

Report by the European Coal Organisation on the financial requirements of the European coal sector (5 July 1947)

Caption: On 5 July 1947, the European Coal Organisation draws up an estimate of the financial investment requested to revive Western Europe's coal sector.

Source: European Coal Organisation 1945 to 1947, Brief description and history. London: European Coal Organisation, 1948. 91 p. p. 63-66.

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European Coal Organisation**Report on the financial requirements of the European coal sector (5 July 1947)****Provisional Estimate of Dollar Requirements of European Countries for Imports of Coal and Mining Machinery during the next few Years until European Production recovers to Point of Self-sufficiency**

The attached draft had been prepared by the Secretariat as a basis for discussion between delegates at a meeting of the General Purposes Committee.

In view, however, of the invitations issued to European countries by the United Kingdom and French Governments to meet in Paris next Saturday to discuss the Marshall Plan, the Chairman has authorised the distribution of this draft forthwith, in the hope that it may be useful as a basis for discussion of coal matters at that and subsequent meetings.

In authorising the issue of this document at this stage, the Chairman wishes to emphasize that it is the result of preliminary studies made by the Secretariat only, and that national delegates to E.C.O. have not yet been consulted and, therefore, are in no way committed to it.

It is proposed that this document be discussed at a meeting of the General Purposes Committee which will be convened at an early date, dependent upon the progress of the negotiations in Paris referred to above.

Issued: 5th July, 1947.

From: 37, Upper Brook Street, London, W.1.

B. P. Aicard
Secretary-General.

Provisional Estimate of Dollar Requirements of European Countries for Imports of Coal and Mining Machinery during the next few Years until European Production recovers to Point of Self-sufficiency

The combined dollar requirements of all European countries for the import of coal and coal mining machinery from the United States during the years 1948, 1949 and 1950, together with the last half of 1947, are estimated to be in the neighbourhood of \$1,600,000,000 of which \$50,000,000 would be for machinery, etc., and the balance, \$1,550,000,000 would be for coal.

Further dollars will presumably be required for the settlement of accounts between European countries for the purchase of coal produced within Europe. Assuming a top figure of \$400,000,000 for these intra-European settlements, the overall dollar requirements of Europe over the next three and a half years, on account of coal and mining machinery, would be approximately \$2,000,000,000.

The detail figures upon which the above estimates rest, are supplied in the following text and tables, together with brief explanations of the assumptions upon which they depend.

A. Forecast of Coal Production and Requirements for European Countries

(1)

It is estimated that the total production of hard coal in all European countries, not including Russia during the year 1947, will be 440,000,000 tons. This total is derived from the following figures of national production:—

United Kingdom	200	million
Germany	72	"
Poland	56	"
France	53	"
Belgium	25	"

Netherlands	10	"
Czechoslovakia.	17	"
Other countries	7	"
<u>Total</u>	<u>440</u>	<u>million</u>

Consumption of hard coal within Europe, in 1937, was approximately 560,000,000 tons. Taking this 1937 *consumption* as the starting point for the calculation of *requirements* in 1951, the following assumptions are factors in the final estimate:—

- (a) that the U.K's hard coal requirements in 1951 will be 15 % above the 1937 level, as a result of her expanded industrial programme;
- (b) that as Germany will not be using coal for war production purposes, her requirements in 1951 will not exceed 75 % of the 1937 level;
- (c) that, on the basis of available information regarding national economic plans and the need to repair war damage, the total fuel requirements of all other European countries, collectively, will be about 10 % greater in 1951 than in 1937.
- (d) that half this 10 % increase will be met by the expansion of hydro-electric capacity and the increased use of petroleum products since 1937;
- (e) that Russia will be self-supporting in coal by the end of 1950.

On the basis of the foregoing, the combined internal requirements of all European countries in 1951 would be fully met by 560,000,000 tons of hard coal.

No account is taken in this estimate of the production or requirements of brown coal or lignite, since these types of fuel are mostly consumed within the countries producing them.

The following table gives year-by-year production estimates for the principal European coal producing countries. These fairly optimistic figures are based on official Government estimates wherever these are available. In the case of Germany a target is set for 1951 production at 80 % of the 1937 level. No attempt is made to break-down the total production according to qualities. On the basis of past experience, when European production reaches the point of self-sufficiency the overall supplies will include adequate quantities of all qualities required.

Estimated Annual Production of Hard Coal in European Countries

(Excluding U.S.S.R. and Spain)

(Years 1947 — 1951)

(Millions of Tons)

	1937	1947	1948	1949	1950	1951	
United Kingdom			244	200	215	225	230 240
Germany ⁽²⁾	155	72	90	105	115	124	
Poland ⁽³⁾	66	56	68	75	80	80	
France	44	53	56	58	60	60	
Belgium		30	25	26	26	27	28
Netherlands	14	10	11	11	12	12	
Czechoslovakia			17	17	17	18	18 18
Other countries			7	7	7	7	8 8

Total 577 440 490 525 550 570

For the year 1947 coal production, from within European countries will fall short of optimum requirements by approximately 70,000,000 tons. Imports from the U.S. are expected to make up one half of that amount, leaving the short-fall between the total supplies and optimum requirements for the year in the neighbourhood of 35,000,000 tons.

In 1948, if European production reaches the target of 490,000,000 tons, and American exports are at a rate of 40,000,000 tons a year, the gap between total supplies and optimum requirements will be only 10,000,000 tons. In 1949, with European production at 525,000,000 tons, the total requirements from the United States will be only 25,000,000 tons in order to reach the optimum consumption level of 550,000,000 tons.

In 1950, only 10,000,000 tons of imports from the United States will be required to meet internal consumption requirements of 560,000,000 tons, and in 1951 European production alone should be sufficient to meet all such requirements, leaving a surplus of 10,000,000 tons.

Over the three years 1948, 1949 and 1950, therefore, import requirements from the United States will be approximately 75,000,000 tons, to which may be added 20,000,000 tons for the balance of 1947, making an overall total of 95,000,000 tons of such imports required from the United States from mid-year 1947 to the end of 1950.

B. Estimate of Cost of U.S. Coal Imports.

The present average C.I.F. cost of coals imported by European countries from the United States is approximately \$20 a ton, of which \$12 represents freight charges. On the assumption that freight rates may be expected to decline in the years to come, the average C.I.F. cost of the coal imports from the U.S. over the next three and one half years may be estimated at \$16 a ton instead of the present \$20 a ton rate. At this rate, the overall dollar expenditures of European countries, on account of coal imports from the U.S. would be \$1,550,000,000, i.e., 95,000,000 x \$16.

C. Machinery Equipment.

The cost of maintenance and development work in the coal mining industry varies widely between the several European coal producing countries. In normal years, however, taking no account of variations in exchange, the cost of this work may be roughly estimated as \$1 per ton. On this basis, assuming overall production in 1948, 1949 and 1950 as shown in the foregoing table, expenditures for normal maintenance and development work in the coal mining industry in all European countries during those years would be approximately \$1,565,000,000. Additional capital expenditures required to increase production from its present level of 440,000,000 to the 570,000,000 level by the end of 1951, estimated roughly at \$2 per ton of increased production, would be approximately \$260,000,000. Total expenditure requirements of the industry, therefore, for maintenance and development and new capital during the next three years, would be in the neighbourhood of \$1,695,000,000. By far the larger proportion of this, however, would not require any call on dollars, since European countries should necessarily themselves produce the major part of all the machinery and equipment required by the industry and all of its structural steel requirements. Some part would advantageously be imported from the United States, but in fact, according to advices received from a number of United States manufacturers, it is unlikely that the mining machinery industry in that country can be expected to undertake a short-term programme of manufacture for export to Europe in excess of a total of approximately 50,000,000 dollars over the period 1948, 1949 and 1950.

D. Estimate of Dollar Credit Requirements for Settlement of Coal Export and Import Accounts between European Countries.

Although German coal exports are billed in dollars, the dollar credits resulting therefrom are more than cancelled out by the cost of food imports into Germany. No dollar requirements for the coal programme, therefore, need be envisaged on this score.

At the present time, Poland is exporting approximately 25,000,000 tons, of which 7,000,000 is to Russia and 18,000,000 to European countries. On the basis of estimated production levels for 1948, 1949 and 1950, and assuming that Russian requirements will progressively lessen during those years, it is estimated that Polish export availabilities to European countries may increase to a level of 40,000,000 by 1951. A substantial proportion of Poland's present coal exports to European countries is on the basis of trade agreements for the exchange of commodities for coal. The conversion of a greater proportion of this trade to a cash basis, especially if this could be on a dollar exchange basis, would contribute to the assurance of maximum coal exports from Poland.

In the absence of any reasoned basis for estimating the amount of dollar credit requirements for the financing of such coal exports from Poland, the figure of 400,000,000 dollars is put forward as representing 40,000,000 tons of coal, roughly 35 % of the total anticipated coal exports from Poland to other European countries from the middle of 1947 to the end of 1950, at an average price of \$10 a ton.

Limitations of Study.

This Study takes no account of the dollar requirements for import of pitch from the U.S. or elsewhere, since such imports would represent an insignificant call on dollars in comparison with the major items listed above. It also excludes any consideration of imports of pit-props, which are part of the whole timber problem of the Continent, and, therefore, outside the scope of E.C.O.

No reckoning has been made of the extent to which manpower and transport problems may affect the industry. It is assumed that adequate food, housing, and other commodities which affect the efficiency of coal miners in all countries will be taken care of under other programmes. It is also assumed that adequate arrangements can be made between European countries to meet transport requirements and to overcome the difficulties now arising due to the return to Germany of prisoners-of-war presently employed in coal mining in other countries.

- (1) Franco Spain excluded.
- (2) Excluding production from Upper and Lower Silesian fields.
- (3) Including production from Upper and Lower Silesia.