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AIDE-MEMOIRE
ON THE FIXING OF THE ECSC LEVY RATE
AND ON THE DRAWING UP OF THE
ECSC OPERATING BUDGET FOR 1984

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A I D E - M E M O I R E

on the fixing of the ECSC levy rate and on
the establishment of the ECSC operating budget for 1984

As usual, the views of Parliament will be sought before the Commission takes a decision on the levy rate and the ECSC operating budget for the financial year 1984.

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

- I. General introduction.
- II. Draft operating budget.

Specific factors affecting the covering of budgetary requirements for 1984 are described in Chapter II.

The aide-mémoire will also be sent to the ECSC Consultative Committee for information.

On 11 April 1983 the Commission took a decision amending Article 8 of the Internal Rules for the drawing up and implementation of the operating budget of the ECSC, with a view to making 1 September the date for the implementation of the aide-mémoire. The aim of this amendment is to harmonize the date of submission of the draft operating budget of the ECSC with that of the general EEC budget.

In addition, the presentation of Annex D, giving an analysis of requirements reported and resources available, has been changed in order to bring it more closely into line with that used for the preliminary draft general budget.

These changes were made in response to the wishes expressed by Parliament in its Resolution of 14 December 1982 (1).

(1) OJ C 13, 17 January 1983, p. 36.

I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1984 in its economic and policy context.

A. ECONOMIC CONTEXT

1. The economic outlook for 1983 and 1984

A number of negative factors cloud the horizon of the Community economy in 1983. Interest rates, despite falls in nominal levels in 1982, remain very high in real terms and continue to hold back investment.

There is very little room for manoeuvre in financial policy, although built-in stabilizers are having some expansionist effect. The high and rising rate of unemployment will probably mean that consumers will continue to be cautious in their spending, since their real incomes have in many cases been cut. Export sales, especially to the least developed countries, will probably stay very low.

However, there are also a number of positive factors at work. The general international outlook appears a little less gloomy. Recovery would seem to have started in the United States. Inflation is still falling in the Community, and this factor for greater stability could well restore confidence amongst consumers and investors. The low level of investment and of consumption of durables, over the past few years, will in due course cause an increase in replacement demand which could be stimulated by any further falls in interest rates. Similarly, stocks have fallen appreciably and will have to be rebuilt once recovery is under way. Lastly, the recent fall in oil prices ought to have a beneficial effect on both inflation and growth in the Community.

The final, slightly encouraging sign is one which emerged from the Commission survey of business, industry and consumers. The economic satisfaction indicator (a very broad indicator of expected economic performance in the Community, based on surveys and share prices) showed a vast improvement during the early months of 1983.

All things considered, it is felt that the positive factors will gradually gain the ascendancy and that growth in activity in the Community will slowly resume in 1983. Year-on-year growth in 1983 will probably remain very slight as a result of the drop in production during the second six months of 1982 which means that an increase of only 0.5% is expected for the whole year.

Of the components of demand in the Community, private consumption ought to increase slightly during 1983, since, despite the fall in inflation rates, real disposable incomes will remain much the same and there will be only a small drop in the household savings ratio, whilst at the same time the situation on the labour market will continue to be difficult. Public sector current expenditure in real terms will hardly increase either and will not do much to boost growth in demand. Following a very marked decline in 1981 and 1982, fixed investment ought to level off during the first six months of 1983 and then begin to increase slowly. If the whole of 1983 is compared to 1982, the level of fixed investment in real terms will change little.

The gradual recovery expected in world trade should enable Community exports to expand; although fairly slow at first, this movement should gradually gather pace throughout 1983. Several Community countries may further improve export market shares somewhat, but not in the same proportion as in 1981 and 1982 when Community export prices were becoming increasingly more competitive because of the appreciation of the dollar. An increase in Community imports will probably follow any upturn in internal activity.

Unemployment in the Community continued to rise during 1982 and in the early months of 1983. In April the number of unemployed (in the Nine) had reached the seasonally-adjusted figure of 12 million, representing 10,8% of the working population. The outlook for the labour market in 1983 is still gloomy, despite the expected gradual recovery in activity. The total number of employed persons in the Community will probably fall for the fourth consecutive year in 1983 and be approximately 3% less than that in 1979. Given that the working population will continue to increase, unemployment will too, although more slowly than in 1981 and 1982. The number of unemployed in the whole Community in 1983 will probably exceed 12 million and the unemployment rate will rise even higher during the second half of the year.

During 1982 considerable progress was made in reducing inflation in the Community. The fall in commodity prices reined in the increase in import prices, even though the dollar has continued to strengthen against Community currencies during almost all of 1982. The decline

in economic activity within the Community has brought downward pressure on collective bargaining agreements and profit margins. The rate of consumer price increases for the whole Community fell from 10,1% in 1981 to 8,8% in 1982. The above factors should help to reduce inflation further in 1983. The increase should be around 6,4% in 1983. The spread between inflation rates in the Community will probably narrow too, but the differences remain marked in 1983 with forecasts ranging from 2,7% for the Netherlands and 3% for Germany to 10,5% for Ireland, 14,3% for Italy and 21,5% for Greece.

Progress has also been made in restoring balance in the external trade position. After showing a marked deficit in 1980 because of the increase in oil prices, the Community trade balance has been constantly improving since then and this process should continue in 1983 when some improvements in the volume and terms of trade should be observed. The Community deficit on current transactions should likewise improve and be almost totally eliminated in 1983 compared with a deficit equalling 1,3% of gross domestic product in 1980.

The slight increase in GDP noted in 1983 should continue into 1984 although it will continue to be weak. GDP should rise from one year to the next by 1,6%, a figure equal to an underlying growth rate of approximately 2% over the year.

In view of reduced inflation and a slight increase in disposable income, private consumption should rise in real terms slightly faster than in 1983 and investment growth should gather momentum as the recovery grows stronger.

Inflation will probably continue to fall. Unemployment will no doubt remain the major problem. It is likely that employment will stabilize, but if no specific new measures are taken for the labour market, the number of unemployed will increase further, in view of the growth in the working population.

The table below summarizes growth in GDP on the basis of forecasts drawn up by Commission departments in May/June 1983.

	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (Percentage change over previous year)		
	1981	1982	1983 (1)
Belgium	- 1,8	- 0,2	- 0,7
Denmark	0,1	3,4	1,4
Germany	0,2	- 1,0	0,6
Greece	- 0,7	0,0	0,9
France	0,2	1,8	- 0,8
Ireland	1,1	1,5	0,5
Italy	- 0,2	- 0,3	0,1
Luxembourg	- 1,8	- 1,6	- 1,4
Netherlands	- 1,2	- 1,6	- 0,4
United Kingdom	- 2,0	1,4	2,4
EEC	- 0,4	0,3	0,5

(1) Commission staff forecasts.

Source: Commission of the European Communities
Directorate-General for Economic and Financial Affairs.

2. Outlook for the coal industry

For the third successive year gross domestic energy consumption in the Community fell appreciably in 1982 (-4%) to 872 million TOE. This is the lowest level since 1975. The proportion of solid fuels remained the same as the previous year at 20,5% for hard coal and 3,7% for brown coal and peat.

Total hard coal consumption in 1982 was only slightly lower than in 1981 at 302 million tonnes. The main characteristic of the market was the drastic fall in coke consumption by the steel industry. This fall mainly affected deliveries of Community coking coal and coke.

Sales of steam coal, however, continued to increase (1,7%) and on the market for other industries, the increase was as high as 20% (17,5 million tonnes for coal and 4 million tonnes for coke). For house coal, on the contrary, the trend was still downwards.

For 1983, although economic activity in general will still be sluggish, total coal consumption can be expected to rise further to approximately 360 million tonnes. It is not possible at present to make forecasts for 1984.

Supply fell slightly in 1982. The quantities mined in the Community were 241 million tonnes. The overall import figure remained unchanged at approximately 70 million tonnes, but this masked differences between countries. For 1983 lower figures can be expected for both the above items, while forecasts cannot yet be made for 1984.

Unsold coal and coke stocks continued to increase in 1982, reaching 138 million tonnes at the end of the year, or the average total consumption for 164 calendar days.

On the whole, the common market in coal in 1982 was a net purchaser, particularly during the second six months of the year when prices fell drastically. Although this trend is far from delighting coal suppliers, it can still be hoped that it will boost coal consumption. If the Community economy can manage to beat the recession, an increase in the volume of sales and a bolstering of prices can be expected in 1984.

3. Outlook for the steel industry

The cautious optimism expressed by the industry during the first quarter of 1982, when consumption and production rose to 32 million tonnes, was not borne out. The hope of seeing a gradual and widespread expansion of industrial activity in the Community and in the rest of the world did not materialize in the figures for the second half of 1982.

In 1982 the Community produced a total of 111.4 million tonnes of crude steel, 14.6 million tonnes (-11,6%) down on 1981. The utilization rate fell by around 6,9%, from 62,6% to 55,7%. As a result of the persistent economic recession in the Community, demand shrank even more in 1982 particularly during the second six months compared with what was already a depressed situation in 1980 that had worsened in 1981.

The Community's economic outlook, which was hardly encouraging at the end of 1982, appears slightly more hopeful in the medium term.

However, even if this trend should be confirmed, it is unlikely to work through to demand for steel before the fourth quarter of the year, because of the normal cycle of orders, stock levels and consumption, unless there is an unexpected and rapid rise in demand for stockbuilding purposes. The effect of capital goods on demand will definitely be negligible this year and hardly significant before the beginning of 1984.

Most Western industrialized economies, such as those of the Member States, seem to be "stuck" in a growth vacuum accentuated by stagnation in the major steel-consuming sectors. Monetary policies based on macroeconomic and budget considerations and interest rate levels - which, although they have fallen in nominal terms, have not always decreased in real terms - are continuing to place a firm brake on fresh investment and are hampering any stimulation of demand in most of the main steel-consuming sectors.

Surveys carried out in the main consumer sectors highlight the same depressed level of activity for the first quarter of 1983 as in the fourth quarter of 1982. They lead us to expect the same level of production for the second quarter of 1983. However, there are signs of a slight rise in mechanical engineering and the motor industry together with a small but helpful upturn in the building industry helped by seasonal factors.

In addition, during the first six months of 1983, some stock-building is likely given that dealers have not been buying in large quantities since autumn 1982.

Estimates put total annual production for 1983 at 106 million tonnes, compared with 111,4 million tonnes in 1982, which represents a further annual decrease of 5,4 million tonnes or 5,1%.

Prices for most steel products fell at the beginning of summer 1982, and in autumn they declined even further. Reinforcement bar and wire rod prices were particularly seriously affected. These further falls in income led producers once more to have doubts about their future viability.

The Commission felt that the prices applied were too distant from the objectives set in its communication of November 1981 (1) on the aims of pricing policy and for 1 January 1983 published guide prices (2) for the main steel products in order to encourage producers to bring the prices of their deliveries back to levels commensurate with the pricing policy pursued by the Commission and the Member States with a view to achieving the restructuring of the steel industry.

The general trend in the market towards the end of the first quarter of 1983 does not give much cause to expect a rapid improvement in the situation. At best, there are some signs that activity is above the normal seasonal level; this can also be detected among stockholders.

Under these circumstances it is essential that output remain very closely in line with demand.

In order to offset the effects of the exchange rate changes made in the European Monetary System on 21 March 1983, the Commission, which had already revised a number of guide prices at the beginning of April (3), decided to increase guide prices by 2,6 to 3,2% according to the product from 15 May and invited producers to compile price lists at least corresponding to the newly published guide prices.

(1) OJ C 294, 14 November 1981, p. 3.

(2) OJ L 370, 29 December 1982, p. 15.

(3) OJ C 92, 7 April 1983, p. 8.

On the external front, the Commission renewed for 1983 the steel arrangements (in the case of Brazil for pig-iron) concluded in 1978 and extended annually with the fourteen non-member countries which are the major exporters of steel to the Community, and is negotiating arrangements with South Africa and (for steel products) with Brazil. For non-member countries without an arrangement, the basic external prices still apply.

The pricing discipline laid down in the arrangements was tightened in the light of the policy of boosting domestic prices established at the end of 1981 and for which monitoring has been intensified since the latter half of 1982.

Where steel products subject to basic prices have been imported under conditions amounting to unfair competition, definitive or provisional anti-dumping duties have been imposed.

In 1983 exports will continue to suffer from the world recession and restrictions on access to the markets of a number of non-Community countries. The developing countries still lack the necessary cash to finance investment projects using large quantities of steel. The arrangement on steel products concluded between the United States and the European Community on 21 October 1982 is being applied. This arrangement links Community exports to developments on the American market; this appears unlikely to lead to a great deal of new activity before the third quarter of 1983.

Leaving aside the sluggish demand, international steel prices are so low that exports have become less and less profitable for Community producers. As a result, export figures have been estimated at approximately 5,5 million tonnes for both the first and second quarters of 1983. These figures are roughly the same as those for the corresponding quarters of 1982, whilst the figures for the third and fourth quarters of 1981 were respectively 8,3 and 7,4 million tonnes. Imports during the first and second quarter of 1983 amounted to approximately 2,2 million tonnes, a figure which reflects the new set of arrangements with non-member countries. The Commission's objective has been to prompt countries providing imports to adjust their level of market penetration in the Community to the low level of economic activity on the internal market.

Recent estimates show a 1,6% rise in GDP in 1984 compared with 0,4% in 1983.

However, it is always extremely difficult to make any link between overall demand and demand for steel. The steel-consuming industries of today account for only a small share of Community economic activity. But the steel industry should nevertheless derive some benefit from this improvement in the general economic situation, initially as demand from the consumer goods industry picks up and later - in view of the long production cycle - with demand from the capital goods industry. But as matters stand, and in the absence of any accurate pointers to the outlook for the situation in 1984, it would seem wise to keep the same figure as for 1983, i.e. 106 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 initiates proposals and presents general objectives of 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. These documents also cover manpower questions, indicating that the social dimension forms an integral part of the Community policies conducted by the Commission/ High Authority 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 1984. The industries themselves, the ECSC's social policy and the Community's financial operations are dealt with in turn.

1. Coal policy guidelines

Under its common energy strategy, the Commission has constantly stressed the part which coal and other solid fuels (brown coal and peat) can play in restructuring energy supply from sources other than oil. The council endorsed this approach on 13 July 1982 when it accepted that there could be no diversification before the end of the century without turning to solid fuels and nuclear energy.

An informal meeting of Energy Ministers held in Copenhagen on 16 December 1982 agreed that the Community should pursue an overall balanced policy in the field of solid fuels.

In response to the ministers' request, in February 1983 the Commission sent to the Council a "Working programme on solid fuels" (1) in which it presented or analysed what it considered needed to be done. The Council expressed its opinion, although without taking a binding decision, on 21 April.

(1) COM(83)54 final.

The Commission started by emphasizing once again how important it is that the Member States should have a policy designed to encourage the use of solid fuels. In April the Council adopted two recommendations to the Member States designed to encourage the conversion of oil-fired plant to solid fuel in industry, public buildings and district heating systems.

For its part, the Commission decided at the end of 1982 to grant subsidized ECSC loans to investment projects designed to increase the consumption of Community coal. A similar EEC project to encourage investment in the rational utilization of energy, including the conversion of oil-fired plant, is still being discussed in the Council.

The Commission has presented proposals for regulations on coking coal for the steel industry. These are the last ones to cover a five-year period and they will replace the present system with effect from 1984.

The Commission has repeatedly drawn attention to the lack of competitiveness of Community coal - notably in COM(82)31 and COM(83)54. This can only be remedied by a considerable effort to modernize and rationalize production. The Commission sent the Council a communication entitled "Proposals for a balanced solid fuels policy" (1) presenting measures to encourage investment, aid to reduce surplus stocks and a contribution to the resolution of the inevitable social problems which the desired shift will entail.

Both encouragement of investment and aid for reducing stocks require the Commission's prior approval of firms' programmes for modernization and restructuring. In the case of investments, Community aid would be spread over five years and in the case of stock reductions over three years. On

(1) COM(83)309 final, 10 June 1983.

the social side, the likely operating losses of a number of mines will mean that existing measures must be given greater resources and wider scope and that new ones will probably have to be introduced as well, mainly to cope with the youngest workers who will no longer, as in the past, find alternative employment in the coal industry.

The Community will continue its work in the field of research, development and demonstration projects. Technical research in the coal sector, which comes under Article 55 of the ECSC Treaty, will continue in 1983 as part of a programme for which the Commission has made available 19,5 million ECU in the ECSC budget. The general budget of the Community carries 24 million ECU for demonstration projects on the gasification and liquefaction of solid fuels. A further 20 million ECU will be spent on demonstration projects concerned with the burning, transport and handling of solid fuels and waste disposal processes. The environmental problems raised by the use of such fuels will not, of course, be neglected in these projects. As part of its proposal for a research and development programme in the field of non-nuclear energy (1), the Commission has presented a sub-programme on the utilization of solid fuels, for which it has requested 63 million ECU for the period from 1983 to 1987.

2. Steel policy guidelines

Commission measures on the steel market

The Commission's main action in this field in 1983 is the proposal - to be presented to the Council on 25 July - to extend the anti-crisis measures (originally introduced in October 1980 and renewed in July 1981 and July 1982) under Article 58 of the Treaty for a further two-and-a-half years from 1 July 1983 to 31 December 1985. The objectives during this additional period will be to tackle the continuing crisis, to bring supply into line with reduced demand and to assist firms to adapt to the changed economic conditions by undertaking or continuing the appropriate restructuring process. Since its introduction the quota system has been amended on a number of occasions, in the light of changed circumstances and experience, to make market monitoring more effective.

(1) COM(83)311 of 16 June 1983.

Mandatory quotas were imposed for most flat and long products and, from 1 July 1983, heavy plate and sections were included in these arrangements, whereas previously they had been subject only to monitoring and voluntary production limitation agreements.

Further deterioration in the market has led to very severe abatement rates for all products, with the exception of coated sheet, for the second and third quarters of 1983. The Commission reinforced its monitoring and surveillance of producers' prices to implement the provisions of Article 60 of the Treaty. Responsibility for merchants' prices was handed over as planned on 1 January and it is now Member States' own administrations which ensure that merchants adhere to the price rules of Article 60.

Steel in external relations

The external anti-crisis measures were designed to accompany the internal measures. The external measures have been in existence since 1978 and have been renewed from year to year on the Council's authority. They will probably be renewed again for 1984 in more or less the same form as at present.

Community solutions to structural problems

Since the difficulties facing the steel markets are continuing - or even worsening - the success of Community policies depends first and foremost on the consistency and efficiency of the specific anti-crisis instruments, the quota system and the code of aids, which should serve the restructuring objective for 1985.

This objective is conditional on several factors:

- the maintenance and development of Community solidarity. The unity of the internal market must be preserved as a precondition for the adjustment process and Community cohesion should be used offensively and no longer defensively in trade negotiations;

- reinforcement of efforts to adjust the production apparatus to demand both quantitatively and qualitatively. The stage of short-term assessment must be completed and decisions made from a medium-term structural angle;
- choice of suitable reference parameters for competitiveness. An accurate assessment must be made of the leeway to be made up on competitors, which is a major factor for ensuring the viability of the industry;
- establishment of links between steel strategy and general industrial strategy. The steel industry must not be viewed in isolation, but its future must be seen together with that of all levels of the metal industry and manufacturing industry as a whole;
- extension of accompanying measures, in particular as regards conversion. An effective industrial redeployment guideline should be adopted, combining the need for alternative employment and the promotion of growth industries.

Halfway into the period set for completing the structural adjustments, the Community measures have already had some positive results. However, the conclusions of the General Objectives for Steel for 1985 show that with the market still offering no growth, the over-capacity problem will continue unless surplus plant is drastically pruned. Efforts must therefore be redoubled and a new coordinated attack launched by firms, governments and the Commission.

The examination of all the restructuring plans in the light of the prospects and guidelines of the General Objectives for Steel will be the crucial stage in the Community plan for improving the production structure of the steel industry.

3. Social and employment policy guidelines

The social and employment policies conducted by the High Authority/Commission use a number of financial instruments provided by Articles 54 to 56 of the ECSC Treaty.

In the case of the coal and steel industries, the Commission can

- grant low-interest loans from own funds to assist workers' housing under Article 54 ECSC;
- finance research projects on occupational safety under Article 55 ECSC.

These measures will continue on the basis of the principles outlined in Chapter II of this aide-mémoire.

Whereas these aids enable the Commission to help improve the working and living conditions of workers employed in the ECSC sector, Article 56 of the Treaty enables it to help workers who have lost their jobs, are forced to change jobs or are threatened by unemployment as a result of technological change or fundamental changes in market conditions in the coal or steel industries.

The Commission's operations in this sector have been considerably stepped up in recent years because of the structural and cyclical crisis and technology changes affecting the steel industry in particular and the greater needs caused by the rationalization of coal mining. These needs have grown considerably as the result of multiannual modernization and restructuring programmes.

The aids granted by the Commission under this article take two forms:

- under paragraph 2(a) loans may be granted to help create jobs likely to reabsorb steel and coal workers into the labour market. These loans carry an interest subsidy. Although this aid comes primarily under the heading of ECSC social policy, it is also an important regional policy instrument because it provides new opportunities for the economies of coalmining and steelmaking areas;

- under paragraphs 1(c) and 2(b) non-repayable aid for the redeployment of workers is granted in the form of tideover allowances and contributions to the resettlement or vocational retraining of workers in accordance with conventions or agreements reached with the Governments of the Member States.

The importance of these two types of aid from the High Authority can be gauged when it is considered that, between 1974 and April 1983 the Community steel industry, not counting Greece, lost more than 36% of its labour force as 270.000 workers were made redundant. The number of jobs lost in 1980, 1981 and 1983 was 71.000, 49.000 and 39.000 respectively, making up more than half of the jobs lost over the last ten years.

Between 1975 and 1982, 38.000 face-workers lost their jobs in the coal industry.

Because of the simultaneous decline of most other branches of industry, and the increase in the number of unemployed, particularly young people, redundant steelworkers have found it increasingly difficult, especially since 1979, to get a new job. This is illustrated by the unemployment statistics since 1978: the annual average in 1978 and 1979 remained at 6 million and then rose to 6,8 million in 1980, to 9,0 million in 1981 and to 10,6 million in 1982. In February 1983, total unemployment in the ten Member States stood at 12.477.500.

Although 1984 is expected to see some initial signs of economic recovery and a levelling-off or even a reduction in unemployment in certain countries, it is unlikely that there will be a corresponding improvement in the unemployment situation throughout the Community.

In view of this situation, the Commission has for some time emphasized the need to develop policies and actions which will result in the creation of new jobs. Conversion loans, which carry an interest subsidy, may contribute greatly to the creation of jobs from which the first beneficiaries will be unemployed workers in the ECSC industries. Although greater than in the past, the amount of appropriations requested and the capacity of new, economically sound firms to use them have meant that loans can only be

granted to cover a small number of the jobs lost in the steel industry. It should be noted that the financing of these subsidies by the non-quota section of the Regional Fund is currently under discussion in the Council. It should also be observed that existing firms often develop without taking on substantial numbers of new staff through improved productivity and greater use of automation (robots and computers). Even though a large number of new firms are being set up, the number closing down, mainly through bankruptcy, has risen sharply.

These policies and actions do not remove the need for appropriate redeployment measures. ECSC redeployment aid has constituted and still constitutes an important means of providing acceptable conditions in which redundant workers may make a new start immediately after dismissal. They assist the new employer to allow a redeployed worker a period of adaptation and assist the worker to acquire new skills and, if necessary, move house. If the worker cannot find a new job, he may receive income support after his dismissal to ease the difficulties of being out of work.

The particularly difficult situation in the steel industry has necessitated the adoption by the Commission of special measures. As long ago as 1979, the Commission drew up proposals for temporary aid which extend to the end of 1984. In June 1981 the Council approved Community financial aid for early retirement and short-term working. A total of 212 million ECU was provided, partly by national budgets and partly by transfers from the Community general budget to the ECSC budget.

The Commission's General Objectives for Steel 1985 and a series of appropriate measures are designed to cope with the continuing manifest crisis in the steel industry and the need to continue restructuring of the industry at a faster pace so that by the end of 1985 it will once again be economically sound with a production capacity in line with the probable volume of sales of profitable products.

Since these measures will involve further job losses, in January 1983 the Commission adopted a "Social support scheme for restructuring in the steel areas of the Community" (1), which includes not only the measures adopted to deal with social aspects but also three other measures to assist ECSC workers to find new jobs or jobs of a different type. These include aid to enable steelmakers to retain a certain number of jobs by reducing working hours for all workers and aid to redundant workers to assist them in finding work in other industries.

A third new measure should assist in the coordination of local and regional efforts, particularly from the point of view of employment forecasts.

The Commission has proposed to the Council that 330 million ECU should be transferred from the EEC budget to the ECSC budget (2) to cover these measures in 1984, 1985 and 1986.

The decline in coal mining activity has continued with some increase in closures during the last two years. The economic crisis has involved a reduction in energy consumption which, despite some conversion of oil-fired plant to coal, has meant that coal stocks have grown considerably.

The Commission's recommended balanced policy for solid fuels includes assisting the development of the most profitable mines, opening up new workings and investing to restore to profitability mines which are making only a slight loss so that coal can be produced in the near future at a price which is competitive with that of other forms of energy. The modernization and restructuring programmes are expected to last for five years.

These programmes will involve speeding up the closure of obviously unprofitable mines and in some areas this will involve considerable job losses among workers who, in the past, had been spared final dismissal.

(1) SEC(83)127 final.

(2) COM(83)158 final of 13 April 1983.

This means that redeployment aid will have to be extended by changes in either their level or their period of application. In particular, further assistance will have to be given to the retraining of workers too young for early retirement and hence Community conversion loans will be required here, as in the steelmaking areas.

All these social measures will undoubtedly impose considerable demands on the Community budget for 1984 and subsequent years.

4. Financial activities

ECSC Financial Report No 28, outlining the Community's borrowing and lending operations and financial aid in 1982 will be published shortly.

Borrowings contracted in 1982 totalled 712,0 million ECU, compared with 325,4 million ECU in 1981 and 1.004,1 million ECU in 1980.

Industrial loans (1) amounted to 559,7 million ECU in 1982 compared with 287,0 million ECU in 1981 and 756,8 million ECU in 1980; conversion loans (2) to 162,8 million ECU, compared with 86,0 million ECU and 266,1 million ECU, and subsidized housing loans (3) to 18,0 million ECU, compared with 14,7 million ECU and 7,9 million ECU. (See the tables below).

Total borrowing and lending since the inception of the ECSC is thus brought to 9.787,5 million ECU and 9.655,2 million ECU respectively (including 260,4 million ECU in loans from own funds). The balance outstanding at 31 December 1982 was 6.177,2 million ECU.

In 1983 loans raised at 30 March amounted to 165,0 million ECU and loans paid out were at a corresponding level.

(1) Article 54 ECSC.

(2) Article 56 ECSC.

(3) Loans under Article 54 ECSC paid from ECSC special reserve funds and part of the former ECSC pension fund.

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 restructuring policy and on the availability of funds for interest subsidies for priority investments, particularly conversion projects.

The same will apply for 1984 when the ECSC will have to pursue an active policy of aid for investments in these priority sectors and, as far as possible, for increased productivity in the coal sector, for which a multiannual rationalization programme will be prepared.

Latest estimates used to gauge the likely demand for loans suggest that the coal industry, after investing some 1.800 million ECU in 1982, will invest between 1.700 million ECU and 1.900 million ECU in 1983 and 1984.

The problems caused by the crisis and restructuring make it particularly difficult to estimate steel industry investment but it seems that expenditure in 1984 may well be in excess of the 2.500 million ECU invested in 1981.

If the active policies envisaged above can be implemented, the High Authority proposes borrowing by the ECSC which could amount to about 850 million ECU in 1984 provided that market conditions work to the advantage of the undertakings concerned.

ECSC - BORROWING AND LENDING OPERATIONS WITH BORROWED FUNDS

AMOUNTS RECEIVABLE

HEADING	Million ECU		
	Forecast 1984	Forecast 1983	Outturn 1982
1.0. Loans raised	850	1.000	712,3
1.1. Redemption of loans granted	750	750	788,5
1.2. Interest payments to the ECSC	620	600	580,5
1.3. Repayment of costs involved in borrowing and lending operations	10	10	8,5

AMOUNTS PAYABLE

HEADING	Million ECU		
	Forecast 1984	Forecast 1983	Outturn 1982
2.0. Loans granted	850	1.000	724,5
2.1. Redemption of loans raised	750	750	767,8
2.2. Interest payments	600	580	557,8
2.3. Payment of costs involved in borrowing and lending operations	30	30	22,6

LOANS FOR WORKERS' HOUSING

million ECU

	Total loans paid at 31 December 1981 (1)	New loans in 1982 (1)	Situation at 31 December 1982	
			Total loans paid	Amount outstanding
Belgium	35,4	1,0	36,4	8,2
Denmark	1,4	0,1	1,5	0,9
FR of Germany	160,0	5,0	165,0	87,7
Greece	-	0,4	0,4	0,4
France	38,0	3,7	41,7	22,7
Ireland	0,6	0,1	0,7	0,6
Italy	32,5	2,3	34,8	25,3
Luxembourg	6,2	0,3	6,5	2,9
Netherlands	15,8	0,4	16,2	7,3
United Kingdom	11,7	4,7	16,4	12,5
Community	301,6	18,0	319,6	168,5

(1) After allowing for new rates for the conversion of national currencies into ECU.

II. DRAFT ECSC OPERATING BUDGET FOR 1984

A. COMMISSION APPROACH

For the purposes of evaluating the draft budget for 1984, the Commission considers that a price increase of 7,0% should be taken into account to compare the figures for 1983 and those for 1984.

The main financial problem faced when preparing the ECSC budget for 1984 was again that of balancing the budget in view of the unprecedented difficulties currently affecting the industries. In addition to the major problems which have affected the Community steel industry for several years, with the result that a large proportion of resources has had to be devoted to this industry's requirements, there are the growing difficulties faced by the coal industry, leading to a restructuring programme covering a number of years.

At budget level, the requests for traditional aids under the steel restructuring programme, mainly for redeployment and the conversion of areas hit by a high level of job losses, have been covered from ordinary resources. Only the additional social aid considered necessary to accompany restructuring (Article 220 of the budget) has been financed from another source - the transfer of funds from Chapter 65 of the general budget to the ECSC. In its preliminary draft budget for 1984 the Commission proposes a transfer of 110 million ECU next year. The Council has until the end of the year to take the decision (Article 235 EEC) needed to authorize the continuation of these transfers for the period 1984-86 (1).

(1) COM(83) 158 transmitted to the Council on 18 April 1983.

Since the priority requirements resulting from the steel crisis (notably redeployment aid) have to be paid for from ordinary resources which are steadily falling in real terms because of the poor economic situation (these resources mainly consist of the production levy), the Commission has already been forced to fix the appropriations for research and interest subsidies at a level far lower than the applications made.

The increased requirements which are expected to arise in the coal industry in 1984 as a result of restructuring, covering the whole range of ECSC aids (redeployment, interest subsidies for conversion and modernization, technical research), thus rule out the possibility of balancing the budget at the current levy rate.

In its capacity as the High Authority of the ECSC, the Commission has the power to adopt a higher levy rate to provide sufficient cover for next year's requirements. However, it considers that no such increase can be made in the current economic situation.

At the current rate, ordinary resources for 1984 are estimated at 209 million ECU, of which 131 million ECU will come from levies and 78 million ECU from interest and other sources.

The Commission proposes that these resources should be increased by transferring the following amounts from the general budget to the ECSC:

- for steel: 110 million ECU
- for coal: 60 million ECU.

In its preliminary draft budget for 1984 the Commission has already earmarked the abovementioned 60 million ECU in Item 7027 (Restructuring of the Community's coal industry). It has also presented to the Council a proposal for a decision under Article 235 of the EEC Treaty authorizing this transfer from the general budget to the ECSC. This decision must be taken by the end of the year.

The provision of these appropriations would enable the ECSC to balance requirements and resources at a level which would allow the Community to play its proper role in the reorganization of the coal and steel industries and to cover the requirements of 379 million ECU set out in Annex D.

B. FINANCING PROPOSALS

The Commission's proposals for the 1984 ECSC operating budget are tabulated in Annex E and are based on the following factors:

- total resources of 379 million ECU, including special resources of 110 million ECU to cover the special social measures for steel and 60 million ECU from the general budget for the restructuring of the coal industry;
- requirements to be covered by the non-allocated resources of 269 million ECU:
 - . 5 million ECU for administrative expenditure;
 - . 140 million ECU for redeployment aid;
 - . 65 million ECU for research expenditure;
 - . 59 million ECU for interest subsidies.

From the research appropriations, it is proposed that 28,5 million ECU be devoted to steel (23 million ECU in 1983), 24 million ECU to coal (19,5 million ECU in 1983) and 12,5 million ECU to social research (11,5 million ECU in 1983).

As regards interest subsidies, the Commission proposes that 47 million ECU should go to conversion as direct aid for the creation of new jobs (44 million ECU in 1983) and 12 Million ECU to investments (9 million ECU in 1983).

By way of conclusion, the Commission proposes that the 1984 ECSC operating budget be adopted at a total amount of 379 million ECU, broken down as shown in Annex E.

It therefore proposes that the levy rate be set at 0,31%.

C. DRAFT BUDGET

The draft budget established by the Commission and amounting to 379 million ECU is presented in Annex E.

OUTTURN OF THE ECSC OPERATING BUDGET FOR 1982

ANNEX A

(million ECU)

REQUIREMENTS	BUDGET 1 FIGURES	OUTTURN	RESOURCES	BUDGET 1 FIGURES	OUTTURN
1. Administrative expenditure	5	5	1. Current resources	121	117,3
2. Social expenditure	230,4	228,4	1.1 Yield from levy at 0.31%		
2.1 Aid for redeployment (Art.56)	117	115	1.2 Interest on investments and on loans from non-borrowed funds	75	75
2.2 Social measures connected with restructuring of steel industry	(2)		1.3 Fines and surcharges for late payment	-	- (3)
3. Aid for research (Article 55)	113,4	113,4	1.4 Miscellaneous	-	-
3.1 Steel	50	50	2. Cancellation of commitments unlikely to be implemented	5,5	2,4
3.2 Coal	22	22	3. Unused resources carried over from the previous year	63,4	63,4
3.3 Social	17	17	4. Exceptional revenue	50	50
4. Interest subsidies	11	11	5. Drawings on contingency reserve	26,5	29
4.1 Investment (Art. 54)	50	45,9			
4.2 Conversion (Art. 56)	7	7			
5. Aid for coking coal and metallurgical coke (Article 95)	43	38,9			
6. Revaluation of assets and liabilities.	6	6			
	-	1,8			
Sub-total Surplus	341,4	337,1	Sub-total Deficit	341,4	337,1
BUDGET TOTAL OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS	-	-	BUDGET TOTAL ORIGIN OF NON-BORROWED FUNDS	-	-
7. Subsidized housing	15	15	6. Special reserve and former ECSC Pension Fund	341,4	337,1
				15	15

¹ Commission's forecasts at 27 October 1982.

² 63,4 million ECU carried over from 1981 plus 50 million ECU for 1982.

³ Not including 43,6 million ECU entered in the balance sheet as the total fines imposed by the Commission.

FORECAST OUTTURN OF THE ECSC OPERATING BUDGET FOR 1983

ANNEX B

(million ECU)

REQUIREMENTS	BUDGET FIGURE	FORECAST OUTTURN	RESOURCES	BUDGET FIGURE	FORECAST OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources		
2. Social expenditure	150	175	1.1 Yield from levy at 0.31%	128	128
2.1 Aid for redeployment (Art. 56)	100	125	1.2 Interest on investments and on loans from non-borrowed funds	80	80
2.2 Social measures connected with restructuring of steel industry	50	50	1.3 Fines and surcharges for late payment	5	5
3. Aid for research (Art. 55)	54	54	1.4 Miscellaneous	p.m.	p.m.
3.1 Steel	23	23	2. Cancellation of commitments unlikely to be implemented	5	5
3.2 Coal	19,5	19,5	3. Revaluation of assets and liabilities	p.m.	p.m.
3.3 Social	11,5	11,5	4. Unused resources carried over from 1982	p.m.	p.m.
4. Interest subsidies	53	53	5. Exceptional revenue	50	50
4.1 Investment (Art. 54)	9	9	6. Drawings on contingency reserve	-	25
4.2 Conversion (Art. 56)	44	44			
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6			
			BUDGET TOTAL	268	293
OPERATIONS FINANCED BY LOANS FROM					
6. Subsidized housing	15	15	7. Special reserve and former ECSC Pension Fund	15	15

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 March 1983 (provisional estimate)

Product	Production serving as a basis for the calculation of the levy in million tonnes	Yield per tonne at 0.31% levy rate	Levy yield million ECU
	(1)	(2)	(3)
Brown-coal briquettes and semi-coke	0,9	0,14449	0,1
All types of hard coal	48,4	0,21911	10,6
COAL - TOTAL			10,7
Pig-iron other than that required for the manufacture of ingots	0,6	0,36416	0,2
Steel ingots	26,3	0,63633	16,7
Finished products	21,0	0,29430	6,2
STEEL - TOTAL			23,1
GRAND TOTAL			33,8

3 = (1) x (2)

(million ECU)

ASSETS		LIABILITIES	
1. Cash in hand and balances with central banks	3,7	1. Bonds and coupons due but not yet presented for payment	48,4
2. Claims on credit institutions - repayable on demand - with agreed maturity dates or periods of notice	798,1 21,5 776,6	2. Long-term and medium-term debts	6.116,4
3. Debt securities held in portfolio	365,1	3. Other liabilities	11,4
4. Loans outstanding	6.257,6	4. Accruals and deferred income	288,8
5. Recoverable issuing costs and redemption premiums	51,7	5. Commitments for ECSC operating budget	788,9
6. Bank deposits for bonds and coupons due but not yet presented for payment	48,5	6. Reserves - Guarantee fund - Special reserve - Former pension fund	540,2 340,0 156,5 43,7
7. Land and buildings	0,4	7. Surplus not allocated	0,1
8. Other assets	63,5		
9. Accruals and deferred income	205,6		
	7.794,2		7.794,2

ANNEX D

ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE
FINANCIAL YEAR 1984

In response to the wishes expressed by Parliament in its Resolution of 14 December 1982 (1), the presentation of requirements reported and foreseeable resources which follows is modelled on the systematic analysis of the data for the various budget headings in the general budget. As with the general budget this presentation lists the main features of each heading (references and description of the operation, type of expenditure and explanation). Two categories of expenditure are unavoidable in that they derive from decisions already taken (administrative expenditure) or from framework agreements with the Member States (aid for redeployment).

(1) OJ No C 13, 17 January 1983, p. 36.

1. ORDINARY REQUIREMENTS

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
110	<u>CHAPTER 10</u> <u>ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	CHAPTER 10 - TOTAL	5.	5	5
210	<u>CHAPTER 20 SOCIAL MEASURES</u> <u>AID FOR REDEPLOYMENT</u> (Article 56 ECSC)	140	100	115

REQUIREMENTS

Art.	Remarks
110	<p>1. <u>References and description of operation</u></p> <ul style="list-style-type: none">- 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. <p>2. <u>Type of expenditure</u></p> <p>Annual payment in four equal quarterly instalments.</p> <p>3. <u>Explanation</u></p> <p>The Council has set the annual amount of the payment at 5 million ECU.</p> <p>Percentage change 1983-84: 0%.</p>
210	<p>1. <u>References and description of operation</u></p> <ul style="list-style-type: none">- Articles 50 and 56 of the ECSC Treaty;- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States. <p>The High Authority/Commission provides non-repayable aid towards:</p> <ul style="list-style-type: none">(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. <p>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.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision to subsidize the expenditure on redeployment incurred by the Member States according to the procedure set out in the agreements signed.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
220	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u>	110	50	113,4

REQUIREMENTS

Art.	Remarks
	<p>3. <u>Explanation</u></p> <p>Over the past two years, the coal industry's requirements have been fairly high, at approximately 40 million ECU, after being lower than 15 million ECU over the previous three years. The coal industry restructuring programme will lead in the coming years to even higher expenditure, given that streamlining is likely to affect categories of workers which have hitherto been spared final redundancy decisions or will make it necessary to adjust the level of aid. The requirements for 1984 are estimated at 60 million ECU.</p> <p>The gradual closure of iron ore mines will continue as long-term supply contracts expire. In relative terms, however, the requirements of this sector are small.</p> <p>For the steel industry, expenditure on redeployment will remain very high, as a result of the major job losses to be expected (at least 150.000 over the period 1983-86). There will, however, probably be a redistribution between applications for aid from the various Member States, as a result of the sharp decrease expected in applications from the United Kingdom. After rising to almost 74 million ECU in 1982 and probably to 80 million ECU in 1983, it is expected that commitments of appropriations for the redeployment of steelworkers will remain in 1984 at the level expected for 1983 or even be slightly lower.</p> <p>Overall the total requirement for traditional aids for 1984 may therefore be estimated at approximately 140 million ECU.</p> <p>Percentage change 1983-84: + 40%.</p>
220	<p>1. <u>References and description of operation</u></p> <p>On 13 April 1983, the Commission forwarded to the Council proposals relating to a contribution to the ECSC, under Article 56(2)(b) of the Treaty, for the implementation of a social support scheme for restructuring in the steel areas of the Community over the period 1983-86 (COM(83)158 final).</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
220	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY (cont'd)</u>			

REQUIREMENTS

Art.	Remarks
	<p>The measures recommended in this action programme are aimed at:</p> <ul style="list-style-type: none">- continuing aid for early retirement and short-time working, authorized under the 1981 social arrangements;- financing measures to maintain employment through reducing working time;- bringing in a new type of aid to facilitate the reintegration of former steelworkers in other areas of activity;- supporting local or regional efforts to improve the forward management of the labour market. <p>These measures supplement operations authorized under Article 56(2)(b) for traditional ECSC redeployment aid. The appropriations will be committed in successive instalments. The total estimate for the Community contribution is 330 million ECU for the four years involved.</p> <p>2. <u>Type of expenditure</u></p> <p>Aid consisting of partial refund of costs borne by the Member States. The actual aid procedures will be determined for each Member State according to the common criteria for granting aid drawn up for the whole Community.</p> <p>3. <u>Explanation</u></p> <p>The Commission considers that 330 million ECU will be needed to supplement the programme of social measures to support steel industry restructuring under the General Objectives for Steel. This estimate is based on the assumption of 150.000 job losses during the 1983-86 period. It is expected that approximately half this number will take early retirement or their jobs will be maintained as a result of reductions in working time, whilst the other half will have to seek employment in other sectors of the economy.</p> <p>The cost of the measures for early retirement or cuts in working time (including short-time working) is estimated at 195 million ECU, and for measures for reintegration in the labour market at 135 million ECU, giving a total of 330 million ECU.</p> <p>The above 330 million ECU is in addition to the measures already announced under the 1981 social arrangements.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
	CHAPTER 20 - TOTAL	250	150	228,4
	<u>CHAPTER 30 AID FOR RESEARCH</u>			
310	<u>STEEL RESEARCH</u>	28,5	23	22

REQUIREMENTS

Art.	Remarks
30	<p>The 110 million ECU to be allocated for 1984 will cover the action programmes to be submitted to the Commission during that year and the requests which will have been made in 1983.</p> <p>Percentage change 1983-84: + 120%.</p> <p>1. <u>References and description of operation</u> <u>Articles 50 and 55 of the ECSC Treaty</u></p> <p>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.</p> <p>2. <u>Type of expenditure</u></p> <p>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 (consultation of the ECSC Consultative Committee and the receipt of the Council's assent).</p> <p>In most cases, the aid granted amounts to 60% of the estimated and substantiated costs.</p> <p>3. <u>Explanation</u></p> <p>The 65 million ECU proposed in total aid for research is 20% up on the appropriations authorized in 1983. The grounds for the aid proposed for each of the research categories (steel, coal and social) are explained in the following paragraphs.</p>
310	<p>The General Objectives for Steel 1985 (1) describe the essential contribution that research and technological progress must make towards improving the competitiveness and ensuring the future development of the steel industry in the Community and also highlight the effects of the present financial situation on the industry's ability to sustain an adequate level of research and development.</p> <p>_____</p> <p>(1) COM(83)239.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
310	<u>STEEL RESEARCH</u> (cont'd)			

REQUIREMENTS

Art.	Remarks
	<p>It is clear that the European steel industry is undergoing a new period of development typified by slower economic growth, a change in consumer demand, intense competition for sales and changes in international trade flows. In order to adapt to this changing environment, it is becoming essential to increase competitiveness and, in order to achieve this, the development and marketing of improved technologies and products is of increasing importance. The framework programme 1984-87 for a European scientific and technical strategy drawn up by the Commission (1) stressed the need to promote industrial competitiveness by boosting research efforts and increasing the number of pilot and demonstration projects.</p> <p>The current research programme which the Commission is supporting continues to play a major and acknowledged role in meeting common requirements in the steel sector, in accordance with the medium-term orientation for the period 1981-85 (2).</p> <p>In order to continue incentives towards technological progress and to supplement these efforts, a new parallel programme of pilot and demonstration projects (3) has been implemented in order to meet the increasing need to boost and speed up the transfer of the results of laboratory research to the industrial and/or commercial stage.</p> <p>The two programmes share the following overall objectives:</p> <ul style="list-style-type: none">- reduction in production and operating costs- higher product quality- improvement of product performance and increase in the range of product applications. <p>In 1984, the two programmes will cover the following technical fields:</p> <ul style="list-style-type: none">- sintering and pelletizing,- use of coal and its by-products in the steel industry,- blast furnace and direct reduction technology, <p>(1) COM(82)865 final, December 1982. (2) OJ C 99, 2 May 1981. (3) OJ C 81, 24 March 1983.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
320	<u>COAL RESEARCH</u>	24,0	19,5	17

REQUIREMENTS

Art.	Remarks
320	<p>- oxygen and electric steelmaking, - casting and solidification, - processing and treatment of steel, - properties and utilization of steel.</p> <p>Percentage increase 1983-84: + 24%.</p> <p>The Commission has stressed on a number of occasions the importance of coal research as one of the ways of achieving the Community's energy goals and, in particular, reducing its dependence on oil. In its communication "The role for coal in Community energy strategy" (1) the Commission urged increased coal research and emphasized the active role which the Community should play as a promoter of R&D activities (production, beneficiation and mining safety) which the Community should play. Furthermore, the Community should attempt to maintain and, if possible, increase research aids to raise mine productivity and upgrade the products of the coal industry.</p> <p>The Commission considers that R&D on the production and beneficiation of coal should remain part of the present ECSC programme and be integrated in a coherent way into the Commission's framework programme (1984-87) (2). At their meeting in Copenhagen on 16 December 1982, Community energy ministers considered the role of solid fuels in a Community energy strategy from the point of view of promoting diversification of energy supply and the rational utilization of energy and stressed the importance of developing joint R&D programmes on the production, beneficiation and utilization of solid fuels.</p> <p>That is why, in the working programme on solid fuels (3) it sent to the Council, the Commission also laid emphasis on R&D in coal.</p> <p>_____ (1) OJ C 105, 26 April 1982. (2) COM(82)865 final, 21 December 1982. (3) COM(83)54 final.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
320	<u>COAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Art.	Remarks
	<p>The Medium-term Guidelines for Technical Coal Research (1981-85) (1), which are still fully relevant, set out priorities and the criteria for selecting projects.</p> <p>The increasingly high level of investment in mining techniques means that technologies and procedures designed to increase the utilization rate of machines remain the centre of gravity in all sectors. Modern techniques of managing workings are increasingly important and the use of microprocessors and sophisticated electronic techniques is spreading. The fight against mining accidents is still important in view of the increasing depth of workings.</p> <p>Mechanical coal preparation should enable the industry to maintain and improve the quality of its products, which will contain increasing quantities of water and fines as the result of mechanization.</p> <p>Research into new techniques of utilization and in particular conversion and combustion will enable coal increasingly to replace other fuels in industry.</p> <p>The coking of coal remains one of the main ways in which coal can be upgraded. The importance of research in this sector rests mainly on the fact that the cost and quality of blast furnace coke are factors of the first importance for the production of pig-iron and hence for the competitiveness of the steel industry.</p> <p>The coal research programme for 1984 will concentrate on the following fields:</p> <p><u>Mining engineering</u> Development work Ventilation, firedamp, mine climate Rock pressure and supports Coal-getting techniques Outbye operations underground Modern management techniques</p> <p>(1) OJ C 94, 17 April 1980.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
330	<u>SOCIAL RESEARCH</u>	12,5	11,5	11
	CHAPTER 30 - TOTAL	65	54	50

REQUIREMENTS

Art.	Remarks
330	<p><u>Utilization and beneficiation</u> Coal preparation Coking Combustion Beneficiation and new products</p> <p>Percentage change 1983-84: + 23%.</p> <p>The success of previous programmes justifies the continuation and development of the current programmes.</p> <p>The various sectors of the industries concerned, management and workers and the research institutes are all concerned to see the development of research projects aimed at improving working conditions.</p> <p>Clearly, the most important subjects must be identified and selected for coordination at Community level, with care being taken to avoid duplication of work being done at national level.</p> <p>For these reasons Community research is of benefit to all those concerned with health and safety at work. Since the ECSC social research programme is the only one at Community level concerned with health and safety at work, the various sectors covered by multiannual research programmes are:</p> <ul style="list-style-type: none">- the effect on workers' health of occupational hazards and physical conditions at their place of work- ergonomics- mine safety: the second programme was adopted by the Commission in July 1982- industrial health in coal mines (measures against dust and harmful gases in mines)- technical measures to combat pollution at the place of work and near to steel works- safety in the steel industry. <p>Percentage change 1983-84: + 9%.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
	<u>CHAPTER 40 AIDS IN THE FORM OF INTEREST SUBSIDIES</u>			
410	<u>INVESTMENTS</u>	12	9	7

REQUIREMENTS

Art.	Remarks
40	<p>1. <u>References and description of the operation</u></p> <p>Articles 54 (investment) and 56 (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission.</p> <p>The ECSC may use its own resources to provide interest relief on certain types of loan. The subsidy is calculated in ECU at a rate and for a term fixed by the Commission. It currently stands at 3% for five years.</p> <p>2. <u>Type of expenditure</u></p> <p>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.</p> <p>3. <u>Explanation</u></p> <p>ECSC loans with interest subsidies are the principal financial instrument for promoting priority investments to meet the requirements for the coal and steel industries and to create jobs for former ECSC workers.</p> <p>The grounds for the aids proposed for each category of loan (investment and conversion) are explained in the following paragraphs.</p>
410	<p>In the investment field, the aim of interest subsidies is to encourage certain types of investment in the ECSC industries. The Commission's current criteria for granting subsidies are as follows:</p> <ul style="list-style-type: none">- research and training centres, and the elimination of bottlenecks (OJ C 73, 18 June 1970);- stabilization of coal production: subsidies are limited to investment in shafts, underground workings and haulage and winding equipment (OJ C 79, 29 March 1980);- promoting the consumption of Community coal (OJ C 343, 31 December 1982).

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
420	<u>CONVERSION</u>	47	44	38,9

REQUIREMENTS

Art.	Remarks
420	<p>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.</p> <p>On the other hand, apart from certain cases where interest subsidies are already being given, it confirms that it is not planning to give this form of support for steel restructuring.</p> <p>Percentage change 1983-84: + 33%.</p> <p>Conversion loans with interest subsidies 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.</p> <p>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 improve and clarify the terms of global loans, which have proved a very effective instrument for creating new jobs in small and medium-sized undertakings.</p> <p>The maximum loan eligible for interest relief at the rate of 3% for 5 years - 5% for global loans - at the moment is 20.000 ECU per new job, equivalent to maximum non-repayable aid of 3.000 to 5.000 ECU per job. When recruiting, the recipients undertake to give priority to former ECSC workers.</p> <p>Apart from the continuing conversion requirements in the steel industry, there are additional requirements in 1984 resulting from redundancies in the coal industry, sometimes in the same areas, due to the restructuring programme.</p>

REQUIREMENTS

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
	CHAPTER 40 - TOTAL	59	53	45,9
500	<u>CHAPTER 50 AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY)</u>	-	6	6
	CHAPTER 50 - TOTAL	-	6	6
	REQUIREMENTS - TOTAL	379	268	335,3

REQUIREMENTS

Art.	Remarks
500	<p>It should also be noted that both the non-quota and quota sections of the European Regional Development Fund help to create jobs in regions hit by the steel crisis.</p> <p>Percentage change 1983-84: + 7%.</p> <p>The Commission has proposed that the aids to coking coal be transferred to the general budget (1). The Council is currently examining this proposal. The aim of this transfer would be to incorporate coking coal policy in the Community's general energy strategy.</p> <p><hr/><small>(1) COM(83)174 final, 5 April 1983.</small></p>

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 operations for Parliament and the Consultative Committee.

1. References and description of the operation

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 of expenditure

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

A tenth programme covering a five-year period (1984-88) should be introduced. An appropriation of 12 million ECU must therefore be entered for 1984, of which some 10 million ECU will come from the redemption of current loans.

3. Explanation

This scheme has the twin aim of:

- complementing Community policy in the coal and steel industries; and
- 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 1983 stood at 178.735.

The loans granted are broken down by country on page 27.

1. RESOURCES FOR THE FINANCIAL YEAR

RESOURCES

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
110	<u>CHAPTER 10 GENERAL RESOURCES</u> <u>LEVIES</u>	131 (1)	128	117,3

(1) Assuming that the current 0,31% rate is renewed.

RESOURCES

Art.	Remarks
110	<p>1. <u>References and description</u></p> <ul style="list-style-type: none">- Articles 49 and 50 of the ECSC Treaty- Decisions 2/52 and 3/52 of 23 December 1952. <p>The levies are calculated on the basis of a fixed scale per tonne which is decided each financial year by the Commission and published in the Official Journal.</p> <p>In its Decision of 11 April 1983 (1) the Commission brought forward the reference period used for calculating the average values for calculating the levy base. For 1984 this period will be the 1982 calendar year. The aim of this change is to harmonize the date for presenting the draft ECSC operating budget with that for the general budget of the European Communities.</p> <p>2. <u>Type of resource</u></p> <p>Levy resources are duly established entitlements in the form of levies payable on output in the 1984 financial year and calculated on the basis of the production declarations made by the undertakings.</p> <p>3. <u>Explanation</u></p> <p>The latest estimates of the average values which serve as the basis for calculating the levies suggest that the figures for the 1984 financial year, which relate to the reference period from 1 January to 31 December 1982, will be some 4% higher in the case of coal and roughly 5% lower for steel than the figures for 1983.</p> <p>It should be noted that there is an appreciable margin of uncertainty in these figures; this is because all the requisite data are not yet available, and forecasting production in present economic conditions is a very uncertain exercise.</p> <p>Levy rate: 0,31%.</p> <p>Percentage change 1983-84: + 2%.</p> <p>(1) OJ C 101, 14 April 1983, page 4.</p>

RESOURCES

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
120	<u>INTEREST ON INVESTMENTS AND LOANS AGAINST NON-BORROWED FUNDS</u>	70	80	75

RESOURCES

Art.	Remarks																											
	<p><u>Tonnage subject to the levy, and yield from a rate of levy of 0,01%.</u></p> <table border="1" data-bbox="271 593 1316 1243"> <thead> <tr> <th data-bbox="271 593 678 716">Product</th> <th data-bbox="678 593 997 716">Production forecasts on which the levy is calculated (million tonnes)</th> <th data-bbox="997 593 1316 716">Yield from levy rate of 0,01% (million ECU)</th> </tr> </thead> <tbody> <tr> <td data-bbox="271 716 678 828">Brown coal briquettes and semi-coke derived from brown coal</td> <td data-bbox="678 716 997 828">4,1</td> <td data-bbox="997 716 1316 828">0,02</td> </tr> <tr> <td data-bbox="271 828 678 873">Hard coal of all categories</td> <td data-bbox="678 828 997 873">191,6</td> <td data-bbox="997 828 1316 873"><u>1,40</u></td> </tr> <tr> <td data-bbox="271 873 678 929">Coal - total</td> <td></td> <td data-bbox="997 873 1316 929"><u>1,42</u></td> </tr> <tr> <td data-bbox="271 929 678 996">Pig iron other than that used for making ingots</td> <td data-bbox="678 929 997 996">3,2</td> <td data-bbox="997 929 1316 996">0,03</td> </tr> <tr> <td data-bbox="271 996 678 1041">Steel in ingots</td> <td data-bbox="678 996 997 1041">106,0 (1)</td> <td data-bbox="997 996 1316 1041">2,06</td> </tr> <tr> <td data-bbox="271 1041 678 1086">Finished products</td> <td data-bbox="678 1041 997 1086">81,3</td> <td data-bbox="997 1041 1316 1086"><u>0,73</u></td> </tr> <tr> <td data-bbox="271 1086 678 1142">Steel - total</td> <td></td> <td data-bbox="997 1086 1316 1142"><u>2,82</u></td> </tr> <tr> <td data-bbox="271 1142 678 1243">GRAND TOTAL</td> <td></td> <td data-bbox="997 1142 1316 1243"><u>4,24</u> =====</td> </tr> </tbody> </table>	Product	Production forecasts on which the levy is calculated (million tonnes)	Yield from levy rate of 0,01% (million ECU)	Brown coal briquettes and semi-coke derived from brown coal	4,1	0,02	Hard coal of all categories	191,6	<u>1,40</u>	Coal - total		<u>1,42</u>	Pig iron other than that used for making ingots	3,2	0,03	Steel in ingots	106,0 (1)	2,06	Finished products	81,3	<u>0,73</u>	Steel - total		<u>2,82</u>	GRAND TOTAL		<u>4,24</u> =====
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120	<p>1. <u>References and description</u></p> <p>Under its Decision of 30 April 1975, the Commission enters in the budget the interest available from the previous financial year.</p> <p>2. <u>Type of resource</u></p> <p>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 1983.</p> <p>3. <u>Explanation</u></p> <p>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 1983.</p> <p>Percentage change 1983-84: - 12%.</p> <p>(1) Cautious estimate in view of the uncertainty currently surrounding the steel industry.</p>																											

RESOURCES

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
130	<u>FINES AND SURCHARGES FOR LATE PAYMENT</u>	5	5	-
	CHAPTER 10 - TOTAL	206	213	192,3
	<u>CHAPTER 20 CANCELLATIONS OF COMMITMENTS WHICH WILL PROBABLY NOT BE IMPLEMENTED</u>	3	5	2,4

RESOURCES

Art.	Remarks
130	<p>1. <u>References and description</u></p> <p>Articles 47, 58 and 60 of the ECSC Treaty (mainly). The Commission may impose fines on undertakings contravening the current price and quota systems.</p> <p>2. <u>Type of resource</u></p> <p>From an accounting point of view, revenue from the fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded to a certain extent as deferred resources, in view of the appeals made to the Court of Justice.</p> <p>3. <u>Explanation</u></p> <p>It is very difficult to forecast the amount which will be collected in 1984, especially since the legal proceedings in disputed cases are likely to go on for one or two years. It is proposed that only those cases where recovery is in progress should be taken into consideration. On the basis of the information currently available, it is proposed that 5 million ECU be entered under this heading.</p> <p>Percentage change 1983-84: 0%.</p>
200	<p>1. <u>References and description</u></p> <p>Provisions based on Commission aid decisions must be given tangible form within a reasonable period of time by the contracting of legal commitments.</p> <p>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</p> <p>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.</p> <p>The amounts thus released become available again as resources for the current financial year.</p>

RESOURCES

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
	CHAPTER 20 - TOTAL	3	5	2,4
	<u>CHAPTER 30 REVALUATION OF ASSETS AND LIABILITIES</u>	p.m.	p.m.	- 1,8
	CHAPTER 30 - TOTAL	p.m.	p.m.	- 1,8
	<u>CHAPTER 40 UNUSED RESOURCES FROM THE FINANCIAL YEAR 1983</u>	p.m.	p.m.	63,4
	CHAPTER 40 - TOTAL	p.m.	p.m.	63,4
	<u>CHAPTER 50 EXCEPTIONAL REVENUE</u>			
510	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u>	110	50	50

RESOURCES

Art.	Remarks
	<p data-bbox="304 501 576 533">2. <u>Type of resource</u></p> <p data-bbox="304 555 1326 703">Save in the exceptional cases where decisions constituting provisions are not followed up within a reasonable period of time by legal commitments, any cancellation of provisions normally indicates complete discharge of the contract, agreed with the other contracting party.</p> <p data-bbox="304 739 1315 927">The estimate of 3 million ECU shown in this chapter relates, in essence, to cancellations of allocations for conversion and 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.).</p> <p data-bbox="304 976 507 1008">3. <u>Explanation</u></p> <p data-bbox="304 1030 1286 1137">It is difficult to estimate the rate of cancellation as it depends on several factors such as negotiations with the governments concerned. The estimated figure of 3 million ECU for 1984 is based on an average rate.</p> <p data-bbox="304 1173 756 1205">Percentage change 1983-84: - 40%.</p>
300	<p data-bbox="304 1254 1310 1321">This chapter, carrying a token entry, is to record the net effect of changes in exchange rates during the financial year.</p>
400	<p data-bbox="304 1456 1310 1523">This chapter, carrying a token entry, records any balance remaining from the previous financial year as resources for the current financial year.</p>
510	<p data-bbox="304 1720 703 1751">1. <u>References and description</u></p> <ul data-bbox="304 1774 1262 1881" style="list-style-type: none">- Conclusions of the 717th Council meeting of 24 June 1981,- Article 235 of the EEC Treaty,- Commission proposal to the Council of 13 April 1983 (COM(83)158 final).

RESOURCES

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
520	<u>CONTRIBUTION FROM THE GENERAL BUDGET IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY</u>	60	-	-
	CHAPTER 50 - TOTAL	170	50	50

RESOURCES

Art.	Remarks
520	<p>2. <u>Type of resource</u></p> <p>This chapter records the additional resources intended solely for financing social measures in connection with the restructuring of the steel industry (article B.2.2). The Commission proposes that this temporary measure should be continued by means of a transfer from the general budget to the ECSC budget on the basis of a decision to be taken pursuant to Article 235 EEC.</p> <p>3. <u>Explanation</u></p> <p>In its preliminary draft budget for 1984 the Commission has proposed a transfer of 110 million ECU. Percentage change 1983-84: + 120%.</p> <p>1. <u>References and description</u></p> <p>- Article 235 of the EEC Treaty, - Commission proposal to the Council of (COM(83) final).</p> <p>2. <u>Type of resource</u></p> <p>Transfer to the ECSC of the appropriation entered in Item 7027 of the general budget.</p> <p>3. <u>Explanation</u></p> <p>The increased requirements resulting from coal restructuring measures in 1984 and covering the whole range of ECSC aid (redeployment, interest subsidies for conversion and modernization, technical research) rule out the possibility of balancing the budget at the current levy rate which, because of the critical situation of the coal and steel industries, cannot be increased above the current 0,31%. Provision therefore has to be made for a temporary subsidy from the general budget.</p> <p>Percentage change 1983-84: <u>new operation</u>.</p>

RESOURCES

Art.	Heading	1984 Approps proposed	1983 Approps authorized	Outturn 1982
600	<u>CHAPTER 60 CONTINGENCY RESERVE</u>	p.m.	p.m.	29
	CHAPTER 60 - TOTAL	p.m.	p.m.	29
	TOTAL RESOURCES	379	268	355,3

RESOURCES

Art.	Remarks
600	This chapter has been given a token entry so that an appropriate amount may be entered if necessary to cover any deficit arising in 1984. The amount available for the contingency reserve will be fixed when the Commission adopts the balance sheet at 31 December 1983.

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 repayments of loans already made and fresh appropriations allocated to the special reserve.

The decision on the allocation to the special reserve of the additional resources required will be taken when the Commission adopts the balance sheet at 31 December 1983.

3. SUMMARY OF RESOURCES AVAILABLE FOR 1984

The estimates of traditional resources other than levies amount to 78 million ECU (interest available: 70 million ECU; fines: 5 million ECU; cancellations: 3 million ECU). As the yield from a levy rate of 0,01% has been estimated at 4,24 million ECU, the yield obtained from levies can be estimated at 131 million ECU, assuming that the current rate of 0,31% is maintained. The total ordinary resources available for 1984, assuming that the levy rate remains unchanged, is thus estimated at 209 million ECU.

DRAFT ECSC OPERATING BUDGET FOR 1984

(million ECU)

REQUIREMENTS	PROPOSALS	RESOURCES	PROPOSALS
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		RESOURCES FOR THE FINANCIAL YEAR	
1. Administrative expenditure	5	1. Current resources	131
2. Social expenditure	250	1.1 Yield from levy at 0.31%	
2.1 Aid for redeployment (Art. 56)	140	1.2 Interest on investments and on loans from non-borrowed funds	70
2.2 Social measures connected with restructuring of steel industry	110	1.3 Fines and surcharges for late payment	5
3. Aid for research (Art. 55)	65	1.4 Miscellaneous	p.m.
3.1 Steel	28,5	2. Cancellation of commitments unlikely to be implemented	3
3.2 Coal	24,0	3. Revaluation of assets and liabilities	p.m.
3.3 Social	12,5	4. Unused resources carried over from 1983	p.m.
4. Interest subsidies	59	5. Exceptional revenue	
4.1 Investment (Art. 54)	12	5.1 Social measures connected with restructuring of steel industry	110
4.2 Conversion (Art. 56)	47	5.2 Contribution from general budget for restructuring of coal industry	60
	379		379
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS		ORIGIN OF NON-BORROWED FUNDS	
5. Subsidized housing	12	6. Special reserve and former ECSC Pension Fund	12