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Investments of the Mineral Oils Industry Menaced

According to the past Chairman of the Mineral-öl Wirtschaftsverband (Mineral Oils Business Association), Kratzmüller, (ESSO AG) and of his successor, Hallmann (BP Benzin und Petroleum AG), the mineral oils industry is in a very critical situation, and as long as its profitability remains completely insufficient, decisive investments for secured supplies must be delayed. Today every ton of mineral oil causes a loss. The decline of proceeds for light fuel oil alone by almost 25 p.c. since spring 1971 reduced the mineral oils industry's receipts by DM 1.5 bn. The frequently overestimated reserves of the international concerns do not suffice already now for the financing of the exploration at least of the mineral oil deposits in politically safe areas, above all in Alaska and the North Sea. At least \$ 400 bn have to be invested in the Western world, and of this total DM 25 bn in the Federal Republic, in order to secure the supply of mineral oil products.

The mineral oil industry considers the speed of its investments to be disturbed also by the longer approval procedures under environment control aspects. The Mineral Oils Business Association advocates environment protection but wants a better coordination of measures taken by the Federal Republic of Germany and the EEC as well as less distrust towards industry.

Incoming Orders Improved in the FRG

The Federal Ministry of Economics and Finance reports that industry's new orders booked continued improving in April. Incoming orders surpassed turnovers by 4.5 p.c. and in contrast with March increased by 1 p.c. Distinguishing into main groups, the basic and the producer goods industries came off best. As against this, incoming orders of the capital goods manufacturers declined slightly and those of the consumer goods industries dropped distinctly as compared with the average of several years. In all instances the development of foreign demand lagged behind domestic demand (only in the case of capital goods they remained similar at 3.6 p.c.). As compared with April 1971 demand for industrial goods rose by 0.5 p.c. only. But an

output comparison by working days shows an increase by 4.5 p.c.

In comparison, industrial production rose from March to April more strongly than usual in this period. Calculated by working days the increase amounted to 6.9 p.c., while on the average of the last five years this growth rate was 4.1 p.c. Above average was the production trend in the field of consumer and capital goods. In the case of the basic goods industry and production goods manufacturers the production trend remained within the scope usual for the season.

Japan Threatens German Shipyards

In the view of the Chairman of the Verband Deutscher Schiffswerften (German Shipyards Association), Dr Paul Voltz, the intended capacity increase of Japanese shipyards from now about 12 mn GRT to a maximum of 20 mn GRT in 1975/76 constitutes a risk to the German shipyards and to a possible worldwide reduction of government subsidies. In a resolution the Association repeated the demand for a "German shipbuilding policy". Such a policy is urgently required due to the existing competitive pressures resulting from other countries' government measures for supporting their shipyards. In 1971 the German maritime shipyards completed a total of 178 ocean-going vessels with 1.854 mn GRT. This, measured by tonnage, is a new record. According to the statement of the German Shipyards Association, 197 sea-going vessels with 1.423 mn GRT have been delivered. These high deliveries together with distinctly declining incoming orders have led to reduction of orders in hand by 0.9 mn to 4.7 mn GRT at the end of the year. According to the Association's chairman the shipyards received only new orders for 700,000 GRT, constituting no more than 38 p.c. of current production. The share of German shipowners' orders was only 30 p.c.

Strengthening of the EEC's Leading Role Necessary

The European Economic Communities require a promising further development of management instruments, which being more sophisticated can operate better. This was demanded by the President of the "Deutscher Industrie- und Handelstag - DIHT" (Central Asso-

ciation of German Chambers of Industry and Commerce), Otto Wolff von Amerongen. In his opinion the "anticipation of an extended EEC very quickly taking a leading role in the world economy is contrasting rather strongly with the actual condition of its institutions". A strengthening of the Commission's role and a better integration of the Ministerial Council should be emphasised. The political-parliamentary control by a European Parliament should be promoted to the same extent as economic and national agencies have to be transferred to the Community.

Part-time Work With Declining Tendency

The number of unemployed declined by 22,900 to 208,300 in May. At present the unemployment rate lies thus at about 1 p.c. The President of the Bundesanstalt für Arbeit (Federal Institution for Labour Exchanges and Unemployment Insurance), Stingl, pointed out that the rate of cyclically conditioned unemployment did not change. In May the number of unemployed was by 65,400 or 45.8 p.c. higher than in May 1971. The improved cyclical climate was not without influence on part-time work. Its reduction was particularly pronounced in the sector of consumer goods industries. The slight revival of demand for labour that was to be noticed already in April continued in May, too. Available jobs amount to 576,000, i.e. 21,700 more than in the previous month. The demand for foreign labour also continues growing.

New Model for a Reform of the Corpo- ration Tax

A new model for the reform of the Corporation Tax has been developed in the Federal Ministry of Economics and Finance. The new model is a combination of tax deduction procedures and of a splitted tax rate system. The full deduction of the Corporation Tax burdening distributed profits is to remain valid, but the Corporation Tax rate is not to amount uniformly to 56 p.c. This rate will apply to undistributed profits only, while distributed profits will carry a tax load of 36 p.c. Thus the taxpayers can deduce 36 p.c. from their Income Tax. However, the Capital Yield Tax of 25 p.c. on distributed profits and with that of 16 p.c. on profits before deduction of the Corporation Tax is to remain.

The following advantages and disadvantages of the new model are under discussion: With the new procedure it is to be avoided that prosperous citizens receive tax reimbursements via the deduction procedure. The fact that profits of domestic

subsidiaries of foreign concerns are not generally subject to a tax load of 56 p.c. is considered to be another advantage. With the deduction procedure the present tax advantage of foreign enterprises could change into a disadvantage. There is, however, criticism, that with the deduction procedure earnings on capital assets that flow to public authorities and vocational associations, as e.g. trade unions, will be burdened with 56 p.c. Besides, this combined system gives joint stock companies, due to smaller prepayments of taxes, a liquidity advantage vis-à-vis personal companies.

The Total Property of the German Trade Unions

In the course of years the Federal Republic's trade unions accumulated considerable assets through the contributions of their members. They were thus able to establish influential enterprise. The Deutscher Gewerkschaftsbund – DGB (German Trade Unions Federation) and its 16 individual trade unions today dispose of total assets – including indirect participations – of more than DM 2 bn. The property of IG Metall (Metal Industry Trade Union) alone amounts to DM 540 mn. As regards basic capital resources the trade union-owned "Bank für Gemeinwirtschaft", the enterprise groups "Neue Heimat" and "Volksfürsorge" as well as the wholesale purchasing company "GEG" (German Consumers Cooperatives) represent a value of DM 1.2 bn. Their fixed assets amount to DM 2.5 bn and further DM 13.7 bn are booked as claims.

"Bank für Gemeinwirtschaft" holds the fourth place among the supra-regional commercial banks in the Federal Republic. Participations in it are held by DGB-trade unions with 77 p.c., "Neue Heimat" with 18 p.c. and "GEG" with 5 p.c. In 1971 its balance sheet total amounted to DM 13.75 bn. "Volksfürsorge Lebensversicherung AG" is – judged by the number of insurance contracts – the biggest German life insurance company. In 1970 its total sum insured rose to DM 13.3 bn, its balance sheet total to DM 3.8 bn. "Volksfürsorge Deutsche Sachversicherung AG" in 1970 reached a balance sheet total of DM 137.2 mn and a balance sheet profit of DM 2.8 mn. In 1971 "Neue Heimat" reached a total turnover of DM 3.4 bn. The wholesale purchasing company of "GEG" with a turnover total of over 2.5 bn is not only the biggest wholesale business in foodstuffs, but also comes third among the producers in the foodstuffs and beverages industries. "Beamtenheimstättenwerk" reached the third place among German building societies. Its market share in business in force rose to 12.3 p.c. Its balance sheet total amounted to DM 5.2 bn.