

## Law No 27 on the reorganisation of the German coal and steel industries (16 May 1950)

**Caption:** Law No 27, adopted by the Allied High Commission on 16 May 1950 in Bonn, relates to the reorganisation of the German coal and steel industries and regulates the system of ownership with the aim of prohibiting concentrations of economic power and industrial cartels.

**Source:** Official Gazette of the Allied High Commission for Germany. 20.05.1950, No 20. Bonn-Petersberg: Allied High Commission for Germany.

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## Law N° 27: Reorganization of German Coal and Iron and Steel Industries (Bonn, 16 May 1950)

Whereas it is the policy of the Allied High Commission to decentralize the German economy for the purpose of eliminating excessive concentration of economic power and preventing the development of a war potential

And whereas the Allied High Commission has decided that the question of the eventual ownership of the coal and iron and steel industries should be left to the determination of a representative, freely elected German Government

And whereas the Allied High Commission has decided that it will not allow the restoration of a pattern of ownership in these industries which would constitute excessive concentration of economic power and will not permit the return to positions of ownership and control of those persons who have been found or may be found to have furthered the aggressive designs of the National Socialist Party

And whereas it is expedient that those industries should forthwith be reorganized with a view to the promotion of the recovery of the German economy

The Council of the Allied High Commission enacts as follows:

### **Article 1 Control and Seizure**

1. The title to assets owned or controlled directly or indirectly by the enterprises listed or described in Schedules A, B, C and E of this Law shall be subject to seizure by the Allied High Commission. Pending such seizure, such assets and enterprises shall be placed under the control of the Allied High Commission.
2. Any rights of seizure and powers of control over such assets and enterprises already assumed pursuant to any Occupation legislation shall continue and be exercised by the Allied High Commission.

### **Article 2 Enterprises Subject to Liquidation and Reorganization**

1. The current liquidation proceedings in respect of the enterprises listed or described in Schedule B of this Law shall be completed. The enterprises listed or described in Schedule A shall be liquidated and reorganized with a view to the elimination of excessive concentrations of economic power which constitute a threat to international peace or to the maintenance of democratic government in Germany or which unreasonably restrain trade.
2. The Allied High Commission will include any enterprise listed or described in Schedule C and some or all of the assets of such enterprise in the reorganization plans under this Law only if:
  - (a) such assets are presently operated by an operating company listed in Schedule D, or
  - (b) such assets have heretofore been forfeited as Nazi-owned under other provisions of law, or
  - (c) the owners consent to the inclusion of such enterprise or such assets in a reorganization plan under this law, or
  - (d) the Allied High Commission determines that the inclusion of such enterprise or such assets in a reorganization plan hereunder is shown to be essential to accomplish the purposes of this law.
3. Each of the enterprises listed or described in Schedule E shall be examined by the Allied High Commission to determine whether it constitutes excessive concentration of economic power. If the Allied

High Commission determines that any of them does constitute such an excessive concentration, such enterprise shall be treated for all purposes as if originally listed or described in Schedule A. If the Allied High Commission determines that any such enterprise does not constitute an excessive concentration of economic power, such enterprise shall be treated for all purposes as if originally listed or described in Schedule C.

4. After such consultation with such German authorities and bodies as it deems appropriate, the Allied High Commission will appoint liquidators for the enterprises listed or described in Schedule A of this law unless it decides that such appointment is not necessary for the purposes of liquidation. Liquidators appointed for any of the enterprises listed or described in the Schedules to this law shall be responsible to the Allied High Commission and shall function as may be provided by regulation or order.

### **Article 3**

#### **Reorganization of the Coal Industry**

1. The title to such colliery assets as may be specified by or under the authority of the Allied High Commission located in the territory of the Federal Republic and owned or controlled directly or indirectly by enterprises subject to Article 1 of this law, shall be transferred to companies formed or to be formed for the purpose under German law (hereinafter referred to as unit companies). Such unit companies shall be formed by and have as shareholders such persons as may be designated or approved by the Allied High Commission after such consultation with such German authorities or bodies as the Allied High Commission may deem appropriate. The persons so designated shall be known as Trustees and shall, until otherwise ordered by the Allied High Commission, hold the shares allotted to them in the respective companies in accordance with such regulations and orders as shall be issued by the Allied High Commission.

2. The organization and functions of the Deutsche Kohlenbergbau-Leitung and of the Deutsche Kohlenverkauf and its successors shall be determined by such regulations or orders as may be issued by the Allied High Commission. Subject to such regulations or orders these organizations shall exercise their functions throughout the territory of the Federal Republic.

### **Article 4**

#### **Reorganization of the Iron and Steel Industry**

1. The Steel Trustee Association established under United States Military Government Law No. 75 and United Kingdom Military Government Law No. 75 and Regulation No. 2 issued thereunder shall continue to exist and shall exercise the functions conferred on it by the present law or by regulations made hereunder. The Allied High Commission may remove any member of the Steel Trustee Association and appoint other members of such Association.

2. Title to the assets specified in Schedule D may be transferred to the Steel Trustee Association as a preliminary to their transfer to companies provided for in paragraph 3 of this Article or such title may be transferred directly to such companies. The Allied High Commission may add to Schedule D by notice any other assets of the enterprisers listed or described in Schedules A, B and C. The shares of the companies formed or to be formed to operate the assets listed in Schedule D, pending transfer in accordance with the provisions of paragraph 3 hereof, shall continue to be held in trust by the Steel Trustee Association until such time as the Allied High Commission shall otherwise direct.

3. The Steel Trustee Association shall, as soon as possible, submit for the approval of the Allied High Commission plans for the reorganization of the assets specified in paragraph 2 of this Article and any other assets of the iron and steel industry within the purview of Article 1. Each such plan shall provide for the formation of one or more new companies (hereinafter referred to as unit companies) and shall specify some or all of the assets to be transferred to each of such companies. The plans may provide for the merger or amalgamation of such assets and for the absorption of assets outside the iron and steel industry but within the purview of Article 1. Each plan shall be submitted as soon as completed, without waiting for the completion of other plans.

4. On the approval of a reorganization plan for any unit company, with such modifications as the Allied High Commission may direct, the title to the assets affected shall be transferred to such unit company, which shall have as its shareholders such persons as may be designated or approved by the Allied High Commission after such consultation with such German authorities or bodies as the Allied High Commission may deem appropriate. The persons so designated or approved shall be known as Trustees and shall, until otherwise ordered by the Allied High Commission, hold the shares allotted to them in the respective companies in accordance with such regulations and orders as shall be issued by the Allied High Commission.

## **Article 5**

### **Treatment of Claims and Interests**

Where assets are transferred to unit companies pursuant to Article 3 or Article 4 of this law, the Allied High Commission at the time of transfer or hereafter by one or more regulations or orders:

(a) may direct that some or all of such assets shall be held by the unit companies free and clear of some or all existing liens, charges and encumbrances;

(b) shall specify the amount of cash, bonds, other secured or unsecured obligations, stock or other consideration which each unit company shall pay or issue in respect of the transfer, with a view to ensuring to the maximum extent consistent with the objectives of this law, adequate and appropriate compensation to the claimants affected by the transfer;

(c) shall provide for the distribution of such cash, bonds, other secured or unsecured obligations stock or other consideration (or of the proceeds of their sale) among claimants affected by the transfer of such assets so as to attain the objectives of this law and to ensure fair and equitable treatment among such claimants in accordance with their claims or interests. The validity, priority, and extent of such claims and interests shall be determined with due regard to the original contractual or other rights of claimants;

(d) may provide for such protection of employees and former employees of enterprises from which such assets are so transferred in respect of pensions and other benefits incident to or resulting from their employment as the Allied High Commission may deem necessary or proper in order to avoid unfairness to such employees or former employees as a result of such transfers of assets;

(e) may provide, to the extent the Allied High Commission deems appropriate, for (i) assumptions by such unit companies of indebtedness incurred after 8 May 1945 by enterprises owning or operating assets which are so transferred and (ii) priorities in respect of any such indebtedness incurred, in the opinion of the Allied High Commission, for the purpose of enabling such enterprises to carry on their activities.

For the purposes of this Article the term "claimants" shall include all creditors, secured or unsecured, stockholders and all other persons having claims against or interests in the assets transferred or the enterprises from which they are transferred.

## **Article 6**

### **Former Reich and Prussian State Interests**

The application of this law to any enterprise shall not be affected by the fact that any right or interest therein may have been held by the former Reich or Prussian State.

## **Article 7**

### **Tax Provisions**

1. Taxes and other duties shall not be imposed upon or in respect of:

- (a) Any transfer of assets pursuant to Article 3 or Article 4 of this Law;
- (b) The formation of any company as provided in this Law;
- (c) Any other action taken in connection with reorganizations or liquidations under this Law to the extent provided by regulations hereunder.

2. In computing taxes of any kind payable by the operating companies listed in column 1 of Schedule D and the owning companies listed in column 3 thereof, the taxes shall not exceed in total the aggregate amount of taxes which would have been payable if each operating company were the wholly owned subsidiary of the owning enterprises whose assets it is operating.

3. Upon the formation of each new unit company under the provisions of Article 3 and Article 4, that unit company shall be liable for taxes of all kinds as an independent enterprise.

4. The Steel Trustee Association shall not be subject to any taxes, public levies, or any official charges or costs.

## **Article 8 Decontrol**

Subject to such regulations or orders as may be issued by the Allied High Commission:

1. Assets transferred to unit coal companies or unit steel companies pursuant to Article 3 or Article 4 of this law shall be released from control under this law upon the completion of the disposal of the shares of such companies.

2. Assets of enterprises put into liquidation under Article 2 of this law which are not transferred to unit coal companies or unit steel companies pursuant to Article 3 or Article 4 of this law shall be released from control under this law upon the disposal of the assets in accordance with plans approved by the Allied High Commission.

3. Assets of any enterprise listed or described in Schedule C, or its assets remaining after any transfers to unit companies under this law, shall be released from control under this law upon a determination by the Allied High Commission that all necessary transfers of assets of that enterprise to unit companies have been completed, or that no such transfers will be required in the case of that enterprise.

4. Any other assets subject to seizure and control under this law may be released from control under this law when and as directed by the Allied High Commission.

## **Article 9 Registration of Transfers**

The appropriate German authorities shall register without attestation transfers of title made in accordance with this law upon the presentation to such authorities by or on behalf of the Allied High Commission of a certified statement of the assets to be transferred.

## **Article 10 Penalties**

Any person violating or evading or attempting to violate or evade or procuring the violation or evasion of any provision of this law or of any regulation or order issued under this law, shall, upon conviction, be liable to a fine not exceeding DM 200,000 or to imprisonment for not more than five years, or both.

## **Article 11**

## Regulations

The Allied High Commission may issue such regulations and orders for the purpose of implementing, amplifying or supplementing any provision of this law as it shall deem necessary or proper in order to carry fully into effect the purposes of this law.

### Article 12

#### Administrative Agencies

1. The term "Allied High Commission" as used in any provision of this law means such agency or agencies as the Council of the Allied High Commission may designate by regulation or order to carry out such provision. Any such agency shall act in accordance with such regulations or orders as may be issued by the Council of the Allied High Commission.

2. Subject to the regulations or orders of the Council the agency to administer the provisions of this law shall be

(a) the Combined Coal Control Group insofar as they relate to or affect the German Coal Industry;

(b) the Combined Steel Group insofar as they relate to or affect the German Iron and Steel Industry.

### Article 13

#### Board of Review

1. There is hereby established a Board of Review. The Board shall consist of such number of members but not less than three as the Council of the Allied High Commission may determine. One third of the members of the Board shall be appointed by each High Commissioner. Each member of the Board shall be a qualified lawyer or expert who shall not be otherwise concerned with the administration of this law. The Board may sit in panels of three members, one member being appointed by each High Commissioner. The assignment of members to panels shall be determined by the Board. The decision of a majority of the members of the Board sitting in any case shall constitute the decision of the Board. For the conduct of its business, the Board shall adopt rules which shall be subject to review and revision by the Council of the Allied High Commission.

2. Subject to such regulations as may be issued by the Council of the Allied High Commission, the Board shall have jurisdiction:

(a) to review any order issued under paragraph (c) of Article 5 of this law on the petition of any interested person, to the extent of determining whether the distribution made to each persons has afforded him fair and equitable treatment in accordance with his claim or interest, as required thereunder;

(b) to hear and determine any other questions arising under this law which may be referred to it by the Allied High Commission.

3. On petitions under subparagraph 2 (a) above, the Board shall determine solely whether the order appealed from is supported by substantial evidence and is correct as a matter of law. The filing and pendency of a petition for review under subparagraph 2 (a) shall not operate a stay of the order appealed from except, and to the extent, that a stay may be directed by the Board upon a motion for such relief. A temporary stay pending consideration of such a motion may be directed by a single member of the Board. In cases arising under subparagraph 2 (b) the powers and functions of the Board shall be defined in the order of reference.

### Article 14

#### Definitions

For the purpose of this law and any regulation or order issued thereunder:

1. Colliery assets shall mean assets located on or physically connected with a colliery or economically essential to the operation thereof and include the following properties and interests of the coal mining industry:

(a) Coal Mines and Virgin and Unworked Coal Mines.

"Coal" includes steinkohle, pechkohle and braunkohle, together with any such other minerals as are normally mined by colliery undertakings in association with the foregoing.

"Mine" includes quarry, opencast, drift and deep mine workings and borings associated therewith.

(b) Fixed and movable property used for colliery activities and the following ancillary activities; coal carbonization, coal products, distillation processes allied with colliery activities and processes associated with briquetting plants, manufactured fuels, hydrogenation plants, synthetic plants, nitrogen and ammonia plants, plants for the provision of gas to the gas grids, brick tile and similar works and property used for the supply of water from or to a coal mine.

(c) Property used for generating and transmitting electricity consumed exclusively or mainly in the course of colliery and ancillary activities.

(d) Railways, aerial ropeways, canal waterways and other fixed and movable property used exclusively or mainly for inland or water transport, loading, discharging, handling or storing of products of colliery and ancillary activities, or articles required for colliery or electricity activities and ancillary activities, when such equipment is used exclusively for internal transport within the area of a colliery.

(e) Fixed and movable property of the colliery undertaking used exclusively or mainly for the purposes of the sale or supply by colliery concerns of products of colliery and ancillary activities.

(f) Fixed and movable property of the colliery undertaking used for such welfare activities as hospitals, baths, canteens or for the provision of benefits for the staff employed in colliery and ancillary activities.

(g) Patents in respect of inventions relating to processes applied in the course of colliery and ancillary activities or to production in connection with those activities and trade marks used or intended for use in relation to such production.

(h) Stocks of products of colliery and ancillary activities.

(i) Consumable or spare stores available for use for colliery and ancillary activities.

(j) Interests of colliery undertakings in dwelling-houses and land used to provide housing accommodation for the work-people and the staff employed in colliery and ancillary activities.

(k) Interests of colliery undertakings in forests, farms, farming stock and other agricultural property, and all land owned by colliery undertakings, including land to be used for the enlargement of surface installations and similar activities.

(l) Interests of colliery undertakings in technical organizations, all organizations engaged in research for the colliery industry and ancillary activities, testing stations designed to secure safety in mines and in allied activities, and schools and institutes engaged in training for the mining and ancillary activities.

(m) Liquid assets, including accounts receivable and cash in hand which are attributable to the operation of the assets specified herein.

(n) Contracts for deliveries or other commercial agreements.

2. "Coal carbonization and coal products distillation processes" shall mean the distillation of coal by any process, and the treatment, rendering and distillation of saleable products arising from the distillation of coal.
3. "Electricity Property" shall mean power stations, transformers, transmission lines and other fixed and movable property used in connection with the generation or transmission of electricity.
4. "Fixed Property" shall mean all buildings, works, fixtures and fixed machinery and plant and the sites thereof.
5. "Movable Property" shall mean all movable machinery and plant, wagons and other vehicles, engines, tractors, vessels, animals and movable equipment of any kind.
6. "Undertakings" shall mean enterprises of any nature whatsoever.

## **Article 15**

### **Repeals**

1. United States Military Government Law No. 75 entitled "Reorganization of German Coal and Iron and Steel Industries" and United Kingdom Military Government Law No. 75 entitled "Reorganization of German Coal and Iron and Steel Industries" are hereby repealed; provided, however, that any proceedings had or instituted and any acts done under either of the said laws and any powers conferred thereunder consistent with the provisions of this law shall continue to be effective unless and until the Allied High Commission shall otherwise order.
2. Until the Allied High Commission provides otherwise Regulations Nos. 1 and 3 issued pursuant to US/UK Military Government Laws No. 75 shall be in force throughout the territory of the Federal Republic.
3. Except as the Allied High Commission shall otherwise expressly direct, if any legislation shall be inconsistent with any provision of this law, or of any regulation or order thereunder, the provisions of this law or the regulation or order thereunder shall prevail.

Done at  
BONN, Petersberg, on 16 May 1950.

By order of the Allied High Commission  
JOHN J. McCLOY  
U.S. High Commissioner for Germany  
Chairman of the Council