COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 652 final

Brussels, 10 November 1981

AIDE-MEMOIRE

ON THE FIXING OF THE ECSC LEVY RATE

AND ON THE DRAWING UP OF THE

ECSC OPERATING BUDGET FOR 1981

COM(81) 652 final

Page

Contents

ANNEXES

AIDE - MEMOIRE

on the fixing of the ECSC levy rate and on the establishment of the ECSC operating budget for 1982

It is customary for the views of Parliament to be sought before the Commission takes a decision on the levy rate and the ECSC operating budget for the financial year 1982.

This aide-mémoire forms the basis for the consultation of Parliament. It is divided into the following chapters:

I. General introduction.

II. Analysis of requirements reported and resources available for 1982.

III. Draft operating budget.

Specific factors affecting the covering of budgetary requirements for 1982 are described in Chapter III.

*

* *

The aide-mémoire is also being sent to the ECSC Consultative Committee for information.

I. GENERAL INFORMATION

This Chapter summarizes the information needed to set the draft ECSC operating budget for 1982 in its economic, political and financial context.

A. ECONOMIC CONTEXT

1. The economic outlook for 1981 and 1982

The cyclical downswing in the Community economies, which started at the beginning of 1980, continued until the first quarter of 1981. Since then, the deterioration in the business situation has halted, as the results of industrial surveys have shown. However, a number of constraints, in particular the continuing high level of interest rates resulting from the monetary policies pursued in the United States, have continued to affect business in the Member States. As a moderate recovery is not expected until the autumn, the Community's gross domestic product in real terms is expected to drop by around 0.5% between 1980 and 1981, compared with growth of 1.1% in 1980 (see table overleaf).

The sharp deterioration in the labour market observed throughout last year has continued in 1981. Whereas unemployment was just over the six-million mark at the end of 1979, it passed 7 million in the summer of 1980 to reach 9 million a year later (seasonally adjusted figures).

The rise in import prices - caused by the appreciation of the dollar - and the upward thrust of wage costs, largely the result of diminishing productivity gains, combined to produce an excessive rate of inflation in the Community. Despite the slowdown expected in the second half of the year, the consumer price deflator is likely to rise by 11.5% in 1981, against 11.9% in 1980. Wide divergencies are still observed between the Member States.

The deterioration in the balance of payments on current account which began at the end of 1978 was reversed at the beginning of 1981, following a more favourable trend in the volume of trade. However, the depreciation of the Community currencies has continued to produce such an adverse movement in the terms of trade that the current-account deficit for the Community as a whole, which was already running at 28.3 billion ECU in 1980, is likely to increase still further.

The outlook for 1982 is unpredictable in the extreme. If the international climate improves and there is an appreciable drop in the rate of inflation, the recovery in demand and production which looks set to begin towards the end of 1981 could continue and even gather a little momentum over the next year. However, current forecasts show that the expected recovery will be limited. Real GDP growth will remain below the potential rate of growth (estimated at around 2.5%), and disparities will persist between Member States. Lasting economic recovery and an improvement in the labour situation depend on several factors, foremost amongst which is a more rapid readjustment of economic structures.

The following table shows the growth in gross domestic product in real terms in the Community from 1979 to 1981.

	GROSS DOMESTIC PRODUCT IN REAL TERMS (% change over previous year)		
	1979	1980	1981[1]
Denmark	3.4	-0.2	±0
Federal Republic of Germany	4.4	1.9	-0.25
Greece	4.0	1.7	0.5
France	3.2	1.3	0.5
Ireland	1.9	0.9	1.75
Italy	5.0	4.0	-0.25
Netherlands	2.2	0.5	-1
Belgium	2.4	2.4	-1
Luxembourg	3.6	0.4	-3.25
United Kingdom	0.9	-3.0	-2
Community	3.4	1.1	-0.5

[1] Rounded figures.

Source: 1979: Eurostat. 1980 and 1981: Commission estimates.

2. Outlook for the coal industry

Demand for coal in the Community is likely to fall slightly in 1981 in comparison with 1980. This drop will, however, be smaller than for other primary energy sources.

This is most noticeable in the use of coal in power stations. In the United Kingdom, consumption of other primary energy sources is already at a minimum, so that any reduction in electricity generation leads to a corresponding reduction in coal consumption. In France, the growth in the use of nuclear energy is eating into the share enjoyed by coal.

In the steel industry, demand for coke has peaked, leading to a slight fall in the demand for coal by coking plants.

In other industries, the effects - as yet limited - of the moves to convert heating installations to coal-firing have been offset by the general reduction in economic activity over recent months.

However, industrial production seems to have bottomed out in the first half of 1981, after falling steadily for 15 months, and some signs of recovery are starting to appear. If this continues, it could lead to demand for coal picking up again in 1982.

On the supply side, the investment programmes which coal producers brought in some years ago, higher productivity and the maintenance of national subsidies to collieries have made it possible since 1979 to reverse the earlier decline in Community production; the level is now around 245 million tonnes, to which must be added a certain volume of coal recovered from tip-heaps. Indications at present are that Community production could reach a similar level in 1982.

Over the same period, imports from non-member countries shot up from 59 million tonnes in 1979 to 74 million tonnes in 1980; this is not likely to be exceeded in 1981, mainly because of difficulties experienced by several exporting countries.

With the supply of coal increasing, and overall demand in the Community levelling off over the last two years the stocks of coal and coke held by Community producers have risen from 39 million tonnes at the end of 1979 to 56 million tonnes at the end of May 1981, an all-time record for the Community.

Prices of Community coals are continuing to rise, in line with production costs and in parallel with the nominal rise in world energy prices. Since world coal prices are usually expressed in US dollars, the strong appreciation of the dollar against European currencies since the beginning of 1981 has meant that Community coals have been distinctly more competitive in relation to imported coals.

3. Prospects in the iron and steel industry

In 1980 total Community crude steel output was 127.7 million tonnes, 12.5 million tonnes (9%) down on 1979, giving a capacity utilization rate of 63%, as against nearly 69% in 1979. Demand started to fall off halfway through the year and declined more rapidly in the fourth quarter, when production was 19% below the level in the fourth quarter of 1979; this was due to a severe recession in steel-consuming industries coupled with heavy destocking. Steel exports to non-member countries also fell in 1980.

In the early months of this year, activity in steel-consuming industries continued to slow down, but the rate of destocking slackened, and then the situation levelled off in most Community countries around the middle of the year. This, coupled with a drop in steel imports from non-member countries and the normal seasonal fluctuations, led to a slight expansion of output from the low base at the end of 1980.

Nevertheless, output in the first nine months of 1981 was only 93 million tonnes, distinctly less than for the corresponding period in 1980 (99 million tonnes). Demand for steel is expected to pick up slightly in the last quarter, except in the construction industry, and total steel production in 1981 is estimated at around 125 million tonnes, a drop of 2% on 1980 and almost 11% on 1979. So despite the cutback in capacity from 202.5 million tonnes in 1980 to 197.9 million tonnes in 1981, there is no improvement in the utilization rate.

To ensure comparability, all the figures just quoted are for the Community of Nine. For the Ten, output in 1981 will be of the order of 126 million tonnes.

Steel prices on the Community market fell sharply around the middle of 1980, but this movement was halted by the quota system which the Commission introduced in October of that year. By September 1981, prices had been restored to the same level as in spring 1980, but they remain well below prices charged on the domestic markets in the United States and Japan, and further quarterly increases will be needed to offset the unremitting rise in costs and to enable steel firms to start operating at a profit again.

The economic outlook for 1982 is uncertain, but it is possible that the Community will see a slight recovery. However, the main steel-consuming sector - fixed capital investments in equipment, machinery, buildings and vehicles - looks scarcely set for rapid or substantial recovery, save in the area of investments linked to energy production. Growth in demand for steel will therefore be moderate, perhaps in the order of 3 or 4% over the 1981 figure. Any improvement in the external trade balance for steel products will be slight and total steel production for the Community of Ten in 1982 could be 131 million tonnes.

B. POLICY CONTEXT

The general objectives of the ECSC are determined for all time by Articles 1 to 5 of the Treaty of Paris.

For both coal and steel, the Commission at intervals presents general objectives or guidelines bearing on the future development of the ECSC industries. Coal is also one of the particular items covered by general papers put out by the Commission on the subject of Community energy policy. The medium-term guidelines for both coal and steel also cover manpower questions, thus indicating the context surrounding the various social policy activities in which the Commission/High Authority engages pursuant to the Treaty. In two annual reports - the Report on the Results of the Survey on Investment in the Community Coal and Steel Industry and the Financial Report on ECSC Financial Activity - the ECSC publishes facts and figures on the recent and foreseeable trend of investments and what the Community is doing to finance them.

The following remarks are not intended to take the place of the data in those reports, but are simply concerned with certain key points or recent developments which the Commission wants to highlight in establishing its draft ECSC operating budget for 1981. The industries themselves, the ECSC's social policy and financial activity in the budgetary year are dealt with in turn.

1. Coal policy guidelines

Commission measures under the energy policy are predicated as always on the need to reduce dependence on imported oil. In 1980, the Council set the Community's energy policy objectives for 1990 as follows:

- share of oil in primary energy consumption to be cut to 40% (from 52% in 1980);

- share of coal and nuclear energy in electricity generation to be raised to 70 or 75% (from 60% in 1980);
- the ratio between growth of energy needs and economic growth to be brought down to at least 7:10;
- renewable energy sources to be developed;
- consumer prices to reflect the situation on world markets and the cost of developing new energy sources.

The success of the Community in pursuing these objectives depends largely on the plausibility of the assumptions underlying national energy programmes as regards future nuclear capacity and the feasibility of the changeover from oil to coal in power stations and industry in general and all the other necessary investments.

The main investment projects in coal mines are concerned with maintaining extraction capacities, boosting productivity and cutting operating costs.

Investment is indispensable throughout the coal chain - in infrastructure (transport and handling facilities, including port facilities, preparation of coal, etc.), coal consumption capacity in electricity generation and in "other industries" where there is an enormous potential for substituting coal for oil.

The Commission will continue to take action under Article 54 of the ECSC Treaty by providing credit for industrial projects in coal mines and under Article 55 by supplying proper support for technical research.

As for Community production of coking coal, the Community scheme of support for intra-Community trade set up by Commission Decision 73/287/ECSC on 15 July 1973, expiring on 31 December 1981, is to be extended with minor changes to 31 December 1983 (Commission proposal in (COM(81)424 final, 28 July 1981). Extending the current system for a brief two-year period would give time to work out a Community coal strategy under a coherent energy policy, with measures relating to supply of coking coal and coke for the steel industry.

Through the general budget the Commission is also helping to reinforce Community action regarding demonstration projects on the gasification and liquefaction of coal.

2. Steel policy guidelines

Commission measures on the steel market

The sharp drop in demand and prices in the second half of 1980 and the failure of voluntary restraint agreements to remedy the situation meant that Article 58 ECSC had to be brought into play. Accordingly, the Commission, with the assent of the Council, imposed a mandatory production quota system on steel firms for the period from October 1980 to June 1981. Quotas were fixed in such a way as to match supply and demand more closely.

The initial effect of the quota system was to stabilize the market, halt the collapse of prices and even help prices to start rising again. Steel demand has remained low and the Commission took account of this when fixing production quotas for the first and second quarters of 1981.

At the beginning of July this year it was found possible to introduce some flexibility into the quota scheme for certain products (quarto sheets, heavy sections and wire rod), where the scheme now applies on a voluntary basis. For other products (those based on wide strip, reinforcing bars and rolled merchant products) producers have not entered into voluntary restraint agreements; with the assent of the Council the Commission has accordingly established new mandatory schemes for these products. These schemes apply until June 1982.

./.

At the same time, two measures have been taken on prices - stricter enforcement of the pricing rules (Article 60 ECSC) and application of these rules to stockholders by Commission Decision approved by the Council under Article 95.

These measures, in conjunction with the quotas, seek to establish a sound basis for improving steel price levels yet further, which should make it easier for producers to restructure and pave the way for a more orderly development of the employment situation.

Steel in external relations

By way of addition to the crisis measures under Article 58 and as a means of seeing that they apply coherently, the Commission established external measures for 1981 to ensure that massive imports from non-member countries do not compromise the Community's internal effort to revitalize the steel market. The Commission has entered into bilateral arrangements with fourteen non-member countries providing for discipline on volumes and prices so as to avoid disrupting the Community market and hence to support Community prices. It should be noted that as a result of the low prices still charged in the Community and of the fall in consumption observed throughout the year, the aggregate volume of imports from the fourteen countries in question in 1981 was well below the 1980 level.

The Commission has continued its practice of publishing basic prices for imports, and, working closely with the Member States, has kept the import prices of steel products from countries subject to the basic prices system under surveillance.

Aggregate exports from the Community to the rest of the world in 1981 were well below their 1980 level.

In 1982, external measures, while reflecting the need for effective cooperation with non-member countries, will continue to be predicated on internal measures as before.

Community solutions to structural problems

The deterioration of the steel crisis in the second half of 1980 and in 1981, and the impact this has had on the financial position of producer firms, have heightened the urgency of reducing capacity and restoring competitiveness.*

The Member States have been under growing pressure to help their firms, often to survive, and this has further intensified the risk that subsidies would depress prices or preserve them at non-profitable levels; with the Council's unanimous agreement, the Commission accordingly established general rules on aids[1]. They have the same major objectives as the decision on specific aids taken on 1 February 1980[2], but they also pursue the objective of seeing that the application of stricter rules will help restructuring to proceed with all the speed that the current situation demands. The new system uniformly covers all aids that can be given to the steel industry.

[1]Commission Decision No 2320/81/ECSC of 7 August 1981 establishing Community rules for aids to the steel industry (OJ L 228, 13 August 1981, p. 14).
[2]Decision No 257/80/ECSC (OJ L 29, 6 February 1980, p. 5).

At its 26 and 27 March meeting the Council determined its objectives and laid down measures for dealing with the situation in the steel industry, with a particular view to restoring normal market conditions in the medium term. It emphasized the following points:

- aids to steel firms must be gradually discontinued over a specified period;

- aggregate production capacity in the Community must be cut back;

- no increases must be allowed in production capacity for certain categories;

- aids may be given to firms or groups only if they are restructuring and if the general result is a reduction in capacity.

Restructuring is still the primary objective which the crisis measures must aim for, especially as the latest survey on investment, carried out in January 1981 and covering investment plans of all firms, reveals that between 1980 and 1985 there will be an aggregate increase in capacity for finished products.

3. Social policy guidelines

The main features of the Commission's social policy under the ECSC Treaty are:

(i) aid granted under Article 56 to help redeploy workers;

(ii) the financing of research projects on occupational safety under Article 55;

(iii) the granting of low-interest loans from own funds under Article 54 to promote workers' housing.

It should also be recalled that for several years the ECSC has been giving assistance in the form of interest relief to promote the creation of jobs for redundant workers from ECSC industries.

Apart from these more traditional aids, there are the new temporary social measures (1981 to 1984) (agreed by the Council on 24 June 1981) to back up current restructuring efforts.

Action planned for 1982 in connection with social research and housing will continue on the basis of the principles previously applied by the Commission and outlined in Chapter II. Consequently the developments described below cover only the social aid connected with the restructuring policy.

The economic situation grew very much worse in the second half of 1980 and the first few months of 1981, and the employment situation followed the same pattern. Substantial job losses in the steel industry in 1980 (72 000 jobs lost, or 10.7% of all employment, at an average rate of 6 000 jobs per month) continued in 1981, though at a less rapid rate. In the first seven months of the year 29 000 further jobs were lost, so the monthly average is still in excess of 4 000. In these circumstances it is clearly essential to help redundant steel workers adapt to new jobs.

Even if they qualify for all readaptation aids, former steel and coal workers have the greatest difficulty in finding jobs. Steel is not really a very special case ; finding a job anywhere is extremely difficult in view of the very high level of unemployment in all sectors of the Community economy. The annual average of 6 million unemployed in 1978 and 1979 rose to 6.8 million in 1980, and the 8.5 million mark was passed in the early months of 1981. Between June 1980 and June 1981 unemployment rose by 34% in the Community as a whole. Hence the emphasis placed by the Commission on the need to promote job creation policies and programmes to go hand-in-hand with the appropriate readaptation measures.

The ECSC's traditional readaptation aids have been - and still are - an important means of easing the situation of redundant coal and steel workers. But special measures have had to be taken in view of the extremely difficult situation of the steel industry. In May 1979 the Commission accordingly made proposals for the establishment of special temporary allowances to help steel workers, in connection with the Community restructuring plan, and in June 1981 the Council approved these proposals in a modified form, introducing aids for early retirement and aids for workers on short time. It is felt that these aids fall within a broad interpretation of Article 56 ECSC.

This Council Decision, establishing an aid programme expected to cost a total of 212 million ECU (of which 112 million ECU must be committed in 1981), will put the Community in a better position to meet its obligations towards workers in this key industry.

On the job creation front the Commission is considering the possibility of introducing a new series of specific support measures to complement lasting aid in the form of interest relief. Useful inspiration can be found in the scheme of assistance for the employment of young people under the Social Fund. As it is not possible to quantify the budgetary implications at the present time, this paper does not take them into account.

4. Financial activities

ECSC Financial Report No 26, summarizing the Community's borrowing and lending in 1980 and setting out statistics analysing and comparing activities since 1954, will be published some time in October 1981.

Borrowings contracted in 1980 totalled 1 004 million ECU, compared with 837 million ECU in 1979 and 1 069 million ECU in 1978. Loans paid out in the same periods totalled 1 031 million ECU, compared with 676 million ECU and 798 million ECU.

Industrial loans[1] amounted to 757 million ECU in 1980, compared with 595 million ECU in 1979 and 667 million ECU, conversion loans[2] to 266 million ECU, compared with 59 million and 113 million ECU, and subsidized housing loans[3] to 8 million ECU, compared with 22 million and 18 million ECU.

Total borrowing and lending since the inception of the ECSC is thus brought to 7 411 million ECU and 7 241 million ECU respectively (including 227 million ECU in loans from own funds). The balance outstanding at 31 December 1980 was 5 406 million ECU of which 2 205 million ECU fall due for redemption between 1981 and 1984, and total servicing costs for the debt, including interest, are 3 782 million ECU for the same period.

In 1980 ECSC financial activity continued to satisfy the strong demand from undertakings wishing to modernize or restructure, not only in the steel industry but also to a large extent in the coal industry, which received loans totalling 234 million ECU, compared with 238 million ECU in 1979 and 263 million ECU in 1978.

In 1981 loans raised by 15 July amounted to only 226 million ECU and loans paid out were correspondingly lower.

---

[1] Article 54 ECSC.
[2] Article 56 ECSC.
[3] ECSC special reserve funds and part of the former ECSC pension fund.

In spite of the rise in interest rates the ECSC has continued to obtain relatively favourable terms on the capital market and has successfully developed a policy of private loans when conditions on the open market were unfavourable. ECSC issues are also favourably quoted on the secondary bond market.

The prospects for a revival of activity over the coming months will depend on whether investments planned by steel firms are brought into line with Community policy and on the availability of funds for interest subsidies for priority investments, particularly conversion projects.

The same will apply in 1982, when the ECSC will have to pursue an active policy of aid for investments in these priority sectors and, as far as possible, in the development of coal production.

At the end of July 1981, total loan applications approved by the Commission but awaiting settlement amounted to 2 949 million ECU for the ECSC industries (Article 54) and 556 million ECU for conversion (Article 56). Applications being processed amount to 3 185 million ECU for the ECSC industries and 160 million ECU for conversion. The repayment period concerned by some of the applications received extends over several years.

However, a general estimate of the likely trend in loan applications may be inferred from the planned investments in the Community coal industry: 1 540 million ECU in 1982 as against investments of 1 767 million ECU in 1981, 1 655 million ECU in 1980 and 1 167 million ECU in 1979.

Investment in the steel industry, which dropped to 2 050 million ECU in 1978 and 1979, picked up in 1980 to stand at 2 375 million ECU, and is estimated at 2 762 million ECU in 1981.

If the active policies envisaged above can be implemented, borrowings made by the ECSC could again amount to around 700 million ECU in 1982, provided that market conditions work to the advantage of the undertakings concerned.

C. FINANCIAL CONTEXT

Pursuant to Commission Decision No 3334/80 ECSC of 20 December 1980, from 1981 onwards all the ECSC budget figures are expressed in ECUs, and the claims and commitments under the budget and the relevant contracts are denominated and settled in the same units of account.

With regard to the assessment of the draft 1982 budget, the rise in prices between 1981 and 1982 which has to be taken into account in the final comparison between the two financial years is expected to be 10%.

The main financial problem involved in drawing up the ECSC budget for 1982 remains the problem of balancing the budget at a time when industry, notably the Community iron and steel industry, is encountering serious difficulties. On the social side these difficulties are reflected in the budget by a marked rise in foreseeable commitments for aids for resettlement and by the introduction in 1981 of the new temporary social measures (aid for early retirement and for short-time working) which the Council adopted for 1981-84 under the Community steel policy.

It was recognized that the financing of the steel industry social measures could not be covered by traditional ECSC resources. The Council decided that Member States would make an ad hoc contribution to provide an initial tranche of 50 million ECU towards the 112 million ECU to be committed for aid in 1981. The Commission, in preliminary draft supplementary and amending budget No 2, proposed to the budgetary authority that the remaining 62 million ECU should be covered by a transfer from the general budget to the ECSC.

This procedure would neutralize the financial impact of the new measures on the balance between requirements and traditional ECSC resources.

In its letter of amendment to the preliminary draft 1982 general budget, drawn up on 23 October, the Commission proposed a transfer in 1982 of 50 million ECU to the ECSC to finance planned commitments for social measures in the steel industry in 1982.

As the decisions on the financing of the new social measures will be taken under the general budget procedure on the basis of the proposals already submitted, this aide-mémoire concentrates mainly on the problems posed by the balance between requirements and traditional resources.

With regard to the financing of commitments for resettlement aids, the original figure for total commitments entered in the budget (75 million ECU) will have to be revised steeply upwards in 1981. Even allowing for the fact that some commitments extend into the 1982 financial year, the increase in the rate at which redundancies are occurring in the steel industry has made it necessary to raise the original forecast to 124 million ECU.

The table in Annex B indicates the measures taken by the Commission to meet the increase in requirements from resources.

The Commission is anxious to prevent the pressure on the ECSC's traditional resources due to the exceptional volume of demand for resettlement aid from producing excessive distortion in the operating budget. This is also a major factor in the financial background to the draft 1982 budget.

The approach adopted by the Commission in relation to the balance of the operating budget for 1982 and its proposals are set out in Chapter III of this aide-mémoire.

II. ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE FINANCIAL YEAR 1982

This chapter first of all gives a detailed account of the two factors traditionally taken into account by the Commission in determining the levy rate on which to base the draft budget for the next financial year, namely expected requirements and the estimated yield from resources.

Article 49 of the ECSC Treaty empowers the Commission to procure the funds needed to pursue the activities set out in that Treaty by imposing levies on the production of coal and steel. These levies are assessed annually on the various products according to their average value, but, pursuant to Article 50, the rate thereof may not exceed 1% unless previously authorized by the Council.

To fix this rate it is first of all necessary to estimate requirements, then to consider how far these may be covered from budgetary resources other than the levies, namely the interest on investments and on loans financed out of own funds and cancellations of provisions. The amount which will have to be covered by the levies can then be determined.

Next, the likely yield from the levies is calculated on the basis of a preliminary - and thus sometimes unavoidably inaccurate - estimate of the average values of the various products, and in the light of the estimates (also somewhat tentative) of the volume of output during the year. The probable levy yield is first expressed as the estimated yield from a rate of 0.01%.

These are the two main elements described in this chapter.

The next stage is to determine the extent to which the Community must forego satisfying the requirements which exceed the resources provided by the present rate, or, conversely, how far the rate must be either raised or lowered. This question is discussed in Chapter III.

The following presentation of requirements reported and foreseeable resources is modelled on the systematic analysis of the data for the various budget headings in the general budget, set out in Part II of the general introduction to the preliminary draft budget. As with the general budget, this presentation lists separately the main features of each heading (legal basis and description of the operation, type and breakdown of expenditure, explanation). Three categories of expenditure are unavoidable, in that they derive from decisions already taken (administrative expenditure, aid to coking coal and coke for the steel industry) or from framework agreements with the Member States (on aids to resettlement). To give a clear picture, the explanation for expenditure which is not unavoidable (research and interest relief grants) is more detailed than for the other chapters.

A. REQUIREMENTS REPORTED FOR 1982

The traditional terms will be used here: "B" signifies requirements, while "R", which will appear later, signifies resources. These terms are intentionally different from those used in the general budget ("expenditure" and "revenue").

1. Ordinary requirements

CHAPTER B 1: ADMINISTRATIVE EXPENDITURE

1. Legal basis and description of operation

Legal basis:
- Article 50 of the ECSC Treaty;
- Article 20 of the Merger Treaty;
- Council Decision of 21 November 1977 (OJ L 306, 30 November 1977, p. 28);
- ECSC contribution to the Commission's administrative expenditure.

2. Type and breakdwon of expenditure

Annual lump-sum payment in four equal quarterly instalments.

3. Explanation

The Council has set the annual amount of the lump-sum payment at 5 million ECU.

CHAPTER B 2: SOCIAL MEASURES

B 2.1. Aids to resettlement (Article 56 ECSC)

1. Legal basis and description of operation

Legal basis:

- Articles 50 and 56 of the ECSC Treaty;
- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States.

The High Authority/Commission provides non-repayable aid towards:

(i) the payment of tideover allowances to workers;
(ii) the payment of resettlement allowances to workers;
(iii) the financing of vocational retraining for workers having to change their employment.

In some cases, the tideover allowance is replaced by a contribution corresponding to the cost of a bridging-pension scheme.

The grant of the aid is conditional upon payment by the State concerned of a special contribution of not less than the amount of that aid, unless an exception is authorized by the Council, acting by a two-thirds majority.

2. Type and breakdown of expenditure

Creation of a provision to subsidize, by means of a 50% reimbursement, expenditure incurred by the Governments within the scope of the agreements signed.

The breakdown by industry and by country of the requirements as estimated from the data provided by the Governments is as follows:

m ECU

Country	Coal	Steel and iron-ore mines	Total per country
Belgium	-	4.5	4.5
Denmark	-	-	-
Germany	1.5	16.0	17.5
Greece	-	1.0	1.0
France	2.0	8.0	10.0
Ireland	-	-	-
Italy	-	1.0	1.0
Luxembourg	-	1.5	1.5
Netherlands	-	1.5	1.5
United Kingdom	11.0	69.0	80.0
Total per industry	14.5	102.5	117.0

The social repercussions of the present situation remain difficult to predict, of course, and the forward figures can therefore be no more than tentative. The total figure of 117 million ECU should be considered as a minimum rather than a maximum estimate.

3. <u>Explanation</u>

The coal industry's requirements are lower than those estimated for 1981, mainly as a result of the progress being made in reorganizing the industry.

On the other hand, requirements in the iron and steel industry continue to be at a high level, owing to the gradual rationalizing and restructuring of the industry. It is estimated that tens of thousands of jobs will be lost in the iron and steel industry.

Article B.2.2 Social measures in connection with the restructuring of the iron and steel industry

1. Legal basis and description of operation

Legal basis: Conclusions of the 717th Council meeting of 24 June 1981, introducing two temporary social measures under Article 56 (2)(b) ECSC, on a broad interpretation of that provision.

The measures involve contributions by the ECSC towards the financing of special allowances for early retirement and short-time working to be paid to workers in iron and steel undertakings under the Community restructuring programme. These measures will supplement the aids for resettlement already authorized under Article 56 ECSC. Like the latter, the new measures will be the subject of bilateral agreements between the Commission and the Member States concerned.

2. Type and breakdown of expenditure

Aids in the form of partial reimbursement of the expenditure incurred by the Governments within the scope of the agreements signed.

3. Explanation

The iron and steel industry's financial requirements remain high because of the gradual restructuring of the industry. Tens of thousands of jobs are expected to be lost in the industry in 1982. The funds requested in the letter of amendment to the preliminary draft general budget total 50 million ECU.

CHAPTER B 3: AID TO RESEARCH

1. Legal basis and description of operation

Legal basis: Articles 50 and 55 of the ECSC Treaty

The High Authority/Commission is required to encourage technical and economic research into the production and increased use of coal and steel and occupational safety in the coal and steel industries. To this end it grants aid to finance research after receiving the Council's assent.

2. Type and breakdown of expenditure

Creation of provisions to cover part-subsidies which take the form of the repayment of a proportion of the actual costs of research projects approved by the High Authority/Commission in accordance with the procedures provided for in the Treaty; these cover, in particular, the consultation of the ECSC Consultative Committee and the receipt of the Council's assent. In most cases, the aid granted amounts to 60% of the estimated and substantiated costs.

The applications can be broken down as follows:

m ECU

Heading	Sector	Aid requested
B 3.1	Steel	69
B 3.2	Coal	40
B 3.3	Social and medical	12
	TOTAL	121

3. Grounds

Steel research

The crisis currently affecting the steel industry in the Community has demonstrated the need for sustained and coherent action to restructure and modernize this sector.

This action must be accompanied by R&D, which is vital for developing new technologies for re-equipment and modernization programmes which will lead to lower costs and improved international competitiveness.

Research will also make a considerable contribution to marketing by improving the quality and sophistication of the products of the steel industry.

With regard to international competitiveness, it should be noted that the gap between the Community steel industry and its main rival, Japan, has reached such proportions in recent years that the Community now has to import advanced Japanese technology in a number of key sectors. This development is a result of much higher expenditure on research in Japan - estimated at three times the Community level in an industry whose production of crude steel is slightly lower. The Community must step up its research effort in order to compete with this more progressive attitude towards R&D.

As a result of developments in the steel industry and the accompanying new scientific and technological needs, a new ECSC medium-term orientation for steel research was published earlier this year (OJ C 99 of 2 May 1981). This research has two main aims:

(i) to reduce production, processing and fabrication costs in view of the increases in the costs of raw materials and energy;

(ii) to make semi-finished and finished products which better meet the needs of consumers and users (particularly as regards cost and quality).

The main topics covered by proposals for ECSC aid in 1982 range from greater productivity and better energy conservation during production and processing to improvements in product specification and performance. The particularly high levels of financial support required by these applications show the interest of the industry - both producers and consumers - in this cooperative R&D programme while their technical content reflects the possibility of further progress in improving the competitiveness of Community steel production.

Coal research

Prices for petroleum products have been rising steadily and there are no immediate prospects of this stopping.

In response to this situation, the European Council, meeting in Strasbourg in 1979, decided to aim at reducing Community dependence on oil to 50% of energy needs by 1985 and in March 1981 energy ministers agreed to reduce this figure to 40% by 1990. There is a definite political will to reduce the oil bill and the share of oil by concentrating it increasingly on specialist sectors.

The first step is to reduce overall demand for energy, without damaging economic growth, and implement a rigorous energy-saving policy.

At the same time increasing attention needs to be paid to alternative sources of energy, the most important of these being coal.

The return to coal entails improving the productivity and position of the coal industry in a number of ways. One of these is increasing technical research and this is all the more important because, despite progress already made, the Community coal industry continues to encounter grave difficulties due to labour problems, the diversification of seams and the increasing depth of workings.

The Commission produced medium-term (1981-85) guidelines for coal research[1] and a large number of technical research projects have been submitted to the Commission for financial aid under Article 55 ECSC.

[1] OJ C 94, 17 April 1980.

Most research projects are concerned with mining engineering and in particular coal winning (including upstream and downstream processes) and the fight against mining hazards (firedamp and rock pressure). Modern techniques to improve the management of coal workings are also beginning to become more important.

New coal winning techniques supply the preparation plants with a raw material of ever decreasing quality. Joint research is necessary to overcome this difficulty and improve product quality.

Most research into coking is concerned with improving the yield and capacity of carbonization and producing better quality coke while at the same time respecting environmental considerations.

Increasingly, the present energy situation requires improved products from the coal industry and new methods, especially as regards the conversion of coal into hydrocarbons.

The 1982 coal research programme will cover the following topics:

Mining engineering

- Development work
- Firedamp, ventilation and rock pressure
- Winning and working
- Outbye operations underground
- Modern management techniques.

Upgrading of coal

- Preparation of coal
- Coking
- Combustion of coal
- Physical and chemical upgrading and new methods.

Social research

The 1982 social research programme will cover the following, by now traditional, topics:

- the effect on workers' health of occupational hazards and physical conditions at their place of work: occupational medicine programme
- ergonomics
- mine safety
- industrial health in coal mines
- technical measures to combat pollution at the place of work and near to steelworks
- safety in the steel industry.

Research will continue to be carried out in close collaboration with the industry by means of prior consultation of employers, workers and government experts.

Two items in the programme call for special comment:

The "Mines safety II" programme was prepared in 1981 in collaboration with the appropriate industrial associations and should be launched in 1982. As an instrument for promoting research it is eagerly awaited by the mining industry and will complement the work of the Mines Safety and Health Commission. The programme will deal chiefly with the traditional risks of mining operations but considerable attention will also be devoted to research into the human element and the sociological and psychological causes of accidents.

The first topic to be investigated in the area of safety in the steel industry will be the prevention of accidents in continuous casting plants, into which Community research will be conducted in 1982.

CHAPTER B 4: AIDS IN THE FORM OF INTEREST RELIEF GRANTS

1. Legal basis and description of the operation

Legal basis: Articles 54 (investment) and 56 (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission.

The ECSC may use its own resources to provide interest relief on certain types of loan. The relief is calculated in ECU at a rate and for a term fixed by the Commission. It currently stands at 3% over five years.

2. Type and breakdown of requirements

Provision for offsetting part of the interest due on loans disbursed by the ECSC, in accordance with the contracts drawn up between the Commission and the beneficiaries.

The estimates as regards applications break down as follows:

m ECU

Heading	Sector	Aids applied for
B 4.1	Investment	25
B 4.2	Conversion	50
	TOTAL	75

Explanation

ECSC loans with interest relief are the principal financial instruments for promoting priority investments, particularly those connected with meeting the requirements for the coal and steel industries and with creating jobs for former ECSC workers.

Investments

In the investment field, the aim of interest relief is to encourage certain types of investment in the ECSC industries. The Commission's current criteria for granting relief are as follows:

(i) research and training centres, and the elimination of bottlenecks (OJ C 73, 18 June 1970);

(ii) stabilization of coal production: relief is limited to investment in shafts, underground workings and haulage and winding equipment (OJ C 79, 29 March 1980).

The Commission reserves the right to apply and adapt these criteria in the light both of its assessment of current priorities and of the appropriations available. Among other things it is envisaging the possibility of encouraging priority investment in coal, notably for energy-saving. On the other hand, apart from certain cases where interest subsidies are already being given for steel restructuring, it confirms that it is not planning to give this form of support.

The requirements recorded for 1982 amount to 25 million ECU.

Conversion

Conversion loans with interest reflief are granted to firms or public bodies which encourage investments creating new jobs in regions hit by declining economic activity in the coal and steel industries.

The guidelines drawn up by the Commission for granting conversion loans are published in OJ C 178, 27 July 1977. They have since been changed slightly (OJ C 82, 29 March 1979, p. 8) to tighten up the rules for global loans, which have proved a very effective instrument for creating new jobs in small and medium-sized undertakings.

The maximum loan eligible for interest relief at the rate of 3% for 5 years at the moment is 20 000 ECU per new job, equivalent to maximum non-returnable aid of 3 000 ECU per job, although the Commission reserves the right to revise this rate. When recruiting, the recipients undertake to give priority to former ECSC workers.

This programme is thus designed to help provide jobs for workers formerly engaged in the Community's iron and steel or coal industries and thereby to meet, in this specific field, some of the Commission's basic obligations under Article 56(2a) of the ECSC Treaty.

The Commission is working along the same lines as the central and regional authorities in the Member States. It has vastly increased the number of conversion loans granted from nine (eight direct and one global) in 1977 to 34 (twenty three direct and eleven global) in 1980. This has resulted in the creation of some 10 000 new jobs per year.

In 1982, as in the past, the stress is likely to be placed on conversion requirements in the iron and steel industry. It is self-evident that rationalization and restructuring plans for the industry in 1982 and 1983 will involve further substantial redundancies, and thought must now be given to ways of compensating for this. As regards the total amount to be allocated to this type of aid in 1982, 50 million ECU would allow the creation of at least 15 000 new jobs, providing sufficient valid applications for aid are received.

CHAPTER B 5:- AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY

(1) Legal basis and description of the operation

Legal basis:

(i) Article 95 of the ECSC Treaty

(ii) High Authority/Commission Decision 73/287/ECSC of 15 July 1973 (OJ L 259, 15 September 1973), as last amended by Decision 3058/79/ECSC of 19 December 1979 (OJ L 344, 31 December 1979); since this Decision will expire on 31 December 1981, the Commission has proposed an extension (and slight amendment) until 31 December 1983 (COM(81)424 final, 28 July 1981).

The ECSC makes a lump-sum contribution to the special fund for easing intra-Community trade, the rest of the finance being provided by the Member States and the steel industry.

(2) Type and breakdown of requirements

Provision for a lump-sum contribution of 6 million ECU to the fund (the ECSC annual contribution).

Community aid may be granted in respect of a maximum amount of 47 million ECU, corresponding to 14 million tonnes of coking coal per annum. If trade drops below these limits, the reduced subsidies will be drawn first from the Community's contribution (6 million ECU) and the 17 million ECU contributed by the steel industry and then from the 24 million ECU paid in by the Member States.

(3) Explanation

The aim of the special system of aid to coking coal and coke is to help maintain production of blast-furnace coal for the Community's iron and steel industry, and also to enable the coal and the coke derived therefrom to be sold at prices reflecting world market prices.

Apart from Community aid the system lays down pricing rules for the products concerned and authorizes the producing countries to grant production and sales aid to their collieries.

2. Requirements not entered in the budget: loans for financing subsidized housing

In addition to the requirements to be financed by non-repayable grants from the year's resources, there is the ECSC housing subsidy scheme, which has been in operation since 1955. Forecasts for this programme are included in this aide-mémoire to complete the picture of all ECSC interventions for Parliament and the Consultative Committee. For ease of understanding, the presentation follows the same analytical format as for the requirements already described.

(1) Legal basis and description of the operation

Legal basis: Article 54 and Decisions of the High Authority/Commission assigning to the housing programmes the funds from the "special reserve" constituted by interest from investments and from loans against own funds.

ECSC intervention takes the form of reduced-interest loans, and eases the cost of financing housing by adding the funds lent by the Community to resources provided nationally.

(2) Type and breakdown of requirements

Grant of long-term loans at 1% interest to the responsible national bodies or other financial institutions.

The Commission intends to allocate 30 million ECU, averaging out at 15 million ECU a year, to the second phase (1982-83) of the ninth subsidized housing programme.

(3) Explanation

This scheme has the twin aim of:

(i) complementing Community policy in the coal and steel industries; and

(ii) improving living conditions for workers in these industries.

The criteria for the granting of the loans are described in detail on pages 2 and 3 of OJ C 299, 30 November 1979.

The scheme is both in the interest of workers, since it alleviates the effects of price increases and high interest rates, and of benefit to the industry, since it facilitates reorganization.

The number of dwellings subsidized by means of ECSC loans at 1 January 1981 stood at 167 517.

3. Summary of requirements reported

Total requirements reported therefore amount to 374 million ECU to be financed under the operating budget, plus 15 million ECU in the form of below-the-line loans at low interest rates for the building of subsidized housing. The figures for requirements reported are summarized in Annex D, in the "applications" column.

B. ORDINARY RESOURCES AVAILABLE

The remarks on terminology made on page 23 apply here too.

1. Resources for the financial year

CHAPTER R 1: GENERAL RESOURCES

TITLE R 1.1: Levy

1. Legal basis and description

Legal basis:

- Articles 49 and 50 of the ECSC Treaty
- Decisions 2/52 and 3/52 of 23 December 1952.

The levies are calculated on the basis of a fixed scale per tonne which is decided each financial year by the High Authority/Commission and published in the Official Journal.

2. Type and breakdown

Levy resources are the sums owing, and duly established, in the form of levies payable on output in the 1982 financial year and calculated on the basis of the production declarations made by the undertakings.

3. Explanation

The latest estimates of the average values which serve as the basis for calculating the levies suggest that the figures for the 1981 financial year, which relate to the reference period from 1 July 1980 to 30 June 1981, will be some 20% higher in the case of coal and roughly 7% for steel than the figures for 1981.

It should be noted that there is an appreciable margin of uncertainty in these figures; this is because the departments concerned are not yet in possession of all the requisite data, and forecasting production in present economic conditions is very uncertain.

Tonnage subject to the levy, and yield from a rate of levy of 0.01%

Product	Production forecasts on which the levy is calculated million tonnes	One levy "point" in million ECU
Brown coal briquettes and semi-coke derived from brown coal	4.4	0.02
Hard coal of all categories	197.9	1.26
Coal - total		1.28
Pig iron other than that used for making ingots	4.0	0.05
Steel in ingots	130.0	2.36
Finished products	100.1	0.83
Steel - total		3.24
GRAND TOTAL		4.52

TITLE R 1.2: Interest: other headings

1. Legal basis and description

Resources deriving from income on investments and on loans against non-borrowed funds will be determined when the Commission adopts the balance sheet at 31 December 1981. Under its Decision of 30 April 1975, the Commission enters in the budget the interest available from the previous financial year.

2. Type and breakdown

A breakdown of forecast resources based on the latest estimates is given below:

Titles	Heading	million ECU
R 1.2	Interest on investments and loans against non-borrowed funds	75
R 1.3	Fines and late payment surcharges	token entry
R 1.4	Miscellaneous revenue	token entry

3. Explanation

The figure for interest revenue is based on an estimate of the resources which the Commission will be in a position to release when it adopts the balance sheet at 31 December 1981.

CHAPTER R 2: CANCELLATIONS OF COMMITMENTS WHICH WILL PROBABLY NOT BE IMPLEMENTED

1. Legal basis and description

The provisions created in response to Commission aid decisions must be given tangible form within a reasonable period of time by the contracting of legal commitments.

The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget therefore provide that in the exceptional event of undue delay at this stage the provisions will be cancelled.

The Rules also provide that once all parties have discharged their obligations under the legal commitment, any remaining part of the provision will likewise be cancelled.

The amounts thus released become available again as resources for the current financial year.

2. Nature and breakdown

Save in the exceptional cases where decisions on the earmarking of funds are not followed up within a reasonable period of time by legal commitments, any cancellation of earmarked funds normally indicates complete discharge of the contract, agreed with the other contracting party.

The estimate of 3 million ECU shown in this chapter relates, in essence, to cancellations of allocations for resettlement aid. Only a token entry would be needed for the other items which might be involved (cancellations of balances remaining in respect of contracts which have been performed in full, delayed legal commitments, etc.).

3. Explanation

It is difficult to estimate the rate of cancellation in respect of resettlement programmes, as it depends on negotiations with the governments concerned. The estimated figure of 3 million ECU is based on an average rate for 1982.

CHAPTER R 3: REVALUATION OF ASSETS AND LIABILITIES

This chapter, showing a token entry, is provided to record the net effect of changes in exchange rates during the financial year.

CHAPTER R 4: UNUSED RESOURCES FROM THE FINANCIAL YEAR 1980

This chapter, showing a token entry, provides for any balance remaining from the funds of the previous financial year to be entered as resources for the current financial year.

CHAPTER R 5: EXTRAORDINARY INCOME

1. Legal basis

- Agreement of 24 June 1981 between the representatives of the Member States (Luxembourg, 717th Council meeting);
- Article 235 of the EEC Treaty.

2. Nature and breakdown

This chapter contains the additional resources intended solely for financing aid in connection with the restructuring of the steel industry (article B.2.2). In 1981 the Member States made national contributions amounting to 50 million ECU to the ECSC for this; in its preliminary draft supplementary and amending budget No 2/81, the Commission proposed an additional payment of 62 million ECU from the general budget (Chapter 54). For 1982 the Commission's letter of amendment to the preliminary draft budget proposes a transfer of 50 million ECU from Chapter 65 (formerly Chapter 54) of the general budget.

2. COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET

Funds to cover requirements for the construction of subsidized housing are obtained from:

- the resources made available for this in the former ECSC pension fund;
- the resources in the special reserve.

These resources are made up of the interest paid on loans already made and fresh appropriations allocated to the special reserve.

The allocation to the special reserve of the additional resources required will be decided when the Commission adopts the balance sheet at 31 December 1981.

3. SUMMARY OF POSSIBLE ORDINARY RESOURCES AVAILABLE FOR 1982

The estimates of traditional resources other than levies amount to 78 million ECU (interest available = 75 million ECU; cancellations = 3 million ECU). As the yield from a levy rate of 0.01% has been estimated at 4.52 million ECU, the yield obtained from levies can be estimated at 140 million ECU, assuming that the current rate of 0.31% is maintained. The total ordinary resources available for 1982, assuming that the levy rate remains unchanged, is estimated at 218 million ECU. The estimated resources are summarized in Annex D in the section on "resources".

III. DRAFT ECSC OPERATING BUDGET FOR 1982

A. COMMISSION APPROACH

The Commission's approach is predicated upon the following considerations:

To finance the exceptional social requirements to be covered by the social measures for the steel industry, special funds must continue to be provided. The Commission has already made proposals on this in its letter of amendment to the preliminary draft budget for 1982 (Chapter I § C above), and it is now for the budgetary authority to take appropriate action. The Commission would emphasize that if the social operations concerned are to continue, the necessary funds must be available in good time, for there is no question of the ECSC's own available funds being able to bear the new expenditure.

This last point is amply borne out by the figures shown in this paper, since, if the levy rate remains at 0.31%, applications for aid in terms of conventional requirements exceed all the ordinary resources available by 58%.

For financing the requirements other than those appertaining to social measures, the Commission recognizes that the very high level of applications for readaptation aid (at least 117 million ECU, and probably much more) raises a very difficult problem, mainly because this expenditure cannot be avoided. In 1982 the Commission will nevertheless endeavour to continue financing the Community share of aids for workers under the agreements signed by the High Authority and the governments. With overall resources of 218 million ECU, assuming the levy is kept at its present rate, and taking into account the other inevitable expenditure (administrative expenditure fixed by the Council under Article 20 of the Merger Treaty at 5 million ECU and aid for coking coal fixed at 6 million ECU by Commission decision under Article 95 of the ECSC Treaty), the remaining funds available to meet research and interest subsidy requirements in 1982 would be 218 - (117 + 5 + 6) = 90 million ECU.

In the present situation, with the Community steel industry still suffering from extraordinary difficulties, the Commission considers that it would be wrong to raise the levy rate above the present 0.31%.

Amounts set aside for research and for interest subsidies will therefore have to be kept within the overall limit of 90 million ECU.

B. FINANCING PROPOSALS

The Commission's proposals for the 1982 ECSC operating budget are tabulated in Annex D and are based on the following factors:

- total funds of 268 million ECU, including special funds of 50 million under the social measures for steel;
- unavoidable expenditure of 128 million ECU to be charged to the conventional resources of 218 million ECU;
  - 5 million ECU as administrative expenditure;
  - 117 million ECU as readaptation aid;
  - 6 million ECU as aid to coking coal;
- 90 million ECU to be allocated to research expenditure and interest subsidies.

As regards division of the 90 million between the two Chapters concerned, the Commission considers that interest subsidies clearly deserve priority, especially in connection with conversion, given the direct link with the creation of new jobs. It therefore proposes that this Chapter be given 51 million ECU, of which 40 million for conversion aids.

The amount left for research support thus shrinks to 39 million ECU (from 44 million in 1981). It is proposed that 17 million be devoted to steel, 13 million to coal and 9 million to social research.

Given the present circumstances of both the coal and the iron and steel industry the Commission is well aware how regrettable it is that the funds allocated to research in the ECSC Budget must be reduced rather than increased.

The cutback is due to the exceptional budgetary constraints resulting from the Commission's obligations in the social sector.

Although this cutback is quite the opposite of what is really needed, the Commission has been forced to accept it for 1982; but it regards it as merely temporary.

The Commission recently sent two communications to the Council, one on a global strategy for Community scientific and technical research and the other on an energy strategy.

Coal and steel research occupies a very important place in these strategies and should, in the Commission's view, be reviewed in this general context.

The Commission therefore intends to re-examine coal and steel research so as to adapt it more closely to the requirements of the two industries.

By way of conclusion, the Commission proposes to adopt the 1982 ECSC operating budget at a total amount of 268 million ECU, broken down as shown in the Table in Annex D.

It therefore proposes that the levy rate be set at 0.31%.

C. <u>DRAFT BUDGET</u>

The draft budget established by the Commission and amounting to 280 million ECU is presented in Annex D.

ANNEX A

IMPLEMENTATION OF THE ECSC OPERATIONAL BUDGET FOR 1980

(in m EUA)

REQUIREMENTS	BUDGET FIGURES[1]	FINAL FIGURES	RESOURCES	BUDGET FIGURES	FINAL FIGURES
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES OF THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources		
			1.1 Levy yield (at 0.31%)	116.5	114.8[2]
			1.2 Interest on investments and on loans from non-borrowed funds	23	23
			1.3 Fines and surcharges for delayed payment	0.9	1.1
			1.4 Miscellaneous	0.1	-
2. Aid to resettlement (Article 56)	67	67	2. Cancellation of commitments which will not now be implemented	5	6.2
3. Aid to research (Article 55)	44	43.8	3. Revaluation of assets and liabilities	-	0.9
3.1 Steel	19	19			
3.2 Coal	16	16			
3.3 Social	9	8.8			
4. Interest relief grants	61.5	50.8	4. Unused resources carried over from the financial year 1979	-	-
4.1 Article 54 - Investment	33	22.3			
4.2 Article 56 - Redevelopment	28.5	28.5			
5. Aid to coking coal and metallurgical coke (Article 95)	6	6	5. Drawing on contingency reserve	10	10
6. Surplus	-	11.4	6. Exceptional revenue (Decision of the Member States of 18 September 1980)	28	28
	183.5	184		183.5	184
OPERATIONS FINANCED WITH LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
7. Social housing	10	10	7. Special reserve and part of the former ECSC Pension Fund	10	10

[1] Commission's budget estimates at 30 October 1980.

[2] 661 000 EUA deducted for bankruptcies.

ANNEX B

FORECAST OUTTURN OF THE ECSC OPERATIONAL BUDGET FOR 1981

(in m EUA)

REQUIREMENTS	Budget figure	Estimated rate of implementation
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		
1. Administrative expenditure	5	5
2. Social expenditure	75	236
2.1 Aid to resettlement (Article 56)	75	124
2.2 Social measures in connection with steel restructuring	-	112
3. Aid to research (Article 55)	44	44
3.1 Steel	19	19
3.2 Coal	16	16
3.3 Social	9	9
4. Interest relief grants	32	32
4.1 Investment (Article 54)	7	7
4.2 Conversion (Article 56)	25	25
5. Aid to coking coal and metallurgical coke (Article 95)	6	6
	162	323
OPERATIONS FINANCED WITH LOANS FROM NON-BORROWED FUNDS		
6. Social housing	11	11

RESOURCES	Budget figure	Estimated rate of implementation
RESOURCES FOR THE FINANCIAL YEAR		
1. Current resources		
1.1 Levy yield at 0.31%	120	127
1.2 Interest on investments and on loans from non-borrowed funds	40	40
1.3 Fines and surcharges for late payment	token entry	-
1.4 Miscellaneous	token entry	-
2. Cancellation of commitments which will probably not be implemented	2	25
3. Revaluation of assets and liabilities	token entry	-
4. Unused resources carried over from the 1980 financial year	token entry	
4.1 Interest subsidies		10.7
4.2 Other		0.7
5. Exceptional revenue	-	112
6. Drawing on contingency reserve	-	7.6
	162	323
ORIGIN OF NON-BORROWED FUNDS		
7. Special reserve and part of the former ECSC Pension Fund	11	11

Information relating to levies

The latest available information on production and the levy yield for the current financial year is given below:

Levy yield for the period from January to June 1981 (provisional estimate)

Product	Production serving as a basis for the calculation of the levy in million tonnes	Levy yield in m EUA
Brown-coal briquettes and semi-coke	2.2	0.2
All types of hard coal	99.2	16.3
Total for coal		16.5
Pig iron other than that required for the manufacture of ingots	2.0	0.7
Steel ingots	63.2	34.1
Finished products	48.7	12.1
Total for steel		46.9
GRAND TOTAL		63.4

ANNEX C

ECSC BALANCE SHEET AT 31 DECEMBER 1980

(in m EUA)

ASSETS			LIABILITIES		
1. Cash in hand, balances with central banks	5.8		1. Bonds and coupons due but not yet presented for payment	55.5	
2. Loans and advances to credit institutions	548.2		2. Long- and medium-term debts	5 405.7	
- repayable on demand		24.8			
- with agreed maturity dates or periods of notice		523.4			
3. Debt securities held in portfolio	264.2		3. Other liabilities	14.8	
4. Disbursed loans	5 514.7		4. Accruals and deferred income	224.6	
5. Recoverable issuing costs and redemption premiums	72.7		5. Commitments for ECSC operating budget	496.0	
			- Financial aid		376.7
			- Other		119.3
6. Bank deposits for bonds and coupons due but not yet presented for payment	55.4		6. Reserves	445.4	
			A. Guarantee fund		260.0
			B. Special reserve		143.5
			C. Former pension fund		41.9
7. Land and buildings	0.3		7. Unallocated balance	0.1	
8. Other assets	25.2				
9. Accruals and deferred income	155.6				
	6 642.1			6 642.1	

The complete version of the balance sheet (with explanatory notes) will shortly be published in the Official Journal of the European Communities.