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EUROPEAN PARLIAMENT

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Working Documents

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DOCUMENT 218/77

REPORT

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 65/77) for a regulation (EEC, ECSC, EURATOM) introducing the European Unit of Account (EUA) into the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities, and into other Council Regulations applying to officials and former officials and to other servants of the Communities

Rapporteur: Mr M. COINTAT

PE 49.101/fin.

1.2.2

By letter of 22 April 1977 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a Council regulation (EEC, ECSC, EURATOM) introducing the European Unit of Account (EUA) into the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities, and into other Council Regulations applying to officials and former officials and to other servants of the Communities.

On 28 April 1977 this proposal was referred to the Committee on Budgets as the committee responsible.

On 27 April 1977 the Committee on Budgets appointed Mr Cointat rapporteur.

It considered this proposal at its meeting of 22 June 1977.

At its meeting of 4 July 1977 the committee unanimously adopted the motion for a resolution.

Present: Mr Lange, chairman and acting rapporteur; Mr Aigner, vice-chairman; Lord Bruce of Donington, Mr Dalyell, Mr Fröh, Mr Mascagni, Mr Patijn, Mr Radoux and Mr Shaw.

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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

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation (EEC, ECSC, EURATOM) introducing the European Unit of Account (EUA) into the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Communities, and into other Council Regulations applying to officials and former officials and to other servants of the Communities The European Parliament,

- having regard to the proposal for a regulation from the Commission of the European Communities¹,
 - having been consulted by the Council (Doc. 65/77),
 - having regard to the report of the Committee on Budgets (Doc. 218/77),
- (a) whereas the Council Decision of 5 April 1976 on the European unit of account should apply not only to the Community budget but also to the regulations concerning the staff of the Communities;
- (b) whereas the sole purpose of the Commission's proposals submitted to Parliament is to express in European units of account those values (remunerations, allowances, transfers of funds, weightings, tax) hitherto expressed in Belgian francs, without affecting the rights of staff or exposing their emoluments to possible fluctuations;
- (c) whereas it is appropriate, by means of a European unit of account based on the real values of the various national currencies, to take account of the evolution of currency values and hence to abandon the exchange ratios introduced in 1965;
- (d) whereas following the introduction of the European unit of account, weightings will no longer be required to correct exchange parities and will henceforth be used principally to take account of increases in the cost of living, as originally intended;
- (e) whereas the Commission has given assurances that its proposals will in no way adversely affect the remunerations and other allowances of officials and other servants of the European Communities;

¹ OJ No. C 99, 22.4.1977, p.5

1. Approves the Commission's proposal for a regulation;
2. Asks the Commission to introduce, in good time, the administrative arrangements needed to ensure that the application of the European unit of account does not disrupt existing administrative practices or even temporarily harm the interests of the European civil service;
3. Calls on the Commission to report as soon as possible on the application of this proposal and also on the views of the staff, who have so far expressed a number of reservations within the Joint Committee on the Staff Regulations;
4. Notes the Commission's assurance that its proposal will in no way affect the real value of the payments made to officials in the form of remunerations, pensions and allowances.

EXPLANATORY STATEMENTPrinciple of the European unit of account

1. The Committee on Budgets consistently supported the introduction of a European unit of account which has become necessary as a result of the erosion of the Bretton-Woods agreement in the last ten years, which has caused most currencies to be no longer definable in terms of gold. Furthermore, there had been a proliferation of units of account used in the Community (agricultural, monetary, statistical and budgetary - as well as the new unit of account (EUA) which had been applied for the Lomé convention from April 1975). The approval of the European Parliament for the generalisation of the use of this European unit of account was noted in the resolution and report of the Committee on Budgets on changes to the Financial Regulation ¹. This position was reiterated in the report on the proposal for applying the European unit of account to legal acts adopted by the institutions of the European Parliament ².

Particular problems arising

2. In this report, Mr Shaw, whilst reiterating support for the general measure for the introduction of the European unit of account as speedily as possible, noted that certain problems might arise and pointed out that in particular, the change over would have to be treated in separate regulations for the financial rights and obligations which the Commission might have with respect to their officials and other staff. He also drew attention to the fact that special provisions would be needed for the ECSC products covering the Common Customs Tariff and the EAGGF.

3. As regards payments to staff it is clear that daily changes in the value of the European unit of account could give rise to serious administrative difficulties, both in the payment to officials in national currencies and also in the negotiations with the staff for salary changes into which an element of uncertainty would be introduced as to whether any agreements negotiated would retain their value.

¹ Report by Mr SHAW: Motion for a resolution, OJ No. 6, 10.1.1977, p. 18

² Report by Mr SHAW, Doc. 569/76

The Commission's proposals for amending the regulations on the remunerations and payments to officials and other servants, Community tax and weightings

4. Before 1962, when permanent officials of the Communities were covered by the Staff Regulations of the ECSC, the salary scale was determined in units of account (budgets). In 1962, and with the introduction of the Staff Regulations for the officials of the EEC, it was agreed that the salary scale would be determined in Belgian francs, this presumably for two reasons:

- (i) that a vast majority of the staff were located in Brussels and Luxembourg;
- (ii) because of the inherent stability of the Belgian franc.

5. Since 1962, apart from the general measure to implement the European unit of account, it is believed by the Commission that the unit of account should apply, in as far as possible, to officials since first it was felt appropriate that at least the administrative budget of the institutions should be defined in units of account and, secondly, since 1962 the work places of the institutions had multiplied. This latter problem was particularly serious in view of the increasing fluctuations in national currencies which, for example, could cause an official of the Communities, working in Rome, in London or in Bonn, particular disadvantages or advantages which could not be entirely overcome by the cumbersome 'weighting' procedure. The mechanism had been instituted as a means of taking into account fluctuations in national currencies and also changes in the rates of cost of living increases. However, it has only been adjusted periodically.

6. The Commission therefore faced a dilemma. It wished to apply the new European unit of account to the administrative budget and to salaries in particular. On the other hand, daily changes in the value of that unit would cause serious difficulties. The compromise that it has put forward uses the new European unit of account as the basis for salaries but provides for it to be changed on a given date 'when necessary' and at least once a year when the remunerations are reviewed. Consequently, this unit of account is to be frozen for a period of one year and revised at the time of the automatic revision of salaries in order to maintain purchasing power.

7. In proposing that the unit of account applicable to remunerations should be adjusted only once a year, the Commission has allowed for the administrative difficulties which would inevitably arise if there were more frequent fluctuations in its value.

8. A particular problem arises in the cases of other payments to officials and the Commission proposes a basket provision for all amounts which are not part of remuneration as defined at Article 62 of the Staff Regulations. There the Commission suggests that the introduction of the European unit of account should provide for regular up-dating of the national currency equivalents. It is suggested that this up-dating should take place every three months in order to avoid administrative complications.

9. The Commission also proposes to substitute the European unit of account for the Belgian franc in the tax scale contained in the Community tax system.

10. At the same time, on the basis of the decision of 21 December 1976¹ incorporating weightings into the salary scale, it is proposed to adjust the weightings in line with the variation in value of each currency between 1 January 1965 and 1 January 1977. This measure enables the weightings to be used to take account of increases in the cost of living, as originally intended, but not to correct exchange par values.

11. As regards weightings, your rapporteur has based his views on the data received regarding the method of calculation used by the Commission to establish the various cost-of-living indexes in the different countries of employment.

12. It is clear that the administrations of the institutions are going to face extra tasks for all their administrative payments. It is your rapporteur's understanding that certain problems are already being faced and that extra resources may be necessary. He therefore suggests asking these administrations to let it be known to the budgetary authority any problems arising and any measures thought necessary.

13. In general the rapporteur accepts the Commission's assurances that its proposals will in no way adversely affect the rights of officials and other servants as regards the real value of their remunerations, pensions, allowances, etc.

¹ Regulation No. 3177/76

Information of the European Parliament

14. Many of the problems will only be realized during the course of the 1978 financial year. Mr Shaw, in his report on the European unit of account¹ has already called for the European Parliament and its sub-committee to be informed of the implementation problems. Your rapporteur believes that the specific problem of up-dating the national currency equivalents of the European unit of account as applied to staff salaries, merits particular attention. He has therefore called the Commission to keep Parliament informed at the time of the first up-dating in the middle of 1978.

15. In drawing up this report the Commission should inform Parliament of the opinion of the Joint Committee on the Staff Regulations, which has been unable to deliver an opinion on the proposals and has expressed a number of reservations on the application of the European unit of account to staff salaries.

16. There is an element of urgency in these implementing measures since the budgetary procedure for 1978 is beginning and the Council has yet to commit itself completely to the general introduction of the European unit of account. Your rapporteur has, therefore, called for the Council to speedily adopt the basic principle as well as the implementing proposals to avoid the chaos that would ensue from any delays.

Conclusions

17. The Committee on Budgets therefore accepts the need for special provisions for the introduction of the European unit of account into the Staff Regulations and the regulation on all payments to officials, and for Community tax and weightings. It therefore supports these proposals, but hopes that it will be possible at some later date to align the application of the European unit of account with that for other sectors.

18. The Committee on Budgets suspects that the distinction made for other payments to officials might entail additional administrative problems. Finally, the Committee on Budgets asks that the budgetary authority be kept permanently informed of problems arising and of necessary measures for their solution.

¹ Doc. 569/76

SCOPE OF THE PROPOSAL FOR A REGULATION - EXPLANATORY NOTES AND TABLES

To illustrate the way in which the provisions set out in document COM(77) 43 final will be implemented, tables have been compiled comparing emoluments payable under the existing regulations and under the proposed new regulations. Attention is drawn to the following points:

- (a) As is shown by Annex I, when the transition is made from the present system to the EUA system (1 January 1977), the net remuneration of officials in the various Member States will remain virtually unchanged.
- (b) As regards pensions, the table at Annex II confirms that the transition to the EUA system as of 1 January 1977 will likewise entail no change, to the extent that the pensions are paid in the currency of the country of residence of the beneficiary.

However, there will no longer be any advantage to be gained from opting, pursuant to Article 45 of Annex VIII to the Staff Regulations, for payment in currencies other than that of the country of residence.

Pensioners will be advised of this as soon as possible, so that they may reconsider their choice and take appropriate steps, if possible between now and the end of the year.

- (c) Voluntary retirement allowances: these will not be affected either by the adoption of the EUA or by a hypothetical change of reference date to 1 June 1977 (Annex III).

Only two beneficiaries have taken up residence outside the Community, in Switzerland and Canada respectively. The adoption of the EUA will entail a drop in the Bfrs allowance of one of these beneficiaries and an increase in the Can\$ allowance of the other (Annex III).

- (d) Amounts expressed in Belgian francs in the Staff Regulations and other regulations:

- items of income subject to the weighting applicable in the country in which an official is employed will be subject to the same adjustments as his remuneration. They will not be affected by the introduction of the EUA.

- in the case of items of income expressed in Belgian francs and not subject to the weighting, calculations will be made on the basis of the rates applicable, updated every quarter. This method is already applied under the present arrangements for payments in a currency other than the Belgian franc. The introduction of the EUA will simply mean that the use of the adjusted rates will be extended, particularly with respect to mission expenses, to cover staff employed in Belgium and Luxembourg.

Comparison of remunerations calculated on basis of present statutory provisions and the proposal for a Council regulation (COM(77) 43 final)

Example: Grade B 2/4 official, married, with 2 dependent children, and in receipt of the expatriation allowance

COUNTRY OF EMPLOYMENT	Present remuneration				EUA remuneration paid on basis of EUA exchange value at 1.1.1977			
	Weighting	Net remun. in Bfrs	1.1.65 parity	Net remun. (currency)	Weight- ing	Net remun. (EUA)	1.1.77 parity	Net remun. (currency)
Belgium	100	89,723	-	Bfrs 89,723	100	2,207.5	40.66	Bfrs 89,733
Italy	120	107,668	8	Lit 1,345,850	61.7	1,362.1	989.293	Lit 1,347,120
Germany	82.5	74,022	12.50	DM 5,921.76	100.5	2,218.6	2.66938	DM 5,920.4
United Kingdom	126.2	113,231	140	£ 808.80	55.3	1,220.8	0.662646	£ 808.7
France	120.4	108,027	10.13	FF 10,664.07	86.0	1,898.5	5.61696	FF 10,660.4
USA	129	115,744	50	\$ 2,314.88	92.8	2,048.6	1.12999	\$ 2,314.2
Denmark	122.6	110,000	7.2389	Dkr 15,197.57	105.3	2,324.5	6.53960	Dkr 15,196.7
Ireland	127.6	114,487	140	£ 817.8	55.9	1,234.0	0.662646	£ 817.4
Netherlands	93.9	84,250	13.81	F1 6,100.65	99.5	2,196.5	2.77855	F1 6,101.1

Comparison of pensions calculated on basis of present statutory provisions and the proposal for a Council regulation (COM(77) 43 final)

Example: Former Grade B 2/4 official, married, with 2 children, and in receipt of 50% of basic salary at retirement

Situation	Country of residence		Net pension
Present system	Germany	82.5	38,670.- Bfrs DM 3,093.60
EUA system at 1.1.77		100.5	1,158.6 EUA DM 3,092.74
Present system	France	120.4	56,434.- Bfrs FF 5,571.-
EUA system at 1.1.77		86.-	991.4 EUA FF 5,568.65
Present system	Italy	120.-	56.246.- Bfrs Lit 703,075.-
EUA system at 1.1.77		61.7	711.3 EUA Lit 703,684.-
Present system	Belgium/ Luxembourg	100.-	46,872.- Bfrs Bfrs 46.872.-
EUA system at 1.1.77		100.-	1,152.8 EUA Bfrs 46.872.-
Present system	Netherlands	93.9	44,012.- Bfrs Fl 3,186.95
EUA system at 1.1.77		99.5	1,147.1 EUA Fl 3,187.27
Present system	Switzerland (weighting as for Belgium)	100.-	46,872.- Bfrs SwF 3,210.41
EUA system at 1.1.77		100.-	1,152.8 EUA SwF 3,186.27

Comparison of voluntary retirement allowances (Regulations 2530/72 and 1543/73), calculated on basis of present provisions and the proposal for a Council regulation (COM(77) 43 final)

(1) Voluntarily retired officials resident in a Community country

Example: Residence in Germany

Exchange value:

Net amount of allowance

- Present system 65,645.- Bfrs DM 5,251.6
- EUA system at 1.1.77 1,966.8 EUA DM 5,250.1

(2) Voluntarily retired officials resident in a non-Community country

(a) Residence in Switzerland

Net amount of allowance

- Present system 141,556.- Bfrs SwF 12,384.59
- EUA system at 1.1.77 3,481.5 EUA SwF 9,648.03

(b) Residence in Canada

Net amount of allowance

- Present system 118,721.- Bfrs Can\$ 2,566.8
- EUA system at 1.1.77 2,919.8 EUA Can\$ 3,334.8

Comparison of amounts expressed in Belgian francs in the Staff
Regulations and the proposal for a Council regulation (COM(77) 43 final)

		Present system (updated rate)							EUA system							
Nature	Date	Belg./ Lux. Bfrs	Germ- any DM	France FF	Neth. Fl	Italy Lit	UK £	Den- mark Dkr	EUA value 1.1.77	Belg./ Lux. Bfrs	Germ- any DM	France FF	Neth. Fl	Italy Lit	UK £	Denmark Dkr
Mission allowance Benelux (A4/B5)	1.1.77	1,637	105.61	218.27	110.61	37,205	25.98	255.78	40.26	1,637	107.47	226.14	111.86	39,829	26.68	263.28
	1.4.77	1,637	104.94	218.27	109.87	38,070	25.18	255.78		1,654	107.91	224.45	112.57	40,072	26.26	264.09
Resettle- ment allowance	1.1.77	5,000	332.58	666.66	337.83	113,636	79.36	781.25	122.97	5,000	328.25	690.72	341.68	121,653	81.49	804.17
	1.4.77	5,000	320.51	666.66	335.57	116,279	76.92	781.25		5,051	329.59	685.56	343.85	122,395	80.21	806.65
Fixed transport allowance	1.1.77	3,000	193.55	400.00	202.70	68,182	47.62	468.75	73.78	3,000	196.95	414.42	205.00	72,990	48.89	482.49
	1.4.77	3,000	192.32	400.00	201.34	69,767	46.15	468.75		3,031	197.75	411.33	206.30	73,435	48.12	483.98
Grant on birth of child	1.1.77	7,000	451.61	933.33	472.97	159,091	111.11	1,093.75	172.15	7,000	459.53	966.96	478.33	170,307	114.07	1,125.79
	1.4.77	7,000	448.72	933.33	469.80	162,791	107.69	1,093.75		7,071	461.40	959.74	481.36	171,345	112.28	1,129.25
Transport allowance 0-30 km	1.1.77	600	38.71	80.00	40.54	13,636	9.52	93.75	14.75	600	39.37	82.85	40.98	14,592	9.77	96.46
	1.4.77	600	38.46	80.00	40.27	13,953	9.23	93.75		606	39.53	82.23	41.24	14,681	9.62	96.76
idem over 30 km	1.1.77	1,000	64.52	133.33	67.57	22,727	15.87	156.25	24.59	1,000	65.64	138.12	68.32	24,327	16.29	160.81
	1.4.77	1,000	64.10	133.33	67.11	23,256	15.38	156.25		1,010	65.91	137.09	68.76	24,475	16.04	161.30

Comparison of amounts expressed in Belgian francs etc. (contd.)

		Present system (updated rate)							EUA system							
Nature	Date	Belg./	Germ-	France	Neth.	Italy	UK	Den-	EUA value 1.1.77	Belg./	Germ-	France	Neth.	Italy	UK	Denmark
		Lux. Bfrs	any DM	FF	Fl	Lit	£	mark Dkr		Lux. Bfrs	any DM	FF	Fl	Lit	£	Dkr
Daily sub. allowance A1/A3 (w. fam.) 1st - 15th day	1.1.77	990	63.87	132.00	66.89	22,500	15.71	154.69	24.34	990	64.97	136.72	67.62	24,079	16.13	159.17
	1.4.77	990	63.46	132.00	66.44	23,023	15.23	154.69		1.000	65.24	135.70	68.06	24,226	15.88	159.66
From 16th day	1.1.77	465	30.00	62.00	31.42	10,568	7.38	72.66	11.43	465	30.51	64.20	31.76	11,307	7.57	74.75
	1.4.77	465	29.81	62.00	31.21	10,814	7.15	72.66		469	30.64	63.72	31.96	11,377	7.46	74.98
A4/A8 (w. fam.) 1st - 15th day	1.1.77	960	61.94	128.00	64.86	21,818	15.24	150.00	23.61	960	63.02	132.62	65.60	23,357	15.65	154.40
	1.4.77	960	61.54	128.00	64.43	22,326	14.77	150.00		970	63.28	131.63	66.02	23,500	15.40	154.87
Other grades (u. fam.) 1st - 15th day	1.1.77	870	56.13	116.00	58.78	19,773	13.81	135.94	21.39	870	57.10	120.15	59.43	21,161	14.17	139.88
	1.4.77	870	55.77	116.00	58.39	20,233	13.38	135.94		879	57.33	119.25	59.81	21,290	13.95	140.31

TODAY: I
 PROPOSAL: II

TRANSFER OF PART EMOLUMENTS

SAL. FOR A B2/3 SINGLE
 NET BFr. 64,542
 35% - 22,589,70

GERMANY		COEF.CORR 130.9	NETHERLANDS		COEF.CORR 146.7		
I :	$\frac{22,589,70}{13,66}$	=	DM 1,653,71	i :	$\frac{22,589,70}{13,81}$ = HFL. 1,635,75		
II :	$\frac{22,589,70 \times 130,9}{12,50 \quad 157,8}$	=	DM 1,499.11	II :	$\frac{22,589,70 \times 146,7}{13,81 \quad 157,8}$ = HFL. 1,520,69		
RATE OF EXCHANGE :	(I	$\frac{13,66}{15,07}$	RATE OF EXCHANGE :	(I	$\frac{13,81}{14,85}$
		II				II	
DIFFERENCE :	-	DM 154,60		DIFFERENCE :	-	HFL. 115,06	
	$\frac{\text{DIFF.} \times 100\%}{35\% \text{ NET SAL}}$	=	<u><u>- 9,3%</u></u>		$\frac{\text{DIFF.} \times 100\%}{35\% \text{ NET. SAL}}$	=	<u><u>- 7,3%</u></u>

	ITALY	GREAT BRITAIN	GERMANY	DENMARK	FRANCE
I TRANSFER OF 35% OF NET. SAL. FOR A B 2/3(C) BFr.22.589,70	LIT. 282,371	£ 188,25	DM 1.653,71	DKr. 3,388,44	FF. 2.230,53
II "	LIT. 314.220	£ 207,16	DM 1.499,11	DKr. 3.901,23	FF. 2.970,51
$\frac{\text{DIFF. x 100\%}}{\text{35\% of NET.SAL.}}$	+ 11,3%	+ 10,1%	\div 9,3%	+ 15,1%	+ 33,2%
$\frac{\text{DIFF. x 100\%}}{\text{NET. SAL.}}$	+ 3,5%	+ 3,2%	\div 3,6%	+ 4,6%	+ 8,7%
RATE OF EXCHANGE NEW WAY	\div 100LIT=7,189128BFr	\div 1£=109,044BFr	1DM=15,07BFr.	1DKr.=5,7904BFr.	1FF=7,6046BFr.
RATE OF EXCHANGE APP IN A BANK	100LIT=4,700BFr	1£= 70,00BFr.	1DM=16,00BFr.	1DKr.=6,70BFr	1FF=8,20BFr.
COEF. CORR.	176,6%	202,6%	130,9%	198,4%	186,8%

I - CALCULATION OF WEIGHTINGS IN THE EVENT OF A CHANGE OF PARITIES

1. Principle: new weighting = present weighting x $\frac{\text{New parity}}{\text{Former parity}}$

New parity (with EUA):

$$\text{(e.g. for the DM): } \frac{\text{Bfrs/EUA exchange value}}{\text{DM/EUA exchange value}} = \text{Bfrs/DM}$$

$$\text{in figures (EUA at 1.1.77): } \frac{40.6600}{2.66938} = 15.2324$$

2. Example of calculation of weighting (Germany):

$$\text{new weighting: present weighting x } \frac{\text{New parity (1.1.77)}}{\text{Former parity (from 1.1.65)}}$$

$$\frac{82.5 \times 15.2324}{12.5} \quad 100.53^{\#}$$

3. Comparison between old and new system (no change)

$$\begin{aligned} - \text{Bfrs 100 at 1965 rate} &= 100 : 12.5 = \text{DM } 8 \times 82.5 \text{ (present weighting)} \\ &= \text{DM } 6.60 \end{aligned}$$

$$\begin{aligned} - \text{Bfrs 100 at 1.1.77 rate} &= 100 \times 15.2324 = 6.5651 \times 100.53 \text{ (new weighting)} \\ &= \text{DM } 6.5999 \end{aligned}$$

II - AMOUNTS REFERRED TO IN ARTICLE 5

Unlike remunerations (Article 1), these amounts are geared to changes in parities.

However, in order to simplify administrative procedures, the rates in force at the beginning of a three-month period are to be applied throughout that period. This method is already followed under the present system, save in respect of officials paid in Belgian francs.

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[#] Weighting as per the proposal, i.e. not allowing for the recent adjustment.

Taking the new figure of 83.6, applicable with effect from 1.1.77, the new weighting would be:

$$\frac{83.6 \times 15.2324}{12.5} = 101.87$$