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Report

drawn up on behalf of the Committee on Budgetary Control

on the budgetary control aspects of the data-processing centre of the
Commission of the EC

Rapporteur: Mr Edward KELLETT-BOWMAN

1.2.2

By letter of 15 July 1980 the Bureau of the European Parliament authorized the Committee on Budgetary Control to prepare a report on the budgetary control aspects of the data-processing centre of the EC.

At its meeting on 26/27 January 1981 the Committee confirmed the mandate of Mr Edward Kellett-Bowman as rapporteur.

The Committee considered the draft report at its meetings on 16/17/18 February 1981 and 17/18/19 March 1981. At the latter meeting, the Committee adopted the motion for a resolution by **ten votes in favour with one abstention.**

Present : Mr Aigner, (chairman), Mrs Boserup (vice-chairman), Mr Price, (vice-chairman), Mr Kellett-Bowman (rapporteur), Mr Colla, Mr Georgiadis, Mr Condicas, Mr Gouthier, Mr Irmer, Mr Notenboom, Mr Orlandi, Mr Simonnet, Mr J.M. Taylor.

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The Committee on Budgetary Control hereby submits to the European Parliament the following Motion for a Resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the budgetary control aspects of the data-processing centre of the Commission of the EC

The European Parliament,

- Having regard to its resolution of 11 July 1980 on the interim report of the Committee on Budgetary Control ⁽¹⁾
- Having regard to the final report of the Committee on Budgetary Control (Doc 1-66/81),
 - (a) regretting that delays, inefficiencies and inconveniences should have been experienced at the EC data-processing centre in the context of the recent changeover from one type of machine to another and deploring the extra budgetary costs involved;
 - (b) appreciating the efforts made by the staff to maintain the operation during the period of the largest machine changeover the world has yet seen;
 - (c) calling for the application of cost benefit analysis or other similar techniques so as to verify the use of particular solutions from the mix of purchasing, renting, leasing, time sharing or using bureaux to meet Community data-processing needs;
 - (d) stressing its belief that effective measures should be taken to avoid wasteful use of funds by ensuring (i) that there is no overlapping of services between the institutions and (ii) that equipment is acquired only after a careful assessment of medium and longer-term requirements;
 - (e) insisting on the importance of clarity and transparency of the budgetary presentation of appropriations for all elements of expenditure;
 - (f) conscious of the opportunities offered to the Community arising from the wider use of advancing technology in data-processing;

(1)

OJ No C 197, 4.8.1980, page 78

- (g) having observed that the structure of management and control of the data-processing centre has been overtaken by advances in technology and by the escalation of demand by the users;
1. Is gravely perturbed by the escalation of the costs of the Community data-processing service and strongly urges the Commission to get to grips with the situation forthwith;
 2. Asks the Commission to review the nature and origins of certain shortcomings that became evident in regard to the overall handling of the specification, changeover and running-in of the new equipment at the EC data-processing centre at Luxembourg;
 3. Reiterates the importance of applying sound managerial criteria to the data-processing sector needs of the EC institutions;
 4. Considers that a closer harmonisation, as between the institutions, of investment in equipment, management of personnel and approach to data-processing problems generally is essential to the prudent management of Community funds in this area of activity;
 5. Recommends that the Community institutions coordinate their data-processing by establishing a decentralised agency to carry out this work;
 6. Proposes that the restructured data-processing agency be administratively and financially managed as a separate interinstitutional facility in order to ensure transparency and improved democratic control;
 7. Further proposes that the data-processing agency should be controlled by a management group comprising the heads of administration of the institutions who will report annually to the budgetary authority;
 8. Calls upon the Commission to put forward by 1 October 1981 a detailed recommendation for the data-processing agency concerning policy, priorities, investment, procurement, network management, modus operandi and coordination of all data-processing activity in the EC institutions;
 9. Instructs its President to transmit this resolution and the report of its Committee to the other institutions of the EC.

EXPLANATORY STATEMENTA. Introduction

1. In view of the comprehensive text⁽¹⁾ placed before Parliament at its July 1980 part session, the present explanatory statement may be relatively compact. Moreover, the adoption, unamended by Parliament, of the resolution⁽²⁾ put forward by the Committee on Budgetary Control indicated full acceptance of the criteria which the Committee suggested should apply in relation to the data-processing centre.

B. Importance of informatics to the European economy

2. The Commission of the EC, in its particularly well-written communication⁽³⁾ to the Council, described lucidly the importance of the complex of industries consisting of the data-processing, telecommunications and advanced electronic components sectors. The rapporteur endorses fully the Commission's statement, at the outset of its text, that

"A strong capability in these related industries is essential to Europe's future because:

1. The character of our society will depend on our skill in using these new technologies, with their almost limitless possibilities.
2. Most industries and many services will become dependent on these technologies."

3. Recognising the importance of this sector, the rapporteur finds it disconcerting to read in a recent proposal⁽⁴⁾ from the Commission to the Council concerning Community actions in the field of microelectronic technology that Europe lags behind in both the production and application of this key technology which is of critical importance to the manufacture of computer peripherals. He accepts the validity of the statement by the Commission that the manufacturer whose knowledge of the state of the art of microelectronic technology is six months out of date, may find that his products are two years behind that of his competitors, when they hit the market place (para 1.1).

(1) Doc 1-283/80

(2) OJ No C 197, 4.8.1980, page 78

(3) COM (76) 524 final Vol I

(4) COM (80) 421 final

4. As the Commission points out (at para 1.3), the Japanese authorities launched an expensive campaign with a view to ensuring the development of technology to beat the next generation of IBM computers.

Public policy in the USA, involving funds and contracts, has been directed towards major advances in data-processing equipment with, among the objectives, "a ten-fold reduction in size, weight, power consumption and failure rate and a hundred-fold increase in throughput with respect to present ICs.....

Efforts in Europe have been fragmented and inadequate and frequently involve technology transfer through direct licensing or joint ventures with American firms.

5. The rapporteur fully appreciates the concern of other specialised Committees of Parliament in this sector. However, in view of the fact that, over recent years, Parliament has endeavoured to broaden the impact of the EC budget with a view to making it more effective in the Community industrial scene, he considers the foregoing brief remarks to be indispensable to putting the issues in perspective - since value for budgetary expenditure (a matter within the purview of the Control Committee) is concerned.

C. The Interim Report on the DPC

6. Because its mandate covers such aspects as the effectiveness, regularity, opportuneness and legality of expenditure - as well as the quality of the management of Community funds - the Committee on Budgetary Control gave close consideration to the data-processing centre of the Commission at its meetings on 26/27 November 1979, 23/24 January 1980, 20/21 February 1980, and 23 June 1980.
7. As set out in the explanatory statement accompanying the motion for a resolution, the Committee examined the costings aspect, personnel problems, the complexity and extent of the changeover of equipment, management aspects and the decision-making processes involved. Attention was paid to the industrial context, the medium-term and longer-term implications and to the need for a coherent policy.
8. The Committee was conscious of escalating costs and of difficulties in regard to recruitment and motivation of staff. Also, the Committee expressed the wish to avoid wasteful overlapping at the level of the EC institutions in the matter of the operation of equipment. The desire to have a more transparent budgetary presentation was expressed by the Committee which also recognised that an appropriate procurement policy for data-processing equipment could constitute an important element in the integration of European industrial policy.

D. Opinion of the ECA

9. The Chairman of the Committee on Budgetary Control sought the opinion of the Court of Auditors, in regard to the audit aspects of the data-processing centre, by way of a letter⁽¹⁾ dated 21 February 1980.
10. By letter of 12 November 1980, the President of the European Court of Auditors transmitted observations on the data-processing centre adopted under Article 206a of the EEC Treaty, following its initial review of the data processing centre.
11. Following are the main conclusions of the ECA
 - (a) The basic decision taken in 1976 to furnish the data-processing centre with an ICL 2980 main frame computer was not questioned.
 - (b) There was a major underestimate by all parties of the amount of work required (both conversion and the normal workload) and the technically competent manpower.
 - (c) No analysis was made by management of why these many under-estimates occurred nor of how they might have been avoided.
 - (d) The resources allocated to the management function were inadequate.
 - (e) The review of applications, costing and benefit analyses, and forward planning have been neglected, partly as a result of (d).
 - (f) All applications should be assessed properly and fully, at an early stage, for need, cost and other benefit, and for priority.
 - (g) The hope is expressed that the costing system will become effective rapidly - and that it will include all costs including permanent staff.
 - (h) There appears to be no general agreement as to the future role of the data-processing centre and, between institutions, no clear policy or practice exists.
 - (i) Clearly defined and agreed policies are needed in order that future developments, both in the Commission and in the other institutions, can be properly planned.
 - (j) Forecasts of long-term staffing needs should be prepared.
 - (k) Such forecasts should take account of permanent officials, external contract staff for shorter periods and other employees under appropriate medium-term arrangements.⁽²⁾

(1) Annex II to Doc 1-283/80

(2) See Annex I

- (l) The employment of some 100 external contract staff in the absence of a careful study cannot be regarded as sound financial management.
- (m) The use of budget funds for such recruitment, when the budget authorities had rejected applications for permanent staff, was questioned.
- (n) Operational and management staff needs should be agreed as part of the budgetary decision before any major project is undertaken.
- (o) Projects should not be entered into before the necessary staff has been authorised.
- (p) The Commission emphasized that the inadequacies encountered in the ICL machine can be resolved and much of the work has been accomplished successfully with a minimum of delay.

12. Overall, the ECA drew attention to the costs and delays in the implementation programme and to inadequacies and failures encountered but appreciates the complexities of an installation and conversion operation of this volume and acknowledges the considerable degree of achievement realised. The management, despite the many problems associated with the changeover, got on with the job of keeping the Centre operational.

13. The rapporteur expresses his appreciation of the prompt way in which the ECA furnished its observations. It is satisfying to note that these observations bore out the interim findings of the Committee on Budgetary Control in its previous report.

E. Lessons to be drawn

14. It would be futile and counter-productive, at this point in time, to enter into recriminations over the difficulties that arose prior to, during and following the changeover of equipment at the data-processing centre. It is to be regretted that there should have been delays,⁽¹⁾ inefficiencies and inconveniences associated with the changeover and that additional costs should have arisen.

15. The most positive course to follow would be

- to recognise the efforts of the staff of the data-processing centre in keeping the Centre operational during a difficult and complex changeover;
- to ask the Commission (a) to ensure that, henceforth, the medium-term and longer-term implications are fully weighed up before any new equipment commitments are entered into and (b) to review the nature and origins of certain shortcomings that became apparent at the planning and putting into operation stages of the data-processing changeover;

(1)

See Annex II and Annex III also

- to seek the appropriate "mix" of options - purchase, hire, leasing, farming out or time-sharing;
- to insist on a harmonised approach to data-processing needs by coordinating the stances of all the institutions;
- to avail of the opportunities which the wider use of advancing technology in data-processing offers to the Community;
- to insist that sound management criteria apply to the data-processing sector;
- to set up an EC institutional data-processing agency, as a body with an appropriate degree of autonomy, to manage EC institutional data processing equipment and operations; and
- to ask the Commission to put forward the proposal for a detailed remit of the agency's role and procedures.

F. The way ahead

16. A wide range of managerial and accounting problems falls within the sphere of responsibility of the EC. A better management of the Common Agricultural Policy, the supervision of trade patterns, work in the sphere of research, regional, social, industrial and budgetary statistics, action in relation to monitoring the steel and textiles sectors are all areas of major significance for Community policy support which demand an effective and efficient handling of vast quantities of data. As well, the codification and making readily available to legislators, officials and the general public of the details of Community law will involve a growing effort of a data-processing (informatics) nature.

Parliament's role

17. Parliament is responsible for the democratic supervision of EC activity. It also has a duty to the taxpayer to ensure that value is had for money, that overlapping of effort is avoided and that the EC public service is organised in such a way as to ensure maximum efficiency with minimum outlay.

18. The rapporteur appreciates the fact that the Committee on Budgets has a special active role to play in regard to these matters and, accordingly, has taken account fully of the documents prepared by that Committee in regard to these matters.

19. Therefore, he is confident that the principles that he would wish to see applied to the management of the data-processing sector of the Community - efficiency, economy, cooperation between the various institutions, avoidance of wasteful overlapping of effort, sharing of equipment and experience, harmonious management of staff and resources, critical reviews of applications and equipment at regular intervals, a medium and longer-term programming approach - would coincide with the wishes of the Committee on Budgets.

20. The rapporteur feels that each institution of the EC will wish to have a certain data-processing capacity of its own to cope with internal work. Such applications need to be coordinated so that they should result in some staff economies: it would be pointless to install expensive equipment if the same amount of work still took the same length of time to complete and involved the same number of staff.

Data-processing agency

21. As indicated, the rapporteur is convinced that the setting up of an inter-institutional data-processing agency represents the most appropriate course to follow if the EC is to apply the criteria cited at paragraph 19 above.

22. Such an agency would enable all the institutions to harmonise their approach to the use of EC data-processing staff and equipment. It would ensure easier access by all to facilities and would avoid duplication of effort. Further, it would enable better overall programming of medium and longer-term needs. The unified nature of the services of the EC has long been recognised by Parliament: on 16 February 1978, Parliament adopted a resolution on a single designation for the Community. The Statistics Office and the Office for Official Publications show how centralisation can be useful and economic. In the sphere of data-processing, similarly, centralisation in a special agency, which would take account of the needs and the capacity of all the institutions, should be beneficial. The resultant cooperation in the acquisition of equipment and in the management of EC resources in staff, premises and equipment should make for savings. It is not merely a matter of using to the full the facilities at Luxembourg: there is also the spare capacity of the JRC which could be put to good use.

Commission's role

23. The rapporteur appreciates the special role of the Commission in regard to the preparation of EC proposals and considers it appropriate that it should be called on to draft the detailed **recommendation for the data-processing** agency, which should be administratively and financially managed under the direct control of the budgetary authority so as to ensure transparency and improved democratic control. So that reasonably rapid progress may be made, the Commission is asked to put forward its proposal by 1 October 1981.

ANNEX I

Comparison between planned timetable (as in initial contracts) and the final dates of execution		
	Planned	Actual
Appointment of rapporteurs for NRD	1.08.78	19.01.79
Interactive network available for demonstration	1.08.78	1.08.78
RJE components of Network available for demonstration (Interim RJE terminals)	1.08.78	28.10.78
Delivery and installation of extension equipment completed by	15.10.78	1.10.78
Outline scheme (convention) for Normal Running Demonstration (NRD) agreed	1.11.78	15.06.79
Throughput demonstration completed	30.11.78	18.06.79
Last of converted Major Applications ready for Normal Operation demonstration	29.12.78	27.11.79
Commence four weeks preparation for NRD	2.01.79	(Provisional) 28.05.79
NRD starts	1.02.79	(Provisional) 6.07.79
Contract System Acceptance	1.03.79	Not final at 7.07.80

Source: ECA report, Table II

ANNEX II

List of payments against contracts with external agency employment to fill the deficiency in permanent staff in the data processing field.
(Period covered 1977 to end of 1979)

FIRM	in B.Frs.			
	1977	1978	1979	TOTAL
Centi	2,169,816	-	-	2,169,816
Cap Sogeti	5,509,768	3,968,652	11,650,504	21,128,924
Datacent	880,440	651,262	-	1,531,722
Nixdorf	336,000	450,000	-	786,000
S.I.E.	1,109,700	-	-	1,109,700
S.A.R.W.	660,000	-	-	660,000
Correlative Systems	100,000	6,205,000	6,240,000	12,545,000
Institut des Hemtes	1,008,720	342,565*	-	1,351,285
Honeywell-Bull	308,631	7,609,693	7,349,256	15,267,580
Automation Centre	-	104,257	-	104,257
NV Systems Dynamics	-	320,000	-	320,000
Cap Sogeti Dynamics	-	1,253,125*	3,561,574	4,814,699
ICL	-	2,015,000	471,000	2,486,000
Aronworth Ltd	-	400,000	4,627,736	5,027,736
Steriabel	-	897,044	1,475,092	2,372,500
Matra Informatique	-	174,420	132,280	306,700
Cap Gemini	-	1,154,693	865,703	2,020,396
Intersoft	-	825,000	1,910,500	2,735,500
S.G.I.	-	140,000	-	140,000
I.B.M.	-	105,300	508,950	614,250
Computer resources	-	1,446,000	16,264,938	17,810,938
Société de Gestion	-	140,000	-	140,000
SEMA Informatique	-	29,834*	381,542	411,376
Telindus	-	720,000	720,000	1,440,000
Datasolve	-	5,644,726*	7,146,059	12,790,785
Delpi	-	-	3,251,231	3,251,231
M.T.I.	15,350,485	12,297,090	549,900	28,197,475
Perry Informatique	-	-	6,586,963	6,586,963
Carry	-	-	1,334,857	1,334,857
Siemens Data	-	-	575,050	575,050
Various Universities	-	-	8,361,956	8,361,956
Others	-	-	3,110,334	3,110,334
TOTAL.	27,433,560	46,893,681	87,175,425	161,502,666

* Conversion of the EUA into BFRs made on the basis of 1 EUA = 40 BFRs
Source: Annex VI of the ECA report

ANNEX III

BUDGETARY APPROPRIATIONS (INITIAL AND FINAL)
EXPRESSED IN EUA

ITEM	1976 ¹⁾		1977 ¹⁾		1978		1979		1980
	Initial	Final	Initial	Final	Initial	Final	Initial	Final	Draft ²⁾
2240	3,483,000	3,483,000	2,592,000	2,791,721	4,213,000	4,663,000	7,750,000	11,596,000	11,325,000
2241	372,000	372,000	450,000	-	581,000	-	-	-	-
2242	-	-	468,000	835,890	1,356,000	1,877,100	1,325,000	2,185,000	1,375,000
2243	431,250	431,250	1,340,000	4,316,389	1,017,000	2,339,510	1,625,000	1,400,000	2,250,000
2244	1,090,000	1,090,000	960,000	1,411,125	581,000	473,390	593,000	593,000	750,000
TOTAL	5,376,250	5,376,250	5,810,000	9,355,125	7,748,000	9,323,000	11,293,000	15,774,000	15,700,000

1) 1976 and 1977 credits have been calculated in EUAs (1 EUA = 40 BFRs) - Per memory it is reminded that the 1976 and the 1977 budgets were in EU (1 EU = 50 BFRs)

2) Another sum of 1,500,000 EUAs is entered in Chapter 100

Source: Annex VII of the ECA report