

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

REPORT

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SUBJECT

Plan Changes for Plants Under the Ministry of Machine Construction

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SUPPLEMENT TO REPORT NO.

THIS IS UNEVALUATED INFORMATION

1. After it became clear in April 1954 that the vast majority of all enterprises affiliated with the Ministry for Machine Construction had not been able to fulfill the Production Plan, negotiations took place between that Ministry and the State Planning Commission for the purpose of changing the 1954 Production Plan for these enterprises. This change was finally made in June 1954. On 25 June 1954, ~~Revised~~ Production Plans were issued by all Main Administrations of the Ministry for Machine Construction to the enterprises affiliated with them.

2. The main reason for the underfulfillment of the Production Plan was the shortage of crucial materials. Since no possibility seemed to exist of procuring these materials ~~in the near future~~, the ~~changed~~ revised 1954 Production Plan of ~~1954~~ considerably decreased the planned production for almost all enterprises under the Ministry for Machine Construction. The following are examples of ~~this~~ decrease in planned production

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a. Planned 1954 gross production of all enterprises under Hauptverwaltung Ausruestung fuer Schwerindustrie (Main Administration for Heavy Industrial Equipment) was lowered from 1,064,000,000 DME to about 985,000,000 DME. 1 25X1

b. Planned 1954 Warenproduktion of all enterprises under Hauptverwaltung Schiffbau (Main Administration for Ship Construction) was lowered from 950 million DME to 850 million DME. 25X1

c. Planned 1954 gross production of all enterprises under Hauptverwaltung Werkzeugmaschinenbau (Main Administration for Construction of Machine Tools) was lowered by about 50 million DME.

d. Planned 1954 gross production of all enterprises under Hauptverwaltung Feinmechanik und Optik (Main Administration for Precision Instruments ~~and Optics~~) was lowered by about 50 million DME. 6R

e. Planned 1954 gross production of Hauptverwaltung RFT (Main Administration for Radio and Telecommunications Technology) was also

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lowered, but only by a small amount.

f. Planned 1954 production of the following Main Administrations was not decreased:

- 1) Hauptverwaltung Auswertung fuer die Textil- und Polygraphische Industrie (Main Administration for Equipping of the Textile and Polygraphic Industries)
- 2) Hauptverwaltung Automobil- und Traktorenbau (Main Administration for the Construction of Automobiles and Tractors)
- 3) Hauptverwaltung Lokomotiv- und Waggonbau (Main Administration for Construction of Locomotives and Railroad Cars)
- 4) Hauptverwaltung Kabel- und Apparatebau (Main Administration for the Construction of Cables and Apparatus)

g. Planned 1954 production of the enterprises under the remainder of the 17 Main Administrations in the Ministry for Machine Construction was decreased by small amounts.

3. Together with the changes in the Production Plan, long drawn-out negotiations between the Ministry and the State Planning Commission were held about changing the 1954 Finance Plan. It should be expected that, in accordance with the decrease of planned production, a decrease of planned profits would be ordered. The contrary, however, took place. The following are the most striking examples:

- a. 1954 planned profit for all enterprises under the Main Administration for Construction of Cables and Apparatus was changed from 178 million DME to 218 million DME.
- b. The Main Administration for Construction of Automobiles and Tractors, from 212 million DME to 235 million DME.
- c. The Main Administration for Machine Tool Construction, from 42 million DME to 48 million DME.

4.

Accordingly, prime costs were lowered to such a degree that higher profits could be obtained. However, no change was authorized with respect to the 1954 Manpower Plan, and the enterprises affected by the change were unable to release those workers who were made superfluous by the decrease in production. When the Finance Department of the Ministry for Machine Construction suggested to the State Planning Commission that the 1954 Manpower Plan should be reduced in the same proportion as production was to be decreased and profits were to be increased, the State Planning Commission rejected such a suggestion. The answer of the State Planning Commission to the Finance Department pointed out that the proposed change in the Manpower Plan would authorize the managements of the enterprises to release large numbers of workers, which, under all circumstances, should be avoided. Reduction

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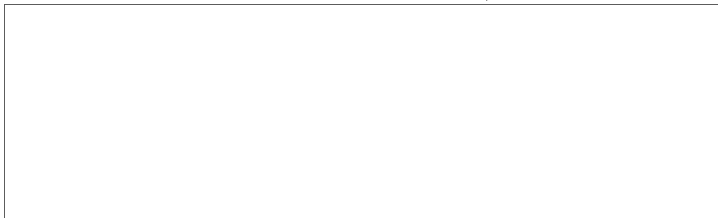
of the average wages was ~~not~~ also not authorized. The State Planning Commission instead is working on some vague projects of transferring industrial workers to agricultural enterprises and to the Construction industry. ~~It is expected to absorb more workers.~~ It is, however, already clear that the enterprises under the Ministry for Machine Construction will not be able to fulfill the ~~1954~~ 1954 Production and Profit Plans, under the given conditions. *revised*

- 5. The change in the 1954 Profit Plan, as specified above, which was decided on in early June 1954, will be made known to the enterprises in early July 1954.



Comment. Gross production (Bruttoproduktion) is *figured* in constant measurement values (Messwerte).

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