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Report

drawn up on behalf of the Committee on Budgets

on the fixing of the ECSC levy rate and on the
drawing up of the ECSC operating budget for 1984
(Doc. 1-650/83 - COM(83) 464 final)

Rapporteur: Mr W. F. NEWTON DUNN

PE 86.767/fin.

By letter of 19 August 1983, the Commission of the European Communities forwarded to the European Parliament its Memorandum on the fixing of the ECSC levy rate and the drawing up of the ECSC operating budget for 1984.

On 12 September 1983, the President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Energy, Research and Technology, the Committee on Economic and Monetary Affairs and the Committee on Social Affairs and Employment for opinions.

At its meeting of 21 September 1983 the Committee on Budgets appointed Mr NEWTON DUNN rapporteur.

The committee considered the draft report at its meeting of 24 October 1983 and adopted the motion for a resolution by 14 votes to none with 2 abstentions.

The following took part in the vote: Mr LANGE, chairman; Mrs BARBARELLA, vice-chairman; Mr NEWTON DUNN, rapporteur; Mr ABENS, Mr ARNDT, Mr BALFOUR, Mr BARBAGLI, Mr BONDE, Mrs BOSERUP, Lord DOURO, Mrs HOFF, Mr LALUMIERE, Mr LANGES, Mr NIKOLAOU, Mrs PHLIX (deputizing for Mr K. SCHON), Mr PROTOPAPADAKIS, Mr SABY, Sir James SCOTT-HOPKINS (deputizing for Mr JACKSON).

The opinions of the Committee on Energy, Research and Technology and the Committee on Economic and Monetary Affairs are attached. The opinion of the Committee on Social Affairs and Employment will be published separately.

The report was submitted on 26 October 1983.

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

MOTION FOR A RESOLUTION

on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1984

The European Parliament,

- having regard to the aide memoire on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1984 (Doc. 1-650/83),
- having regard to the report of the Committee on Budgets and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Social Affairs and Employment and the Committee on Energy, Research and Technology (Doc. 1-948/83),
- whereas
 - (a) the economic and social prospects for the coal and steel sectors only offer a slight hope of economic recovery and hardly any hope of improvement in the employment situation,
 - (b) the draft ECSC operating budget reflects the Commission's legislative proposals to provide a remedy for this crisis,
- 1. Welcomes the progress made on harmonization and coordination of the presentation of the ECSC operating budget with that of the general budgetary procedures;
- 2. Asks that this effort should be continued and that in particular:
 - the presentation of the operating budget should be brought more into line with that of the general budget,

- the lending and borrowing transactions should be included in the budget;
3. Draws attention to the growing imbalance between financial resources and requirements, the financing of which can no longer be guaranteed from the general budget in view of the exhaustion of the Community's own resources;
 4. Hopes therefore that:
 - the customs duties from ECSC products should be included in the Community's own resources even prior to the conclusion of a global agreement on the future financing of the Community,
 5. Considers that the draft operating budget should be amended to take account of the opinions delivered by the European Parliament on the legislative proposals of the Commission as concerns solid fuels and steel policy;
 6. Establishes, for its part, the ECSC levy rate at 0.31%.

EXPLANATORY STATEMENT

1. On 19 August 1983 the Commission published the draft operating budget of the ECSC for 1984 (COM(83) 464). This draft, in which revenue and expenditure are in balance, amounts to 370 m ECU; it fixes the ECSC Levy rate at 0.31%. This latter percentage has not been changed since the 1980 budget. 45% of the budget is to be financed from extraordinary resources, i.e. contributions from the general budget of the Communities to the ECSC budget. The ECSC budget is summarized in the table annexed to the present document.

2. The present draft budget contains several improvements over those of previous years corresponding to the requests made by the Parliament and in particular:

- presentation of revenue and expenditure based on the model of the general budget;
- harmonization of the date of submission of the draft ECSC budget with that of the general budget of the Communities.

These improvements certainly represent progress and here the Commission is to be congratulated. Nevertheless these reforms do not go as far as Parliament requested most recently in its resolution of 14 December 1982 on the 1983 operating budget.

EXPLANATORY MEMORANDUM

3. In its explanatory memorandum, called in this case the 'general introduction', the Commission sets out the economic and political background to this budget.

In the section entitled 'the economic outlook for 1983 and 1984' the Commission looks essentially at 1983 and only allows itself a very cautious extrapolation for 1984. In the coal and steel sector the Commission shows less confidence in its economic forecasts than it did in the general budget. It restricts itself to the following declaration for 1984 (page 7).

'The slight increase in GDP noted in 1983 should continue into 1984 although it will continue to be weak. GDP should rise from one year to the next by 1.6%, a figure equal to an underlying growth rate of approximately 2% over the year.' As regards the prospects for the development of the coal sector the Commission's analyses for 1982 and 1983 lead it to conclude that: 'it is not possible at present to make forecasts for 1984' (page 9) in respect of either coal requirements or coal availability. Only if the Community succeeds in pulling itself out of recession can it be expected that in 1984 there will be an increase in the volume of sales and a bolstering of prices. The 'outlook for the steel industry' concludes with the hope that the steel industry may be able to benefit from the improvement in the general economic situation. The Commission adds that it would seem wise to keep the same figure for total production as in 1983, i.e. 106 million tonnes.

4. In the section devoted to the 'policy context' the Commission recalls the state of negotiations within the Council concerning solid fuel policy. The last document of the Commission (COM(83) 309 of 10 June 1983) is at present before Parliament. A proposal for a new regulation concerning coking coal for the steel industry is also before Parliament (COM(83) 295). The Committee on Budgets will be delivering separate reports on these proposals and will take account of them in its amendments to the ECSC budget. In the research, development and demonstrations sector several activities will be continued both under the ECSC budget and the general budget. As concerns steel policy the Commission intends to pursue until 31 December 1985 the anti-crisis measures introduced in October 1980 and since renewed three times introducing mandatory quotas for most flat and long products. The Commission did not conceal the fact either that the effort to rationalize and drastically reduce excess production capacity will have to be extended and even stepped up. The rapporteur can add that certain Member States are ahead of others as concerns reorganization of the steel industry and this makes it even more urgent for the latter states to undertake extra efforts.

5. The social policy is faced with very large reductions in jobs: 290,000 between 1974 and April 1983 in the steel sector, of which 71,000 were lost in 1980, 49,000 in 1981 and 39,000 in 1982. Commission aids in the form of housing loans (ECSC Article 54) and finance for research projects on occupational safety (ECSC Article 55) are hardly likely to alleviate the situation. The low-interest conversion loans to be financed by the ECSC

budget and the regional fund are intended by the Commission to contribute to the creation of new jobs. The immediate effects of readjustment measures must be tempered by specific temporary aids. In 1981 Community support measures for early retirement and part-time working amounted to 212 m ECU which came partly from national budgets and partly from transfers from the Community general budget.

In January 1983 the Commission proposed the continuation and extension of these measures amounting to 330 m ECU to be financed entirely by transfers from the general budget to the ECSC budget.

6. The Commission concludes its explanatory memorandum with a brief account of ECSC borrowing and lending operations.

In 1984 the borrowing/lending policy will continue to be based on:

- the conformity of steel investments with Community restructuring policy;
- priority investments, particularly for conversion projects;
- increased coal productivity.

Overall the Commission provides for a reduction in these activities in 1984 in relation to 1983 (850 m ECU compared with 1,000 m ECU in 1983).

DRAFT ECSC OPERATING BUDGET FOR 1984

7. Before going into details on this draft budget it should be recalled that the budgetary powers in respect of the ECSC operational budget differ considerably from those for the general budget. The Council may only intervene if and when the Commission proposes a rate of levy exceeding 1%. The ECSC Treaty does not give Parliament any part at all, but since 1957 the Commission has undertaken to consult it.

8. The report by Mr NORD on the 1982 operating budget recapitulated the financial and budgetary activities of the ECSC (Doc. 1-839/81). The report by Mr Konrad SCHON on the operating budget for 1983 (Doc. 1-959/82) gave a detailed account of Parliament's repeated demands in this matter. Your rapporteur does not wish to repeat these details and refers the reader to the documents quoted.

9. However, the rapporteur must note that the Commission has not or has only partially met the following requests by Parliament:

- coordination and harmonization of the presentation of the ECSC operating budget with the general budget. This harmonization was observed this year as far as classification and the date of presentation went. It was not observed in respect of the presentation as such or for the nature of the ECSC budget which remains a budget of commitments rather than annual payments;
- inclusion in the budget of borrowing/lending operations. In the case of the general budget the Commission supports Parliament's request for the inclusion of borrowing and lending in the budget. It would be logical for the Commission to set a good example in its ECSC operating budget where it has the power to budgetize these activities.

10. In two other spheres the Commission has followed Parliament:

- it has abandoned the idea of mixed financing for the support arrangements for the use of coking coal in the steel industry. The Commission proposes the transfer of these measures en bloc to the general budget. This transfer will make available 6 m ECU for other purposes in the ECSC budget;
- it has reintroduced a proposal to take over from the own resources section of the Community budget the customs duties on ECSC products, in the context of the future financing of the Community.

11. As regards expenditure, the rapporteur considers that the Commission's proposals constitute a satisfactory distribution of the available resources. Some amendments to the remarks would make it possible to incorporate more easily in this budget the views of the European Parliament concerning the latest proposals submitted for Parliament's opinion.

12. As regards revenue, the problems are more serious. In view of the impossibility of any considerable increase in the rate of ECSC levies in the present period of crisis in the sector, the ECSC is becoming more and more dependent on contributions from the general budget. As the general budget

is also reaching the limit of available resources, the present proposals for transfers to the ECSC budget incur major problems in themselves. The rapporteur approves the principle and the overall amount of these transfers but he wonders whether technical modifications could not relieve the pressure of these transfers on the 1984 budget.

13. For example, the introduction of the concept of differentiated appropriations in the ECSC operating budget would reduce cash requirements for 1984 and would also make it possible to enter an amount for revenue under miscellaneous resources and to abolish items such as unused resources from the financial year 1983. At the same time one should not wait for an overall solution to future financing before trying to incorporate customs duties into the own resources of the Community. This transfer of customs duties could constitute part of the financing of the social side of steel restructuring.

CONCLUSION

14. The draft ECSC budget for 1984 represents considerable progress as regards harmonization of budgetary procedures for the ECSC operating budget and the general budget. The distribution of appropriations corresponds by and large to the wishes of Parliament. Certain improvements are necessary in the light of the opinions delivered on the basic legislative proposals. The Commission should be asked to make an extra effort to incorporate borrowing and lending operations in the budget.

15. In view of the impossibility of increasing the rate of ECSC levies in the present economic crisis, there have to be transfers from the general budget to the ECSC budget. Given the fact that the general budget has reached the limit of Community resources, the ECSC liquid requirements in 1984 should be reduced by introducing the concept of differentiated appropriations in the ECSC budget. The transfer of customs duties on ECSC products to the Community cannot be left until an overall solution has been found to the problems connected with the future financing of the Community.

SUMMARY TABLE

(in million ECU)

REQUIREMENTS	1983 Forecast Outturn	1984 Draft Budget	RESOURCES	1983 Forecast Outturn	1984 Draft Budget
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	175	250	1.1 Yield from levy at 0.31%	128	131
2.1 Aid for redeployment (Art. 56)	125	140	1.2 Interest on investments and on loans from non-borrowed funds	80	70
2.2 Social measures connected with restructuring of steel industry	50	110	1.3 Fines and surcharges for late payment	5	5
3. Aid for research (Art. 55)	54	65	1.4 Miscellaneous	token	entry
3.1 Steel	23	28.5	2. Cancellation of commitments unlikely to be implemented	5	3
3.2 Coal	19.5	24.0	3. Revaluation of assets and liabilities	token	entry
3.3 Social	11.5	12.5	4. Unused resources carried over from 1981	token	entry
4. Interest subsidies	53	59	5. Exceptional revenue		
4.1 Investment (Art. 54)	9	12	5.1 Social measures connected with restructuring of steel industry		
4.2 Conversion (Art. 56)	44	47	5.2 Contribution from general budget for restructuring of coal industry	50	110
5. Aid for coking coal and metallurgical coke (Art. 95)	6	-	6. Drawings on contingency reserve	-	60
	293	379		293	379
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
6. Subsidized housing	15	12	6. Special reserve and former ECSC Pension Fund	15	12

OPINION OF THE COMMITTEE ON ENERGY, RESEARCH AND TECHNOLOGY

Letter from the Committee chairman to Mr LANGE, chairman of the Committee on Budgets

Subject: Observations concerning the fixing of the ECSC levy rate and the drawing up of the ECSC operating budget for 1984 (Doc. 1-650/83 - COM(83) 464 final)

Dear Mr Chairman,

At its meeting of 30 September 1983 the Committee on Energy, Research and Technology considered the fixing of the ECSC levy rate¹.

In view of the difficult economic and budgetary situation which the Community is currently experiencing, the committee approves the fixing of an unaltered levy at 0.31%.

In view of the very serious structural problems in the coal sector (there is no hope of improvement in the near future), our committee hereby calls on the Commission to consider what direction a common coal policy is to take in the long term and in particular, how it is to be financed.

If there is no change in this policy, increases in budgetary expenditure in the coal sector can only be counted on if reasonable production conditions can be guaranteed, as stipulated time and again in the energy policy objectives of the Community.

In this connection our committee also points to the 'Commission proposals for a balanced solid fuels policy' (COM(83) 309 final) and the 'Proposals concerning financial support of the Community in favour of industries producing solid fuel' (Doc. 1-647/83 - COM(83) 447 final), currently under consideration by Parliament.

Yours sincerely,

Hanna WALZ

¹ Present: Mr SELIGMAN, acting chairman; Mr ADAM, Mr FLANAGAN, Mr GALLAGHER, Mr MORELAND, Mr NORMANTON, Mrs PHLIX, Mr PURVIS and Mr SHERLOCK (deputizing for Sir Peter VANNECK).

O P I N I O N

of the Committee on Economic and Monetary Affairs

Draftsman: Mr Müller-Hermann

At its meeting of 19 and 20 September 1983, the Committee on Economic and Monetary Affairs appointed Mr Müller-Hermann draftsman of an opinion.

At its meetings of 17, 18 and 19 October 1983, the committee considered the draft opinion. It adopted the conclusions unanimously on 19 October.

The following took part in the vote: Mr Moreau, chairman; Mr Hopper, vice-chairman; Mr Müller-Hermann, rapporteur; Mr Beazley, Mr Bonaccini, Mr Caborn, Mr Papantoniou, Sir Brandon Rhys-Williams, Mr Wagner and Mr Welsh.

The Committee on Economic and Monetary Affairs

1. Agrees with the Commission that, in view of the crisis which the sectors concerned are undergoing, an increase in the levy rate to balance the budget and provide financing for modernization measures is out of the question;
2. Notes however that, as in previous years, appropriations are not sufficient to cover financial needs which amount to 379 m ECU for the 1984 financial year, with the result that a transfer of appropriations from the general budget of the Communities to the ECSC budget is once again necessary; this year a transfer of this sort must be made not only for social measures in the iron and steel sector, but also for the restructuring of the coal sector; these transfers have been approved in principle in the opinions delivered on the relevant proposals;
3. Notes that the contributions from the general budget of the Communities (170 m ECU) are almost reaching the level of the ordinary resources of the ECSC (209 m ECU); reaffirms that in view of this dearth of appropriations it is essential that the revenue from customs duties be added to the resources of the ECSC.

