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Report

drawn up on behalf of the Committee on Budgets

on the ~~Aide-mémoire~~ from the Commission of the European Communities
(Doc. 413/77) on the fixing of the ECSC levies and on the drawing up of the
operational budget for 1978

Rapporteur: Mr C. RIPAMONTI

By letter of 17 November 1977 the President of the Commission of the European Communities forwarded to the European Parliament the proposal from the Commission of the European Communities on the fixing of the ECSC levies and on the drawing up of the operational budget for 1978.

The President of the European Parliament referred this document to the Committee on Budgets.

On 2 November 1977 the Committee on Budgets appointed Mr Ripamonti rapporteur.

The meeting of the four committees concerned (the Committee on Budgets, the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Energy and Research) was held on 30 November 1977.

At its meeting of 6 December 1977 the Committee on Budgets considered the draft report and unanimously adopted the motion for a resolution.

Present: Mr Lange, chairman; Mr Cointat, vice-chairman; Mr Ripamonti, rapporteur; Mr Alber, Lord Bruce of Donington, Mr Meintz, Mr Notenboom, Mr Radoux, Mr Schreiber, Mr Shaw, Mr Spinelli and Mr Yeats.

The opinion of the Committee on Economic and Monetary Affairs is attached.

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2. Calls on the Commission to increase coordination of aid activities - particularly social measures involving retraining and redevelopment - with the Community's Social and Regional Funds.

as regards revenue

3. Considers it essential for the Commission to hold the ECSC levy for 1978 at 0.29%;

4. Considers therefore that

- (a) the budget deficit announced by the Commission to meet the estimated expenditure of 152 m EUA should be covered by the transfer to the Community of a part (32 m EUA) of revenue from customs duties levied on ECSC products;
- (b) this action should be followed by a decision to include customs duties from ECSC products in the Community's own resources system, adopted on 21 April 1970;
- (c) these measures are all the more justified as the levy applies to only two economic sectors - coal and steel - and that the revenue from the customs tariff levied on these products should be made available to the ECSC by entering it in the latter's operational budget;
- (d) in the event of the Council not meeting the ECSC's financial requirements by transferring part of the customs revenue, this should be done by means of a 'special contribution' from the nine Member States;
- (e) that the Council would be assuming a heavy responsibility if it opposed covering the estimated deficit, upon which implementation of the budget depends;

as regards bringing the ECSC operational budget into closer alignment with the general budget of the Communities

5. Urges the Commission to submit a report to Parliament that defines an overall approach to the opportunities for action under the general budget and the operational budget of the ECSC, recommends a measure of integration of ECSC and EEC activities (without sacrificing the financial principles of the ECSC Treaty, which must remain the model to be followed) and provides the budgetary authority with a more comprehensive picture of Community finances;

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

MOTION FOR A RESOLUTION

on the aide-mémoire from the Commission of the European Communities on the fixing of the ECSC levies and on the drawing up of the operational budget for 1978

The European Parliament

- having regard to the Commission aide-mémoire on the fixing of the ECSC levies and on the drawing up of the operational budget for 1978 (Doc. 413/77),
- having regard to the joint meeting of the Committee on Budgets, the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Energy and Research,
- having regard to the report of the Committee on Budgets and the opinion of the Committee on Economic and Monetary Affairs (Doc. 439/77),
- having regard to
 - (a) the unfavourable economic situation and the serious difficulties now facing the iron and steel and coal industries;
 - (b) the need, particularly in the present situation, for conversion, retraining and research, and the advisability of improving the structures of the industries in these two sectors so as to make them more competitive and, at the same time, enable them to meet 1985 production targets;
 - (c) the inadvisability of raising the present levy and the vital need not to reduce the Commission's budgetary proposals, which should be considered as a minimum below which the aid policy laid down in the ECSC Treaty would be placed in jeopardy;

as regards expenditure

1. Approves unreservedly the Commission's proposals for an operational budget of 152 m EUA;

6. Asks the Commission to present to Parliament, as soon as possible, an organic programme for the restructuring of the steel industry;
7. Requests the Commission, both as regards the 1978 operational budget and the levy rate, to respect, as in previous years, the terms of this resolution.

EXPLANATORY STATEMENT

A. ECSC budgetary procedure

1. The purpose of the ECSC operational budget, largely financed by levies on the production of coal and steel, is to enable the activities laid down in the Treaty of Paris to be carried out.

Since 1958 this budget has been examined at a joint meeting of the Committee on Budgets, the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Energy and Research.

Following this meeting the Committee on Budgets, which is the committee responsible, draws up and adopts a report summarizing the views expressed by the four committees; this report is then submitted to Parliament.

It should be pointed out that since the introduction of this procedure the Commission has consistently, with the exception of one occasion, been in agreement with the Assembly's views.

2. Parliament gives its opinion on the amount of expenditure envisaged in the draft budget, and also on the levy rate proposed by the Commission on the basis of the scale of the financial operations.

3. The levy rate, which remains below 1%, is laid down unilaterally by the Commission: for higher rates prior authorization by the Council would be necessary.

Since 1972 the levy rate has remained unchanged at 0.29%.

B. General background

4. According to a now well established practice, the Commission very rightly devotes part of its 'aide-memoire on the fixing of the ECSC levies and on the drawing up of the operational budget' to a description of the economic and financial situation in the sectors concerned.

In the light of this analysis, the economic context for 1978 is seen to be very unsatisfactory in the coal sector and altogether alarming in the steel sector.

While demand for coal shows no signs of increasing, and prospects for increasing production thus remain extremely uncertain, in steel there is a persistent 'severe slump', structural in nature, and characterized by a

constant fall in domestic demand and in exports, primarily as a result of competition from other industrial countries and some developing countries.

5. In this situation it is necessary therefore:

- to launch a process of radical restructuring, appropriate to the nature of the crisis, and
- to carry through an effective policy of readaptation and retraining of the workforce. The latter measure is not only unavoidable and socially desirable, but is also more urgent than any other action which may be envisaged in the framework of an overall review of the size, nature and objectives of the European coal and steel industry. It should be noted that, especially in the steel sector, the expected reduction in job numbers is estimated at several tens of thousands.

6. Finally, as regards the financial aspect, the Commission states that, from the second half of the current financial year, a one month lag has been applied to the deadline for payment of levies. This measure which permanently replaces an earlier, temporary two-months lag granted in 1976, makes allowance for the undertakings' financial difficulties and is in line with a recommendation to that effect made by Parliament at an earlier date.

C. Analysis of requirements

7. The Commission states that the financing needs to be covered by appropriations in the 1978 financial year amount, on the basis of applications already submitted or expected, to 260 million u.a., broken down as follows: 85 million u.a. for investment and redevelopment aids in the shape of interest rebates, 82.5 million for research, 81.5 million for aid to resettlement, 6 million u.a. for aid to coking coal, and 5 million u.a. for administrative expenditure.

The Commission notes in this connection that:

- (a) the levy rate to cover all these requirements would have to be fixed at 0.70%.
- (b) If the amount of revenue entered in the budget were to be fixed at a level similar to that in last year's initial budget (111 million EUA), this would mean that only 44% of applications from the Member States could be satisfied, as compared with 81% in 1975, 78% in 1976 and 68% in 1977.
- (c) Among the operations to be financed by non-repayable grants, three are unavoidable in nature, either because they are expressly laid down in the Treaty, as for instance resettlement aid (Article 56) and aids to coking coal (Article 95), or because they are, of their nature, irreducible,

as for instance administrative expenditure.¹

(d) Of the two other actions, research expenditure is critical to the competitiveness of the Community industry, while interest relief has now come to play a key part in the ECSC's industrial policy because of the vitally important character of restructuring and redevelopment operations in the steel industry.

8. In view of the above considerations, the Commission states that it cannot reduce the financial requirements below a total of 152 million u.a., broken down as follows:

- 5 million u.a. for administrative expenditure
- 60 million u.a. for resettlement aids
- 6 million u.a. for aids to coking coal
- 41 million u.a. for research aids
- 40 million u.a. for investment and redevelopment aids (interest subsidies).

D. Resources available: the Commission requests the allocation of revenue from the external customs tariff duties on ECSC products

9. With the levy rate unchanged at 0.29%, the Commission expects it to yield a total revenue of 120 million u.a.:

- 100 million u.a. from the proceeds of the levy
- 18 million u.a. from interest on investments and loans from non-borrowed funds
- 2 million u.a. from cancellation of commitments which will probably not be implemented.

10. In order to cover the appropriations described in (8) above, the Commission asks for a 'special grant' of 32 million u.a., in the form of a donation in accordance with Article 49(2) of the ECSC Treaty.

11. This grant, representing a part of customs duty revenue on ECSC products, which until now has been collected by the Member States, is the really innovative factor in the 1978 budget.

Under the decision of 21 April 1970 on own resources, from 1 January 1971 duties from the Common Customs Tariff are allocated to the EEC and the ECSC.

¹ On 'administrative expenditure' it should be noted that Article 20(2) of the merger Treaty fixes at 18 million units of account the portion of the ECSC's administrative expenditure to be entered in the Community's general budget. The Commission now proposes to reduce this amount to 5 million u.a., so as to 'make additional money available for the financing of increased operational requirements'.

Since the customs duties on ECSC products have been standardized as a result of decisions taken in accordance with Article 72 of the Treaty of Paris, the Commission now states that it will propose to the Council that the necessary procedures be set in motion for allocating these as soon as possible to the ECSC operational budget.

12. The Commission also states that if the provision of the proposed 'special grant' should meet with 'insurmountable' difficulties, the Commission will submit a new draft budget involving an increase in the levy necessary to balance the budget.

E. Conclusions of the meeting of the four committees

13. In accordance with long established practice, as noted in (1) above, the Commission's aide-mémoire 'on the fixing of the ECSC levies and on the drawing up of the ECSC operational budget for 1978' was examined by the four committees concerned.

14. At this meeting the following points emerged:

- on the one hand, a growing concern for the increasingly precarious state of the Community's steel industry, especially in the light of recent data on production, export and price trends;
- on the other, the reaffirmation of the resolve to ensure that the ECSC budget, in this extremely sensitive period, remains on a size, and retains a margin of manoeuvre, sufficient to permit its continued use for purposes of intervention.

15. In the knowledge that the European industry's growing requirements require solutions that can guarantee the practical attainment of the objectives which have been fixed, it was emphasized:

- (a) that the Commission's proposal to fix the 1978 budget at 152 million u.a. can be supported by Parliament. It was stressed in this connection that the budget cannot be further reduced from this level of 152 million EUA without detracting from the effectiveness of projects envisaged in the ECSC's programme of activities;
- (b) that in fixing the objectives and in distributing the available resources care must be taken to ensure consistency with the main guidelines of the Community's industrial policy;
- (c) that the increase for the 1978 ECSC budget requested by the Commission may permit the implementation of a structural policy based on general targets for steel for 1985-1990, as defined and agreed with the social partners and the Governments, through contributions to:

- modernization of the steel industry
- creation of alternative jobs in those areas where restructuring has, or will, reduce the workforce
- guaranteed incomes and retraining for workers obliged to leave their jobs or change their occupations;

- (d) that precisely because of the gravity of the problems arising from the crisis in the European steel industry, it would be inappropriate to endorse any possible proposals for increasing the levy rate beyond 0.29%;
- (e) that, instead, support should be given to any initiatives likely to ensure a net revenue to the ECSC's operational budget from sources not directly attributable to payments made by the industries active in the sector;
- (f) that encouragement should be given for all those decisions which, as mentioned in point (b), may result in a better distribution between the coal and the steel sectors, between the 'unavoidable' and the optional expenditures, between actions aiming at promoting reconversion and those aimed at actual 'restructuring' of undertakings;
- (g) finally, that the Commission should be urged to present, as soon as possible, the entire range of measures it intends to adopt with a view to promoting the restructuring of the European steel industry.

16. In the light of the above, therefore, the four committees were not only prompted to give an opinion in favour of the proposed size of the ECSC's 1978 operational budget and the maintenance of the levy rate at 0.29%, but also emphasized the need to support the Commission

- both by approving the proposal, already agreed by the Council, to reduce from 18 million to 5 million u.a. that part of ECSC administrative expenditure which is entered in the general budget of the Communities, so as to make available additional resources for the financing of the operational activities;
- and by supporting the request for the transfer of 32 million u.a., by way of a donation, while considering the such a measure should form part of a wider framework of measures aiming, in line with the 'own resources' system, to include in the ECSC operational budget the revenue from customs duties on steel and coalmining products.

If the Council rejected the Commission's proposal to transfer the customs revenue from those products, the ECSC's financial requirements would have to be met by a special contribution from the nine Member States.

17. A general consideration stressed at the meeting was the very special nature of the ECSC Treaty which, it was held, should be maintained unchanged, although pressure should be brought on the Commission to submit to Parliament a report on the possibility of effecting, through greater integration of activities, a closer coordination between the ECSC's operational budget and the general budget of the Communities.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

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

Luxembourg, 5 December 1977

Dear Mr Chairman,

At its meeting of 1 and 2 December 1977 in Brussels the Committee on Economic and Monetary Affairs considered the aide-mémoire from the Commission on the fixing of the ECSC levies and on the drawing up of the operational budget for 1978 (COM(77) 558.final).

A short while ago, when considering a report on the crisis in the iron and steel industry (Doc. 198/77) drawn up on behalf of the Committee on Economic and Monetary Affairs, the European Parliament requested the Commission to use all the means provided by the Treaties for full cooperation between the Governments of the Member States (paragraph 17 of the resolution).

The Committee on Economic and Monetary Affairs can only approve, therefore, the Commission's desire to step up intervention measures in this serious crisis, rather than resigning itself to taking fewer. This necessarily entails an increase in the volume of expenditure, as reflected in the draft budget.

On the question of meeting the additional expenditure entered in the draft operational budget, the Committee on Economic and Monetary Affairs shares the Commission's view that, in the present economic situation, it would not be advisable to raise the levy from 0.29%.

The committee also considers reasonable the Commission's proposal that a special contribution should be made to the operational budget of the ECSC in the form of 32 m u.a. of customs duties on ECSC products. This will entail an amendment of the Council decision of 21 April 1970 on customs revenue, in order that revenue from customs duties on coal and steel imported from third countries may be included among the Community's own resources. There is no other way of preventing the

Community from taking no action at all, which would leave the way open for the re-formation of cartels and the accompanying danger of economic upheaval and infringement of the rules governing competition.

The Committee on Economic and Monetary Affairs has also expressed the wish to be informed by the Commission as soon as possible of its intentions with regard to a general restructuring programme in the steel sector.

Yours sincerely,

(sgd) Harry NOTENBOOM

