Report

drawn up on behalf of the Committee on Budgets

on measures to combat fraud and irregularities relating to the common agricultural policy, with reference to the third report by the Special Committee of Enquiry on beef and veal

Rapporteur: Mr M. COINTAT
The Committee on Budgets received the report by the Special Committee of Enquiry on the Guarantee Section of the EAGGF, beef and veal on 3 August 1976.

In view of the importance of the subject and on a proposal by the 'Control' subcommittee, it decided to submit a report to Parliament.

On 22 September 1976 it appointed Mr COINTAT rapporteur.

At its meeting of 27 April 1977 it considered the report drawn up by Mr COINTAT and adopted it unanimously.

Present: Mr Lange, chairman; Mr Cointat, vice-chairman and rapporteur; Lord Bessborough, Lord Bruce of Donington, Mr Clerfaÿt, Mr Früh, Mr Hamilton, Mr Maigaard, Mr Mascagni, Mr Radoux, Mr Ripamonti, Mr Schreiber and Mr Spinelli.

The opinion of the Committee on Agriculture is attached.
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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 measures to combat fraud and irregularities relating to the common agricultural policy, with reference to the third report by the Special Committee of Enquiry on beef and veal.

The European Parliament,

- having regard to the third report by the Special Committee of Enquiry on the Guarantee Section of the EAGGF, beef and veal (COM (76) 370 final),
- having regard to the report by the Committee on Budgets and the opinion of the Committee on Agriculture (Doc. 88/77),

1. Recalls its interest in the work of the Special Committee of Enquiry and calls for the renewal of the latter's mandate for all sectors of the common agricultural policy particularly threatened by fraud;

2. Invites the Commission to continue its efforts towards finalizing the rules for applying Regulation No. 283/72 on measures to combat irregularities;

3. Requests the Council to speed up the introduction of Community measures to combat irregularities, in particular through cooperation between national administrations and between the latter and the Commission, on the application of the regulations and control procedures;

4. Declares itself firmly in favour of the introduction of Community measures to combat irregularities along the lines of those introduced under Regulation No. 283/72 in respect of own resources;

5. Approves in general the action taken by the Commission as a result of the work of the Special Committee of Enquiry;

6. Particularly requests the Commission to make specific proposals for withholding Community aid from operations which do not comply with the objectives of the regulations;

7. Considers that if irregularities involving compensatory amounts are to be combated, the regulations should be revised with a view to specifying their economic purpose and thus their provisional nature; stresses the difficulty of preventing deflections of trade and 'carrousels' when the regulations fail to maintain neutrality vis-à-vis trade patterns;

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Special Committee of Enquiry's report on beef and veal

8. Invites the Commission to continue its efforts to consolidate and simplify regulations on beef and veal, and to close the existing loopholes;

9. Recommends that Community legislation be formulated to take account of the material control and management possibilities, in particular as regards the intervention system for trade in beef and veal;

10. Advocates the harmonization of national technical regulations to prepare the way for the uniform application of Community legislation;

11. Feels that more extensive comparative cost benefit studies should be made of the measures to promote the consumption of beef and veal;

12. Reiterates the recommendations it has repeatedly formulated in connection with the problem of fraud, i.e.:

   (a) a coordinated data-processing system for the management and control of the common agricultural policy
   (b) the payment of aid as far as possible direct to producers
   (c) more efficient allocation of management and control tasks between the Commission and national administrations
   (d) the introduction of a quality control policy;

13. Instructs its President to forward this resolution and the report of its Committee on Budgets to the Council and Commission of the European Communities.
EXPLANATORY STATEMENT

PREFACE

1. The report on the beef and veal sector submitted by the Special Committee of Enquiry is the third in a series of reports by this Committee, the first two covering the milk products sector and the oil seed and olive oil sectors respectively. It is distinguished from the earlier reports by a more meticulous and clearer presentation: a separate chapter is allotted to each sector of activity and a detailed analysis is given of the fraudulent activities and irregularities recorded in each.

2. For each sector considered, the Committee summarizes the existing regulations, describes the control procedures and the difficulties encountered in applying them, gives an indication of the volume and nature of the irregularities detected and, by way of conclusion, makes a number of recommendations and suggestions. This form of presentation is particularly well suited to the Committee's objective, which is to draw attention to the shortcomings of existing Community rules with a view to their improvement.

3. Parliament's opinion should not consist merely of a number of observations on the report submitted by the Committee. This report, therefore, deals not only with matters specific to the beef and veal sector, but also with the problem of combating irregularities in general. Secondly, the recommendations put forward by the Committee and the Commission must be appraised and supplemented and a consistent parliamentary attitude adopted.

II. PROBLEMS RAISED BY THE REPORT ON BEEF AND VEAL

4. The Committee has taken pains to situate this sector within its economic and budgetary context and has thus been able to give an accurate assessment of the importance and significance of the inspections carried out in relation to the aims of the common agricultural policy.

5. In this connection, it should be pointed out that some of the statistical data contained in the 5th EAGGF Financial Report provide a useful supplement to this economic and budgetary analysis. Out of 139 cases of irregularity detected in 1975 in respect of operations financed by the Guarantee Section, 22 relate to the beef and veal sector, which is a sharp increase compared with previous years.

6. The fairly high number of irregularities discovered in respect of both the Guarantee Section and the Guidance Section points up in a particularly striking fashion the imperfections in the way the budget is implemented.
However, these figures must be assessed in their proper context, i.e. in relation to the amounts involved in the irregularities recorded, which are negligible in comparison with the actual total expenditure (less than 1/1000).

7. The Committee's investigation into the beef and veal sector was therefore particularly justified as the substantial increase in expenditure in this sector and in the proportion of the Community budget represented by such expenditure after 1974 resulted, after a brief interval, in a corresponding increase in fraudulent practices and irregularities.

8. The volume and the nature of the irregularities recorded in the various sectors examined by the Committee are indicative of the extent and the causes of the particular deficiencies in each.

9. In the case of the intervention system (buying-in, storage, processing and sales), few irregularities were detected, such difficulties as were encountered being of a supervisory and administrative nature. As far as the legal machinery is concerned, the Committee recommends that intervention should be used for products which, by virtue of their presentation, lend themselves to simple control procedures: the rules, in other words, should be adapted to control requirements. The Committee also draws attention to a loophole in the regulations: they fail to take account of storage outside the Member State of intervention.

10. As regards trade arrangements (importation = ad valorem customs duties, levies, quota restrictions, measures taken pursuant to the safeguard clause; exportation = refunds; monetary compensatory amounts and accession compensatory amounts), both the number and volume of the irregularities are increasing considerably. This reflects the practical impossibility of carrying out effective physical checks when Community regulations prescribe differing rates for products between which it is difficult to distinguish. The irregularities are, moreover, frequently attributable to the fact that the different rates cannot be economically justified.

The Committee recommends that the introduction of different rates should be avoided when verification of the elements on which such differentiation is based presents difficulties and when the latter is not economically justified.

11. In the case of premiums and social welfare measures, the difficulty stems from the multiplicity of operations needing to be administered and, hence, to be monitored. Although comparatively few irregularities have been detected, the Committee considers that it would be difficult to prove the efficiency of these measures.
It recommends that, before putting them into effect, the Community's legislative body should carry out comparative cost benefit studies relating to the economic aspects of such measures and the control problems and the risk of irregularities which they entail. It also urges that, in the initial stages, such measures should be kept under particularly close review so that any inadequacies may be rapidly identified, and that efforts should be made to implement them in as uniform a manner as possible.

12. Two problems raised by the Special Committee of Enquiry in its report require special attention:

(a) compensatory amounts were introduced to check erratic fluctuations in the value of Member States' currencies and consequent disruption of intra-Community trade. They are intended for the purpose of gradually adjusting prices and are by nature a temporary measure. However, with monetary disequilibrium continuing, they have become permanent and for some countries are more or less the equivalent of export or import subsidies. The effect they produce is thus the opposite of what was intended.

Because they are to a fairly large extent unjustified, they lead to deflections in trade, speculative trading patterns and fraudulent practices.

Irregularities should therefore be tackled not so much at the inspection stage as in the formulation of the regulations themselves.

(b) The second problem is connected to the first but is more widespread. The Special Committee of Enquiry recommends that consideration be given to the possibility of introducing a general regulation to establish the principle that transactions which have no justification other than to take advantage of loopholes in the regulations should automatically be refused EAGGF aid and regarded as infringements of Community law. The purpose of the measures adopted should therefore be mentioned in each act of Community legislation.

II. PROGRESS ON COMMUNITY MEASURES TO COMBAT FRAUD AND IRREGULARITIES RELATING TO AGRICULTURAL PRODUCTS

A. The Special Committee of Enquiry

13. At the beginning of its report on beef and veal, the Committee enumerates the measures adopted following the recommendations put forward in its first two reports. In these it proposed that priority should be given to 5 requirements, namely:
- to improve the existing regulations;
- to improve cooperation and the exchange of information between Member States and the Commission;
- to strengthen and harmonize penalties for infringements;
- to introduce a system for the recovery of sums wrongly paid;
- to improve the training facilities for inspectors.

Apart from reiterating these recommendations, it suggests that the economic implications of the measures proposed should be thoroughly analysed and that their purpose should be clearly defined.

B. The Council

14. In a resolution of 30 December 1975, the Council called upon the Member States and the Commission to give effect to the Committee's conclusions and recommendations. Furthermore, it urged the Community institutions to withhold financial support from operations found to be contrary to the objectives laid down in Community instruments.

However, the Council itself has made little progress in its attempts to implement these recommendations. In particular, 'communitarization' of the Naples Convention, which concerns mutual assistance between the Member States and between the latter and the Commission for the purpose of ensuring the correct application of Community customs and agriculture regulations, has, since April 1973, come up against a number of technical obstacles.

C. The Parliament

15. As far as Parliament is concerned, the Committee on Budgets\(^1\), supported by the Committee on Agriculture\(^2\), made it known to the Commission that it fully endorsed the conclusions reached by the Committee and put forward a number of recommendations of its own, which it would perhaps be useful to recapitulate.

- penalties against States which do not provide adequate information in good time, e.g. suspension of payments to the Member State concerned of EAGGF funds to the sector in question;
- consolidation of existing regulations in order to facilitate their implementation and the attendant control procedures;

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1 Working Document of 29.8.1974 by Mr COINTAT (PE 41.708)
2 Opinion of 1.7.1975 by Mr SCOTT-HOPKINS (PE 40.157/fin.)
as far as possible, payment of subsidies directly to farmers and their approved organizations so as to bypass the middlemen and avoid the consequent increased risks of fraud;

- establishment of a quality control policy which, by means of standardization and labelling provisions and the harmonization of laws, would greatly reduce the risk of irregularities occurring;

- administrative decentralization with transfer of responsibilities to existing national departments;

- a parallel improvement of Community activities by:
  1. the training of national officials required to apply and supervise the application of Community regulations;
  2. the creation of a Community external control department with extensive supervisory powers;
  3. the establishment of a coordinated data processing system.

- renewal of the mandate of the Special Committee of Enquiry in areas affected by fraud.

D. The Commission

16. Measures taken by the Commission to further combat irregularities have had considerable success:

- texts on cereals, rice, eggs, poultrymeat, pigmeat and fishery products have been consolidated,
- the Council has adopted a resolution on the simplification of agricultural regulations,
- a directive on mutual assistance between Member States for the recovery of claims resulting from operations forming part of the system of financing the EAGGF and of the agricultural levies and customs duties was adopted on 15 March 1976,
- the Commission has taken a series of measures to prevent the creation of financial advantages that could deflect trade, particularly in the compensatory amounts sector,
- the Commission conducts surveys and carries out checks in the Member States when a sector seems to be 'sensitive',
- Regulation No. 283/72 is a masterpiece in the combating of fraud.
  Its introduction, which is now practically complete, has resulted in a considerable increase in the number of irregularities detected. The work of the 'EAGGF irregularities' working party set up under this regulation has been intensified; it has dealt mainly with the practical methods of detecting and prosecuting fraud,
- a training programme has been introduced for national officials responsible for control of the EAGGF.

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17. Apart from these measures, the Commission has taken or intends to take action in various other fields.

If this action is to be brought to a rapid conclusion, it will require the political support of Parliament. The Committee on Budgets therefore recommends that Parliament adopt a resolution advocating:

(a) implementation of the recommendations made by the Committee on Agriculture in point 41 of the conclusions of its opinion on the beef and veal sector;

(b) further consolidation and simplification of Community legislation and in particular the adoption at the earliest possible opportunity of texts on processed fruit and vegetable products, dairy products and wine;

(c) intensification of cooperation between the Member States and the Commission on the uniform application of Community regulations. The proposal for a regulation on the correct implementation of Community customs and agriculture regulations (Naples Convention) submitted to the Council in 1973 has not yet been adopted;

(d) the introduction of an effective system of protection under criminal law against infringements of Community regulations;

(e) that the economic objectives of the measures proposed be defined in each act of Community legislation and made a criterion for the allocation of Community aid for the authorities responsible for their implementation and supervision and for the recovery of sums wrongly paid.

Lastly, the Council should be reminded of the advantage of inspecting the commercial documents of recipients of EAGGF, Guarantee Section, aid and recommended to adopt as soon as possible the proposal for a directive submitted to it by the Commission on 2 August 1976 in accordance with the resolution contained in draft report PE 47.579.

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1 PE 46.001/rev., Opinion by Mr Liogier
2 COM (76) 412 final
18. Some of Parliament's recommendations have, however, received little attention and should be repeated. They cover mainly:

- the need to avoid administrative centralization in the Commission,
- the payment of aid as far as possible direct to producers,
- the introduction of a quality control policy.

19. As regards the work of the Special Committee of Enquiry, Parliament should:

- stress its interest in the work of the 'EAGGF irregularities' working party and in particular its records of irregularities;
- recommend the renewal of the mandate of the Special Committee of Enquiry in sectors affected by fraud;
- support the Commission's efforts to introduce a system of control for own resources similar to that introduced under Regulation No 283/72;
- urge the Commission to intensify its studies to assess the economic impact and cost of the measures contemplated;
- recommend the establishment of a coordinated data-processing system for the management and control of the common agricultural policy.

E. Conclusion

20. The work of the Special Committee of Enquiry deserves Parliament's full attention. Not only has it proposed constructive and sensible solutions to the problem of fraud in the sectors particularly affected, it has also provided an opportunity for reconsidering and up-dating Community action in this field. Its work has largely helped to find acceptance for the idea that fraud and irregularities should be regarded as symptoms of the weaknesses of Community regulations and that it would be misguided to try to combat them without first tackling their causes at all stages of implementation of the common agricultural policy, i.e.,

- in policy-making, when existing Community rules give rise to economically unjustified circumstances;
- in the adoption of appropriate legislative machinery when existing regulations, by virtue of their complexity and sheer volume, make control procedures difficult and costly;
- in the selection of procedures for the implementation of Community regulations, which are often insufficiently standardized within the Community and the Member States;
- in regard to the Community's administrative structure, which delegates too much management responsibility to the Commission;

- in the organization of the internal and external control mechanisms, which still frequently suffer from lack of coordination between the Member States and the Community and between the Member States themselves.

21. As regards the action to be taken on the work of the Special Committee, Parliament should recommend that the Commission and Council adopt and implement the measures recommended in points 16, 17 and 18 of this report and in general give priority to the following requirements:

- the inclusion in Community acts implementing the common agricultural policy of provisions specifying the economic objective of the measures and use of this objective as a criterion for the allocation of Community aid for the bodies responsible for their implementation and supervision and for the recovery of sums wrongly paid; this seems particularly necessary in the compensatory amounts sector;

- further consolidation and simplification of regulations;

- uniform application in all Member States of Community regulations and speedy implementation, especially by the Council, of Community provisions on mutual assistance between Member States and the Commission and on the harmonization of national regulations;

- a more extensive study of the economic impact and cost of the measures contemplated;

- renewal of the mandate of the Special Committee of Enquiry in all sectors threatened by fraud.

It goes without saying that Parliament's Control Subcommittee attaches the greatest importance to this aspect of its task. The recording of irregularities and other work being done by the 'EAGGF irregularities' working party should receive full attention.
Table: Irregularities recorded in EAGGF Guarantee Section aid for the financial year 1975

<table>
<thead>
<tr>
<th>(a) Number of cases</th>
<th>(b) Amounting to</th>
<th>(c) EAGGF expenditure per sector</th>
<th>(d) Percentage (d)=(b)x100 (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>cereals 67</td>
<td>1 040 756 u.a.</td>
<td>625.1 M u.a.</td>
<td>0.16%</td>
</tr>
<tr>
<td>dairy products 7</td>
<td>169 446 u.a.</td>
<td>1 149.8 M u.a.</td>
<td>0.01%</td>
</tr>
<tr>
<td>beef and veal 6</td>
<td>198 966 u.a.</td>
<td>980 M u.a.</td>
<td>0.02%</td>
</tr>
<tr>
<td>pigmeat 12</td>
<td>60 319 u.a.</td>
<td>53.8 M u.a.</td>
<td>0.11%</td>
</tr>
<tr>
<td>poultry eggs 5</td>
<td>109 482 u.a.</td>
<td>8.4 M u.a.</td>
<td>1.30%</td>
</tr>
<tr>
<td>oils and fats 16</td>
<td>112 275 u.a.</td>
<td>231.4 M u.a.</td>
<td>0.04%</td>
</tr>
<tr>
<td>sugar 1</td>
<td>11 933 u.a.</td>
<td>309.2 M u.a.</td>
<td>0.0037%</td>
</tr>
<tr>
<td>products other than those in Annex II 1</td>
<td>14 345 u.a.</td>
<td>23.8 M u.a.</td>
<td>0.06%</td>
</tr>
<tr>
<td>fruits and vegetables -</td>
<td>-</td>
<td>90.2 M u.a.</td>
<td>-</td>
</tr>
<tr>
<td>dehydrated fodder 2</td>
<td>4 575 u.a.</td>
<td>11.1 M u.a.</td>
<td>0.04%</td>
</tr>
<tr>
<td>wine 1</td>
<td>5 007 u.a.</td>
<td>139.1 M u.a.</td>
<td>0.0035%</td>
</tr>
<tr>
<td>TOTAL: 119</td>
<td>1 727 104 u.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCM 18²</td>
<td>432 585 u.a.</td>
<td>406.3 M u.a.</td>
<td>0.10%</td>
</tr>
<tr>
<td>ACM 3³</td>
<td>106 689 u.a.</td>
<td>414.9 M u.a.</td>
<td>0.02%</td>
</tr>
</tbody>
</table>

GRAND TOTAL: 139 2 266 378 u.a. 4 727.3 M u.a. 0.04%

(1) Total EAGGF Guarantee Section expenditure in 1975
(2) These 18 cases include 14 relating to beef and veal, 3 to pigmeat and 1 to products other than those in Annex II
(3) 2 relate to beef and veal and 1 to fruit and vegetables.
ANNEX

Working Document of the Commission of the European Communities

Action taken on the recommendations of the Special Committee of Enquiry

Every report of the Special Committee of Enquiry is examined by the Commission before being sent to the European Parliament and the Council. At that time the Commission takes note of the report's contents and instructs the appropriate departments to determine the further action to be taken on the Committee's recommendations.

The purpose of this paper is to review what has been done, or is in progress, by way of action on the recommendations of the Committee.

In what follows a distinction will be drawn between action taken on the first two reports (dairy products, olive oil and oil seeds) and the measures adopted, under examination or contemplated following the submission of the latest report (beef and veal).

I. ACTION TAKEN ON THE COMMITTEE'S FIRST TWO REPORTS (dairy products, olive oil and oil seeds)

A) Measures relating specifically to the sectors investigated

I. Oil seeds

Detailed rules for granting the subsidy were laid down by Commission Regulation No. 965/75 of 16 April 1975(1), amending Regulation No. 1204/72. "The subsidy shall be granted only in respect of seeds which are of sound, fair and marketable quality".

2. Olive oil

Technical studies relating to the reform of market organisation are complete.

The Commission has not yet reached a decision.

(1) OJ No. L 93, 15.4.1975
B) General matters

I. Improving the formulation of the regulations

a) Codification of agricultural regulations

Codification is complete as regards the cereals, rice, eggs, poultry meat, pigmeat and fishery products sectors.
Work is still in progress on the milk products and wine sectors, and on products obtained by processing fruit and vegetables.

b) Simplification of agricultural regulations

The Council and the European Parliament have received from the Commission a communication on action taken to simplify the agricultural regulations (see Doc. R 2812/76 AGRI 753 final 733).

Following this, the Council adopted a resolution at its meeting on 23 November 1976 on the measures required in order to simplify the agricultural regulations (OJ C.287 of 4.12.1976).

2. Cooperation between Member States and between them and the Commission

a) Commission Recommendation of 3 February 1975 to the Member States on closer cooperation with respect to EAGGF (Guarantee Section) operations (1).

The replies from Member States - with one exception - made no mention of measures taken to implement this Recommendation.

b) Council Directive on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing of the European Agricultural Guidance and Guarantee Fund and of the agricultural levies and customs duties (2).

c) The proposal for a Council Regulation on mutual assistance between competent authorities of the Member States and between the latter and the Commission for ensuring the application of Community customs and agriculture Regulations (3).

(1) OJ No. L 44, 18.2.1975
(2) OJ No. L 73, 19.3.1976
(3) OJ No. C 100, 22.11.1973
The Commission sent letters, dated 6 August 1976, to the President of the Council and to the Foreign Ministers of all nine Member States with a view to having work started within the Council.

3. **Application of Regulation No. 283/72**

The report on the application of Regulation No. 283/72 was sent to the Council in October 1975.

The activities of the Working Party on EAGGF irregularities have been stepped up (nine meetings in 1975 and 1976; meetings dedicated to specific topics; establishment of a high-speed communication system; preparation of a record of irregularities; preparation of a proposal for a Council Directive on supervision by the Member States of operations forming part of the system of financing of the EAGGF (Guarantee Section). (Doc. 266/76).

The following results of the above activities merit particular mention:

- The number of cases of irregularities brought to the attention of the Commission by the Member States under Articles 3 and 4 of Regulation No. 283/72 has greatly increased in recent years (1973: 53 cases; 1974: 97 cases; 1975: 150 cases; first quarter of 1976: 200 cases).

- The aforesaid Directive on supervision was sent to the European Parliament, the Economic and Social Committee and the Council in July 1976. Pending receipt of their opinions, the appropriate organs of the Council have already held their first exchange of views on this proposal with the Member States' delegations.

4. **Training of Inspectors**

Training of national inspectors to operate in the EAGGF field.

Appropriations in the budget for 1976: 50,000 ua

in the draft budget for 1977: 80,000 ua

A seminar on wine was held on 26 November 1976.

A second, more general, seminar was held on 15 and 16 December 1976.

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(1) Regulation concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Common Agricultural Policy and the organisation of an information system in this field (OJ No. L 36, 10.2.1972).
5. Penalties

a) Common rules of criminal law.

The proposal on common rules for the provision of criminal-law protection for the financial interests of the Communities and prosecution for infringement of the provisions of the Treaties was sent to the Council on 10 August 1976.

b) Inclusion of penalties in Community regulations

The Commission reached a decision in principle, on 24 March 1976, that work on this would be begun. It is planned that a national expert will be seconded to the Commission to conduct the exercise.

II. MEASURES TAKEN OR CONTEMPLATED FOLLOWING THE RECOMMENDATIONS REGARDING THE BEEF AND VEAL SECTOR

A) Matters relating specifically to the beef and veal sector

1. Intervention regime

Measure taken: proposal for a Council Regulation on the storage outside its own territory of products bought in by an intervention body.

Measure contemplated: provisions regarding - the financial liability of storage establishment;
- supervision of intervention stocks
- a study of the cost of processing intervention meat into preserved meat products.

2. Trade regime

Measure contemplated: recommendation on the practical arrangements for physical checks on goods falling within the beef and veal sector;
- investigation of the scope for harmonizing methods of analysis of preserved meats;
- further work within the Council on the inclusion of pure-bred breeding animals in the organisation of the market in beef and veal.
3. Premium regime

a) Monitoring of the application of premium arrangements
   - Targeted checks in the nine Member States
   - The Commission has undertaken to send the Council a report on the respective merits of the intervention regime and premium regimes.

b) Standardisation and simplification of the premium arrangements
   - In the regime as applicable during the 1976/77 marketing year:
     (i) premiums for the retention of cows are no longer included;
     (ii) easing of inspection arrangements owing to exclusion from the right to the premium in respect of animals exported by a Member State granting the premium.

B. General matters

1. Information for the Commission on irregularities arising in the field of own resources
   Work is in progress with a view to the introduction of a system similar to that under Regulation No. 283/72.

2. Observance of the economic purpose of the Regulations
   In a letter to the Member States dated 2 July 1976 the Commission set out its views on how the theory of abuse of right is to be applied.
   In future, Community instruments must bring out clearly the economic purpose of the measures taken.

3. Neutrality of the compensatory amount system with regard to trade flows
   Measures taken: the report on beef and veal sets out the measures taken to date.

/ ...
a) monetary compensatory amounts: Commission Regulation No. 2970/73
   (see Chapter IV, p.66-67)

b) accession compensatory amounts: Commission Regulation No. 2582/75
   (see Chapter IV, p.70-71)

Under study: a proposal on "fictitious transactions".

4. Application of Community transit procedure

Measures taken: reminders to the Member States of the importance of
   observance of the procedure for the return of document T5;

Study in progress: into the reasons why the procedure relating to the
   control copy T5 sometimes works in an unsatisfactory manner.

5. Unification of customs procedures

Under study: changes to the AIFTA special arrangements applying to trade
   between Ireland and the United Kingdom.

6. Application of Commission Regulation No. 192/75 laying down detailed rules
   for export refunds on agricultural products.

Measure taken: "targeted" checks in the Member States.

7. It is planned to remind the Member States, by letter, of the importance of:
   - cooperation between their investigation departments;
   - action to stamp out the falsification of papers.

On the latter point the Commission will look into the possibility of a
   secret code, changed periodically, on Community transit documents.
Opinion of the Committee on Agriculture

At its meeting of 2 and 3 September 1976, the Committee on Agriculture appointed Mr A. LIOGIER draftsman.

It considered the draft opinion at its meeting of 15 and 16 February 1977 and adopted it by 8 votes to none with 3 abstentions.

Present: Mr Houdet, chairman; Mr Liogier, vice-chairman and draftsman; Mr Cifarelli, Mrs Dunwoody, Mr Hoffmann, Mr Hughes, Mr de Koning, Mr McDonald, Mr Martens, Mr Pistillo and Lord Walston.

Draftsman: Mr A. LIOGIER
Purpose of the report

1. This report examines the working of the beef and veal sector of the Guarantee Section of the EAGGF. It is one of a series of inquiries which the Special Committee of Inquiry, set up by the Commission on 3 October 1973 and renewed in office by the Commission Decision of 5 March 1975, has conducted or intends to conduct into the main sectors of the Common Agricultural Policy so as to improve its efficiency. In 1974 and 1975 two inquiries were carried out, one dealing with milk products\(^1\) and the other with olive seeds and olive oil\(^2\), on which the Committee on Agriculture delivered an opinion for the Committee on Budgets\(^3\).

Measures required

2. An analysis of the cases of fraud or irregularities noted by the Special Committee of Inquiry indicates the need for short or medium-term preventive measures affecting both Community rules and the procedure for their implementation. These measures may be summarized as follows:

(a) measures of a purely statutory nature to improve the Community's existing legal machinery;

(b) measures to consolidate Community legislation;

(c) measures of a coercive nature to ensure that Community law is respected;

(d) monetary measures to give the legislation greater coherence;

(e) measures to further cooperation between the Member States and the Commission on the one hand and between the Member States themselves on the other;

(f) measures to increase coordination between the relevant inspection authorities within the Member States;

(g) measures to improve the standard of inspection;

(h) measures to investigate the advisability of intervention.

Improvement of the Community's legal machinery

3. The Committee on Agriculture feels that in order to deal with fraud legal machinery that is relatively clear and easy to use must be established. This could be achieved by classifying the existing texts, which would help both to clarify certain extremely complex and unwieldy rules and to reveal gaps in legislation, since this complexity and these gaps only serve to encourage fraudulent operators.

The Committee on Agriculture therefore welcomes the Council resolution of 23 November 1976 concerning measures to simplify agricultural legislation\(^4\) and invites the Commission to continue its efforts in this direction.

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1. SEC(74) 3981 final
2. COM(75) 37 final
3. PE 40.157/fin.
Similarly, the Committee on Agriculture is of the opinion that the regulations passed by the Council or the Commission must be adapted to existing means of control if the latter cannot be rapidly improved and incorporated into an ideal legal system, for reasons connected either with the actual structure of the inspection authorities or with the development or the cost of modern inspection techniques.

The Committee of Inquiry mentions cases in which the rules may be contravened because of difficulties in carrying out the necessary controls: private storage aid, processing into preserved meat products etc.

The effectiveness of rules requiring unwieldy administration or unduly difficult controls diminishes in inverse proportion to the difficulties encountered in their implementation. Not only does such a situation encourage fraud, it could also damage the reputation of the bodies responsible for managing the common agricultural policy and discredit the policy if legislation is not applied in full.

Consolidation of Community legislation

5. The Committee on Agriculture would like Community legislation to be consolidated in the following sectors:
   - storage abroad
   - grading of carcasses and quarters
   - harmonization of certain technical factors
   - inclusion of pure-bred breeding animals in the common organization of the market
   - prevention of transactions with no direct commercial motive or speculative trading circuits commonly called 'carrousels'.

6. The Community regulations as they now stand do not specifically provide for the possibility of holding stocks abroad. Each Member State has therefore laid down its own terms for storing meat in other Member States; this has resulted in the application of different customs procedures and consequently different compensatory amounts. The problem of checking stocks has also not been solved and checks are at present scarcely satisfactory.

In its report, therefore, the Committee of Inquiry recommends that the following provisions be incorporated in a regulation aimed at consolidating Community legislation in this field:
   - Storage in another Member State is authorized provided strict conditions are observed and on the responsibility of the owner Member State;
   - Storage in a third country can only be authorized in exceptional cases;
   - The customs treatment to be applied to the transfer of meat and its storage abroad must be specified;
   - Detailed arrangements must be made for stock control.
At its October 1976 part-session, the European Parliament endorsed the proposal from the Commission of the European Communities to the Council for a regulation on the storage of products bought in by an intervention agency which in the view of the Committee on Agriculture is a first step towards the application of the recommendations of the Special Committee of Inquiry.

7. The Committee of Inquiry also points out that each Member State uses its own system of grading carcasses and quarters, which cannot be transferred in its entirety to another Member State. As a result it is necessary to fix a multitude of buying-in prices for interventions, which complicates the administration of the Common Agricultural Policy; operators cannot make valid comparisons between the quality of meat from different Member States and there are difficulties in marketing from one Member State to another and restrictions on competition.

Similarly, it mentions that the number of categories used for fixing on the one hand the buying-in prices and on the other the selling prices for meat held by the intervention agencies is not the same. At the time of resale, certain qualities to which different buying-in prices were applied are therefore amalgamated, and meat is sold at a single average price. The Committee on Agriculture thinks it worth mentioning that the Commission, although it would like to have more data on the subject, feels that such operations are rare and that the differences between these buying-in prices are generally slight.

8. To simplify the administration of the Common Agricultural Policy and to facilitate controls, the Committee of Inquiry therefore considers:

- that the grading of carcasses in the various Member States should be harmonized with a view to the gradual establishment of a single Community grading system;

- that the selling prices of intervention meat should reflect the buying-in prices in terms of quality, since although the present system is acceptable for the resale of forequarters, which are mainly intended for the processing industry, it is not acceptable for hindquarters, for which on resale there is no possibility of carrying out a postcheck of the grading which was effected at the time of buying-in.

The Committee on Agriculture agrees with the spirit of these proposals, although it is aware that it would be difficult to establish a Community grading system for carcasses because of the present differences in Member States and that, although difficult, it would be possible, to use statistical

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1 Doc. 267/76 (COM(76) 417 final);
Doc. 347/76 (rapporteur: Mr FREHSEE)
information to cross-check the quantities of meat bought and sold to ensure that there had been no deliberate confusion between forequarters and hindquarters at the time of resale.

9. The Committee of Inquiry also notes that it is difficult to check the meat content of preserved products, both during the processing by private undertakings of stocks held by the intervention agencies and when the preserved products are exported and qualify for refunds.

In the first instance, it is necessary to determine whether the processors have met all their obligations and in particular whether the meat supplied by the intervention agency was used in its entirety and exclusively in the manufacture of preserved products.

In the second instance it is necessary to ensure that the export refunds are granted for preserved beef and veal:

- other than preserves that are finely homogenized or which contain a low quantity of visible meat fragments;

- that contain neither meat nor offal from pigs;

- that contain at least 20% by weight of meat, with the exception of offal and fat.

In both cases, the meat content of the preserves is assessed by means of random checks aimed at determining the protein content. For this analysis samples must be sent to a laboratory equipped with expensive instrumentation to distinguish animal proteins from vegetable or milk proteins. The meat content is then calculated by applying a coefficient to the protein content.

However, these coefficients are not identical in all the Member States, which may lead to varying assessments as to whether or not certain preserves are eligible for refunds. Any irregularities are thus detectable only by physically checking the contents of tins on the manufacturer's premises.

According to the Commission, only very small amounts of refunds are paid on exports of preserves. The Committee on Agriculture would have preferred more statistical data in the very detailed report by the Special Committee on Inquiry so that the European Parliament could form a clearer picture of the relative importance of each irregularity - actual or potential - mentioned in the report.

At all events, the Committee on Agriculture feels that harmonization of the coefficients and methods of analysis is essential if control is to be facilitated and fraud discouraged.
10. Pure-bred breeding animals, which do not fall within the scope of the common organization of the market in beef and veal, cannot be subject to an import levy nor do they qualify for an export refund. There is therefore a great temptation for fraudulent operators to declare imported animals intended for slaughter as pure-bred breeding animals, in particular by falsifying certificates, and when exporting the latter to declare them as animals intended for slaughter, especially as no certificate is required in this case.

The Committee of Inquiry points out that in the absence of guidance in the regulations, the control authorities sometimes have recourse to the criterion of the animal's market value but this may be artificially marked down.

In 1973 and 1974, the Commission submitted to the Council proposals for regulations that would:

- include pure-bred breeding animals in the common organization of the market in beef and veal,¹

- define the notion of a pure-bred breeding animal ².

These proposals have come to nothing. However, it is essential that such a regulation be implemented, on the one hand to further the setting-up of the common agricultural market in beef and veal and on the other to establish objective and unambiguous criteria so as to make the best use of Community funds.

The Committee on Agriculture therefore notes with satisfaction that the Council intends to include pure-bred breeding animals in the scope of the regulation on beef and veal and that at the Council of Ministers of Agriculture on 21 December 1976 it undertook to give an official ruling on the Commission proposals before 1 April 1977³. It invites the European Parliament to remind the Council of the need to carry out its undertaking to fill this gap in Community law.

11. Speculative trading circuits such as those affecting beef and veal, which were encouraged by the system of compensatory amounts, are extremely costly for the Community and very difficult to prevent.

The Committee of Inquiry thus recommends that consideration be given to the possibility of introducing a general regulation defining transactions which

¹ R 76 20/73, Agri 18, 15 January 1973
² Doc. 13/74 (COM(74) 249 final)
³ Agence Europe No 2119 (n.s.), 22.12.76; PE 47.391, p.3
consist of sending goods in circuits which have no economic justification in Community regulations but are intended to benefit from changes in the rates of compensatory amounts as contrary to the objectives of the Common Agricultural Policy.

The Committee on Agriculture fully supports this proposal. It also draws attention to the fact that Article 6(c) of the proposal for a Council regulation on mutual assistance between competent authorities of the Member States and between the latter and the Commission for ensuring the correct application of Community customs and agriculture regulations, submitted to the Council by the Commission on 25 April 1973 provides that 'in order to ensure that customs and agriculture regulations are properly applied, the competent authorities of each Member State shall, voluntarily or on request by the competent authorities of the other Member States or by the Commission, maintain a special surveillance, as appropriate, on...the movements of goods reported by another Member State as being part of a significant trade to that State which infringes regulations on customs and agricultural matters'.

The Committee on Agriculture urges the Council to adopt this regulation, which will make it possible, inter alia, to deal with irregular movements of goods.

12. The Committee on Agriculture also notes that the Commission has previously taken the necessary steps when it became aware that the use of monetary or accession compensatory amounts provoked speculative trade flows. Regulation (EEC) No 2930/73 altering the monetary compensatory amounts, adopted by the Commission 'to eliminate practices which provoke artificial trade flows' is one example, as is Regulation (EEC) No 2582/75 of the Commission fixing the amounts to be levied by way of accession compensatory amounts to prevent deflections of trade in the beef and veal sector, which was subsequently repealed by Commission Regulation No 587/76 following the reduction of accession compensatory amounts with effect from 15 March 1976.

13. The Committee on Agriculture also draws attention to the Council resolution of 16 December 1975 on stricter prevention of and proceedings against irregularities in the financing of the common agricultural

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1 OJ No C 100, 22 November 1973, p.31
2 OJ No L 300, 29 October 1973, p.1
3 OJ No L 263, 11 October 1975, p.10
4 OJ No L 69, 15 March 1976, p.47
policy which invites the Community institutions 'to increase, to the greatest extent possible, their efforts to ensure that Community acts exclude any possibility of financial support being granted:

- for sham transactions,
- where the use of the subsidized products is clearly contrary to the aims of the Community Acts, to the extent that these aims are specified'.

The Committee on Agriculture hopes that the Commission will submit to the Council appropriate proposals embodying the provisions of this resolution. It therefore welcomes the draft for a Treaty amending the Treaties establishing the European Communities so as to permit the adoption of common rules on the protection under criminal law of the financial interests of the Communities and the prosecution of infringements of the provisions of those Treaties; this draft Treaty goes much further than the previous resolution.

14. For the same reason, the Committee on Agriculture notes with interest the work begun by the Commission to ensure that the economic aims of measures taken are clearly stated in Community acts and to sanction any failure to meet such aims by applying the theory of the 'misuse of law' each time Community funds are involved (see p. 76 of the report by the Special Committee of Inquiry).

Respect of Community law

15. In any strict financial policy it is imperative to respect Community law. At a time when the Common Agricultural Policy is being criticised as too expensive, the Member States, their authorities and all the organizations concerned must exercise care and fulfil their obligations. Should they fail to do so, it is the Commission's duty to remind them of their obligations to enforce the rules issued by the Community Institutions and, if necessary, bring the matter before the Court of Justice, under the second paragraph of Article 169 of the EEC Treaty.

The Committee on Agriculture particularly welcomes the work accomplished in this respect by the Commission, especially by those responsible for the daily management of the common agricultural policy.

It is well aware that a fund of the size of the EAGGF, which accounts for two-thirds of the Community budget, cannot be managed without some mistakes being made. But could it really be otherwise? The main thing is to detect fraud as quickly as possible so that the necessary protective measures can be taken as soon as possible. From this point of view, cooperation between Member States' control authorities and with the Commission is essential.

OJ No C 298, 30 December 1975, p.1
Doc. 290/76 (COM(76) 418 final)
16. When a paying body in a Member State has improperly paid sums to beneficiaries, individuals or organizations, without obtaining all the necessary guarantees, the Commission must in such cases refuse financial aid from the EAGGF for the sums improperly paid. When it is clear that Community funds have been improperly paid by the EAGGF, the Commission must demand repayment of the sums paid from the Member State. This presupposes that in each Member State Community funds enjoy the same protection as that accorded to national public funds. This similarity of treatment is provided for under Article 6(2) of the Council Directive 76/308/EEC of 15 March 1976 which introduces from 1 January 1978 mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund, and of agricultural levies and customs duties. Parliament therefore calls upon the Commission to ensure that this Directive is implemented by the Member States by the date mentioned.

17. The Committee of Inquiry points out that Member States sometimes have difficulty in meeting the deadlines for applying certain Community decisions. It is therefore important to check whether the deadline was realistically established. If so, the Commission as guardian of the Treaties and their implementing regulations, is bound to remind Member States of their obligations (Article 169 of the EEC Treaty).

The Committee on Agriculture therefore welcomes the Council resolution of 23 November 1976 concerning measures to simplify agricultural legislation and in particular Title IV, paragraph 3 which states that the Council 'will... ensure that, when adopting its Acts, it leaves the Commission and the Member States adequate time for the preparation, under normal conditions, of the implementing measures arising therefrom and requests the Commission to submit its proposals in good time'.

18. It is important that Member States should with the utmost strictness ensure observance of the provisions of Regulation (EEC) No. 192/75 of the Commission of 17 January 1975, as amended by Regulation (EEC) No. 2818/75 of the Commission of 30 October 1975, both of which lay down detailed rules for refunds.

The Committee of Inquiry states in its report that, at the request of Member States, the Commission has had to allow operators to produce equivalent proof (transport document and proof of importation or unloading of the goods in non-member countries) instead of returning the original T 5 control copy of the Community transit document as proof that the goods have left the

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1 OJ No L 73, 19 March 1976, p.18
2 OJ No C 287, 4 December 1976, p.1
3 OJ No L 25, 31 January 1975, p.1
4 OJ No L 280, 31 October 1975, p.31
geographical territory of the Community. In the opinion of the Committee of Inquiry, these equivalent proofs do not provide the same guarantees as does returning the T 5 control copy.

To give some idea of the extent of this practice, the Commission states that from 1 September 1975 until 28 February 1976 it was aware of 425 cases in which the T 5 control copy was not produced out of several thousand operations.

Similarly, supervision of the arrival of goods at their destination in a non-member country has been relaxed to some extent. For example, as a result of difficulties encountered by the Member States in carrying out controls, Regulation (EEC) No 2818/75 raised the threshold above which the Member States' competent authorities may exempt operators from furnishing the proof usually required.

19. Such a measure, although not in principle very satisfactory, may be justified for the following reasons:

- excessively rigid rules that are often difficult to apply are more favourable to large undertakings since they alone can afford an administrative mechanism efficient enough to gather together the documents necessary for the files rapidly;

- the limits laid down in Article 2 of Regulation (EEC) No 2818/75, below which exporters are not required to furnish proof other than the transport document to receive export refunds in respect of agricultural products are low enough - 400 and 2,000 u.a. respectively - for the risk of fraud to be minimum. Fraud, if any, will involve much larger amounts.

20. Thus, as regards the granting of refunds and the proof to be furnished (equivalent proofs), Community legislation has tried to regularize a de facto situation, even if the equivalent proofs provide an adequate guarantee. This easing of Community legislation should not encourage control authorities, particularly national authorities, to become less vigilant. On the contrary, they should be all the more attentive the more flexible the rules.

21. Similar conditions governed the granting of the orderly market premium and the slaughter premium. If the operators were unable to produce the original T 5 control copy of the Community transit document, they were allowed to produce the attestation of slaughter (Regulations (EEC) No. 2163/74 and (EEC) No 848/75). Article 5(4) of Regulation (EEC)

1 OJ No L 280, 31 October 1975, p.31
2 OJ No L 226, 15 August 1974, p.30
3 OJ No L 82, 2 April 1975, p.9
21. No. 848/75 even stated that if the proof of slaughter could not be provided in accordance with the above rules within three months of the completion of customs export formalities, the exporting Member State could grant the premium against proof that such formalities had been completed. There was therefore no longer any incentive for operators to verify that slaughter had indeed taken place in the country of destination and the least demanding requirement has become the normal practice.

22. These exemptions which were introduced following consultations between the Commission and Member States' customs authorities, can be regarded as a relaxing of the vigilance that all the interested parties should exercise in the management of the beef and veal sector.

The Committee on Agriculture therefore urges the national customs authorities to be diligent in returning the original T5 control copy of the Community transit document so that the exemptions requested by the national administrations - for which the Commission requires further proof before making the payment if it notes that an operation does not provide all the guarantees required - again become the exception rather than the rule. The Commission should therefore consider the possibility of introducing a procedure that would offer the same guarantees as those provided by returning the original T5 control copy, but would be more flexible, quicker and possibly involve data-processing techniques.

23. Certain Member States require cold-storage plants to sign a contract whereby they assume legal responsibility for the quantities entrusted to them and for making good any deficit. The Committee on Agriculture feels that it is essential for this provision to be applied throughout the Community, since within the same economic area there should not be zones which are stricter than others.

The Commission could submit proposals to the Council to this effect.

Problems caused by the lack of economic and monetary union

24. The system of compensatory amounts was introduced in 1969 with the aim of maintaining common prices throughout the European Community despite erratic currency fluctuations. It was supplemented in 1973 by the system of 'accession' compensatory amounts, which are to disappear in 1977 when agricultural prices in Ireland and the United Kingdom reach the same level as those applied in the seven other Member States.

25. The granting of monetary compensatory amounts is subject to the production of certain evidence: for amounts paid on exports, proof that the product has left the geographical territory of the Member State; for amounts paid on imports, proof that customs import formalities have been completed (Regulation (EEC) No 1380/75 of the Commission of 29 May 19751).

1OJ No L 139, 30 May 1975, p.37
The procedure for granting and levying 'accession' compensatory amounts is very similar to the previous system (Regulation (EEC) No. 269/73 of the Commission of 31 January 1973).

26. The cases of fraud analysed by the Committee of Inquiry include contravention of the general rules applied to Community transit. Article 6 of Regulation (EEC) No 542/69 of the Council on Community transit stated that 'Member States may, under the Community transit procedure, introduce simplified procedures for certain types of traffic by means of bilateral agreements. Such agreements shall be communicated to the Commission and to the other Member States'.

This simplified procedure left some loopholes which fraudulent operators were able to turn to their advantage. Since then, new procedures have been introduced under which cross checks are carried out to ensure that goods exported as transit consignments had been imported on the same basis.

Here again it is important that the customs authorities of the Member States be closely involved in the preparation of any new regulation to check that it is compatible and consistent with existing legislation, in keeping with the first paragraph of the Council resolution of 27 June 1974 concerning measures to be taken with a view to simplifying the task of the customs administrations.

27. The Committee of Inquiry gives convincing proof that the system of compensatory amounts has had considerable influence on trade patterns: numerous circuits have been established which have no economic justification but involve speculation on the different rates of compensatory amounts.

- For example, the rates applied to separate consignments of meat (fore-quarters and cuts of beef, fresh or chilled, unboned) showed a discrepancy of 1 to 3.

- The difference between 'accession' compensatory amounts granted for exports from the Continent and those levied on imports to the Continent, was due to the use of a fixed element - the guide price - in the calculation of one of those amounts.

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1 OJ No L 30, 1 February 1973, p.73
2 OJ No L 77, 29 March 1969, p.1
3 OJ No C 79, 8 July 1974, p.1
As stated in point 12, the Commission took appropriate steps to deal with speculative trading circuits as soon as it noted irregularities in trade patterns. The Committee on Agriculture welcomes this, and invites the Commission to investigate the effect of different compensatory amounts on trade patterns before changing the rates; this could help to prevent the formation of speculative trading circuits.

28. In any event the system of compensatory amounts is only a last resort designed to conceal the inability or unwillingness of the Member States to set up an economic and monetary union in accordance with the solemn undertaking by the Heads of State or Government at the 1969 Hague Summit.

The Committee on Agriculture is of the opinion that the abolition of compensatory amounts will be possible only with a return to a European monetary order, based on fixed parities or relatively narrow fluctuation margins between the currencies and supported by binding economic measures aimed at curbing inflation in the Member States.

Until then, the proposal for a Council regulation (EEC) relating to the fixing of representative exchange rates in the agricultural sector\(^1\), submitted to the Council by the Commission for the purpose of regularly adapting representative rates as a function of market development in the currencies concerned, is an interesting way of reducing - or at least not increasing - monetary compensatory amounts.

The European Parliament should therefore remind the Council of the undertaking given in December 1969 by the Heads of State and Government at The Hague Summit to create an economic and monetary union that had originally been planned for the end of the present decade.

**Necessary cooperation between the Member States and with the Commission**

29. Many of the numerous cases of fraud mentioned by the Committee of Inquiry were only discovered thanks to the cooperation of the customs authorities of the Member States. In this connection, the Committee proposes the following measures:

- intensification of direct and informal exchange of information, even by telephone, between frontier customs posts;

- making available, in particular to the inspection departments of each Member State, officials from the other Member States who would be responsible for liaison with their own authorities at all levels;

- use of a secret code on Community transit documents which would be changed periodically in order to make it more difficult to falsify documents;

\(^1\)COM(76) 590 final and corrigendum COM(76) 616 final
the building up of a record of the official stamps used by the administrations of the different Member States; intensification of studies of the detection of falsification;

intensified collaboration between the investigation departments of the different Member States.

The Committee of Inquiry has also noted that the Committee on Community Transit, aware of the significant increase in cases of falsification of documents, has adopted an arrangement whereby the office of exit to which copy No. 3 of the transit form is returned should regularly retransmit it to the office of destination in order to verify the authenticity of the customs stamps thereon.

The Committee on Agriculture considers that the Commission should support these suggestions and should submit appropriate proposals to the Council.

30. The Committee on Agriculture draws attention to the proposal for a Council Regulation (EEC) on mutual assistance between competent authorities of the Member States and between the latter and the Commission for ensuring the correct application of Community customs and agriculture regulations, submitted by the Commission to the Council on 25 April 1973, on which to its regret the Council has not yet adopted a position, and the Commission recommendation of 3 February 1975 to the Member States on closer cooperation with respect to the EAGGF (Guarantee Section) operations, and would like to know what action Member States have taken on that recommendation.

31. It is also important to further cooperation and the exchange of information between the Commission and the Member States.

The Member States must notify the Commission of the products and the quantities of beef and veal in store at the end of each month as a result of buying-in, giving the address and the place of storage (Article 12 of Regulation (EEC) No 1896/73 of the Commission of 13 July 1973, on detailed rules for the application of intervention measures on the market in beef and veal).

Article 13(2) of Regulation (EEC) No. 192/75 laying down detailed rules for the application of export refunds in respect of agricultural products lays down that the Commission must be notified when, after three months have elapsed, the Member States accept supporting documents other than the original T 5 document as proof that the goods have left the geographical

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1 OJ No C 100, 22 November 1973, p.30
2 OJ No L 44, 18 February 1975, p.23
3 OJ No L 193, 14 July 1973, p.18
4 OJ No L 25, 31 January 1975, p.1
territory of the Community.

32. These provisions should not conceal the shortcomings in the cooperation procedure.

Regulation (EEC) No. 283/72 of the Council of 7 February 1972 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field \(^1\) instituted an information system between the Member States and the Commission only for irregularities and the recovery of sums wrongly paid in connection with the financing of the EAGGF Guarantee Section.

The Committee on Agriculture considers that, in view of the significant contribution made by agricultural levies to Community revenue, a similar system should be introduced in respect of own resources.

It is also important that the Commission and the other Member States be notified immediately of the theft, loss or disappearance of customs or other seals so as to forestall frauds based on false documents.

The Commission could submit a proposal to the Council giving these provisions binding force and at the same time establishing financial penalties (refusal of aid from the EAGGF) for failure to comply with the provisions.

33. Similarly, to deal with the problem of speculative trading circuits, in addition to prior cooperation between the customs authorities of the Member States and the Commission before the drawing up of Community regulations, a centralized system of information, controlled by the Commission, should be implemented to enable economically unjustified trade flows to be detected as quickly as possible.

In this connection, the Committee on Agriculture feels that an information network could be extremely useful, not only to establish bilateral or multilateral cooperation between the customs authorities of the Member States, but also to ensure that within the Commission use is made as quickly as possible of global statistics relating to the Community's internal and external trade.

\(^1\) OJ No L 36, 10 February 1972, p.1
While recognizing the difficulties involved in defining and establishing such a network, the Committee on Agriculture considers that by providing an overall view of the Community's internal and external trade, this is the only system of investigation which, placed at the disposal of the European Court of Auditors, would enable irregularities to be rapidly detected.

Ensuring coordination between the various inspection authorities within the Member States

34. The Committee of Inquiry mentions cases of fraud involving the submission of falsified veterinary certificates.

It recommends that where goods have to undergo different types of inspections before export, the various competent bodies (customs, veterinary services) should make every effort to carry out frequent joint or simultaneous controls.

The Committee on Agriculture is of the opinion that the Commission could submit to the Member States a recommendation concerning the necessary coordination between the various authorities.

Improving the standard of inspection

35. In certain cases the Committee of Inquiry noted that the weighing equipment used was obsolete. It recommends the introduction of weighing machines which automatically print out the weight on a ticket. The Committee also noted the lack of a recording thermometer to ensure a constant temperature in the plants whereboning is carried out. The Committee on Agriculture feels that this type of negligence can result in the loss of meat stocks.

It is therefore important that plants and depots conform to certain standards of quality and hygiene.

36. The Committee of Inquiry points out that mainly because of lack of staff the intervention agencies are not always able to carry out under satisfactory conditions the many checks which should be made at the various stages of the private storage operation. The Member States should increase their efforts in this field, particularly by means of a staff recruitment and training policy. Community aid could also be considered.

37. The Committee of Inquiry also noted that one intervention centre was located in the factory offering the meat to intervention and the weighing was carried out on the factory scales. This arrangement is unsatisfactory since doubt may be justifiably cast on the independent nature of the control carried out by the intervention agency.
Similarly the Committee considers it desirable for external checks of the intervention agencies to be strengthened in some Member States. The Committee on Agriculture shares this view, since it feels that an external check is the best guarantee of validity. For the same reason it considers it essential that the Treaty amending certain financial provisions of the Treaties establishing the European Communities and of the Treaty establishing a single Council and a single Commission of the European Communities and establishing a Court of Auditors be ratified as soon as possible by Member States that have not yet done so.

38. The Committee of Inquiry emphasizes the importance of routine controls (weight control) since it fears that they may be neglected, if not abandoned. Any relaxation of these controls encourages fraud.

39. Finally, the use of data-processing helps to improve the administration of the Common Agricultural Policy. In particular the Committee describes research carried out in France and the United Kingdom consisting on the one hand of checks on products likely to give rise to irregularities, and on the other of an analysis of trade flows in order to discern any aberrant movements, which could conceal irregular operations.

It is therefore important, in the opinion of the Committee on Agriculture, to develop these new techniques at Community level, by establishing cooperation between the customs authorities of the Member States under the aegis of the Commission, and by placing them at the disposal of the Court of Auditors.

Assessment of the intervention system

40. It is important to establish whether the funds involved in the intervention system are always used wisely.

The Committee of Inquiry asks the Commission to calculate the actual cost of the processing into preserved products of meat held by intervention agencies, taking into account the cost of manufacturing the preserved meat, storage costs (sometimes a considerable period) and the selling price.

The same applies to the policy of aid to private storage, which must be adjusted to market developments. It should not lead to a situation where, through excessive interventions, the Community is financing the working stock of processing undertakings.

1 Doc. 501/74, 18 February 1975
Similarly, measures intended to promote the consumption of beef and veal - by reduced selling prices to certain categories of consumer or to certain institutions or by advertising campaigns - should be assessed in order to establish whether the best use is being made of Community funds.

CONCLUSIONS

41. The Committee on Agriculture recommends:

(a) that the application of Community legislation be simplified, above all by means of consolidation, which has not yet taken place in the beef and veal sector, and that it take account of the practical possibilities for inspection. Legislation which cannot be implemented would damage not only the efficient financial administration but also the good reputation of the Common Agricultural Policy, and in discrediting the only truly common policy currently in operation and which is central to the construction of Europe, it would jeopardize all that has been achieved since 1951;

(b) that the Community should encourage the approximation of the Member States' laws and regulations of a technical nature in all fields where this has not been done (see paragraphs 7 to 9), with a view to their harmonization;

(c) that Community legislation should be extended as suggested in points 5, 6, 10 to 14. In particular it is important that Member States introduce the necessary laws and regulations to ensure that from 1 January 1978, in accordance with Directive 76/308/EEC, Community funds be treated in the same way as national public funds so as to receive the same protection within each of the Member States;

(d) that steps be taken to combat the negligence that sometimes affects the implementation of the Common Agricultural Policy and that appropriate penalties, in the form of fines or imprisonment, be applied to persons or organizations operating dishonestly or failing to fulfil their obligations;

(e) that the system of compensatory amounts be abolished by restoring currency stability, which requires immediate steps to establish economic and monetary union. Meanwhile, progressive adjustments of the 'green' currency rates to match real rates could provide a temporary solution, for compensatory amounts represent an increasingly heavy burden on the Community budget and there can be no true common agricultural market without standard prices throughout the Community;

(f) that cooperation between all the parties concerned (Commission, Member States, the appropriate authorities of the Member States, and even consumers) be strengthened;

(g) that controls be improved and in particular that their independence be guaranteed. In this connection the Treaty mentioned in point 37, establishing a European Court of Auditors should be ratified as soon as possible by Member States that have not yet done so;

(h) that the cost and advisability of interventions be analysed to improve the direction of Community expenditure in line with public interest.

42. Lastly, the Committee on Agriculture regrets that no figures are given in the report by the Special Committee of Inquiry that would make it possible to assess the extent of fraud or the sums involved. It therefore insists that future reports by the Special Committee of Inquiry should contain such information so that the European Parliament can obtain a real idea of the amount of fraud in the sector under consideration.

43. Nevertheless, the Committee on Agriculture welcomes reports by the Special Committee of Inquiry as they undoubtedly help to explain the complexities of the common agricultural policy.