

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 1-839/81

REPORT

drawn up on behalf of the Committee on Budgets

on the fixing of the ECSC levy rate and on the
drawing up of the ECSC operating budget for 1982
(doc. 1-800/81)

Rapporteur: Mr H. NORD

PE 76.021/fin.

By letter of 23 November 1981 the President of the Commission of the European Communities forwarded a proposal to the European Parliament on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1982.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Energy and Research, the Committee on Economic and Monetary Affairs and the Committee on Social Affairs and Employment for their opinions.

On 19 March 1981 the Committee on Budgets appointed Mr NORD rapporteur. This appointment was confirmed on 30 November 1981.

The Committee on Budgets considered the draft report at its meeting of 30 November to 2 December 1981 and adopted the motion for a resolution on 1 December 1981 by 14 votes in favour with one abstention.

Present: Mr LANGE, chairman; Mr SPINELLI, vice-chairman; Mr NORD, rapporteur; Mr ARNDT, Mr BAILLOT, Mr BALFOUR, Mr FICH, Mr GOUTHIER, Mr R. JACKSON, Mr KELLETT-BOWMAN, Mr NEWTON DUNN, Mr ORLANDI, Mr PRICE, Mr Konrad SCHÖN and Mr SIMONNET.

The Committee on Energy and Research and the Committee on Economic and Monetary Affairs decided not to deliver an opinion.

The opinion of the Committee on Social Affairs and Employment is annexed to this report.

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The Committee on Budgets hereby submits to the European Parliament the following amendment and motion for a resolution, together with explanatory statement:

AMENDMENT No. 1

Proposal for an amendment to the draft operating budget of the ECSC for 1982 tabled by Mr NORD, rapporteur, on behalf of the Committee on Budgets

REVENUE (resources)

1. Article 5 - exceptional revenue: increase by 25 million ECU (from 50 to 75 million ECU); subdivide this article as follows:

5.1 - Contribution from the general Community budget	50
5.2 - Customs duties 1982 ..	25

EXPENDITURE (requirements)

2. Create the following new article; expenditure entered against this article will lapse if the exceptional revenue is entered against Article 5 of the revenue (resources) section:

Article 6 Operational reserve	75
6.1 Social measures in connection with steel restructuring (Art. 2.2)	50
6.2 Aid to research (Article 3)	16
6.3 Aid to coking coal and metallurgical coke (Article 5)	6

Amend Articles 2.2, 3 and 5 to refer to the operational reserve.

3. Article 5 Aid to coking coal and metallurgical coke

- reduce by 6 million ECU
- compensation: Article 6.3. Increase operational reserve for aid to coking coal and metallurgical coke by 6 million ECU (from 6 to 12 million ECU)

4. Article 3 Increase aid to research by 4 million ECU (from 39 to 43 million ECU) distributed as follows:
- Article 3.1 'Steel' : from 17 to 19 million ECU
 - 3.2 'Coal' : from 13 to 14 million ECU
 - 3.3 'Social measures' : from 9 to 10 million ECU
- compensation : Article 4.1. reduce interest rebates on investments by 4 million ECU (from 11 to 7 million ECU)

JUSTIFICATION

- a. To narrow rather than widen the gap (106m ECU) between ECSC's own resources and financial requirements, other than those for temporary measures connected with the restructuring of the iron and steel sector, compared with 1981 (87m ECU) and also to create more scope for social measures, supplementary exceptional revenue of 25 m ECU should be provided through the transfer of the revenue from customs duties on coal and steel products for part of 1982; if this transfer cannot be effected in time, the High Authority/Commission should find alternative financing possibilities.
- b. To give budgetary expression to the continuing uncertainty surrounding the receipt of exceptional revenue and to allow Parliament a say on expenditure which may not be effected if such revenue is not received in good time, the amount of estimated expenditure corresponding to exceptional revenue should be included in a new point 6 entitled 'operational reserve'.
- c. The supplementary exceptional revenue accruing from customs duties must be used mainly for aid to research, which is of vital importance for the future of the coal and steel sector. The appropriations for aid to coking coal and metallurgical coke should also be doubled as an initial step towards the full Community financing of these measures advocated by the European Parliament. To ensure that the High Authority/Commission does indeed change over to full Community financing it is proposed that the full appropriations for these measures should be entered against the reserve.
- d. Even if no supplementary revenue can be obtained through customs duties or by other means, additional efforts must be made to strengthen research. As interest relief grants for investments have become less important and as a review of the allocation criteria and procedures is necessary, these interest relief grants could be reduced to the 1981 level and the appropriations thus released transferred to provide for aid to research.
- e. The operating budget amended in line with these proposals would be as follows:

DRAFT ECSC OPERATING BUDGET FOR 1982

BY THE EUROPEAN PARLIAMENT ON ...

(in m ECU)

REQUIREMENTS	ESTIMATED BY H.A.	PROPOSED BY H.A.	AMOUNT AS PROPOSED BY RAPPORTEUR (1)		RESOURCES	PROPOSED BY H.A.	PROPOSED BY RAPPORTEUR
OPERATIONS TO BE FINANCED FROM RESOURCES FOR THE FINANCIAL YEAR (NON-REPAYABLE)					RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	5		1. Current resources	140	140
2. Social expenditure	167	167	117 (+50)	117	1.1 Levy yield at 0.31%		
2.1 Aid to resettlement (Article 56)		117		117	1.2 Interest on investments and on loans from non- borrowed funds	75	75
2.2 Social measures in connection with steel restructuring		50		50	1.3 Fines and surcharges for late payment	token entry	token entry
3. Aid to research (Article 55)	121	39	48 (+19)	19 (+11)	1.4 Miscellaneous	token entry	token entry
3.1 Steel		17		14 (+6)	2. Cancellation of commitments which will probably not be implemented	3	3
3.2 Coal		13		10(+2)	3. Revaluation of assets and liabilities	token entry	token entry
3.3 Social		9		40	4. Unused resources carried over from 1981	token entry	token entry
4. Interest relief grants	75	51	47		5. Exceptional revenue	50	75
4.1 Investment (Article 54)		11			5.1 Contribution from general Community budget		50
4.2 Conversion (Article 56)		40			5.2 Customs duties 1982		25
5. Aid to coking coal and metallurgical coke (Article 95)	6	6	token entry(+12)				
6. Operational reserve	-	-	81				
6.1 Social measures in connection with steel restructuring (2.2)				50			
6.2 Aid to research				19			
6.3 Aid to coking coal and metallurgical coke				12			
	374	268	293			268	293
OPERATIONS FINANCED WITH LOANS					ORIGIN OF NON-BORROWED FUNDS		
6. Social housing	15	15	15		6. Special reserve and part of former ECSC Pension Fund	15	15

(1) Figures in brackets indicate appropriations included in the operational reserve

MOTION FOR A RESOLUTION

on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1982.

The European Parliament,

- having regard to the Commission's aide-mémoire on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1982 (Doc. 1-800/81),
 - having regard to the report of the Committee on Budgets and the opinion of the Committee on Social Affairs and Employment (Doc. 1-839/81),
 - whereas
 - (a) the primary objective of the present policy of the European Coal and Steel Community is to combat the crisis in the iron and steel sector;
 - (b) in view of the future energy needs of the European Community, application of the most up-to-date technologies in the coal sector will be an important activity of the ECSC;
 - (c) the ECSC operating budget must provide the necessary resources for this;
 - (d) the indecision in the Council on the manner in which additional ECSC revenue can be created is jeopardizing European coal and steel policy;
1. Notes with concern the widening gap between the financial requirements of a drastic policy of recovery in the coal and steel sector on the one hand and the ECSC's existing own resources;
 2. Believes that a permanent balance can be struck between ECSC requirements and resources only if a global programme is established for the coal and steel sector in which all the available ECSC instruments are coordinated one with another and with an accelerated policy of recovery and which ensures satisfactory coordination between policies which can only be financed through the ECSC budget and policies which may be charged to the general budget of the Communities;
 3. Points out that the existence of a separate treaty governing coal and steel policy must not be allowed to hide the fact that the European economy constitutes a single entity and therefore that, in budgetary and in other respects, the coal and steel sector must be considered and treated as an integral part of the European economy,

whilst bearing in mind the specific powers granted to the High Authority under the Treaty of Paris;

4. Appeals to the Commission to extend the present restructuring of European policy under the mandate of 30 May to include the coal and steel policy;
5. Reiterates its appreciation of the statements by the High Authority/Commission of its devotion to the principles of parliamentary democracy in undertaking in 1957 and 1973, for example, to take account of the European Parliament's opinions on the fixing of the coal and steel levies and to include all other important decisions in the coal and steel sector in the debate on these levies;
6. Notes with surprise, however, that the proposed operating budget for 1982 takes little or no account of the requests made by Parliament in its resolutions on the operating budget in recent years;
7. Urges, therefore, once again that
 - (a) the borrowing and lending activities of the ECSC be included in the budget and Parliament be asked for its opinion;
 - (b) the High Authority/Commission increase its efforts to have revenue from customs duties on coal and steel products accrue to the Community;
 - (c) the Community finance all measures in support of coking coal and coke for the iron and steel industry;
8. Expects the High Authority/Commission henceforth to submit the draft operating budget in time for Parliament to take it into account during its first reading of the draft general budget of the European Communities;
9. Feels, furthermore, that during the 1982 financial year
 - (a) the social measures connected with the restructuring of the iron and steel industry must be implemented more quickly;
 - (b) efforts must be made to increase aid to research activities in both the steel and the coal sector;

(c) if necessary, interest relief grants for investments which improve production can be reduced, and the use for other social purposes of some of the resources now employed to finance subsidized housing might be considered;

10. Notes the proposal of the High Authority/Commission that the ECSC levy for 1982 should be left unchanged, which means that to achieve the objectives outlined above alternative means of financing must be sought;
11. Feels, therefore, that the draft ECSC operating budget for 1982 must be amended;
12. Decides, in accordance with the proposal of the High Authority/Commission and pending further proposals on the implementation of the mandate of 30 May on restructuring which will have certain budgetary consequences, on an ECSC levy for 1982 of 0.31%;
13. Requests the High Authority/Commission to adopt the ECSC operating budget for 1982 as amended by the European Parliament.

EXPLANATORY STATEMENT

1. On 23 November the Commission submitted to the European Parliament an Aide-mémoire on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1982. This aide-mémoire includes an analysis of the general economic context, policy context and financial context which form the basis of the estimates of ECSC operating revenue and expenditure in 1982. In the light of these estimates, the High Authority/Commission proposes that the levies on the production of coal and steel should remain unchanged at 0.31% and expenditure accordingly reduced from the estimated level of requirements (374 m ECU) to the level of revenue thus available (268 m ECU).

I. THE FINANCIAL ACTIVITIES OF THE ECSC

2. ECSC expenditure can be broken down into the following areas:

A. Administrative expenditure

Administrative expenditure has been charged to the Community's general budget since the Merger Treaty of 1965. Under Article 20(2) of the Merger Treaty a transfer is made from the ECSC budget to the general budget to cover this expenditure. Until 1977¹ the amount transferred was 18 m u.a. In 1977 it was reduced to 5 m u.a. and has remained unchanged ever since. This amount is shown on the expenditure side of the ECSC operating budget.

B. Borrowing and lending activities of the ECSC

Article 49 of the ECSC Treaty permits the High Authority/Commission to contract loans. Article 51 stipulates that these funds may be used only to grant loans. These activities are not budgetized in any way. The European Parliament has repeatedly called for the budgetization of ECSC borrowing and lending operations, above all with a view to improving its means of exercising control.

The ECSC also grants loans from its own resources. The total amount involved is shown in an annex to the operating budget.

¹Council Decision 77/729(ESCS) of 21.11.1977 (OJ L 306 of 30.11.77, p. 28)

C. Operating expenditure, included in the operating budget

This budget estimates the requirements and resources of the ECSC with the exception of loans granted from borrowings. Unlike the general Community budget the ECSC budget is a 'revenue budget', i.e. expenditure must be adjusted to actual revenue.

3. For the financing of operating expenditure, the ECSC is dependent on:
- the collection of levies on the production of coal and steel;
 - interest received on investments and on loans from own resources;
 - gifts or exceptional revenue

This last category consists of the ad hoc financial contributions by Member States and any contribution from the general Community budget.

4. The aide-mémoire submitted by the Commission concerns only the operating budget referred to under C above.

Under the ECSC Treaty the European Parliament has no say in this budget. Unless the levy rate fixed by the High Authority exceeds 1%, the Council may similarly not intervene in the procedure. In 1957 the High Authority undertook to comply with the European Parliament's opinion on the fixing of the ECSC levies. In 1973, the High Authority/Commission extended this commitment to include all important decisions relating to the coal and steel sector¹. As the ECSC budget has always depended on exceptional revenue from national financial contributions in recent years, the Council obviously exercises decisive influence over this budget.

5. The essential problem raised by the operating budget, however, concerns less the distribution of powers among the institutions than the question: how can the Community provide sufficient resources for its measures to combat the crisis in the iron and steel sector to have some chance of success?

II. CRISIS IN THE IRON AND STEEL INDUSTRY

6. Total crude steel production in the Community amounted to 127.7 m tonnes in 1980, which was 12.5 m tonnes or 9% less than in 1979. The industry was thus working at only 63% capacity in 1980 compared with 69% in 1979. The decline in demand increased sharply in the fourth quarter of 1980, when production was 19% lower than in the corresponding period of 1979. This trend continued in 1981. It was not until the middle of the year that the situation became more stable in most countries. Total production in 1981 is expected to be 125 m tonnes, corresponding to a further decrease by 2% compared with 1980 (11% compared with 1979).

¹COM 73/999, point 8, second paragraph

7. In 1980 72,000 jobs were lost in the iron and steel industry, which averages out at 6,000 per month! This figure is equivalent to 10.7% of all jobs in the sector. In the first 7 months of 1981 a further 29,000 jobs were lost.

8. The High Authority/Commission feels that there may be a modest economic recovery in 1982, with demand possibly rising by 3 to 4% compared with 1981.

III. ECSC MEASURES TO COMBAT THE CRISIS

A. MARKET CONTROL

9. Since October 1980 the High Authority/Commission has imposed, with the Council's approval, compulsory production quotas on undertakings in the iron and steel industry with a view to striking a better balance between supply and demand. This has put an end to the rapid decline in prices.

In July 1981 some flexibility was introduced into the scheme applicable to a number of products (quarto plate, heavy sections and wire rod), and the producers now operate a quota scheme on a voluntary basis. For other products, however, new compulsory schemes were introduced (products based on wide strip, reinforcing bars and rolled merchant products). These schemes will remain in force until the end of June 1982.

10. Measures have also been taken for stricter enforcement of the pricing rules and application of these rules to stockholders and dealers.

11. At external policy level, the High Authority/Commission has reached bilateral agreements with 14 non-member countries to prevent disruption of the market caused by massive imports from third countries.

12. The deterioration of the crisis in the iron and steel sector has heightened the urgency of reducing capacity and restoring competitiveness. The pressure on the Member States to help their undertakings and ensure their survival has increased considerably in recent years. This prompted the High Authority/Commission, with the unanimous agreement of the Council, to adopt rules on national aids, initially in the form of a decision on specific aids in February 1980¹ and later, in August 1981, a decision on general rules².

¹Commission Decision No. 257/80/ECSC (OJ L 29 of 6.2.80, p. 5)

²Decision No. 2320/81/ECSC (OJ L 228 of 13.3.81, p. 14)

13. With a view to restoring normal market conditions in the medium term, the Council adopted objectives and indicated restructuring measures on 26 and 27 March 1981, concerning in particular:

- the progressive abolition, over a specified period, of aid to iron and steel undertakings;
- the reduction of aggregate production capacity in the Community;
- the prohibition of increases in the production capacity for certain categories of products;
- the need for support to be granted only to undertakings or groups of undertakings implementing restructuring programmes which will ultimately result in a reduction of production capacity.

14. The cost of drafting, administering and monitoring price arrangements, production quotas and agreements with Member States and third countries comes under the administrative expenditure which is charged to the general Community budget. Amending budget No. 1 for 1981 included in the general budget an appropriation of 11 m ECU for the system of checks on production quotas. This amount alone far exceeds the flat-rate compensation (5 m ECU) the ECSC pays into the Community budget every year, which in itself represents an indirect financial contribution by the general budget to the ECSC.

B. SOCIAL MEASURES

15. The restructuring measures are accompanied by an extensive package of social measures consisting of both traditional ECSC measures and special temporary measures.

16. Aids to resettlement (Article 56 of the ECSC Treaty) : 117 m ECU

Under bilateral agreements between the High Authority/Commission and the governments of the Member States the ECSC subsidizes, by means of a 50% reimbursement, expenditure incurred by the governments through:

- the payment of tideover allowances to workers;
- the payment of resettlement allowances to workers;
- the financing of vocational retraining for workers having to change their employment.

17. The 117 m ECU shown is more than expenditure in 1980 (67 m) and less than expenditure in 1981 (estimated at 124 m). In 1981 increased revenue from levies (+ 7 m), larger cancellations than expected in the case of commitments previously entered into (+ 23 m), a balance remaining from 1980 (11.4 m) and recourse to the reserve for unforeseen expenditure (7.6 m) made it possible for this item to be increased from the 75 m originally provided to 124 m.

18. These figures demonstrate that social expenditure is meeting a substantial need and also that the High Authority/Commission has greater room for manoeuvre than it would generally have others believe.

19. Social measures in connection with the restructuring of the iron and steel industry: 50 m ECU

This heading concerns contributions by the ECSC towards the special allowances for early retirement and short-time working paid to workers in the iron and steel industry. They are supplementary to the above-mentioned aids for resettlement and are similarly the subject of bilateral agreements. The measures are based on the conclusions drawn by the Council at its 717th meeting of 24 June 1981, introducing two forms of temporary social aid under Article 56(2)(b) of the ECSC Treaty, which has been interpreted loosely for this purpose.

The Commission had already submitted proposals in May 1979. The overall programme involves 212 m ECU, 112 m for 1981 and 50 m for 1982 and also 1983. The Member States have so far promised 50 m in financial contributions for 1981. The financing of the remainder for 1981 and subsequent years has not yet been settled. The High Authority/Commission has proposed, and is supported in this by the European Parliament, that the necessary contributions should be entered in the general Community budget.

20. Social research (Article 55 of the ECSC Treaty): 9 m ECU

Social research traditionally concerns health, safety and hygiene in mines and the iron and steel industry.

21. Loans for subsidized housing: 15 m ECU

The ECSC grants long-term loans at an interest rate of 1% to national authorities or financial institutions to reduce the cost of financing subsidized housing. The resources made available by the Community are combined with resources of national origin. This scheme benefits not only workers but also the industry in that it facilitates restructuring.

22. Such loans are granted from a 'special reserve' made up of the interest on investments and loans granted from own resources. This expenditure is not shown in the operating budget itself since it is based on the special reserve and not on the ECSC's annual revenue. The total amount of the annual tranche is shown in an annex to the operating budget.

C. AID TO STEEL RESEARCH (17 m ECU) AND COAL RESEARCH (13 m ECU)

23. On the basis of Articles 50 and 55 of the ECSC Treaty the High Authority/Commission grants, with the approval of the Council, financial aid to research activities. New technologies have a vital role to play in the re-equipment and modernization programmes designed to reduce operating costs and to improve the industry's international competitiveness. Research can also make a major contribution to marketing by improving the quality and sophistication of steel products.

24. A technological gulf has emerged between the European steel industry and its main rival, Japan. Although its production of crude steel is only slightly lower than the Community's, Japan is estimated to spend three times as much on research.

25. The High Authority/Commission has also adopted a programme of research into coal as an alternative source of energy to oil, the aim of the programme being to improve the productivity of the coal industry. As a means of reducing dependence on imported oil, the return to coal as a source of energy is an important aspect of the Community's energy policy. In view of the difficulties encountered by the Community's coal industry due to labour problems, the diversification of seams, the increasing depth of workings, etc., there is an urgent need for an increase in technical research. The guidelines for coal research in the medium term (1981-1985)¹ and the contents of the 1982 programme are described by the Commission on page 31 of the aide-mémoire. Your rapporteur feels that, despite the present crisis in the iron and steel sector, the policy on coal must not be neglected.

26. Expenditure on research has been severely cut to bring it into line with estimated revenue (see table following point 38). Your rapporteur believes that further efforts must be made to set aside more appropriations for this purpose. The link between ECSC and EEC research should be closely monitored.

¹OJ C 94 of 17.4.1981

D. AID IN THE FORM OF INTEREST RELIEF GRANTS: INVESTMENT
(ARTICLE 54 OF THE ECSC TREATY): 11 m ECU; CONVERSION
(ARTICLE 56 OF THE ECSC TREATY): 40 m ECU

27. Provision is made under this heading to offset part of the interest due on loans disbursed by the ECSC for certain investment and redevelopment projects.

28. The importance of interest relief grants is self-evident in the case of investments. This does not, however, always seem to be true of the projects for which applications are made. In 1980 only 22.3 m of the 33 m earmarked for this item could be utilized. For 1981 the estimate was reduced to 7 m, which it seems can be fully disbursed. The 25 m initially proposed for 1982 therefore appeared to be on the high side. The 11 m ultimately set aside is still 50% higher than the 1981 figure. The Commission is aiming principally at the coal industry and less at restructuring investment in the iron and steel industry. It appears to be considering a review of the allocation criteria.

29. Conversion loans with interest relief are granted to firms or public bodies which encourage investments creating new jobs in the steel and coal-mining areas. The emphasis lies on the need for conversion in the iron and steel industry.

30. The High Authority/Commission itself seems to doubt whether sufficient applications for these interest relief grants will be received for the 50 m ECU initially proposed to be fully spent. This perhaps explains why this item has also been reduced to 40 m. The question remains, however, whether the allocations criteria and the relief granted are sufficiently attuned to requirements: an interest subsidy of 3% over 5 years on a maximum of 20,000 ECU per job created.

31. The policy on interest relief grants needs reviewing. It must be more firmly anchored in the general EEC policy on this area. In view of the direct link between interest relief grants and the loans disbursed by the High Authority/Commission, Parliament should be asked for its opinion on the loans every year as part of the procedure governing the operating budget.

E. AIDS FOR COKING COAL AND COKE

32. The ECSC contributes 6 m ECU to a special fund designed to facilitate intra-Community trade in coking coal and coke. The iron and steel sector pays in 17 m and, where necessary, the Member States contribute a further 24 m ECU. Total financing thus amounts to a maximum of 47 m ECU, which is equivalent to 14 m tonnes of coal sold.

33. Parliament basically agrees that there is a need for these support measures. It has, however, repeatedly criticized the method of financing. In its opinion¹ on the latest extension of these measures until 31 December 1981 it called for the scheme to remain in force only until the end of 1980, and for financing to be handled entirely at Community level from 1981 onwards. The High Authority/Commission did not comply with Parliament's request. On 23 July 1981 it proposed the extension of the existing scheme, subject to minor changes, until the end of 1983². Its excuse for not proposing that the Community be made responsible for all financing is that a proposal to this end must form part of an energy policy that is more clearly defined and financially better endowed than is at present the case.

34. Without wishing to anticipate the European Parliament's opinion on this new extension, your rapporteur does feel that the twofold refusal by the High Authority/Commission to take account of Parliament's requests, requires a clear reaction in the operating budget. As an initial step towards full Community financing, consideration could now be given to increasing the resources made available for this aid.

IV. POSSIBLE FINANCIAL RESOURCES

35. The financing requirements originally estimated for the abovementioned operations total 374 m ECU (plus 15 m ECU for loans to finance subsidized housing, which are not entered in the budget). Because of insufficient financing possibilities, this amount has been reduced to 268 m ECU.

36. Ordinary resources, other than levies, are estimated at 75 m ecu. With account taken of the cancellation of commitments of some 3 m ECU which will probably not be implemented, an amount of $374 - 75 = 299$ m ECU remains to be covered by levies or by exceptional revenue.

If this amount is to be covered by levies, they will have to be fixed at 0.66%. In the present economic situation, however, a further increase in the burden on the coal and steel sector does not seem appropriate, and the High Authority/Commission therefore proposes that the levy should remain at 0.31%, which would produce 140 m ECU. The High Authority/Commission does not consider it possible for the remaining 156 m to be completely covered by exceptional revenue. It has consequently adjusted the estimate of expenditure downwards: aid to research reduced by 82 m; aid in the form of interest relief grants reduced by 24 m ECU. The High Authority/Commission proposes that the then-remaining deficit of 50 m ECU should be covered by a contribution from the general budget towards the ECSC's general budget. This amount also corresponds exactly to the tranche earmarked for 1982 for social measures in connection with the restructuring of the iron and steel industry.

¹IBRUGGER report, Doc. 69/79 (OJ C 127 of 21.5.79)

²COM(81) 424 final

V. DRAFT ECSC OPERATING BUDGET FOR 1982

37. The draft operating budget for 1982 is shown in the table on the next page. This draft budget illustrates the basic problems:

Since it appears economically irresponsible to increase the burden on the steel sector, there is no scope for raising aid to research and aid in the form of interest relief grants to the level that is the minimum necessary if there is to be any hope of successfully combating the crisis. Although social expenditure, in which an increase would be extremely welcome in the present circumstances, is not being reduced, it does suffer from the lack of agreement among the institutions and differences of opinion in the Council over the way in which the social aspect of the restructuring of the iron and steel industry should be financed.

(in m EUA)

REQUIREMENTS	ESTIMATES	PROPOSALS	RESOURCES	PROPOSALS
OPERATIONS TO BE FINANCED FROM RESOURCES FOR THE FINANCIAL YEAR (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR	
1. Administrative expenditure	5	5	1. Current resources	
2. Social expenditure	167	167	1.1 Levy yield at 0.31%	140
2.1 Aid to resettlement (Art. 56)	117	117	1.2 Interest on investments and on loans from non-borrowed funds	75
2.2 Social measures in connection with steel restructuring	50	50	1.3 Fines and surcharges for late payment	token entry
3. Aid to research (Article 55)	121	39	1.4 Miscellaneous	token entry
3.1 Steel	69	17	2. Cancellation of commitments which will probably not be implemented	3
3.2 Coal	40	13	3. Revaluation of assets and liabilities	token entry
3.3 Social	12	9	4. Unused resources carried over from 1981	token entry
4. Interest relief grants	75	51	5. Exceptional revenue	50
4.1 Investment (Article 54)	25	11		
4.2 Conversion (Article 56)	50	40		
5. Aid to coking coal and metallurgical coke (Article 95)	6	6		
	374	268		268
OPERATIONS FINANCED WITH LOANS			ORIGIN OF NON-BORROWED FUNDS	
6. Social housing	15	15	6. Special reserve and part of former ECSC Pension Fund	15

VI. POSSIBLE SOLUTIONS WITH RESPECT TO SUPPLEMENTARY RESOURCES

38. Solutions may be sought in three areas:

A. National financial contributions

39. These contributions are always granted on an ad hoc basis, can be distributed in accordance with an ad hoc key and therefore tighten the Council's grip on the policy pursued by the High Authority/Commission, and the only advantage this form of financing appears to have for the Community is that it does not directly affect the Community's own resources.

40. On the other hand, the decision on these national contributions was taken only with great difficulty and is subject to supplementary national authorization procedures. In addition, the Member States have in the past, usually been tardy, sometimes very tardy, in honouring their commitments.

41. According to the information available to your rapporteur, not one ECU of the national financial contribution of 50 m ECU so far promised has actually been transferred to the ECSC. Particular attention should be paid to this situation during the procedure for the giving of a discharge. Where the budgetary procedure is concerned, this again illustrates the unsuitability of ad hoc contributions as a method of financing permanent requirements.

B. Contribution from the general Community budget

42. This contribution may take various forms:

- underestimation of the compensation paid by the ECSC into the general budget for its administrative expenditure;
- inclusion in the Community budget of tasks which might also be performed under the ECSC Treaty. For example, there can be no denying that the EEC social policy also benefits (former) coal and steel workers to some extent. The possibility of converting existing ECSC measures, in the research field, for example, into EEC projects might be considered. New measures for the iron and steel sector, in the social and regional sectors, for example, might also be conceived as EEC measures;
- direct contributions from the general Community budget, which are included in the ECSC's exceptional revenue as gifts. This solution has now been proposed by the Commission and approved by Parliament as part of draft supplementary and amending budget N° 2 for 1981 and the draft budget for 1982. One problem that remains is that the Commission feels it must have a special decision from the Council before it can enter these general Community budget appropriations in the ECSC budget. Parliament believes that the budget forms an adequate legal basis for this purpose.

43. The High Authority/Commission has now concentrated all its efforts on this latter method of financing. On 28 June 1979¹, the Commission submitted a proposal to the Council for a decision allocating to the ECSC contributions from the general budget of the Communities. The decision would also fix the amount involved. On 25 March 1980 the Commission put forward a new proposal² expressly linking contributions to the financing of the social aspects of the restructuring of the steel industry, but also stipulating that the amount should be fixed annually during the budgetary procedure. On 24 June 1981 the Commission adapted its proposal³ to the terminology of the new proposals on the social aspects of the steel crisis. The Committee on Budgets⁴ requested the Commission to withdraw the proposal since it felt an additional legal basis was not necessary. Parliament has not yet approved this proposal by the Committee on Budgets.

44. The Council has until now continued to maintain that a decision based on Article 235 of the EEC Treaty is necessary and that the arrangement is merely ad hoc and can in no way be regarded as a general arrangement.

45. In view of its budgetary and control powers, the European Parliament is inclined to opt for a solution involving better distribution of tasks between the ECSC and the EEC. This should also be considered in relation to the restructuring of European policy under the mandate of 30 May. However, the specific powers of the High Authority must also be taken into account.

C. Allocation to the Community of revenue from customs duties on coal and steel products

46. Under the decision of 21 April 1970 on own resources, duties levied under the Common Customs Tariff and other duties introduced or to be introduced by the institutions of the Community on trade with non-member countries became part of the Community's own resources (Article 2b).

¹ COM(79) 345 final

² COM(80) 134 final

³ COM(81) 318 final

⁴ HOFF report, Doc. 1-266/80 (OJ C 197 of 4.8.80)

47. As products governed by the special provisions of the ECSC Treaty, coal and steel products are not covered by the Common Customs Tariff. Since customs duties have meanwhile been standardized, it should be considered whether the legal objections connected with the different régime governing these products still carry enough weight to prevent their inclusion in the CCT.

If they are included in the CCT, the revenue would benefit the general Community budget. This would represent an additional argument in favour of a general arrangement for an annual contribution from the Community budget to the ECSC operating budget.

48. Even if it proves impossible to include them in the CCT, the treaty need not be amended to transfer the revenue accruing from customs duties to the Community. Both under the ECSC and the EEC Treaties, the Community can receive contributions.

Since May 1978 the Council has had before it a proposal from the Commission for a decision by the representatives of the Member States to transfer the abovementioned duties to the ECSC¹. A decision of this kind is subject to national ratification, meaning that it is virtually impossible for it to be taken in time for the 1982 financial year.

49. The High Authority/Commission itself no longer seems to believe in its proposal. The aide-mémoire makes no further mention of it. In your rapporteur's view, Parliament should attach the greatest importance to the transfer of the revenue from these customs duties to the Community. Not only is it an anomaly that customs duties should be allocated to the collecting authority in a common market: the transfer of this revenue would also solve the ECSC's financial problems, at least as regards its permanent requirements.

¹ COM(78)181 final of 16 May 1978. Possible revenue was estimated at 50 to 60 m EUA

VII. THE PROPOSALS OF THE COMMITTEE ON BUDGETS

50. The Committee on Budgets notes that the operating budget which has been submitted closely resembles the 1980 and 1981 operating budgets and that it takes little or no account of the requests made by the European Parliament in December 1980¹. In these circumstances, the Committee on Budgets feels that Parliament must refer to the assurance given by the High Authority/Commission in 1973² that it would comply with Parliament's requests in all important decisions it took.

51. The Committee on Budgets feels that Parliament should continue to call for uniform procedures for the general budget and the ECSC budget. In this context, the High Authority/Commission is requested:

- to budgetize its borrowing and lending policy,
- to submit the draft operating budget in time for Parliament to consider it during its first reading of the draft general budget.

52. To this end, the High Authority/Commission must be requested to extend the present restructuring of European policy under the mandate of 30 May to include the coal and steel policy, particularly by establishing a global programme for this sector in which all the available ECSC and EEC instruments are coordinated one with the other and with an accelerated policy of recovery. In this connection, the Commission must ensure a clear distinction is made between operations which can only be financed through the ECSC budget and operations which can be financed through the general Community budget, in such a way as to ensure good coordination between the two types of operation. The Commission must also submit new proposals or update existing proposals for equipping the ECSC with adequate financial resources, of which revenue from customs duties on coal and steel products form an essential part. Consideration must be given to the availability of financing measures which are not strictly linked to the ECSC Treaty through the general Community budget.

¹ HOFF report on behalf of the Committee on Budgets: Doc. 1-704/80 (OJ C 346 of 31.12.80)

² COM(73) 999, point 8, 2nd paragraph

53. The proposal from the High Authority/Commission that the levy on coal and steel products should remain at 0.31% can be approved. The Committee on Budgets is not opposed a priori to an increase in the levy. However it does feel that such an initiative must emanate not from Parliament but from the High Authority as only the Authority has the necessary information.

54. In view of the above, the Committee on Budgets proposes that Parliament should not this year confine itself to an opinion on the level of coal and steel levies but also request the Commission to make some changes to the draft operating budget.

55. During the discussion in the Committee on Budgets it was made clear both by the High Authority and by the parliamentary committee that responsibility for establishing the operating budget lay with the High Authority and that Parliament's requests for amendments were therefore more in the nature of opinions and recommendations. However, it was also pointed out that the relationship between the High Authority and the European Parliament as regards the policy adopted and financial control over it, meant that the European Parliament could expect its opinions and recommendations to be given serious consideration in the light of the discharge to be granted.

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

Letter from the Chairman of the committee to Mr Erwin LANGE, Chairman
of the Committee on Budgets

Brussels, 4.12.1981

Dear Mr Lange,

At its meetings of 25-26 November and 3-4 December 1981 the Committee on Social Affairs and Employment held an exchange of views on the ECSC levy rate for 1982 proposed by the Commission.

It was unanimously in favour of approving the 0.31% proposed by the Commission without alteration.

In view of the large proportion of ECSC expenditure on the social sector, the committee stressed the urgent need for increased Community revenue; the transfer of customs duties accruing on ECSC products is certainly the most suitable method of achieving this aim.

Yours sincerely,

F. van der GUN

Present: Mr van der Gun, chairman and acting rapporteur; Mr Dido, vice-chairman; Mr Abens, Mr Barbagli, Mr Brok, Mr Ceravolo, Miss Clwyd, Mr Delmotte (deputizing for Mrs Charzat), Mr Duport, Mr Estgen, Mr Ghergo (deputizing for Mrs Cassanmagnago Cerretti), Mr Kellett-Bowman (deputizing for Mr Prag), Mr Lezzi (deputizing for Mr van Minnen), Mrs Maij-Weggen (deputizing for Mr Vandewiele), Mr McCartin, Mrs T Nielsen, Mr Patterson, Mr Salisch, Mr Spencer and Mr Vgenopoulos (deputizing for Mr Boyes).

