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ANNEX I

to the report by Mr P. ADONNINO (Doc. 1-540/80)
drawn up on behalf of the Committee on Budgets

OPINIONS of the committees

on the draft general budget of the European
Communities for the financial year 1981

Section III - Commission

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OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr David CURRY

On 24 September 1980, the Committee on Agriculture appointed Mr Curry draftsman.

The Committee on Agriculture considered the draft opinion at its meetings of 14 October and 20-22 October 1980 and adopted it at the latter meeting by 13 votes to 11, with one abstention.

Present: Sir Henry Plumb, chairman; Mr Früh, vice-chairman; Mr Curry, draftsman; Mr Barbagli (deputizing for Mr Ligios), Miss Barbarella, Mr Battersby, Mr Bocklet, Mr Clinton, Mr Colleselli, Mr Dalsass, Mr Davern, Mr De Keersmaeker (deputizing for Mr d'Ormesson), Mr Diana, Mr Fanton, Mr Gautier, Mr Helms, Mr Hord, Mr Kirk, Mr Maffre-Baugé, Mr Maher, Mr Provan, Mr Sutra, Mr Tolman, Mr Vernimmen and Mr Vitale.

PART ONE: TO SAFEGUARD THE CAP

The necessity for positive action

1. Agriculture in the Community is now coming face to face with a number of choices which can no longer be avoided. The decisions made now and in 1981 will decide the direction in which agricultural policy will go. They will decide whether the Common Agricultural Policy as we know it today can be maintained in its essential outlines or whether it will disintegrate into a system of national subsidies and national prices. Inaction will be as much a political choice as action.
2. Discussion on the agricultural budget for 1981 will be dominated by one essential fact, that there simply may not be sufficient appropriations available to operate effectively the CAP throughout 1981, and in particular to provide for adequate price adjustments and any additional measures required.
3. Agricultural expenditure (Guarantee Section) increased from 4.5mEUA in 1975 to 10.3 mEUA in 1979, or an average annual increase of 23%.

Over the same period revenue (customs duties, levies and VAT) increased only at an annual rate of 12.5%.

In 1981 the Community's own resources will be in the order of 20,613 mEUA. The draft budget amounts to 19,250 mEUA in payment appropriations. The Commission had left aside, therefore, some 550 mEUA for contingencies. This was increased to 1,360 mEUA by the Council. The Parliament, in seeking to restore cuts in regional, social and energy policy, will decrease this margin.

4. The pressure on the agricultural budget will be even more intense than the draft budget seems to indicate, since it omits completely to take into account an important event which cannot simply be left out in this review: the fixing of prices for the 1981/82 marketing year. An increase in prices of 1% requires in the region of 40/50mEUA. Additional market measures in 1980 added a further 300 mEUA. It is clear, therefore, that a sum of at least 500 mEUA will be required for the 1981/82 price decisions. This is without counting the fact that a number of question marks can be placed against certain entries in the budget, and in particular the forecast that spending in the dairy sector, (even excluding the impact of the coresponsibility levies), will decrease by 57 mEUA in 1981 as opposed to an increase of 400 mEUA in 1980.

5. This simple recital of facts serves to show that all those concerned with the interests of agricultural producers must take a very hard look at the policy options available. The time when the Community could simply

spend its way out of politically embarrassing decisions has come to an end. At the same time it is vital not to allow agricultural policy to slide into a series of uncoordinated and competitive national policies.

The Committee on Agriculture can no longer content itself with arguments as to whether agriculture takes 80%, 60% or 40% of the Community's budget. Of course the budget must be presented clearly, realistically and honestly. Major improvements must be made. But no matter how presented, the money is spent. The total available is limited. For the first time priorities must be established, whether we wish it or not.

6. The Parliament must play a constructive role in defining these priorities and the means to carry them out. Its powers over the budget are its sole means of indicating policy choices. The interest of agriculture will no longer be served by refusing dialogue. Positive ideas are required.

Conclusion: policy management and budget appropriations must be adjusted so as to ensure the proper functioning of the CAP in 1981, and provide a reserve fund for 1981/82 price decisions.

The scope exists for adjustments in management policy

7. At the same time it must be recognized that the greater part of the agricultural budget represents obligatory expenditure. In this sense the draft agricultural budget for 1981 offers no great surprises. That is not in the nature of an agricultural budget intended traditionally not as an instrument to direct expenditure or to guide policy, but drawn up simply as a forecast of expected expenditure.

In the philosophy of the Commission, these figures cannot be significantly modified since expenditure flows obligatorily from the market organizations in force. The European Parliament may observe and comment; it cannot alter. This is the viewpoint of the Council. It is not one that appeals to or binds the Parliament in its role as the Budgetary Authority.

8. The Community institutions, it is clear, make political decisions which bear directly on expenditure. The agricultural budget for 1981 results from decisions taken in the past on price and market policy; it will be determined to an even greater extent by decisions to be taken during the coming year.

The question is to decide whether proposed budget increases result purely from factors such as inflation, world prices, etc. or is due to policy judgements or misjudgements, and whether savings can be made by a better administration of the market without compromising the guarantees embodied in the Treaty.

The increase in the 1981 agricultural budget is made up as follows:

	mEUA
- 1980 price decisions	+ 600
- market situation	+ 572
- accession of Greece	+ 245
- new sheepmeat organization	+ 214
- additional coresponsibility	- 286

The Commission argues that appropriations entered in the Guarantee Section are obligatory. A considerable proportion of Guarantee expenditure, however, does not result from market organizations but from management measures introduced as provisional measures. This is particularly true of measures implemented to reduce stocks of skimmed milk powder. Appropriations for skimmed milk powder for feed for pigs dropped from 93 mEUA in 1979 to 6 mEUA in 1980 and 1 mEUA proposed for 1981. Export refunds for butter were reduced from 1,630 EUA/tonne to 1,000 EUA/tonne during 1980.

These examples illustrate the savings that can be made by improved policy management. They demonstrate at the same time that not all 'Guarantee' expenditure is obligatory. There is no absolute legal obstacle to modifications in the pattern of agricultural expenditure. There is an absolute imperative for modifications to be made if the future of Community agriculture is to be safeguarded.

9. The Parliament cannot simply allow itself to be frozen into inaction by a piece of budgetary sophistry. The Commission itself in the course of 1980 showed the considerable adjustments in expenditure to be made by 'management policy', while other expenditure has been entered in anticipation of future legislative decisions by the Council. The Budgetary Authority in examining this draft budget must address itself to the problems facing European agriculture, and to the requirements of a policy able to receive the broad political support it will need to face the difficult years ahead.

Conclusion: there are no legal or practical obstacles to the adjustments in management policy.

Criteria in examining the 1981 agricultural budget

10. The draft general budget of the Community, provides the Parliament with the opportunity each year to examine the success and failure of past policy decisions, and to discern in time emerging problems requiring future action. In short, to take stock of the success and failures of the agricultural policy in dealing with the objectives laid down in the Treaty, taking into account the restraints imposed by limited budgetary resources, i.e. whether the budget:

- (a) provides for the requirements of a coherent agricultural policy, and the development of a viable agricultural sector, with the various instruments both consistent in their aims and with national agricultural policies;
- (b) will be able to meet changing market circumstances;
- (c) observes rigorous criteria of cost effectiveness considering its objectives and the general economic climate;
- (d) represents the best use of the limited resources available;
- (e) is transparent in its use of public money and insists on adequate supervision of the way it is spent;
- (f) meets the specific problems of less-favoured regions and for a balanced development of the widely varying regions of the Community.

Greater help for the less-developed agricultural regions

11. Agricultural funds so far have failed to achieve any degree of convergence in agricultural development. The imbalance in agricultural income, far from decreasing as a result of a Common Agricultural Policy is actually increasing each year. As a result of the CAP, the rich regions are getting richer and the poorer regions relatively poorer.

12. This observation is related to a second: past increases in agricultural expenditure have been accounted for by those three sectors which most benefit the agricultural producers with the highest incomes: milk, cereals and sugar.

13. This raises the essentially political question as to the objectives of the CAP and the instruments to achieve those objectives. Clearly the Community can continue as at present to allow the discrepancies in agricultural income to grow steadily. And with the present policy maintained, the habitual increase in appropriations required will preclude any major policy moves to improve low agricultural incomes since limited own resources place a ceiling on total expenditure. Any effective and sincere effort to improve low agricultural incomes requires that the present instruments be re-examined.

14. The Guidance Section of the Agricultural Fund was intended to correct these imbalances. Again the contrary has been true: the richer regions, being better organized, have obtained the lion's share of available appropriations. In any case, the Guidance Section is not composed exclusively, or even principally, of instruments to improve agricultural structures but a haphazard collection of ad hoc measures to deal with particular market problems, frequently benefitting primarily the richer regions.

Conclusion: a greater proportion of agricultural expenditure should be directed to correcting regional imbalances

EAGGF - GUARANTEE SECTION

(EUA)

Heading	1980	1981		% var. 1981/80
		Prelim. draft	Draft	
CEREALS	1,616,398,000	2,303,433,000	2,250,000,000	+39.2
Refunds	1,122,398,000	1,660,433,000	1,615,000,000	+43.9
Intervention	494,000,000	643,000,000	635,000,000	+28.5
RICE	49,995,000	63,800,000	64,000,000	+28.0
Refunds	44,995,000	51,800,000	52,000,000	+15.5
Intervention	5,000,000	12,000,000	12,000,000	+140.0
MILK & MILK PRODUCTS	4,929,646,000	4,586,587,000	4,452,000,000	-3.7/-9.7
Refunds	2,668,646,000	2,610,587,000	2,603,000,000	-2.45
Skimmed-milk as feed	1,137,000,000	1,183,000,000	1,183,000,000	+4.0
Other skimmed milk inter- vention	230,000,000	219,000,000	219,000,000	-4.8
Intervention butter, cream & other products	769,000,000	733,000,000	606,000,000	-21.2
Other measures	348,000,000	350,000,000	350,000,000	+ 0.5
Producer financial contribution	-223,000,000	-509,000,000	-509,000,000	+128.2
OLIVE OIL	467,000,000	583,000,000	583,000,000	+24.8
OIL SEEDS	320,000,000	365,000,000	413,000,000	+29.0
SUGAR	696,471,000	1,012,647,000	755,000,000	+ 8.4
Refunds	395,471,000	667,647,000	403,000,000	+ 1.9
Intervention	301,000,000	345,000,000	352,000,000	+16.9
BEEF & VEAL	1,178,000,000	1,236,000,000	1,381,000,000	+17.2
Refunds	460,000,000	495,000,000	545,000,000	+18.5
Intervention	514,000,000	532,000,000	600,000,000	+16.7
Premiums	204,000,000	209,000,000	236,000,000	+15.7
PIGMEAT	100,000,000	123,000,000	130,000,000	+30.0
EGGS & POULTRY MEAT	94,000,000	104,000,000	104,000,000	+10.6
FRUIT & VEGETABLES	659,000,000	745,000,000	745,000,000	+13.1
Refunds on fresh fruit and vegetables	55,000,000	70,000,000	70,000,000	+27.3
Intervention on fresh fruit & vegetables	155,000,000	184,000,000	184,000,000	+18.7
Intervention on processed fruit & vegetable products	449,000,000	491,000,000	491,000,000	+ 9.4
WINE	350,000,000	365,000,000	466,000,000	+33.1
TOBACCO	282,000,000	340,000,000	340,000,000	+20.6
SHEEPMEAT	50,000,000	225,000,000	264,000,000	+428.0
ALCOHOL	p.m.	p.m.		
OTHER PRODUCTS	141,000,000	212,000,000	197,000,000	+39.7
REFUNDS BY PROCESSED AGRI- CULTURAL PRODUCTS	275,000,000	300,000,000	300,000,000	+ 9.1
ACCESSION COMPENSATORY AMOUNTS	1,000,000	25,000,000	25,000,000	+2400
MONETARY COMPENSATORY AMOUNTS	276,000,000	282,000,000	256,000,000	- 7.2
CHAPTER 10.0 PROVISIONAL EXPENDITURE	-	-	195,000,000	-
Milk Sector (Butter subsidy)	-	-	135,000,000	-
Alcohol	-	-	60,000,000	-

Trend in expenditure of EAGGF GUARANTEE SECTION 1973 - 1981

	<u>Appropriations (1)</u>	<u>Expenditure (1)</u>	<u>Variation %</u>
1973	3,806,546	3,833,189	
1974	3,513,100	3,438,875	-10.28
1975	3,980,475	4,336,333	+26.09
1976	5,160,300	5,721,054	+31.93
1977	6,167,400	6,593,720	+15.25
1978	8,695,250	8,672,796	+31.53
1979	9,602,100	10,434,530	+20.31
1980	11,507,510	11,507,510	+10.28
1981	12,968,967	12,947,500	+12.51

(1) These include common organisation for fisheries products

EAGGF - GUIDANCE SECTION

(EUA)

H e a d i n g	1 9 8 0	1 9 8 1		% variation 1981/1980
		Prelim.Draft	Draft	
<u>Projects for the improvement of agricultural structures</u>	71,200,000	92,500,000	92,000,000	+29.2
<u>General Socio-Structural measures</u>	51,100,000	83,000,000	73,000,000	+42.8
- Modernization of farms	48,000,000	68,000,000	68,000,000	+41.6
- Cessation of farming	p.m.	5,000,000	1,000,000	-
- Vocational guidance and training	3,100,000	10,000,000	4,000,000	+29.0
- Forestry measures for the improvement of agricultural structures	p.m.	p.m.	p.m.	-
- Special aid for young farmers	p.m.	p.m.	p.m.	-
<u>Measures to assist less-favoured areas</u>	62,550,000	191,100,000	169,870,000	+171.5
- Mountain and hill farming and farming in certain less-favoured areas	15,000,000	101,000,000	95,000,000	+533.3
- Forestry measures in certain dry Mediterranean regions	9,600,000	20,000,000	20,000,000	+108.3
- Specific regions-Italy	30,850,000	24,600,000	16,570,000	-46.3
- Specific regions-France	p.m.	15,000,000	12,100,000	-
- Specific regions-Ireland	7,100,000	26,000,000	26,000,000	+266.2
- Specific programme Greenland	p.m.	200,000	200,000	--
- Specific regions-United Kingdom	p.m.	4,000,000	p.m.	-
- Integrated development programme for south-eastern Belgium	p.m.	200,000	p.m.	-
<u>Structural measures relating to the common organization of the market</u>	123,700,000	122,500,000	122,500,000	-0.9
- Producers organizations	5,600,000	5,200,000	5,200,000	-7.1
- Milk and meat sectors	98,200,000	96,000,000	96,000,000	-2.2
- Wine sector	9,900,000	13,300,000	13,300,000	+34.3
- Fruit sector	10,000,000	8,000,000	8,000,000	-20.0

PART TWO: THE GUARANTEE SECTION

Agricultural expenditure by economic nature

17. Expenditure, when broken down by type of market instrument, falls into a number of very unequal groups

	mEUA	%
- export refunds	6,186	49.3
- storage costs	1,506	12
- direct price payments (e.g. aid to olive oil and liquid skimmed milk)	4,479	35.6
- guidance premiums (e.g. cessation milk production and calving premiums)	449	3.6
- other measures	454	3.6
- coresponsibility levy	-509	-4.1

For the principal sectors the situation is as follows:

	Refunds	Storage	Direct price payments	Guidance premiums	Other
Milk products	2,604	186	2,031	163	98
Cereals & rice	1,667	261	304		
Beef	545	532	12	197	
Sugar	403	329	15		1
Oils and fats	7	28	913		
Fruit & vegetables	70		491	57	127

18. The most striking fact is the very high proportion of expenditure devoted to export refunds. The Committee on Agriculture must ask itself who benefits most from these appropriations - the farmer or the traders. Many of the products exported are in a processed or semi-processed state. A very high proportion of the Community's agricultural expenditure is directed, therefore, not to agriculture but to industry. Given the constraints on the budget, measures directly benefitting the producer should be given priority. This would have the additional advantage that much greater emphasis could be placed on encouraging the products of the quality required by the Community.

Conclusion: EAGGF expenditure should be concentrated more directly on improving the income of farmers

19. The second most striking fact is the very high cost of export refunds. This cost, moreover, cannot be controlled by the Commission. If the Commission's belief that demand for dairy products from non-member countries will remain buoyant proves to be ill founded, the cost of refunds could rocket dramatically. Such a heavy reliance on export refunds makes it impossible to develop any form of budgetary planning. The Community is left with a budget which is shaped more by world prices than by policy decisions.

20. The Commission argues that this political price must be paid in order to obtain an economic benefit: exporting surpluses costs less than disposing of them in the Community.

The Committee on Agriculture cannot accept a simple comparison of disposal costs: it requires a much more detailed discussion of the total economic effect of disposal by different methods. In particular, the committee would like to know by what means the competent authorities decide what level of export refund will be sufficient to promote exports without being subsidized at an unnecessarily high level.

21. Until June 1980 exports refunds for butter were fixed at 1,630 EUA/tonne. They are now at 1,000 EUA/tonne.

The cost of storing butter is about 400 EUA/tonne per annum.

It is evident that products stored must still be disposed of either within or without the Community.

No figures are provided for the cost per tonne of disposal within the Community, nor of the cost of measures to encourage producers to restrain production in surplus sectors.

It is also clear that politically the Commission prefers to employ export refunds. The surpluses are no longer visible and embarrassment is avoided in the short term.

22. A much more detailed analysis is required on the cost effectiveness of measures to deal with surplus production, and in particular a comparison between measures to prevent the creation of surplus by guidance premiums etc. as opposed to export refunds. It is simply not possible to have confidence that the considerable sums expended on the dairy sector at present are allocated in the most effective manner possible.

Conclusion: the CAP must be made more cost effective

23. One further comment can be made covering the dairy sector. 1,410 mEUA are spent on subsidized consumption. This figure is broken down as follows:

- 1,138 mEUA on consumption of calves and pigs
- 327 mEUA on consumption by people in the Community.

	Amount/100 kg	% of intervention price
Butter subsidy	45.94 EUA	16
Calf skimmed milk powder subsidy	115.8 EUA	45

24. The agricultural budget is reaching the limits imposed by own resources. If these own resources are to be increased, for example by an increase in the VAT contributions, then the electorates of Europe must be convinced that they benefit directly from the money being spent. The CAP must learn to deal with the whole chain of food production from the producer to the consumer. In particular, much greater use must be made of measures to direct production to specific needs of the marketplace rather than deal with surpluses once created, sometimes in ways which disturb the market.

Conclusion: the CAP must be made more politically sensitive

Defining the sectors for priority action

25. In determining the sectors to which particular attention should be paid in seeking to develop a more balanced and effective agricultural budget, attention must be paid to three criteria:

- (a) the overall proportion of resources devoted to each sector
- (b) the trend in expenditure by sector
- (c) the number of producers benefitting from appropriations in each sector

Agricultural expenditure by sector

26. The milk sector accounts for 36.5% of expenditure on products (39% if the coresponsibility levy is excluded).

Expenditure in the six main sectors accounts for roughly 87% of expenditure, reflecting the very large area under cereals and fodder and the market instruments used for oils and fats and processed fruits and vegetables.

	%
Milk and milk products	36.5
Cereals and rice	18.9
Beef and veal	9.8
Sugar	8.1
Oils and fats	7.5
Fruit and vegetables	5.9
Other sectors	5.3
Wine	2.9
Tobacco	2.7
Non-Annex II	2.4

Trends in expenditure

27. Trends in expenditure are as follows:

	(mEUA)		
	1981	1980	1979
Milk and milk products	4,452.0	4,929.6	4,521.4
Cereals	2,250.0	1,616.4	1,565.6
Rice	64.0	49.9	42.7
Beef and veal	1,381.0	1,178.0	747.7
Sugar	755.0	696.5	939.8
Oils and fats	996.0	787.0	606.3
Wine	466.0	350.0	61.3
Tobacco	340.0	282.0	225.4
Other sectors	197.0	141.0	120.2
Pigmeat	130.0	100.0	104.3
Eggs and poultry	104.0	94.0	79.4

The greatest increase is foreseen for cereals (+39%) and wine (+33%). The dairy sector shows a reversal of all previous trends, a decrease of -6.9%. However, serious doubts can be levelled at the entry for the dairy sector.

The dairy sector

28. Milk production is expected to increase by over 2% in 1981. Yet the Commission believes that expenditure will decrease in 1981 by 57mEUA, pointing out the low level of butter and powdered milk stocks. It should be remembered, however, that previously high levels of stocks were only reduced by very expensive schemes to encourage consumption¹. There is no evidence that in the absence of further heavy expenditure that stocks will not build up to the previous high levels. The dairy sector can in no way be considered to be under control or the prospect of future costly measures excluded.

We must also question the willpower of the Council of Ministers to impose the 'super-levy' in the light of the absence of any agreement on whether it should be imposed as a flat-rate increase on all producers irrespective of their output, or on a regional or national basis so as to be proportional to the change in output.

29. The Commission believes that expenditure in the dairy sector should level off in 1981 and prove to be a step towards containing expenditure. The Commission provides the following table illustrating the annual trend:

1974/73	1975/74	1976/75	1977/76	1978/77	1979/78	1980/79	1981/80
		+91%	+28%	+37%	+12%	+9%	-7%

The trend for milk production has not diminished however, nor has the trend for consumption increased.

<u>Production</u>			
1977/74	1977/76	1978/77	1981/80
+1.8	+2.7	+4.1	+2.5

Butter consumption (at normal prices), 1000t.

1974	1975	1976	1977	1978	1979	1980
1,597	1,673	1,613	1,547	1,328	1,358	

¹ 465 mEUA were saved by discontinuing the use of milk powder in pig feed but this means that stocks will probably increase, and new measures will be introduced.

30. It is possible to draw two different sets of conclusions:

- (a) either the Commission's management of the market instruments has greatly improved, demonstrating an unacceptable degree of mismanagement in previous years, or
- (b) the Community is faced with a specific and therefore temporary set of factors responsible for the drop in the expected cost of the dairy sector. Since this situation is temporary, the decline in costs referred to by the Commission may prove to be an illusion and expenditure will continue to increase substantially in future years.

The second conclusion appears to be correct, since the Commission states that the drop in the costs of stocks and export refunds will be realized on condition that the buoyant demand from non-member countries remains and absorbs exports as expected. The Commission and Council should state whether they expect a significant demand for dairy products at the current level of export refund.

31. The main market instruments in the dairy sector should be thoroughly reviewed to determine the true effectiveness, and in particular the vast sums, 1,280 mEUA, spent on subsidizing skimmed milk powder for animal feed. New instruments should be considered, and in particular subsidizing the cost of milk used for products for which consumption is increasing and can be further encouraged, as for example cheese.

Recent developments in the veal market following the 'affaire' of the use of hormones may prove to have sadly undermined forecasts in any case in the beef and veal sector and the dairy sector.

The cereals sector

32. Expenditure on cereals is expected to jump from 1,616 mEUA to 2,250 mEUA, with this increase being mainly accounted for by an increase in refunds from 1,099 mEUA to 1,614 mEUA. Other increases include 128 mEUA to 156 mEUA for durum wheat, and 30 mEUA to 145 mEUA for carry over payments, which indicates the very high level of stocks.

The cereals sector is in the process of running out of control as the dairy sector has for the past decade. Grain production will be at record levels and so will export refunds. Effective measures are required without delay to correct this increasingly dangerous situation.

A. Cereal substitutes (manioc, maize gluten feed and cereal bran) already present serious problems by displacing Community produced cereals, particularly barley, for use as animal feed. The amount of cereals displaced is in the region of 12 million tonnes and could rise to 15 million tonnes. It is urgent, therefore, that the Community examine this sector. Annex I provides greater detail on imports.

The sugar sector

33. As a result of current firm world market prices expenditure is lower than anticipated: the Commission's original estimates were corrected downwards:

<u>1979</u>	<u>1980</u>	<u>Preliminary draft 1981</u>	<u>Draft 1981</u>
939,819,735	696,471,000	1,012,647,000	755,000,000

This illustrates the volatile nature of expenditure in the sugar sector and the dominant influence of world prices. These figures could be revised downwards further, if one were to include, as is logical, the receipts from production and storage levies. These are in fact co-responsibility levies similar to that in the milk sector, and should be included in the same fashion.

The Commission has tabled new proposals for the sugar market based on the assumption that the world price is currently at an artificially high level. These proposals will be hotly contested as well as supported.

The beef sector

34. Expenditure in the beef sector has increased dramatically in recent years.

	<u>Refunds</u>	<u>Storage</u>	<u>Total</u>
1977	114,199,694	239,615,966	410,846,022
1980	460,000,000	514,000,000	1,178,000,000
1981 preliminary draft	495,000,000	532,000,000	1,236,000,000
1981 draft	545,000,000	600,000,000	1,381,000,000

This market has been traditionally in balance most years in terms of production (including imports) and consumption simply should not require appropriations of this order. Now there are signs of serious imbalances in the market which require tackling immediately. The Council has made a start but was unable to agree to suspend intervention during a period in summer.

Moreover, the beef market organization provides neither adequate incomes to producers nor reasonable prices to consumers. The proof of these two statements lies in the move to milk production and the stagnation in beef consumption.

In general it can be said that measures to encourage beef production vis-à-vis milk production, or to increase the incomes of beef producers, in fact aid milk producers more than beef producers. For example, as beef prices increase, milk producers merely increase the price of calves sold for beef production.

Ad hoc measures such as the suckler premiums are useful as interim measures. Any effective action will require a thorough review of the market organization for beef. The weight of expenditure should be shifted to measures intended more directly to improve producers' incomes. Certain varieties go overwhelmingly to intervention; in fact intervention has entirely replaced the market.

Rice (Chapter 6.1)

35. The Community is about 50% self-sufficient in rice. Yet 34 mEUA is to be spent on export refunds and 12 mEUA on intervention. Expenditure is out of all proportion to the number of producers (approximately 12,000). It would be far more efficient to use at least part of these appropriations to give direct income grants to producers; these grants could be used at the same time to encourage production of varieties required by Community consumers who prefer increasingly, even in Italy, long grained rice as opposed to the round grained rice mainly produced in the Community.

Olive oil (Article 6.3.1)

36. Expenditure on olive oil continues to progress above the average (+14%), passing from 388.5 mEUA in 1979, to 465 mEUA in 1980 and 581 mEUA in 1981. At the same time, it must be recognized that this product is of particular importance to the Mediterranean regions which benefit less than the northern countries from the EAGGF.

Two remarks can be made:

- (a) expenditure on this sector will soar following enlargement, possibly placing the guarantees acquired in question
- (b) expenditure on the consumption aid is more effective in its use of Community funds.

If the guarantees presently offered producers are to be maintained, a system of coresponsibility should be foreseen for future years.

Colza, rape and sunflower seeds (Article 6.3.3)

37. Similar remarks can be addressed to these products. The Council's draft budget added a further 48 mEUA, passing from 288 mEUA in 1980 to 378 mEUA in 1981 (+20%). However, since the Commission is in deficit in this sector, expansion of production is logical in terms of the Community's overall agricultural funds.

Tobacco (Chapter 7.0)

38. Appropriations on tobacco are to be increased by 24%, to 340 mEUA, a figure similar to that entered for the wine sector as a whole in 1980. A sense of proportion must guide expenditure. Much greater efforts must be made in the following year to ensure that aid is given only to those varieties for which a market exists. Certain varieties go overwhelmingly to intervention. In fact, intervention for these varieties has entirely replaced the market.

Products processed from fruit and vegetables (Article 6.8.2)

39. Forecast expenditure on one item, processing premiums (6.8.22) now stands at 485 mEUA as against 282 mEUA in 1979. 80% of this expenditure is devoted to tomato concentrate. This particular sector is now totally out of control, since there are no significant limits to production. Emergency measures will be required in 1981 to bring a degree of order to this sector.

Conclusion: efforts to improve market management should be concentrated on the following sectors:

- skimmed milk powder for animal feed
- rice
- tobacco
- and
- processed vegetables (tomato concentrate)

The market organization for beef requires a thorough review

Co-responsibility

40. The CAP faces two crises: a cash crisis and a production crisis. Much of the debate on CAP reform centres on whether the problem concerns the need to limit production or to find new financial resources, either from outside the policy (a higher VAT vote, for example) or within it (co-responsibility).

The present danger is that the exhaustion of financial resources (the VAT ceiling) will lead to the CAP existing increasingly alongside a 'black market' of national aids.

The concept of co-responsibility exists in the sugar and dairy sectors. Although it is described as a 'tax' on producers it is, in fact, nothing more than a price-cut imposed on certain producers, and it is easily nullified by means of passing on the 'tax' in the form of higher prices to consumers. The co-responsibility levy constitutes, in fact, a pressure on producer organizations to seek higher prices. There is also the additional problem of the level of exemptions to co-responsibility levy, which are almost inevitably condemned to be arbitrary and discriminatory.¹

Co-responsibility can be applied in a number of different ways, to act as a flat rate price-cut or as a quantum, with the principal objective either to raise money or discourage production. If the latter is the case it should be levied proportionally on those regions making the biggest production increase;

¹ There is a further constitutional difficulty posed by co-responsibility: the attribution of certain incomes to specific policies runs counter to the whole idea of a budget as a means of making policy options, with resources being allocated to fulfil those options.

if it is a revenue-raiser it should be levied on a flat-rate, but this clearly is unjust for those producers who observe market discipline. But, a 'tax' levied regionally is likely to penalise areas with a relatively low level of productivity and inhibit the legitimate aim of seeking more efficient means of production.

Conclusion: Financial participation by producers may provide one means of ensuring additional funds to maintain CAP obligations, on condition that receipts are assigned directly to the sector concerned and that the levy is applied on a regional basis in proportion to excess volume and output.

National aids

41. Linked to this problem is the question of national aids. If sufficient additional resources are not made available, further national aids will be granted to fill the gap. The inevitable result will be the breakdown of the CAP into a system of national prices and border taxes.

The paradox is that this will increase further the demands on the Community budget. National aids result in an uncontrolled increase in production (the size of the present budget, particularly in the dairy sector, can be put down to the effect of national aids). It is essential, therefore, that the Council finally takes the courage to act to control the competition in national aids: firstly by publishing a complete and up-to-date register; and secondly, deciding on their compatibility with the EEC Treaty.

Conclusion: a thorough review of national aids is essential to the continued existence of the CAP

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PART THREE: THE GUIDANCE SECTION

The Guidance and the Guarantee Sections

42. The Guidance Section of the EAGGF is intended to help bring about a better balance between production and market requirements, as well as to bring about a fair standard of living for the agricultural community and in particular to help reduce regional disparities in incomes.

Given the increasing market imbalances in recent years and the steadily widening divergencies in regional incomes, one would have expected greater resources to be devoted to the Guidance Section. The reverse is in fact true:

	<u>Budget 1981/Total appropriations 1980</u>	<u>Increase 1981/80</u> Budget 81/80
Guarantee Section	+ 12.7%	+12.7%
Guidance Section		
- payment appropriations	- 5.0%	+54.5%
- commitment appropriations	+ 9.0%	+49.5%

Significant and unacceptable reductions in Guidance credits have been made by the Council which further increase the imbalance in the agricultural budget. (See Annex V).

Appropriations by type of action

43. Unfortunately the manner in which the Guidance Section is divided into chapters, and the nomenclature employed, offer no real guide to the objectives and principal instruments of the Community's structural policy.

(a) Improvement of agricultural structures (Chapter 8.0)

The first chapter, entitled 'projects for the improvement of agricultural structures', consists of an ill-assorted collection of measures, many of which would be better placed in the Guarantee Section. In fact it would be better if this chapter were to be abolished altogether. Originally it provided for what were termed 'individual projects', or grant aid to specific farm/factory projects not drawn up in the framework of Community programmes. Such general projects have come to an end and the 20 mEUA entered are for projects approved before 1980.

The other measures are as follows:

	<u>1981</u>	<u>1980</u> (mEUA)
Marketing & processing of agricultural produce	41	18
Marketing & processing in southern Italy and France	19	6.2
Marketing & processing in West of Ireland	0.5	p.m.
Marketing & processing pigs and pigmeat in France and UK	1.0	p.m.
Improvement in public services in certain less- favoured areas	11.0	2.0

Thus, entered in this chapter are measures relating to specific regions and to less-favoured areas. Chapter 82 contains more extensive measures for such regions. If any sense is to be made of the agricultural budget, these items should be grouped together under Chapter 82. Measures relating to pigmeat should be entered under Chapter 6.6.

(b) General socio-structural measures (Chapter 81)

The most important structural measures are contained in Chapter 81 and in particular the 1972 reform directives:

	<u>1981</u>	<u>1980</u>
Modernization of farms	68	48
Cessation of farming	5	-
Vocational guidance and training	10	3.1

The proposal on forestry measures for the improvement of agricultural structures has yet to be approved by the Council, so no appropriations are entered.

The imbalance in the development of expenditure in this chapter is symptomatic of the imbalance in agricultural policy as a whole. Credits are used to increase productivity and output rather than to reallocate resources according to the needs of the market and in line with changing cost structures. Until this imbalance is corrected, budgetary problems will continue to bedevil European agriculture.

(c) Measures to assist less-favoured areas

Five principal types of measure are provided for, with appropriations for 1981 and 1980 as follows:

	<u>1981</u>	<u>1980</u>
- mountain and hill areas	101	15
- infrastructure in particular regions	23.7	39.95
(similar items under Chapter 80)	(31.5)	(26.2)
- market problems in particular regions	10.0	-
- development of products in less-favoured regions	28.2	9.6
- regional development programmes	26.2	-

The measures for mountain and hill areas to improve infrastructure (with the exception of Herault Valley flood protection and Ireland/Northern Ireland drainage) and wine market measures in Languedoc-Roussillon and Charentes were adopted in 1978 and 1979 and are now under way.

The majority of measures to encourage particular products in less-favoured regions (beef and sheep in upland Italy, sheep in Greenland) and regional development programmes have yet to be adopted by the Council.

The regional development programmes, an important new departure, cover the West of Ireland and three integrated regional development plans in three pilot regions: the Western Isles of Scotland, the Lozère and south east Belgium. The Commission is also planning to make a proposal to help the overseas departments.

The Council has yet to take a formal decision on these proposals.

The measures proposed to help encourage particular products in less-favoured regions and the regional development programmes represent an important new departure for the Guidance Section, demonstrating the increasing emphasis placed by the Commission on aid to specific regions in need. This approach has the advantage of concentrating resources where required and in contributing to overcoming the problems inherent in applying common prices in vastly different regions. This approach must be developed further to provide a new direction for the Community's structural policy. It is essential that the Council take a decision rapidly on these proposals.

(d) Measures relating to the common market organizations

Included under the Guidance Section are further measures to deal with specific market problems, by means of short term programmes (2-3 years), for milk, beef, wine and fruit. Two-thirds are devoted to milk.

Milk (96 mEUA)

Non-marketing of milk and conversion of herds

Wine (30.3 mEUA)

Temporary and permanent abandonment of vineyards, restructuring and cessation to deal with the problems of surplus production.

Fruit (8 mEUA)

Measures to assist citrus fruit growing.

These measures, together with other items dealing specifically with market problems of particular products, would be better placed in the Guarantee Section.

Conclusion: all resources of the Guidance Section should be concentrated even more on aiding specific handicapped regions

PART FOUR: THE NEED FOR AN IMPROVED STRUCTURAL POLICY

New measures are financially possible

44. By Regulation 929/79 the expenditure for the Guidance Section has been fixed for five years at 3,600 mEUA. This gives an average of 720 mEUA per annum.

The 1980 budget was the first to come within this five-year programme. The Guidance Section consistently underspends so that appropriations are carried from one year to another, for example, from 1979 to 1980 182.4 mEUA in payment appropriations and 167.2 mEUA in commitment appropriations. It is certain that similar amounts will be carried on from 1981 to 1982.

Moreover, the Council may increase the 5-year allocation to take into account the accession of Greece.

There is room, therefore, for new policy lines to be developed and for a redefinition of the basic objectives of the structural policy.

The need for a new structural policy

45. Periodically, the market and social problems confronting European agriculture have led to calls for a more effective structural policy. However, the ability to implement improvements are handicapped by a steadfast refusal on the part of those responsible to consider what is meant by 'structural policy'.

The two possible objectives for a structural policy - social and economic - are contradictory when implemented in the framework of present policy instruments. This does not prevent those responsible for policies from advocating one policy to deal with two entirely separate objectives.

Thus, while it is argued that a structural policy will alleviate the problems of the poorer farmers by increasing efficiency, defined in terms of maximizing output, at the same time it is believed that structural policy will also reduce surpluses. This ignores the fairly obvious fact that increased production leads to surpluses, given present consumption patterns and market prices. Therefore, with the present intervention arrangements, the structural policies have led to increased surpluses and soaring budgetary expenditure.

Problems of present structural measures

46. An equally important criticism to be made of the basis for Mansholt's proposals is that, in the present economic climate of recession, there is no alternative employment for those leaving the agricultural sector.

47. One can go further, however, and say that at the present moment there is no structural policy. Mansholt had a clear vision of the objectives of a structural policy; but the Council has resolutely refused to implement his proposals, and the present economic climate has undermined the original conception. Only a few measures exist, the most worthwhile being the reform

directives of 1972 and the directive on mountain and hill farming. For the rest, an accumulated and largely contradictory series of ad hoc measures, seek to increase production potential and, at the same time, to mitigate the effects of increased productivity. What passes at present as the 'Guidance Section' of the EAGGF is little more than an historic record of failed ambitions and past package deals.

Objectives of a new structural policy

48. We must seek therefore to define clearly the goals to be set for a structural policy:

- social, maintaining a viable rural economy and infrastructure
- economic, facilitating the creation of rural employment, outside as well as inside agriculture.

This is very important. The drift from the land continues despite recession as part of an almost inevitable historical process. The job of the structural policy should not be to oppose this trend but to seek to ease the transition between agriculture and other activities, maintaining where possible people on the land.

49. In view of the present pressure of costs on producers, modernization programmes should incorporate a concept of efficiency based on maximizing income rather than maximizing output.

The producer, encouraged on all sides to increase his already high levels of indebtedness, is being placed in a very dangerous position by structural policies in contradiction with the requirements of market policy.

50. The present haphazard collection of measures said to constitute a structural policy should be replaced gradually by measures more closely defined to advance the objectives proposed.

The following instruments are required:

- (a) An improved and Community-wide agricultural advisory service, backed up by strengthened Community agricultural research programmes (animal and plant breeding) which set the accent on encouraging lower-cost production;
- (b) Development programmes to prevent serious depopulation of regions very heavily dependent on agriculture for their economic future.

Integrated Regional Development plans

51. Integrated regional development plans should be elaborated, covering social and regional policies, industrial and agricultural activity, tourism etc. A new title should be entered into the Budget (outside the agricultural budget), perhaps in the form of a 'Rural Fund'. Such integrated development should be introduced in regions where the non-agricultural activity is dominant or where non-agricultural employment can be created.

Agricultural development regions

52. For regions suffering economic or demographic decline and in which employment outside agriculture does not exist and cannot be created without exorbitant costs, additional agricultural or food industry regional development plans should be elaborated. In view of the present economic climate, these should constitute the bulk of expenditure from the Guidance Section in the next decade.

53. A substantial part of the Guidance Fund should be directed towards regions facing depopulation and dependent on agriculture alone for their economic future, if we are to avoid the prospect of allowing certain areas to become deserts.

Conclusion: a more substantial proportion of funds should be directed to the area of greatest need.

PART FIVE: FISHERIES

54. Following the introduction of a 200-mile zone, the Commission has presented proposals to introduce a fully-fledged fisheries and marine policy, covering management of fish stocks, structural measures, fisheries surveillance, international agreements, research, as well as market policy.

It should be emphasized that the decisions on stock management and market policy, particularly in a period of low fish stocks and high costs, require considerable adjustments by the fleets and processing industries in Member States. If the Community wishes to take responsibility for fisheries policy, it should ensure adequate financing for that policy. This clearly is not the case. 69 mEUA have been entered, or 0.4% of the Community budget, representing an increase of 7.87% over 1980. The European fishing industry is facing a crisis and the sums envisaged are totally inadequate.

55. Furthermore, the Council has decided that a Common Fisheries Policy should be introduced in 1981. Important and essential proposals on structural policy were proposed by the Commission in July 1980. No trace of these proposals can be seen in the budget, even in terms of budget lines. The appropriate lines and appropriations should be entered as follows:

- exploratory fishing and cooperation	6 mEUA
- restructuring, modernizing and developing the fisheries sector	10 mEUA ¹
- common research programmes	0.5 mEUA

The Council has deleted or reduced a number of credits essential to help Community fisheries to adapt to the new circumstances facing the industry (See Annex VI). These credits must be restored.

56. Finally the Committee on Agriculture has insisted in past years on the need for the importance of the fisheries and marine sector to be fully realized in terms of a proper budgetary presentation with lines to cover the principal aspects. An amendment has been drawn up embodying this principle.

<p>Conclusion: If the Community wishes to take responsibility for a Common Fisheries Policy it must ensure that adequate financing is available.</p>
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¹ 15 mEUA payment appropriations have already been entered under a measure adopted in 1980 for the onshore sector (Article 8.6.0). The Commission proposes that this measure should be replaced by common measures for restructuring, modernizing and developing the fishing industry.

PART SIX: IMPROVING THE PRESENTATION OF THE BUDGET

Immediate adjustments to presentation of the Agricultural Budget

57. The Committee on Agriculture has consistently maintained that the agricultural budget should be presented honestly, objectively and with the maximum of clarity. In particular, the committee has insisted that expenditure which does not result from agricultural policy should be entered under the appropriate titles. The most striking case is that of food aid, originally linked with the EAGGF, but has become largely independent of agricultural expenditure. This should be entered under Title 9.

The same consideration applies to additional expenditure arising from international agreements, and in particular, the requirement to import 1.3 million tonnes of sugar from the ACP countries, so requiring a similar amount to be exported from the Community; and imports of beef from Botswana.

Furthermore, the production levy imposed on sugar producers can be seen as a coresponsibility levy similar to that imposed in the milk sector. The same budget procedure should be followed and the receipts placed as a negative entry reducing appropriations for the sugar sector.

Appropriations to be deducted from EAGGF

Food aid	
- cereals	46,433,000
- rice	17,800,000
- dairy products	
- sugar	2,647,000
ACP sugar	340,000
ACP beef	56,000
Sugar production levy	<u>571,060,000</u>

58. There are other items entered under Chapters 29 and 31 which relate to agriculture and which for the sake of clarity should be entered under the EAGGF:

	<u>1981</u>	<u>1980</u>
3.1.0-2 Animal and food health	6.215	6.774
3.1.3 Farm accountancy data network	0.67	1.06
3.1.4 Research network	0.29	0.16
3.1.4 Research programmes	4.047	3.3
3.1.5 Training of national officials monitoring EAGGF expenditure	0.11	0.11
3.1.6 CEPFAR	0.215	0.135
2.9.8.0 International wheat agreement	0.264	0.22
2.9.8.1 International olive oil agreement	0.45	0.29
2.9.8.2 International sugar agreement	p.m.	p.m.

Longer term revision of budgetary layout

59. The budget is important to policy formulation because it gives, or should give, an overall picture of expenditure. At the same time, the manner in which the nomenclature is structured tends to influence thinking about overall policy. In fact, the budget is a powerful policy instrument even though it may be presented officially as a mere record of agreed intentions.

60. This throws into highlight the problems of the present budgetary lay-out.

The presentation of the budget at present lacks logic and coherence. There no longer exists a sufficient justification in the way budgetary items are grouped under titles. For example, most agricultural expenditure is listed under Titles 6 and 7, yet a considerable number of entries, adding up to substantial appropriations, are entered under Titles 2 and 3. Most of the items relating to fishing have been re-grouped under Chapter 87. There still exists, however, an odd item entered in Title 2.

61. Titles 2 and 3 represent a hotchpotch of assorted items, many of which are intimately related to the following main policy titles - regional policy, social policy, agricultural policy and energy. These items should be separated out and entered under their appropriate policy-title headings.

This is particularly true since the chapters relating to research have been rendered so 'transparent' by a continuous sub-division of items that is now impossible to see the wood for the trees. Nobody can gain an idea, from the budget, of the importance, both in monetary and policy terms, of these measures.

62. Volume 4 of the draft budget, concerned with Commission expenditure, deals mainly with the principal policies carried out by the Community. Yet this volume opens with the household expenditure of the Commission: major policy measures are intermixed with items relating to expenditure on farewell dinners to ambassadors.

This household expenditure of the Commission, which opens this most important volume of the budget, should be separated out into a different volume.

63. The Guarantee Section of the EAGGF is at present fairly logical, even though it may be discussed as to whether one or two items should be displaced to other chapters or titles.

On the other hand, the Guidance Section resembles more the attic of an old family house: items collected through the ages are found in an order dictated by history rather than design.

In particular, measures intended to improve structures in a particular region or product are scattered throughout this title.

64. It is important to be able to see clearly measures carried out to aid any particular region of the Community, or for a particular product. Measures overlap or even contradict themselves when hidden in obscure corners of the budget.

An attempt should be made to re-group items according to:

- (a) the sector concerned - dairy, forestry, beef, sheepmeat, etc.;
- (b) the programmes carried out in particular regions.

There are a number of fairly striking examples of measures included in the Guidance Section which would be better placed in the Guarantee Section. For example, Item 8312: premiums for the non-marketing of milk and milk products has little to do with guidance, being one measure introduced to combat the crisis facing this particular sector. These inconsistencies should be ironed out and items re-grouped between Titles.

This reclassification makes it clear that many items widely separated throughout the budget have a common objective - to facilitate the implementation of the CAP, by two main types of measures:

- (a) long-term instruments
 - measures to improve financial control of expenditure,
 - data network, research and professional training,
 - veterinary controls etc.,
 - international agreements

- (b) temporary measures not directly resulting from agricultural factors
 - monetary compensatory amounts.

These items should be grouped under a new title: Measures to Implement the CAP.

Proposals

65. Given the importance of the presentation of the budget, and taking into account the existing confusion in the budget, a revision of the budgetary nomenclature is proposed, based on the following principles:

- (i) that the Commission's household expenditure should be placed in a separate volume;
- (ii) that the agricultural items presently encountered under Titles 2 and 3 should be distributed under the major policy headings;
- (iii) that new title headings be introduced to represent the new lines of policy which have been recently introduced;
- (iv) that a title be introduced for regional action programmes;
- (v) that a new title be introduced to regroup expenditure on measures to implement the common agricultural policy and which is not directly related to management of the markets or to structural improvement measures;
- (vi) that the 'concept of funds', be they regional or agricultural, or social, be abandoned when structuring the budget - the principal factor determining the structure of the budget should be the realities of the policies implemented. The concept of the EAGGF etc., should be retained only as a legal accountancy instrument, but not as a budgetary reality¹;
- (vii) the present division of items as between the Guarantee and Guidance sections should be re-examined.

Conclusion: immediate adjustments are required to achieve a more objective presentation of the agricultural budget. A longer term and thorough revision of the structure of the Community's budget must be undertaken in the course of 1981.

¹ The Commission has already begun this process by entering under Chapter 90 measures whose cost is to be legally covered by the EAGGF.

THE SYNCHRONIZATION OF DECISIONS ON THE BUDGET AND AGRICULTURAL PRICES

66. It is clearly absurd to adopt a budget in November and December, only for that budget to put in question the following March by price decisions for agriculture, the sector constituting the bulk of the Community expenditure.

67. This is of even more fundamental importance in that an artificial separation between the budget and policy is created. On a more philosophical plane it can be argued that the budget and policy are never separated. The present timetable tips the balance of decision making in favour of the Commission; greater synchronization of agricultural prices and the budget would return greater policy responsibility to the Budgetary Authority.

68. The Community is bound by the Treaty to follow the present financial year. There are no legal or practical obstacles to advancing the timetable for agricultural price decisions. Just the contrary. The Commission is under a legal obligation to propose the agricultural prices in August (though in recent years the proposals have arrived only in December or January).

Following the timetable laid down by the Regulations would have the additional advantages of allowing farmers to plan their production better in knowledge of the prices for each crop. At present price decisions are often bedevilled by the fact that crops on which decisions are to be made are already in the ground.

69. It is only more recently that the Commission has produced price proposals in December or even January. The Commission, for political, legal and economic reasons should uphold its legal obligations and produce its price proposals no later than August of each year. In the case of failure to do so for the 1982/83 price decisions, the Parliament should decide beforehand on an automatic vote of censure.

Conclusion: budget and agricultural price decisions should be synchronized by means of the Commission respecting its legal obligation to forward price proposals in August. Failure on the part of the Commission for the 1982/83 proposals should lead to an automatic vote of censure.

CONCLUSIONS

70. The resources available to the Community and the way in which they are distributed among the sectors and headings must be such as to permit the maintenance and development of the CAP.

The shortage of funds must not affect the agricultural sector only.

71. The Committee on Agriculture, having examined the draft general budget for 1981, considers that:
- Since the budget is the result of a number of rules governing prices and related measures, any modification of it presupposes the prior modification of the regulations concerned;
 - In order to ensure the proper functioning of the CAP in 1981, a sound and rigorous administrative policy must be adopted and adequate funds made available;
 - The concentration of agricultural expenditure in certain sectors has resulted in the production of surpluses which are difficult to dispose of without the help of substantial financial resources;
 - Controlling the sectors of production responsible for the surpluses must be the Community's primary objective, and would improve the cost-effectiveness of the CAP;
 - The constant rise in production costs due to inflation must be offset by a sufficient increase in prices to ensure an adequate income for farmers;
 - It is essential to implement an administrative policy which will make it possible, with the resources at present available and pending an increase in these resources,
 - (a) to prevent immediately any further widening of the gap between farmers' incomes and those of other social categories;
 - (b) to ensure that a larger proportion of agricultural expenditure goes to correcting regional imbalances, adequate funds being allocated to finance specific projects and programmes in individual areas within the framework of a coherent regional policy.

The committee considers furthermore, that, among the measures employed to ensure the management of the agricultural markets, precedence must be given to those which can produce immediate results for the producers and that it is not enough for the Commission simply to provide a comparison of expenditure on refunds, unless at the same time it indicates the criteria on which it has based its choice.

72. The Committee on Agriculture is concerned that the pressure on the Community's own resources is such that there might not be sufficient funds in future to guarantee the proper functioning of the CAP and that, despite this fact, no measures have as yet been taken to ensure that the price proposals for 1981/1982 and the subsequent measures required in 1981 can serve that purpose effectively.
73. The various Community institutions must make sure that, in future, they each in accordance with their terms of reference bring about:
- the synchronization of the decisions on prices and on the budget, so that the budget and the policies on which it is based are not considered in isolation from each other;
 - the revision of the structure of the budget, which is essential to promote greater budgetary transparency and objectivity;
 - the transfer of certain non-agricultural expenditure to other chapters of the budget, not least to conform with Parliament's decisions, which cannot be ignored if there is to be a proper dialogue between the institutions, paying due regard to Parliament's prerogatives.
74. The Committee on Agriculture requests the Commission also:
- to draw up an inventory of national aids, at the same time reaffirming the principle that such aids are incompatible with the Treaty;
 - to draw up a global policy on oils and fats produced or imported by the Community.

75. **There is an ever-increasing need for regional structural proposals and programmes for economically homogeneous areas including those straddling national and regional borders, in particular to resolve the problems of hill - and mountain-farming in the less-favoured regions, while subsidiary schemes are also required in such regions to promote integration through the setting-up of a rural fund separate from the agricultural budget.**
76. **Agriculture will, moreover, benefit from an effective coordination of national forestry policies as a first step towards the adoption of a common policy for this sector.**
77. **As regards the social problems of farmers in the less-favoured regions, for whom there is no viable alternative form of production, the Community could supplement their incomes - on a temporary basis - to protect their standard of living.**
78. **The Committee on Agriculture requests the Committee on Budgets to incorporate the following paragraphs in the Motion for a Resolution on the 1981 draft Budget:**
- (i) **Believes that the budget is the result of a number of provisions governing prices and related measures and that any modification of it presupposes the prior modification of the regulations concerned.**
- Considers that controlling the sectors of production responsible for the surpluses must be a primary objective and could improve the cost effectiveness of the CAP;**
- (ii) **Requests that a joint working committee of the European Parliament and the Commission of the European Communities be established to undertake a thorough review of the structure and nomenclature of the Budget of the Community;**
- (iii) **Points out in this connection that on 27 June 1980 the European Parliament recommended a reclassification of expenditure not arising directly from the CAP, so as to ensure greater transparency and objectivity in the allocation of budgetary appropriations; regrets that the Commission and the Council have failed to take account of this recommendation in the draft budget for 1981;**

- (iv) Hopes that the Commission will submit its proposals on agricultural prices for 1982/83, based on the objective method, by the end of August 1981;
- (v) Warns of the danger that increasing pressure on the Community's financial resources may lead to an increasing recourse to national aids and a progressive breakdown of the CAP;
- (vi) Requests the Council to take up the Commission's proposal of 11 October 1976 on the introduction of a tax on oleaginous substances of vegetable and marine origin intended for human consumption (except olive oil);
- (vii) Considers that the Community, if it wishes to take responsibility for fisheries policy, should ensure that adequate financial resources are made available;
- (viii) Requests that 500m EUA be entered in Chapter 100 as an initial allocation to cover the expenditure arising from the 1981/82 price decisions.

FACT SHEET BY SECTORI. DAIRY SECTORProduction to the end of September 1980

Belgium	+ 1.3%
Denmark	- 2.8%
Germany	+ 4.4%
France	+ 5.9%
Ireland	0
Italy	+ 5.0%
Luxembourg	+ 0.8%
Netherlands	+ 1.2%
United Kingdom	+ 1.1%
EEC	+ 3.3%

Estimated increase for 1980: + 2.5%.

In the first 34 weeks of 1980, production of both butter and skimmed milk powder have decreased by 2%, mainly as a result of diversification into cheese and a decline in the fat content of milk.

Stocks to the end of September 1980:

Skimmed milk powder	438,000 tonnes	246,000 t in public stock
		192,000 t in private stock
Butter	207,000 tonnes	

Total butter stocks will decline as a result of destocking from private stocks.

Forecast stocks at end of 1980:

Skimmed milk powder	180,000 tonnes in public stock
	170,000 ' ' in private stock
Butter	100,000 tonnes

World market remains buoyant, but at present rate of export refunds virtually nothing can be exported by the Community. Export refunds therefore will be increased substantially.

Other destinations

(i) Veal absorbed 1.3 million tonnes of skimmed milk powder in 1979.
1.26 million tonnes have been budgeted for in 1980.

(ii) Human consumption

Butter for baking industry:	125,000 tonnes
Butter for ice cream :	35,000 tonnes

The butter subsidies for UK and Christmas butter are to come to an end.

II. OLIVE OIL

The olive oil crop is cyclical. After two poor years, a very good forecast is expected:

Italy	600,000 tonnes	(400,000 tonnes average)
Greece	270,000 tonnes	(220,000 tonnes average)

Net imports: 100,000 tonnes.

The problem exists with the reaction of consumption in Greece to increased price of olive oil in the Greek market following entry of Greece to the EEC and a decrease in the price of competing oils.

Estimated stocks on the basis of the most pessimistic scenario:

Italy	180,000 tonnes
Greece	75,000 "

III. TOBACCO

The Community is \pm 25% self-sufficient with a production of 180,000 t. Problems have been created by the oriental varieties which no longer find a market.

Greece will pose a problem in that production is in the order of 120,000 - 130,000 t of which 100,000 t are of the oriental varieties.

World stocks of these oriental varieties are equivalent to 50% of consumption and Greece has the equivalent of one year's production in intervention. The Greeks have no conversion schemes.

Certain safeguards do already exist:

- if intervention buying exceeds 20%, the Commission is obliged to propose measures for conversion or direct aid ;
- in case of a serious market situation, the primary processors (balers) according to the provisions of the basic regulations will receive a 10% cut in the prices of produce sold into intervention.

The problem with these safeguards is that a certain period of time must elapse, and the Community cannot wait until 1983 for action to deal with the emerging situation.

IV. TOMATOES

Since 1978 an aid has been granted to the fruit and vegetables processing industry, firstly for peaches and tomatoes, and then for pears and cherries. On these latter two products only quotas are imposed. There are no quotas for tomatoes or peaches. Peaches have not created any market problems.

For tomatoes, for which there are no physical limits to production, an explosion in production has taken place:

1977	175,000 tonnes
1978	292,000 tonnes
1979	423,000 tonnes

For 1980 a slight decline is anticipated due to poor climatic conditions.

The market system is based on a minimum price paid by the processors to the producers, and an aid to processors varied by coefficient according to size of can etc. utilized. The coefficients have been consistently wrong, encouraging excessive production of small cans that cannot be used by industry. These coefficients have been revised and are being revised again.

The aid will continue initially until 1982. It will be extended to Greece.

Cost

450 - 500 mEUA for all processed fruit and vegetables of which 350 mEUA is for all tomato products.

V. RICE

The Community is approximately 50% self sufficient¹. Production is concentrated mainly in Italy in the region around Milan. Area has been declining with the increase in maize production which can easily replace rice production.

Exports are approximately 300,000 tonnes and export possibilities are declining progressively.

Greece grows 90,000 tonnes but there exist restrictions on areas to be cultivated. These restrictions will have to be removed with entry into the EEC and higher Community prices will stimulate production.

¹ 52.7% 1977/78 and falling about 5% each year.

VII. CEREALS AND SUBSTITUTE PRODUCTS

1. Manioc

Enters under a 6% tariff.

Imports

1974	2 million tonnes
1979	5.78 million tonnes

This represents the equivalent of 7 million tonnes of barley displaced (1 tonne of barley is replaced by 800 kilos of manioc and 200 kilos of soya).

2. Maize gluten feed (a residue from the starch industry)

Enters under a zero tariff.

Imports

1974	600,000 tonnes
1980	2,000,000 tonnes

With gasohol development imports could reach 5 million tonnes by 1985.

3. Cereal bran

Imports of 2 million tonnes.

GUARANTEE EXPENDITURE FOR GREECE 1981

	<u>mEUA</u>
Cereals and rice	64
Dairy products	p.m.
Oils and fats	40
Sugar	9
Beef	p.m.
Pigmeat, eggs and poultry	p.m.
Fruit and vegetables	61
Wine	7
Tobacco	-
Sheepmeat	25
Cotton	34
Other products	<u>5</u>
	<u>245</u>

EAGGF

NEW BUDGETARY PRESENTATION

BY CHAPTER

TITLE VIII

MARKET SUPPORT MEASURES

Chapter 60 - Cereals

Chapter 61 - Rice

Chapter 62 - Milk and milk products

* Article 626 - Special measures to improve
market situation

* Item 6260 - (Ex Item 8312) Premiums for
the non-marketing of milk
and milk products

Chapter 63 - Oils and fats

Chapter 64 - Sugar

Chapter 65 - Beef and veal

Chapter 66 - Pigmeat

Chapter 67 - Eggs and poultry meat

Chapter 68 - Fruits and vegetables

Chapter 69 - Wine

Chapter 70 - Tobacco

Chapter 72 - Ethyl alcohol of agricultural origin

Chapter 73 - Other sectors or products subject to
Common Market organization

Chapter 74 - Refunds on certain goods obtained by
processing agricultural products

TOTAL NEW TITLE VIII

PREVIOUS TOTAL CHAPTERS 60 - 74

* New Article/Item

TITLE IX

MEASURES TO IMPLEMENT AGRICULTURAL POLICY

SECTION 'A' - LONG TERM INSTRUMENTS

- Chapter 80 - Expenditure for control of expenditure
- Chapter 81 - Data networks, research and professional training
- Chapter 82 - Veterinary control, propagating standards, and health standards
- Chapter 84 - International veterinary measures
- Chapter 85 - International measures international commodity agreements

SECTION 'B' - TEMPORARY MEASURES

- Chapter 86 - Accession compensatory amounts
- Chapter 87 - Monetary compensatory amounts
- Chapter 88 - Expenditure resulting from different exchange rates

TOTAL TITLE IX

TITLE X

MEASURES TO IMPROVE STRUCTURES

- Chapter 90 - General measures to improve marketing and processing structures
- Chapter 91 - General measures to improve production structures
- Chapter 92 - Measures to improve advisory services, vocational guidance and training
- Chapter 93 - Measures to aid less developed regions
- Chapter 94 - Measures to aid specific regions
- Chapter 95 - Measures to aid specific products
- Chapter 96 - Measures to aid specific socio-economic categories
- Chapter 99 - Ad hoc measures

TOTAL TITLE X

NEW BUDGET LAY - OUT

COMMISSION

PART I

Internal expenditure	- Salaries
	- Buildings
	- Publication and Information

PART II

Policies

I	Energy
II	Environment and Consumer Protection
III	Transport
IV	Industrial
V	Social Sector
VI	Regional
VII	Integrated Regional Policies
VIII	Agriculture: Market Support Measures
IX	Agriculture: Measures to Implement the CAP -
	a) long-term instruments
	b) temporary measures
X	Agriculture: Measures to Improve Structures
XI	Fisheries and Policy for the Seas
XII	Development
XIII	Food Aid Policies

DAIRY PRODUCTS IN ANIMAL FEEDING

1. Animal feeding takes 32% of all non-fat dry matter delivered to dairies. This total is broken down as follows:

- (i) Milk substitute products, 67% of the total, or 1,615,000 tonnes of which
 - veal production 1,400,000 tonnes
 - calves (herd replacement and red meat production),
- (ii) Compound feed for pigs, liquid milk and liquid skimmed milk for calves and pigs.

2. Clearly, the milk substitutes market represents one of the most important outlets for dairy products. This outlet must be protected and developed as far as possible. Prudence, however, must be followed in measures adopted.

The aggregate milk substitutes formula:

Skimmed milk powder	54%
Whey products	22%
Starch	2%
Fats	19%
Other	3%

It should be noticed that early weaning systems tend to reduce the level of milk substitutes employed, but this may be offset by rearing machines which make use of considerable quantities of skimmed milk powder.

It is clear that skimmed milk returned in a liquid form to the farm will reduce the use of milk substitutes which are at present exclusively milk based. Any reduction in the use of milk substitutes will reduce the through flow through the factories producing them, destabilizing the market and even provoking some manufacturers into seeking non milk-based, and perhaps cheaper, formulas. If this major outlet for dairy products were to be undermined and even lost, it would be impossible to recover the present position.

This warning should be borne in mind when examining trends in the milk substitutes market. For example, the skimmed milk content of milk substitutes has been gradually falling from around 60% to the present 53%. This has led certain sectors of the agricultural political complex to call for measures to counteract this trend. This is in ignorance of the fact that the skimmed milk powder has been replaced by another milk product, whey products; it had been discovered that the protein content of previous formulas was wastefully high. The total milk content, however, has been constant at around 75%.

The introduction of Community Regulations have frequently introduced disturbances into the market which in turn has led certain manufacturers to bring out almost non-dairy substitutes.

The importance of pig feed production to the dairy sector

The total amount of pig feed in 1976 was 23 million tonnes.

The maximum amount of skimmed milk powder which can be used in pig feed is about 10%.

Ten per cent of 23 million tonnes represents a major, but badly exploited outlet for dairy produce.

In pig feed, skimmed milk powder has:

- the same protein value as soya,
- a greater energy value than soya, and
- an extra handling cost of 1 ua/100 kg

The extra energy value of skimmed milk powder compensates for the slightly greater handling costs.

The obstacle preventing pig feed manufacturers from incorporating a greater amount of skimmed milk powder is due to the extra handling effort required by manufacturers and their fear (almost certainly justified) that policy changes on the part of the Commission and Council would lead to price changes in skimmed milk powder. Long-term fixed-price contracts for pigfeed manufacturers using skim milk powder should be introduced to replace the ad hoc and expensive measures recently employed.

EAGGF - GUIDANCE SECTION

Comparison of payment appropriations under the preliminary
draft budget and the draft budget for 1981

in m EUA

Article	Item		Draft	Preliminary draft
811	8013	Slaughtering of pigs and processing of pigmeat in France and the United Kingdom	0.5	1.0
		Cessation of farming and re-allocation of land for structural improvement (Directive 72/160/EEC)	1.0	5.0
812		Vocational guidance and training (Directive 72/161/EEC)	4.0 ¹	10.0
820		Mountain and hill farming and farming in certain less-favoured areas	95.0	101.0
	8220	Agricultural advisory services in Italy	0.57	0.6
	8222	Specific programme for developing beef cattle farming in upland areas of Italy	p.m. ²	8.0
	8234	Integrated development programme for Lozère	p.m.	3.0
	8260	Integrated development programme for the Western Isles of Scotland	p.m. ³	3.0
	8262	Processing and marketing in certain agricultural sectors in Northern Ireland	p.m.	1.0
827		Integrated development programme for south-eastern Belgium	p.m.	0.2

¹ 2 m EUA entered under Chapter 100

² 6 m EUA entered under Chapter 100

³ 3 m EUA entered under Chapter 100

ANNEX VI

FISHERIES AND MARINE SECTOR

Comparison of payment appropriations under the preliminary draft budget and the draft budget for 1981

in m EUA

Article	Item		Draft	Preliminary draft
860		Common measures for restructuring, modernizing and developing the fisheries sector	5.0 ¹	10.0
870		Immediate measures to adjust capacity	p.m.	20.0
873		Biological studies in the fisheries and marine sector	0.08	0.164
874		Coordination of surveillance operations by Member States	p.m.	0.3

¹ 5 m EUA entered under Chapter 100

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr G. GIAVAZZI

On 16 July 1980 the Committee on Economic and Monetary Affairs appointed Mr Giavazzi draftsman of its opinion.

The Committee on Economic and Monetary Affairs considered the draft opinion at its meeting of 21 October 1980 and adopted it.

Present: Mr Delors, chairman; Mr de Ferranti, vice-chairman; Mr Macario, vice-chairman; Mr Giavazzi, draftsman; Mr Balfour, Mr Beazley, Mr Beumer, Mr von Bismarck, Mr Bonaccini, Mr Collomb, Mr Delorozoy, Miss Forster, Mr I. Friedrich, Mr Herman, Mr Hopper, Mr J. Moreau, Mr Nyborg (deputizing for Mr Ansquer), Sir Brandon Rhys-Williams, Mr Schinzel and Mr Walter.

GENERAL

1. Before considering the specific items of the 1981 draft budget which fall within its terms of reference, the Committee on Economic and Monetary Affairs feels it essential to make a few general remarks.

The committee cannot but react in the most vigorous terms and express its deepest reservations at a draft budget which does not permit the development, in areas falling within its direct terms of reference, of a truly effective Community policy, nor even the effective continuation of the meagre and partial initiatives which have been undertaken by the Community in previous financial years.

2. At a time when particularly heavy demands are being made on the European economy, both in its relations with the rest of the world and within Europe, this situation is even more serious.
3. As far as the first aspect is concerned, i.e. relations with non-European countries, it is clear that the development of the world economy and world trade still require far-reaching changes in the structures of production and that, for the European countries, this need for structural adaptation has been made all the more evident by such factors as the cost of energy, the inevitable spread of technology throughout the world, the development of different levels of productivity and the acceleration of the development of some emergent economies.

As regards the second aspect, i.e. intra-European relations, which is in many ways closely bound up with the first, it is quite clear that an accelerated rate of European economic integration and, in particular, the survival and consolidation of the European Monetary System both depend, as has frequently been emphasized by the committee and Parliament, on the convergence of the economies of the Member States and on adequate structural action in each individual country.

However, no serious policy can be undertaken in either of these areas without a wide-ranging programme and adequate financial support from the Community. The Member States' current policy in this respect is totally inadequate.

4. But there can be no justification for the claim that intervention is impossible when in fact the real problem is the inadequacy of financial support and the decline in activity caused by growing economic difficulties which, given their size and scale, are a cause for considerable concern at European level and are having a marked effect upon development and employment.

5. Similarly, in the light of the foregoing, the committee regards the draft budget in the sectors under consideration as blatantly inadequate in terms of (a) approach, (b) scale and (c) organization.

(a) Approach: Itemization appears in fact, to be determined by a desire to avoid the need for increased resources, and the appropriate effort has not been made to obtain resources which could promote the activities regarded as both desirable and necessary for the Community. This is made all the more evident by the Council's cuts in the Commission's proposals and by the allocation of the already meagre resources.

(b) Scale: The total inadequacy of the appropriations for the items relating to the section of the budget devoted to industry render all comment superfluous.

This does not, however, hold good for the allocations in the financial part of the budget which, to a large extent, cover the additional measures for the United Kingdom and although 'understandable and necessary in themselves' as the Committee on Economic and Monetary Affairs has already emphasized, in many ways aggravate the inadequacy and the difficulty of balancing the Community budget as a whole. In view of the size of these appropriations, Parliament must be fully informed of the way in which these funds are used.

(c) Organization: Because of its limited scope, the lack of integration or balance of the interventions in the industrial and financial sections and in the absence of organized Community objectives, the draft budget provides no possibility (and in many ways this situation is deteriorating) of defining a Community economic policy for the sectors referred to in the present opinion.

6. In view of the meagre programmes itemized and the lack of appropriate formulation by the Council of the legal acts necessary for the implementation of even those programmes which are regarded as valid, it is clear that the same negative approach also underlies the 1981 draft budget, resulting in wasted financial resources and the undermining of coherent Community actions.
7. The committee does not feel that this budgetary approach can be justified by invoking the need for a transitional budget due to the circumstances existing at present. The underlying reason for this is that the internal and external economic situation of the Community makes any discretionary pause or suspension of activity unacceptable.

The second reason is that the lack of activity in the short term will make attempts to resume activity in years to come extremely difficult; the result will then be far more serious than any possible complications arising from a different approach to Community activities in the short term.

8. Without exceeding its terms of reference, the committee feels that, given the temporary lack of available funds as a result of the failure to provide the necessary additional own resources, a suitable approach to financial policy with new borrowing and lending operations in addition to a carefully designed Community programme could eminently and not just temporarily satisfy the general requirements; this would prevent interruption or suspension of activities in areas which, like those referred to in the present opinion, cannot be deprived, even for a brief period, of genuine Community action.
9. In particular, it is imperative to ensure that Community services and structures are, as far as possible, adjusted in terms of quality and quantity, so that the relevant policies, especially those relating to informatics and the new information technologies and to the harmonization of the legislative provisions of the Member States can be implemented with the maximum efficiency and celerity, in view of their particular importance in Community activity.
10. The importance of energy to our economy must be emphasized. Consequently, the new item 3763 in the preliminary draft budget, concerned with the industrial implications of the rational use of energy, is extremely important. Nevertheless, the Council has deleted the appropriations of 200,000 EUA. The Commission suggests transferring these studies to Chapter 32. The Committee on Economic and Monetary Affairs is not against this transfer, but insists that these studies are not deleted and are actually carried out within the framework of Chapter 32.

OPINION OF THE COMMITTEE ON ENERGY AND RESEARCH

Draftsman: Mr Y. GALLAND

On 10 July 1980 the Committee on Energy and Research appointed Mr GALLAND draftsman.

The committee considered the draft opinion at its meetings of 2 October 1980 and 14 and 16 October 1980, and adopted it on 16 October 1980 with 10 votes in favour and 3 abstentions.

Present: Mrs WALZ, chairman; Mr NORMANTON, vice-chairman; Mr GALLAND, draftsman; Mrs von ALEMANN, Mr CALVEZ (deputizing for Mr PINTAT), Mr CROUX, Mr HERMAN (deputizing for Mr VANDEWIELE), Mr LINKOHR, Mr MORELAND, Mr PAISLEY, Mr PRICE, Mr PURVIS, Mr SELIGMAN and Mr VERONESI.

I. INTRODUCTION

The meetings in Tokyo and Venice not only highlighted the magnitude of the energy prices but also demonstrated the need for world-wide cooperation. As far as Europe is concerned, it is sufficient to quote a few extracts from the address given before Parliament by Mr Gaston THORN, President-in-Office of the Council, on 8 July 1980:

'The coming period will possibly give us a second chance (for a Community energy policy)... A radical change in the matter of energy sources is needed in Europe... and any plans worked out at a purely national level would have much less chance of being effective and lasting. It thus becomes all the more necessary that a Community policy should be put into operation...'

In the light of these meetings and these statements, the Committee on Energy and Research is astonished to find that the draft budget submitted to Parliament by the Council contains the following provisions:

- under Chapter 32 (energy) commitment appropriations are cut by 56% and payment appropriations by 66% by comparison with 1980;
- under Chapter 33 (indirect action), similarly substantial cutbacks are made.

Given the gravity of the energy situation the gulf between statement and action is bewildering.

The European Parliament's Committee on Energy and Research condemns the massive, blind and frequently unjustified reductions made by the Council in the draft budget.

It also condemns the Commission's inability in the past to put forward plans, accompanied by financing proposals, for an overall Community energy policy.

The committee points out that this Community policy must be backed up by very substantial financial resources, incomparably greater than those allocated hitherto, to permit joint investment in research into new and renewable energy and certain new technologies (in particular the revival of the coal policy), as well as aid to the developing countries.

It emphasizes that the Council must demonstrate a new political will if Europe is to achieve better harmonization of its tariff policies in the energy field and above all work towards a new convergence of action in its dealings with the producing countries.

In this context the Community's draft energy budget for 1981 can only be described as a very inadequate starting point.

II. PARTS OF THE 1981 BUDGET FALLING WITHIN THE COMMITTEE'S TERMS OF REFERENCE

Chapter 32

Item 3200 : Projects in the hydrocarbons sector

The particular procedure followed in connection with this heading should be noted.

Technological projects are submitted by private undertakings to the Commission, which makes a selection and submits it to the Council for a final decision (in other words the Council has the last word on the appropriations).

The management system is so cumbersome that from the moment when an undertaking submits its initial application it has to wait 12 to 18 months before it receives the first payments from the Community.

The Court of Auditors criticized the management of this heading in 1978. At any event this is a field in which industry has a number of interesting projects to offer and where it is desirable that the Commission should issue a new call for tenders.

It appears that, after the decisions which the Council is to take in October 1980 involving a total of 28.1 m EUA, carry-overs of commitment appropriations will be very low (0.7 m EUA). The situation is somewhat different in the case of payment appropriations, where 24 m EUA is likely to be carried forward.

In the circumstances it seems necessary to reinstate the commitment appropriations requested by the Commission but not to request payment appropriations.

Item 3200

<u>PDB</u>		<u>DB</u>		<u>Energy Committee</u>	
Commitment	Payment	Commitment	Payment	Commitment	Payment
25 m EUA	5 m EUA	18 m EUA	token entry	25 m EUA (+7 m EUA)	token entry

Item 3201: Joint hydrocarbon exploration

There is only one effective project, concerning Greenland, on which an 'ad hoc' decision was taken. No amendment is needed since the Council has accepted the Commission's request for 0.315 m EUA to complete the project.

Item 3210 : Prospecting for uranium in the Community

A fairly substantial majority within the energy committee has come out in favour of this item. The Commission's objective is to set investment at such a level as will enable 20 to 25% of the Community's uranium requirements to be covered from its own internal resources.

This measure was launched five years ago.

In the first two years, 1 m EUA was used; in the next two years 5 m EUA, and last year 9 m EUA. If the stated objective is to be attained it would be necessary to increase the commitment appropriations in 1981 to 20 m EUA.

It should be noted that carry-forwards are low: 0 in commitments, 4.6 m EUA in payments.

By way of background information on this measure, it should be pointed out that France, which has the largest uranium reserves in the Community and the most ambitious nuclear power programme, is not interested in this action.

Nevertheless, the parliamentary committee proposes that the appropriations requested by the Commission in the preliminary draft budget be reinstated.

Firstly, because this measure is essential if we are to reduce the Community's energy dependence.

Secondly, because it is to be hoped that, once the appropriations have been allocated, France will wish to use the possibilities offered by the measure.

<u>Item 3210</u>			<u>Energy Committee</u>	
<u>PDB</u>		<u>DB</u>	<u>Commitment</u>	<u>Payment</u>
Commitment	Payment	Commitment	Payment	
20 m EUA	7.2 m EUA	token entry	20 m EUA (+20 m EUA)	7.2 m EUA (+5 m EUA)

Item 3211 - Prospecting for uranium outside the Community - (New measure)

Before embarking on this new measure it is desirable to get prospecting for uranium within the Community properly underway. Furthermore, the relevant regulations are not yet ready and require revision of Chapter VI of the Euratom Treaty. The Committee hopes that these regulations will be forthcoming in the course of 1981 and in the meantime accepts the deletion of this item.

Item 3212 - Aid for nuclear fuel stockpiling

The Commission's aim is to increase nuclear fuel stockpiling capacity above its present ceiling of three months.

Here again the legal basis does not yet exist and, for the same reasons as given under the preceding item, our committee accepts the deletion of the heading.

Article 322 - Transport of radioactive materials

This heading concerns research within the Community in a number of technical fields, for example standards applicable to containers, etc. This measure, launched in 1980, will be fully effective by the end of the year. The contracts are in the process of being awarded and, in view of the Community's budgetary problems in 1980, this measure will in fact cover a period of less than 6 months.

The Council's position is unjustified since, when dealing with problems as important as this, it is not sensible to halt a measure such as this in the first year.

The committee therefore calls for the reinstatement of the appropriations requested by the Commission, which in fact appear to be inadequate when measured against the expenditure that would be justified.

<u>Article 322</u>	<u>DB</u>	<u>committee</u>
<u>PDB</u>		
Payment	Payment	Payment
0.5 m EUA	token entry	0.5 m EUA (+0.5)

Items 3230 - 3231 - 3232

These items relate to a Community coal policy, specifically use of coal in power stations, aid for coal stockpiling and aid for intra-Community trade in power-station coal.

There are features common to these items.

The token entries shown in the Commission's PDB have been replaced in the Council's DB by dashes.

The committee wishes to make plain its desire to see Community action in the coal sector.

It therefore calls once again on the Council to adopt the proposed regulations submitted by the Commission. Our committee therefore proposes the entry of 50 m EUA in payment appropriations and 100 m EUA in commitment appropriations against Item 3230 and also the reinstatement of the token entries against Items 3231 and 3232.

<u>Item 3230</u>		<u>DB</u>	<u>committee</u>	
<u>PDB</u>				
Commitment	Payment	Commitment	Payment	
token entry	token entry	-	100 m EUA (+100)	50 m EUA (+50)

<u>Item 3231</u>		
<u>PDB</u>	<u>DB</u>	<u>committee</u>
Payment token entry	Payment -	Payment token entry

<u>Item 3232</u>		
<u>PDB</u>	<u>DB</u>	<u>committee</u>
Payment token entry	Payment -	Payment token entry

Item 3240 - Community energy-saving programme

It is surely superfluous to underline once again how crucial this measure is in the context of the energy crisis. On the other hand, an effective energy-saving programme is bound to be costly, and there is no sense in entertaining any illusions on this subject.

In the PDB the Commission asked for 28 m EUA in commitments, a sum cut by the Council to 10 m EUA in the DB. Similarly, the 6 m EUA in payments entered in the PDB have been cut to 3 m EUA in the DB.

These figures call for a number of comments.

Firstly, in view of the applications received there will be a fairly low carry-over of commitments, namely 8.3 m EUA, with a somewhat higher carry-over of payments: 13.4 m EUA.

Secondly, the ceiling of 55 m EUA fixed in Regulation 725/79 will be reached in the course of 1981. In fact, of the 28 m EUA requested by the Commission in the PDB, 18 m EUA would already mean that the authorized ceiling would be exceeded. The Commission has accordingly asked the Council to raise the ceiling from 55 m EUA to 110 m EUA, but a decision on this has not yet been taken. Finally, it should be noted that the programme has been genuinely successful. In response to two invitations to tender, 630 applications have been examined by the Commission and 113 have so far been approved.

In the light of the above considerations, the Energy Committee calls for the reinstatement of the commitment appropriations proposed by the Commission in the PDB.

The committee endorses the Council's modifications to the payment appropriations in view of the carry-forwards of 13.4 m EUA.

<u>Item 3240</u>		<u>DB</u>		<u>committee</u>	
<u>PDB</u>					
Commitment	Payment	Commitment	Payment	Commitment	Payment
28 m EUA	6 m EUA	10 m EUA	3 m EUA	28 m EUA (+18 m EUA)	3 m EUA (0)

Item 3241 - Programme for the development of new sources of energy

It should be noted that the commitment appropriations carried forward are very low, 5.26 m EUA, and the payment appropriations rather higher, 14 m EUA.

It is, moreover, virtually certain that the sums requested by the Commission in the PDB can be properly utilized in 1981, in particular on gasification and liquefaction of coal and in the solar sector.

A very large number of projects have been submitted to the Commission in response to two invitations to tender: 35 for gasification and liquefaction of coal, 286 in the solar sector and 69 for geothermal energy.

Both the Commission and industry are thus now beyond the running-in stage and are well organized. This measure forms part of the major priorities and the committee can request the reinstatement of all the commitment and payment appropriations.

It should be noted that 5 m EUA has also been requested under Chapter 100 for wind and ocean energy.

Furthermore, the analyses and examinations of all the applications received in response to each invitation as well as the 200 contracts at present under negotiation or in progress seem to the Energy Committee to justify an increase in the staff assigned to this work if these vital projects are to be managed satisfactorily.

<u>Item 3241</u>			<u>committee</u>		
<u>PDB</u>			<u>DB</u>		
Commitment	Payment	Commitment	Payment	Commitment	Payment
61.5 m EUA incl. 5 under Chapter 100	26.5 m EUA	16 m EUA	17 m EUA	61.5 m EUA incl. 5 under Chapter 100 (+45.5 m EUA)	26.5 m EUA (+9.5 m EUA)

It seems that with this item, too, the appropriations will mean that the ceiling set by the Council on appropriations for geothermal energy, gasification and liquefaction of coal will be exceeded. An amended Council regulation is at present being drafted and should in principle be ready for October 1981. In the circumstances the Council should show its political determination to do everything in its power to improve the potential of 5% of new energy by the year 2000.

Article 326 - New Community initiative

The token entry shown by the Commission has been deleted by the Council. It is essential to retain the token entry against this item, which is intended to allow the Commission to lay down new guidelines for a Community energy policy. Moreover, possible measures will be financed by entering a reserve of 200 m EUA in commitments under Chapter 100.

It would be irresponsible to exclude the possibility of formulating new Community plans in the energy sector.

<u>Article 326</u>			<u>committee</u>		
<u>PDB</u>			<u>DB</u>		
Commitment	Payment	Commitment	Payment	Commitment	Payment
token entry	token entry	-	-	token entry on the line Chapter 100 200 m EUA	token entry on the line Chapter 100 token entry

Article 327 - Energy balance sheets

This inappropriate, and therefore incomprehensible, description covers the Community's aid in the energy field to the developing countries. Everyone knows that this crisis has hit the developing countries particularly hard and this measure is central to the discussions held in Parliament and the Council.

The measure enables many countries to train technicians, either on the spot or in Brussels.

The objectives covered by this heading should eventually be extended to establish new technologies (e.g. solar power) in the developing countries. In the meantime the appropriations requested by the Commission in the PDB represent a minimum.

<u>Article 327</u>		
<u>PDB</u>	<u>DB</u>	<u>committee</u>
Payment	Payment	Payment
2 m EUA	0.7 m EUA	2 m EUA (+1.3 m EUA)

Article 328 - Studies in the energy sector

In 1980 studies as important as those relating to the Rotterdam market, the financing of the Saint-Geours report and studies on demonstration projects have been carried out. The 0.3 m EUA entered in the 1980 budget had to be increased by the transfer of around 0.4 m EUA from Item 3210, giving a total investment of 0.7 m EUA.

The dash against this heading is incomprehensible and the Energy Committee calls for the reinstatement of the 1 m EUA shown in the PDB.

<u>Article 328</u>		
<u>PDB</u>	<u>DB</u>	<u>committee</u>
Payment	Payment	Payment
1 m EUA	-	1 m EUA

Chapter 33 - Indirect action

The problems under this chapter are simpler than in the case of Chapter 32.

Only a few items calls for more detailed attention, namely:

- Item 3342
- Item 3360
- Item 3770
- Item 3381

In the case of all the other items it appears to the Energy Committee that the Council's draft budget should be accepted as it stands.

Item 3342 - Participation in the JET joint undertaking

In its preliminary draft budget the Commission had requested 22.199 m EUA in commitment appropriations and 49.6 m EUA in payment appropriations. These amounts have been cut by the Council to 12.199 m EUA in commitments and 39.6 m EUA in payments. Whilst in no way underestimating the value of fusion research, the Committee on Energy and Research notes that only 19 m EUA had been utilized as at 30 September out of the 44.6 m EUA in payments available by way of participation in the JET project at the beginning of the year. An additional contribution of 10.6 m EUA is to be made in the near future. Nevertheless, 15 m EUA remains unused. It may be that a fresh transfer of funds for JET will be made before the end of the year, but this is by no means certain. However, the Committee on Energy and Research believes that it would be advisable to reinstate the appropriations entered by the Commission in the PDB and calls on the Commission to take vigorous action in the field of thermonuclear fusion. The expenditure allocated to fusion in Europe is inadequate when compared with the money invested in the United States, the Soviet Union and Japan.

<u>Item 3342</u>				<u>committee</u>	
<u>PDB</u>		<u>DB</u>			
Commitment	Payment	Commitment	Payment	Commitment	Payment
22.199 m EUA	49.6 m EUA	12.199 m EUA	39.6 m EUA	22.199 m EUA (+10 m EUA)	49.6 m EUA (+10 m EUA)

Item 3360 - Environment

This item normally comes within the terms of reference of the Committee on the Environment. However, since the latter has taken no decision on it, your draftsman proposes that the Energy Committee should, by way of exception, deal with the problem in regard to the 1981 budget. Consequently, the Energy Committee proposes the following amendment.

- Payment appropriations

- . increase the payment appropriation by 1,522 m EUA, corresponding to the amount necessary to cover the needs of the new programme.
- . by way of compensation, reduce by 700,000 EUA the payment appropriations entered under Chapter 100 'provisional appropriations' set aside for Articles 334 to 338, and also reduce by 518,000 EUA the payment appropriations under Item 3391 'staff awaiting assignment to a post'.
- . increase revenue by 304,000 EUA.

- Commitment appropriations

- . enter an appropriation of 5.322 m EUA.
- . by way of compensation, reduce by 2.5 m EUA the commitment appropriations entered under Chapter 100 'provisional appropriations' and reduce by 518,000 EUA the appropriations entered under Item 3391 'staff awaiting assignment to a post'.

<u>Item 3360</u>				<u>EUA</u>	
<u>PDB</u>		<u>DB</u>		<u>committee</u>	
Commitment	Payment	Commitment	Payment	Commitment	Payment
6,781,000	4,493,000	token entry	1,612,000	5,322,000	3,134,000
				(+5,322,000)	(+1,522,000)
				Compensation Chapter 100	
				- 2,500,000	-700,000
				(set aside for Art.334-338)	
				Compensation Item 3391	
				- 518,000	-518,000

Item 3370 - Biomolecular engineering

Since this new programme cannot be got underway until 1981, the committee proposes an amendment entering 4 m EUA in commitments and 1 m EUA in payments under Item 3370.

<u>Item 3370</u>		
<u>PDB</u>	<u>DB</u>	<u>committee</u>
Commitment Payment	Commitment Payment	Commitment Payment
15 m EUA 2.09 m EUA	token token entry entry	4 m EUA 1 m EUA (+4 m EUA) (+1 m EUA)

Item 3381 - Education and training

It is important to maintain the sums requested by the Commission in the preliminary draft budget (2.898 m EUA in commitments, 0.976 m EUA in payments).

However, partial compensation would be made with Chapter 100.

<u>Item 3381</u>		
<u>PDB</u>	<u>DB</u>	<u>committee</u>
Commitment Payment	Commitment Payment	Commitment Payment
2.898 m EUA 0.976 m EUA	token 0.442 m EUA entry	2.898 m EUA 0.976 m EUA (+2.898 m EUA) (+0.534 m EUA)

Problem of compensation

At the moment 8 m EUA in commitment appropriations and 2 m EUA in payment appropriations are entered under Chapter 100 as global reserve intended for programmes proposed by the Commission and not yet adopted by the Council.

The following compensation might be accepted by the Energy Committee.

In commitment appropriations

3.4 m EUA to Item 3370 (Biomolecular engineering)

1 m EUA to Item 3381 (Education)

2.5 m EUA to Item 3360 (Environment)

Total 6.9 m EUA

This would leave 1.1 m EUA under Chapter 100.

The payment appropriations entered under Chapter 100 amount to 2 m EUA.

The following compensation might be accepted:

0.7 m EUA to Item 3370 (Biomolecular engineering)

0.264 m EUA to Item 3381 (Education)

0.7 m EUA to Item 3360 (Environment)

Total 1.664 m EUA

This would leave 0.336 m EUA under Chapter 100.

The last problem under this chapter to which the Energy Committee must turn its attention, even though it is the Committee on Budgets which is responsible, is that of internal promotion and the career prospects of the staff.

At the moment 40 staff awaiting assignment to a post are paid from the appropriations entered under Item 3391 (Staff awaiting assignment to a post). The increase in appropriations for Items 3360 and 3381 covers the remuneration of some of this staff and consequently necessitates compensation under Item 3391.

The requests for regrading in the list of posts of the JCR for the 1981 budget relate to 60 posts. Some minimum prospects of advancement are essential to motivate the staff and a substantial proportion of the relatively modest sum requested by the JCR (100,000 EUA) should be accepted by the Committee on Budgets. This request seems justified to the Energy Committee.

Chapter 36

Expenditure relating to information and innovation

This chapter assumes particular importance at a time when our economy has to compete with technologically more advanced countries whilst contending with a lack of natural resources, especially as regards energy. We must therefore not squander the benefits we derive from our research.

Item 3610 - Dissemination and circulation of scientific and technical knowledge

The appropriations under this item are to cover expenditure relating to the promotion and publication of the results of Community scientific research.

In the past five years research appropriations have increased five-fold, which entails a proportionate increase in the volume of publications.

Over the same period the appropriations for Item 3610 have no more than doubled. The Commission is thus no longer in a position to arrange for the dissemination of all the reports and publications. The Committee on Energy and Research therefore considers it desirable to reinstate the appropriations entered in the preliminary draft budget.

<u>Item 3610</u> <u>PDB</u> non-differentiated appropriations 0.900 m EUA	 <u>DB</u> non-differentiated appropriations 0.700 m EUA	 <u>committee</u> non-differentiated appropriations 0.900 m EUA (+0.200 m EUA)
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Item 3611 - Assessment and utilization of research results

The Council has entered 0.2 m EUA under Chapter 100.

This item covers two types of action:

- the marketing of new technologies and manufacturing processes developed in the context of Community research activities,
- financing of studies and research work with a view to promoting industrial innovation.

Given the importance of this item for the future of European industry the Committee on Energy and Research calls for the reinstatement of the appropriations shown in the preliminary draft budget.

<u>Item 3611</u>	<u>PDB</u>	<u>DB</u>	<u>committee</u>
	non-differentiated appropriations	non-differentiated appropriations	non-differentiated appropriations
	0.4 m EUA	token entry	0.4 m EUA (+0.4 m EUA)
			Chapter 100 compensation - 0.2 m EUA

Item 3620 - Three-year plan

In the PDB, the Commission entered 2 m EUA in commitment appropriations under Chapter 100. The Council has deleted these appropriations.

The Commission is preparing a third plan of action (1981-83). The aim of this three-year plan is to organize the European information market and to provide for the development of the Euronet telecommunications network.

The Committee on Energy and Research therefore requests the reinstatement of the commitment appropriations under Chapter 100.

<u>Item 3620</u>	<u>PDB</u>	<u>DB</u>	<u>committee</u>
	Commitment Payment	Commitment Payment	Commitment Payment
	token 1.587 m EUA	token 1.587 m EUA	token 1.587 m EUA
	entry	entry	entry
	Chapter 100 2 m EUA		Chapter 100 2 m EUA

Item 3623 - EUROTRA - Modular machine-translation system

In the PDB the Commission entered 1.754 m EUA in commitment appropriations and 0.5 m EUA under Chapter 100. The Council has deleted all these appropriations and kept the token entries on the budget lines.

The EUROTRA project, which was forwarded in June 1980 to the Council for its decision, will contribute to the lowering of language barriers. It will cost the Community 7.7 m EUA over five years.

The immediate implementation of this programme makes it necessary to enter budget appropriations from 1981 onwards.

The Committee on Energy and Research therefore requests that the figures appearing in the preliminary draft budget be reinstated.

<u>Item 3623</u>					
<u>PDB</u>		<u>DB</u>		<u>committee</u>	
Commitment	Payment	Commitment	Payment	Commitment	Payment
token	token	token	token	token	token
entry	entry	entry	entry	entry	entry
Chapter 100	Chapter 100			Chapter 100	Chapter 100
1.754 m EUA	0.5 m EUA			1.754 m EUA	0.5 m EUA

Item 3712 - European supersonic aerodynamic tunnel

The development of future generations of European aircraft capable of competing on international markets depends directly on the ability of Community undertakings to reduce fuel consumption appreciably. Parliament believes that present knowledge in the field of aerodynamics makes it feasible to improve the design of aircraft so as to make them use less fuel. Four Member States, namely the Netherlands, France, the Federal Republic of Germany and the United Kingdom, have signed a memorandum in which they agree to conduct preliminary design and cost studies of a European supersonic aerodynamic tunnel. In order to support the development of European aircraft of the airbus and Fokker-VFW type in the face of American competition, it is essential for the Community to give this advanced-technology industry the backing and coordination of a Community aircraft design centre with a supersonic aerodynamic tunnel. The US National Transonic Facility will be operational in 1982.

Parliament wants the Commission to take in this area in the course of the 1981 financial year the measures it announced at the time when Parliament endorsed the Commission's proposal for a first multiannual research programme in the aerospace sector.

<u>Item 3712 - new item</u>	
<u>committee</u>	
Commitment	Payment
token entry	token entry

Item 3722 - Textile industry technology

At a time when fierce competition is increasing the level of unemployment in this key industrial sector we should be giving industry all possible assistance so that it can adapt to present market conditions through the development of new and improved products. A proposal for a decision (OJ No. C 111,4.5.1979) received a favourable opinion from the European Parliament and is awaiting adoption by the Council.

<u>Item 3722</u>				<u>committee</u>	
<u>PDB</u>		<u>DB</u>			
Commitment	Payment	Commitment	Payment	Commitment	Payment
3.2 m EUA	0.6 m EUA	token entry	token entry	3.2 m EUA (+3.2 m EUA)	0.6 m EUA (+0.6 m EUA)

III. CONCLUSION

As far as energy is concerned, the budget proposed for 1981 is a very bad one. Some of the modifications made by the Council are particularly worrying as they demonstrate a total absence of political will. Such scepticism as regards the Community's effectiveness in the energy field bodes ill for the future, since we should already now be taking practical steps to work out a Community energy policy, the first measures under which could not in fact be launched until 1982.

Parliament must give immediate consideration to the possibilities open to it of action within the institutional framework with a view to ensuring that the need for a Community energy policy becomes the object of a European public debate and that the necessary action is at last taken.

A preliminary draft 'CEP' setting out its role and the precise areas in which action would be taken under it should be drawn up as soon as possible by the Energy Committee so that careful cost calculations can be undertaken by the Commission, which must also give thought to an overall plan.

Parliament and the Commission should join efforts in working out in the months to come the content of a Community energy policy and the arguments in favour of its implementation.

Various financing possibilities should be examined, namely investments from own resources, revenue based on a special tax or Community borrowing.

On this basis it may be hoped that when a serious proposal for a Community energy policy is placed before the Council it will lend its cooperation to this enterprise so that the Community can complement the activities of the Member States in those areas where it can do so most effectively. In due course, with that aim in view, it would be desirable to arrange a tripartite meeting between the Energy Council, the Commission and Parliament, represented by its Energy Committee, so as to demonstrate the effectiveness of harmonious collaboration between the three Institutions.

The year 1981 will be a turning point. To fail at this stage would be to accept a grave responsibility.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr H.-J. SEELER

At its meeting of 22 September 1980 the Committee on External Economic Relations appointed Mr Seeler draftsman.

It considered the draft opinion at its meetings of 24 and 30 September and 21 October 1980 and adopted it unanimously at the latter meeting.

Present: Sir Fred Catherwood, chairman; Mr Seal, vice-chairman; Mr Seeler, draftsman; Mrs Agnelli, Mrs Carettoni Romagnoli, Mr De Clercq, Mrs Fourcade, Mr Giummara, Mr Hänsch, Lord Harmar-Nicholls (deputizing for Sir John Stewart Clark), Lord O'Hagan, Mr Lemmer, Mr Louwes, Mr Majonica, Mrs Moreau, Mr Radoux and Mr Welsh.

1. Any assessment of the 1981 draft budget must take into account the fact that appropriations for new expenditure are very limited and that economies must be made. The reasons for this are obvious. The Member States are themselves having to contend with ever-increasing difficulties in financing their essential national expenditure, partly because economic development has deteriorated. This has also been reflected in the recent increase in trade deficits. Naturally, this situation produces an effect at Community level, and that accounts for the restrictive attitude of the Member States during the preparation of the 1981 budget. The Council has made quite considerable cuts in the Commission's preliminary draft (which had left a margin of only 500 million EUA between the ceiling on possible own resources and the proposed expenditure). Overall, the Council has reduced commitment appropriations from 21,732 m EUA to 20,915 m EUA and payment appropriations from 20,051 m EUA to 19,250 m EUA.

In view of the above the Committee on External Economic Relations is holding over a number of urgent requests for an increase in budget appropriations and wishes to draw the attention of the Committee on Budgets to no more than the following points:

A. REQUESTS FOR STAFF

2. During the debate on the 1980 budget the Committee on External Economic Relations was unable to secure the agreement of the Committee on Budgets to incorporate into the draft budget three amendments designed to increase, in line with requirements, the number of staff working in the external economic relations sector. These amendments were justified by the fulfilment of obligations undertaken by the Community under GATT and the opening of Commission representations in Belgrade (Yugoslavia) and Canberra (Australia). It is a sign of an inconsistent policy when the Community takes on obligations in an international context and then fails to carry them out properly by refusing the necessary appropriations.

3. As a result of the multilateral and bilateral agreements entered into by the Community, the workload of the Directorate-General for External Relations has doubled over the past three years, while the number of staff has increased only negligibly over the same period. It must also be remembered that under the EEC Treaty the Commission is responsible for the implementation of the Community's external economic policy, and is thus the external representative of the world's largest trading bloc.

4. The Commission requested a total of 151 new staff posts in the preliminary draft budget for 1981. 39 of these were to be allocated to work arising out of the conclusion of the Tokyo Round (GATT). In its first reading the Council rejected all these requests for staff posts.

5. On a number of occasions - for example, at the public hearing on the Community's anti-dumping operations - the Commission has convinced the Committee on External Economic Relations that an improvement in the Community's capacity to act is urgently required and that the number of staff working in these areas must therefore be increased.

The fact that a number of new codes and regulations have been agreed and existing codes, such as the anti-dumping code, revised, has resulted in a considerable increase in the Commission's work. The number of anti-dumping cases, for example, is constantly increasing, and this trend is being further exacerbated by the current economic difficulties. The Commission is responsible for dealing with these matters in the Community. In the long run, undermanning will lead to the work falling seriously behind, especially since under the revised codes every case put before the Commission has to be investigated more thoroughly than in the past. Any delay in such investigations may result in considerable economic damage in the countries of the Community thus putting jobs at risk.

6. Unless staff levels are adapted to meet the current requirements, the Commission will be obliged to refuse certain investigations which, after all, are carried out in the interest of the competitive position of the Community economy. The Committee on External Economic Relations will have every sympathy with such action. There is a risk that the Community could be caught up in a bizarre vicious circle: the Council concludes agreements on behalf of the Community which entail certain obligations, for the fulfilment of which the Commission requires additional staff. The Commission submits the appropriate request for the additional staff required, but this request is in turn rejected by the budgetary authority. As a result the Commission cannot satisfactorily carry out the tasks allocated to it by the Council. The result of that could be that the Commission would be reproached by business, government circles and parliaments for being ineffectual, slow and bureaucratic, and this in turn would lead to a greater unwillingness to allocate appropriations for additional staff.

The Committee on External Economic Relations cannot approve this state of affairs and consequently urges that the Commission's staff be increased not to create further bureaucracy but to enable it to fulfil satisfactorily the tasks allocated to it in the interest of the Community's

economy. After careful consideration the Committee on External Economic Relations takes the view that the increase in staff requested is reasonable and by no means excessive.

7. A comparison with the situation in the USA demonstrates the reasonable nature of the request: the Commission has a total of 16 officials dealing with anti-dumping complaints as against 120 in the United States (this number is to be increased to as many as 249), although both administrations have approximately the same number of actions to process.

8. In order to emphasize the importance of making an improvement in the situation described above, the Committee on External Economic Relations is restricting itself to the tabling of a single amendment on this subject. The committee will hold over until the debate on the 1982 budget all the other necessary additions to the budget which fall within its terms of reference. For example, an increase in the number of staff employed in the Community's representations in Belgrade (Yugoslavia) and Canberra (Australia) is urgently required if the task of disseminating information is to be carried out effectively.

In addition, it is inadmissible for the Community to conclude trade and cooperation agreements with, for example, the ASEAN States, Romania, Brazil or the Andean Pact countries and then to be unable to exploit the opportunities offered by these agreements for the good of the Community because it lacks the staff required. In the long run, such a procedure will inflict considerable damage on the Community, the financial consequences of which will be substantially higher than the cost of new staff posts in the Commission.

The Committee on External Economic Relations reserves the right to draw Parliament's attention to this matter in detail during the coming year.

B. SPECIFIC MEASURES FOR IMPROVING KNOWLEDGE OF THE JAPANESE MARKET
(ARTICLE 395)

9. The Commission has requested 1,750,000 EUA to achieve a better balance in trade between the Community and Japan by increasing the Community's exports to Japan. Part of this amount is allocated for scholarships and the remainder for loans to back up the efforts of European firms to penetrate the Japanese market.

10. The Council has reduced these appropriations to 1,500,000 EUA (the same amount as in 1979 and 1980). Thus, allowing for inflation, the real value of the appropriations is falling year by year. This development is regrettable since the recent Japanese export drive, particularly in the motor vehicle market, has made it plain to all that better knowledge of the Japanese market and the Japanese economy is of vital importance to many European undertakings and the jobs they provide. Such information is a sine qua non for the urgently required increase in exports to Japan.

11. Should the draft budget make it necessary, the Committee on External Economic Relations intends to propose an increase in this amount for the following year (1982). However, it would appreciate first of all a detailed report from the Commission on how the appropriations have been spent to date.

C. SPECIAL AID FOR TURKEY (ITEM 9631)

12. These appropriations, totalling 75,000,000 EUA, are intended to finance measures in the field of cooperation with and technical assistance for Turkey. They have been allocated by the Community because of the serious economic and financial difficulties that Turkey has been experiencing in recent years and are not included in the financial aid granted to Turkey under the Financial Protocol.

13. For 1981 the Council has allocated 25,000,000 EUA in payment appropriations. Whether it will be possible for this amount to be spent depends principally on whether Turkey is able to submit to the Community proposals for suitable projects.

D. COOPERATION WITH THE MEDITERRANEAN COUNTRIES (CHAPTER 96, ARTICLES 960-966)

14. The Community has contracted certain financial obligations with these countries under the Financial Protocols, some of which expire on 31 October 1981, the others on 31 October 1983. The appropriations for this aid are earmarked for the financing of grants and interest-rate subsidies on special loans to be managed by the European Investment Bank.

OPINION OF THE COMMITTEE ON REGIONAL POLICY AND REGIONAL PLANNING

Draftsman: Mr Th. von der VRING

On 22 September 1980 the Committee on Regional Policy and Regional Planning appointed Mr von der VRING draftsman of the opinion.

It considered the draft opinion at its meetings of 16 and 21 October, 1980, and adopted it unanimously on 21 October 1980.

Present: Mr De Pasquale, chairman; Mr Costanzo and Mr Edgar Faure, vice-chairmen; Mr von der Vring, draftsman; Mr Brok, Mr Cardia (deputizing for Mr Damette), Mr Gendebien (deputizing for Mr Blaney), Mr Harris, Mr Josselin, Mrs Kellett-Bowman, Mr O'Donnell, Mr Pöttering, Mr Puletti and Mr Travaglini.

I. Draft Regional Fund budget - Chapters 55 and 56 (quota-linked and quota-free section)

1. Objectives of the ERDF

1. The European Regional Development Fund is intended to correct regional imbalances in the Community which are due mainly to a predominantly agricultural structure, industrial changes, and structural underemployment.

The legal basis is Regulation No 724/75 of 18 March 1975 (OJ No I 73, 21 March 1975) and Regulation No 214/79 of 6 February 1979, (OJ No L 35, 9 February 1979).

2. The accession of Greece to the Community made it necessary to amend Article 2 of the Fund Regulation (Regulation No of (OJ No L) fixing the quota for this new Member State at 15%.

The gap between the richest and poorest regions of the Community has continued to widen in recent years, owing partly to the high rate of inflation in Ireland, Italy, and the United Kingdom and the effect this has had on exchange rates.

3. The free play of market forces has brought about a disproportionately low rise in living standards in the peripheral regions of the Community. With the proposed enlargement of the Community, the difference in relative living standards in the richest and poorest regions will expand from a ratio of 6 to 1 to one of 12 to 1. Financial commitments to regional policy, whether at national level or at Community level under the ERDF, have not hitherto been sufficient to counteract the widening disparities in the Community.

4. The current economic recession in the Community makes it all the more important to step up regional policy efforts. Experience shows that it is always the weak, peripheral areas of the Community that are hardest hit by recession, so that regional disparities are widened further.

5. This cumulative process of escalating discrepancies between regions, together with low growth rates in gross national product in the future, will lead to serious social and political tensions in some Member States.

6. To prevent this from happening, a more comprehensive transfer of resources than ever before will be necessary. The ERDF is an effective mechanism for transferring resources, since the quota arrangements ensure that the economically weakest states receive the bulk of the appropriations.

7. The Committee on Regional Policy and Regional Planning considers that it is important to prevent other Community policies from exacerbating regional disparities in the Community. The purpose should rather be to give more importance to regional policy objectives.

2. Growth in Fund appropriations

8. Growth in Fund appropriations (quota-free and quota-linked section) is as follows (in m EUA):

Table 1

	1975	1976	1977	1978	1979	1980	Commission prelim. draft 1981	Council draft 1981
CA	300	500	500	581	945	1,165	1,600	1,400
PA	150	300	400	525	499	403	770	500

The 1981 appropriations, as compared with 1980, are as follows (in m EUA):

Table 2

	1980		Commission prelim. draft 1981		Council draft 1981	
	CA	PA	CA	PA	CA	PA
Chap. 55	1,107	392	1,520	750	1,330	490
Chap. 56	58	10.6	80	20	70	10
Total	1,165	403	1,600	770	1,400	500

9. The Commission has determined the size of the Fund for 1981 on the basis of the following calculations:

- Initial basis, 1980		1,165m EUA
- general level of price-rises in the EEC in 1981 over 1980	+ 9.6%	111m EUA
- Introduction of a quota for Greece at the rate of 15%. This raises the amount of the Fund by approx.	18%	209m EUA
- Increase in 1981 Fund in real terms	10%	115m EUA
<hr/>		
- Total commitment appropriations for 1981	+ 37%	1,600m EUA

3. Conclusions as regards Chapters 55 and 56

10. The Council's reasons for cutting the Commission's preliminary draft from 1,600m EUA to 1,400m EUA are not known to the Committee on Regional Policy and Regional Planning. The committee is aware that the level of Fund appropriations must be considered not merely as a technical matter (rate of inflation, real growth in gross national product, enlargement, etc.), but also as a political problem for which clear-cut priorities must be established.

11. The committee assumes that in comparing the present ERDF with that for 1980, the Greek quota of 15% must be disregarded.

12. This leaves the following for the Nine in 1981:

- Commission prelim. draft:	1,360m EUA (+ 16.7% over 1980)
- Council draft	1,190m EUA (+ 2.1% over 1980)

13. If these drafts are considered in relation to expected inflation rates for 1981, the following picture emerges:

The Commission is taking an inflation rate of 9.6% as a basis for 1981 and is assuming that the Fund will be devalued at this rate. This assumption is unrealistic.

14. In the three most important ERDF recipient countries (Italy, UK and France), which between them drew an 83% share of the Fund in 1980, the average inflation rate for 1980 is 18%. This is well above the Community average for the Nine (approx. 11%).

15. To determine the real fall in the value of the Fund for 1981, the inflation rates must be weighted against the Fund quota. The weighted inflation rate for 1980 for the nine Member States is

16.8%

It is extremely unrealistic to expect this weighted inflation rate to fall significantly during 1981.

16. If the national inflation rates in 1980, estimated by the Commission in August 1980, are taken into account (for latest figures for GNP see answer to Remilly Written Question No. 709/80) then, after deduction of the Greek share, the following changes in real terms for the quota section emerge:

Table 3: Fall in the value of the Regional Fund for 1981

	Inflation 1980	Commission prelim. draft 1981	Council draft 1981	for comparison unemployment 1980
DK	12.5%	+3.8%	-9.2%	5.8%
D	6.4%	+9.7%	-4.0%	3.3%
F	12.5%	+3.8%	-9.2%	6.5%
IRL	17.1%	-0.3%	-12.8%	8.0%
I	19.0%	-1.9%	-14.8%	8.2%
NL	9.2%	+6.9%	- 6.5%	4.5%
B	8.3%	+7.8%	- 5.7%	9.0%
L	8.6%	+7.5%	- 5.9%	0.8%
GB	19.6%	-2.4%	-14.6%	6.5%
NINE	16.8%	+ 0%	-12.5%	6.0%

17. The Commission's preliminary draft thus does no more than to propose a nominal increase for the nine current Member States that merely compensates for the weighted average of price increases in 1980.

18. The Council's draft on the other hand entails a cut in real terms in the quota section for the Nine of 12.5%, so that if existing quotas are maintained, disparities will range from -4% (West Germany) to -14.6% (UK).

19. The Committee on Regional Policy and Regional Planning is aware that the Commission's proposal will hardly even maintain the 1980 status quo. But in view of the forthcoming rundown of the Community's own resources, it nevertheless agrees to the Commission's preliminary draft. It represents an absolute minimum. But for the same reasons it feels bound to reject the extensive cuts made by the Council.

To reduce appropriations so drastically will lead to an accelerated disintegration of the Community and could entail acute social and political tensions which the Council itself has every interest in avoiding.

20. In the 1981 budget it is the payment appropriations not the commitment appropriations, that will limit the real development of Community policy. The prospects created by the Council's commitment appropriations for the Regional Fund will be totally cancelled out by its payment appropriations.

21. The Commission proposes 750 m EUA for the quota section and 20 m EUA for the non-quota section in payment appropriations. It actually believes that 1,000 m EUA are required, but is reducing this amount by 230 m EUA for technical reasons.

22. If it is assumed that no appropriations can be paid to Greece in 1981, and also, taking the 1980 estimates as a basis, that the Commission will only be able to pay out about 20% of the new commitment appropriations in 1981 (after deduction of the Greek share) as the first annual instalment, then the following picture of payment appropriations requirements emerges for 1981:

quota section, CAs from 1975-80	= 500 m EUA
CAs from 1981 = 20% of 1,292 m EUA	= 250 m EUA
non-quota section	= 20 m EUA
Total payment appropriations required:	<u>770 m EUA</u>

23. The Council has reduced the Commission's proposal even further by 270m EUA to 500m EUA, although no less than 513m EUA were spent in 1979, and the Commission puts the outflow of appropriations in 1980 at 715m EUA. The Council proposal means that it will not even be possible to cover the instalments due in 1981 on the basis of pre-1981 commitments. In other words, even if all the commitment appropriations in the Regional Fund for 1981 were deleted, there would still be a larger amount required in payment appropriations than the Council is willing to approve. The Council's proposal thus amounts to putting the Regional Fund into cold storage for an entire year by holding up the outflow of appropriations because of the need to finance ever more agricultural surpluses. This is unacceptable. The committee insists on the payment appropriations being provided for so as to maintain established payment arrangements without restriction.

II. Measures to promote integrated operations (Article 561)

24. The existence of different Community funds and institutions - ERDF, ESF, EAGGF (Guidance Section) ECSC, EIB - has caused serious fragmentation of financial measures which weaken their effectiveness.

25. Integrated operations are intended to ensure that the different Community mechanisms can be coordinated with each other and brought to bear coherently on a given locality.

Specific measures that cannot yet be provided for under existing common financial mechanisms should also be financed jointly with national and regional authorities.

26. Integrated operations have so far been undertaken for Naples and Belfast.

The Committee on Regional Policy and Regional Planning notes with regret that neither the Commission nor the Council has made any appropriations available for Article 561 in 1981, but have confined themselves to a token entry.

27. The committee is aware that aid for integrated measures is being provided from national sources as well as from the different Community financial mechanisms, so that the establishment of a separate 'coordinating fund' would be superfluous.

28. Coordination of integrated operations is, however, as experience in Naples and Belfast is showing, proving extremely expensive.

On the other hand, these operations are providing a major impetus to socio-economic development.

The Committee on Regional Policy and Regional Planning therefore considers it desirable to set aside appropriations under Article 561 for the financing of the (extensive) research that will be necessary to prepare for integrated operations and the additional costs associated with coordination. Willingness to participate in integrated operations at local and regional level, as well as at national and Community level, would thus be substantially improved.

29. Since the Commission in its preliminary draft for 1981 entered no appropriations, but confined itself to a token entry - though the Council has deleted even the token entry - the Committee on Regional Policy and Regional Planning calls for the reinstatement of the token entry in Article 561 as a first step.

III. Supplementary measures in favour of the UK (Chapter 58)

30. The supplementary measures for the UK on the basis of the Council decision of 30 May 1980 should be considered as part of an effort to solve that country's worst structural problems.

31. They set the following main objectives:

- Halting the widening of regional disparities in the UK,
- Urban renewal by improving social and economic infrastructures,
- Exploiting coal resources.

Table 4: Supplementary measures in favour of the UK

1980: Appropriation authorized	token entry
1981: Appropriation requested	1,074m EUA

32. The Committee on Regional Policy and Regional Planning notes that the appropriations for the supplementary measures for the UK are nearly equal in size to the Regional Fund proposed by the Council for the Nine in 1981 (1,190m EUA).

33. The committee stresses that, in their present form, these supplementary measures cannot possibly be considered as measures forming part of Community regional policy, but it is these that must be strengthened and implemented on a Community-wide basis.

34. The committee stresses that these additional appropriations must be used to finance additional regional policy development measures.

This will make it possible to remove the remaining uncertainties as regards efficient use of appropriations.

IV. Conclusions

The Committee on Regional Policy and Regional Planning requests the Committee on Budgets to incorporate the following text in its motion for a resolution:

- rejects the cuts in the Regional Fund (Chapters 55 and 56) by the Council to 1,400 m EUA in commitment appropriations and 500 m EUA in payment appropriations and calls for the restoration of the Commission's estimates of 1,600 m EUA and 770 m EUA respectively. These amounts are to be regarded as an absolute minimum. If in the course of the financial year the payment appropriations prove inadequate, additional appropriations are to be made available in a supplementary budget;
- calls for appropriations to be set aside under Article 561 (integrated operations) to provide for the supplementary expenditure associated with coordination of Community financial mechanisms. For 1981, it will be satisfied with the reinstatement of the token entry deleted by the Council as a first step;
- calls, in the interests of efficient use of appropriations, for the total set aside as supplementary appropriations in favour of the UK (Chapter 58) to be used in accordance with the principles of Community regional policy. The amount of the additional appropriations in favour of the UK should remain unchanged.

OPINION OF THE COMMITTEE ON TRANSPORT

Draftsman: Mr M. DOUBLET

On 25 September 1980 the Committee on Transport appointed Mr Doublet draftsman of the opinion.

At its meeting of 15 October 1980 the committee examined the draft opinion and adopted it unanimously.

Present: Mr Seefeld, chairman; Miss Roberts, Mr de Keersmaeker, Mr Carossino, vice-chairmen; Mr Doublet, draftsman, Mr Buttafuoco, Mr Cardia, Mr Cottrell, Mr Fuchs (deputizing for Mr Helms), Mr Gabert, Mr Gatto (deputizing for Mr Albers), Lord Hamar-Nicholls, Mr Klinkenborg, Mr Loo, Mr Moreland.

I. Introduction

1. If there is one subject which is international and consequently European in essence, it is transport.

It there is one area which figures in the Treaty of Rome as one of the main pillars of a European policy, it is transport. The Community cannot exist without a transport policy. The countries of the Community devote 6% of their GNP and 15% of their public capital investment to transport. But the budgetary appropriations allocated by the Community to the industry, energy, research and transport sectors together amount to no more than 2.31% of the Community's draft budget for 1981.

Work on the transport policy should have started from the moment when the Treaty of Rome was first applied, at the same time as the common agricultural policy. Although the present period is one of particularly restrictive measures, it is in such times of crisis that choices are confirmed, and priorities finally established. 'Where there's a will, there's a way.' It has been perfectly demonstrated in the area of aviation that a policy of balance may if taken too far lead to failure, and that a complete lack of restraint encourages bureaucratic opposition, stronger controls and the suspension of necessary transport services to regional and peripheral areas.

Does Europe wish to develop further? The answer to this question is all the more urgent and important since transport policy affects other sections of Community policy in many different ways.

2. Although it is not the role of the budget to lay down policy, it should at least serve to back up a policy which has already been formulated.

Although very worthwhile reports have led to positive proposals, the action which has been taken, in terms of legislative and budgetary follow-up, is not very praiseworthy. Have the main river links been defined? Have studies been supplemented by an operational policy? Should ports and airports be left out of our statements of policy? One worrying example is that of the large cities where present policy is based on large transit centres and not on urban transport. Priority must be given to public transport in the cities and their suburbs.

It is high time that we progressed, in this field, from the analysis and identification of European problems to a realization of Europe itself.

3. The next question is whether we should not each examine our own conscience. It should not be forgotten that our task is made simpler by the fact that the transport policy can be expedited and applied not only without going outside the framework of the Treaty of Rome, but also without touching on the major

principles which separate us the incessant discussion of which is a symptom of a wish to escape from our responsibilities.

Should the policy lines which we have already defined be reconsidered? The same could be asked of the principles which we have worked out and the procedures that we have followed.

The harmonization of social criteria and facilities, the equalization of the burden of expenditure, fare transparency, the recognition by firms of problems which they must overcome, and above all the risks which these firms have to take, call for texts that are strictly worded but can be flexibly applied and brought into force by stages. Whatever controls are necessary must not be allowed to serve as a pretext for more bureaucracy and restriction of orderly competition.

Policy on energy, industry, agriculture, economy etc., has not taken enough account of the transport aspects, essential though these are in the different areas.

What place should be given to the transport sector in the reorganization of the Community budget which will soon be made necessary by the exhaustion of the Community's 'own resources'? An early reply by the Council to this essential question would be eminently desirable.

Your chairman has, once again, taken the welcome decision to propose to Parliament's President that an aspect of the various modes of transport should be debated at each session of the Parliament. I stated unequivocally at the start of this opinion that the present situation is unacceptable and that we must ask the Council of Ministers to take a different stand. But we should also put it to the Parliament that it might obtain satisfaction as regards some of its requests if we lowered our sights. We should make sure that our proposals are accompanied by a concrete programme with appropriate financing provisions and very precise deadlines.

At its meeting of 25 September the Committee on Transport heard the views of Mr Adonnino, the general rapporteur for the budget, and Mr Burke, the Commissioner responsible for transport, on the implications of the 1981 budget for the transport sector. Following a debate on these views, the Committee recorded its unanimous refusal to approve the budget as revised by the Council of Ministers.

On 2 October the President-in-Office of the Council of Ministers of Transport, Mr Barthel, attempted to offer us some reassurance as regards the action taken on the various reports drawn up by the Committee on Transport over the last few years. I noted that we remained firmly resolved to ask Parliament to persuade the Council to renounce its very negative stand.

4. Of course, the Council of Ministers adopted a decision on 20 February 1978 instituting a consultation procedure and setting up a Committee on Transport Infrastructures (OJ No L 54, 25 February 1978, page 16); but since July 1976 the Council has failed to adopt the regulation which would enable the Community, under certain conditions, to participate in the financing of infrastructure projects of Community interest and which would create an effective bridge for the development of a common transport policy.

This financial support must take the form of the granting of subsidies or rebates of various kinds.

There is undoubtedly a problem as regards the general budget of the Community, but although the Council's proposal represents a 22% increase in commitment appropriations over 1980 and a 22.5% increase in operational expenditure over the general budget, there is also a 5% increase in commitment expenditure in relation to 1980, and an 11% increase for payment appropriations - and this is at national level.

If we accept an inflation rate of 10% for Europe as a whole, the result is a 5% decrease for commitment appropriations and a standstill for payment appropriations. Moreover it would be unacceptable for there to be no follow-up to research already launched in the transport infrastructure sector which has already cost 890,000 units of account: this would go against the elementary rules of good budgetary management.

A critical overall examination should therefore be made of the different chapters of the Community budget and I would ask that 1% of the general budget should be made over to the transport budget, with an indicative reduction. And are there no unused appropriations, excessively large reserves or untapped resources? We put this question so that no one can claim that we are proposing expenditure without matching it to revenue. At all events the share of transport in the draft general budget of the Community is at present .003%. If all the requests which we are going to make were met, this share would still be well below 1% and would in fact work out at .006%.

5. Before proceeding to a detailed examination of the different items, I would point out that the whole problem should be considered both per se and from the political aspect.

We shall never tire of repeating that there cannot be a transport policy without an infrastructure policy, and the European Parliament, in its resolutions, has constantly reiterated the importance it attaches to the implementation of an effective infrastructure policy on the basis of the Regulation proposed in 1976.

II BUDGETARY PROPOSAL

6. When presenting the 1980 budget the Commission entered in the first preliminary draft, Article 378 - 'Financial aid in respect of transport infrastructure' - an appropriation of 1 m European units of account for 'Studies preliminary to financial aid' (Item 3780). For 'Financial support for projects' (Item 3781) the Commission proposed commitment appropriations of 50 m EUA and payment appropriations of 15 m EUA.

The Council was consulted on this preliminary draft budget and forwarded to Parliament a draft budget containing no more than a token entry for 'Financial support for projects' and a reduced appropriation of 500,000 EUA for the preliminary studies.

With the support of the Committee on Budgets, the Committee on Transport proposed to underline the political will of the European Parliament to have the regulation adopted by reinstating the appropriation of 1 m units of account for the 'Preliminary studies' and to reinstate the appropriation of 65 m units of account for 'Financial support for projects'. The European Parliament included this amendment in the draft budget which it sent back to the Council. But as the Council rejected these amendments, the budget was ultimately established with an entry of 800,000 units of account for the preliminary studies and a token entry for the financial support of projects. In its preliminary draft budget for 1981 the Commission again proposed an appropriation of 800,000 units of account for the preliminary studies; the Council has replaced this figure with a dash in its draft budget. But the urgency of the economic situation means that the proposed 800,000 units of account would be insufficient. At the same time, the concept of Community interest as evolved hitherto has to be broadened and infrastructure needs must also be expanded to make allowance for the accession of new Member States to the European Community. Parliament should therefore request, and this would be in line with the position taken by the Commission, that an appropriation of 1 m units of account be entered for these studies.

As for the financial support of projects the Commission had proposed no more than a token entry and this has now been replaced with a dash by the Council. The Commission's proposal to provide 20% of investment in one large project each year and an interest subsidy for two large projects each year is not enough. A 20% maximum subsidy is not enough to attract the necessary decisions from the States concerned. Parliament should therefore demonstrate its support for the financing of transport infrastructures by reinstating the amount of 15 m units of account as commitment appropriations.

7. MONITORING OF FREIGHT MARKETS (Article 379 of the draft budget)

The purpose of this system is to provide a basis for the analysis of significant trends in freight transport between Member States. A flexible system would make it possible for hauliers to adapt quickly to the needs of users and would provide essential data for the development of the common transport policy.

The appropriation entered in the 1980 budget was 300,000 units of account. The appropriation requested in the preliminary draft budget for 1981 was 630,000 units of account. As the Council has reduced this amount in the 1981 draft budget to 425,000 units of account, Parliament, following the wishes expressed by the Commission, should ask for 630,000 units of account.

8. TRANSPORT OF RADIOACTIVE MATERIALS (Article 322 of the preliminary draft budget)

It would be deplorable to continue the experimental period. If the Council's proposal to delete the appropriation of 500,000 units of account as recommended by the Commission was maintained, the total of the 1979, 1980 and 1981 budgets would be less than the original position, and this on the basis of nominal figures alone without taking any account of inflation. Parliament should therefore reinstate the appropriation of 500,000 units of account in view of the importance it attaches to transport safety.

9. SAFETY OF CAR OCCUPANTS (Item 3740 of the preliminary draft budget)

For the same reasons, Parliament should reinstate the appropriation of 1,500,000 units of account proposed by the Commission following the insertion by the Council of a token entry.

III CONCLUSIONS

A. The Committee on Transport submits the following proposed amendments to the draft general budget of the European Communities for 1981 for the approval of the Committee on Budgets and of Parliament as a whole:

- (i) Item 3780 - Studies preliminary to financial aid in respect of transport infrastructure.

The Committee on Transport considers the appropriation of 800,000 EUA proposed by the Commission to be too low. These studies are essential if the Committee on Transport Infrastructure set up by the Council Decision of 20 February 1978 establishing a consultation procedure is to function properly.

As the Council has replaced the appropriation in question by a dash, Parliament should enter an appropriation of 1m EUA.

- (ii) Item 3781 - Financial support for projects in respect of transport infrastructure

As in previous years, Parliament should demonstrate its support for a contribution to the financing of infrastructures of Community interest by proposing the inclusion of 15m EUA as commitment appropriations. The Committee on Transport would point out that on 24 June 1980 the Council referred to the need for 'a decision at a forthcoming meeting' on the 1976 proposal for a regulation concerning aid to projects of Community interest in the field of transport infrastructure¹.

- (iii) Article 379 - Monitoring of freight markets

Following its reduction to 425,000 EUA by the Council, the Committee on Transport proposes to reinstate the appropriation requested by the Commission, viz 630,000 EUA.

- (iv) Item 3740 - Safety of car occupants

In view of the importance it attaches to transport safety, Parliament should reinstate the appropriation of 1,500,000 EUA originally proposed by the Commission

- (v) Article 322 - Transport of radioactive materials

For the same reasons, Parliament should reinstate the appropriations of 500,000 EUA originally proposed by the Commission against this article.

¹ OJ No. C 207, 2.9.1976

B. In addition, the Committee on Transport urges the Committee on Budgets and Parliament as a whole to support the inclusion of the following paragraphs in Parliament's resolution on the 1981 budget:

- deplores the refusal of the Council of Ministers, within the framework of the 1981 budget, to make even a modest contribution towards the implementation of European transport policy;
- calls upon the Council to fulfil its obligations under the Treaty of Rome with regard to the common transport policy, and recalls the various resolutions adopted by the European Parliament in this connection.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH
AND CONSUMER PROTECTION

Draftsman: Mr A. GHERGO

The Committee on the Environment, Public Health and Consumer Protection appointed Mr Ghergo draftsman of its opinion at its meeting of 25 September 1980.

At its meetings of 25 September and 15 October 1980, it considered all the articles in the draft general budget of the European Communities for the financial year 1981 falling within its terms of reference. At the latter meeting it adopted the following opinion by 12 votes with two abstentions.

Present: Mr Collins, chairman; Mrs Weber, vice-chairman; Mr Ghergo, draftsman; Mr Ceravolo (deputizing for Mr Segre), Mr Combe, Mr Forth (deputizing for Sir Peter Vanneck), Mrs Fullet, Miss Hooper, Mrs Krouwel-Vlam, Mrs Maij-Weggen, Mr Mertens, Mr Muntingh, Mrs Schleicher and Mr Verroken.

GENERAL

- 1.1. Discussion of the suitability of the appropriations entered in the 1981 draft budget presupposes prior fundamental consideration of the financial structure of that budget which is marked in large measure by items of compulsory expenditure, to such an extent that the budget appears to be more in the nature of a bookkeeping record than the reflection, in terms of expenditure, of political options.
- 1.2. Adoption of the budget provides the European Parliament with the opportunity to use its authority to the full but, given the high proportion of compulsory expenditure, Parliament in reality has only a strictly limited margin to exercise its rights; in the 1981 draft budget non-compulsory expenditure for the Commission represent 22.11% in commitment appropriations and 16.21% in payment appropriations.
- 1.3. Moreover, expenditure forecasts for 1981 are approaching the limit of available resources: 0.95 of the 1% of VAT revenue which is expected to total 20,613 m EUA.

This means that the margin of manoeuvre to cover unforeseen developments and the increase in agricultural prices about which there can be absolutely no certainty at present is extremely small.

- 1.4. These factors serve to emphasize the need for financial reform which has so often been discussed in many quarters with a view to making new resources available to the Community. With the present financial structure there can be no question of restoring the balance between agricultural policy and other Community policies, even though that is apparently held to be a possibility by many authorities.

In fact it is inappropriate to speak of restoration of the balance: agricultural expenditure constituted largely by the EAGGF Guarantee Section cannot be reduced for the present and unless overall resources are increased, there can be no increase in the appropriations allocated to other Community policies.

2. REMARKS ON THE CONTENT OF THE COMMISSION'S BUDGET

The foregoing observations illustrate the context of Community action in the areas of public health, the environment and consumer protection; in the Commission's preliminary draft budget, the appropriations allocated to these sectors total 11,949,000 EUA or 0.26%¹ of the total non-compulsory expenditure or 0.06%² of the total budget.

These small amounts are totally inadequate to meet the repeatedly stressed need for a more vigorous environmental policy with its many and varied ecological and social implications; on many occasions the high priority of such a policy has been stressed; indeed the intentions defined in the second action programme suggest that we should now be moving on from the stage of improvement to the far more ambitious stage of prevention (Doc. 336 fin.)

2.1 PROTECTION OF THE ENVIRONMENT

Specific actions

The actions proposed by the Commission but still pending in the Council and on which Parliament has already delivered its opinion, are many and important (see Doc. 1030 fin., 9.7.1980). There are a whole series of actions which are marking time at present but which will have to be implemented, if only progressively. A number of other actions are being studied or have reached an advanced stage of preparation.

The communication from the Commission to the Council (Doc. COM 80.222/fin., 7 May 1980) examines the present situation and assesses the work undertaken to implement the measures laid down in the first environmental action programme.

Measures taken up to now are certainly important, especially in the area of legislation and statutory provisions: over the past seven years the Community has adopted 58 texts, 15 of which relate to the reduction of water pollution, ten to the alleviation of atmospheric pollution, seven to waste materials, eight to the control of noise and four to the protection of the environment, territory and natural resources.

<u>1</u>	<u>11,949,000</u>	<u>2</u>	<u>11,949,000</u>
	4,724,299,900		19,867,247,693

Of the actions currently in progress particular importance attaches to those relating to the assessment of impact on the environment i.e. an assessment of the possible repercussions on the environment of technical planning and decision-making processes. The Commission has prepared a proposal for a directive on this (Doc. 1-293/80).

2.1.2 Environmental policy

The present policy is of great importance in terms of its intrinsic content and above all from the angle of the effects which it will have in other sectors; it is intended to acquire much broader proportions in due course in order to have an 'overall' effect on the lines outlined in the 'world conservation strategy' defined by the International Union for Nature Conservation and for the Conservation of Natural Resources with the support, cooperation and financial assistance of the UNEP and WWF, and also in cooperation with the FAO and UNESCO.

This document provides a fairly specific and detailed overall view of the various problems and above all of their urgency, while leaving certain gaps as regards the limited resources available to attain these ends.

Expenditure by the public authorities on the environment represents a minimal percentage, between 1 and 2%, of GNP¹ although, according to OECD estimates, damage caused by pollution corresponds to between 3 and 5% of GNP. Fresh damage to the environment is constantly being caused while intervention generally concentrates on restoring the pre-existing situation.

2.1.3 Programming

Without indulging in facile rhetoric it is true to say that these problems ultimately concern the ability of our planet to sustain human life; and that is not a point of view of science fiction. The programmes covered by the 1981 draft budget must be seen against the background of these formidable problems; admittedly, the programmes are wide-ranging and well-intentioned but the instruments for their implementation are sadly insufficient.

¹Overall annual expenditure of the Community countries: 8,500 m EUA.

Resources available to the Committee on the Environment, Public Health and Consumer Protection in recent financial years have been strictly limited, a point which the committee has often criticized. The appropriations available are certainly not sufficient to permit serious action in specific sectors: it would rather be true to say that the appropriations made available represent a symbolic financial action reflecting the desire of the Commission to establish the basis for an overall environmental protection and public health policy when the budgetary situation improves.

In conclusion, the appropriations proposed by the Commission for 1981 reflect the policy of austerity necessitated by the present financial structure of the budget but do to some extent take account of the recommendations made by Parliament when it approved last year's budget.

2.1.4 CHANGES MADE BY THE COUNCIL TO THE COMMISSION'S PRELIMINARY DRAFT

The attitude of the Council must be assessed in the light of the foregoing considerations; at its meeting of 23 September 1980 it either deleted or reduced the appropriations and even went so far as to delete token entries against certain items of high priority. In other cases, the forecast expenditure equal to that in the 1980 financial year in fact represents a substantial regression since there has in the meantime been a high rate of inflation estimated by the Commission at an average figure of 10% although it exceeds 15% in some countries. This attitude on the part of the Council might be interpreted as a lack of political resolve or even an unwillingness to implement an effective policy for the environment and public health.

This negative assessment of the Council's position cannot be offset by the consideration that cuts have been made across the board to almost all items of non-compulsory expenditure; Parliament surely cannot accept a mere bookkeeping criterion of this kind which rules out any proper political assessment. This is particularly true when we consider that the cut (2,791,000 EUA) reduces by close on one quarter the already limited appropriations (11,949,000 EUA) and merely reflects a practice adopted by the Council consistently under all other headings.

2.1.5 The demands put forward by our committee for the previous financial year have in large measure not been met in the 1981 budget either: no provision was made for 1980 and apparently no provision is to be made in 1981! In the preliminary draft budget for 1981, the Commission did request a moderate new action for the control of pollution caused by hydro-carbon discharges in the sea (item 3545 with appropriations entered in Chapter 100). However, this has been frustrated by the Council which has now deleted the appropriation for the protection of the marine environment representing 1,200,000 EUA (there was a token entry last year).

3. PUBLIC HEALTH

The criticisms made of environmental policy must be completed by an equally critical assessment of the approach followed up to now to specific problems of health protection; criticism applies not only to the small appropriations (the Council apparently considers that 33,000 EUA are sufficient for subsidies to international organizations for actions in the sector of health protection, hygiene and safety at the work place) but also to the restrictive attitude adopted in this sector. This is shown by the fact that the Council has thought fit to delete the extremely modest appropriation of 100,000 EUA entered in item 3522 of the preliminary draft budget for action necessary to implement directives and decisions relating to the security and health of workers at the place of work.

The Council's attitude is all the more serious in view of the fact that in the health sector an inexpensive Community policy could be pursued which would undoubtedly have a stimulating effect on health education in general through the coordination of national policies and, above all, to demonstrate to public opinion that the Community is progressing towards integration.

The initiatives now under consideration in respect of the health passport, free movement of pharmaceutical products, control of alcohol and tobacco abuse and control of drugs must be seen in this context.

4. CONSUMER PROTECTION

A rather less stringent criticism should be made in respect of the measures to protect and inform consumers. The opinion on the 1980 draft budget already showed that aid granted to consumer organizations was sufficient. For 1981 there is the prospect of real impetus being given to policy in this sector as a consequence of the important Dublin meeting. The appropriations proposed are not particularly large but are nevertheless almost satisfactory against the background of the overall policy of austerity.

5. Strategy of the Committee of the Environment for the reformulation of the 1981 budget

5.1 As we have seen, the appropriations entered in the budget in the area of environmental protection, public health and consumer protection are completely insufficient to allow even a modest Community policy to be implemented.

5.2 The committee on environmental protection cannot possibly accept this state of affairs because the progressive deterioration of the situation in the sectors of interest to it cannot be tolerated any longer without

the risk of undermining the whole idea of a Community as a body capable of working towards the solution, if only partial, of problems which are vital to the population today and in the future.

The general situation is not yet favourable to a reversal of the trend which would in fact be necessary but any further deterioration would be symptomatic of the inability of the Community to act in sectors where its intervention is becoming increasingly necessary.

Consideration must also be given to the need to refrain from putting forward utopian proposals in the present financial and structural situation of the Community.

However, the term utopian cannot be used to define measures aimed at dealing with problems such as coastal erosion - a change in the criteria for use of the Regional Fund appropriations would be desirable - afforestation, soil conservation and water pollution.

Following on from the above considerations, your rapporteur is of the opinion that a severe criterion must be used for defining priorities for the inclusion of new headings or additional appropriations.

6. RECOMMENDATIONS

In a spirit of moderation and responsibility demanded by the present situation, the committee therefore makes the following proposals:

- 6.1 Entry of an additional 245,000 EUA in Section III, Commission, establishment plan, to create the following established posts to strengthen the establishment plan of the service responsible for the environment and consumer protection:
 - 6 established category A posts
 - 1 established category B post
 - 6 established category C posts.
- 6.2 Entry of 1,200,000 EUA under item 3545 (Protection of the marine environment).
- 6.3 Inclusion of a new item, 3546 for aid to European organizations for environmental protection, with an entry of 100,000 EUA.
- 6.4 Reinstatement of all the appropriations entered in the preliminary draft budget for 1981 relating to environmental protection, public health and consumer protection (in particular, items 3510, 3511, 3512, 3513, 3520, 3521, 3522, 353, 3540, 3541, 3542, 3543, 3544, 3550, 3551, 3552 and 356).

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mrs L. CASTELLINA

On 30 September 1980 the Committee on Development and Cooperation appointed Mrs Castellina draftsman.

It considered the draft opinion at its meetings of 30 September and 15 October 1980. It adopted it unanimously on 21 October 1980.

Present: Mr Bersani, chairman; Mr Kuhn, vice-chairman; Mrs Castellina, draftsman; Mr Clement, Mr Cohen, Mr Enright, Mr Estgen (deputizing for Mr Narducci), Mr Ferrero, Mrs Focke, Mr Jaquet, Mr Lezzi, Mr Michel, Mr Pearce, Mr Sherlock, Mr J. D. Taylor (deputizing for Sir Fred Warner), Mr Vergeer, Mr Vitale (deputizing for Mr Pajetta) and Mr Wawrzik.

In September 1980 the European Parliament brought the work of a full year to a close by adopting, almost unanimously, the Ferrero report on the Community's contribution to the campaign to eliminate hunger in the world and promote development.

In the light both of this report and of the Community's numerous other past commitments to Third World countries, Title 9, on development, in the Commission's preliminary draft budget for 1981 proved disappointing and quite inadequate.

This did not however prevent the Council of Ministers, on its first reading, from making savage cuts affecting nearly all the items in Title 9, which have been reduced compared with last year both in monetary terms (a total of 620,430,600 ECU for 1980 and of 573,681,000 ECU for 1981) and in proportion to other budget sectors: commitment appropriations account for 4.41% of the budget, compared with 4.64% in 1980, while the figures for payment appropriations are 3.73% and 4.09% respectively.

The resulting draft budget is thus so mutilated that it no longer bears any relation to commitments already entered into with non-associated countries. These countries include the world's poorest regions.

In these circumstances, the Committee on Development and Cooperation considers that a number of amendments restoring at least certain priority appropriations to a reasonable level must be adopted.

1. Community aid to non-associated developing countries

(The payment appropriation remaining after the Council's cuts would be barely sufficient, for example, to complete a single project on fertilizers in a single country, India, to which the Community has already given a commitment).

2. Emergency aid to disaster areas

Here is a further example: in 1980, the Community spent 40 m ECU in this area. The Council is proposing an appropriation for 1981 of 3 m ECU, about as much as has been spent on the earthquake in Algeria.

3. Contribution to non-governmental organizations

These are organizations (such as OXFAM, the Red Cross, Caritas, Frères des Hommes, Justitia et Pax) which Parliament has repeatedly recognized as playing a very important part in carrying out micro-projects, and to which it has given undertakings to provide funds to help them carry out their tasks.

4. Food aid and the Community contribution to an emergency food reserve

These are basic commitments in the struggle against hunger. It must be borne in mind that world demand for aid in cereals has increased, and that the EEC has undertaken on several occasions to raise its quota and participate in the setting up of an emergency world reserve. In the light of these considerations the Committee on Development and Cooperation last year proposed 1,875,000 tonnes of cereals. This year, in view of the very tight budgetary restrictions, it is only proposing 1,215,000 tonnes, which is a bare minimum.

5. International Agricultural Development Fund (IADF)

This fund represents an initial experiment in cooperation between the industrialized countries, the non-industrialized countries and the OPEC countries. It is clear that it will be in the Community's interest to participate fully and directly. A very specific recommendation that a substantial appropriation should be entered in the budget to boost the IADF can be found in the Ferrero report.

The Committee on Development and Cooperation, while stressing these five priorities, also feels that Parliament should at least reinstate the appropriations proposed by the Commission for a series of other items, including some that are indispensable for the carrying out of policies earmarked for priority (such as an adequate appropriation for the Community delegations to the ACP States. Zimbabwe has just become a signatory to the Convention of Lomé, but if the budget is not changed it will not be possible to establish a delegation there, so that it would be impossible to meet the commitments arising from the Convention).

In conclusion, the Committee on Development and Cooperation requests the Committee on Budgets to include the following paragraphs in the motion for a resolution which it will put before Parliament:

'The European Parliament,

- notes that the total amount of the appropriations entered in Title 9 of the 1981 draft budget is so small - less even than in the 1980 budget - that it will be impossible for the Community to honour its express commitments to the Third World or to assume the level of responsibility which Parliament considers indispensable to the solution of the problems of hunger, poverty and underdevelopment in the world;
- affirms that acceptance by the Council of the amendments tabled by Parliament on a proposal from its Committee on Development and Cooperation on the following items:

- . food aid (cereals, butteroil, sugar, other products),
- . non-associated developing countries,
- . non-governmental organizations,
- . emergency aid for disaster relief,
- . boosting the IADF

is a sine qua non if the Community is to honour its commitments.