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LETTER

from the Council of the European Communities

on the strengthening of the budgetary powers of the European Parliament

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COUNCIL
OF THE
EUROPEAN COMMUNITIES

The President

Brussels, 23 July 1974

Mr Cornelis BERKHOUWER

President of the
European Parliament

Case postale 1601

LUXEMBOURG

(Grand Duchy of Luxembourg)

Sir,

As I had the pleasure of informing you in my letter of 16 July 1974, the Council has noted with particular interest the comments made by the Delegation from the European Parliament, which you headed, at the meeting on 25 June, on the strengthening of the budgetary powers of the European Parliament.

Following this meeting, the Council considered it advisable to make further information available to the Parliament regarding the considerations which influenced it in establishing the joint guidelines which were communicated to you.

The Council hopes that this additional information - which you will find attached to this letter - will enable the Parliament to make a fuller evaluation of the Council's guidelines.

The Council naturally proposes to devote its closest attention to the opinion of the European Parliament on its guidelines.

Furthermore, the Council has noted the desire expressed by the Delegation from the European Parliament to 'work out, on the basis of the Council's guidelines - and subject to the assent of the European Parliament - provisions which could be implemented simply by means of an agreement between the institutions.' I must, however, point out that the Council has not yet been able to consider what action should be taken on this suggestion.

Please accept, Sir, the assurance of my highest consideration.

J. Sauvagnargues

Considerations

which influenced the Council in establishing its first guidelines on the strengthening of the budgetary powers of the European Parliament and on the points on which the delegation from the Parliament commented during its meeting with the Council on 25 June 1974 in Luxembourg.

1. Amendment of the maximum rate for existing own resources and establishment of new resources (Article 201)

The Council considered that it was not required, in the immediate future, to deal with the problem of amending the maximum rate for existing own resources or of establishing new resources. The maximum rate as fixed by the Council Decision of 21 April 1970 was in fact expected to provide the Communities with the resources likely to be needed for some years to come.

The Council therefore considered this was not the appropriate time for amending this provision of the Treaty. It felt however that the amendment proposed by the Commission raised a problem which could be examined later.

II. Budgetary procedure (Article 203)

1. Decision fixing the rate of VAT

The Commission proposal provided for the adjustment of the Decision fixing the rate of VAT in the normal course of the budgetary procedure and for the recording by the President of the European Parliament, at the end of the procedure, of the adoption of the Decision fixing the rate of VAT.

During the discussion of this proposal, the Council, in agreement with the Commission, considered that bearing in mind the difficulties which might arise from introducing into the Treaty rules on the annual fixing of the VAT rate especially if there was reason to amend the latter (for which would mean resorting to the procedures the revision of the Treaties), it would be preferable if the rules were laid down in another instrument, for example a financial Regulation.

2. Majority overruled

With regard to proposed modifications submitted by the European Parliament which do not have the effect of increasing the total amount of the expenditure of an institution, the Council adopted the principle whereby the Council may, acting by a qualified majority, reject proposals of this kind.

On the other hand, with regard to proposals which do have the effect of increasing the total amount of the expenditure of an institution, the Council felt it preferable to keep to the present system whereby it must act by a qualified majority in accepting such proposed modifications. The Council would of course, as in the past, deliberate on each proposal submitted by the Parliament and would inform it of the reasons for any of the proposed modifications not being adopted.

The Council felt that the proposal submitted by the Commission would call into question the institutional balance which was the aim of the system in Article 203. This was why it considered itself unable to receive it favourably.

3. Distinction between mandatory and non-mandatory expenditure

The Council considered that this distinction should be retained, if only because a limit must be fixed annually for total expenditure other than that necessarily resulting from the Treaties or from acts adopted in accordance therewith. However, the Council was aware that it was not always easy to make this distinction. This problem should be examined during the preparatory work for the 1975 budget of the European Communities.

4. Rejection of the budget in its entirety

The Council was pleased that the delegation from the Parliament recorded its agreement to the Council's request that the Parliament should give particularly clear reasons for its decision if it rejected the budget in its entirety.

The Parliamentary delegation also asked the Council to enable the Parliament to reject only certain titles in the draft budget.

The Council did not adopt any such provision and indeed none was contained in the Commission proposal.

5. Loans

It emerged from the discussions on this proposal that the contracting

of a loan, as proposed by the Commission, would only be justified by the occurrence during the budgetary year either of a new decision by the Council, or of an unforeseeable event leading to a temporary or permanent lack of resources. The Council considered that temporary deficits could be dealt with under Article 209 (b), in the version submitted by the Council to the Parliament. Permanent deficits could be covered by a supplementary budget.

6. Adoption of Financial Regulations (Article 209)

The Parliamentary delegation asked the Council to make provision, as also proposed by the Commission, for Financial Regulations to be adopted by the Council after receiving the assent of the European Parliament.

The Commission proposal would, in the Council's opinion, mean introducing a completely foreign concept into the Treaties establishing the EEC and ECSC: that of assent. For this reason the Council did not consider it possible to introduce the concept into the Community decision-taking processes.

On the other hand, the Council considered it desirable that, when required to adopt Financial Regulations, it should not only consult the Parliament but also apply the conciliation procedure which the two institutions were preparing to introduce. It was by this procedure that it would be possible for the Parliament to put forward its views when Financial Regulations were being drawn up.

III. Court of Auditors

1. Appointments of members of the Court

The Council intended to give the Court of Auditors a framework comparable to that of the other institutions. For reasons similar to those mentioned above, the Council felt that for the appointment of members it was not advisable to introduce the assent procedure. The Council considered it desirable, however, to obtain the opinion of the European Parliament before making any such appointments. Obviously the opinion of the European Parliament would have considerable weight in the deliberations preceding appointments.

2. Links between the Court of Auditors and the Public Accounts Committee

The Parliamentary delegation wanted the instruments setting up the

ANNEX

Court of Auditors to contain a provision on the links between the Court of Auditors and the Public Accounts Committee which the Parliament has just set up.

The Council considered that the last subparagraph of draft Article 22(b) which provides that 'the Court of Auditors shall assist the European Parliament and the Council in exercising their powers of control over the implementation of the budget' should satisfy the Parliament's wish and that there was not therefore any need to make a special provision stipulating the details of the links between the Court of Auditors and the Public Accounts Committee, which could in due course be determined by the Parliament and the Court.

IV. Conciliation procedure

1. Initiation of the conciliation procedure

The Parliamentary delegation objected to the fact that it was entirely up to the Council to decide whether or not to initiate the conciliation procedure.

The Council considered that the conciliation procedure should be initiated whenever the requisite pre-conditions were fulfilled. The Council's role was therefore confined to establishing that these conditions actually had been met.

2. Participation of the Council in the conciliation procedure

The Council considered that the aim of this procedure was to establish a dialogue between the Parliament and the Council. Council members would therefore take part in meetings of the Conciliation Committee and the President in office would express the joint position of the Council.

3. Completion of the work of the Conciliation Committee

(a) The Parliamentary delegation asked whether it would not be possible to arrange for both the Council and the European Parliament to decide when their positions were sufficiently close.

The Council felt that it was for each institution to ascertain when, in its opinion, their positions were sufficiently close. Experience would show how to ascertain this.

(b) The Parliamentary delegation considered that the three-month period proposed by the Council for the operation of the conciliation procedure in general was too inflexible. It wondered whether there should not be provision for the Institutions to fix a period for this procedure, by common accord in each case, and taking account of any urgent matters.

The Council's main concern was the need to ensure that this procedure did not take too long.

4. Procedure to be followed upon completion of the work of the Conciliation Committee

The Council examined the suggestions put forward by the Parliament concerning the procedure to be followed upon completion of the work of the Conciliation Committee. It considered, however, that it was not possible to make radical changes in the balance between the institutions and the Council's voting and working methods, which would be the result of the system proposed by the European Parliament.

The Council considered that the conciliation procedure should be put to the test of experience, and that it should be seen what lessons were to be learned from it.

