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INTERIM REPORT

drawn up on behalf of the Committee on Budgets

on the proposals from the Commission of the European Communities to the
Council on the strengthening of the budgetary powers of the European Parliament

Rapporteur: Mr G. SPÉNALE
Chairman of the Committee

PE 33.515/fin.

Following submission on 12 June by the Commission of the Communities to the Committee on Budgets of its proposals on the strengthening of the budgetary powers of the European Parliament (Doc. 1000), the Committee on Budgets decided to present an interim report to Parliament on the matter.

By letter of 22 June 1973 the Committee on Budgets requested authorization to do so and asked that the item be included on the agenda for the July part-session.

By its decision of 25 June, the Bureau entered this report on the draft agenda for the July part-session.

At its meeting of 21 June, the committee confirmed the nomination of Mr Spénale, chairman of the committee, as rapporteur.

The Committee on Budgets and the Political Affairs Committee held a joint meeting to discuss the matter on 22 June 1973.

The report was discussed by the Committee on Budgets on 21 and 29 June. The unanimous vote on the motion for a resolution of 21 June was confirmed, likewise unanimously, on 29 June.

The following were present: Mr Spenale, chairman and rapporteur, Mr Artzinger, Mr Boano Mr Fabbrini, Mr Glesener (deputizing for Mr Kollwelter), Mr Memmel Mr Müller, Mr Notenboon, Mr Pounder, Sir Brandon Rhys-Williams and Mr Wohlfart.

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

A

MOTION FOR A RESOLUTION

on the proposals from the Commission of the European Communities on the strengthening of the budgetary powers of the European Parliament

The European Parliament,

- having regard to the proposals submitted by the Commission to the Council on 12 June 1973 (COM(73)1000),
- having regard to the declarations made by the Commission and the Council of the Communities on the occasion of the signing of the Treaty of 22 April 1970 amending certain budgetary provisions of the Treaties of Rome and Paris and annexed to that Treaty,
- having regard to the ratification of the said Treaty by the Parliaments of the Member States and to the debates which took place in connection therewith.
- recalling its resolutions of 10 December 1969, 3 February, 11 March, 13 May, 1970, 5 July and 12 December 1972.¹
- having regard to the report of the Committee on Budgets (Doc.131/73),

A. PRINCIPLES

1. reaffirms its basic and firm position to the effect that, at a time when the expenditure of the Communities is to be entirely financed by the Communities' own resources and the national parliaments are losing all direct power in respect of this revenue and expenditure, the European Parliament must be given real powers of decision and control over the formulation, adoption and implementation of the Community budget so that the overall rights of parliamentary democracy in the Community and in the Member States are not diminished in an unacceptable manner.

¹
OJ No. C 2, 8.1.1970, p.13
OJ No. C 25, 28.2.1970, p.27
OJ No. C 40, 3.4.1970, p.23
OJ No. C 65, 5.6.1970, p.32
OJ No. C 82, 26.7.1972, p.29
OJ No. C 138, 31.12.1972, p.32

B. STATE OF THE PROCEDURE

2. Regrets that the proposals which the Commission was to submit at the latest in 1972 on an increase in the budgetary powers of the European Parliament were not in fact presented until 12 June 1973 and that time is now very short to complete all the essential procedures - in particular ratification by the Member States - before the budget of the Communities is prepared for 1975;

3. Therefore calls upon the Commission and Council of the Communities to give the utmost priority to consideration of the provisions to increase the budgetary powers of the European Parliament.

C. SUBSTANCE

a) Financial independence of the Communities

4. Welcomes the fact that the Commission has proposed, in conformity with the opinion of Parliament, that additional own resources may be introduced by Community procedures requiring unanimity in the Council and a decision of Parliament taken by an absolute majority of its Members and three-fifths of the votes cast;

5. Strongly urges, however, that Parliament itself as the representative of the peoples of the Community, should, in the final instance, 'adopt' the decision;

(b) Budgetary powers

6. Keenly regrets that the Commission has not itself adhered to its previous interpretation to the effect that the Treaty of April 1970 enables Parliament to reject the budget outright at the final stage of the procedure, to enable the Council to formulate new proposals;

7. Recalls that this interpretation had been unanimously adopted by the European Parliament and was considered by it to be the only real, and therefore essential, power in respect of the principal budget funds;

8. Therefore expresses, in the firmest terms, its desire for the Commission to reaffirm its position on this point and to propose a corresponding addition to Article 203 of the EEC treaty to rule out any ambiguity in interpretation;

9. Considers that where major rule-making decisions with significant budgetary implications are concerned, the second reading procedure proposed by the Commission is inadequate.

10. Believes that the European Parliament should have the final say as regards the financial implications of any new measures.

11. Calls upon the Commission to examine the matter in this light and to formulate appropriate new proposals;

(c) Powers and means of control

12. Welcomes the proposal to the effect that the Parliament, acting on a recommendation of the Council, will in future give a sole discharge in respect of the budget;

13. Welcomes, subject to certain provisions of detail, the principle of the establishment of an Audit Office of the European Communities;

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CONCLUSION

14. Reaffirms that it cannot endorse any proposal which does not, in general terms, give real budgetary power to the representatives of the peoples of the Community;

15. Accordingly requests the Commission of the Communities to take account of this resolution and to continue its examination of this matter with its appropriate committees to enable a far-reaching debate to be held and positive conclusions reached at the September part-session.

16. Instructs its president to forward this resolution and the report of its committee to the Council and Commission of the Communities.

EXPLANATORY STATEMENTINTRODUCTION

1. In the presence of a representative of the Political Affairs Committee, the Committee on Budgets officially received on 12 June 1973, the proposals from the Commission of the European Communities on the 'strengthening of the budgetary powers of the European Parliament'.

Consideration of these proposals is extremely urgent if they are to be effectively applied to the preparation of the 1975 budget, work on which will begin in July 1974, i.e. in twelve months' time; this time limit already appears very short to complete the necessary procedures involving, essentially, modifications to the Treaties which will in turn require ratification by the nine Parliaments of the Member States.

2. It is therefore important for Parliament, and its Committee on Budgets and Political Affairs Committee, to bear in mind the need for the procedures to be speeded up as far as possible.

3. We are concerned here with an essential stage in the adaptation of the institutional equilibrium of the Communities and while, in May 1970, Parliament decided not to oppose ratification of the Luxembourg agreements of April 1970 since new proposals were to be submitted before implementation of the provisions scheduled to take effect in the normal period (i.e. from 1 January 1975), we are now obliged to note:

- a) that the provisions to be adopted on this occasion will be effectively applicable as soon as preparation of the 1975 budget begins;
- b) that it will be very difficult to review these provisions subsequently at an early date.

It is therefore essential for the new proposals to be examined closely, with very great attention to detail.

4. Bearing this requirement in mind and the late date on which the Commission's proposals were submitted, it will be impossible to hold a full and exhaustive debate at the July part-session of Parliament.

On the other hand, having regard to the urgency of the discussions which will need to be arranged, it appears essential to hold a general, informational debate at least.

Essentially, the Commission's attention should be drawn to the following:

- 1) the main lines on which Parliament can signify its agreement to the proposals;

- 2) the points on which Parliament disagrees;
- 3) the minimum proposals required from the Commission, failing which Parliament would be obliged to reject these proposals outright and perhaps draw other consequences.

This report is a first approach to an outline of the grounds for satisfaction and dissatisfaction.

1. GROUNDS FOR SATISFACTION

Community procedure for the creation of new own resources

5. In substance, the Commission has taken over the Rey Commission's proposals on the financial independence of the Communities. It proposes that new own resources should be decided by Community procedures to meet the requirements of the common policies.

Article 201 of the EEC Treaty would have to be amended and replaced by the following provisions:

'The Commission shall examine in what manner the Community's own resources could be raised either from the fiscal revenue of the Member States, particularly revenue accruing from harmonized taxes, or from direct or indirect taxes introduced for the benefit of the Community.

In every fifth year the Council, after receiving a report from the Commission and consulting the Assembly, shall examine whether and in what manner new resources should be introduced for the Community.

The Council, acting on a proposal from the Commission and by agreement with the Assembly, may make provision for new resources for the Community or amend the assessment basis for the Community's existing resources. The Council shall act unanimously and the Assembly by a majority of its members and of three fifths of the votes cast.'¹

6. This text, which is in principle satisfactory, calls for a number of comments; the first concerns the idea that the 'basis of assessment' of existing own resources may be modified to obtain new own resources. This proposal appears dangerous when we consider the present nature of the Community's own resources which involve either international trade (customs duties) or economic activities and consumption in the Member States (value added tax).

It is difficult to see how the basis of assessment could be changed in such areas for Community requirements without generating consequences for the Communities' trade relations or in the Member States' production and consumption circuits.

It would be preferable to adopt the rates of existing, harmonized taxes.

¹ Part 3, page 4 of Doc. COM(73) 1000

7. The idea of a regular and systematic examination of the creation of new own resources appears less dangerous but equally undesirable. In fact, the proposed intervals are disturbing for two quite different reasons:

- a) there is a risk of having to wait for three, four or five years for the budgetary resources essential to meet unanimously recognized and urgent requirements;
- b) conversely, there would be a temptation to create, at the five yearly intervals, resources which are not indispensable, if only to counter the risk referred to above.

To sum up, it may be impossible to act when action is necessary although measures may be taken as a precaution when they are not indispensable.

These risks appear still more serious when we consider that one, two or more financial years are needed for the Member States to take account - on the revenue and expenditure sides - of changes which may result from Community decisions.

Audit Office and discharge

8. The Commission proposes that a discharge in respect of the budget be given in future by the Assembly on a recommendation of the Council.

This proposal is satisfactory provided that a definition is given of a 'Council recommendation' and an indication provided as to whether such a recommendation would be binding.

It is important for all ambiguity in this matter to be ruled out.

9. To enable the European Parliament to exercise its controlling responsibilities in an appropriate manner, the Commission proposes that external control in the Communities should be entrusted to a European Audit Office.

This proposal accords with the ideas of the Committee on Budgets, following its two meetings with the Chairmen of the Audit Offices of the nine Member States of the Community. However, it warrants a detailed examination which is not possible in the limited framework of this initial guidance report.

10. The agreement of the Assembly is stipulated for loans which may be contracted by the Communities.

11. The ECSC levy is to be fixed by the High Authority after the Assembly has given its approval. This is certainly an improvement on the present procedure under which only certain parliamentary committees were consulted on the rate of the levy.

II. GROUNDS FOR DISSATISFACTION

12. Although it is clear that to some extent the reality of budgetary powers is conditioned by the effective possibility of controlling implement-

ation of the budget on the revenue and expenditure sides, it is clear that the essential feature of budgetary powers resides in the Parliament's real influence on decisions which determine the major sums appearing in the budget and on the preparation of the annual budget.

In this essential area, the Commission's proposals are much less satisfactory and it seems that the importance attributed to controlling activities has the effect - perhaps unintentional - of concealing to some extent the far less substantial content of the Commission's proposals in this vital sector.

13. In this respect, it was natural to expect on this occasion proposals going beyond those submitted by the Commission in April 1970. In fact, however, the opposite is the case.

The Commission makes no mention of the possibility for Parliament to reject outright the draft budget at the end of the procedure in order to elicit new proposals from the Council. It seems that, bearing in mind the divergent interpretations of the governments whose delegations make up the Council, it would have been necessary to propose the insertion of a new fourth paragraph in Article 203(5), reading substantially as follows :

'Art. 203(5), fourth para. :

The Assembly, acting by a majority of one half plus one of its members and two thirds of the votes cast, may reject outright the draft budget in order to enable the Council to formulate new proposals.'

The Commission would surely endorse this provision, unless it has now departed from the interpretation to which it subscribed with the Parliament in April 1970.

14. The Commission also indicated that it has

'suggested a 'second reading' procedure for important rule-making decisions of general application (Doc. COM/73/570 Final of 19.4.73, sec. IV-B-I). The latter procedure should therefore be applied in the case of all decisions of principle having considerable financial effects over a period covered by several budgets. If, for example, new, permanent machinery for financial intervention were to be set up tomorrow, a second reading would have to be arranged each time the Council wished to depart markedly from the opinion given by the Parliament upon the first reading. Naturally the Commission undertakes to re-examine its own position each time the second reading procedure is applied'.¹

¹ doc. COM 1000, p. 4.

We believe that this procedure could only lend real force to the Parliament's position if a definition were given of the areas and conditions (quorum etc.) in which the Parliament's standpoint would have a binding force, in other words of the areas in which and conditions under which it may have the final say.

This would of course entail a corresponding modification of the Treaty and it appears that the Commission's primary concern has in fact been to do nothing which might entail such a modification. The Commission states that 'without any modification of the general pattern of European construction, Parliament would thus be sure of being associated with the preparation of decisions determining the major annual budget items and, above all, those reflecting Community policies. Parliament will thus be sure of being in a position to express its opinion publicly on all those policies.' ¹

It is unfortunately evident that Parliament already had the possibility of expressing its opinion publicly on all these policies. The only thing it lacked was the binding force which should attach to its deliberations.

As to the second reading in itself, it adds little to the present practices since, in the areas concerned, there is already a procedure for contacts between the Parliament and Council which must in particular explain after the event the reasons for which it may have departed from the decisions of the Assembly.

15. Here too there is no essential change in the Parliament's powers, since the budgetary amounts on which it is to pronounce subsequently will be entirely conditioned by decisions taken at a higher level.

16. The rapporteur had suggested that as far as decisions with budgetary implications were concerned, the possibility should be considered of defining a list of areas in which the Council, subject to certain conditions regarding a quorum, would retain the final say (governmental area, executive or rule-making areas) and also of the areas in which the Assembly, again subject to certain conditions regarding a quorum, would have the last word (parliamentary area).

After considering the matter at length, the Committee on Budgets took the view that the European Parliament should have the final say as regards the financial implications of any new measures.

17. These are the two essential points on which Parliament should remain firm if it is not to fail in its fundamental mission as representative of the peoples of the Community.

¹ doc. COM 1000, p. 4.

III. OTHER RESERVATIONS

18. Other reservations still remain:

In the first place, the Commission's terminology requires clarification on a large number of points if disillusion and conflicts are to be avoided.

The texts in fact embody a great number of new expressions whose meaning should be precisely defined.

In particular it is frequently stated that certain provisions will be adopted in agreement with the Parliament or in agreement with the Council. Does this mean after consultation or after receiving assent? Why has the precise expression not been used?

Similarly what are the meaning and implications of the expression 'on a recommendation of'?

19. Another reservation concerns the procedure proposed for the creation of new own resources.

In 1970 it was proposed that such resources should be adopted by the Parliament acting by a qualified majority on a unanimous proposal of the Council.

It is now suggested that this should be done by the Council on a proposal from the Commission and in agreement with the Assembly.

When we consider the result, it seems that in fact nothing has changed.

On the other hand the symbolic gesture is extremely important in this area: it is up to the Parliament to take the final action, the taxes being normally decided by the 'representatives of the peoples of the Community'.

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20. In conclusion, a first examination of these proposals shows that the Commission has tried to give new satisfaction to the Parliament essentially in the sphere of control (audit office) and in regard to budgetary powers where its proposals did not affect the Council (ECSC levy).

As to the creation of own resources, the Commission has taken over - in what appears to be a rather heavy-handed manner - the proposals of the Rey Commission, while changing the symbolic value for the benefit of the Council which has the final say.

Finally, in regard to budgetary powers as such, the Commission has made proposals which do not really change the present inter-institutional balance which is generally recognized to be unsatisfactory: the second reading adds nothing essential, the power to reject the budget at the end of the procedure is apparently abandoned etc...

21. The Committee on Budgets considers that these proposals cannot be favourably received and that the Commission must be asked to submit new proposals on all the points referred to in this document.

