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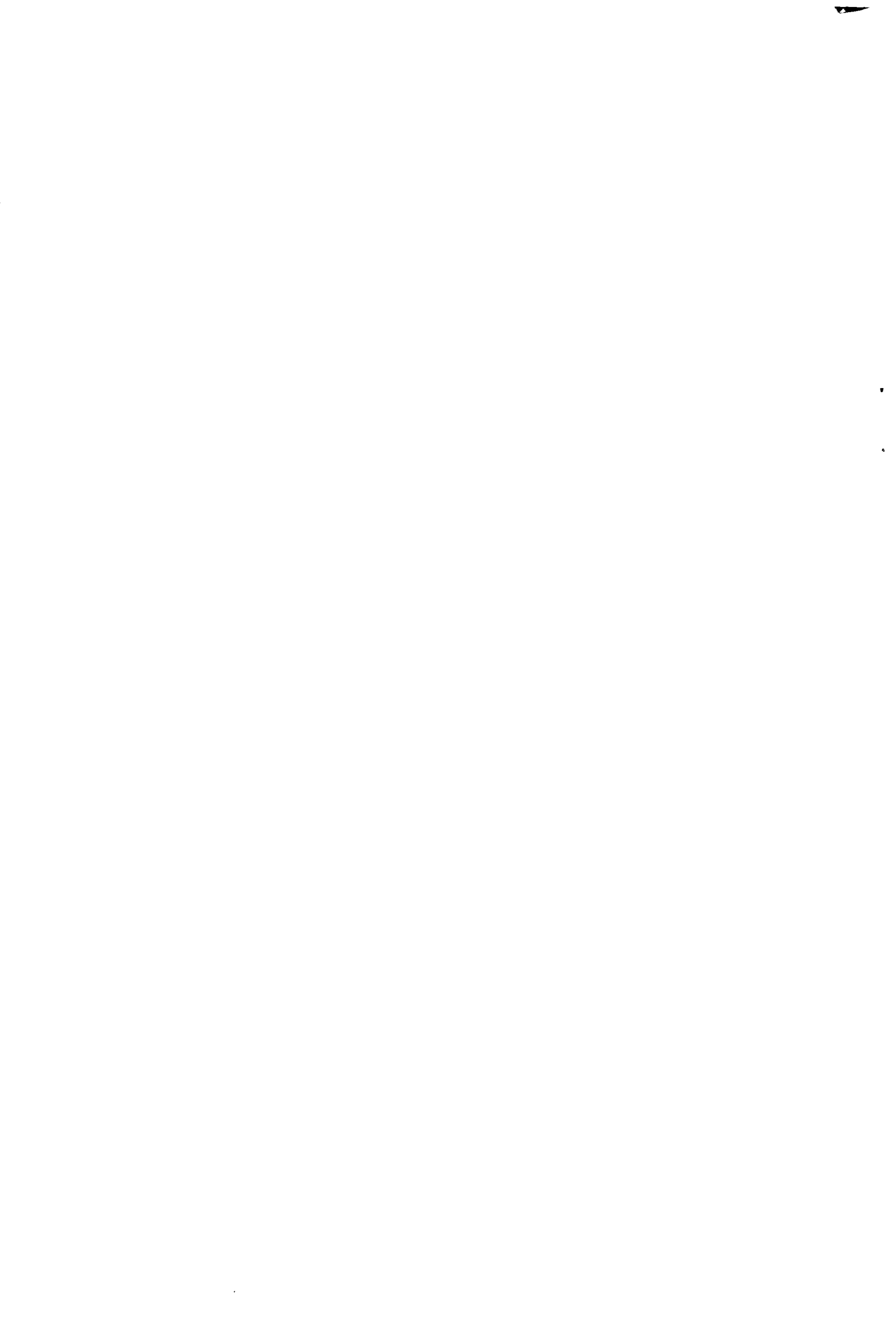
Report

drawn up on behalf of the Committee on Budgets

on the ~~aid~~-memoire from the Commission of the European Communities on the fixing of the ECSC levies and on the drawing up of the operational budget for 1977 (Doc. 475/76)

Rapporteur: Mr. A. TERRENOIRE

PE 46.659/fin



At its meeting of 3 November 1976, the Committee on Budgets appointed Mr TERRENOIRE rapporteur on the fixing of the ECSC levies and on the drawing up of the operational budget for 1977.

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 17 November 1976.

At its meeting of 1 December 1976, the Committee on Budgets considered the draft report and adopted the motion for a resolution unanimously.

Present: Mr Lange, chairman; Mr Terrenoire, rapportuer; Mr Artzinger, Lord Bessborough, Lord Burce of Donington, Mr Brugger, Mrs Cassanmagnago (deputizing for Mr Mursch), Mr Fletcher, Mr Haase, Mr Martinelli (deputizing for Mr Colombo), Mr Notenboom, Mr Patijn, Mr Radoux, Mr Shaw, Mr Suck and Mr Yeats.

The opinion of the Committee on Economic and Monetary Affairs 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 the fixing of the ECSC levies and on the drawing up of the operational budget for 1977

The European Parliament,

- having regard to the aide-memoire from the Commission on the fixing of the ECSC levies and on the drawing up of the operational budget for 1977 (Doc. 475/76),
 - following 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. 476/76);
1. Notes the considerable improvement this year in both the form and content of the Commission's aide-memoire;
 2. Expresses concern at a degree of stagnation and inflexibility in the operational budget in an economic and financial context which is particularly changeable;
 3. Therefore requests the Commission to undertake a thoroughgoing review of the role of this budget in relation to the ECSC investment budget and the general budget of the European Communities;
 4. Considers that, in the present economic conditions, a modification of the levies would not be advisable;
 5. Consequently approves the draft ECSC budget for the financial year 1977 presented by the Commission and requests it to maintain the levies at 0.29%;
 6. Requests the Commission to forward to it next autumn an interim report on the implementation of this budget.

EXPLANATORY STATEMENTA. The ECSC budgetary procedure

1. On account of the specific nature of the ECSC Treaty, the European Coal and Steel Community has two separate systems of financing and activity:

- the operational budget financed chiefly by ECSC levies,
- the investment budget financed by borrowings.

While the investment budget may be used to finance, through loans, a wide variety of specific projects, the operational budget can be used solely to finance operations provided for by the ECSC Treaty.

2. The rate of levies which finance the operational budget is fixed unilaterally by the Commission, intervention by the Council being deemed necessary only if the Commission should propose to fix a rate higher than 1%. It is customary for the Commission to ask the European Parliament for its opinion before adopting the ECSC budget. To that effect it submits to Parliament an aide-memoire which is in fact a kind of summary draft budget. On the basis of this aide-memoire the Committee on Budgets, after deliberating with the three other appropriate parliamentary committees¹, adopts a report for Parliament.

B. Characteristics of the ECSC Operational budget for 1977

3. The Commission notes first of all that the financing requirements declared by the Member States and which should be met from resources of the financial year 1977 total 163 m u.a. and that the corresponding rate of levy should be 0.46%. It points out, however, that since 1972 the rate of levy has been 0.29%.

4. Considering firstly that enterprises should be spared the disadvantages of a rate of levy which varies too frequently and secondly that their financial position remains difficult, the Commission proposes that the rate of 0.29 per cent should be maintained. It believes that this rate should make it possible to mobilize resources of about 111 m u.a.

5. These 111 m u.a. would be allocated as follows:

42 m u.a. for aid to research

25 m u.a. for aid to resettlement

¹The Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Energy and Research.

18 m u.a. for administrative expenditure
15 m u.a. for aid to investment and redevelopment
6 m u.a. for aid to coking coal.

6. During the financial year 1976 the Commission was called upon to allocate 6 million u.a. for aid to victims of the Friuli disaster and the Commission proposes the creation of a new line of expenditure in the 1977 budget for such action and to allocate 5 m u.a. to it.

7. The levies traditionally represent 80 to 85 per cent of total income, the remainder being covered chiefly by interest from investments and loans from non-borrowed funds and also, though to a lesser extent, by the cancellation of previous commitments.

C. Action taken on requests by Parliament

8. When delivering its opinion on the ECSC budget for 1976, Parliament submitted to the Commission certain suggestions, which the latter adopted in the following manner when drawing up the draft operational budget for 1977:

- development of the policy guidelines adopted by the Commission in the coal and steel sector,
- provision of information about the operational and investment budgets for the current financial year,
- postponement for two months of the due date of the levies applicable to steel production,
- possibility of limiting the increase in average values used in the calculation of levies,
- creation of a 'budgetary library' similar to the one figuring in volume 7 of the preliminary draft general budget,
- allocation of any surplus from the levy yield to further projects in the social field.

D. Assessment of the draft ECSC budget for 1977

9. The ECSC draft budget for 1977 gives cause for thought on two points: firstly, the overall amount of this budget and, secondly, the type of operations whose financing it makes possible.

a) Overall amount of the budget

10. For the sixth consecutive year the rate of levy is fixed at 0.29% and ECSC resources are now stagnating at about 100 m u.a. In

consequence there has been a worsening of the disproportion between the financing requirements declared by the coal and steel sectors on the one hand and the appropriations released by the operational budget of the ECSC on the other. In the last three budgets (initial budget) applications received were covered by available appropriations in the following proportions:

- for 1975 : 81%
- for 1976 : 78%
- for 1977 : 68%

11. This 'freezing' of the operational budget contrasts sharply with the spectacular development of the investment budget of the ECSC, which has attained ten times its original volume. ECSC loans currently total 3,600 m u.a.; for the financial year 1976 alone, this budget will represent some 1,000 m u.a., almost ten times as much as the operational budget.

b) Type of operations to be financed

12. The type of operations to be financed is laid down by the ECSC Treaty, though Article 95 of that Treaty provides for the possibility of financing action not provided for in the Treaty, if the Council gives its approval.

13. In practice the type of action taken and the sums allocated to them vary little; the proportions shown below relate to the draft budget for 1977 but they are very close to the figures for the five preceding years:

- about 43% of appropriations are allocated to action in the social field, i.e. resettlement, redevelopment and social research; this figure is 50% if the financing of subsidized housing is also taken into account;
- 30% of the appropriations are allocated to research (steel and coal) in the form of participation in projects submitted and carried out mainly by the industry;
- 16% of the appropriations go to cover the cost of the Commission administration of the ECSC following the merger of the Executives; this is a fixed sum of 18 m u.a.;
- 10% of the appropriations are allocated to more directly operational action such as aid to coking coal or interest subsidies for industrial investments.

14. On the whole, then, the stagnation in the amount of appropriations seems to go hand in hand with a certain inflexibility in their allocation, an exception being the aid to Friuli, which, though modest in scale,

constitutes an interesting precedent.

15. The draft ECSC budget for 1977 seems therefore to confirm the trend of the last few years, which may be summarized as follows:

- the overall volume of the ECSC budget (and consequently the rate of levy) has been paralysed for several years by **contradictory** trends:
 - the increased needs (especially in the social and research fields),
 - the holding-back on the part of industrial circles in reaction to the increase in the rate of levy:
- the stagnation of appropriations is reflected in a lack of variety in the type of action undertaken, which is becoming increasingly irrelevant and out-of-step with new developments:
- this two-fold phenomenon has lead to a two-fold trend for ECSC-type projects to be lifted out of the framework of the operational budget and be entered in :
 - the ECSC investment budget, which is increasingly operating as a 'bank' for the coal and steel industries of the Community.
 - the general budget of the European Communities which the Commission is at present asking to finance certain ECSC-type activities; examples: aids for coal storage, aid for the use of coal in thermal power stations.

E. Fixing the levies

16. At their joint meeting, the four committees concerned discussed at length the advisability of reducing the levies, particularly in view of the severe financial difficulties currently affecting the Community's coal and steel industry; the question of the 'reserve' built up over the years by the ECSC was also discussed.

17. A majority of members present voted in favour of maintaining the levy at 0.29%.

Conclusion

18. The Committee on Budgets, acting on the basis of the guidelines laid down at the joint meeting is not in favour of proposing any amendments to the proposal on the fixing of the rate of ECSC levies for the financial year 1977. It takes note of the proposals for the allocation of appropriations submitted by the Commission.

19. In connection with its comments regarding the inflexibility of the operational budget, the Committee on Budgets suggests to the Commission that a detailed study should be made of the nature and role of this budget at a time when far-reaching changes are taking place in the financial and economic field and in the area of regulations - and with a view to the future development of the ECSC investment budget and that of the general budget of the European Communities.

20. Moreover, the Commission is also requested to consider the possibility of forwarding to Parliament in the autumn an interim report on the implementation of the operational budget of the ECSC for 1977.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from the chairman of the committee to Mr Erwin LANGE, Chairman of the Committee on Budgets

7 December 1976

Dear Mr Chairman,

At its meeting of 2 and 3 December 1976¹ in Brussels the Committee on Economic and Monetary Affairs considered the aide-memoire from the Commission concerning the fixing of the ECSC levies and the drawing up of the operational budget for 1977 (Com(76) 545 fin.).

Our committee appreciated the additional data given in the aide-memoire. This information answers the request that the European Parliament addressed to the Commission in its resolution of 18 December 1975, except for the most recent situation of the ECSC reserves, which the Parliament had also asked for but which is not given in the aide-memoire.

Our committee approves the fixing by the Commission of the European Communities of the levy at 0.29%. It is true that in view of the difficulties of the coal and steel sector, this levy may seem heavy for the industries concerned, but account must also be taken of the advantages the sector derives from it; this advance levy is **always** exclusively used to the advantage of the sector, in particular in the form of cheap loans and interest. In the committee's view the rule of stability to which the Commission understandably wishes to adhere may not be used in future as a principle for making the rate of the levy unchangeable.

I should be grateful if you would consider this letter as the unanimous opinion of the Committee on Economic and Monetary Affairs.

Yours sincerely,

(sgd) A. VAN DER HEK

¹ Present: Mr Van der Hek, chairman; Mr Notenboom, vice-chairman; Lord Ardwick, Mr Artzinger, Mr Delmotte, Mr Lange Lord Murray of Gravesend, Mr Normanton and Mr Suck.

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