

# COMMISSION OF THE EUROPEAN COMMUNITIES

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**AIDE-MEMOIRE**  
**ON THE FIXING OF THE ECSC LEVY RATE**  
**AND ON THE DRAWING UP OF THE**  
**ECSC OPERATING BUDGET FOR 1983**

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A I D E - M E M O I R E

on the fixing of the ECSC levy rate and on  
the establishment of the ECSC operating budget for 1983

As usual, the views of Parliament will be sought before the Commission takes a decision on the levy rate and the ECSC operating budget for the financial year 1983.

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

- I. General introduction.
- II. Analysis of requirements reported and resources available for 1983.
- III. Draft operating budget.

Specific factors affecting the covering of budgetary requirements for 1983 are described in Chapter III.

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

## I. GENERAL INTRODUCTION

This Chapter summarizes the information needed to set the draft ECSC operating budget for 1983 in its economic and political context.

### A. ECONOMIC CONTEXT

#### 1. The economic outlook for 1982 and 1983

The long-awaited upturn in economic activity in the Community had still not materialized at the end of the first half of 1982, one of the major obstacles being the high level of interest rates.

The chances of activity starting to pick up in the second half of the year depend on stable growth in the Community's export markets and, in particular, on an end to the recession in the United States and a fall, however slight, in interest rates there, leading to a similar reduction in the Community.

In these circumstances, a slow recovery in Community production in the second half of the year could be followed by continued growth, albeit still moderate, in 1983. On an annual basis, the Community's GDP in real terms could increase by about 0.3% in 1982 and by around 1.1% in 1983. The half-yearly growth curve suggests a continual upturn from the second half of 1982 until the end of 1983.

The prospects for the various components of demand may be summed up as follows:

- With earned income rising only moderately, private consumption will not offer much stimulus to economic growth. Private consumption will grow at a far lower rate than GDP in both 1982 and 1983.
- Gross fixed capital formation and stock formation were the main demand factors behind the recession affecting the European Community in 1980-81. Gross fixed capital formation will continue to drop in 1982, but is expected to increase next year in line with overall GDP. Stock formation played a major role in sustaining activity in the first part of 1982.
- In 1981 the steady increase in exports and the accompanying drop in imports prevented a major reduction in GDP. Imports are expected to increase more rapidly in 1982 and 1983, so that the contribution of foreign trade to GDP growth will fall near to zero, even though a sharp rise in exports is forecast.

The growth of output in 1982 will not be sufficient to prevent a further drop in employment, which will probably fall for the third year running. Total employment in the Community will be 2% lower this year than in 1979, corresponding to a loss of 2.2 million jobs during the recession. A slight increase in employment cannot be expected until next year. The drop in employment in 1982 coincides with a sharp increase in available manpower, resulting in a very large increase in unemployment. An additional 1 500 000 persons will be out of work in 1982, bringing the jobless total to 10.5 million (9.2% of the civilian labour force). Another 300 000 will be out of work in 1983, when unemployment will total 10.8 million (9.4%).

The results achieved by several years of anti-inflationary policies are still not impressive. The average increase in the rate of inflation in the Community in 1983 (the consumer price deflator) is likely to be only some 1.5 to 2% below the high 1980 level, with a rate of around 9.5%. For 1982 it will probably be about 10%. Progress could be made in 1982 and 1983, however, in the convergence of the rates of inflation, at least in comparison with the poor record of the two previous years.

A major improvement has been recorded in the Community's external trade balance since 1980. That year the current account deficit, forced up by the increase in oil prices, was \$38 000 million. This year the deficit should be \$10 000 million and in 1983 the Community's current balance could be practically in equilibrium. However, the improvement is due mainly to two countries, Germany and the Netherlands. The other countries are still recording large deficits.

The following table shows the growth in gross domestic product in real terms in the Community from 1981 to 1983, according to the Commission's forecasts of May 1982.

	GROSS DOMESTIC PRODUCT AT CONSTANT PRICES (% change over previous year)		
	1981	1982 <sup>1</sup>	1983 <sup>1</sup>
Denmark	- 0.2	2.0	1.6
Germany	0.1	- 0.5	1.0
Greece	- 0.7	0.7	1.9
France	0.3	1.1	1.0
Ireland	1.1	2.0	2.4
Italy	- 0.2	0.8	1.0
Netherlands	- 1.1	- 0.5	- 0.3
Belgium	- 1.7	- 0.5	0.5
Luxembourg	- 2.4	- 0.3	1.0
United Kingdom	- 1.9	- 0.6	1.7
Community	- 0.6	0.3	1.1

<sup>1</sup> Forecasts.

Source: Commission of the European Communities,  
Directorate-General for Economic and Financial Affairs,  
Economic forecasts 1982-83, September-October 1982.

## 2. Outlook for the coal industry

In 1982 the Community coal industry is still affected by the economic recession, while the supply conditions in the main exporting countries outside the Community have eased.

As a result, demand for coal, including exports to non-Community countries, should be around 314 million tonnes, about the same as in 1981.

This situation mainly concerns power stations, coking plants and the steel industry. The replacement of oil by coal in industry and district heating is still proving a slow process.

On the supply side, Community production looks set to drop by 1.5% to 244 million tonnes and imports by 1.5% to 68.5 million tonnes, although stocks are continuing to rise despite the fact that both consumers and producers consider that they are already too high. This will cancel out some of the financial benefits expected from an improvement in productivity in a number of countries; on the whole, the list prices in the Community are continuing to increase. The dollar price of imported coal has dropped slightly from the autumn 1981 peak, but the dollar appreciated on the foreign exchange markets in the second quarter of 1982.

## 3. Outlook for the iron and steel industry

In 1981 total crude steel production in the Community amounted to 125.2 million tonnes - a decline of 2.5 million tonnes (2%) against 1980. Capacity utilization fell by approximately 1% (62.6% against 63.9%). Demand was stagnant throughout 1981 owing to the continuing economic recession in the Community, which inhibited any recovery from the already depressed conditions of 1980.

However, in the first quarter of 1982 there was some improvement in demand and a cautious optimism developed in the industry. Hope was expressed that 1982 would show increased levels of consumption and production of steel resulting from a gradual expansion of general industrial activity in the Community and in non-Community countries. As a result there was considerable stock building (2 million tonnes) and production rose slightly, compared with the fourth quarter of 1981, to 32 million tonnes.

Unfortunately, this optimism proved unfounded: industrial activity slackened in the spring and early summer and steel production has followed this downward trend with 31 million tonnes in the second quarter and 24.6 million tonnes (estimate) in the third quarter. For the first nine months of 1982 production at 87.6 million tonnes showed a reduction compared with 1981 of 6.3% (9 months 1981 - 93.6 million tonnes). If the forecast for the fourth quarter of 1982 is added (25.6 million tonnes) then the estimated annual total for 1982 stands at 113.2 million tonnes, compared with the 1981 total of 125.2 million tonnes, a further annual reduction of nearly 12 million tonnes or 9.5%. These global figures exclude Greece. Exports declined sharply in 1982 - the first quarter figure was 5.18 million tonnes compared with 8.3 million tonnes and 7.3 million tonnes for the third and fourth quarters respectively in 1981, while imports in 1982 have been substantial, 3.15 million tonnes for the first quarter and 3.05 million tonnes for the second quarter against 1.77 million tonnes and 2.39 million tonnes respectively for the third and fourth quarter of 1981, when exports were also, admittedly, exceptionally low.

Steel prices increased early in 1982 especially for flat products and, whilst the recovery in long product prices was not so marked, producers looked forward to a period of stable and slowly improving price levels to compensate for the damage caused by the low levels of 1980 and the first half of 1981. This improved situation was not maintained as prices for most products declined in the early summer of 1982 and in the autumn this deterioration accelerated and producers were once more concerned about their future viability resulting from the consequent loss of revenue. Reinforcement bar and wire rod prices were particularly seriously affected.

The economic outlook for 1983 is not encouraging. Falling interest rates and in some Member States reduced levels of inflation have failed to stimulate current consumption or investment in steel intensive goods. Stable or falling energy costs are another favourable factor that has not had the positive effect on industry that might have been expected. With the growth in the national economies predicted to be  $1\frac{1}{2}\%$ -2% at most, steel demand is not likely to exceed 115/116 million tonnes given that prospective growth areas are mainly in the service and light industries, whose steel consumption is negligible. Exports are not likely to be buoyant, as prospects in the USA are clouded by the current tariff problem and trends in other export markets reflect the stagnation and recession that prevails in the Community.

B. POLICY CONTEXT

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

For both coal and steel, the Commission at intervals initiates proposals and presents general objectives or guidelines bearing on the future development of the ECSC industries. Coal is also one of the particular items covered by general papers put out by the Commission on the subject of Community energy policy. These documents also cover manpower questions, indicating that the social dimension forms an integral part of the Community policies conducted by the Commission/High Authority pursuant to the Treaty. In two annual reports - the Report on the Results of the Survey on Investment in the Community Coal and Steel Industry and the Financial Report on ECSC Financial Activity - the ECSC publishes facts and figures on the recent and foreseeable trend of investments and what the Community is doing to finance them.

The following remarks are not intended to take the place of the data in those reports, but are simply concerned with certain key points or recent developments which the Commission wants to highlight in establishing its draft ECSC operating budget for 1983. The industries themselves, the ECSC's social policy and the Community's financial activity are dealt with in turn.

1. Coal policy guidelines

In its communication to the Council of 1 October 1981 on the development of an energy strategy for the Community, the Commission set out the framework in which the Community could most effectively meet the challenge facing it in the energy sector. On 10 February 1982 the Commission then presented to the Council a communication on the role for coal in Community energy strategy<sup>1</sup>. It draws attention to the need for increasing coal consumption in order to reduce dependence on oil.

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<sup>1</sup>COM(82)31 of 10.2.1982 (OJ C 105, 26.4.1982).

To overcome the obstacles which are restraining the demand for coal and to safeguard economic and secure supply, the Commission proposes the following measures:

- improvement of price transparency in order to gain a better understanding of price trends for all sources of energy, including coal, in the common market;
- Council recommendations to Member States aimed at encouraging the conversion of oil-fired installations to coal in general industry, in district heating schemes and in public buildings;
- an R&D programme and a demonstration programme for solid fuel combustion and the use of waste to increase coal consumption, to be financed by the general budget.

Large-scale domestic coal production is the best guarantee for the security of supply and protection against unfavourable price trends on the world market. The mining industry is also important from the point of view of employment. The problem is to maintain mining capacity in satisfactory economic conditions. There are several possibilities open and they can be summed up by two key words - rationalization and modernization.

The use of new technologies or the improvement of existing technologies should be given special attention when considering aid for R&D from the ECSC budget. In addition, there is the programme of demonstration projects for the liquefaction and gasification of solid fuels, which is financed by the general budget.

The Commission is planning to continue its policy of providing funds for investment in the coal industry, in particular in economic or at present marginally unprofitable mining capacity and for projects for using Community coal (power stations, coking plants, boilers, etc.), under the ECSC Treaty and with the support of other Community financial instruments.

The Community financial instruments will also play a useful role in aiding infrastructure investment. The creation of adequate transport, handling and processing capacity is often a prerequisite for increased use and sales of coal.

Parliament<sup>1</sup> and other Community institutions<sup>2</sup> have approved this plan of action, but the Council has still not taken a definitive decision.

## 2. Steel policy guidelines

### Commission measures on the steel market

The principal action taken by the Commission in this field in 1982 has been the extension of the anti-crisis measures (originally introduced in October 1980 and renewed in July 1981) under Article 58 of the Treaty for a further 12-month period from 1 July 1982 to 30 June 1983. This step was taken, with the approval of the Council, owing to the deterioration in the market in the second quarter of 1982, the need to maintain a balance between supply/demand in such circumstances and above all to avoid further erosion of prices that were already showing signs of pressure by May/June. Mandatory quotas were imposed for most flat and long products except for heavy plate and sections, where producers agreed on establishing a voluntary quota system. However, owing to severe disruption in the market for wire rod, this product was added to the group of mandatory products. Owing to a further deterioration in the market for steel and poor prospects for the fourth quarter of 1982, very severe abatement rates for all products, with the exception of certain coated sheet, have proved necessary for the third and fourth quarters of 1982. The Commission reinforced its monitoring and surveillance of producers' prices to implement the provisions of Article 60 of the Treaty. Meanwhile, to allow Member States to set up their own systems of surveillance, the handover of responsibility for merchants' prices was deferred until 1.1.83. After that date the Member States' own administrations will have the responsibility for ensuring that steel merchants adhere to the price rules of Article 60.

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<sup>1</sup>Resolution of 14.5.1982, (OJ C 149, 14.6.1982, p. 134).

<sup>2</sup>Opinion of the Economic and Social Committee, session of 26.5.1982 (OJ C 205, 9.8.1982).

### Steel in external relations

The Commission has renewed for 1982 the steel arrangements concluded in 1981 with the fourteen countries which are the Community's main steel suppliers and maintained the system of basic external prices for non-Community countries without such arrangements.

The price discipline provided for in the arrangements has been tightened in the light of the policy of strengthening internal prices introduced in late 1981.

The surveillance of import prices of steel products imported from countries subject to the basic prices, maintained in close collaboration with the Member States, has led to the introduction of provisional anti-dumping duties.

The provisional results for the first half of the year and the forecasts for the second half suggest that total Community exports will probably drop considerably. Imports, which were much higher in the first half of the year than in the corresponding periods of 1980 and 1981, will probably drop in the second half of the year.

### Community solutions to structural problems

Since the difficulties facing the steel markets are continuing - or even worsening - the success of Community policies depends first and foremost on the consistency and efficiency of the specific anti-crisis instruments, the quota system and the code of aids, which should serve the restructuring objective for 1985.

This objective is conditional on several factors:

- The maintenance and development of Community solidarity. The unity of the internal market must be preserved as a precondition for the adjustment process and Community cohesion should be used offensively and no longer defensively in trade negotiations.
- Reinforcement of efforts to adjust the production apparatus to demand both quantitatively and qualitatively. The stage of short-term assessment must be completed and decisions made from a medium-term structural angle.

- Choice of suitable reference parameters for competitiveness. An accurate assessment must be made of the leeway to be made up on competitors, which is a major factor for ensuring the viability of the industry.
- Establishment of links between steel strategy and general industrial strategy. The steel industry must not be viewed in isolation, but its future must be seen together with that of all levels of the metal industry and manufacturing industry as a whole.
- Extension of accompanying measures, in particular as regards conversion. An effective industrial redeployment guideline should be adopted, combining the need for alternative employment and the promotion of growth industries.

Halfway into the period set for completing the structural adjustments, the Community measures have already had some positive results. However, work in preparing the General Steel Objectives for 1985 show that the over-capacity problem will grow worse as market prospects deteriorate. Efforts must therefore be redoubled and a new coordinated attack launched by firms, governments and the Commission.

The examination of all the restructuring plans in the light of the prospects and guidelines of the General Objectives for Steel will be the crucial stage in the Community plan for improving the production structure of the steel industry.

### 3. Social policy guidelines

The social policy conducted by the High Authority/Commission uses a number of financial instruments provided for by Articles 54 to 56 of the ECSC Treaty. In the case of the coal and steel industries, the Commission can

- grant low-interest loans from own funds to promote workers' housing under Article 54 ECSC;
- finance research projects on occupational safety under Article 55 ECSC.

These measures will continue on the basis of the principles outlined in Chapter II of this aide-mémoire.

Whereas these aids enable the Commission to help improve the working and living conditions of workers employed in the ECSC sector, Article 56 of the Treaty enables it to help workers who have lost their jobs, are forced to change jobs or are threatened by unemployment as a result of technological change or fundamental changes in market conditions in the coal or steel industries.

The Commission's operations in this sector are based on Article 56(2) and have been considerably stepped up in recent years because of the structural and cyclical crisis affecting the steel industry in particular. The aids granted by the Commission under this second paragraph take two forms:

- Under point (a) loans may be granted to help create jobs likely to reabsorb steel and coal workers into the labour market. These loans carry an interest subsidy. Although this aid comes primarily under the heading of regional policy, it is also of major importance for the social sector.

- Under point (b) non-repayable aid for the redeployment of workers is granted in the form of tideover allowances and contributions to the resettlement or vocational retraining of workers in accordance with conventions or agreements reached with the Governments of the Member States.

The importance of these two types of aid from the High Authority can be gauged when it is considered that, between January 1978 and July 1982, the Community steel industry, not counting Greece, lost 32.7% of its 1978 labour force as 260 000 workers were made redundant. The number of jobs lost in 1980 and 1981 alone was 71 000 and 49 000 respectively.

Because of the simultaneous decline of most other branches of industry, redundant steelworkers who have been aided by the redeployment measures have found it increasingly difficult since 1979 to find a job; new industries are not being set up now as they were in the past and existing industries cannot be developed fast enough to absorb both school-leavers and workers who have been made redundant.

The aids in the form of conversion loans accompanied by an interest subsidy make a substantial contribution to the creation of jobs, for which steelworkers have first option. Despite increases in past years in the volume of appropriations available and the capacity of new, economically viable undertakings to absorb aid, it is still possible to grant aid for only a few jobs lost in comparison with the number of redundancies over the past two years.

The increased difficulties the Commission is encountering in helping steelworkers to find new jobs are mainly due to the growth in unemployment since 1978. Average annual unemployment rose from 6 million in 1978 and 1979 to 6.8 million in 1980 and 9.0 million in 1981.

In 1982 there will be 10.5 million unemployed.

Conscious of this deterioration, the Commission has long been stressing the need for developing policies and measures to create new jobs. However, these policies and measures do not make it any the less necessary to continue appropriate redeployment measures.

The ECSC's traditional redeployment aids have been - and still are - an important means of easing the situation of redundant coal and steel workers. But special measures have had to be taken in view of the extremely difficult situation of the steel industry. In May 1979 the Commission accordingly made proposals for the establishment of special temporary allowances to help steel workers under the Community restructuring plan.

The Commission produced an aid programme up to the end of 1984 at an estimated cost of 212 million ECU. By taking a broad interpretation of Article 56 ECSC, the Council approved Community aid for early retirement and short-time working in June 1981<sup>1</sup>. This programme, financed initially by ad hoc national contributions and then by contributions from the general budget to the ECSC, will put the Community in a better position to meet its obligations towards workers in this key industry. However, new requests for aid other than the existing traditional aids may increase future budget requirements under Article 56(2)(b).

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<sup>1</sup>Conclusions of the 717th Council meeting of 24 June 1981.

#### 4. Financial activities

ECSC Financial Report No 27, summarizing the Community's borrowing and lending and financial aid in 1981 was published at the beginning of July 1982.

Borrowings contracted in 1981 totalled 325.4 million ECU, compared with 1 004 million ECU in 1980 and 837 million ECU in 1979. With the exception of loans paid out for the construction of subsidized housing, payments in all the sectors financed by the ECSC dropped sharply during the year.

Industrial loans<sup>1</sup> amounted to 287 million ECU in 1981, compared with 757 million ECU in 1980 and 595 million ECU in 1979, conversion loans<sup>2</sup> to 86 million ECU, compared with 266 million ECU and 59 million ECU, and subsidized housing loans<sup>3</sup> to 15 million ECU, compared with 8 million ECU and 22 million ECU.

Total borrowing and lending since the inception of the ECSC is thus brought to 8 574 million ECU and 8 418 million ECU respectively (including 240 million ECU in loans from own funds). The balance outstanding at 31 December 1981 was 5 884 million ECU.

In 1982 loans raised at 30 August amounted to 466 million ECU and loans paid out were at a corresponding level.

The prospects for a revival of activity over the coming months will depend on whether investments planned by steel firms are brought into line with Community restructuring policy and on the availability of funds for interest subsidies for priority investments, particularly conversion projects.

The same will apply for 1983, when the ECSC will have to pursue an active policy of aid for investments in these priority sectors and, as far as possible, for increased productivity in the coal sector.

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<sup>1</sup> Article 54 ECSC.

<sup>2</sup> Article 56 ECSC.

<sup>3</sup> Loans under Article 54 ECSC paid from ECSC special reserve funds and part of the former ECSC pension fund.

A general estimate of the likely trend in loan applications may be inferred from a survey conducted in early 1982 on the planned investments in the Community coal industry: 1 800 million ECU in 1982 and 1 600 million ECU in 1983 compared with 1 751 million ECU in 1981, 1 655 million ECU in 1980 and 1 167 million ECU in 1979.

Investment in the steel industry, which dropped to 2 050 million ECU in 1978 and 1979, picked up to 2 375 million ECU in 1980 and 2 762 million ECU in 1981. It is expected to drop to 1 800 million ECU in 1982 and pick up in 1983.

If the active policies envisaged above can be implemented, the High Authority proposes borrowings by the ECSC which could again amount to around 1 000 million ECU in 1983, provided that market conditions work to the advantage of the undertakings concerned.

II. ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE FINANCIAL YEAR 1983

Article 49 of the ECSC Treaty empowers the Commission to procure the funds needed to pursue the activities set out in that Treaty by imposing levies on the production of coal and steel. These levies are assessed annually on the various products according to their average value, but, pursuant to Article 50, the rate may not exceed 1% unless previously authorized by the Council.

To fix this rate it is first of all necessary to estimate requirements, then to consider how far these may be covered from budgetary resources other than the levies, namely the interest on investments and on loans financed out of own funds and cancellations of provisions. The amount which will have to be covered by the levies can then be determined.

Next, the likely yield from the levies is calculated on the basis of a preliminary - and thus sometimes unavoidably inaccurate - estimate of the average values of the various products, and in the light of the estimates (also somewhat tentative) of the volume of output during the year. The probable levy yield is first expressed as the estimated yield from a rate of 0.01%. The requirements and resources are the two main elements described in this chapter.

The following presentation of requirements reported and foreseeable resources is modelled on the systematic analysis of the data for the various budget headings in the general budget, set out in Part II of the general introduction to the preliminary draft budget. As with the

general budget, this presentation lists separately the main features of each heading (legal basis and description of the operation, type and breakdown of expenditure, explanation). Three categories of expenditure are unavoidable, in that they derive from decisions already taken (administrative expenditure, aid to coking coal and coke for the steel industry) or from framework agreements with the Member States (on aids for redeployment). To give a clear picture, the explanation for expenditure which is not unavoidable (research and interest relief grants) is more detailed than for the other chapters.

A. REQUIREMENTS REPORTED FOR 1983

The traditional terms will be used here: "B" signifies requirements, while "R", which will appear later, signifies resources. These terms are intentionally different from those used in the general budget ("expenditure" and "revenue").

1. ORDINARY REQUIREMENTS

CHAPTER B 1: ADMINISTRATIVE EXPENDITURE

	(million ECU)
1982 - Appropriations authorized	5
1983 - Appropriations requested	5
Percentage change	-

1. Legal basis and description of operation

Legal basis:

- Article 50 of the ECSC Treaty;
- Article 20 of the Merger Treaty;
- Council Decision of 21 November 1977 (OJ L 306, 30 November 1977, p. 28);
- ECSC contribution to the Commission's administrative expenditure.

2. Type and breakdown of expenditure

Annual payment in four equal quarterly instalments.

3. Explanation

The Council has set the annual amount of the payment at 5 million ECU.

CHAPTER B 2: SOCIAL MEASURES

B.2.1 Aids for redeployment (Article 56 ECSC)

	(million ECU)
1982 - Appropriations authorized	117
1983 - Appropriations requested	100
Percentage change	- 15%

1. Legal basis and description of operation

Legal basis:

- Articles 50 and 56 of the ECSC Treaty;
- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States.

The High Authority/Commission provides non-repayable aid towards:

- (i) the payment of tideover allowances to workers;
- (ii) the payment of resettlement allowances to workers;
- (iii) the financing of vocational retraining for workers having to change their employment.

In some cases, the tideover allowance is replaced by a contribution corresponding to the cost of a bridging-pension scheme.

The grant of the aid is conditional upon payment by the State concerned of a special contribution of not less than the amount of that aid, unless an exception is authorized by the Council, acting by a two-thirds majority.

2. Type and breakdown of expenditure

Creation of a provision to subsidize the expenditure on redeployment incurred by the Member States according to the procedure set out in the agreements signed.

Total requirements could amount to around 100 million ECU, 35 million ECU for the coal industry and 65 million ECU for steel.

### 3. Explanation

The coal industry's requirements in 1982 were considerably underestimated, especially in the United Kingdom. The gradual rationalization of the industry through the closure of uneconomic pits suggests that expenditure in 1983 will be as high as in 1982, at least in the United Kingdom.

Requirements in the iron and steel sector continue to be high. Market developments obviously make it very difficult to forecast production and employment levels and may upset the restructuring programmes which are already difficult to draw up.

The estimated requirements cannot be broken down by sector, as in past years, on the basis of information supplied by the governments. Since the steel industry restructuring programmes are still being discussed at national level, the Commission was unable to base its forecasts on precise data except in the coal sector where requirements are estimated at some 38 million ECU. In the absence of detailed information for 1983, the Commission based its estimates for the steel industry on current trends.

B.2.2 - SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE IRON AND STEEL INDUSTRY

	(million ECU)
1982 - Appropriations authorized	50
1983 - Appropriations requested	50
Percentage change	-

1. Legal basis and description of operation

Legal basis: Conclusions of the 717th Council meeting of 24 June 1981, introducing two temporary social measures under Article 56(2)(b) ECSC, on a broad interpretation of that provision.

The measures involve contributions by the ECSC towards the financing of special allowances for early retirement and short-time working to be paid to workers in iron and steel undertakings under the Community restructuring programme. These measures supplement the traditional aids for redeployment authorized under Article 56(2)(b) ECSC.

The appropriations will be committed in stages as the necessary funds become available.

2. Type and breakdown of expenditure

Aids in the form of partial reimbursement of the expenditure incurred by the Member States. The procedure for these aids is laid for each Member States in accordance with the common aid criteria drawn up for the Community as a whole.

3. Explanation

The 50 million ECU earmarked for 1983 will make it possible to continue financing the programmes for the early retirement and short-time working adopted in previous years. The funds for the temporary special measures have to be staggered over a number of financial years because the cost of early retirement is covered for three years for each worker. Allowance is also made for the fact that the provision of the necessary funds has fallen behind the schedule for implementing the measures being financed.

CHAPTER B 3 - AID FOR RESEARCH

(million ECU)

Heading	Sector	1982 Appropriations authorized*	1983 Appropriations proposed	Percentage change
B.3.1	Steel	19	23	+ 21
B.3.2	Coal	14	19.5	+ 39
B.3.3	Social	10	11.5	+ 15
TOTAL AID FOR RESEARCH		43	54	+ 25

\*Not including supplementary appropriations of 7 million ECU (see Annex B).

1. Legal basis and description of operation

Legal basis: Articles 50 and 55 of the ECSC Treaty

The High Authority/Commission is required to encourage technical and economic research into the production and increased use of coal and steel and occupational safety in the coal and steel industries. To this end it grants aid to finance research after receiving the Council's assent.

2. Type and breakdown of expenditure

Creation of provisions to cover part-subsidies which take the form of the repayment of a proportion of the actual costs of research projects approved by the High Authority/Commission in accordance with the procedures provided for in the Treaty (consultation of the ECSC Consultative Committee and the receipt of the Council's assent). In most cases, the aid granted amounts to 60% of the estimated and substantiated costs.

3. Explanation

The initial budget for 1982 would have made it possible to cover 35% of the requests made. The increase in funds made available for 1982 increased this figure to around 41% and the amount earmarked for 1983 should enable this level to be maintained.

### B.3.1 - STEEL RESEARCH

Slower economic growth, the continuing imbalance between supply and demand, increased costs and the lack of profitability have all fuelled the crisis still affecting most of the Community steel industry.

Although progress has been made as regards productivity, modernization, restructuring and redeployment, the international competitiveness of the European steel industry needs to be improved as a matter of urgency and a good deal remains to be done on this front. To improve overall performance, more sophisticated products with a higher value added must be manufactured for domestic and export markets.

The declining competitiveness in the Community is reflected in factors such as the levels of productivity, the growing advantages enjoyed by foreign producers with regard to technical facilities and operating costs and the share of the world steel market. To reverse this downward trend, it is widely accepted that research has an important part to play; this is underlined in the framework programme for Community scientific and technical activities drawn up by the Commission<sup>1</sup>.

However, the creation and adoption of new technologies are obstructed by a number of factors, including insufficient R&D. Recent estimates show that research expenditure on steel in Europe averages 2.2 ECU per tonne of steel produced compared with 4 ECU per tonne in Japan and 2.7 ECU per tonne in the United States. It cannot be disputed that the technological supremacy of Japanese manufacturers in several steel production sectors is partly linked to the higher level of research expenditure. One important outcome of this trend is that Community steel

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<sup>1</sup>"Framework programme for Community scientific and technical activities 1984-87: first outline", SEC(82)896 final.

producers have bought Japanese licences and expertise in their efforts to improve efficiency and regain profitability. However, although adoption of foreign technology may enable the Community steel industry to compete on equal terms, it does not give it any advantage. It is evidently necessary, especially in the present financial climate in the sector, to step up Community aid to steel research with emphasis being placed on medium-term objectives.

To meet the industry's new technological and economic objectives, new guidelines were recently laid down for ECSC research in the period 1981-85<sup>1</sup>; the programme has two main objectives:

- (i) to reduce production, processing and fabrication costs;
- (ii) to make semi-finished and finished products which better meet the needs of consumers and users (particularly as regards cost and quality).

Priority will still be given to conserving raw materials and energy, to energy substitution, to increasing the productivity of plants and to improving quality and quality control at all stages of production, processing and fabrication.

The 1983 programme will cover the following technical sectors:

- blast furnace technology;
- steel production;
- continuous casting;
- rolling mills;
- steel properties and utilization.

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<sup>1</sup>OJ C 99, 2.5.1981.

In addition to the existing ECSC programme of steel research, it is proposed in 1983 to finance a parallel programme of pilot plant projects for the iron and steel industry. The initiative, which will represent a logical extension of the present collaborative research effort, will give a much needed stimulus to the evaluation and ultimate commercial exploitation of new technology in European steelmaking.

The proposed programme will cover the testing and the validation of technologies, arising from research, applied both to new processes and product routes on a pilot-scale as well as to the modification of existing production methods in works trials where major capital expenditure is required.

The overall objectives and technical scope of the programme will be the same as those referred to above in connection with the existing research activities.

Of the total appropriation of 23 million ECU proposed for steel research in 1983, the following breakdown is envisaged :

existing programme	14 million ECU,
pilot-scale research programme	9 million ECU.

### B.3.2 - COAL RESEARCH

On 9 June 1980<sup>1</sup> the Council laid down the new Community energy policy objectives for 1990 which can be summed up as an increased effort to reduce dependence on oil; oil consumption is to be reduced to 40% of gross primary energy consumption and supplies are to be more widely diversified. The return to coal in the shape of a policy for replacing oil by coal will help to meet these objectives. The Commission for its part has developed a new energy strategy for the Community

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<sup>1</sup>Resolution of 9 June 1980 (OJ C 149, 18.6.80).

and reaffirmed the role which must be played by coal in this strategy<sup>1</sup>. In this document, the Commission emphasized R&D, in particular as regards methods for producing, coking and using coal, and the need to increase R&D expenditure in order to raise the level of productivity in the Community coal industry. Several conclusions made in the document - "Role for coal in Community energy strategy" - suggest that the still serious difficulties in Community mines can be overcome by stepping up R&D in the coal technology sector.

The medium-term guidelines for coal research (1981 to 1985)<sup>2</sup> drawn up by the Commission are more relevant than ever and a large number of technical research projects have been submitted to the Commission for financial aid under Article 55 of the ECSC Treaty.

Most of the projects put forward are already joint research programmes or will fit into existing programmes. Joint implementation in collaboration with the coal mines and research institutes in the Community leads more quickly to results which can be used in practice.

Research in mining engineering is now concentrating on modern management techniques in view of the increasingly high underground investment. The main items, in decreasing order of importance, are working and winning, outbye operations and preparatory work.

Research into firedamp, climate and rock pressure is still important because of the constant increase in mining depth.

Increasing priority is being given to surface coal preparation because of the need to provide customers with products satisfying their specifications.

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<sup>1</sup> OJ C 105, 24.4.1982.  
<sup>2</sup> OJ C 94, 17.4.1980.

Better utilization and beneficiation of mine products, in particular as regards combustion and conversion of coal into hydrocarbons (second generation of processes), fits in perfectly with the current Community energy strategy.

Carbonization is still the focal point of research into coking; the aim is to improve coke quality at the same time as increasing output and capacity.

The 1983 coal research programme will cover the following topics:

#### Mining engineering

- Preparatory work
- Firedamp, ventilation and climate
- Rock pressure and support
- Winning and working
- Outbye operations underground
- Modern management techniques

#### Utilization and beneficiation

- Preparation of coal
- Coking
- Combustion of coal
- Beneficiation and new products

#### B.3.3 - SOCIAL RESEARCH

The success of previous programmes justifies the continuation and development of the programmes in progress.

The various sectors of the industries involved, management and workers and the research institutes can all benefit from the development of various research projects to improve working conditions.

It is clearly necessary to identify the most important topics, which will be selected for coordination at Community level, and to avoid any duplication of research at national level.

Community research therefore benefits all sectors involved in health and safety at work; since ECSC social research is still the only research at Community level dealing with workers' health and safety, the sectors chosen to be covered

by multiannual research programmes are as follows:

- the effect on workers' health of occupational hazards and physical conditions at their place of work
- ergonomics
- mine safety: the second programme was adopted by the Commission in July 1982
- industrial health in coal mines (measures against dust and harmful gases in mines)
- technical measures to combat pollution at the place of work and near to steelworks
- safety in the steel industry.

CHAPTER B 4: AIDS IN THE FORM OF INTEREST SUBSIDIES

(million ECU)

Heading	1982 Appropriations authorized*	1983 Appropriations proposed	Percentage change
B.4.1 Investment	7	9	+ 29%
B.4.2 Conversion	40 (*)	44	+ 10%
TOTAL AID IN THE FORM OF INTEREST SUBSIDIES	47	53	+ 13%

\*Not including supplementary appropriations of 3 million ECU (see Annex B).

1. Legal basis and description of the operation

Legal basis: Articles 54 (investment) and 56 (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission.

The ECSC may use its own resources to provide interest relief on certain types of loan. The subsidy is calculated in ECU at a rate and for a term fixed by the Commission. It currently stands at 3% for five years.

2. Type and breakdown of requirements

Provision for offsetting part of the interest due on loans disbursed by the ECSC, in accordance with the contracts drawn up between the Commission and the beneficiaries.

3. Explanation

ECSC loans with interest subsidies are the principal financial instruments for promoting priority investments to meet the requirements for the coal and steel industries and to create jobs for former ECSC workers.

#### B.4.1 - Investments

In the investment field, the aim of interest subsidies is to encourage certain types of investment in the ECSC industries. The Commission's current criteria for granting subsidies are as follows:

- research and training centres, and the elimination of bottlenecks (OJ C 73, 18 June 1970);
- stabilization of coal production: subsidies are limited to investment in shafts, underground workings and haulage and winding equipment (OJ C 79, 29 March 1980).

The Commission reserves the right to apply and adapt these criteria in the light both of its assessment of current priorities and of the appropriations available. It is envisaging the possibility of encouraging priority investment in coal, notably for energy-saving (COM(82)357). On the other hand, apart from certain cases where interest subsidies are already being given, it confirms that it is not planning to give this form of support for steel restructuring.

#### B.4.2 - Conversion

Conversion loans with interest subsidies are granted to firms or public bodies which encourage investments creating new jobs in regions hit by declining economic activity in the coal and steel industries.

The guidelines drawn up by the Commission for granting conversion loans are published in OJ C 178, 27 July 1977. They have since been changed slightly (OJ C 82, 29 March 1979, p. 8) to improve and clarify the terms of global loans, which have proved a very effective instrument for creating new jobs in small and medium-sized undertakings.

The maximum loan eligible for interest relief at the rate of 3% for 5 years at the moment is 20 000 ECU per new job, equivalent to maximum non-repayable aid of 3 000 ECU per job. When recruiting, the recipients undertake to give priority to former ECSC workers.

This programme is thus designed to help provide jobs for workers formerly engaged in the Community's iron and steel or coal industries and thereby to meet, in this specific field, some of the Commission's basic obligations under Article 56 of the ECSC Treaty.

In the first half of 1982 the Commission authorized nine conversion loans totalling 116 million ECU (five direct loans totalling 24 million ECU and four global loans totalling 92 million ECU) to create 5 500 new jobs.

In 1983, as in the past, the stress is likely to be placed on the continuing conversion requirements of the iron and steel industry. It is self-evident that rationalization and restructuring plans for the industry in 1983 will involve further redundancies, and thought must now be given to ways of compensating for this.

An allocation of 44 million ECU would help to promote the creation of at least 14 000 new jobs in 1983.

It should also be noted that both the non-quota<sup>1</sup> and quota sections of the European Regional Development Fund help to create jobs in regions hit by the steel crisis.

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<sup>1</sup>OJ L 271, 15.10.1980, p. 9.

CHAPTER B 5: - AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY)

(million ECU)

1982 - Appropriations authorized	6
1983 - Appropriations requested	6
Percentage change	-

1. Legal basis and description of the operation

Legal basis:

- Article 95 of the ECSC Treaty
- High Authority/Commission Decision 73/787/ECSC of 15 July 1973 (OJ L 259, 15 September 1973), as last amended by Decision 896/82/ECSC of 20 April 1982 (OJ L 106, 21 April 1982).

The ECSC makes a lump-sum contribution to the special fund for easing intra-Community trade, the rest of the finance being provided by the Member States and the steel industry. This scheme will be reviewed after 1 January 1984<sup>1</sup>.

2. Type and breakdown of requirements

Provision for a lump-sum contribution of 6 million ECU to the fund (the ECSC annual contribution).

Community aid may be granted in respect of a maximum amount of 47 million ECU, corresponding to 14 million tonnes of coking coal per year. If trade drops below these limits, the reduced subsidies will be drawn first from the Community's contribution (6 million ECU) and the 17 million ECU contributed by the steel industry and then from the 24 million ECU paid in by the Member States.

3. Explanation

The aim of the special system of aid to coking coal and coke is to help maintain production of blast-furnace coal for the Community's iron and steel industry, and permit the sale of this coal and the coke derived from it.

Apart from Community aid the system authorizes the producing countries to grant production and sales aid to their collieries.

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<sup>1</sup>See Parliament Resolution of 19 February 1982 (OJ C 66, 15.3.1982, p. 104).

It also lays down pricing rules enabling coal undertakings which supply the steel industry to grant rebates on their list prices provided that these rebates do not cause the delivered prices to work out lower than those derived from the guide price for imported coal, which the Commission publishes regularly.

2. REQUIREMENTS NOT ENTERED IN THE BUDGET: LOANS FOR FINANCING SUBSIDIZED HOUSING

In addition to the requirements to be financed by non-repayable grants from the year's resources, there is the ECSC housing subsidy scheme, which has been in operation since 1955. Forecasts for this programme are included in this aide-mémoire to complete the picture of all ECSC interventions for Parliament and the Consultative Committee. For ease of understanding, the presentation follows the same analytical format as for the requirements already described.

1. Legal basis and description of the operation

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

ECSC intervention takes the form of reduced-interest loans, and eases the cost of financing housing by adding the funds lent by the Community to resources provided nationally.

2. Type and breakdown of requirements

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

The Commission intends to allocate 30 million ECU, averaging out at 15 million ECU a year, to the second phase (1982-83) of the ninth subsidized housing programme.

### 3. Explanation

This scheme has the twin aim of:

- complementing Community policy in the coal and steel industries; and
- improving living conditions for workers in these industries.

The criteria for the granting of the loans are described in detail on pages 2 and 3 of OJ C 299, 30 November 1979.

The scheme is both in the interest of workers, since it alleviates the effects of price increases and high interest rates, and of benefit to the industry, since it facilitates reorganization.

The number of dwellings subsidized by means of ECSC loans at 1 January 1981 stood at 171 035.

### E. RESOURCES AVAILABLE

The remarks on terminology made on page / / apply here too.

#### 1. Resources for the financial year

##### CHAPTER R 1: GENERAL RESOURCES

##### TITLE R 1.1: Levy

#### 1. Legal basis and description

##### Legal basis:

- Articles 49 and 50 of the ECSC Treaty
- Decisions 2/52 and 3/52 of 23 December 1952.

The levies are calculated on the basis of a fixed scale per tonne which is decided each financial year by the High Authority/Commission and published in the Official Journal.

2. Type and breakdown

Levy resources are the sums owing, and duly established, in the form of levies payable on output in the 1983 financial year and calculated on the basis of the production declarations made by the undertakings.

3. Explanation

The latest estimates of the average values which serve as the basis for calculating the levies suggest that the figures for the 1983 financial year, which relate to the reference period from 1 July 1981 to 30 June 1982, will be some 20% higher in the case of coal and roughly 12% for steel than the figures for 1982.

It should be noted that there is an appreciable margin of uncertainty in these figures; this is because the departments concerned are not yet in possession of all the requisite data, and forecasting production in present economic conditions is very uncertain.

Tonnage subject to the levy, and yield from a rate of levy of 0.01%.

Product	Production forecasts on which the levy is calculated (million tonnes)	Yield from levy rate of 0.01% (million ECU)
Brown coal briquettes and semi-coke derived from brown coal	4.1	0.02
Hard coal of all categories	197.7	1.39
Coal - total		<u>1.41</u>
		- - -
Pig iron other than that used for making ingots	3.2	0.04
Steel in ingots	106.0 (*)	1.98
Finished products	81.3	0.71
Steel - total		<u>2.73</u>
		- - -
GRAND TOTAL		4.14

\* Cautious estimate in view of the uncertainty currently surrounding the steel industry.

TITLE R 1.2: Interest: other headings

1. Legal basis and description

Resources deriving from income on investments and on loans against non-borrowed funds will be determined when the Commission adopts the balance sheet at 31 December 1982. Under its Decision of 30 April 1975, the Commission enters in the budget the interest available from the previous financial year.

Fines: Articles 47, 58 and 60 of the ECSC Treaty (mainly).

A breakdown of forecast resources based on the latest estimates is given below:

Titles	Heading	million ECU
R 1.2	Interest on investments and loans against non-borrowed funds	80
R 1.3	Fines and surcharges for late payment	5
R 1.4	Miscellaneous revenue	token entry

3. Explanation

The figure for interest revenue is based on an estimate of the resources which the Commission will be in a position to release when it adopts the balance sheet at 31 December 1982.

From an accounting point of view, revenue from the fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded to a certain extent as deferred resources, in view of the appeals made to the Court of Justice. It is very difficult to forecast the amount which will be collected in 1983, especially since the legal proceedings in disputed cases are likely to go on for one or two years. It is proposed that only those cases where recovery is in progress should be taken into consideration. On the basis of the information currently available, it is proposed that 5 million ECU be entered under this heading.

CHAPTER R 2: CANCELLATIONS OF COMMITMENTS WHICH WILL PROBABLY NOT BE  
IMPLEMENTED

1. Legal basis and description

The provisions created in response to Commission aid decisions must be given tangible form within a reasonable period of time by the contracting of legal commitments.

The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget therefore provide that in the exceptional event of undue delay at this stage the provisions will be cancelled.

The Rules also provide that once all parties have discharged their obligations under the legal commitment, any remaining part of the provision will likewise be cancelled.

The amounts thus released become available again as resources for the current financial year.

2. Nature and breakdown

Save in the exceptional cases where decisions on the earmarking of funds are not followed up within a reasonable period of time by legal commitments, any cancellation of earmarked funds normally indicates complete discharge of the contract, agreed with the other contracting party.

The estimate of 5 million ECU shown in this chapter relates, in essence, to cancellations of allocations for conversion and resettlement aid. Only a token entry would be needed for the other items which might be involved (cancellations of balances remaining in respect of contracts which have been performed in full, delayed legal commitments, etc.).

3. Explanation

It is difficult to estimate the rate of cancellation in respect of resettlement programmes, as it depends on several factors such as negotiations with the governments concerned. The estimated figure of 5 million ECU for 1983 is based on an average rate.

CHAPTER R 3: REVALUATION OF ASSETS AND LIABILITIES

This chapter, carrying a token entry, is to record the net effect of changes in exchange rates during the financial year.

CHAPTER R 4: UNUSED RESOURCES FROM THE FINANCIAL YEAR 1982

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

CHAPTER R 5: EXCEPTIONAL REVENUE

1. Legal basis

- Conclusions of the 717th Council meeting of 24 June 1981,
- Article 235 of the EEC Treaty,
- Article 49 of the ECSC Treaty.

2. Nature and breakdown

This chapter records the additional resources intended solely for financing social measures in connection with the restructuring of the steel industry (article B.2.2). In 1981 the Member States made national contributions amounting to 50 million ECU to the ECSC for this.

In 1982, another 62 million ECU carried over from 1981 was transferred from Chapter 65 of the General Budget to the ECSC. A second transfer of 50 million ECU in respect of 1982 is expected before the end of the year. In its preliminary draft budget for 1983 the Commission has proposed a transfer of 50 million ECU from Chapter 65 of the General Budget.

2. COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET

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

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

These resources are made up of the repayments of loans already made and fresh appropriations allocated to the special reserve.

The allocation to the special reserve of the additional resources required will be decided when the Commission adopts the balance sheet at 31 December 1982.

3. SUMMARY OF RESOURCES AVAILABLE FOR 1983

The estimates of traditional resources other than levies amount to 90 million ECU (interest available: 80 million ECU; fines: 5 million ECU; cancellations: 5 million ECU). As the yield from a levy rate of 0.01% has been estimated at 4.14 million ECU, the yield obtained from levies can be estimated at 128 million ECU, assuming that the current rate of 0.31% is maintained. The total ordinary resources available for 1983, assuming that the levy rate remains unchanged, is thus estimated at 218 million ECU.

### III. DRAFT ECSC OPERATING BUDGET FOR 1983

#### A. COMMISSION APPROACH

For the purposes of evaluating the draft budget for 1983, the Commission considers that a price increase of 8.8 % should be taken into account to compare the figures for 1982 and those for 1983.

The revised forecast implementation of the operating budget for 1982 (Annex A) should also be taken into consideration. The Commission has used the contingency reserve of 30 million ECU entered in the balance sheet at 31 December 1981<sup>1</sup> to cover a reduction in the likely yield from levies (19 million ECU) and to increase the amounts earmarked for conversion (from 40 to 43 million ECU) and for research (from 43 to 50 million ECU).

This 16.2 % increase in the Research chapter was the Commission's response to the concern expressed in its aide-memoire on the draft budget for 1982<sup>2</sup> and underlined in Parliament's resolution of 15 December 1981<sup>3</sup>.

The main financial problem faced when preparing the ECSC budget for 1983 was again that of balancing the budget in view of the serious difficulties currently affecting the industries, in particular the Community steel industry. In the social sector, these difficulties are reflected in the need to enter large amounts for the commitment of redeployment aid and for new temporary social measures (aid for early retirement and aid for short-time working) approved by the Council on 24 June 1981 for the period 1981-84 as the social side of the Community's steel policy.

<sup>1</sup>Published in July 1982 in ECSC' Financial Report N° 27.

<sup>2</sup>COM(81) 652, 10.11.1981, page 46.

<sup>3</sup>OJ C 11, 18.1.1982, page 27.

It has been accepted that these social measures for the steel industry cannot be financed from the ECSC's traditional resources. To finance the aid of 50 million ECU to be committed in 1983, the Commission therefore proposed to the budget authority in its preliminary draft budget for 1983 that 50 million ECU be entered in Chapter 65 (Contribution to the ECSC for social measures in connection with the restructuring of the steel industry). The new measures will thus have no effect on the balance between the ECSC's traditional requirements and resources.

Since decisions on financing the new social aids are to be taken under the procedure for the general budget, the following remarks discuss only the problem raised by the balance between traditional requirements and resources.

With overall resources of 218 million ECU, assuming the levy is kept at its present rate, and taking into account the other unavoidable expenditure (redeployment aid estimated at 100 million ECU, administrative expenditure fixed by the Council under Article 20 of the Merger Treaty at 5 million ECU and aid for coking coal fixed at 6 million ECU by Commission decision under Article 95 of the ECSC Treaty), the remaining funds available to meet research and interest subsidy requirements would be 107 million ECU ( $218 - (100 + 5 + 6) = 107$ ).

Additional resources could be obtained by raising the levy rate (4.14 million ECU for each increase of 0.01 %). However, the crisis affecting the steel industry for the past few years will continue in 1983 and could become even more serious. In the coal industry, there are still problems in selling the coal produced and stocks are expected to increase further. Under these circumstances the Commission therefore considers that it would be wrong to raise the levy rate above the present 0.31 %.

## B. FINANCING PROPOSALS

The Commission's proposals for the 1983 ECSC operating budget are tabulated in Annex D and are based on the following factors :

- total resources of 268 million ECU, including special resources of 50 million ECU in aid of the special social measures for steel ;
- unavoidable expenditure of 111 million ECU to be charged to the traditional resources of 218 million ECU :
  - . 5 million ECU in administrative expenditure ;
  - . 100 million ECU in redeployment aid ;
  - . 6 million ECU in aid to coking coal, and steel plant coke ;
- 107 million ECU to be allocated to research expenditure and interest subsidies.

As regards the division of the 107 million ECU between the two chapters concerned, the Commission considers that interest subsidies should be sustained in the present situation especially in connection with conversion, given the direct link with the creation of new jobs. It therefore proposes that this chapter be given 53 million ECU, of which 44 million ECU will be for conversion aid.

The amount left for aid to research is thus 54 million ECU. It is proposed that 23 million ECU be devoted to steel, 19.5 million ECU to coal and 11.5 million ECU to social research. This amount is about 25 % higher than the original allocation for the current financial year.

By way of conclusion, the Commission proposes that the 1983 ECSC operating budget be adopted at a total amount of 268 million ECU, broken down as shown in Annex D.

It therefore proposes that the levy rate be set at 0.31 %.

## C. DRAFT BUDGET

The draft budget established by the Commission and amounting to 268 million ECU is presented in Annex D.

## ANNEX A

## OUTTURN OF THE ECSC OPERATING BUDGET FOR 1981

(million ECU)

REQUIREMENTS	BUDGET <sup>1</sup> FIGURES	OUTTURN	RESOURCES	BUDGET <sup>1</sup> FIGURES	OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES OF THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	167	168.5
2. Social expenditure	236	172.6	1.1 Yield from levy at 0.31%	127	126.6
2.1 Aid for redeployment (Art.56)	124	124	1.2 Interest on investments and on loans from non-borrowed funds	40	40
2.2 Social measures connected with restructuring of steel industry	112	48.6	1.3 Fines and surcharges for delayed payment	-	1.9
3. Aid for research (Article 55)	44	44	1.4 Miscellaneous	-	-
3.1 Steel	19	19	2. Cancellation of commitments which will not be implemented	25	27.7
3.2 Coal	16	16	3. Unused resources carried over from the financial year 1980	11.4	11.4
3.3 Social	9	9	3.1 Interest subsidies	10.7	10.7
4. Interest subsidies	32	33.2	3.2 Miscellaneous	0.7	0.7
4.1 Investment (Art. 54)	7	7	4. Exceptional revenue	112	48.6
4.2 Conversion (Art. 56)	25	26.2	5. Drawings on contingency reserve	7.6	7.6
5. Aid for coking coal and metallurgical coke (Article 95)	6	6			
6. Revaluation of assets and liabilities	-	1.7			
Sub-total	323	262.5	Sub-total	323	263.8
Surplus	-	1.3	Deficit	-	-
TOTAL - BUDGET	323	263.8	TOTAL - BUDGET	323	263.8
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
7. Subsidized housing	11	11	6. Special reserve and former ECSC Pension Fund	11	11

<sup>1</sup> Commission's budget estimates at 10 November 1981.

## FORECAST OUTTURN OF THE ECSC OPERATING BUDGET FOR 1982

		(million ECU)			
REQUIREMENTS	Budget figure	Forecast outturn	RESOURCES	Budget figure	Forecast outturn
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources		
2. Social expenditure	167	230.4	1.1 Yield from levy at 0.31 %	140	121
2.1 Aid for redeployment (Art. 56)	117	117	1.2 Interest on investments and on loans from non-borrowed funds	75	75
2.2 Social measures connected with restructuring of steel industry	50	113.4 <sup>1</sup>	1.3 Fines and surcharges for late payment	token entry	-
3. Aid for research (Art. 55)	43	50	1.4 Miscellaneous	token entry	-
3.1 Steel	19	22		token entry	5.5
3.2 Coal	14	17	2. Cancellation of commitments which will not be implemented	3	
3.3 Social	10	11	3. Revaluation of assets and liabilities	token entry	-
4. Interest subsidies	47	50	4. Unused resources carried over from 1981	token entry	63.4
4.1 Investment (Art. 54)	7	7	5. Exceptional revenue	50	50
4.2 Conversion (Art. 56)	40	43	6. Drawings on contingency reserve	-	26.5
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6		268	341.4
	268	341.4			
<u>RESERVE</u>			<u>RESERVE</u>		
Any other aid	25	-	Customs duties	25	-
Research	21	-			
Interest subsidies	4	-			
	293	341.4		293	341.4
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
6. Subsidized housing	15	15	Special reserve and former ECSC Pension Fund	15	15

<sup>1</sup> 113.4 = 63.4 million ECU carried over from 1981 plus 50 million ECU for 1982.

Information relating to levies

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

Levy yield for the period from January to June 1982 (provisional estimate)

Product	Production serving as a basis for the calculation of the levy in million tonnes	Yield per tonne at 0.31% levy rate	Levy yield million ECU
	(1)	(2)	(3)
Brown-coal briquettes and semi-coke	2.0	0.11625	0.2
All types of hard coal	98.1	0.19725	19.3
Total for coal			19.5
Pig iron other than that required for the manufacture of ingots	1.8	0.36820	0.7
Steel ingots	62.7	0.51594	32.3
Finished products	48.0	0.24191	11.6
Total for steel			44.6
GRAND TOTAL			64.1

$$3 = (1) \times (2)$$

## ECSC BALANCE SHEET AT 30 JUNE 1982

(million ECU)

ASSETS		LIABILITIES	
1. Cash in hand, balances with central banks	23.0	1. Bonds and coupons due but not yet presented for payment	245.9
2. Claims on credit institutions	656.9	2. Long-term and medium-term debts	6 185.3
- repayable on demand	19.9		
- with agreed maturity dates or periods of notice	637.0		
3. Debt securities held in portfolio	384.4	3. Other liabilities	0.3
4. Loans outstanding	6 321.6	4. Accruals and deferred income	259.0
5. Recoverable issuing costs and redemption premiums	56.9	5. Commitments for ECSC operating budget	742.8
6. Bank deposits for bonds and coupons due but not yet presented for payment	245.9	6. Reserves	492.9
		A. Guarantee fund	300.0
		B. Special reserve	150.0
		C. Former pension fund	42.9
7. Land and buildings	0.4	7. Unallocated balance	76.6
8. Other assets	134.1		
9. Accruals and deferred income	179.6		
	8 002.8		8 002.8

DRAFT ECSC OPERATING BUDGET FOR 1983

ANNEX D

		(million ECU)	
REQUIREMENTS	PROPOSALS	RESOURCES	PROPOSALS
<p>OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)</p> <ol style="list-style-type: none"> <li>1. Administrative expenditure</li> <li>2. Social expenditure                             <ol style="list-style-type: none"> <li>2.1 Aid for redeployment (Art. 56)</li> <li>2.2 Social measures connected with restructuring of steel industry</li> </ol> </li> <li>3. Aid for research (Art. 55)                             <ol style="list-style-type: none"> <li>3.1 Steel</li> <li>3.2 Coal</li> <li>3.3 Social</li> </ol> </li> <li>4. Interest subsidies                             <ol style="list-style-type: none"> <li>4.1 Investment (Art. 54)<sup>1</sup></li> <li>4.2 Conversion (Art. 56)<sup>1</sup></li> </ol> </li> <li>5. Aid for coking coal and metallurgical coke (Art. 95)</li> </ol>	<ol style="list-style-type: none"> <li>5</li> <li>150</li> <li>100</li> <li>50</li> <li>54</li> <li>23</li> <li>19.5</li> <li>11.5</li> <li>53</li> <li>9</li> <li>44</li> <li>6</li> </ol>	<p>RESOURCES FOR THE FINANCIAL YEAR</p> <ol style="list-style-type: none"> <li>1. Current resources                             <ol style="list-style-type: none"> <li>1.1 Yield from levy at 0.31%</li> <li>1.2 Interest on investments and on loans from non-borrowed funds</li> <li>1.3 Fines and surcharges for late payment</li> <li>1.4 Miscellaneous</li> </ol> </li> <li>2. Cancellation of commitments unlikely to be implemented</li> <li>3. Revaluation of assets and liabilities</li> <li>4. Unused resources carried over from 1981</li> <li>5. Exceptional revenue</li> </ol>	<ol style="list-style-type: none"> <li>128</li> <li>80</li> <li>5</li> <li>token entry</li> <li>5</li> <li>token entry</li> <li>token entry</li> <li>50</li> </ol>
	268		268
<p>OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS</p> <ol style="list-style-type: none"> <li>6. Subsidized housing</li> </ol>	15	<p>ORIGIN OF NON-BORROWED FUNDS</p> <ol style="list-style-type: none"> <li>6. Special reserve and former ECSC Pension Fund</li> </ol>	15

<sup>1</sup> In the event of resources exceeding requirements, the surplus will be allocated to interest subsidies for conversion (Item B-4-2).