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Report

drawn up on behalf of the Committee on Budgetary Control

following up Parliament's Resolution of 19 November 1981
on the budgetary control aspects of the acquisition and
control of office supplies and equipment by the institutions
of the European Communities

Rapporteur : Mr Peter PRICE

On 6 July 1981, the European Parliament authorized the Committee on Budgetary Control to prepare a report on the budgetary control aspects of the acquisition and control of office supplies and equipment by the institutions of the EC.

On 19 November 1981, Parliament adopted a resolution based on the report of the Committee on Budgetary Control (Doc. 1-624/81) in which it called on each of the Community institutions to prepare a report for Parliament on the action which it had taken in response to the special report of the Court of Auditors and forward these reports to the Commission which would present a report to Parliament. On 19 October 1982, the Commission made available this report (Doc. SEC(82) 1681).

At its meeting of 2 November 1982, the Committee on Budgetary Control confirmed the mandate of Mr. Peter N. Price as rapporteur for a report based on the response of the institutions to Parliament's resolution. At its meetings of 23-25 March 1983 and 24-25 May 1983, the Committee held an exchange of views on this matter.

At its meeting of 24 January 1984, the Committee unanimously adopted the motion for a resolution contained in this report.

Present : Mr Aigner, chairman; Mrs Boserup, vice-chairman; Mr Price, vice-chairman and rapporteur, Mr Gouthier, Mr Mart, Mr Brøndlund Nielsen, Mr Notenboom, Mr Ryan, Mr Konrad Schon.

This report was tabled on 27 January 1984.

The deadline for the tabling of amendments to this report appears in the draft agenda for the part-session at which it will be debated.

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A.

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

following up Parliament's resolution of 19 November 1981 on the budgetary control aspects of the acquisition and control of office supplies and equipment by the institutions of the European Communities

The European Parliament,

- A - having regard to the special report of the Court of Auditors⁽¹⁾,
- B - having regard to Parliament's resolution of 19 November 1981⁽²⁾ based on the previous report of the Committee on Budgetary Control (Doc. 1-624/81),
- C - having regard to the Commission's report responding to Parliament's resolution of 19 November 1981,
- D - having regard to the latest report of the Committee on Budgetary Control (Doc. 1-1342/83),

1. Welcomes :

- (a) the fact that the report by the Court of Auditors and the subsequent resolution of Parliament have led the Institutions to increase cooperation and make greater use of joint purchasing;
- (b) the assurances from the Community Institutions that they have taken the necessary steps to ensure that the provisions of the Financial Regulation are fully complied with in respect of the acquisition, control and disposal of stores and assets;
- (c) the undertakings given by the Institutions that the call for tendering procedure will be applied more widely in future;
- (d) the steps taken to define more clearly the responsibility of the central purchasing section of each Institution;
- (e) the action which has been taken to rectify the weaknesses in the inventory records and in the records of disposals while having regard to cost-effectiveness;

2. Is not satisfied that the progress made in the direction of joint purchasing is sufficient and considers that further savings in the Community Budget could be achieved, but nevertheless wishes to promote a policy of voluntary cooperation between the Institutions in the hope that as soon as possible this will yield results;

(1) OJ No. C 326 of 15.12.80, p.1

(2) OJ No. C 327 of 14.12.81, p.44

3. In particular, notes that its proposals to establish a central advisory committee on procurement and contracts and a joint purchasing agency have not received a favourable response from most of the Institutions and decides to defer further consideration of these proposals until the results of voluntary cooperation can be assessed;
4. Expects, when it next reviews the situation, to see evidence of greater use of joint calls for tender and other methods of joint purchasing through such voluntary cooperation;
5. Renews its request that the form and layout of contract documents be standardized;
6. Recommends that the Commission should proceed to draw up standard values or specifications for the main items of office equipment used within the Community Institutions so that they can serve as guidelines for all the Institutions;
7. Requests the Court of Auditors in 1985 to review progress made and to present a further report by 31 December 1985 so that Parliament can take any necessary decisions for further action.

EXPLANATORY STATEMENT

I. INTRODUCTION AND BACKGROUND

1. The Committee on Budgetary Control has based its deliberations on this matter on the special report on the acquisition and control of office supplies and equipment produced by the Court of Auditors in December 1980 (OJ No. C 326 of 15.12.80.). This report, one of the specialized reports produced periodically by the Court of Auditors, brought to light both weaknesses in the effectiveness and control of expenditure and instances where procedures were not in compliance with the provisions of the Financial Regulation. The Court recommended that :

- (i) The implementing rules include a clear definition of the respective roles of the purchasing section and of the user departments;
- (ii) Purchasing be further centralized;
- (iii) Greater efforts be made to harmonize standards and costs;
- (iv) Consideration be given to the formation of a common Advisory Committee on Procurement and Contracts;
- (v) Each Institution introduce complete records, independent of the stock-keeper, for any goods purchased or received;
- (vi) Stock-records of furniture be speedily introduced by all Institutions;
- (vii) The inventory system used by the Institutions be designed so as to produce an effective record.

2. On 6 July 1981 the European Parliament authorized the Committee on Budgetary Control to prepare a report on the budgetary control aspects of the acquisition and control of office supplies and equipment by the Institutions of the EEC. At its meeting of 1/2 October 1981, the Committee on Budgetary Control confirmed the mandate of the present rapporteur and at the same meeting adopted a motion for a resolution. This resolution was adopted by Parliament at its session of 19 November 1981⁽¹⁾.

3. The resolution broadly endorsed the findings of the ECA. It called on each of the Community Institutions to prepare within four months (that is by mid-March 1982) a report for Parliament on the action which it had taken in response to the special report and to forward a copy of that report to the Commission. Furthermore, it called on the Commission within three months thereafter and following consultation with the other Institutions, to present a report to Parliament :

(1) OJ No. C 327 of 14.12.81.

- (a) replying to the recommendation that one common Advisory Committee on Procurement and Contracts be created;
- (b) assessing ways in which the Institutions might operate jointly in the purchasing and holding of stocks of office supplies, and
- (c) summarizing the action taken by all the Institutions in response to the special report.

4. The Commission sent its own response to Parliament by letter of 5 August 1982⁽¹⁾. The report which the Commission has now presented contains its final position on certain matters and a synthesis of the reports from the other Institutions.

5. The final report on this matter should have been presented to Parliament by mid-July 1982. It was received by Parliament in French only on 11 May 1983, ten months behind schedule. This was not entirely the fault of the Commission : all the Institutions other than Parliament failed to comply with the deadlines laid down.

<u>Institution</u>	<u>Date on which reply sent to Commission</u>
European Parliament	7 January 1982
Economic & Social Committee	17 June 1982
Council	30 June 1982
Commission (interim report transmitted to Parliament)	5 August 1982
Court of Auditors	7 October 1982
European Investment Bank	9 December 1982
Court of Justice	22 December 1982

II

6. The latest report from the Commission confirms the conclusions drawn in the earlier document. In its reply to the Court's criticisms of failures to respect the relevant provisions of the Financial Regulation, the Commission confirms that in most cases the deficiencies noted have now been remedied, especially in relation to purchasing procedures, running down of stocks, sales of stocks and goods and more general use of the "call for tendering procedure".

7. But the Commission's reply exhibits considerable scepticism in regard to the advantages which could be derived from the Court's suggestion of institutionalized centralization of purchasing policy.

(1) SEC(82) 1681, made available in all languages on 19 October 1982

8. The Commission alludes to several cases in which an Institution acting alone has secured lower prices than would have been possible through joint action and where a small supplier had been able to undercut the price offered by a larger because of lower overheads. It also argues that, as a result of fluctuations in prices, it is possible to secure a lower price for small quantities purchased opportunely than for larger quantities purchased when prices are high. It also emerges that the discounts applied to bulk orders of materials do not always increase with the size of the order.

9. The Commission draws attention to the cost of new equipment which it considers would be necessary to maintain records in the form suggested by the Court. In response to the recommendation from the ECA that stock records should be improved, the Commission replies that "[it] is looking into the possibilities of computerization in this area" and "feasibility studies are available, but nothing has yet been achieved for lack of sufficient staff and funds".

10. The Commission argues that the extension of a system of stock control to all items used by the Commission would not be justified in the light of the very low losses of run-of-the-mill equipment, and considers that the cost might exceed the value of losses.

Procurement procedures

11. In reply to the Court's recommendation on wider use of the "call for tendering" procedure, the Commission "confirms that it has always consulted as many suppliers as possible" and records that since 12 January 1981 it has published notices of public supply contracts for amounts of 140,000 ECU or more in the Official Journal : in fact, the ECA found that the Commission's record on this matter was generally better than that of the other Institutions.

A single common Advisory Committee on Procurement and Contracts

12. Article 54 of the Financial Regulation currently requires each Institution to establish its own committee to examine proposals for contracts with a value exceeding 18,000 ECU⁽¹⁾ before the relevant authorizing officer takes a decision. The composition and function of the committee is also prescribed⁽²⁾. Its purpose is to deliver an opinion on the procedure followed, on the choice of

(1) In its amendments to the Financial Regulation, Parliament proposed that this sum be raised to 30,000 ECU

(2) More detailed provisions are contained in the Implementing Rules (OJ No. L 170 of 1.7.75.)

supplier and on the proposed terms of the contract. It may also consider any other matter on contracts for the supply of goods and services or contracts for purchase, lease and hire. The authorizing officer is not obliged to take a decision which conforms to the opinion expressed.

13. The Court of Auditors suggested that such a body should be established at Community level to consider all the proposals for contracts above the specified value made by the Community Institutions.

14. The Commission maintains that the Court has failed to adduce examples of savings which could have been realized by a common committee of this type and has also underestimated the cost and administrative problems associated with such a committee.

15. The Commission affirms that the presence on a joint procurement committee of officials who did not belong to its services would not be compatible with its special and exclusive responsibilities over its operational expenditure. It also rejects the idea on financial and administrative grounds. The following points are cited :

- A joint committee which contained adequate representation from all the Institutions would be large and therefore administratively cumbersome;
- The distance between the places of work of the Institutions could make it costlier than the combined costs of the committees it would replace;
- The number of cases to be considered by the Committee would be considerable and, at certain times of the year, unmanageable.

Common standards

16. All the Institutions contend that their different needs make the application of common standards impractical. The Court of Auditors makes clear that it does not necessarily wish to standardize the goods used by each Institution but only the quantities and values of those goods. Thus, it wonders why "the Commission should pay FB 103,594 for each A3('s office furniture) ... when other Institutions keep within a range of FB 55,000 to 77,000".

17. The rapporteur believes that a Joint Committee as proposed by the Court would tend to encourage uniform standards. While appreciating the difficulties, he considers that the Commission could have made more constructive suggestions,

such as proposing a limited number of meetings to consider some of the more important purchases of the Institutions with a view to determining, by experience, the balance of advantage and disadvantage.

The purchasing agency

18. The Commission was asked in the November resolution to assess "ways in which the Institutions might operate jointly in the purchasing and holding of stock of office supplies and/or equipment, either through a single agency or two separate agencies at Brussels and Luxembourg". The Commission, and indeed most of the other Institutions, do not favour such a proposal. They consider that the loss of control over their level of stocks could encourage them to hold higher levels than at present through fear that the central distributing agency would be unable to meet their demands rapidly.

Existing cooperation between the Community Institutions

19. The Commission considers that the objectives of the Court (and of Parliament) can best be attained by building on existing shared practices such as the rapid exchange by telex of information on contracts and by intensifying cooperation on the Inter-institutional Group on the Harmonization of Procurement Procedures.

20. The smaller Institutions - the Court of Justice, the Court of Auditors and the ESC - all stated that they frequently participated in inter-institutional supply contracts and also obtained many of their general office supplies from the Commission. It was pointed out, however, that the Commission charged a ten per cent fee to cover administrative expenses and that this was sufficient in many cases to render such purchases uneconomic.

III. RAPPORTEUR'S GENERAL ASSESSMENT

21. It is clear that, while the Institutions recognize the value of many of the recommendations made by the Court, particularly those relating to failures to comply with the Financial Regulation, they are not convinced by the two central recommendations made by Parliament : (i) that a single ACPC be formed and (ii) that one or two central purchasing agencies be established. They believe that a single Advisory Committee on Procurement and Contracts would not be more effective than the existing procedures in securing economies and they consider that a central purchasing agency would not be feasible as needs differ so markedly between the Institutions.

22. It would not be appropriate to impose standard equipment where needs are genuinely different, but it is hard to see why the specification of basic office furniture and equipment need vary between Institutions. Different needs within Institutions according to the function of the user can more readily be envisaged.

23. With regard to the cases cited by the Commission in which savings have been made through timely purchases of small quantities, the rapporteur would point out that such savings could also be secured for orders placed on behalf of all the Institutions if, for those products whose prices are volatile, excessive stocks are not maintained. "Indeed, the Commission's argument supports the idea of frequent purchases of small quantities on behalf of all the Institutions. The argument that in exceptional cases a small supplier can undercut a larger does not undermine the fact that in general the larger the order the lower the unit price. Nor is it clear why a joint purchasing agency would be unable to take advantage of the lower prices offered by one or several smaller suppliers.

Future action

24. The rapporteur recommends that the Institutions be given more time to develop the existing voluntary cooperation procedures which the reports of the Court of Auditors and Parliament have served to promote before a more institutionalized form of cooperation is considered. Recent developments should be evaluated before Parliament adopts a final position on the creation of a Joint Advisory Committee on Procurement and Contracts or a single purchasing agency.

25. But such a recommendation should not be taken to mean that the proposals to establish central agencies have been abandoned : if the existing voluntary procedures do not lead to savings, Parliament will have to return to this matter. A review of progress should be carried out, initially by the Court of Auditors, in the course of 1985.

26. A simple survey carried out by the rapporteur of the unit cost of recent orders placed by the Institutions reveals divergencies in prices which suggest that considerable scope for savings exist.

IV. THE TREND OF EXPENDITURE

27. The report (Doc. 1-624/81) submitted by the Committee on Budgetary Control to the Plenary, supporting its motion for a resolution, contained tables showing the trend of recent expenditure on office equipment. These tables can now be updated to show expenditure for 1981 and 1982.

28. An analysis of this category of expenditure for the years 1980, 1981 and 1982 reveals a decreasing trend in the funds devoted to the purchase of new office machines, etc, and an increasing trend of expenditure on hire and maintenance. Total expenditure fell by 2 per cent from 1980 to 1981 but rose by almost 2 per cent from 1981 to 1982.

29. These figures suggest a switch of resources from the purchase of new goods to repairing the existing stock and hiring equipment but other factors, particularly the fluctuation of the Belgian Franc, have probably exerted a considerable influence and the trends vary markedly from Institution to Institution.

TABLE 1 : Expenditure on the purchase of administrative assets
(excluding research)

x 1,000 ECUS

Institution	Year	Office Machines 2200/2201	Furniture 2210/2211	Technical Equipment 2220/2221	Transport 2230/2231	Stationery Office Supplies 230 /	TOTAL	%age change
Commission	1980	315.8	423.8	1632.3	157.6	3307.4	5836.9	
	1981	459.7	1005.8	1672.8	312.1	3697.8	7148.3	+22
	1982	509.2	1097.3	1898.4	193.4	3946.7	7645	+6.9
European Parliament	1980	458.7	2365.5	2775.1	197.7	1149.1	6946	
	1981	753.3	853.5	1868	295.1	1243	5012.9	-27.8
	1982	283.6	379.8	1679.2	187.5	1537.3	4067.4	-18.7
Council	1980	101.9	382.5	1227.2	23.5	1057.9	2792.8	
	1981	119.6	268.6	618	25.5	992.5	2024.1	-27.5
	1982	128.2	212	597.3	15	940.8	1893.3	-6.5
Court of Justice	1980	49.1	70.6	52.3	54	185	411	
	1981	71.2	70.4	64.1	47.6	220.7	473	+15
	1982	55	39.7	69.9	45.6	203.4	413.6	-12.6
ESC	1980	32.4	122.7	122.8		140	417.9	
	1981	17.2	83	77	10.7	199.2	387.1	-7.4
	1982	114.8	56.3	50.8	6.2	198.7	426.8	+10.3
Court of Auditors	1980	27	38.3	27.3	45.5	51.8	189.9	
	1981	3.9	25.5	5.6	31.6	66.6	131.2	-50.9
	1982	4.6	25.4	27	22.9	84	163.9	+24.9
TOTAL	1980	984.9	3403.4	5837	478.1	5891.2	16594.6	
	1981	1423.9	2303.4	4305.5	722.6	6419.8	15176.5	-10
	1982	1095.4	1810.5	4322.6	470.6	6911.3	14610	-3.9

Source : 1980 : Budget of the Communities 1982, OJ L31 of 8.2.82.

1981 : Budget of the Communities 1983, OJ L19 of 24.1.83.

1982 : Draft Budget of the Communities 1984.

TABLE II : Expenditure on the hire of administrative assets

x 1,000 ECUs

Institution	Year	Hire of office machines 2202	Hire of furniture 2212	Hire of technical equipment 2222	Hire of transport equipment 2232	TOTAL	%age change
Commission (incl. Office for Official Publications)	1980	0.09	0.2	1719.9	18.3	1738.5	
	1981	0.2	-	1915.8	25.7	1941.7	> +11.7
	1982	0.4	-	2220.3	51.3	2272	> +17
Parliament	1980	6.4	0.2	736.6	245.0	988.2	
	1981	0	4.8	852.9	287.8	1145.5	> +15.9
	1982	0	0	1058.9	235.3	1294.3	>
Council	1980	3.3	1.8	361.2	24.8	391.1	
	1981	0.2	-	359.1	30.1	369.4	> -5.5
	1982	2.2	2.5	287.4	40.9	333	> -9.8
Court of Justice	1980	-	-	75.0	1.3	76.3	
	1981	-	-	92.7	-	92.7	> +21.5
	1982	-	-	167.9	0.3	168.2	> +16.7
ESC	1980	69.4	-	73.8	0.5	143.7	
	1981	56.7	-	90.1	1.9	150.7	> +4.9
	1982	56	-	106.3	0.8	163.1	> +8.2
Court of Auditors	1980	11.5	-	35.0	0.8	47.3	
	1981	11.3	-	45.3	2.1	58.7	> +24
	1982	23.5	-	34.8	3.9	62.2	> +6
TOTAL	1980	90.7	2.2	3001.5	290.7	3385.1	
	1981	70.4	4.8	3335.9	347.6	3758.7	> +11
	1982					4232.7	> +12.6

Sources : - 1980 : Budget of the Communities 1982, OJ L31 of 8.2.82.
 1981 : Budget of the Communities 1983, OJ L19 of 24.1.83.
 1982 : Draft Budget of the Communities 1984

TABLE III : EXPENDITURE ON THE MAINTENANCE, USE AND REPAIR OF ADMINISTRATIVE ASSETS

x 1,000 ECUs

Institution	Year	Maintenance use & repair of office machines 2203	Maintenance use & repair of furniture 2213	Maintenance use & repair of technical equipment 2223	Maintenance use & repair of transport equipment 2233	TOTAL	%age change
Commission (incl. Office for Official Publications)	1980	191.3	92.7	559.2	451.4	1294.6	
	1981	229.5	-	791.8	552.0	1668.6	+28.8
	1982	252.5	99.5	877.1	649	1878.1	+12.6
Parliament	1980	113.5	3.5	261.6	209.8	588.4	
	1981	124.9	6.7	352.1	271.5	755.2	+28.3
	1982	166.4	6.3	476.9	298.7	948.3	+25.7
Council	1980	11.4	10.8	134.7	25.5	182.4	
	1981	12.0	13.7	162.8	20.9	209.4	+14.8
	1982	19.3	14.8	210.7	25.2	270	+28.9
Court of Justice	1980	25.0	0.5	59.6	80.9	166.0	
	1981	25.2	0.2	59.7	94.9	180.0	+8.4
	1982	25	0.3	60	100.4	185.7	+3.2
ESC	1980	34.5	1.2	78.4	14.2	128.3	
	1981	35.5	3.8	80.4	14.9	134.6	+4.9
	1982	37.1	4.4	82.5	18.5	142.3	+5.7
Court of Auditors	1980	11.5	1.1	12.7	57.5	82.8	
	1981	19.8	0.6	18.9	59.3	98.6	+19
	1982	21	1	20.8	63.2	106	+ 7.5
TOTAL	1980	387.2	109.8	1106.2	839.3	2442.5	
	1981	446.9	120.3	1465.7	1013.5	3046.4	+24
	1982	521.3	126.3	1717.8	1155	3530.4	+15.9

Source : 1980 : Budget of the Communities 1982, OJ L31 of 8.2.82.

1981 : Budget of the Communities 1983, OJ L19 of 24.1.83.

1982 : Draft Budget of the Communities 1984

TABLE IV :

COMPARISON OF TOTAL EXPENDITURE ON :

PURCHASE
HIRE
MAINTENANCE, USE, REPAIR] - of office machines, furniture, technical equipment
and transport equipment in 1980, 1981 and 1982

x 1.000 ECU

Institution	Year	Purchase	Hire	Maintenance, use & repair	TOTAL	%age change	Proportion of total Community expenditure on office machines, etc
Commission	1980	5836.9	1738.5	1294.6	8870.0		
	1981	7148.2	1941.7	1668.6	10758.5	+21.3	39.5
	1982	7645	2272	1878.1	11795.1	+ 9.6	49 52.7
Parliament	1980	6496.0	988.2	588.4	8522.6		38
	1981	5012.9	1145.5	755.2	6913.6	-18.9	31.5
	1982	4067.4	1294.2	948.3	6309.9	- 8.7	28.2
Council	1980	2792.9	391.1	182.4	3366.3		15
	1981	2024.1	369.4	209.4	2602.9	-22.7	11.8
	1982	1893.3	333	270	2496.3	- 4.1	11.2
Court of Justice	1980	411.0	76.3	166.0	653.3		2.9
	1981	473.0	92.7	180.0	745.7	+14.1	3.4
	1982	413.6	108.2	185.7	707.5	- 5.1	3.2
ESC	1980	417.9	143.7	128.3	689.9		3.1
	1981	387.1	150.7	134.6	672.4	-2.5	3.1
	1982	426.8	163.1	142.3	732.2	+8.9	3.3
Court of Auditors	1980	189.9	47.3	82.8	320.0		1.4
	1981	131.2	58.7	98.6	288.5	-9.8	1.3
	1982	163.9	62.2	106	332.1	+15	1.5
TOTAL	1980	16594.6	3385.1	2442.5	22422.1		100
	1981	15176.5	3758.7	3046.4	21981.6	-1.96	100
	1982	14610	4232.7	3530.4	22373.1	+1.8	100

Source : 1980 : Budget of the Communities 1982, OJ L31 of 8.2.82.

1981 : Budget of the Communities 1983, OJ L19 of 24.1.83.

1982 : Draft Budget of the Communities 1984

ANNEX 2

The rapporteur wrote to the administrations of the various Institutions requesting information on the cost and quantity of the most recent contract placed for certain standard office equipment. The results are summarized in the table below :

Institution	White offset paper		Lever-arch file, DIN A4		Four-drawer "AHREND" filing cabinet	
	Unit Price ECU / Kg	Quantity purchased	Unit Price ECU	Quantity purchased	Unit Price	Quantity purchased
		Joint contract ✓ Yes X No		Joint contract ✓ Yes X No		Joint contract ✓ Yes X No
PARLIAMENT	0.68	160,000 kg	0.96	15,000	204	50
		X		X		X
COMMISSION	0.726	1,560,000 kg	1	45,000	182.5	150
		X		X		X
COUNCIL						
COURT OF JUSTICE	0.68	30,000 kg	1.08	750	168.8	5
		X		✓		X
COURT OF AUDITORS	N/A		1	2,047	160.3	13
				✓		X

This reveals that there are differences, sometimes substantial, in the prices obtained by the various Institutions. These variations can in certain cases be explained by variations in specification, e.g. the high price paid by Parliament for its filing cabinets results from the two-tone colour requested.