

CLASSIFICATION

CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

25X1

SUBJECT Financial Situation at the VEB
Carl Zeiss Jena

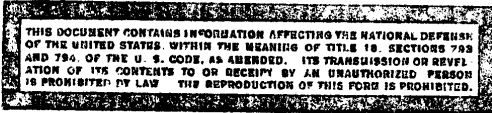
NO. OF PAGES 2

PLACE ACQUIRED

NO. OF ENCLS. (LISTED BELOW) 25X1

DATE OF INFO.

SUPPLEMENT TO REPORT NO



THIS IS UNEVALUATED INFORMATION

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1. At the beginning of the plan year of 1955, the total payroll of VEB Carl Zeiss Jena comprised about 20,000 people. By mid-May this number had been reduced to about 17,500. Under the most recent planning directive, which was coupled with a hiring freeze, a policy of not replacing personnel who left through normal attrition and the bringing of indirect pressure upon the younger male employees to join the garrisoned people's police (KVP), it is intended to have a total payroll of only 15,250 by the end of the 1955 calendar year, if at all possible. This reduction in personnel, according to the labor and cadre chiefs, is to be accomplished without making any significant reductions in the 1955 production plan.
2. The 1955 plan envisages a total production in the value of approximately 137 million DME. Up to 30 June 1955, a total of from approximately 65 to 70 million DME worth had been produced. The 1955 plan also had the target figure of 140 million DME for sales. Up to 1 August 1955, contracts had been concluded for the sale of products for an equivalent of about 95 or 100 million DME. Actual production up to 31 May 1955 amounted to 45 million DME. Actual sales, including firm contracts for delivery of items within three months, amounted to 40 million DME.
3. According to the 1955 plan, VEB Carl Zeiss Jena was to have a net profit by 30 June 1955 of approximately 10 million DME. By about 15 June 1955, however, there was a net loss of about 2,250,000 DME instead. Even these figures, however, do not quite accurately reflect the true financial situation of the plant, since a number of interim credits were obtained

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On two occasions, in May and June, VEB Zeiss Jena had such an acute lack of liquid assets that it could not meet its payroll fully and had to obtain an emergency advance of funds from the ministry. The payroll requirements were subsequently met in that some of the plant personnel were paid in the afternoon rather than the morning on payday, as was the usual practice, because the money was not available until late in the day.

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4. No one single factor can be cited as a cause for the current unprofitability of the plant. Commercial production and financial experts at the plant, however, ascribe this condition to the following causes:

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STATE	#	x	NAVY	#	x	NSRB														
ARMY	#	x	AIR	#	x	FBI														

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CLASSIFICATION **S-E-C-R-E-T**

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

REPORT [redacted]

CD NO. 25X1

COUNTRY East Germany

DATE DISTR. 27 October 1955

SUBJECT Financial Situation at the VEB
Carl Zeiss Jena

NO. OF PAGES 2

PLACE ACQUIRED [redacted]

NO. OF ENCLS. (LISTED BELOW) 25X1

DATE OF INFO. [redacted]

SUPPLEMENT TO REPORT NO.

[redacted]



25X1

THIS IS UNEVALUATED INFORMATION

[redacted]

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1. At the beginning of the plan year of 1955, the total payroll of VEB Carl Zeiss Jena comprised about 20,000 people. By mid-May this number had been reduced to about 17,500. Under the most recent planning directive, which was coupled with a hiring freeze, a policy of not replacing personnel who left through normal attrition and the bringing of indirect pressure upon the younger male employees to join the garrisoned people's police (KVP), it is intended to have a total payroll of only 15,250 by the end of the 1955 calendar year, if at all possible. This reduction in personnel, according to the labor and cadre chiefs, is to be accomplished without making any significant reductions in the 1955 production plan.
2. The 1955 plan envisages a total production in the value of approximately 137 million DME. Up to 30 June 1955, a total of from approximately 65 to 70 million DME worth had been produced. The 1955 plan also had the target figure of 140 million DME for sales. Up to 1 August 1955, contracts had been concluded for the sale of products for an equivalent of about 95 or 100 million DME. Actual production up to 31 May 1955 amounted to 45 million DME. Actual sales, including firm contracts for delivery of items within three months, amounted to 40 million DME.
3. According to the 1955 plan, VEB Carl Zeiss Jena was to have a net profit by 30 June 1955 of approximately 10 million DME. By about 15 June 1955, however, there was a net loss of about 2,250,000 DME instead. Even these figures, however, do not quite accurately reflect the true financial situation of the plant, since a number of interim credits were obtained [redacted]

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On two occasions, in May and June, VEB Zeiss Jena had such an acute lack of liquid assets that it could not meet its payroll fully and had to obtain an emergency advance of funds from the ministry. The payroll requirements were subsequently met in that some of the plant personnel were paid in the afternoon rather than the morning on payday, as was the usual practice, because the money was not available until late in the day.

4. No one single factor can be cited as the current unprofitability of the plant. Commercial production and [redacted] at the plant, however, ascribe this condition to the following [redacted]

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a. Inefficient use of manpower, partly caused by material bottlenecks and sudden changes in production plans decreed from above without properly coordinating the production output of the various shops.

b. Enormous surplus stocks in excess of plan. As of 30 June 1955, the plant had above-plan stocks of raw materials valued at 2.5 million DEM; of semi-finished products, 15 million DEM; and of finished items, 8 million DEM. Thus there was a total of 25.5 million DEM in above-plan stocks, whereas "normal" above-plan stocks during the summer season would amount to about 6.5 million DEM.

c. Reject figures for items manufactured during the first half of 1955 were roughly 100 percent higher than during the 1953 and 1954 production years. It was about 12 percent, whereas rejects in 1953 and 1954 amounted to about 6 percent.

5. An interim credit of about 14 million DEM, ~~was granted on March 1955~~, was to be reduced by 6 million DEM by September 1955. ~~During the summer months, it is unlikely that this~~ ~~credit will be requested, or that the liquidation of the March 1955 credit will be postponed by at least another six months.~~

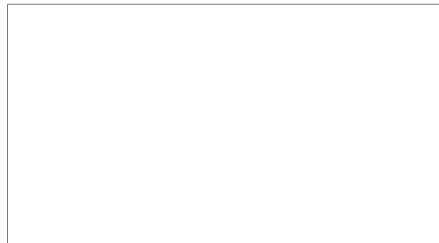
6. On the other hand, ^{DIA} Feinmechanik und Optik and the Ministry for General Machine Construction realized in 1954 that the non-technical DIA and ministry personnel were not in a position to further the firm's export drive, and therefore in 1955, as a great concession, they allowed VEB Carl Zeiss Jena to resume its own export business, to be handled by its own technically trained salesmen. In addition, Zeiss Jena was granted a special export credit of about 6 million DEM to further this export drive. The firm is at present making a concentrated effort to reestablish and enlarge its network of foreign representations.

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Generally speaking, in spite of the special export drive, no appreciable increases in export sales have been obtained so far.

1. Comment. This indirect pressure takes the form of denying the young employees promotions or certain privileges which they might normally expect to enjoy, and the like.

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