
EUROPEAN PARLIAMENT

Working Documents

1978 - 1979

3 May 1978

DOCUMENT 78/78

Report

drawn up on behalf of the Committee on Budgets

on a proposal from the Commission of the European Communities to the Council
(Doc. 506/77) for a regulation laying down general rules for the financing of
certain interventions by the EAGGF Guarantee Section

Rapporteur: Mr R. RYAN

1.2.1

PE 52.451/fin.

By letter of 19 January 1978, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation laying down general rules for the financing of certain intervention by the EAGGF Guarantee Section .

The President of the European Parliament referred the proposal to the Committee on Budgets on 27 January 1978.

The Committee on Budgets appointed Mr Ryan rapporteur on 1 February, 1978.

The Committee on Budgets considered this proposal at its meetings of 1 March 1978, 20 March 1978 and 19 April 1978 and adopted the Motion for a Resolution, and the Explanatory Statement unanimously on 19 April 1978.

Present: Mr Aigner (acting chairman); Mr Bangemann (vice-chairman); Mr Ryan (rapporteur); Lord Bessborough, Mr Caro, Mrs Dahlerup, Mr Früh, Mr Hansen, Mr Kofoed, Mr Muller-Hermann, Mr Ripamonti, Mr Schreiber, Mr Scott-Hopkins, Mr Shaw, Mr Spinelli.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT:	
Introduction	13
Present Proposal	13
Financing of interest	13
Need for greater flexibility	14
Cost of financing material storage operations	14
Account for deterioration during warehousing	14
Reference to earlier regulations	15
Need for more comprehensive overhaul	15
Need for equilibrium	15
Summary	16
Amonjments proposed:	
Clarity	16
Budgetary responsibility	16
Budgetary aspect	18
Conclusions	18
<u>Annexes - Tables</u>	
I Sectors in respect of which intervention may take place	20
II Table of interest rate trends	21

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation laying down general rules for the financing of certain intervention by the EAGGF Guarantee Section

The European Parliament

- having regard to the proposal from the Commission of the European Communities to the Council ¹,
 - having been consulted by the Council (Doc. 506/77),
 - having regard to the report of the Committee on Budgets (Doc. 78/78),
 - recalling the comments of the Audit Board,
- (a) aware of the preponderant share of the Community's budget that the EAGGF Guarantee Section constitutes,
- (b) anxious to ensure that the common agricultural policy operates as efficiently and as smoothly as possible and hoping to see continuing improvements in the financing of EAGGF activities,
- (c) wishing to remove imperfections in the system that result in certain intervention agencies making undue gains and others undue losses, whilst operating the arrangements laid down in the regulations,
- (d) conscious of the need to safeguard this central Community policy;
1. Recognises that the present proposal is relatively limited in scope and represents an effort to secure a greater degree of equity in the operation of the EAGGF regulations without, nevertheless, altering the existing basic framework;
 2. Points out that the obligation to operate the EAGGF regulations should not entail substantial additional costs for those Member States experiencing high interest rates due to unfavourable economic circumstances;
 3. Appreciates that the proposal responds to the requirements of Article 1 of Regulation (EEC) No. 709/76² which required the Commission to put forward proposals for the development of the rules governing the financing of intervention purchasing, storage and disposal;

¹ OJ No. C 21, 26.1.1978, p. 6

² O.J. No. L 84, 31.3.1976, p. 5

4. Is of the view that financing arrangements for intervention operations should take into account, as far as possible, the real cost of obtaining the necessary capital;
5. Accepts that a portion of the cost should continue to be borne by the Member States, in certain cases, so as to provide the incentive to restrain expenditure and to secure less expensive sources of capital;
6. Invites the Commission, in the interests of budgetary transparency, to present, as soon as possible, a breakdown of the budgetary lines under Titles VI and VII, so as to show separately the expenditure arising from normal storage costs, from deterioration in storage and from interest charges;
7. Approves the proposals for taking into account, at the time of entering into intervention, the subsequent deterioration in quality of products during warehousing;
8. Recalls that it has frequently urged that persistent surpluses of agricultural products - which entail a waste of resources and which reflect unfavourably on overall Community policy - be avoided;
9. Asks the Commission to prepare projections of longer-term Community production capacity and demand levels in relation to agricultural commodities so that (i) the best use may be made of Community agricultural resources, (ii) production may be geared to likely demand, and (iii) calls on the Community budget may be minimized;
10. Urges, once again, that a better balance be secured within the EAGGF between the guidance and guarantee parts;
11. Reiterates its call on the Commission to consolidate the regulations in the EAGGF sphere, so that these may be made clearer and may be more readily comprehended by the general public concerned;
12. Considers that it is essential to carry out a comprehensive review of the intervention arrangements and asks the Commission to provide, by 1 December next, a report on the working of the system;
13. Urges the Commission to ensure that information on the more efficient administrative and commercial practices is communicated to the less efficient intervention agencies so that there may be a greater streamlining of methods and procedures together with a more economic use of capital;

14. Insists that, in accordance with its budgetary responsibility, Parliament be involved whenever budgetary measures are being formulated or whenever significant changes in the budget, as adopted, are envisaged;
15. Reiterates its conviction that the role of the Commission in regard to the implementation of the budget of the Communities, provided for at Article 205 of the EEC Treaty, should not be eroded; however, accepts, in the present exceptional instance, an amendment which puts forward a compromise solution in regard to the opinion of the Fund Committee, where significant budgetary considerations arise;
16. Calls on the Court of Auditors to comment in detail on the operations of the intervention agencies, in its annual report, from the viewpoints of regularity of procedures, economy in the use of resources and soundness of the financial management in responding to Community policy;
17. Stresses the need for a harmonized translation of the text of this regulation into all the official languages of the Communities, so as to avoid possible misunderstandings arising;
18. Asks the Commission to incorporate the following amendments in its proposal, pursuant to the second subparagraph of Article 149 of the EEC Treaty.

Proposal for a Council Regulation
laying down general rules for the
financing of certain intervention
by the EAGGF Guarantee Section

Preamble & Recitals

Unchanged

Article 1

Unchanged

Article 2

Paragraphs 1 and 2 unchanged.

Paragraph 3

The Council, acting by a qualified majority on a proposal from the Commission shall determine in respect of the intervention referred to in paragraph 1 the items of expenditure and revenue to be entered in the annual accounts and, where necessary, in respect of the intervention referred to in paragraph 2, the items to be taken into account for purposes of financing, where these have not been fixed under the organisation of the market. Until these items are determined and subject as otherwise provided in this Regulation, Regulations (EEC) Nos 786/69¹, 787/69², 788/69³, 2334/69⁴, 2305/70⁵, 2306/70⁶, 1697/71⁷, 272/72⁸, and 273/72⁹ relating to the financing of intervention expenditure in the various sectors shall remain in force.

Paragraph 3

The Council, acting by a qualified majority on a proposal from the Commission shall determine in respect of the intervention referred to in paragraph 1 the items of expenditure and revenue to be entered in the annual accounts and, where necessary, in respect of the intervention referred to in paragraph 2, the items to be taken into account for purposes of financing, where these have not been fixed under the organisation of the market. Until these items are determined and subject as otherwise provided in this Regulation, Regulations (EEC) Nos 786/69¹ of 22 April 1969, on the financing of intervention expenditure in respect of the domestic market in oils and fats; 787/69² of 22 April 1969, on the financing of intervention expenditure in respect of the domestic market in cereals & rice; 788/69³ of 22 April 1969, on the financing of intervention expenditure in respect of the domestic market in pigmeat; 2334/69⁴ of 25 November 1969, on the financing of intervention expenditure in respect of the domestic market in sugar; 2305/70⁵ of 10 November 1970, on the financing of intervention expenditure in respect of the domestic market in beef and veal; 2306/70⁶ of 10 November 1970, on the financing of intervention expenditure in respect of the domestic market in milk and milk products; 1697/71⁷ of 26 July 1971, on the financing of intervention expenditure in the raw tobacco sector; 272/72⁸ of 7 February 1972, on the financing of intervention expenditure in respect of the market in fishery products and 273/72⁹ of 7 February 1972,

* For full text, see

OJ No. C 21, 26.1.1978, p. 6

¹OJ No L 105, 2.5.'69, p.1; ²OJ No L 105, 2.5.'69, p.4; ³OJ No L 105, 2.5.'69, p.7; ⁴OJ No L 298, 27.11.'69, p.1; ⁵OJ No L 249, 17.11.'70, p.1; ⁶OJ No L 249, 17.11.'70, p.4; ⁷OJ L 175, 4.8.'71, p.8; ⁸OJ L 35, 9.2.'72, p.1; ⁹OJ No. L 35, 9.2.'72, p.3.

Article 2

Article 2 (cont'd)

laying down general rules for the financing of intervention expenditure in respect of the internal market in fruit and vegetables shall remain in force.

NEW Article 2a

1. Where the procedure laid down in this Article is to be followed, the matter shall be referred to the Fund Committee set up under Article 12 of Regulation (EEC) No. 729/70, by the Chairman, either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit a draft of the measures to be adopted. The Committee shall deliver its Opinion on those measures within a time limit set by the Chairman according to the urgency of the matters. An opinion shall be adopted by a majority of twelve votes.
3. In the light of the opinion, the Commission shall adopt measures which shall be immediately applicable. However, if such measures are not in accordance with the Opinion delivered by the Committee they shall at once be communicated by the Commission to the Council and the European Parliament. In that case, the Commission may defer, for not more than one month from the date of such communication, application of the measures which it has adopted.
4. The Council, acting by a qualified majority, may adopt a different decision within one month. However, if the measure has significant budgetary consequences, the Council shall act only in agreement with the European Parliament.

Article 3

Article 3

1. The intervention agencies and, where necessary, the Member States shall obtain the funds required for buying in goods. With regard to these funds, the amount of the interest charges to be financed by the EAGGF Guarantee Section shall be calculated using a method and an interest rate which are uniform throughout the Community, to be determined in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70. The interest rate thus fixed must be representative of the interest rates actually borne.
1. The intervention agencies and, where necessary, the Member States shall obtain the funds required for buying in goods. With regard to these funds, the amount of the interest charges to be financed by the EAGGF Guarantee Section shall be calculated using a method and an interest rate which are uniform throughout the Community, to be determined in accordance with the procedure laid down in Article 2a . The interest rate thus fixed must be representative of the interest rates actually borne.

2. If, when the interest rate is being fixed in accordance with the preceding paragraph, a Member State records in respect of all intervention an interest rate higher by at least 10% than that so determined, additional financing may be decided on in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70 by increasing the standard rate fixed under paragraph 1 in respect of the Member State concerned.

This additional financing may be decided on only:

- at the request of the Member State concerned;
- on condition that that Member State provides proof that the interest rate recorded has been higher than that adopted under paragraph 1 for a period to be determined according to the procedure under Article 13 of Regulation (EEC) No. 729/70

Last two indents
of Paragraph 2

3. The increase referred to in the preceding paragraph shall be equal to half the difference between:

- the interest rate recorded by the Member State, subject to a ceiling equal to the standard interest rate fixed under paragraph 1 multiplied by 1.5 and
- the standard interest rate as fixed under paragraph 1 multiplied by 1.1.

Article 4

1. The operations in respect of storage and, where appropriate, the processing of intervention products shall be financed by the EAGGF Guarantee Section by means of standard amounts which are uniform throughout the Community and fixed in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70 where necessary after examination of the matter by the Management Committee concerned.

2. If, when the interest rate is being fixed in accordance with the preceding paragraph, a Member State records in respect of all intervention an interest rate higher by at least 10% than that so determined, additional financing may be decided on in accordance with the procedure laid down in Article 2a by increasing the standard rate fixed under paragraph 1 in respect of the Member State concerned.

This additional financing may be decided on only:

- at the request of the Member State concerned;
- on condition that that Member State provides proof that the interest rate recorded has been higher than that adopted under paragraph 1 for a period to be determined according to the procedure under Article 2a.

Unchanged

3. unchanged

Article 4

1. The operations in respect of storage and, where appropriate the processing of intervention products shall be financed by the EAGGF Guarantee Section by means of standard amounts which are uniform throughout the Community and fixed in accordance with the procedure laid down in Article 2a where necessary after examination of the matter by the Management Committee concerned.

Article 4 (cont'd)

Article 4 (cont'd)

2. However, if when the standard amounts are fixed it appears that the real costs to be borne by an intervention agency in respect of a given intervention operation are 15% or more below the standard amounts to be applied, it may be decided in accordance with the procedure laid down in Article 13 of Regulation (EEC) No. 729/70 and under the conditions set out in the following paragraph, to reduce the standard amounts involved with respect to the intervention agency in question.
3. The reduction referred to in paragraph 2 shall apply only if it is established that:
- real costs were lower for a period of one year at least;
 - the trend of costs does not suggest a change in this situation in the near future;
- This reduction shall be equal to half the difference between:
- real expenditure and
 - the standard amount or amounts to be fixed under paragraph 1 multiplied by 0.85
- If, however, real expenditure is less than the standard amounts to be fixed under paragraph 1 multiplied by 0.65 they shall be increased to that level for the purposes of the calculation referred to in the preceding sub-paragraph.
2. However, if when the standard amounts are fixed it appears that the real costs to be borne by an intervention agency in respect of a given intervention operation are 15% or more below the standard amounts to be applied, it may be decided in accordance with the procedure laid down in Article 2a and under the conditions set out in the following paragraph, to reduce the standard amounts involved with respect to the intervention agency in question.
3. The reduction referred to in paragraph 2 shall apply only if it is established that:
- actual costs were lower for a period of one year at least;
 - the trend of costs does not suggest a change in this situation in the near future;
- This reduction shall be equal to half the difference between:
- actual expenditure and
 - the standard amount or amounts to be fixed under paragraph 1 multiplied by 0.85
- If, however, actual expenditure is less than the standard amounts to be fixed under paragraph 1 multiplied by 0.65 they shall be increased to that level for the purposes of the calculation referred to in the preceding sub-paragraph.

Article 5

Unchanged

Article 6

In the annual accounts referred to in Article 2(1) the quantities of products in storage to be carried forward to the following financial year shall generally be valued at their purchase price. To this end, on the basis of the purchase prices paid by the intervention agencies during a given period and taking into account the depreciation in quality under Article 5, the prices to be applied for quantities to be carried forward to the following financial year are to be determined in accordance with the procedure laid down in Article 13 of Regulation (EEC) No 729/70

2nd paragraph of Article 6

Article 7

Where necessary, detailed implementing rules shall be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No. 729/70.

Article 8

Articles 2(2) and 3 of Regulation (EEC) No. 2824/72 are hereby repealed.

Article 9

Article 6

In the annual accounts referred to in Article 2(1) the quantities of products in storage to be carried forward to the following financial year shall generally be valued at their purchase price. To this end, on the basis of the purchase prices paid by the intervention agencies during a given period and taking into account the depreciation in quality under Article 5, the prices to be applied for quantities to be carried forward to the following financial year are to be determined in accordance with the procedure laid down in Article 2a.

Unchanged

Article 7

Where necessary, detailed implementing rules shall be adopted in accordance with the procedure laid down in Article 2a.

Article 8

Articles 2(2) and 3 of Regulation (EEC) No. 2824/72 of 28 December 1972, laying down general rules for the financing of interventions by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund, are hereby repealed.

Unchanged

EXPLANATORY STATEMENTIntroduction

1. When over-production on the Community market threatens to depress prices significantly, the intervention agencies¹⁾ buy in the products affected. Intervention arrangements vary considerably; for certain products such as cereals, which can be stored for a relatively long period, intervention comes into operation when the wholesale price of the product in question falls below the official intervention price; for other products, rather more flexible arrangements operate.

Present proposal

2. The present proposal does not involve a major change in existing arrangements. It is limited in scope and represents an effort to bring about a greater degree of flexibility so as to ensure equity as between Member States in the operation of the EAGGF regulations. It represents a tidying-up of existing arrangements which will result in an estimated overall saving of some 2 million units of account annually in Community expenditure.

3. The amounts involved in financing intervention are very considerable. The Commission estimates that the total of funds tied up as a result of the buying in of goods amounts to some 2,400 million units of account. Whilst these sums are tied up for the duration of the holding in intervention of the products involved, most of the funds are recuperated when the goods are sold by the intervention agencies - and the Commission meets most of the cost of the capital involved. As yet, the Commission does not propose full Community financing of intervention arrangements. The reasons for this appear to be that a large part of the tied up funds is attributable to dairy surpluses and, furthermore, the provisional nature of intervention involves special operating arrangements. However, a strong case could be made in regard to the desirability of comprehensive centralized capital arrangements to assist Member States with the operation of the intervention aspect of the common agricultural policy.

Financing of interest

4. Although the Community does not provide the capital to cover intervention, it does finance the interest involved, at a fixed rate. However, this fixed rate - currently 8% - does not cover the full cost of capital in all Member States; rather complicated arrangements exist for altering the rate of interest, so as to take account of trends of capital markets. These arrangements are rather inflexible because the rate of interest has been changed only once - over 4 years ago; the previous level had been 6%.

1) In general, there is one intervention agency in each Member State for second category interventions; however, there are four such agencies in France and three in Italy.

2) See Annex I for the list of commodities to which intervention may apply.

Need for greater flexibility

5. The Commission believes that there is need for some extra flexibility so that help may be given to meet the cost of higher interest rates where a Member State proves that it has no choice but to borrow at a rate which is significantly higher than the current fixed rate and after the opinion of the EAGGF committee has been obtained.¹⁾ The Commission contends, however, that, in any event, some part of the additional cost should be borne by the Member States concerned so as to encourage them to keep costs down, and so as to ensure that the cheapest possible sources of capital are tapped for intervention financing.

Cost of financing material storage operations²⁾

6. The cost of storage operations for materials bought into intervention varies appreciably from one Member State to another³⁾ and indeed within certain Member States; this is attributed to different administrative and commercial practices as well as to the operation of economies of scale in certain intervention agencies.

7. The Committee on Budgets - recalling the economic considerations that underpin the Communities - wonders whether enough is being done to ensure that particulars of the more efficient storage procedures are being communicated to those Member States where a less than satisfactory position obtains in so far as cost management is concerned.

Account for deterioration during warehousing

8. Agricultural products tend to deteriorate in quality during warehousing;⁴⁾ the extent of this deterioration varies as between different commodities. Under present procedures, account is not taken of this loss in value until the goods are disposed of - or until end-year stocktaking. The Commission points out that this arrangement has certain disadvantages, notably in that capital raised to finance the intervention buying in is larger than it would be if there were some write-off, for the inevitable deterioration in value, at the time the goods were bought into intervention. Moreover, correcting at end-year weakens good accounting control during the course of the year. The Commission estimates that the change in accounting proposed by them would have the effect of bringing about a saving of 3 million units of account. This tidying-up represents a gain to the budget and would appear to be a desirable reform.

1) For data on interest rates, see Annex II

2) Revisions proposed in this domain were prompted by Audit Board comments.

3) For the period beginning on 1/1/77 the following was the cost in u.a. of putting cereals into storage:

<u>B.</u>	<u>Dk.</u>	<u>D.</u>	<u>F.</u>	<u>Irl.</u>	<u>It</u>	<u>Lux.</u>	<u>Nl.</u>	<u>UK</u>
0.96	1.78	1.94	0.79	1.24	2.17	1.57	1.25	1.94

4) In the case of beef, this depreciation is of the order of 10% to 25% and for butter 6%

Reference to earlier regulations

9. A feature of the draft regulation is the number of references made to earlier regulations. There are, in all, no less than fifteen texts cited¹. One reference - Article 13 of Regulation (EEC) No. 729/70 - is cited seven times in the proposed draft regulation. The Committee on Budgets has referred unfavourably in the past to this undesirable form of legislation by reference to earlier measures, because it takes from clarity and makes it more difficult to implement Community legislation.

Need for more comprehensive overhaul

10. As mentioned in paragraph 2 above, the proposal under consideration is rather limited in scope. The Commission has not attempted to examine, in depth, the entire intervention system, how it works and how it might be improved. More could be done, on a Community basis, to streamline procedures and to ensure greater efficiency within agriculture. Despite repeated calls by Parliament, inadequate headway has been made on the structural reform front. The Committee on Budgets considers that this aspect requires specific mention in the motion for a resolution, because of its impact on the Community budget which shows a major imbalance as between the guidance and guarantee parts.

11. Difficulties arising from surplus production cannot be solved by the intervention mechanism alone. Although the present proposal can contribute towards making the intervention system more flexible, something much wider by way of reform is needed; market imbalances need to be tackled in the interests of the long-term safeguarding of the common agricultural policy, the more rational use of Community resources and the greater efficiency of agricultural production.

Need for equilibrium

12. It would appear to be necessary to pursue market equilibrium if the cost of agriculture to the budget is to be restrained. This implies a degree of discipline on the part of producers. In addition, however, it will require an overall Community effort at presenting medium-term and longer-term projections for Community requirements of - and potential for - agricultural production.

¹Regulation (EEC) Nos. 729/70, 2824/72, 2788/72, 2917/76, 786/69, 787/69, 788/69, 2334/69, 2305/70, 2306/70, 1697/71, 272/72, 273/72, 2727/75, 1151/77

Summary

13. The Committee on Budgets welcomes the Commission's proposals for a moderate revision of the general rules for the financing of certain EAGGF interventions. However, it considered it necessary to put forward some amendments to the Commission's proposal, and to call for a comprehensive review of the intervention system together with the drawing up of longer-term projections of Community requirements and potential agricultural production.

Amendments proposed

Clarity

14. The Committee on Budgets considered that the clarity of Article 2 would be enhanced by the addition of the titles of the various regulations cited by their number in the final subparagraph of paragraph 3.

15. The Committee on Budgets considered that the procedure for determining the standard rate of interest and any variations in it should be set out clearly in the draft regulation. Hence, the amendment adding a new Article (Article 2a).

Budgetary responsibility

16. The basic procedure under Article 13 of Regulation (EEC) No. 729/70¹ - paragraphs 1 and 2 - was accepted; it was considered, however, that the procedure outlined, whereby a Commission proposal is considered by a Committee of experts, at paragraph 3 of Article 13:

"The Commission shall adopt measures which shall be immediately applicable. However, if such measures are not in accordance with the Opinion delivered by the Committee, they shall at once be communicated by the Commission to the Council. In that case, the Commission may defer, for not more than one month from the date of such communication, application of the measures which it has adopted.

The Council, acting by a qualified majority, may adopt a different decision within one month."

is no longer appropriate in view of the changed situation resulting from the ratification of the Treaty of 22 July 1975. To allow the old Article 13 procedure to continue would be to erode the budgetary role of Parliament.

17. Article 205 of the EEC Treaty gives the Commission a wide brief in so far as implementing the budget is concerned. It would appear to be inappropriate for a Committee - which should have a largely consultative role - to be in a position to intervene with a proposal that would result in the Council, acting on its own, over-ruling the Commission's measure.

¹O.J. No. L 94, 28.4.1970, page 13.

The Committee on Budgets felt that the proviso in Article 13 of Regulation (EEC) No. 729/70 on the financing of the common agricultural policy should not be reproduced in the present Regulation, in view of the changes that have taken place over the past eight years. Although Parliament has the last word in the context of the discharge and can make final checks after the expenditure has been incurred in Article 13 cases, it would clearly be more in harmony with Parliament's budgetary role for it to be involved at the policy making stage - as is envisaged in the proposed amendment¹.

18. The Committee on Budgets, at its meeting of 16/17 March 1977, examined this general problem very carefully when considering Mr Aigner's opinion² on the compatibility of the management committees procedure with Article 205 of the EEC Treaty. The following extract³ from that opinion puts the view of this committee quite succinctly :

'The Committee on Budgets acknowledges that a considerable number of management committee procedures concern Community activities which have no financial implications. However, where implementation of the budget is involved, consultations should be held with the Council and Commission to ensure that:

(a) all proposals for the establishment of management committee procedures should in future provide only for consultative powers for the committee, but should not provide for overriding authority for the Council as has always been the case;

(b) in all existing management committee procedures the overriding authority given to the Council by virtue of an institutional agreement should gradually cease to be used;

(c) in cases in which this authority is maintained for a certain period of time, a right of consultation for the European Parliament should be built in'.

19. The exceptional compromise proposal now being put forward fits in with these criteria. As regards point (a), the rapporteur's proposal eliminates that part of the Commission's draft granting overriding authority to the Council by ensuring that, where significant budgetary implications arise, the Council may act only in agreement with the European Parliament. Point (b) of the opinion is satisfied by the formula worked out by the Committee on Budgets at its meeting on 20/21 March 1978 when it was agreed that the

¹ This amendment accepts the position of the Fund Committee having a role in regard to the providing of advice; however, where the Fund Committee provides an opinion which differs from the proposal of the Commission of the European Communities, Parliament is to be informed and the Commission's proposal can be overruled only by the budgetary authority where the measure has significant budgetary consequences.

² PE 47.932/fin.

³ Quotation from paragraph 27 of the Opinion (PE 47.932/fin.)

special compromise solution would expressly take care of the particular case now at issue whilst leaving aside for separate consideration the other cases where management committees exist. Point (c) is more than met because the proposal does not merely give Parliament the right to be consulted but gives it a determining say in cases where significant budgetary (and economic) considerations arise.

Budgetary aspect

20. The amount of capital involved in intervention buying is very considerable indeed and has been cited by the Commission as being of the order of 2,400 million units of account. This activity stems from existing regulations that have been considered by Parliament over past years. The present proposal is relatively modest in scope and is in the nature of a tidying-up operation. The Committee on Budgets accepted that it is extremely difficult to gauge the impact of the measures proposed; however, it accepted that a net saving to the Community budget of some 2 million units of account in a full year would be a reasonable estimate. This figure is made up as follows:

	<u>Million u.a.s</u>
Increase in expenditure attributable to the making more flexible of the interest rates arrangement under paragraphs 2 and 3 of Article 3	+ 4 to 5
Savings where storage costs are lower than the standard amounts	- 1 to 2
Savings on interest charges attributable to Articles 5 and 6 changes	- 5

Conclusions

21. The Committee on Budgets :

- appreciated that the present proposal represents a tidying up measures rather than a major overhaul of the intervention financing arrangements;
- approved the proposed regulation, subject to certain amendments being effected;
- recalled that it had urged, on several occasions, that Community legislation in the EAGGF sphere should be consolidated so as to make it clearer and easier to operate;

- considered that there should be a comprehensive review of the intervention arrangements and calls on the Commission and on the Court of Auditors to look closely at the procedures;
- reiterated its call for longer-term programming of Community capacity to produce and consume agricultural commodities so that the strain on the budget may be minimized;
- stressed that action should be directed towards reducing avoidable surpluses and towards improving the balance between the guarantee and guidance parts of the EAGGF;
- decided to look again at the overall situation in the context of the discharge reports on the 1976 and 1977 financial years.

ANNEX I

SECTORS IN RESPECT OF WHICH INTERVENTION MAY TAKE PLACE

Cereals *
Rice *
Milk and milk products *
Oils and fats *
- olive oil
- oilseeds
Sugar *
Beef and veal *
Pigmeat *
Eggs and poultrymeat
Fruit and vegetables
Wine *
Tobacco *
Fishery products *
Flax and hemp *
Seeds
Hops
Silkworms
Dehydrated fodder

*Provision for storage included in the 1978 budget.

Source: Sixth Financial Report
on the European Agricultural
Guidance & Guarantee Fund,
Year 1976, prepared by the
Commission of the European
Communities (COM(77) 591 final).

TABLE OF INTEREST RATE TRENDS

Member State	Rate of interest declared by the Member State for 1976	Quarterly rate of interest 1977*			Discount rate for 1977*			Interest rates on State bonds *		
		1	2	3	1	2	3	1	2	3
Belgium	9.57	8.2	7.3	6.5	7.0	6.0	6.0	9.1	8.8	8.6
Denmark	(8)	15.0	15.4	16.1	9.0	9.0	9.0	15.0	15.4	16.1
Germany	(8)	4.7	4.3	4.1	3.5	3.5	3.5	6.9	6.2	5.7
France	8.38	9.8	9.2	8.4	10.5	10.5	9.5	10.8	11.1	11.0
Ireland	11.4	10.9	7.8	6.9	9.5	8.0	6.5	12.4	12.3	11.8
Italy	13.8	16.0	15.3	13.6	15.0	13.0	11.5	11.3	11.3	11.1
Luxembourg	(8)	-	-	-	-	-	-	-	-	-
Netherlands	(8)	5.8	3.3	3.7	5.0	3.5	3.5	8.4	8.1	7.9
United Kingdom	(8)	10.9	7.8	6.9	9.5	8.0	6.5	12.4	12.3	11.8

* First three quarters of 1977

Source: EEC, OECD and IMF.

