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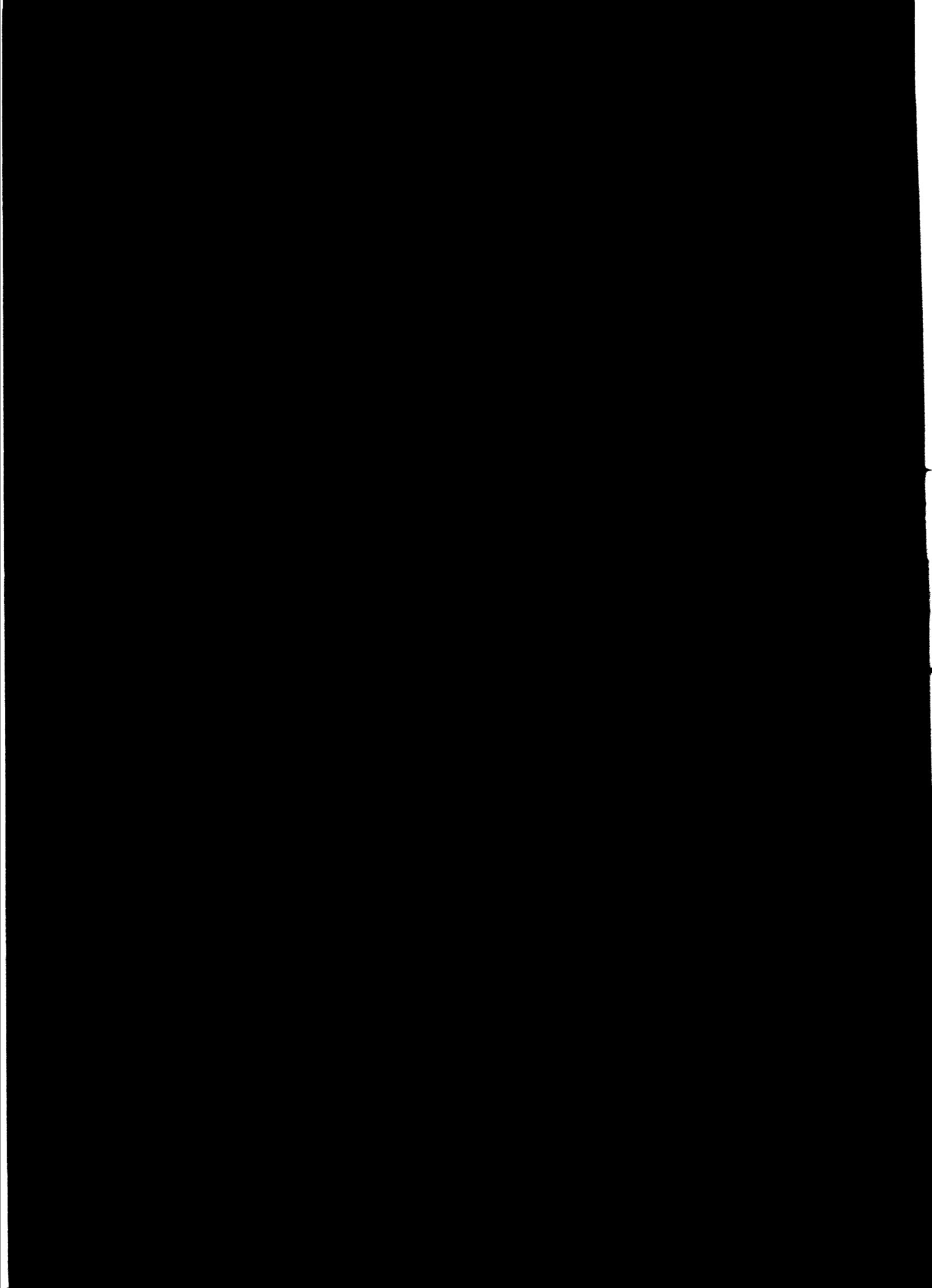
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AUSTRIA'S NATIONALIZED INDUSTRY

by Dr. Bodo Deelitz

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It has now been 30 years since the Austrian Parliament (Nationalrat) passed the "Act on the Nationalization of Enterprises" with the votes of all deputies of the political parties then represented in it. Allow me to say that this law, which was enacted on July 26, 1946, was an expression of the new national feeling rising in Austria at a time when this country was still occupied by allied troops and the destruction caused by the events of World War II were the predominant feature of most of the Austrian town and industries. This First Nationalization Act provided for the transfer of the ownership to the Austrian Republic of the most important coal mines; the largest iron and steel industries; ore mines and non-iron metal industries; oil producing and processing industries as well as several enterprises in the fields of vehicle construction and of mechanical and electrical engineering as well as of chemical industry. This is to say, that this Act covered altogether more than 70 enterprises. In addition, the three biggest banking institutions were subject to transfer into public ownership. I should like, however, to point out that this legislative act of nationalising the majority of Austria's basic industries differed materially from the nationalization measures taken in other countries, as the underlying philosophy was not a political doctrine, namely that of "expropriation of proprietors", but was exclusively the result of economic, social and national policy considerations. These considerations included in particular the following: The representatives of all political parties fully agreed that these enterprises, which the Allied Powers, after the end of World War II had partially put under Austrian trusteeship and partly had withdrawn completely from the influence of Austrian authorities, could be saved for Austria solely by their transfer to public ownership. The deputies of all political parties also realized very well that in the light of the post-war situation, the urgent need to reconstruct these enterprises, which had been most severely damaged by war events, could not be met by private enterprise. In view of the general lack of private capital, it was only the State which could be entrusted with this tremendous task, which was all the more important since also the reconstruction of all other branches of the economy was, after all, dependent on its success, and it was solely the State which

could at that time ensure that this reconstruction of the enterprises of Austria's basic industry would be carried out according to a specific plan and by taking into account economic considerations.

It was in the light of these deliberations that the Austrian Parliament passed, also by the votes of the conservative parties, the Act of 26 July 1945 which provided for the transfer to the Republic of Austria of the shares of the basic and heavy industries, laying down, at the same time, the modalities for granting an adequate indemnity to the former proprietors. I may add that the fact that only reasons of economic, social and national policy were underlying this Act, is also revealed by the report of the former Parliamentary Committee for Property Control of 19 July 1946, which states: "The material ground of the transfer of the respective enterprises into the ownership of the State is that in many instances these economic branches must be subjected to thorough reorganisation and comprehensive planning in order to overcome their proneness to crises, which had proved fatal in the past. But this task can only be fulfilled by way of a number of measures which cannot be effected by private enterprise. The present bill therefore constitutes a first important step towards creating a healthy and crisis-proof economic pattern that ensures full employment".

#### Nationalized Industry - A Mainstay of Austrian Reconstruction after 1945

Meanwhile, 30 years have elapsed, and I believe they have shown that the confidence placed by the representatives of the Austrian people in the nationalization of the enterprises of Austria's basic and heavy industries was justified. With ever growing increases of production and continuously improving operating results that could be achieved not only on account of the large-scale investments but also thanks to the efficiency and the strenuous efforts of the people employed in those enterprises, Austria's nationalized industry was the mainstay of reconstruction in the early post-war period and, later on, the factor determining the continued growth of the Austrian economy. I should like to illustrate this by a few figures: With a total employment of 112.000 persons and an overall turnover of about 90 billion schillings \* - which corresponds to roughly one third of the Austrian federal budget-

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\* The rate of exchange at the beginning of the 1970's was approximately 25 Austrian schillings to 1 US\$.

the nationalized industry produced in 1975 about one fifth of the total net output of Austria's industry as a whole, and due to the great extent to which its activities are directed to export- in the high-grade steel industry, for instance, exports account for more than 80% of overall sales- the nationalized industry contributed about 20% of Austria's total exports.

The fact that the nationalized enterprises have thus become an element of outstanding significance within the framework of Austria's economy seems also to deserve particular attention because this evolution was achieved with the help of a relatively modest contribution of public finance. Allow me to illustrate this by the following details: The total funds invested in the Austrian nationalized industry from 1946 to 1973 ran to more than 65 billion Austrian Schillings. The Republic of Austria as the owner of these enterprises contributed from public funds and through loans guaranteed by the Government not more than 1,5 billion Schillings or roughly 2% of that total amount.

As against this, the nationalized industries themselves produced, or contributed from their net profits, 63,5 billion Schillings or 98% of the funds that were invested between 1946 and 1973. I believe it is needless to say that this share of financing does not admit of any doubts as to the economic capacity of the nationalized enterprises. It is true that the State as the sole share-holder of these enterprises has so far observed a certain restraint in demanding dividends from the enterprises- let me say, as a compensation for its modest contribution towards their investment. Even so, the dividend payments by nationalized industries to their public owner amounted to altogether 4,3 billion schillings from 1952 to 1974 inclusively. Yet I may say that the experiment of nationalizing basic industries in Austria, which was started in 1946, has clearly proven that the former opponents of this measure were wrong in disputing the State's capability to run industrial enterprises according to economic principles. The repeated assertions by various quarters that entrepreneurial activities by the State involved, of necessity, red tape, slowness, the killing of any initiative and a continued state of deficit were definitely disproved by the economic success which could be achieved by our nationalized industries during the past 30 years. And if, in the early stage, fear had been expressed that the nationalized enterprises might turn out a certain

threat to private industry, we now can state that the nationalized sector has, indeed, become its best partner, its reliable source for the supply of raw materials and semi-finished products and frequently also its pace-maker in winning new foreign - and especially overseas- markets.

Independent Management and Freedom of Decision Retained

Allow me to add a special remark: Decisive for this success of the experiment of nationalizing Austria's basic and heavy industries was perhaps still another point in which the nationalization of Austrian style differed widely from the nationalization measures in other countries. What I mean is this: Nationalization of industrial enterprises in other countries was, in fact, frequently accompanied by a considerable restriction of the enterprises' independence and freedom of decision as they were subjected to the immediate influence of public authorities, while the enterprises of Austria's nationalized industry have largely retained this entrepreneurial independence and freedom of decision. The Nationalization Act of 26 July 1946 did not transform the enterprises as such into public corporations but only transferred their shares into the ownership of the Republic of Austria. Consequently, these enterprises have retained their legal status of joint stock companies (Aktiengesellschaften) or companies with limited liability (Gesellschaften mit beschränkter Haftung), while the possibilities of the State to influence the management of these enterprises have been limited to those - let me say, relatively modest - rights that are granted under the Austrian company law to shareholders at their "general meeting". The public owner has thus bound itself to the law on stock companies, and so it cannot exercise its right of ownership in the nationalized enterprises differently from a private shareholder. As a result, the management of nationalized enterprises enjoys the same independence and freedom of decision as does the management of a privately owned company. As the nationalized industries are thus legally on an equal footing with privately owned companies, it is not the government agency competent for Austria's nationalized industry- or the public holding company- but the enterprises themselves which decided, in the light of economic considerations, on their purchase, sales and investment policies. But this equality of the legal status of nationalized industries and privately owned companies also involved equal duties

that means, that these enterprises are not privileged in any way in comparison to privately owned companies as regards either taxation or competition. Like private joint stock companies, they must publish their balance sheets and, like these, they are subject to the annual accounting control provided under the company law, which, in the case of nationalized enterprises, is even supplemented by checks made at regular intervals by the Public Auditing Board, which reports directly to the Austrian Parliament.

#### New Trends towards Greater Industrial Units and Increasing Specialization

My report would not be complete without some additional remarks about the most recent situation and actual trends. In fact, starting from 1970, the development of Austria's nationalized industry has entered a new phase: Previously or more precisely, since 1967, the State's ownership rights in the nationalized enterprises had been exercised by a State-owned administration company (Oesterreichische Industrieverwaltungs-Gesellschaft m.b.H.), acting merely as a trustee of the Republic of Austria. But in 1970, the shares of the nationalized enterprises were transferred into the ownership of that administration company which, at the same time, was converted into a joint-stock company, called "Oesterreichische Industrieverwaltungs-Aktiengesellschaft". Being the owner of the total share capital of this new public holding company, the Republic of Austria does no longer exercise direct rights of ownership in nationalized industries but, in exercising its rights as the "general meeting" of the Oesterreichische Industrieverwaltungs-Aktiengesellschaft, it confines itself to give to the nationalized sector of the Austrian industry merely "general guidelines" to be followed in the interest of the economy as a whole. In continuing consistently a 30 years process of concentration within the sector of nationalized industries, during which the original number of 71 enterprises has been reduced to 8 (through mergers), an obligation has been imposed by law on the new holding company to the effect that it has to integrate the nationalized enterprises by branches in the most useful economic form and it has in particular to encourage research and the development of new technologies.

In the Austrian iron and steel industry, the statutory mandate to consolidate the nationalized companies in each branch has already been put into effect. In February 1973 the VOEST corporation was merged with Alpine to form a new company under the name of "Vereinigte Osterreichische Eisen-und Stahlwerke- (United Austrian Iron and Steel Works) Alpine Montan Aktiengesellschaft". To this new company the nationalized special steel makers, Gebrüder Böhler & Co. AG and Schoeller-Bleckmann Stahlwerke AG, were attached as subsidiaries. In this way, the whole range of nationalized iron and steel companies was consolidated into one combine. With its staff of approximately 84.000 workers, it ranks tenth on the world list of iron and steel manufacturers and sixth on the European list.

In addition, the Austrian Parliament has passed legislation providing for the consolidation of the two Danube shipyards at Linz and Korneuburg and for the merger of a number of companies in the non-ferrous metals sector. One reason why these concentrations in the Austrian nationalized sector were also based on statutory enactments, is the great importance any such move has for the whole Austrian economy. But another, more important, reason is that a counterbalance is to be provided to the strengthened position of management resulting from industrial concentration. This is to be done by giving the people employed by these companies a greater say in and more responsibility for the conduct of each company's affairs. Accordingly, the workers will in the future nominate one-third of the members of the board of directors ("Aufsichtsrat"). Hitherto only two staff representatives used to sit on the board. ( In the German coal and steel industry, equal representation of the staff on company boards was introduced as early as 1951).

If we ask for the motives underlying these concentration measures, there is first of all the idea, that Austria's nationalized industry must not stand aloof from the international trend towards concentration and greater industrial units in order to maintain its competitive power in international markets.

The further legal obligation to promote Research and Development in the nationalized industries is based on the consideration, that only by steady increasing its efforts in R & D, Austria's nationalized industry will be able to retain its strong position in the world market and to fulfill its task of setting the pace for Austria's exporting industries.



It is, therefore, obvious that an even greater specialization of the production programmes of the plants, an expansion in the field of finished products and a well-designed long-term development of new products and production methods will be among the main tasks ahead of the nationalized industries of this country. In addition, these tasks will include an ever closer co-operation also with developing countries, whose political and economic importance throughout the world will be increasingly growing in the coming decades.

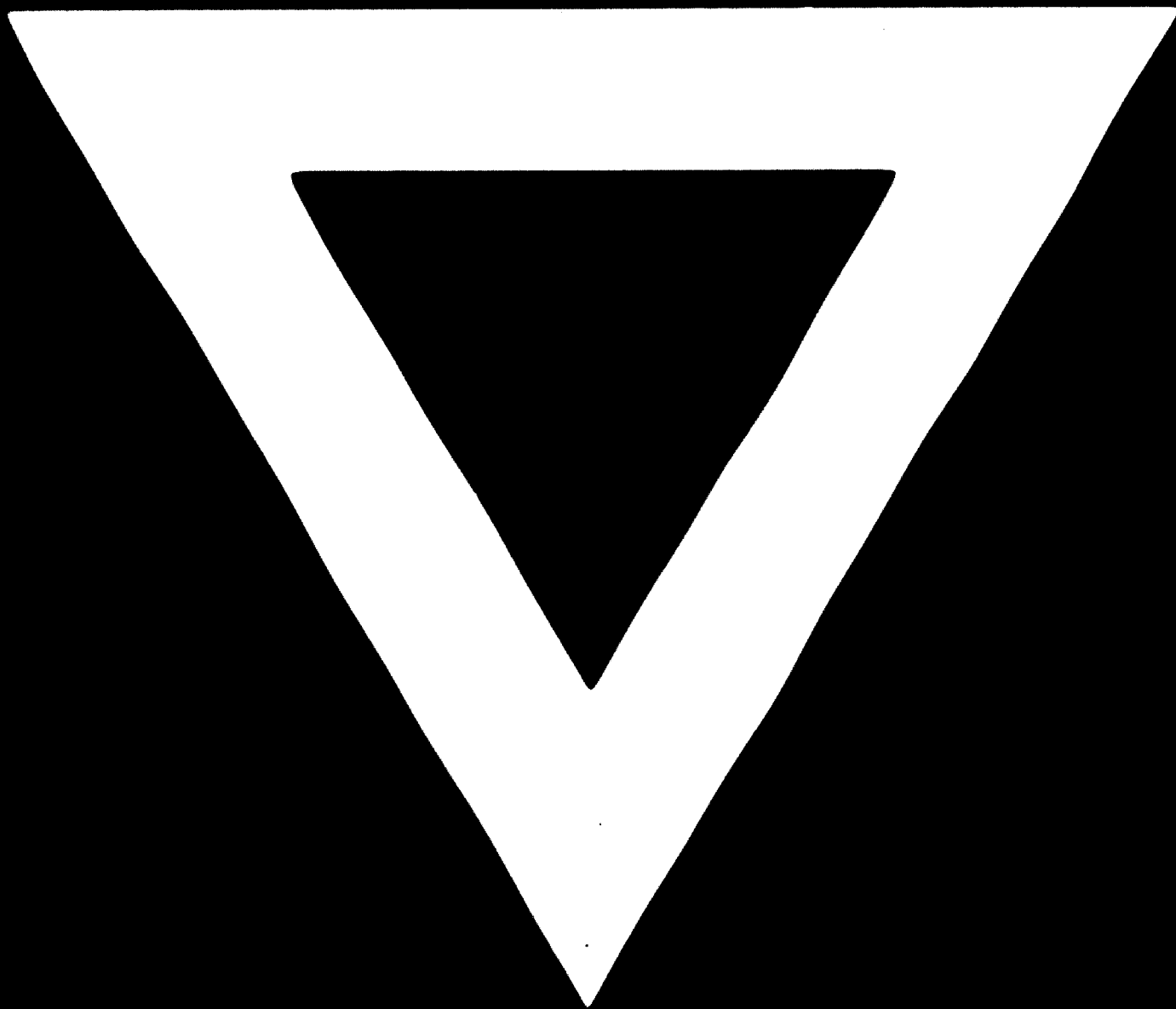
In concluding I may say that Austria's nationalized industry was able to maintain its dynamic force over the past 30 years and will also be well prepared to play its key-role in the economic development of this country in the years to come.

ANNEX

Share of nationalized industries in total production of Austrian industry

Brown coal	91%
Iron ore	100%
Pig iron	100%
Crude steel	95%
Rolling mill products	96%
Crude lead	100%
Electrolytic zinc	100%
Cathode copper and/or wirebars	100%
Crude aluminum	90%
Crude oil	87%
Natural gas	88%
Fertilisers	84%
Steel construction and mechanical engineering products, tools and hardware	21%
Products of the electrical engineering industry	18%

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