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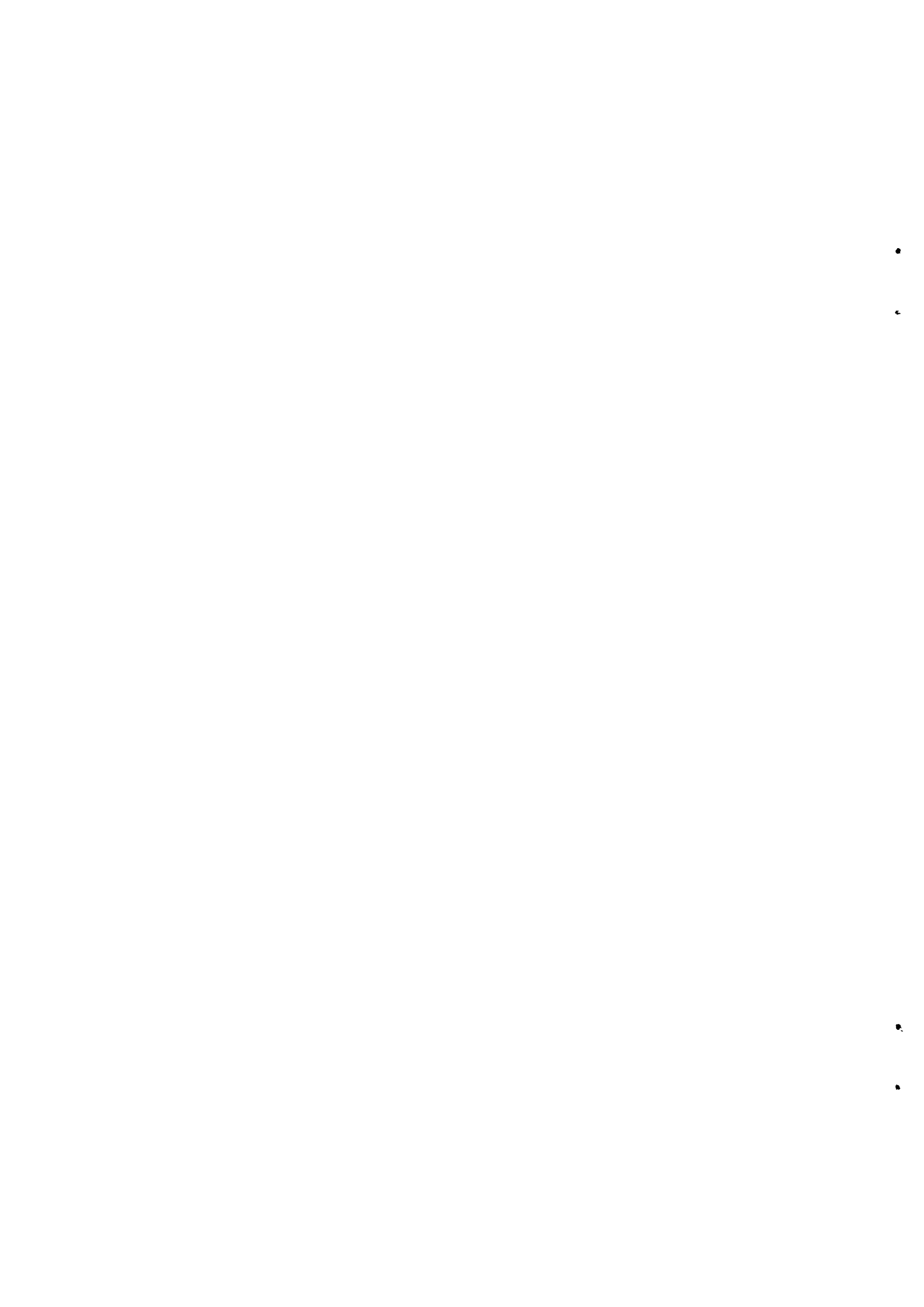
Brussels, 28 July 1989

AIDE-MEMOIRE  
ON THE FIXING OF THE ECSC LEVY RATE  
AND ON THE DRAWING UP OF THE  
ECSC OPERATING BUDGET FOR 1990

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AIDE-MEMOIRE

on the fixing of the ECSC levy rate on  
the establishment of the ECSC operating budget for 1990

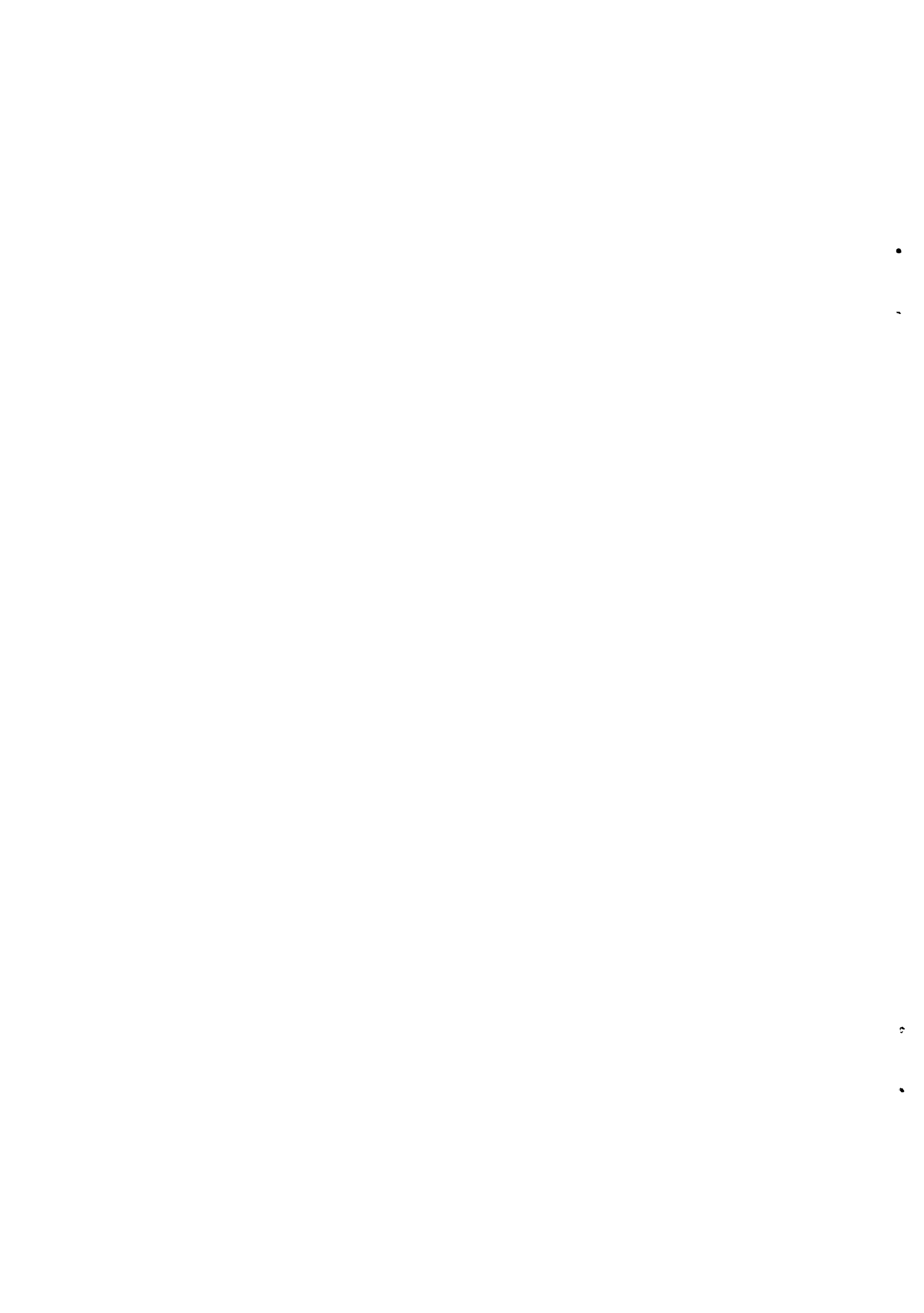
As usual, the views of Parliament will be sought before the Commission takes a decision on the levy rate and the ECSC operating budget for the financial year 1990.

This aide-memoire forms the basis for the consultation of Parliament. It is divided into the following chapters:

- I. General introduction
- II. Draft operating budget

Specific factors affecting the covering of budgetary requirements for 1990 are described in Chapter II.

The aide-memoire will also be sent to the ECSC Consultative Committee for information.



## I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1990 in its economic, policy and financial context.

### A. ECONOMIC CONTEXT

#### 1. The economic outlook for 1989 and 1990

The Community's economic performance in 1988 was the best for many years. Community GDP increased by 3.6% and employment by 1.6%. Overall growth was mainly due to investment which increased by 7.8%, a rate which had not been achieved since the first half of the sixties. At 3.9%, the GNP growth rate in the United States was close to that of the Community, while in Japan it was still higher, at 5.7%. Vigorous economic activity in 1988 was accompanied by a marked dynamism in international trade which increased by 9% in terms of volume.

Growth should continue in the industrialized market economies in 1989 and 1990, although rates will be lower than the exceptional figures recorded for 1988. In some countries, the trend of demand as compared to production is tending to provoke or exacerbate certain imbalances, particularly as regards the external accounts and the risk of inflation. The monetary authorities' reaction to the risk of inflation was to raise interest rates which were 2½ points higher on average in the first quarter of 1989 than in the corresponding period of 1988. However, the factors underlying Community growth in 1988 will persist in 1989 and 1990. Private consumption will remain buoyant, as disposable income grows with increased employment and tax concessions in some countries. Business investment should remain dynamic as final demand expands and profitability continues to improve.

In 1989-90 the Community economy will be operating in an international environment marked by dynamic interworld trade which is expected to expand by 7% in 1989 and 6% in 1990. Economic activity in the United States will moderate with a return to lower growth rates (10% in 1989 and 6% in 1990) and high interest rates, especially in 1990. Japan should experience lower growth rates too (4% in 1989 and 3.5% in 1990) as investment contracts to normal levels (6.5% in 1989 and 6% in 1990) and the new 3% consumption tax takes its toll.

In the Community GDP should grow by 3.25% in 1989 and 3% in 1990 after the record 3.6% in 1988 (see table below). Internal demand should continue to expand at a slightly higher rate than GDP.

Investment should remain the most dynamic component of internal demand: up by 6.75% in 1989 and 5% in 1990. The fall-off compared to 1988 will be largely due to investment in construction. Investment in plant and machinery should increase in 1989 at the same rate as in 1988 (8%) and then fall to almost 6% in 1990. This intense investment activity is cyclical but there is a structural element too. Cyclically, sustained demand and the high degree of capacity utilization have a favourable effect on investment intentions. Structurally, the supply-side policies pursued since the early eighties have increased the profitability of fixed-capital stock, moderating the adverse effects of high real interests rates and creating a favourable climate for sustained investment. Another factor is the effect of preparations being made by firms with an eye to the post-1992 single European market.

Private consumption should increase at a similar or slightly lower rate than GDP: 3% in 1989 and 2.75% in 1990. Although wage claims are expected to remain moderate, the disposable incomes of households should remain high thanks to increased employment and the cuts in direct taxation introduced in some Community countries.

Job creation should continue at an annual rate of almost 1%, representing 2.5 to 3 million new jobs.

Inflation will probably speed up (3.6% in 1988, 4.75% in 1989 and 4.5% in 1990) for external and internal reasons. Following the increase in the price of raw materials and the strengthening of the dollar (late 1988-early 1989), the cost of imports will increase considerably in 1989 and then a little more slowly in 1990. Internal inflationary pressures are quite varied. In most Member States, unit wage costs should rise moderately. In some countries, the strength of final demand could fuel inflation, but this could well be offset to some degree by the increase in productive capacity resulting from intense investment activity. In others the upward trend is due to adjustments within the tax structure, leading in many cases to an increase in some indirect taxes and certain public service charges.

The Community's external surplus should fall as a percentage of GDP: the Community's current account is expected to balance in 1989 and 1990 after showing a surplus of 1.4% in 1988. In terms of the dollar and the main economic aggregates, the adjustment of imbalances in current accounts, which progressed substantially in 1988, should slow down in 1989 and cease in 1990. The absence of any practical prospect of absorbing these imbalances also increases the danger of instability on international financial markets.





	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (PERCENTAGE CHANGE OVER PREVIOUS YEARS)		
	1988	1989(*)	1990(*)
BELGIUM	4,0	3,6	2,8
DENMARK	0,2	1,1	1,7
GERMANY	3,5	3,0	3,0
GREECE	3,5	3,0	2,6
SPAIN	5,0	4,5	4,1
FRANCE	3,2	3,1	3,1
IRELAND	3,8	4,1	4,0
ITALY	3,9	3,4	3,0
LUXEMBOURG	5,0	3,2	2,8
NETHERLANDS	2,6	3,4	3,0
PORTUGAL	4,0	4,2	3,9
UNITED KINGDOM	3,7	2,4	2,1
EEC	3,6	3,2	2,9

(\*) COMMISSION STAFF FORECASTS (JUNE 1989)

SOURCE: COMMISSION OF THE EUROPEAN COMMUNITIES  
DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS



## 2. Outlook for the coal industry

Community production fell by 8.6 million tonnes, to 213.1 million tonnes, in 1988. Output was down in all the coal-producing Member States.

Deliveries from non-member countries amounted to 98 million tonnes (up by 6.3 million tonnes). Total resources thus fell by no more than 2 million tonnes.

Total deliveries within the twelve-nation Community fell by 4 million tonnes to 315 million tonnes. This is due to a drop in purchases by power stations. Despite the current boom in the steel industry, deliveries to coking plants fell too, although other sectors (mainly industry) used more coal than in 1987.

All in all, coal consumption remained stable in 1988 thanks to a high growth rate, stabilization of the trend to replace coal by oil and gas in industry, and an increase in industrial production, notably in the steel sector.

A fall-off in consumption and a 4 million tonne reduction in production are forecast in the outlook for 1989 produced at the beginning of the year.

This estimate was influenced by a combination of factors such as oil prices, the buoyancy of the steel industry, the commissioning of new nuclear power stations and the 3% rise in total domestic energy consumption.

Since the second half of 1987 coal prices have been rising on world markets. However, current price levels mean that some producers cannot cover all their costs. They will continue to put pressure on Community coal.

A conservative production estimate for 1989 for the twelve-nation Community based on all these factors is around 209 million tonnes and the consumption

estimate 311 million tonnes; for 1990 production could be slightly in excess of 200 million tonnes with consumption in or around the 305 million tonnes mark.

### 3. Outlook for the steel industry

The Community's economic performance since 1988 has been the best for many years.<sup>1</sup> Almost all the sectors which are large consumers of steel have been affected (see the building industry and the record level of motor vehicle production). But activity in these sectors has led to increased demand in associated sectors such as initial processing and mechanical engineering has benefited directly from the boom in investment in plant and machinery.

In contrast to previous years, the increase in crude steel production from 126 million tonnes to 137 million tonnes in the twelve-nation Community has been generated solely by Community demand. There is no doubt, however, that the 9% increase in apparent steel consumption in 1988 partly reflects an increase in stocks from the low level of 1987. To judge from the forward programmes for the four quarters of 1988, the effect of this could be conservatively estimated at at least 1.5% of consumption.

The buoyant international economic situation has moderated the pressure of imports (except for semi-finished products); at the same time, exports have been falling despite attractive world prices, one reason for this being the level of demand within the Community.

The economic outlook remains good for both 1989 and 1990. Although it may fall off somewhat, investment in general, and investment in plant and machinery and construction in particular, will continue to be the most dynamic factor. This alone should be enough to keep steel consumption at a high level. Demand can be expected to flag a little by the end of 1989 or, most probably, 1990 when the most dynamic phase of the economic cycle has passed, especially in the motor vehicle and building industries. Stock formation will probably run out of steam before the summer of 1989 and will

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<sup>1</sup> See Chapter I.A.1, p. 5 et seq.

not therefore support demand as it did in 1988. Should Community demand weaken, the Community steel industry would be in a better position to satisfy demand on various export markets.

It should be noted that the exceptionally mild winters of 1988 and 1989 had a positive effect on steel consumption, notably in the building industry.

Crude steel production is accordingly put at 133 million tonnes in 1989 and 130 million tonnes in 1990.

## B. POLICY CONTEXT

The general objectives of the ECSC are determined for all time by Articles 1 to 5 of the Treaty of Paris.

For both coal and steel, the Commission at intervals makes proposals for new measures and presents general objectives or guidelines bearing on the future development of the ECSC industries. Coal is one of the areas covered by general papers produced by the Commission on the subject of Community energy policy. These also cover manpower questions, indicating that the social and regional dimension forms an integral part of the Community policies conducted by the Commission/High Authority pursuant to the Treaty. This structural dimension has assumed greater significance in the current economic situation and in view of the provisions of the Single European Act concerning cohesion.

In two annual reports - the Report on the Results of the Survey on Investment in the Community Coal and Steel Industry and the ECSC Financial Report - it publishes facts and figures on the recent and foreseeable trend of investments and what the Community is doing to finance them.

The remarks which follow are not intended to take the place of the data of these reports. They concentrate rather on certain key points or recent developments which the Commission wants to highlight in establishing its draft of the ECSC's operating budget for 1990. The industries themselves, the ECSC's structural policy and the Community's financial operations are dealt with in turn.

## 1. Coal policy guidelines

In 1987 the Community's coal policy was still dominated by the new energy policy objectives for 1995 and, in particular, by the need to pursue efforts to promote consumption of solid fuels and improve the competitiveness of production capacities.

The Commission supported Community coal production by amending the criteria for granting loans with interest subsidies under the first paragraph of Article 54 of the ECSC Treaty to projects which are economically viable and competitive: this aid went to projects in the United Kingdom and France.

Despite the energy objectives for 1995, solid fuel consumption did not increase in 1988. In fact, there was a slight drop in relation to the proportion earmarked for solid fuels in the 1983 recommendation.<sup>1</sup>

The first full year in which the new Decision No 2064/86/ECSC on State aids applied was 1987. Under this decision, aid granted to the coal industry may be considered compatible with the proper functioning of the common market if it helps to achieve at least one of the following objectives: improving the competitive position of the coal industry, creating new capacities which are economically viable or solving the social and regional problems of the industry.

In 1988 the Commission reported to Parliament, the Council and the ECSC Consultative Committee on developments in 1987. One of its conclusions was that, although there had been some progress towards rationalization, an active policy of industrial diversification was absolutely essential to offset job losses as a basic condition for the restructuring of coal-producing areas.

The State aids for effective production authorized by the Commission in 1987 totalled ECU 5.3 billion, i.e. ECU 25 for each tonne produced.

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1 OJ L 140, 31.5.1983.



## 2. Steel policy guidelines

The success of the Community's steel policy as regards both the structure of the industry and the situation of companies were reinforced by the excellent economic climate being experienced by the Community in general and the steel industry in particular. This has done much to promote the financial restructuring of a large number of companies.

The favourable situation of the industry and the advent of the single European market reinforce the competitive framework in which the Commission intends to place its steel policy guidelines.

The industry has obviously moved away from the conditions of manifest crisis invoked as a reason for applying Article 58 between 1980 and 1988. On 30 June 1988 therefore the Commission liberalized the market for steel products which were still subject to quota arrangements, i.e. products in categories Ia (hot-rolled wide strip), Ib (cold-rolled sheet), II (heavy plate) and III (heavy sections).

However, the Commission feels that the restructuring process is not yet complete; rationalization and modernization measures are still needed at all stages of the production process. The Commission is bearing this key factor in mind in drafting its current steel policy guidelines.

In this context, research assumes enormous importance in furthering the restructuring process and the pursuit of the objectives of productivity, product improvement and anti-pollution measures.

Although the quota arrangements expired on 30 June 1988, the Commission considers it essential to keep an eye on market trends for certain products. It therefore introduced arrangements to monitor production and deliveries of certain products in categories Ia, Ib, II, III, IV and VI under Decision 2448/88/ECSC of 19 July 1988.

The aids code which expired on 31 December 1988 was extended for three years by Decision 322/89/ECSC of 1 February 1989 given the restructuring effort still required and the aid granted to other industrial sectors (Articles 92 and 93 of the EEC Treaty).

The Spanish steel industry has been fully integrated into the Community steel market since 1 January 1989 and is therefore covered by these provisions. The transitional period allowed the Portuguese steel industry continues until 31 December 1990.

The basic features of external arrangements remain in force. In any event the Commission's guidelines will be compatible with GATT agreements and allow for the positions adopted by the Community's partners on world markets.

Although the rules governing the steel market have become more flexible since 1988, the Commission continues to attach prime importance to the social support measures. It has accordingly endeavoured to retain both the traditional and supplementary social measures under Article 56 ECSC and has adopted a four year supplementary programme (1988-91) involving expenditure of the order of ECU 150 million.<sup>1</sup>

At regional level, Regulation (EEC) No 328/88 of 2 February 1988 instituting the RESIDER regional conversion programme remains in force until 31 December 1992.<sup>2</sup> It may be extended beyond that date by Objective No 2 measures in the context of reform of the structural Funds.<sup>3</sup>

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1 See Chapter I.B.3.2 below (p. 20 *et seq.*).

2 See Chapter I.B.3.3 below (p. 25 *et seq.*).

3 Measures to assist regions affected by industrial decline.

### 3. Structural policy guidelines

#### 3.1 The integrated approach

##### 3.1.1 Reform of the structural Funds: an essential component of economic and social cohesion

Reform of the structural Funds was clearly designed to increase the effectiveness of the Community's structural activities but it is also vital to the economic and social cohesion seen by the Single European Act as an essential corollary to the single European market. The economic integration generated by the large market will bring major economic advantages. It is important that all regions of the Community should be in a position to benefit. The Community must therefore support the efforts of regions with inadequate structures and regions being forced to adapt.

The significance of the reform which came into force on 1 January 1989 lies in attainment of this objective. But reform is not limited to the Funds alone. It also involves instruments and flanking policies designed to turn the Community into an interdependent common area.

To ensure more effective utilization and genuine economic impact, the increased financial resources made available for structural measures must be concentrated in future on a limited number of objectives, viz. helping backward regions catch up and converting regions such as employment areas and urban communities seriously affected by industrial decline.

To achieve these objectives, the Commission, in the interests of efficiency and in partnership with the Member States and regions, etc., coordinates the activities of the Funds between themselves and with the operations of other existing instruments including ECSC operations, in accordance with Articles 1 and 3 of Council Regulation (EEC) No 4253/88 of

19 December 1988. This coordination must be in keeping with the objectives of these financial instruments.

Where the ECSC's objectives coincide with those of the structural Funds, particularly as regards aid to areas affected by industrial decline, the Commission will continue to coordinate ECSC operations with those of the structural Funds and other financial instruments.

### 3.1.2 A new method of Community structural activity

As a sectoral instrument, the role of the ECSC is to provide assistance in coal- and steel-producing regions which will be covered by Community structural measures to develop a given area under one of the objectives of the reform of the structural Funds.

To maintain the consistency of Community action and avoid duplication or overlapping, ECSC assistance has to take account of the key themes underpinning reform of the structural Funds:

- Concentration means that the guidelines for ECSC assistance laid down in the operating principles<sup>1</sup> reinforces the priority given to declining industrial areas. The list of eligible areas was adopted by the Commission on 8 March 1989<sup>2</sup> in line with the criteria set out by the Council in Regulation (EEC) No 2052/88. It covers 15% of the Community population.

However, this principle does not prevent the ECSC from granting assistance to coal- and steel-producing areas which are not eligible.

- An attempt should be made to increase coordination when the Community support framework for a given region is drawn up under partnership arrangements. The Community support framework identifies priority development areas which will receive assistance from the Funds and other financial instruments, the form of Community assistance and the amount of aid which may be provided.

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<sup>1</sup> OJ C 173, 1.7.1987.

<sup>2</sup> SEC(89)373.

- Community assistance is based predominantly on the joint financing of operational programmes where these ensure greater consistency and simplify monitoring and assessment. At this stage, all those concerned must be fully involved in the preparation, elaboration and ex post assessment of these programmes, including those concerned by ECSC operations when the Funds are directing their assistance to coal- and steel-producing areas.

However, when it comes to the operational stage, the programming of operations under the Funds should not prevent the ECSC from taking action at sectoral level outside these programmes if its projects are consistent with the priorities identified in the Community support framework.

### 3.2 Social and employment policy measures

#### 3.2.1 Employment trends in the coal and steel industries

##### Recent trend

Employment in the steel industry continued to decline at a slower rate which differed from country to country.

At the end of 1988 the number of workers in the industry totalled 406 000 as against 424 000 at the end of 1987, a net drop of 18 000 (-4%) for 1988, compared with 32 000 (-7%) in 1987. This levelling-off is due to a substantial decline in the number of workers leaving the industry (52 000) coupled with a stable recruitment figure (34 000). The countries recording the largest relative falls in 1988 were Spain (-11.7%), France (-7.4%), Italy (-7%) and Luxembourg (-8%).

The proportion of workers leaving the industry on retirement or early retirement is the result of two opposing trends: the number of workers in the age groups concerned is declining since retirement measures were applied on a massive scale in previous years; however, the nature of this scheme and the accompanying social measures are easy to predict and difficult to change.

When the economic climate is favourable, fewer workers leave the industry - sometimes their departure is only delayed - but implementation of previously negotiated early retirement plans continues. That is why more than half the job losses in the steel industry are accounted for by retirement or early retirement.

The number of coal workers dropped sharply too to reach 340 000 at the end of the year. Pit closures and rationalization led to 38 000 job losses in 1988, i.e. 10% of the total.

Except in the United Kingdom, a large proportion of these job losses were accounted for by retirement or early retirement.

Recruitment remained extremely low - less than 3% of the total - except in the Federal Republic of Germany. However, a large number of the workers recruited by the German coal industry were trainees.

#### Outlook for 1989-91

Employment in the coal and steel industries should continue to fall between 1989 and 1991.

Several companies took advantage of the improvement on the steel markets in 1988 and 1989 to stagger planned redundancies and permit optimum use of retirement measures. However, restructuring will have to continue in order to adjust the volume and the composition of production capacity to the market situation. From plans announced by the companies, the Commission reckons that some 100 000 jobs will be lost as a result of restructuring and rationalization measures between 1988 and 1991, most of them in 1990 and 1991 since departures have been delayed by the improved business situation. A large proportion of these job losses will involve ECSC activities, mainly in Italy, the Federal Republic of Germany and France.

Companies' plans to reduce their activities and efforts to rationalize and modernize will continue or even increase in anticipation of the constraints linked with the post-1992 single European market. The pressure on jobs might therefore increase, especially in the German and Spanish industries.

### 3.2.2 ECSC redeployment aid

The ECSC redeployment aid scheme, based on procedures laid down by the new common intervention system, comprises aids in the form of compensation for loss of income in the event of unemployment, early retirement or redeployment in a lower-paid job and in the form of a financial contribution to the cost of vocational training, mobility and redeployment.

The ECSC's financial resources have already allowed large amounts to be spent on the social measures accompanying the restructuring programmes, helping to make the consequences of restructuring socially and humanly acceptable and reducing the associated costs to companies, workers, regions and the exchequer.

The Commission intends to continue providing assistance for the redeployment of coal and steel workers affected by restructuring by means of:

- traditional aid financed from ordinary resources;
- a new, supplementary programme of social support measures for the restructuring of the steel industry from 1988 to 1991;
- extension of traditional aid to social support measures for the rationalization of the coal industry, financed from ordinary resources.

#### Traditional aids

This aid helps to ensure an appropriate level of social protection and an income guarantee for coal and steel workers, with the emphasis on transfers and retirement, thus making it easier for management and labour to reach a consensus on restructuring.

The procedure for granting traditional aid has been harmonized by the new common intervention system which defines five standard situations: early retirement, unemployment, internal transfer, external redeployment and training. Ceilings (a percentage of wages) and a maximum duration of assistance common to all Member States are applied to each of these standard situations.<sup>1</sup> A ceiling of ECU 3 000 has been set for the average annual assistance per worker.

The common intervention system has been incorporated in the new agreements applicable from 1 January 1989. They will be supplemented by transitional measures within the limits of the appropriations available for this purpose.

#### Extension of the field of application of aids

When the common intervention system entered into force, the Commission decided to make two extensions to the field of application of redeployment aid:

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<sup>1</sup> There is provision for higher rate of contribution in terms of previous wage levels for regions with a low economic capacity.



- The gradual exhaustion of the opportunities for coal and steel workers to transfer to other jobs in the coal and steel industries is reflected in the fact that redeployment aid may now be granted to workers in non-ECSC sectors of activity whose departure would allow redeployment of colleagues who have lost their jobs in an ECSC activity in the same firm.<sup>1</sup>

This should have no significant financial implications; it will hardly increase the number of aid recipients since each award for a non-ECSC worker will be linked with the loss of an ECSC job which would in any case have led to ECSC aid.

- Coal workers affected by rationalization measures carried out by companies which do not reduce their activities in proportion to the reduction in staff (a condition for aid under paragraph 2(b) of Article 56) have now been made eligible for Community redeployment aid under paragraph 1(c) of Article 56.

Taking last year's figures as a base, the effect of this extension would be to increase expenditure in the coal industry by approximately 20%. From 1990 onwards aid will be charged to Chapter B.20 (aid for redeployment).

#### Social support measures 1989-91

As part of its package for the steel industry, the Commission proposed a new programme of social support measures in connection with restructuring which would cost the Community an estimated ECU 150 million and provide aid for 55 000 workers.<sup>2</sup> This additional programme will be directed at strengthening two types of measures: aid for early retirement and aid to genuine re-employment through the granting of re-employment and self-employment premiums. These are in addition to the vocational training, conversion and resettlement aids granted under the common intervention system and the ECSC redeployment operations.<sup>3</sup>

<sup>1</sup> Request for the Council's assent: SEC(88)1683 final.

<sup>2</sup> COM(89)80 final.

<sup>3</sup> See Chapter B.3.3.1 below, p. 25.

### 3.3 Regional policy measures

#### 3.3.1 Conversion loans (Article 56 of the ECSC Treaty)

Under Article 56 of the ECSC Treaty, the Commission conducts a policy of job creation and of economic revitalization for those areas affected by cuts in activity and employment in the coal and steel industries.

This policy takes the form of measures to promote investment generating alternative employment. For this purpose, the Commission grants ECSC loans carrying an interest subsidy.

If there is no new investment, cuts in the workforce at a time when employment is in general decline in most coal and steel areas might condemn redundant workers to unemployment and leave young persons entering the employment market with even less chance of finding work. In view of this situation and of its responsibilities as specified in Article 2 of the ECSC Treaty, in particular as regards safeguarding continuity of employment, the Commission is also pursuing a policy of conversion commensurate in scale with the restructuring measures and adapted to the timetable and conditions for restructuring.

This policy covers all the areas affected by the restructuring of the steel industry and the mining areas affected by considerable job reductions. The granting of conversion loans is conditional on the number of job losses or the dependence of these areas on the coal and steel industries. In practice, the establishment and expansion of small and medium-sized businesses at various levels of technological innovation have proved to be the main source of new full-time jobs and must therefore be encouraged by all possible means. The marked expansion in global loans<sup>1</sup> from 30% of the total volume of loans approved in 1979 to 95% in 1988 is a pragmatic development which is perfectly in keeping with this approach.

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<sup>1</sup> In contrast with direct loans, global loans are granted to a bank or financial institution which onlends the ECSC funds to investors, normally small or medium-sized businesses.

### 3.3.2 The Community's RESIDER programme

The Community programme to assist the conversion of steel areas (the RESIDER programme) was set up on 2 February 1988 under the European Regional Development Fund.<sup>1</sup>

The programme should make a contribution to the conversion of certain declining industrial regions adversely affected by restructuring of the steel industry. It must help create alternative jobs following losses due to reductions in production capacity. The programme provides for the implementation of a series of consistent, multiannual measures (1988-92) aimed at improving the infrastructure and the economic environment in the areas concerned (redevelopment of industrial wasteland, infrastructure linked with job creation) as well as the establishment of new activities, the growth of small and medium-sized businesses and the development of innovation (improvement of services for small and medium-sized businesses).

Aid from the Fund is granted under a jointly financed programme of assistance to be presented by the Member States for the areas concerned. Aid is limited to 55% of total public expenditure, also taking account of the maximum rates of assistance for each type of measure.

The RESIDER programme covers the areas most affected by the restructuring of the steel industry. The Community criteria for determining the geographical scope include both socio-economic and industrial indicators (socio-economic situation, number of jobs in the steel industry, rate of dependence on steel, job losses in the steel industry).

The programme comprises two elements:

- subject to a Commission decision, it applies to all Community areas which satisfy the criteria and which have suffered major job losses in the steel industry;
- to enable Spain to start regional conversion on terms comparable to those already found in the Ten, it also applies to a limited number of

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<sup>1</sup> OJ L 33, 5.2.1988.

Spanish regions from the date of entry into force of the regulation.

The funds required from the general budget are put at ECU 300 million, calculated on the basis of ECU 3 200 per job lost. This amount is concentrated on the three years from 1988 to 1990. It could be increased thereafter if necessary.

#### 4. Financial activities

ECSC Financial Report No 34, outlining the Community's borrowing and lending operations and financial aid in 1988, will be published shortly.

Borrowings contracted in 1988 totalled ECU 880 million, compared with ECU 1 487 million in 1987 and ECU 1 515.4 million in 1986.

Industrial loans amounted to ECU 435.2 million in 1988 compared with ECU 639.7 million in 1987 and ECU 799.5 million in 1986, conversion loans to ECU 451.7 million, compared with ECU 304.3 million and ECU 243.5 million, and workers' housing loans to ECU 20.9 million, compared with ECU 25.3 million and ECU 26.2 million (see the tables below).

Borrowing and lending operations since the start of ECSC financial activities thus totals ECU 16 284.5 million and ECU 15 061.6 million respectively (including ECU 487.7 million in loans from own funds). The outstanding balance of loans raised at 31 December 1988 was ECU 6 826.3 million.

In 1989 loans raised at 30 June amounted to ECU 511.6 million; loans paid out totalled ECU 304.6 million.

The prospects for borrowing and lending activities depend on the continuation of the restructuring programmes planned by the companies and on the granting of aid for interest subsidies for conversion and for the utilization and economically viable extraction of Community coal; and other categories of investment to which the Commission considers that priority should be given may also influence these prospects. The estimates for 1989 amount to ECU 1 000 million in borrowings and ECU 1 300 million in loans. The estimates for 1990 amount to ECU 1 100 million. Investment expenditure in the coal industry (EUR 12) increased from ECU 1 600 million in 1986 to ECU 1 400 million in 1987.

In 1987 investment expenditure in the Twelve's steel industry totalled over ECU 3 500 million, 15% down on the ECU 4 200 million invested in 1986; the

size of this drop was moderated by the sharp increase in expenditure by Spanish companies on restructuring programmes adopted in anticipation of accession.

According to information supplied by the companies, investment expenditure for 1988 was estimated at ECU 1 500 million for the coal industry and ECU 3 000 million for the steel industry; the 1989 estimates are ECU 1 100 million and ECU 1 400 million.<sup>1</sup>

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<sup>1</sup> Source: Investment in the Community's coal and steel industries - report on the 1988 survey - situation at 1 January 1988.



ECSC - BORROWING AND LENDING OPERATIONS

AMOUNTS RECEIVABLE

HEADING	ECU million		
	Outturn 1988	Forecast 1989	Forecast 1990
Loans raised	880	1 000	1 100
Repayment of loans granted	742,5	625	770
Interest payments to the ECSC	620,8	520	465
Repayment or costs involved in borrowing and lending operations	11,5	10	10

AMOUNTS PAYABLE

HEADING	ECU million		
	Outturn 1988	Forecast 1989	Forecast 1990
Loans granted	907,8	1 000	1 100
Repayment of loans raised	886,1	875	850
Interest payments	607,3	525	485
Payment of costs involved in borrowing and lending operations	15	15	15





### C. FINANCIAL CONTEXT

For the purposes of evaluating the draft budget for 1990, the Commission considers that a price increase of 4.5% should be used as the basis for comparing figures for 1989 and 1990.

Otherwise, the main features of the financial context for this draft budget are:

- maintenance of the traditional budget system through the introduction of a stricter approach to the cancellation of commitments which are unlikely to be used;
- the Commission's decision to finance social measures for the steel industry from internal resources in 1990.

#### ECSC financial and budgetary guidelines

Since its inception, the ECSC has operated a "commitment budget" in which a balance is struck between aid commitments and entitlements recorded in a financial year. This system is the logical consequence of the specific combination of powers conferred on the Community by the Treaty of Paris to borrow and lend and to grant aid. All the aid granted must be covered in full in the annual accounts if the ECSC's triple A rating is not to be jeopardized. All the coal and steel companies benefit from this rating as potential borrowers of funds raised by the Community on their behalf on the best possible terms.

In July 1989 the Commission changed the rules for the management of this system as regards the time limit for granting aid from the budget. The effect has been to shorten the period for which a provision for redeployment aid may be maintained when payment is delayed.

In the case of new redeployment aid granted from 1989, the Commission already intends to cancel uncleared commitments automatically on expiry of

a specified period in line with the approach it has adopted for the European Social Fund.

In the case of aid already granted but not paid (ECU 65 million committed for at least four years at 31 December 1988), the new rules state that, on expiry of the time limits laid down, the Commission will automatically cancel any balance for which there is no joint agreement between the Community and the Member State concerned to justify the maintenance of a provision. Previously, the balances of commitments for redeployment aid were not cleared until the national authorities presented the final accounts.

This more disciplined approach, which also applies to other budget aid, will increase the rate of cancellations in 1989 and 1990. Under the ECSC budget system, this amounts to an increase in current funds. Since the recipients of redeployment aid have to be contacted before the new rules are put into effect, the resulting budgetary consequences cannot be quantified at present. However, additional resources amount to tens of millions of ecus can be expected between now and 1990.

This Commission initiative goes hand in hand with stricter discipline in relation to management of the general budget introduced by recent amendments to the Financial Regulation. It also responds to suggestions made by the Court of Auditors and by Parliament in its resolution of 15 December 1988 on the ECSC operating budget for 1989.

In reply to other points mentioned in this resolution and the resolutions of 13 April 1989 (discharge for 1987) and 26 May 1989 (amending budget), the Commission would make the following points:

- The policy on reserves is still the same as that reported to Parliament in January 1987 (SEC(86)1532). For budgetary reasons (to take account of the difficulties linked with the crisis situation in the steel industry) and for financial and legal reasons (to safeguard the market financing instruments for coal and steel companies) the Commission has

decided to adopt the policy of allocating the net annual surplus as far as possible to the financing of the ECSC budget and, as regards the financial statements and thus the level of reserves, of simply keeping the main financial ratios at a level close to those of the balance sheet at 31 December 1984.

- The only purpose of the provision in the balance sheet for the financing of the ECSC operating budget is to identify the funds which will be made available in the budget, including the net annual surplus.
- Incorporation of the ECSC budget in the general budget of the Communities would require a revision of the treaties. As things stand at present, the Commission ensures the necessary consistency between measures under the Treaty of Paris and measures under the Treaty of Rome through the organization of its departments and through coordination of the structural instruments.
- The Commission is still considering the consequences of expiry of the ECSC Treaty. The other institutions will be informed of its conclusions in due course.

The question of financing social measures for steel, referred to in the resolutions of 15 December 1988 and 13 April 1989, is dealt with below.

#### Financing of social measures for steel

Since 1985 additional social aid granted by the ECSC in connection with the restructuring of the steel industry has been limited by the fact that the Council failed to muster the unanimity required to authorize the additional funds (contributions from the general budget to the ECSC) repeatedly requested by the Commission.

However, because of the favourable impact of the economic situation on the Community's resources and the payment of certain fines imposed under the steel production quota arrangements in force between 1980 and 1987, the Commission, in presenting its draft amending budget for 1989 in April 1989, indicated that it could use internal ECSC funds to cover ECU 110 million of the total cost of ECU 150 million for the programme of social support

measures now proposed for the period 1988-91 (COM(89)154 of 10 April 1989).

A transfer from the general budget was requested for the remaining ECU 40 million (ECU 20 million in 1990 and ECU 20 million in 1991).

The Commission is now in a position to waive this request, at least for 1990.

The additional funds released by cancellations under the stricter approach to the management of commitments for budget aid, coupled where necessary with a repayable advance from the reserves, should allow the social measures for steel in 1990 (ECU 50 million) to be financed entirely from internal funds.

In 1990 the Commission will determine whether internal funds will be sufficient to cover the remaining ECU 25 million to be financed in 1991.

The Commission recognizes the extremely positive role played by the other institutions, in particular the Court of Auditors, in seeking a solution to the problem of financing the social support measures.

## II. DRAFT ECSC OPERATING BUDGET FOR 1990

### A. COMMISSION APPROACH

Given the economic situation of the coal and steel industries, the Commission does not propose to increase the current levy rate of 0.31% in 1990.

Total resources for 1990 amount to ECU 391 million and are set out in detail in Annex E.

Of this total, the ECU 50 million appearing in Chapter 4 (Exceptional revenue made available for social measures in connection with restructuring of the coal and steel industries) is needed to cover the social measures concerned. The origin of these funds is explained at I.C above.

As a result, the resources to be allocated to chapters other than the social measures in 1990 amount to ECU 341 million ECU (391 - 50), as against ECU 329 million in the 1989 budget.

Since this nominal increase (3.6%) is lower than the price increase (4.5%) expected between 1989 and 1990, the overall level of traditional aid has fallen slightly in real terms.

## **B. FINANCING PROPOSALS**

The Commission's proposals for the 1990 ECSC operating budget are tabulated in Annex F and are based on the following factors:

- Total resources of ECU 391 million.
- Of the total, ECU 50 million will be to finance the social measures for steel.
- Requirements to be covered by the resources of ECU 341 million remaining available:
  - . ECU 5 million for administrative expenditure;
  - . ECU 180 million for redeployment aid;
  - . ECU 88 million for research expenditure;
  - . ECU 68 million for interest subsidies.
- A token entry for Chapter 6 (social measures in connection with the restructuring of the coal industry).

As regards research appropriations, to which it attaches fundamental importance, the Commission proposes that ECU 41 million be devoted to steel, ECU 34 million to coal and ECU 13 million to social research.

As regards interest subsidies, the Commission proposes that ECU 58 million should go to conversion as direct aid for the creation of new jobs and ECU 10 million to investments.

In conclusion, the Commission proposes that the 1990 ECSC operating budget be adopted at a total amount of ECU 391 million and that the levy rate be set accordingly at 0.31%.

## **C. DRAFT BUDGET**

The draft budget established by the Commission and amounting to ECU 391 million is presented in Annex F.



## OUTTURN OF ECSC OPERATING BUDGET FOR 1988

## SUMMARY TABLE

(ECU million)

REQUIREMENTS	FORECAST <sup>1</sup>	OUTTURN <sup>2</sup>	RESOURCES	FORECAST <sup>1</sup>	OUTTURN <sup>2</sup>
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	162	173,7
2. Aid for redeployment (Art. 56)	345	360,5	1.1 Yield from 0.31% levy	107	107
3. Aid for research (Art. 55)	73	73,5	1.2 Net prior year balance	15	28,8
3.1 Steel	34	35,2	1.3 Fines and surcharges for late payments <sup>3</sup>	0,1	0,7
3.2 Coal	26	26,1	1.4 Miscellaneous		
3.3 Social	13	12,2	2. Cancellation of commitments unlikely to be implemented	23	46,9 <sup>4</sup>
4. Interest subsidies	60	62,3	3. Resources from 1987 not used	189,9	189,9
4.1 Investment (Art. 54)	7	7	4. Exceptional revenue		
4.2 Conversion (Art. 56)	53	55,3	4.1 Social measures connected with restructuring of steel industry	pm	pm
5. Social measures connected with restructuring of steel industry	84	34	4.2 Social measures connected with restructuring of coal industry	pm	pm
6. Social measures connected with restructuring of coal industry	pm	pm	5. Drawings on contingency reserve	20	pm
Surplus		11,7	6. Advance from the ECSC's reserves	50	pm
			BUDGET TOTAL	567	547
BUDGET TOTAL	567	547	ORIGIN OF NON-BORROWED FUNDS		
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			Special reserve and former ECSC Pension Fund	13	13
Workers' housing	13	13			

<sup>1</sup> Forecasts made by the Commission at 19 July 1988 (OJ C 203, 4 August 1988).<sup>2</sup> Approval of financial statements and implementation of ECSC operating budget: Commission decision of 28 June 1989 (E/759/89).<sup>3</sup> The figure of ECU 18.6 million represents actual receipts in 1988.<sup>4</sup> Of which the following amounts have been re-charged to the original headings: ECU 15.5 million for redeployment aid, ECU 1.2 million for steel research, ECU 0.1 million for coal research and ECU 2.3 million for interest subsidies on conversion loans.





## SUMMARY TABLE

(ECU million)

REQUIREMENTS	Initial 1 forecast	Amended 2 forecast	RESOURCES	Initial 1 forecast	Amended 2 forecast
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	160	160
2. Aid for redeployment (Art. 56)	175	175	1.1 Yield from 0.31% levy	120	159
3. Aid for research (Art. 55)	74	74	1.2 Net prior year balance	18	40
3.1 Steel	34	34	1.3 Fines and surcharges for late payments <sup>3</sup>	pm	pm
3.2 Coal	27	27	1.4 Miscellaneous		
3.3 Social	13	13	2. Cancellation of commitments unlikely to be implemented	20	20
4. Interest subsidies	63	63	3. Resources from 1987 not used	pm	14 (3)
4.1 Investment (Art. 54)	10	10	4. Exceptional revenue	pm	pm
4.2 Conversion (Art. 56)	53	53	Social measures connected with restructuring of steel industry		
5. Social measures connected with restructuring of steel industry	pm	75	5. Drawings on contingency reserve	11	11
6. Social measures connected with restructuring of coal industry	12	12			
BUDGET TOTAL	329	404	BUDGET TOTAL	329	404
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
Workers' housing	13	13	Special reserve and former ECSC Pension Fund	13	13

<sup>1</sup> OJ L 355, 23.12.1988.<sup>2</sup> OJ C 154, 22.6.1988.<sup>3</sup> Final figure: ECU 11.7 million.



Information relating to levies

The latest available information on production and the levy yield for the current financial year is given below:

LEVY YIELD FOR THE FIRST QUARTER OF 1989

	Production serving as a basis for the calculation of the levy (million tonnes)	Yield per tonne at 0.31% levy rate	Levy yield (ECU million)
	(1)	(2)	(3)
Brown-coal briquettes and semi-coke	0.5	0.19831	0.10
All types of hard coal	43.4	0.24031	10.43
<u>COAL - TOTAL</u>			10.53
Pig-iron other than that required for the manufacture of ingots	0.6	0.51008	0.30
Steel ingots	35.7	0.63788	22.80
Finished products	30.1	0.29847	8.99
<u>STEEL - TOTAL</u>			32.09
<u>GRAND TOTAL</u>			42.62

(3) = (1) x (2)



ECSC BALANCE SHEET AT 31 DECEMBER 1988  
(Before allocation of profit)

ASSETS		LIABILITIES	
1. Balances with central banks	2.569.993	1. <u>LIABILITIES TOWARDS THIRD PARTIES</u>	
2. Balances with credit institutions		11. Amounts owed to credit institutions: with agreed maturity dates or periods of notice	98.927.152
- repayable on demand	29.386.556	12. Long-term & medium-term debts	6.727.360.715
- with agreed maturity dates or period of notice	905.326.708	13. Other Liabilities	10.767.688
3. Debt securities held in portfolio	1.008.723.102	14. Accruals & deferred income	266.537.040
4. Loans outstanding	6.831.586.830	15. Provision for losses and expenses	3.438.522
5. Recoverable issuing costs and redemption premiums	37.467.127	16. Commitments for ECSC operating budget	1.009.073.103
6. Tangibles and intangibles	5.324.350	17. Total Liabilities towards third parties	8.116.104.220
7. Other assets	75.678.446	2. <u>NET ASSETS</u>	
8. Accruals and deferred income	201.459.348	21. <u>Provisions</u>	
		- Provision for the financing of the ECSC operating budget	241.681.450
		- Provision for changes in ecu rate	13.280.198
		22. <u>Reserves</u>	
		- guarantee fund	482.473.000
		- special reserve	188.807.000
		- former pension fund	52.556.031
		- contributions from the new Member States to reserves not yet called in	618.750
		Total reserves	724.464.781
		23. <u>Profit brought forward</u>	571.031
		24. <u>Profit for the financial year</u>	1.420.780
		25. <u>Net total</u>	981.418.240
9. GRAND TOTAL	9.097.522.460 =====	3. <u>GRAND TOTAL</u>	9.097.522.460 =====



ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE FINANCIAL  
YEAR 1990

In response to the wishes expressed by Parliament in its resolution of 14 December 1982,<sup>1</sup> the presentation of requirements reported and foreseeable resources is modelled on the systematic analysis of the data for the various budget headings in the general budget. As with the general budget this presentation lists the main features of each heading (references and description of the operation, type of expenditure and explanation).

The "percentage change 1989-1990" compares the figures for the amending budget for 1989<sup>2</sup> with those in the proposal for 1990.

The analysis of requirements and resources for 1990, as was the case last year and as in the general budget, contains a foreseeable schedule of payments against budget appropriations for 1990, 1989 and previous years.

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<sup>1</sup>OJ C 23, 17.1.1983.  
<sup>2</sup>OJ C 154, 22.6.1989.



REQUIREMENTS

1. ORDINARY AND EXCEPTIONAL REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
100	<u>CHAPTER 10</u>  <u>ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	CHAPTER 10 - TOTAL	5	5	5
		=====	=====	=====

R E Q U I R E M E N T S

Article	Remarks																																														
100	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"> <li>- Article 50 of the ECSC Treaty;</li> <li>- Article 20 of the Merger Treaty;</li> <li>- Council Decision of 21 November 1977;<sup>1</sup></li> <li>- ECSC contribution to the Commission's administrative expenditure.</li> </ul> <p>2. <u>Type of expenditure</u></p> <p>Annual payment in four equal quarterly instalments.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The Council has set the annual amount of the payment at ECU 5 million.</p> <p>Percentage change 1989-90: 0%.</p> <p>4. <u>Foreseeable schedule of payments</u></p> <p style="text-align: right;">(ECU million)</p> <table border="1" data-bbox="376 1451 1398 2022"> <thead> <tr> <th colspan="2" data-bbox="376 1451 730 1597" rowspan="2">Commitments</th> <th colspan="5" data-bbox="730 1451 1398 1503">Payments</th> </tr> <tr> <th data-bbox="730 1503 858 1597">1989</th> <th data-bbox="858 1503 970 1597">1990</th> <th data-bbox="970 1503 1082 1597">1991</th> <th data-bbox="1082 1503 1185 1597">1992</th> <th data-bbox="1185 1503 1398 1597">Subsequent years</th> </tr> </thead> <tbody> <tr> <td data-bbox="376 1597 632 1809">Commitments entered into against 1988 and earlier appropriations</td> <td data-bbox="632 1597 730 1809">-</td> <td data-bbox="730 1597 858 1809">-</td> <td data-bbox="858 1597 970 1809">-</td> <td data-bbox="970 1597 1082 1809">-</td> <td data-bbox="1082 1597 1185 1809">-</td> <td data-bbox="1185 1597 1398 1809">-</td> </tr> <tr> <td data-bbox="376 1809 632 1865">1989 approps</td> <td data-bbox="632 1809 730 1865">5</td> <td data-bbox="730 1809 858 1865">5</td> <td data-bbox="858 1809 970 1865">-</td> <td data-bbox="970 1809 1082 1865">-</td> <td data-bbox="1082 1809 1185 1865">-</td> <td data-bbox="1185 1809 1398 1865">-</td> </tr> <tr> <td data-bbox="376 1865 632 1933">1990 approps</td> <td data-bbox="632 1865 730 1933">5</td> <td data-bbox="730 1865 858 1933">-</td> <td data-bbox="858 1865 970 1933">5</td> <td data-bbox="970 1865 1082 1933">-</td> <td data-bbox="1082 1865 1185 1933">-</td> <td data-bbox="1185 1865 1398 1933">-</td> </tr> <tr> <td data-bbox="376 1933 632 2022">TOTAL</td> <td data-bbox="632 1933 730 2022">10</td> <td data-bbox="730 1933 858 2022">5</td> <td data-bbox="858 1933 970 2022">5</td> <td data-bbox="970 1933 1082 2022">-</td> <td data-bbox="1082 1933 1185 2022">-</td> <td data-bbox="1185 1933 1398 2022">-</td> </tr> </tbody> </table>							Commitments		Payments					1989	1990	1991	1992	Subsequent years	Commitments entered into against 1988 and earlier appropriations	-	-	-	-	-	-	1989 approps	5	5	-	-	-	-	1990 approps	5	-	5	-	-	-	TOTAL	10	5	5	-	-	-
Commitments		Payments																																													
		1989	1990	1991	1992	Subsequent years																																									
Commitments entered into against 1988 and earlier appropriations	-	-	-	-	-	-																																									
1989 approps	5	5	-	-	-	-																																									
1990 approps	5	-	5	-	-	-																																									
TOTAL	10	5	5	-	-	-																																									

<sup>1</sup> OJ L 306, 30.11.1977.

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
200	<u>CHAPTER 20</u>			
	<u>AID FOR REDEPLOYMENT (Article 56)</u>	180	187	360.5
	CHAPTER 20 - TOTAL	180	187	360.5
		=====		

<sup>1</sup>Including former Chapter B.60 (ECU 12 million).

REQUIREMENTS

Article	Remarks
200	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"><li>- Articles 50, 56 and 95 (extension of the principle of replacement) of the ECSC Treaty;</li><li>- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States.</li></ul> <p>The High Authority/Commission provides non-repayable aid towards:</p> <ul style="list-style-type: none"><li>(i) the payment of tideover allowances to workers;</li><li>(ii) the financing of allowances to workers taking early retirement;</li><li>(iii) the payment of resettlement allowances to workers;</li><li>(iv) the financing of vocational retraining for workers having to change job.</li></ul> <p>The grant of the aid is conditional upon payment by the Member State concerned of a special contribution of not less than the amount of that aid. The average ECSC contribution per worker is subject to an overall ceiling and a ceiling for each standard situation.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision to subsidize the expenditure on redeployment incurred by the Member States according to the procedure set out in the new agreements signed.</p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
200	<u>AID FOR REDEPLOYMENT</u> (cont'd)			

R E Q U I R E M E N T S

Article	Remarks
200 (cont'd)	<p>3. <u>Method of calculation and explanation of change</u> In 1990 30 000 steelworkers should receive traditional redeployment aid. This total includes workers for whom the measures will be implemented between 1 January 1989 and 31 December 1990 and for whom requests for assistance are made by 30 September 1990. Most of the job losses will be in the German steel industry, where some 1989 requests could be aggregated with 1990 requests, and in the French and Italian steel industries. The number of recipients in the coal industry is estimated at around 28 000, mainly in the Federal Republic of Germany, the United Kingdom, France and, to a lesser extent, Spain. This figure includes recipients of aid granted to the coal industry under Article 56(1)(c). In view of the ECU 3 000 ceiling and the costs of transition, the traditional aid required for 1990 is estimated at ECU 180 million.</p> <p>4. <u>Percentage change 1989/90: -3.74%.</u></p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
200	<u>AID FOR REDEPLOYMENT (cont'd)</u>			

REQUIREMENTS

Article	Remarks						
200 (cont'd)	5. <u>Foreseeable schedule of payments</u>  (ECU million)						
	Commitments		Payments				Subsequent years
			1989	1990	1991	1992	
	Commitments entered into against 1988 and earlier approps	545.3	127.5	150	145	90	32.8
	1989 approps <sup>1</sup>	187	-	25	59	74	24
	1990 approps	180	-	-	25	60	95
TOTAL	912.3	127.5	175	229	224	156.8	

<sup>1</sup>Including former Chapter B.60 (ECU 12 million).



REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
	<u>CHAPTER 30</u>			
	<u>AID FOR RESEARCH</u>			
310	<u>Steel research</u>	41	34	35.2
320	<u>Coal research</u>	34	27	26.1
330	<u>Social research</u>	13	13	12.2
	CHAPTER 30 - TOTAL	88	74	73.5
		=====	=====	=====

REQUIREMENTS

Article	Remarks
310	1. <u>References and description</u>
320	<u>Articles 50 and 55 of the ECSC Treaty</u>
330	<p>The High Authority/Commission is required to encourage technical and economic research into the production and increased use of coal and steel and occupational safety in the coal and steel industries. To this end it grants aid to finance research after obtaining the opinion of the ECSC Consultative Committee and after receiving the Council's assent.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision to cover repayment of a proportion of the actual costs of research projects approved by the High Authority/Commission. In most cases, the aid granted amounts to 60% of actual costs, or between 40 and 50% for pilot and demonstration projects. The industries concerned always make a substantial financial contribution.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p><u>Percentage change 1989-90: +18.9%.</u></p> <p>The grounds for the aid proposed for each category of research (steel, coal and social) are explained in the following paragraphs.</p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
310	<u>AID FOR RESEARCH (cont'd)</u>  <u>Steel research</u>	41	34	35.2

REQUIREMENTS

Article	Remarks
310 (cont'd)	<p><u>Steel research</u></p> <p><u>Grounds</u></p> <p>The improved economic situation will allow the European coal industry to step up research and development (R&amp;D). R&amp;D expenditure is still lower than expenditure by competitors and by other basic industries. However, the proportion of steel R&amp;D organized at Community level represents a substantial contribution to the overall research effort.</p> <p>Given major losses during the crisis years and the challenges of the year 2000, Community R&amp;D must help to maintain and develop the competitiveness of the European steel industry in the world industrial and commercial context. This requires:</p> <ul style="list-style-type: none"><li>- continuation of previous efforts (quality, cost price, environmental protection and safety);</li><li>- an aggressive defence of markets and traditional customers against rival products.</li></ul> <p>In the longer term, Community R&amp;D must help to define the new identity of the European steel industry by granting financial assistance to the following projects:</p> <ul style="list-style-type: none"><li>- substitutes for coal and coke in pig-iron production;</li><li>- continuous casting;</li><li>- new steel formats;</li><li>- application of new technologies to steel coatings and structure;</li><li>- new machines or new components which give better performance, are less expensive and are more environment-friendly.</li></ul>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
310	<u>Steel research</u> (cont'd)			

REQUIREMENTS

Article	Remarks						
<p>310 (cont'd)</p>	<p>The 1990 budget will cover expenditure on two existing programmes:</p> <p>(a) <u>Steel research programme</u> This programme covers both steel production and processing and manufacturing technologies and methods (quality and performance).</p> <p>(b) <u>Pilot/demonstration programme</u> This programme is attracting growing interest from industrialists as a means of financing operations of major strategic importance. It also helps to speed the passage of technical innovations from the laboratory to the industrial stage.</p> <p><u>Percentage change 1989-90: +20.6%.</u></p> <p><u>Forseeable schedule of payments</u></p>						
(ECU million)							
Commitments		Payments				Subsequent years	
		1989	1990	1991	1992		
Commitments entered into against 1988 and earlier approps	79.7	32	21.5	13.5	8	4.7	
1989 approps	34	4	11	9	6	4	
1990 approps	41	-	6	14	12	9	
TOTAL	154.7	36	38.5	36.5	26	17.7	

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
320	<u>AID FOR RESEARCH (cont'd)</u>  <u>Coal research</u>	34	27	26.1

Article	Remarks
320 (cont'd)	<p data-bbox="416 595 624 629"><u>Coal research</u></p> <p data-bbox="416 640 528 674"><u>Grounds</u></p> <p data-bbox="416 685 1385 999">The main justification is the success of earlier programmes, particularly as regards productivity, safety, product quality and environmental protection (possibility of controlling the most harmful pollutants through the application of modern combustion methods and through the development of equipment for the dedusting, desulphurization and denitrification of flue gases).</p> <p data-bbox="416 1010 1417 1178">However, there are still problems due to the strong competition and the pressure put on the European coal industry; to face this, new techniques must be widely used and R&amp;D efforts be intensified.</p> <p data-bbox="416 1189 1401 1323">In fact, the targets defined by the Single European Act<sup>1</sup> and the New Energy Objectives for 1995<sup>2</sup> represent a real challenge for the European coal industry which has to:</p> <ul data-bbox="416 1335 1385 1592" style="list-style-type: none"><li>- remain competitive in a free market;</li><li>- to cope with more stringent legislation on environmental protection;</li><li>- offer better working conditions;</li><li>- face new technical problems caused by the increasing depth of mines.</li></ul> <p data-bbox="416 1603 1337 1637">Enlargement of the Community has increased the need for R&amp;D.</p>

<sup>1</sup>OJ L 169, 29.6.1987.

<sup>2</sup>OJ C 241, 25.9.1986.



REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
320	<u>Coal research</u> (cont'd)			

REQUIREMENTS

Article	Remarks
320 (cont'd)	<p>A further problem is the formation of carbon dioxide during the combustion of coal which aggravates global warming, in other words the greenhouse effect.</p> <p>Given these new requirements, the Commission adopted new medium-term guidelines for technical coal research (1990-95) on 16 February 1989.<sup>1</sup></p> <p>The main objectives are to:</p> <ul style="list-style-type: none"><li>- reduce production costs;</li><li>- concentrate efforts on those projects which offer the best prospects in the short and medium term;</li><li>- assure the optimal use of available resources by collaboration between firms and by the rapid dissemination of research results;</li><li>- maintain the technological lead position of the engineering industry and of mining machinery manufacturers and promote technology export;</li><li>- optimize colliery management by improved and more selective information technology, by much better utilization of the advanced equipment involved and by improved reconnaissance of deposits and a higher degree of machine reliability;</li><li>- transfer the methods developed for good conditions to deposits having a more difficult geological character;</li><li>- improve raw coal quality and coal preparation techniques;</li></ul>

<sup>1</sup>OJ C 52, 1.3.1989.

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
320	<u>Coal research</u> (cont'd)			

REQUIREMENTS

Article	Remarks					
<p>320 (cont'd)</p>	<ul style="list-style-type: none"> <li>- increase the share of coal in the heat market, for industrial applications and in the residential and commercial sectors;</li> <li>- develop the coking plant of the year 2000;</li> <li>- optimize the processes of coal utilization and conversion to improve public acceptance.</li> </ul> <p>Another reason is that the scope of research was extended from 1989/90 to:</p> <ul style="list-style-type: none"> <li>- adaptation of mechanized mining methods to specific conditions in the new Member States, and more particularly in Spain;</li> <li>- problems of open-cast mining (Spain, France);</li> <li>- problems of reincorporating coal combustion by industry and the private sector.</li> </ul> <p><u>Percentage change 1989-90: +25.9%.</u></p> <p><u>Foreseeable schedule of payments</u></p> <p style="text-align: right;">(ECU million)</p>					
Commitments		Payments				
		1989	1990	1991	1992	Subsequent years
Commitments entered into against 1988 and earlier approps	51	20.5	13.7	8.6	5.1	3.1
1988 approps	27	3	9	7.5	5	2.5
1989 approps	34	-	4	12	10	8
TOTAL	112	23.5	26.7	28.1	20.1	13.6

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
330	<u>AID FOR RESEARCH (cont'd)</u>  <u>Social and medical research</u>	13	13	12.2

R E Q U I R E M E N T S

Article	Remarks
330	<p data-bbox="400 595 818 629"><u>Social and medical research</u></p> <p data-bbox="400 642 512 676"><u>Grounds</u></p> <p data-bbox="400 734 1326 813">Social and medical research requirements come under the five research programmes previously adopted by the Commission:</p> <ol data-bbox="400 826 1337 1133" style="list-style-type: none"><li data-bbox="400 826 619 860">1. ergonomics</li><li data-bbox="400 873 938 907">2. industrial health in coal mines</li><li data-bbox="400 920 1305 999">3. technical measures to combat pollution at the workplace and near to steelworks</li><li data-bbox="400 1012 708 1046">4. medical research</li><li data-bbox="400 1059 1337 1137">5. protection of workers against occupational hazards in the coal and steel industries.</li></ol> <p data-bbox="400 1200 1382 1368">These social and medical research programmes, some of which have been carried out for several years, have been an indisputable success, as both sides of the coal and steel industries and the research institutes regularly state.</p> <p data-bbox="400 1433 1366 1554">The assessment of requirements for 1990 is based on these programmes continuing normally and takes account of foreseeable limits on budget funds.</p> <p data-bbox="400 1619 842 1653"><u>Percentage change 1989-90: 0%</u></p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
330	<u>Social and medical research (cont'd)</u>			
	CHAPTER 30 - TOTAL	88	74	73.5

REQUIREMENTS

Article	Remarks						
330 (cont'd)	<u>Foreseeable schedule of payments</u> (ECU million)						
	Commitments		Payments				Subsequent years
			1989	1990	1991	1992	
	Commitments entered into against 1988 and earlier approps	28.8	11.6	7.8	4.9	2.9	1.6
	1989 approps	13	1.5	4.5	3.5	2.5	1
	1990 approps	13	-	1.5	4.5	3.5	3.5
TOTAL	54.8	13.1	13.8	12.9	8.9	6.1	



REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
	<u>CHAPTER 40</u>			
	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u>			
410	<u>Investments</u>	10	10	7
420	<u>Conversion</u>	58	53	55.3
	CHAPTER 40 - TOTAL	68	63	62.3

R E Q U I R E M E N T S

Article	Remarks
410	1. <u>References and description</u>
420	<p data-bbox="448 689 1369 909">Articles 54 (investment) and 56(2)(a) (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission. The ECSC may encourage certain investment related to the production or consumption of Community coal or steel or the redeployment of redundant coal and steel workers.</p> <p data-bbox="387 972 743 1003">2. <u>Type of expenditure</u></p> <p data-bbox="448 1066 1342 1370">Provision for offsetting part of the interest due on loans disbursed by the ECSC, in accordance with the contracts drawn up between the Commission and the beneficiaries:</p> <ul data-bbox="448 1205 1353 1370" style="list-style-type: none"><li>- direct loans: to firms or other private or public bodies;</li><li>- global loans: to banks or other credit institutions which onlend the ECSC funds, mainly to small or medium-sized businesses.</li></ul> <p data-bbox="387 1435 1171 1467">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="448 1529 999 1561">The following rates are now applied:</p> <ul data-bbox="448 1576 1321 1742" style="list-style-type: none"><li>- investment loans: 3% (direct loans and global loans for the production and consumption of Community coal)</li><li>- conversion loans: 2% for direct loans 3% for global loans</li></ul>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
410	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES (cont'd)</u>  <u>Investments</u>			
420	<u>Conversion</u>			

REQUIREMENTS

Article	Remarks
410	The term of all these interest subsidies is five years.
420 (cont'd)	<p>ECSC loans with interest subsidies are an important financial instrument for promoting industrial and other investments.</p> <p><u>Percentage change 1989-90: +7.9%.</u></p> <p>The grounds for the aids proposed for each category of loan (investment and conversion) are explained in the following paragraphs.</p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
410	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES (cont'd)</u>  <u>Investments</u>	10	10	7

REQUIREMENTS

Article	Remarks
410	<p data-bbox="384 580 560 613"><u>Investments</u></p> <p data-bbox="384 629 496 663"><u>Grounds</u></p> <p data-bbox="384 707 1374 786">In the investment field, the purpose of interest subsidies is to encourage certain types of investment in ECSC industries.</p> <p data-bbox="384 797 1337 831">The criteria for granting subsidies cover the following areas:</p> <ul data-bbox="384 891 1358 1391" style="list-style-type: none"><li data-bbox="384 891 1230 969">- research and training centres, and the elimination of bottlenecks (OJ C 73, 18.6.1970);</li><li data-bbox="384 1032 1358 1111">- safety and hygiene, in particular the prevention of nuisances (OJ C 146, 25.11.1974);</li><li data-bbox="384 1173 1075 1252">- promoting the consumption of Community coal (OJ C 343, 31.12.1982);</li><li data-bbox="384 1314 1337 1393">- promotion of coal production (OJ C 79, 29.3.1980, revised in OJ C 131, 20.5.1988).</li></ul> <p data-bbox="384 1453 1401 1621">The Commission will apply and adapt these criteria in the light of its assessment of priorities (at present limited to investment to promote the production and consumption of Community coal) and the appropriations available.</p> <p data-bbox="384 1682 839 1715"><u>Percentage change 1989-90: 0%.</u></p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
410	<u>Investments</u> (cont'd)			

REQUIREMENTS

Article	Remarks						
410 (cont'd)	<u>Foreseeable schedule of payments</u>						
	ECU million						
	Commitments		Payments				Subsequent years
			1989	1990	1991	1992	
	Commitments entered into against 1988 and earlier appropriations	48.1	8	11	8	8	13.1
	1989 approps	10	1	2	2	2	3
	1990 approps	10	-	1	2	2	5
TOTAL	68.1	9	14	12	12	21.1	



REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
420	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES (cont'd)</u>  <u>Conversion</u>	58	53	55.3

REQUIREMENTS

Article	Remarks
420	<p data-bbox="387 573 544 629"><u>Conversion Grounds</u></p> <p data-bbox="387 647 1370 813">Conversion loans with interest subsidies are granted to firms or public bodies which encourage investments creating new jobs in regions hit by declining economic activity, principally in the coal and steel industries.</p> <p data-bbox="387 882 1385 958">The guidelines drawn up by the Commission for granting conversion loans were published for the first time in 1977.<sup>1</sup></p> <p data-bbox="387 1021 1369 1142">They have since been changed to improve and clarify the terms of global loans, which have proved a very effective instrument for creating new jobs in small businesses.</p> <p data-bbox="387 1200 1398 1464">The most recent amendment<sup>2</sup> took account of the ECSC's difficult budget situation and the fall in interest rates on the capital markets. This revision was intended to lower the level of interest subsidies to a point where they would still act as a sufficient incentive to investors but could be granted to a larger volume of loans with the funds available.</p> <p data-bbox="387 1532 1366 1749">The maximum loan eligible for interest relief at the rate of 2% for 5 years - 3% for global loans - at the moment is ECU 20 000 per new job, equivalent to maximum aid of ECU 2 000 to 3 000 per job. Since the number of jobs subsidized accounts for a maximum of two thirds of the posts created,</p>

<sup>1</sup>OJ C 178, 27.7.1977.

<sup>2</sup>OJ C 173, 1.7.1987.

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
420 (cont'd)	<u>Conversion</u> (cont'd)			
	CHAPTER 40 - TOTAL	68	63	62.3

REQUIREMENTS

Article	Remarks																																															
420 (cont'd)	<p>the actual aid per post created is lower (ECU 1 350 to 2 000).</p> <p>Conversion requirements in the coal and steel industries will remain substantial in 1990 and subsequent years because of the continuing restructuring of these sectors. It is estimated that at least 160 000 jobs will be lost between 1988 and 1991. The appropriation proposed for 1990 will allow 29 000 to 43 000 posts to be created.</p> <p><u>Percentage change 1989-90: + 9.42%.</u></p> <p><u>Foreseeable schedule of payments</u></p> <p style="text-align: right;">ECU million</p> <table border="1" data-bbox="359 1189 1414 1675"> <thead> <tr> <th colspan="2" data-bbox="359 1189 726 1328">Commitments</th> <th colspan="5" data-bbox="726 1189 1414 1238">Payments</th> </tr> <tr> <th colspan="2" data-bbox="359 1238 726 1328"></th> <th data-bbox="726 1238 853 1328">1989</th> <th data-bbox="853 1238 981 1328">1990</th> <th data-bbox="981 1238 1109 1328">1991</th> <th data-bbox="1109 1238 1236 1328">1992</th> <th data-bbox="1236 1238 1414 1328">Subsequent years</th> </tr> </thead> <tbody> <tr> <td data-bbox="359 1328 630 1480">Commitments entered into against 1988 and earlier appropriations</td> <td data-bbox="630 1328 726 1480">235.4</td> <td data-bbox="726 1328 853 1480">29.8</td> <td data-bbox="853 1328 981 1480">45.2</td> <td data-bbox="981 1328 1109 1480">45.2</td> <td data-bbox="1109 1328 1236 1480">45.2</td> <td data-bbox="1236 1328 1414 1480">70</td> </tr> <tr> <td data-bbox="359 1480 630 1541">1989 approps</td> <td data-bbox="630 1480 726 1541">53</td> <td data-bbox="726 1480 853 1541">5.3</td> <td data-bbox="853 1480 981 1541">10.6</td> <td data-bbox="981 1480 1109 1541">10.6</td> <td data-bbox="1109 1480 1236 1541">10.6</td> <td data-bbox="1236 1480 1414 1541">15.9</td> </tr> <tr> <td data-bbox="359 1541 630 1601">1990 approps</td> <td data-bbox="630 1541 726 1601">58</td> <td data-bbox="726 1541 853 1601">-</td> <td data-bbox="853 1541 981 1601">5.8</td> <td data-bbox="981 1541 1109 1601">11.6</td> <td data-bbox="1109 1541 1236 1601">11.6</td> <td data-bbox="1236 1541 1414 1601">29</td> </tr> <tr> <td data-bbox="359 1601 630 1675">TOTAL</td> <td data-bbox="630 1601 726 1675">346.4</td> <td data-bbox="726 1601 853 1675">35.1</td> <td data-bbox="853 1601 981 1675">61.6</td> <td data-bbox="981 1601 1109 1675">67.4</td> <td data-bbox="1109 1601 1236 1675">67.4</td> <td data-bbox="1236 1601 1414 1675">114.9</td> </tr> </tbody> </table>						Commitments		Payments							1989	1990	1991	1992	Subsequent years	Commitments entered into against 1988 and earlier appropriations	235.4	29.8	45.2	45.2	45.2	70	1989 approps	53	5.3	10.6	10.6	10.6	15.9	1990 approps	58	-	5.8	11.6	11.6	29	TOTAL	346.4	35.1	61.6	67.4	67.4	114.9
Commitments		Payments																																														
		1989	1990	1991	1992	Subsequent years																																										
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1989 approps	53	5.3	10.6	10.6	10.6	15.9																																										
1990 approps	58	-	5.8	11.6	11.6	29																																										
TOTAL	346.4	35.1	61.6	67.4	67.4	114.9																																										

R E Q U I R E M E N T S

Article	Heading	1990 approps proposed	1989 approps authorized <sup>1</sup>	Outturn 1988
500	<u>CHAPTER 50</u> <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>STEEL INDUSTRY</u>	50	75	34

<sup>1</sup>Amending budget - OJ C 154, 22.6.1989.

R E Q U I R E M E N T S

Article	Remarks
500	<p>1. <u>References and description</u> To supplement the traditional aids covered by Chapter B.20, this chapter contains the following social support measures in connection with the restructuring of the steel industry:</p> <ul style="list-style-type: none"><li>- aid for early retirement;</li><li>- aid for employment premiums.</li></ul> <p>2. <u>Type of expenditure</u> Provision to cover the Community's contribution to expenditure on the measures in the additional programme under the conditions laid down for each Member State in accordance with common criteria applicable to the Community as a whole.</p> <p>3. <u>Method of calculation and explanation of change</u> The Commission estimates that 55 000 workers will receive assistance under the additional programme between 1988 and 1991. In view of the average cost per worker of the two types of aid (early retirement and reintegration premiums), the cost of this programme has been estimated at ECU 150 million over four years, including ECU 50 million for 1990.</p> <p>The amending budget for 1989 contains ECU 75 million to cover the 1988 programme (ECU 50 million), which was delayed by funding problems, and the 1989 programme (ECU 25 million). This explains the apparent reduction between 1989 and 1990.</p> <p><u>Percentage change 1989-90: 33.3%.</u></p>

REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
500	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY (cont'd)</u>			
	CHAPTER 50 - TOTAL	50	75	34
	REQUIREMENTS - TOTAL	391	404	547

REQUIREMENTS

Article	Remarks						
500 (cont'd)	<u>Foreseeable schedule of payments</u>						
	ECU million						
	Commitments	Payments					Subsequent years
		1989	1990	1991	1992		
	Commitments entered into against 1988 and earlier appropriations	20.8	14.6	4.5	1.7	-	-
1989 approps	75	6	28.5	27	13.5	-	
1990 approps	50	-	5	15	20	10	
TOTAL	145.8	20.6	38	43.7	33.5	10	



REQUIREMENTS

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
600	<u>CHAPTER 60</u>  <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>COAL INDUSTRY</u>	p.m.	-	p.m.

REQUIREMENTS

Article	Remarks
600	The Commission may be making new proposals relating to this heading. It should be noted that "rationalization" measures, which appeared in this Article in 1989, are now covered by Article 200 (ECU 12 million).



## 2. REQUIREMENTS NOT ENTERED IN THE BUDGET

### LOANS FOR FINANCING WORKERS' HOUSING

Over and above the requirements to be financed by non-repayable grants from the year's resources are the measures to finance workers' housing which the ECSC has operated since 1954. Forecasts for this programme are included in this aide-mémoire to complete the picture of all ECSC operations for Parliament and the Consultative Committee.

#### 1. References and description

Article 54 and Decisions of the High Authority/Commission assigning funds from the "special reserve" constituted by interest from investments and loans against own funds to the housing programmes.

ECSC intervention takes the form of reduced-interest loans, and eases the cost of financing housing by adding the funds lent by the ECSC to resources provided nationally (in some cases ECSC loans from its own funds are supplemented by funds raised on the capital markets).

#### 2. Type of expenditure

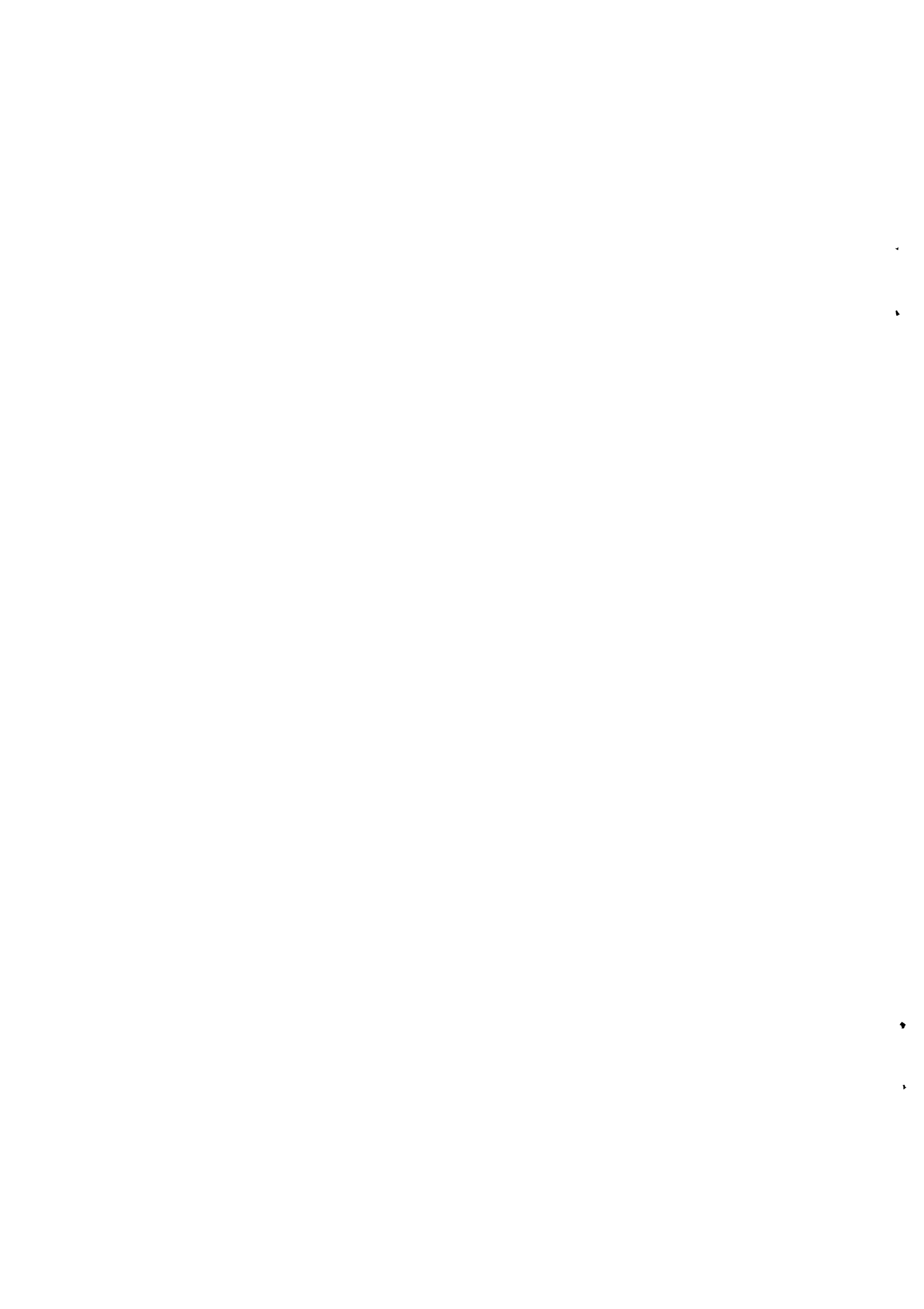
Grant of long-term loans at 1% interest to the responsible national bodies or other financial institutions.

The Commission adopted the eleventh programme (1989-92) on 20 December 1988. A decision on the allocation of the ECU 48 million provided for this programme was taken on 10 July 1989, the Council having given its assent on 20 March. Payments are likely to begin in late 1989 or early 1990. Presentation of this programme in the annual budget tables proposes four instalments of ECU 12 million.

#### 3. Objectives

The objectives of the programme are as follows:

- to satisfy the housing requirements of a workforce that is getting younger and younger;



- to guarantee an adequate quality of housing;
- to ease the restructuring process by catering for the social consequences.

At 31 December 1988 ECSC loans for workers' housing totalled ECU 487.7 million and some 198 000 dwellings had been subsidized.

R E S O U R C E S

1. ORDINARY AND EXCEPTIONAL RESOURCES

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
	<u>CHAPTER 10</u>			
	<u>GENERAL RESOURCES</u>			
110	<u>Levies</u>	166	160	173.7
120	<u>Net balance from previous year</u>	139	159	107
130	<u>Fines and surcharges for late payment</u>	16	40	28.8
140	<u>Miscellaneous</u>	p.m.	p.m.	0.7
	CHAPTER 10 - TOTAL	321	359	310.2

<sup>1</sup>Amending budget - OJ C 154, 22.6.1989.

R E S O U R C E S

Article	Remarks
110 120 130 140	The information on each of these articles (references and description - type of resource - method of calculation and explanation of change 1989/90) is presented below.



R E S O U R C E S

1. ORDINARY AND EXCEPTIONAL RESOURCES

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
110	<u>CHAPTER 10</u>  <u>GENERAL RESOURCES</u>  <u>Levies</u>	166	160	173.7

- 26 -

R E S O U R C E S

Article	Remarks
110	<p data-bbox="427 589 892 620">1. <u>References and description</u></p> <p data-bbox="427 633 1027 710">- Articles 49 and 50 of the ECSC Treaty - Decision 2/52 of 23 December 1952.</p> <p data-bbox="427 725 1414 987">The levies are calculated on the basis of a fixed scale per tonne which is decided each financial year by the Commission and published in the Official Journal. In accordance with the Commission Decision of 11 April 1983,<sup>1</sup> the reference period used to calculate the average values which serve as a basis for calculating the levy will be the 1988 calendar year.</p> <p data-bbox="427 1052 735 1084">2. <u>Type of resource</u></p> <p data-bbox="427 1099 1441 1267">Levy resources are duly established entitlements in the form of levies payable on output in the 1990 financial year and calculated on the basis of the production declarations made by the undertakings.</p> <p data-bbox="427 1332 1211 1364">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="427 1379 1425 1731">The latest estimates of the average values which serve as the basis for calculating the levies suggest that the figures for 1990, which relate to the reference period from 1 January to 31 December 1988, will be some 8% higher for steel and 1.8% higher for coal than the figures for 1989. However, as with the figures for the foreseeable volume of leviabale production, there is an appreciable margin of uncertainty because all the requisite data are not yet available.</p>

<sup>1</sup>OJ C 101, 14.4.1983.

R E S O U R C E S

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
110	<u>Levies</u> (cont'd)			

R E S O U R C E S

Article	Remarks																											
110 (cont'd)	<p data-bbox="427 555 703 584"><u>Levy rate: 0.31%.</u></p> <p data-bbox="427 647 979 676"><u>Percentage change 1989-90: + 3.75%.</u></p> <p data-bbox="427 786 1398 815"><u>Tonnage subject to the levy and yield from a levy rate of 0.01%</u></p> <table border="1" data-bbox="408 837 1445 1733"> <thead> <tr> <th data-bbox="408 837 772 1003">Product</th> <th data-bbox="772 837 1136 1003">Production forecasts used for calculating the levy (million tonnes)</th> <th data-bbox="1136 837 1445 1003">Yield from levy rate of 0.01% (ECU million)</th> </tr> </thead> <tbody> <tr> <td data-bbox="408 1003 772 1146">Brown coal briquettes and semi-coke derived from brown coal</td> <td data-bbox="772 1003 1136 1146">2.5</td> <td data-bbox="1136 1003 1445 1146">0.01</td> </tr> <tr> <td data-bbox="408 1146 772 1236">Hard coal of all categories</td> <td data-bbox="772 1146 1136 1236">163.5</td> <td data-bbox="1136 1146 1445 1236">1.29</td> </tr> <tr> <td data-bbox="408 1236 772 1326">COAL - TOTAL</td> <td data-bbox="772 1236 1136 1326"></td> <td data-bbox="1136 1236 1445 1326">1.30</td> </tr> <tr> <td data-bbox="408 1326 772 1460">Pig iron other than that used for making ingots</td> <td data-bbox="772 1326 1136 1460">2.3</td> <td data-bbox="1136 1326 1445 1460">0.04</td> </tr> <tr> <td data-bbox="408 1460 772 1505">Steel in ingots</td> <td data-bbox="772 1460 1136 1505">130</td> <td data-bbox="1136 1460 1445 1505">2.98</td> </tr> <tr> <td data-bbox="408 1505 772 1550">Finished products</td> <td data-bbox="772 1505 1136 1550">104</td> <td data-bbox="1136 1505 1445 1550">1.10</td> </tr> <tr> <td data-bbox="408 1550 772 1639">STEEL - TOTAL</td> <td data-bbox="772 1550 1136 1639"></td> <td data-bbox="1136 1550 1445 1639">4.12</td> </tr> <tr> <td data-bbox="408 1639 772 1729">GRAND TOTAL</td> <td data-bbox="772 1639 1136 1729"></td> <td data-bbox="1136 1639 1445 1729">5.42</td> </tr> </tbody> </table>	Product	Production forecasts used for calculating the levy (million tonnes)	Yield from levy rate of 0.01% (ECU million)	Brown coal briquettes and semi-coke derived from brown coal	2.5	0.01	Hard coal of all categories	163.5	1.29	COAL - TOTAL		1.30	Pig iron other than that used for making ingots	2.3	0.04	Steel in ingots	130	2.98	Finished products	104	1.10	STEEL - TOTAL		4.12	GRAND TOTAL		5.42
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R E S O U R C E S

Article	Heading	1990 approp\$ proposed	1989 approps authorized	Outturn 1988
120	<u>GENERAL RESOURCES</u> (cont'd)  <u>Net balance from previous year</u>	139	156	107

<sup>1</sup>Amending budget - OJ C 154, 22.6.1989.

R E S O U R C E S

Article	Remarks
120	<p>1. <u>References and description</u> Under its Decision of 30 April 1975, the Commission enters in the budget the net balance from the previous financial year, i.e. the surplus from financial and budgetary operations, less any provision and allocation to the reserves.</p> <p>2. <u>Type of resource</u> The net balance from 1989 will be determined when the Commission adopts the balance sheet at 31 December 1989.</p> <p>3. <u>Method of calculation and explanation of change</u> The figure of ECU 139 million is the current estimate of the balance which will be used to produce the balance sheet at 31 December 1989.</p> <p><u>Percentage change 1989-90: -10.9%.</u></p>

R E S O U R C E S

Article	Heading	1990 approp\$ proposed	1989 approps authorized	Outturn 1988
130	<u>GENERAL RESOURCES</u> (cont'd)  <u>Fines and surcharges for late payment</u>	16	40	28.8

<sup>1</sup>Amending budget - OJ C 154, 22.6:1989.

R E S O U R C E S

Article	Remarks
130	<p>1. <u>References and description</u> Articles 47, 58 and 60 of the ECSC Treaty (mainly). The Commission may impose fines on undertakings contravening the current price and quota systems.</p> <p>2. <u>Type of resource</u> From an accounting point of view, revenue from fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded as deferred resources, in view of the appeals made to the Court of Justice. For this reason only payments expected in the course of the financial year are entered as budgetary resources.</p> <p>3. <u>Method of calculation and explanation of change</u> On the basis of the agreements reached on certain disputed cases in the course of 1988, the Commission proposes entering ECU 16 million under this heading. Other disputed cases are still before the Court of Justice and proceedings may prove lengthy.</p> <p><u>Percentage change 1989-90: -60%.</u></p>



R E S O U R C E S

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
140	<u>GENERAL RESOURCES</u> (cont'd)  <u>Miscellaneous</u>	p.m.	p.m.	0.7
	CHAPTER 10 - TOTAL	321	359	310.2

R E S O U R C E S

Article	Remarks
140	This article, carrying a token entry, allows miscellaneous revenue to be entered as revenue for the financial year.

R E S O U R C E S

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
200	<u>CHAPTER 20:</u>  <u>CANCELLATION OF COMMITMENTS UNLIKELY TO BE IMPLEMENTED</u>	20	20	46.9
	CHAPTER 20 - TOTAL	20	20	46.9

R E S O U R C E S

Article	Remarks
200	<p>1. <u>References and description</u> The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget state that, once all parties have discharged their obligations under a commitment, any remaining part of the provision will be cancelled. Contracts running into difficulties may also be cancelled. The amounts thus released become available again as resources for the current financial year.</p> <p>2. <u>Type of resource</u> The estimate shown in this chapter relates in the main to normal cancellations involving redeployment and interest subsidies on investment and conversion loans. Only a token entry would be needed for the other items which might be involved (cancellation of balances remaining in respect of completed research contracts, etc.).</p> <p>3. <u>Method of calculation and explanation of change</u> It is difficult to estimate the rate of cancellation as it depends on several factors, such as negotiations with the governments concerned. The estimated figure of ECU 20 million for 1990 reflects the normal rate. It takes no account of the Commission's decision to free additional resources by amending the internal rules (see Chapter 40 below).</p> <p><u>Percentage change 1989-90:</u> -</p>

R E S O U R C E S

Article	Heading	1990 approps proposed	1989 approps authorized <sup>1</sup>	Outturn 1988
300	<u>CHAPTER 30</u>  <u>RESOURCES FROM THE PREVIOUS YEAR</u>  <u>NOT USED</u>	p.m.	14	189.9
	CHAPTER 30 - TOTAL	p.m.	14	189.9

<sup>1</sup> Amending budget - OJ C 154, 22.6.1989.

R E S O U R C E S

Article	Remarks
300	This article, carrying a token entry, records any balance remaining from the previous financial year as resources for the current financial year.

R E S O U R C E S

Article	Heading	1990 approps proposed	1989 approps authorized	Outturn 1988
400	<u>CHAPTER 40</u>  <u>EXCEPTIONAL REVENUE MADE AVAILABLE</u> <u>FOR SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE COAL</u> <u>AND STEEL INDUSTRIES</u>	50	p.m.	p.m.
	CHAPTER 40 - TOTAL	50	p.m.	p.m.

R E S O U R C E S

Article	Remarks
400	<p>This chapter will accommodate exceptional resources from cancellations in 1989 or 1990 under the stricter rules adopted by the Commission in July 1989, supplemented if necessary by an advance from the reserves, to cover social support measures in connection with restructuring of the coal and steel industries.</p>



R E S O U R C E S

Article	Heading	1990 approp\$ proposed	1989 approps authorized	Outturn 1988
500	<u>CHAPTER 50</u>  <u>CONTINGENCY RESERVE</u>	p.m.	11	p.m.
	CHAPTER 50 - TOTAL	p.m.	11	p.m.
	RESOURCES - TOTAL	391.	404	547

R E S O U R C E S

Article	Remarks
500	<p data-bbox="422 600 1396 683">This article, carrying a token entry, records the amount needed to offset any deficit which might appear in 1990.</p> <p data-bbox="422 739 1396 822">The amount available for 1990 will be fixed when the Commission adopts the ECSC balance sheet at 31 December 1989.</p>



R E S O U R C E S

2. RESOURCES FOR REQUIREMENTS NOT ENTERED IN THE BUDGET

Funds to cover requirements for the construction of workers' housing are obtained from:

- resources available for this in the former ECSC pension fund;
- resources in the special reserve.

These resources are made up of the repayments of loans already made and fresh appropriations allocated to the special reserve. The ECU 12 million in repayments estimated for 1990 should be enough to cover loans to be financed in 1990.

R E S O U R C E S

3. BALANCE OF RESOURCES AVAILABLE FOR 1990

Since the yield of a levy rate of 0.01% has been estimated at ECU 5.36 million, levies should bring in ECU 166 million, assuming that the rate remains at 0.31%.

The estimates of traditional resources other than levies amount to ECU 175 million (net balance from previous year: ECU 135 million; fines: ECU 16 million; cancellations: ECU 20 million).

The total ordinary resources available for 1990 are thus estimated at ECU 341 million, to which may be added ECU 50 million in exceptional resources to finance measures linked with restructuring of the steel industry.

Foreseeable resources for 1990 thus total ECU 391 million.

DRAFT ECSC OPERATING BUDGET FOR 1990

SUMMARY TABLE

(Ecu million)

REQUIREMENTS	PROPOSALS	RESOURCES	PROPOSALS
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		RESOURCES FOR THE FINANCIAL YEAR	
1. Administrative expenditure	5	1. Current resources	
2. Aid for redeployment (Art. 56)	180	1.1 Yield from 0.31% levy	166
3. Aid for research (Art. 55)	88	1.2 Net balance from previous year	139
3.1 Steel		1.3 Fines and surcharges for late payment	16
3.2 Coal	41	1.4 Miscellaneous	p.m.
3.3 Social	34	2. Cancellation of commitments unlikely to be implemented	20
4. Interest subsidies	68	3. Resources from 1989 not used	p.m.
4.1 Investment (Art. 54)	10	4. Exceptional revenue made available for social measures connected with restructuring of coal and steel industries*	50
4.2 Conversion (Art. 56)	58	5. Drawings on contingency reserve	pm
5. Social measures connected with restructuring of steel industry (Art. 56)	50		
6. Social measures connected with restructuring of coal industry (Art. 56)	pm		
BUDGET TOTAL	391	BUDGET TOTAL	391
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS		ORIGIN OF NON-BORROWED FUNDS	
Workers' housing	12	Special reserve and former ECSC Pension fund	12

\* Cancellations and, if necessary, advance from ECSC reserves.