

EUROPEAN COAL AND STEEL COMMUNITY

T H E H I G H A U T H O R I T Y

Budget of the Community

for the seventh financial year

(JULY 1, 1958 to JUNE 30, 1959)

Supplement to the Sixth General Report
on the Activities of the Community

○

This document, published on May 8, 1958, contains

- a summary statement on the budgetary results for the current financial year;
- an estimate of the assets of the High Authority as at June 30, 1958;
- the Estimates of expenditure and revenue (rate and yield of the levy) for the coming financial year.

In accordance with the procedure adopted last year at the request of the Assembly, the High Authority in this paper gives a summary statement on the implementation of the Budget for the current year, before going on to give the Budget Estimates of the European Coal and Steel Community for the seventh financial year, ending June 30, 1959.

I. IMPLEMENTATION OF THE BUDGET FOR THE FINANCIAL YEAR 1957-1958

The Budget for the sixth financial year runs up to June 30, 1958. Now, two months ahead of that date, the High Authority is in a position to give a fairly accurate outline of the budgetary results for this period.

'000,000 E. P. U. units of account

	Original forecasts	Estimated results as at June 30, 1958
<i>Requirements</i>		
Administrative expenses	13.90	12.80
Bank and loan service charges	— ¹⁾	0.20
Guarantee Fund	—	—
Readaptation (disbursements 4.62, provisions 1.73)	6.35	6.35
Research (disbursements 3.74, provisions 2.01)	5.75	5.75
Total requirements to be met out of the levy	26.00	25.10
To Special Reserve	4.00	5.00
Total requirements	30.00	30.10
<i>Revenue</i>		
Levy	26.00	28.50
Other revenue	4.00	5.10
Total revenue	30.00	33.60
Surplus for the year	0	+3.50
Revaluation of assets	—	-6.01
BALANCE	—	-2.51

¹⁾ No forecast was made in respect of this item, which covers in the main loan service charges, as the provisions not allocated at the end of the previous year were sufficient to cover requirements in this connection over the year 1957-58.

The following observations would appear to be called for.

A. Individual items

The figures indicate

- (a) a saving of approximately one million units of account on administrative expenses,
- (b) a probable additional income of 2.5 million units of account from the levy, thanks to a sustained high level of economic activity, at all events up to the last few months. Although the collection rate of the levy was reduced on July 1, 1957, by 22% (from 0.45 to 0.35), the yield decreased from one financial year to the other by only 11% (from 32.10 million to 28.50), in consequence of the rise both in the tonnages produced and in the average prices.

Accordingly, the accounts at the end of the year will show a surplus of approximately 3.50 million units of account.

Assets in French francs had to be revalued on the basis of the new value of the franc following the French Government's monetary operation of August 11, 1957. This reduced the value of the Fr. franc assets by 6.01 million units of account, so that the Budget surplus became a treasury deficit of approximately 2.5 million. This depreciation was covered from unallocated balances which had been fixed fairly high the year before in order to meet such contingencies (Budget of the Community for the Sixth Financial Year, p. 9).

As the liability of the enterprises under the levy is fixed in E. P. U. units of account, the French Government's action made it necessary for enterprises in France and the Saar to pay 20% more in French francs when remitting the levy to the High Authority. The proceeds of the levy in units of account were thus unaffected by the adjustment of the French rate of exchange. This episode demonstrated the practical value of the exchange guarantee afforded to the High Authority in respect of its past, present and future revenues by the fact that the levy is fixed in E. P. U. units.

The additional income from interest on funds invested, amounting to at least one million units more than had originally been forecast, was offset in full by the addition of the same amount to the Special Reserve created mainly for the purpose of financing the building of workers' houses.

B. Overall

Overall, the financial estimates in the main proved accurate, as may be seen from a comparison of the assets position at June 30, 1958, as forecast in the Budget memorandum of April 25, 1957, with the assets position at the same date as it appears today.

Assets as at June 30, 1958¹⁾

'000,000 units of account

	As estimated in the Budget Memorandum of April 25, 1957	As estimated on April 25, 1958
Guarantee Fund	100.00	100.00
Special Reserve	16.70	19.00
Provision for readaptation	25.00	26.00
Provision for research	6.40	8.00
Provisions not yet allocated	9.70	7.00
Total:	157.80	160.00

¹⁾ Exclusive of the Pension Fund (approximately 3.5 million units at June 30, 1958).

Thus notwithstanding the revaluation of the assets in French francs the Community's total assets at June 30, 1958, will be more than 2 million units in excess of last year's forecasts.

II. BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1958-1959

A. ESTIMATED REQUIREMENTS

The financial requirements of the Community, can be estimated or calculated with accuracy for four broad types of expenditure.

'000,000 units of account

1) *Administration expenses*
as indicated in the General Budget Estimates of the European Coal and Steel Community¹⁾ 13.00

2) *Expenditure on readaptation and provision therefore (see Annex I)*

Probable disbursements over the financial year are estimated at 1.36 million units, out of net commitments totalling 7.97 million at July 1, 1958, as against provisions totalling approximately 26 million.

As explained below, the High Authority proposes to make no appropriation under this head during the financial year 1958-59.

3) *Expenditure on research and provision therefore (see Annex II)*

Probable disbursements are estimated at approximately 8 million units, out of foreseeable net commitments totalling 19 million at July 1, 1958, as against provisions totalling 8 million.

¹⁾ Embodies the Budget Estimates for the High Authority, the Budget Estimates for the Council of Ministers and, in accordance with the Treaties of Rome (Convention relating to certain Institutions common to the Three European Communities, Article 6), one-third of the Budget Estimates for the Court of Justice and for the European Parliamentary Assembly.

The High Authority proposes to make an appropriation under this head of	10.80
thus leaving a provision for research of approximately 10 million at June 30, 1959.	
Total requirements to be met out of the proceeds of the levy	23.80
 4) <i>Special Reserve</i>	
In accordance with the decisions of the High Authority concerning action to finance the building of workers' houses, the sum of approximately derived from various revenues is to be placed to "Special Reserve"	4.50
Total requirements for the financial year 1958-59	28.30

Overall, estimates of financial requirements during the past three financial years have varied as follows:

1956-57	31.5 million
1957-58	30.0 million
1958-59	28.3 million

As regards *individual items*, the following observations would appear to be called for.

(a) *Administrative expenses*

The estimates for the coming financial year are 6.5% below those for last year (13 million as against 13.9). The difference is principally due to the fact that the two new Communities (the European Economic Community and Euratom) have assumed responsibility for two-thirds of the expenses in connection with the common institutions, the Court of Justice and the European Parliamentary Assembly.

It seems likely that adjustments will have to be made in the course of the year after the adoption of the Budgets of the new Communities (whose financial year is, incidentally, not the same as that of the Coal and Steel Community).

(b) *Readaptation*

By June 30, 1958, the total amount placed to the Readaptation Fund from the proceeds of levy will be almost 35 million units of account, and the total amount paid out between 8 and 9 million. The provision will therefore stand at approximately 26 million, which will suffice to grant assistance at the rate of 700 E. P. U. units per head to nearly 26.000 workers if the High Authority assumes sole responsibility, or to nearly 52.000 workers if the Governments shoulder half the cost.

The provision would thus appear more than adequate to cover all contingencies in the field of readaptation, even in the event of a downturn in economic activity. It should be noted in this connection that the provisions of the Coal and Steel Treaty with reference to readaptation remain unchanged, and that even the Treaties of Rome have not changed them.

These points explain the High Authority's decision not to make any appropriation out of the proceeds of the levy for the coming year in respect of the provision for readaptation.

(c) *Research*

Sums set aside under this head, since the provision was first instituted, total

<i>16.75 million units of account,</i>
of which: 13.75 in respect of grants,
3.00 in respect of loans (second exper-
imental workers' housing scheme).
Commitments decided upon total
9.52 in respect of grants,
3.00 in respect of loans.
Total: 12.52

The rate of disbursement is rather slow, since research work takes some time to prepare and complete. Of the 12.52 million shown, approximately 5.5 will have been spent by June 30, 1958.

It should be noted that the major part of the 12.52 million units committed is to be spent on special research, *viz.*

social research	9.20 (= 73%)
technical research	3.32 (= 27%)

The Assembly some time ago passed a resolution urging the High Authority to do more to further research, holding that, particularly in the technical field, it was not yet doing enough in view of the importance to the future of the coalmining and iron and steel industries of the High Authority's contribution, the necessary counterpart to which was the publication of the results for the benefit of all Community enterprises directly interested.

The High Authority therefore decided to set aside approximately 10 million E. P. U. units under the head of "research", to enable the provision, which will doubtless be expended in the course of the financial year, to be restored to its present level by June 30, 1959, and to ensure a steady flow of funds, which is most desirable in this particular field.

If we allow for actual disbursements during the year, the requirements to be met in 1958-59 out of the levy, estimated at 23.8 million units, give us the following figures for the reserves at June 30, 1959:

	<i>'000,000 units of account</i>
Guarantee Fund	100.00
Special Reserve	23.00
Provision for readaptation . .	24.50
Provision for research	10.50
Provisions not yet allocated .	7.50
Total:	165.50

slightly more than the total estimated for June 30, 1958, most of the increase being in the Special Reserve, which receives the proceeds of interest on funds invested.

The unallocated provisions of 7.50 millions are intended to cover

- (a) any shortfall in the yield of the levy;
- (b) any expenditure in excess of the estimates on readaptation and/or research;

- (c) action to enable the guarantee fund to be restored forthwith to 100 million, as well as to make up other reserves and provisions in the event of losses;
- (d) loan service charges, which will continue to be governed very largely by the amount and the terms of the public loans contracted by the High Authority in the coming year;
- (e) any deficiencies of the Budget Estimates in regard to requirements for administrative expenses. The appropriations for 1958-59 have been very closely calculated: as has already been mentioned, the Budgets of the common institutions have ultimately to be approved by all three Communities, which may make it necessary to adjust the Budget Estimates of the Coal and Steel Community. Lastly, it must be pointed out, as was done in last year's statement, that if and when its permanent seat is finally decided upon, the Coal and Steel Community will need to change its policy in regard to the acquisition of buildings, which will entail capital expenditure.

B. ESTIMATED REVENUE

'000,000 units of account

1) *Revenue other than the proceeds of the levy*

Total revenue under this head (from fines and interest payable on arrears, miscellaneous receipts and, primarily, from interest on funds invested) is estimated at
to be spent as mentioned, on the financing of the third workers' housing scheme.

4.5

2) *Proceeds of the levy*

The average values based on 1957 prices do not show a variation of more than 10% from the 1956 averages, which have served as the basis of assessment for the levy since July 1, 1957 (Decision No.13/57, of April 17, 1957). In accordance with Article 3

of Decision No. 2/52, fixing the conditions for the assessment and collection of the levy, these average values will therefore remain applicable during the financial year 1958–1959.

Accordingly, for assessment purposes the only variable remaining is the estimated volume of production over the coming year. Uncertainty as to the development of the general economic situation makes this an exceptionally difficult matter this year. The basis adopted is approximately 8% below that taken for the forecasts in respect of the current year, the yield of one point of the levy being reckoned as 6.8 million units of account, as against 7.4 last year.

Having regard to these elements of evaluation, and to the financial requirements estimated at 23.8 million units of account, the High Authority decided to maintain the present rate of 0.35%.

Revenue from the levy is therefore estimated as follows:

average value of one point of the levy, based on 1956 averages = 6.8 million:	
× 3.5.....	23.8
Total revenue for the financial year 1958–59.....	<hr/> 28.3

ANNEX I

**COMMITMENTS, DISBURSEMENTS AND PROVISIONS
IN CONNECTION WITH READAPTATION**

*000,000 units of account

I. COMMITMENTS

a) *Approved*

Charbonnage de France	1.21	
Compagnie des Forges de la Loire	0.36	
Other French enterprises	0.55	
Borinage collieries	1.40	
Italian iron and steel industry (1st instalment)	5.60	
Sulcis (1st instalment)	0.63	
Italian iron and steel industry (2nd instalment)	1.44	
Sulcis (2nd instalment)	0.66	
Barsinghausen colliery	0.38	
	12.23	

b) *Under examination*

Italian iron and steel industry (3rd instalment)	0.36	
--	------	--

c) *Foreseeable*

0.12

d) *Possible*

3.56

Total : 16.27

II. DISBURSEMENTS

Previous financial years	3.68	
Financial year 1957-58 (estimate)	4.62	
	8.30	
Financial year 1958-59 (forecast)	1.36	
Financial year 1959-60 (forecast)	1.14	
Subsequent financial years	5.47	
	7.97	
	Total : 16.27	

III. POSITION AT JUNE 30, 1958

At June 30, 1958, the total amount placed to "Provisions for Readaptation" will be

34.35 million units of account.

The amount remaining after expenditure up to that date (totalling 8.3 million units) has been deducted will be

26.05 million units of account

Net commitments (*i. e.* commitments approved, under examination, foreseeable and possible, which total 16.27 million units, less expenditure to date, which totals 8.3 million units) will amount to

7.97 million units of account.

Nevertheless, actual disbursements during the financial year 1958-1959 are forecast at only

1.36 million units of account.

This would reduce the provision during the year from 26.05 million to

24.69 million units of account.

ANNEX II

**COMMITMENTS, DISBURSEMENTS AND PROVISIONS
IN CONNECTION WITH TECHNICAL AND
ECONOMIC RESEARCH**

I. COMMITMENTS	<i>'000,000 units of account</i>
a) <i>Approved</i>	
Workers' housing (1st scheme)	1.00
Workers' housing (2nd scheme)	1.00 ¹⁾
Steel-rolling conditions	0.20
Periodical "Acier-Stahl-Steel"	0.04
Flame Radiation Study Committee	0.10
Grades of coke	1.00
Silica bricks	0.28
Mine safety equipment competition	0.20
Reduction of coke consumption	1.50
Industrial medicine	1.20
Industrial safety	3.00
	9.52
b) <i>Under examination</i>	
Direct reduction of iron ore	3.00
Dedusting of brown smoke from converters	0.475
Steel-rolling tests on Sendzimir hot strip mill	0.44
Studies on improvement of basic Bessemer steels	0.16
Various mining research projects	2.54
Other projects	10.00
	16.615
	Total : 26.135

¹⁾ Plus 3 million in the form of a loan, transferred to the Special Reserve.

II. DISBURSEMENTS

Previous financial years	1.94	
Financial year 1957-58 (estimate)	3.74	
	—	5.68
Financial year 1958-59 (forecast)	8.83	
Financial year 1959-60 (forecast)	8.20	
Subsequent financial years	3.42	
	—	20.45

III. POSITION AT JUNE 30, 1958

At June 30, 1958, the total amount placed to "Provisions for Technical and Economic Research" will be

13.75 million units of account.

The amount remaining after expenditure up to that date (totaling 5.68 million units) has been deducted will be

8.07 million units of account.

Net commitments (*i. e.* commitments approved and under examination, which total 26.135 million units, less expenditure to date, which totals 5.68 million units) will amount to

20.455 million units of account.

Nevertheless, actual disbursements during the financial year 1958-59 are forecast at only

approximately 8.5 million units of account.

On the other hand, the amounts placed to "Provisions for Technical and Economic Research" are estimated at

10.80 million units of account.

This being so, the "Provision for Technical and Economic Research" should stand at June 30, 1959, at

approximately 10.5 million units of account.

PUBLISHED BY THE
PUBLICATIONS DEPARTMENT OF THE EUROPEAN COMMUNITIES
2032 bis/5/58/1