 cases connected with securities and checked 16,000 standards certificates; 845 such certificates are currently being checked.

(b) Measures necessary for restructuring

9. Restructuring will be meaningless unless the various national plans are coordinated at Community level and unless they are compatible with the general objectives for steel. It will be the Commission's responsibility to supervise closely the actual implementation of the restructuring plans. In this connection we expect the Commission to apply strictly the procedure and criteria contained in the recent draft decision on a framework for aids. In particular, a return to competitiveness and free competition in the iron and steel sector implies that the aid to restructuring should be degressive and temporary<sup>1</sup>. In Commissioner Davignon's words, we expect the Commission not to be afraid of refusing to give favourable opinions on investments, or to grant aid in cases where it does not fit in with the restructuring programme<sup>2</sup>.

To achieve the aim of creating 100,000 extra jobs by 1985 to compensate for redundancies in the iron and steel industry, it is also essential to implement a genuine Community industrial policy to promote the development of small and medium-sized undertakings, sub-contractors and the services sector as well as of the high-technology sectors. This industrial redeployment is the vital corollary to the restructuring of sectors in decline. It is extremely regrettable that the Community budget takes so little account of the Community's requirements in this field.

10. The Community should also provide the large-scale finance needed to achieve the restructuring objectives: according to the Commission's studies, the ECSC should lend for this purpose around 600 m EUA every year until 1983. It should be pointed out that the ECSC budget will have doubled between 1973 and 1979<sup>3</sup>. The Committee on Economic and Monetary Affairs therefore urges the Council to reach agreement as soon as possible on the transfer of the revenue from ECSC customs duties to the ECSC budget. In so doing, it approves and adopts the amendment tabled in plenary sitting on 7 July 1978 by Mr Hans-Werner Müller to the motion for a resolution by Mr Porcu and others on the situation in the iron and steel industry (Doc. 233/78).

The scale and cost of the associated measures necessitated by the restructuring of the iron and steel industry will exceed the resources of the ECSC budget. It is therefore essential that the Regional Fund and the European Investment Bank should make a substantial contribution to supplement the ECSC budget, especially as regards conversion loans; Community loans should also be made available for this purpose.

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<sup>1</sup> See Ansquer report - Doc. 335/78

<sup>2</sup> Verbatim record of the debates of the sitting of 14 November 1978, p.104

<sup>3</sup> The ECSC budget will have increased from 90 m u.a. in 1973 to 180 m EUA in 1979; the ECSC's revenue from customs duties is estimated at 60 m EUA

ANNEX I

MOTION FOR A RESOLUTION (Doc. 446/78)

tabled by Mr MÜLLER-HERMANN  
on behalf of the Christian-Democratic Group  
(EPP Group)

with request for urgent debate pursuant to  
Rule 14 of the Rules of Procedure

on the situation in the iron and steel industry

The European Parliament,

1. Notes, on the one hand, that the Commission's policy in favour of the iron and steel industry is governed by the provisions of the Treaty of Paris, which requires the Community to take action, but refers, on the other hand, to the uncertain nature of the measures the Commission intends to take to ensure restructuring and a speedy reversion to the normal play of market forces;
2. Notes, further, that this policy forms the subject of regular meetings with the representatives of undertakings, workers and purchasers of iron and steel products within the ECSC Consultative Committee and that these meetings do a great deal to underpin this policy;
3. Notes with satisfaction the positive effects the Community iron and steel policy is having as regards restoring the market to a healthy state and improving the profitability of undertakings, both these factors being likely in the medium and long term to ensure the maintenance of jobs in this sector;
4. Stresses that trade has been regularized through agreements with third countries which respect the traditional patterns of trade and that these agreements should be extended until 1979;
5. Expresses some doubt whether the necessary restructuring programmes that form part of the Community's general objectives for the iron and steel industry are being effectively implemented by undertakings and the Member States;
6. Expects the Commission and the Member States to take practical steps without delay to reintegrate into the work process the workers made redundant by the restructuring of this sector.

ANNEX II

AMENDMENT No. 3  
tabled by Mr H-W. MÜLLER

Motion for a resolution  
tabled by Mr PORCU and others - Doc. 233/78  
IRON AND STEEL INDUSTRY

Preamble

After the third indent of the preamble, add the following  
new indent :

' - having regard to the need to increase the ECSC's  
financial resources by allocating the steel customs  
duties to supplement the social and regional policy  
funds in the iron and steel sector, '