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Report

drawn up on behalf of the Committee on Budgets

on draft amending and supplementary budget No 2 of the European Communities
for the 1978 financial year, drawn up by the Council (doc. 565/77)

Rapporteur: Mr Michael SHAW

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On 31 January 1978 the Commission of the European Communities submitted the preliminary draft amending and supplementary budget (No. 1) for 1978.

The Council established the draft supplementary and amending budget (No. 2) for 1978 on 27 February 1978 and transmitted it to the European Parliament on the same date.

Mr Shaw's mandate as rapporteur was confirmed by the Committee on Budgets.

The Committee on Budgets considered the motion for a resolution at its meeting on 1 and 2 March and adopted it unanimously, save for one abstention. The committee asked the rapporteur to prepare an explanatory statement in line with its deliberations and undertook to complete the motion for a resolution at its meeting on 13 March.

The following were present: Mr Lange (Chairman); Mr Aigner (Vice-Chairman); Mr Shaw (rapporteur); Lord Bruce of Donington, Mr Caillavet, Mrs Dahlerup, Mr Dalyell, Mr Früh, Mr Notenboom, Mr Ryan, Mr Schreiber, Mr Scott-Hopkins and Mr Spinelli.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	7

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 draft amending and supplementary budget no. 2 of the European Communities for the 1978 financial year, drawn up by the Council

The European Parliament

- having regard to the preliminary draft amending and supplementary budget no. 1 of the European Communities for the 1978 financial year (COM(78) 25);
 - having regard to the draft amending and supplementary budget no. 2 of the European Communities for the 1978 financial year, drawn up by the Council (Doc. 565 /77);
 - having regard to the report of the Committee on Budgets (Doc. 581 /77);
- (a) Recalling its view that a supplementary budget should have the hall-marks of exceptional, unavoidable and unforeseen circumstances;
- (b) Conscious of the acute and exceptional nature of the crises in the steel and textile sectors of the Community;
- (c) Aware of the need for the milk sector co-responsibility levy to be adequately reflected in the budget;

As to receipts

1. Deplores, once again, that the VAT based system of own resources is not in operation as had been envisaged when the 1978 budget was being adopted;
2. Notes with concern that the full picture as regards the inflow of receipts is not apparent in the budget, because of the operation of various arrangements including those stemming from Article 131 of the Treaty of Accession;

As to staff for the new measures in the steel and textile industries

3. Recognizes that grave problems for production and employment have arisen in the steel and textile industries of Europe and these pose serious difficulties that require to be tackled at the Community level;

4. Finds it unusual that the Commission could assert that, at this early point in the financial year, the funds needed for the staff posts required by the new measures might be found within the budget, which could imply that appropriations voted for other policies will not now be used as intended originally by the budgetary authority;

As to the assumption by the budget of financial obligations connected with fishing in the Adriatic.

5. Approves the assumption by the Community of certain financial obligations connected with fishing in the Adriatic;
6. Considers, however, that this charge will require to be incorporated in the provision to be made in future budgets for the wider Community fishing policy;

As regards the extension of the EEC overall guarantee for the loans accorded by the European Investment Bank to the Lebanon

7. Regards it to be appropriate, and in accordance with the frequently expressed policy of the European Parliament, that the budget guarantee should be extended to cover loans accorded by the E.I.B. to the Lebanon;
8. Will re-examine the form of the budgetization of the guarantee in the context of the 1979 draft budget when it will consider the most appropriate approach;

Conclusion

9. Approves this draft amending and supplementary budget no. 2 for the 1978 financial year.

EXPLANATORY STATEMENTCommission's proposal: receipts side

1. On 31 January 1978, the Commission submitted Preliminary Draft Amending and Supplementary Budget (No. 1) for 1978. The Council and Parliament were agreed as to the urgency of making progress with the section which took care of the problem arising from the failure of seven Member States to take the necessary measures in regard to Community VAT, in time.

2. At the February part-session, Parliament approved Amending Budget No. 1 which adjusted the receipts side to take care of the problems arising from the non-introduction of Community VAT.

3. The following table sets out the position as regards total receipts, comparing the situation as seen (with the VAT element built-in) when the 1978 Budget was adopted, and the present situation taking account of the adjustments to contributions following on the first Amending Budget and the extra expenditure provided for in the Draft Supplementary Budget now under consideration.

Country	1978 Budget, as adopted: page 40 of OJ L 36, 6.2.78	Draft Amending and Supplementary Budget (No. 2) 1978 page 14	Difference - plus or minus
	in EUA	in EUA	in EUA
Belgium	889,948,082	853,186,547	- 36,761,535
Denmark	373,767,579	363,801,191	- 9,966,388
Germany	3,633,436,795	3,610,759,366	- 22,677,429
France	2,261,308,209	2,203,819,120	- 57,489,089
Ireland	104,002,859	95,793,688	- 8,209,171
Italy	1,446,854,215	1,584,759,101	+ 137,904,886
Luxembourg	15,672,245	13,636,713	- 2,035,532
Netherlands	1,291,338,333	1,270,578,315	- 20,760,018
U.K.	2,209,976,448	2,230,416,724	+ 20,440,276
	12,226,304,765	12,226,750,765	+ 446,000

4. The Committee on Budgets, when considering Draft Amending and Supplementary Budget No. 2, deplored once again the failure of Member States to take the necessary steps, in good time, in regard to the introduction of Community VAT. Also the committee was concerned to note that the receipts pattern, as shown in the Amending and Supplementary Budget is not comprehensive; there are, as well, the arrangement under Article 131 of the Treaty of Accession together with other adjustments made to the sums paid by the Member States with the result that the Budget, as published, does not reflect a true situation in regard to the receipts.

Staff to deal with the steel and textiles sectors

5. The Committee on Budgets is keenly aware of the problems in the steel and textile sectors of the Community which have a serious impact on production and employment. The work of monitoring, supervising and reorganizing will require the recruitment of staff with special qualifications. Having examined the justifications proposed by the Commission for the posts sought, the Committee on Budgets was satisfied that 84 posts in all are required.

Temporary nature of the measures

6. However, the Committee on Budgets was of the view that the measures concerned - though undoubtedly urgent and important - are not designed to last for an indefinite period. Therefore, the new posts should reflect the temporary nature of the work involved. This aspect was partly recognized by the Council which has modified the nature of the posts sought by the Commission.

Additional posts sought by the Commission

7.	A	B	C	<u>Total</u>
	24	29	31	84

Additional posts envisaged in the draft budget

	A	B	C	<u>Total</u>
Permanent	16	24	31	71
Temporary	8	5	—	13
Total	24	29	31	84

The Commission was willing to agree to this proposal, recognizing the temporary and specific nature of certain of the tasks involved, thus reiterating its stance of 16 January 1978 when the initial presentation to the Committee on Budgets was made.

The rapporteur examined the position and considered that the following breakdown might appear to be more appropriate, in all the circumstances.

	A	B	C	Total
Permanent	15	19	20	54
Temporary	9	10	11	30
Total	<u>24</u>	<u>29</u>	<u>31</u>	<u>84</u>

The following is a suggested breakdown:

	<u>Permanent</u>	<u>Temporary</u>	<u>Total</u>
A2	2		2
A4	4	4	8
A5	2	5	7
A6	4		4
A7	3		3
	<u>15</u>	<u>9</u>	<u>24</u>
B1	4	3	7
B2	4	4	8
B3	5	2	8
B4	3	1	4
B5	2		2
	<u>19</u>	<u>10</u>	<u>29</u>
C1	4	1	5
C2	6	5	11
C3	7	4	11
C4	2	1	3
C5	1		1
	<u>20</u>	<u>11</u>	<u>31</u>

However, it was decided by the Committee on Budgets to defer the adoption of its position on this aspect until its meeting on 13 March 1978.

Absence of provision of funds in the draft budget for the additional staff

8. In the Preliminary Draft Supplementary Budget, the Commission sought additional appropriations of 1,383,000 EUA to cover the cost of the 84 staff. The Committee on Budgets was surprised to read in the explanatory memorandum to the draft supplementary budget No. 2 that "The Council has noted that the Commission intends to release at this stage the appropriations within the 1978 budget necessary to cover title 1 expenditure on the 84 additional posts, i.e. 1,383,000 EUA".

This gave the impression that there was a degree of "padding" within the 1978 budget as adopted.

Adriatic fishing

9. The Committee on Budgets noted the earlier steps¹ regarding the rights of Italian fishermen to fish in the Yugoslav waters of the Adriatic. The committee agreed to the entering in the budget of a round sum of 215,000 EUA.

Financial contribution of the milk producers

10. The Committee on Budgets noted that this measure represented an effort to improve the situation regarding the structural surpluses arising from the imbalance between milk supply and demand. It also recalled that Parliament had earlier endorsed this arrangement. The committee agreed the proposals in the draft amending budget represented an attempt to make the presentation of the budget clearer and it decided to review the entire presentation, in the context of its deliberations in the 1979 budget with a view to the full budgetization of these contributions.

Budget guarantee for loans

11. The Committee on Budgets endorsed the revised remarks covering Item 9681 which have the effect of extending the EEC overall guarantee to the loans accorded by the EIB to the Lebanon.

CONCLUSIONS

12. The Committee on Budgets approved the draft amending and supplementary budget (No. 2) for the financial year 1978.

The committee noted that the measures in regard to the steel and textiles sectors are largely of a temporary nature and the need for them will cease when the competitiveness of these sectors has been restored. This aspect was already indicated by the member of the Commission responsible at the meeting of the Committee on Budgets on 16 January 1978. The committee considered that a higher proportion than 13:71 of the staff should be temporary and agreed to examine the matter further at its meeting on 13 March 1978. The committee decided also to look at the part of the text relating to the financial contributions of the milk producers at its meeting on 13 March.

¹ Bilateral agreement between Italy and Yugoslavia on 15 June 1973 and Council resolution and decision of 3 November 1973.