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**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

1.2.1

PE 46.860/fin.



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 Clerfayt, 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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A.

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;

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.

I. 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<sup>1</sup>, supported by the Committee on Agriculture<sup>2</sup>, 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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<sup>1</sup> Working Document of 29.8.1974 by Mr COINTAT (PE 41.708)

<sup>2</sup> 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.

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<sup>1</sup>;
- (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<sup>2</sup> in accordance with the resolution contained in draft report PE 47.579.

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<sup>1</sup> PE 46.001/rev., Opinion by Mr Liogier

<sup>2</sup> 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

|  | (a)<br>Number<br>of cases | (b)<br>amount-<br>ing to | (c)<br>EAGGF<br>expenditure<br>per sector | (d)<br>percentage<br>$\frac{(d) = (b) \times 100}{(c)}$ |
|--|---------------------------|--------------------------|---|---|
| cereals  | 67                        | 1 040 756 u.a.           | 625.1 M u.a.                              | 0.16%   |
| dairy<br>products                              | 7                         | 169 446 u.a.             | 1 149.8 M u.a.                            | 0.01%   |
| beef and<br>veal                               | 6                         | 198 966 u.a.             | 980 M u.a.                                | 0.02%   |
| pigmeat  | 12                        | 60 319 u.a.              | 53.8 M u.a.                               | 0.11%   |
| poultry<br>eggs                                | 5                         | 109 482 u.a.             | 8.4 M u.a.                                | 1.30%   |
| oils and<br>fats                               | 16                        | 112 275 u.a.             | 231.4 M u.a.                              | 0.04%   |
| sugar  | 1                         | 11 933 u.a.              | 309.2 M u.a.                              | 0.0037%   |
| products<br>other than<br>those in<br>Annex II | 1                         | 14 345 u.a.              | 23.8 M u.a.                               | 0.06%   |
| fruits and<br>vegetables                       | -                         | -                        | 90.2 M u.a.                               | -   |
| dehydrated<br>fodder                           | 2                         | 4 575 u.a.               | 11.1 M u.a.                               | 0.04%   |
| wine   | 1                         | 5 007 u.a.               | 139.1 M u.a.                              | 0.0035%   |
| TOTAL:   | 119                       | 1 727 104 u.a.           |   |   |
| MCM  | 18 <sup>2</sup>           | 432 585 u.a.             | 406.3 M u.a.                              | 0.10%   |
| ACM  | 3 <sup>3</sup>            | 106 689 u.a.             | 414.9 M u.a.                              | 0.02%   |
| GRAND TOTAL:                                   | 139                       | 2 266 378 u.a.           | 4 727.3 M u.a. <sup>1</sup>               | 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.

Working Document of the Commission of the European Communities

Action taken on the recommendations of the Special Committee of Enquiry

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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(I), 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.

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(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 <sup>(1)</sup>.

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 <sup>(2)</sup>.

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 <sup>(3)</sup>.

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(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<sup>(1)</sup>

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
  - Commission report to the Council on application by the Member States of the premium regimes instituted for market years 1974/75 and 1975/76 (Doc. R.979/76 AGRI 280 of 14 April 1976).
  
  - 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.