

# COMMISSION OF THE EUROPEAN COMMUNITIES

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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 1986

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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 1986

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 1986.

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 1986 are described in Chapter II.

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

In its replies to the Court of Auditors' Report on the accounting and financial management of the ECSC in 1983 the Commission stated that it intended to examine the ECSC's current financial policy. The results of this examination are set out in Chapter 1.C of the aide-mémoire.

The aide-mémoire takes account of the foreseeable effects of the enlargement of the European Communities on 1 January 1986 with the accession of Spain and Portugal.

I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1986 in its economic, policy and budgetary context.

A. ECONOMIC CONTEXT

1. The economic outlook for 1985 and 1986

The revival of economic activity found a firmer base in most Member States in 1984. However, average real growth of gross domestic product in the Community countries remained low (2.1%), reflecting the restrictive effects on domestic demand of adjustment policies in several Member States and the possible effect of wage disputes, in particular in the United Kingdom. Although it stopped the fall in employment, this expansion was not sufficient to absorb the increase in the labour force, and unemployment averaged over 10.9% for the year as a whole. However, substantial progress was made in reducing the average rate of consumer price inflation (6.3%) despite the adverse consequences for import prices of the sharp appreciation of the US dollar.

There is unlikely to be any substantial change in economic patterns this year. Recent estimates indicate that the real increase in Community GDP could rise slightly to around 2.3%; however, behind this Community average lie a marked rise in the United Kingdom (3.5% in 1985 as against 1.6% in 1984) following the end of the miners' strike and the slight but distinct drop expected in all other Member States apart from Italy and the Netherlands. In the Community as a whole domestic demand, stocks excluded, should contribute more to growth than in the previous year. Private consumption should benefit from a slight increase

in real disposable incomes since the rate of inflation should fall faster than the change in average wages. Investment in capital goods should continue to pick up, reflecting a general improvement in the financial situation of the private sector and an easing in interest rates. However, building investment might once again drop because of the adverse effects the adjustment policies are having on public investment and the combined influence which slack demand and the delays caused by the exceptionally severe winter are having on housing investment.

The drop in activity forecast for the American economy and the repercussions this will have on import demand will considerably reduce the growth in world trade. According to estimates, the volume of world trade outside the Community increased 10% last year but will rise by only 5.5% in 1985. Nevertheless, the increase in demand on the Community's traditional markets and the continuingly favourable competitive position of exporters should keep the fall in Community exports relatively limited. However, the increase in imports should drop even more as a delayed reaction to the increase in the relative price of imports and a decline in stock-building. These changes in volume should be more than sufficient to make up for a slight deterioration in the Community's terms of trade and contribute to a greater improvement in the Community's current balance of payments with a surplus of around USD 10 000 million, corresponding to 0.4% of GDP for the full year.

The progress made in reducing inflation should continue since the continuing slowdown in the increase in unit labour costs will be backed by a certain easing of the inflationary pressure of import prices because of the assumed fall in the value of the dollar. The average rate of inflation for consumer prices in the Community is therefore expected to fall by around one percentage point to 5.4%.

Although the increase in production in 1985 is still modest by past standards (Community GDP grew by an average 2.9% during the period 1971-1980), it should be higher than the increase in labour productivity, giving rise to the hope of a slight increase in total employment in the Community. However, the improvement in the general employment situation will not be sufficient to absorb the fresh increase in the labour force, and unemployment in the Community is expected to reach an average of 11.2% of the civilian labour force in 1985.

According to the initial figures available, the Community economy should continue to grow in 1986 at the current rate of 2.25%, but a gradual change is expected in the factors underlying this growth. Domestic demand could benefit from the weakening of the deflationary effects of the adjustment policies and the continuing fall in inflation. In particular, private consumption should increase while fixed capital formation could be encouraged by a slight recovery in building activity. However, this expansion in domestic demand will be offset by a somewhat lower increase in exports reflecting the expected erosion of the competitive position of Community exports as a result of exchange rate fluctuations.

The expected change in the components of demand should not lead to any further drop in imports. However, the balance of goods and services in terms of volume should make a modest contribution to GDP growth and, together with a slight improvement in the terms of trade, should produce a further increase in the Community's trade surplus. Despite the risk of a slight deterioration in the invisible trade balance, the Community's current surplus is expected to reach USD 19 000 million, corresponding to 0.7% of GDP.

There is every chance of the current downward trend in inflation continuing in 1986. Exchange rate movements are likely to increase import prices, expressed in foreign currencies, at a considerably lower rate than in 1985. Wage settlements should not stop the continuing decline in the rate of inflation. Average consumer price inflation in the Community could thus fall below 5% for the first time since the first oil shock.

However, little progress is expected in reducing the Community's unemployment rate. Although the economic growth should produce a net increase in employment, this will merely absorb the rise in the labour force. With the effects of current policies on the labour market, unemployment in the Community as a whole should stabilize at much the same level as this year's average, but a drop is expected in some Member States.

	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (Percentage change over previous year)		
	1983	1984	1985 <sup>1</sup>
Belgium	0.4	2.0	1.6
Denmark	2.0	3.9	2.9
Germany	0.9	2.6	2.5
Greece	0.3	2.6	1.9
France	1.0	1.4	1.1
Ireland	0.6	3.6	2.9
Italy	1.2	2.6	2.6
Luxembourg	2.2	2.4	1.2
Netherlands	0.6	1.9	2.0
United Kingdom	3.3	1.6	3.5
EEC	1.0	2.1	2.3

<sup>1</sup>Commission staff forecasts (June 1985).

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



## 2. Outlook for the coal industry

In 1984, while energy demand grew by 4% with the economic recovery, the proportion of the Community's gross domestic energy consumption accounted for by solid fuels was reduced to 21.8%, as against 24% between 1981 and 1983.

This drop was due to the 11% decline in domestic coal consumption from 293 million tonnes in 1983 to 262 million tonnes in 1984. With total Community production falling by 31%, mainly as a result of the British miners' strike, drawings on stocks by producers and major consumers in the Community and the record level of imports from outside the Community failed to make up the difference.

Outside the United Kingdom, deliveries increased by 5% to meet demand from the steel industry and power stations.

In 1985 Community production will be another 15% lower than in 1983 (229 million tonnes).

Demand will be down by only 3%.

These estimates are still very uncertain.

For demand in general, the main factors of uncertainty are the output of nuclear power stations, unpredictable weather and the competition of natural gas for various types of use.

### 3. Outlook for the steel industry

The revival of consumption in autumn 1983 continued in 1984 and the first half of 1985. Crude steel production in 1984 totalled 120.3 million tonnes, an increase of 10.8 million tonnes over 1983 and 6.3 million tonnes higher than originally forecast.

This improvement was due to the higher level of exports attributable to the continuing recovery in the United States. The capacity utilization rate improved, reaching 67.1%, as against 57% in 1983, the best rate since 1979.

The current estimates for 1985 point to a production figure of around 118 million tonnes, on the assumption that consumption will slow down slightly during the year and that the level of stocks will remain the same.

Medium-term prospects will be determined by macroeconomic factors. Growth, which has been virtually nil in recent years, picked up last year and could be as high as 2.3% in 1986. This is recognized as the minimum required to offset downward pressures on specific steel consumption and stabilize the market. The high level of investment in 1984 should drop in 1985 and no improvement is expected for 1986. In view of these trends, the prospects for an increase in steel consumption in 1986 are not encouraging.

Steel production forecasts for 1986 point to a maximum of 120 million tonnes; in view of the factors set out in the first part of the introduction, it would be best to take 118 million tonnes as a production forecast, as in 1985. Forecast production of 13.6 million tonnes in Spain and Portugal should be added to this figure to give a total of 131.6 million ECU for the twelve-nation Community.

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 makes proposals for new measures and presents general objectives or guidelines bearing on the future development of the ECSC industries. Coal is one of the areas covered by general papers produced by the Commission on the subject of Community energy policy. These 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 ECSC Financial Report - it publishes facts and figures on the recent and foreseeable trend of investments and what the Community is doing to finance them.

The remarks which follow are not intended to take the place of the data in those reports. They concentrate rather on certain key points or recent developments which the Commission wants to highlight in establishing its draft of the ECSC's operating budget for 1986. The industries themselves, the ECSC's social policy and the Community's financial operations are dealt with in turn.

## 1. Coal policy guidelines

The Commission's coal policy proposals relate to several main themes: measures to promote consumption, research and the improvement of the production structure. Last year the Council also agreed to extend to the end of 1986 a Community aid scheme for coking coal and coke for the iron and steel industry in the Community.<sup>1</sup>

Policy on consumption is founded on a political undertaking by the Council to promote the use of solid fuels in industry, public buildings and district heating systems. In May 1983 the Council adopted two recommendations to Member States along these lines.<sup>2</sup>

The Commission is also continuing its incentive measures for investment in the use of solid fuels by granting interest subsidies on industrial loans from the ECSC budget under the second paragraph of Article 54 of the ECSC Treaty (20.1 million ECU in 1984).

In research, development and demonstration (R&D + D) the Commission has constantly emphasized the need for active support. It has adopted medium-term guidelines for coal research in order to coordinate and harmonize research activities, concentrate efforts in those areas most likely to lead to practical results and facilitate the choice of projects and the selection of the most important which the Commission will finance from Article 55 of the ECSC budget. The aim of this research is to make the coal industry more competitive.

The third non-nuclear energy R&D programme contains a subprogramme on the use of solid fuels in industry. This is the first time that solid fuels have been included in a R&D programme financed from the Community budget.

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<sup>1</sup> OJ L 80, 24.3.1984, p. 14.

<sup>2</sup> OJ L 140, 31.5.1983, p. 25.

Solid fuels continue to be an important aspect of the EEC's demonstration projects in the field of energy. Both the liquefaction and gasification of solid fuels and new methods for utilizing solid fuels are given support. As the current regulations expire at the end of 1985, the Commission has presented the Council with proposals for extending these measures to 1990.<sup>1</sup> Coal use programmes are financed from the general budget while the research programmes financed by the ECSC budget relate to production techniques.

As regards production, the Commission based its proposals on two major principles: the need to promote the development of a more effective and more competitive Community solid fuels industry and Community responsibility for some of the social consequences of change in the solid fuel industries.

However, as regards the first point, the Council has so far been unable to reach agreement on the Commission's proposal to aid investment in solid-fuel-producing industries, including coal mines.

Finally, the Commission is now looking at the basic problem of coal's potential role in the general context of energy policy, realizing that the maintenance of substantial production aid is inevitable but that the level of aid granted must be consistent with the general economic interest of the Community. In the near future it will be putting to the Council a proposal for a decision based on the first paragraph of Article 95 of the ECSC Treaty which will replace the current Community aid scheme when it expires on 31 December 1985.

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<sup>1</sup>COM(85) 29 final/1 of 25 February 1985.

## 2. Steel policy guidelines

The worst of the steel recession is nearly over. After five years of anti-crisis action, involving the introduction of compulsory production quotas from October 1980 and the adoption of a public-aids code in June 1981, things are looking up but, for a gradual return to a liberalized and fully competitive market, a transitional period of up to three years (1986-88) will undoubtedly be necessary.

At the end of 1985 the Community will have fulfilled the policy compact concluded at Elsinore in November 1982 between the Industry Ministers of the Ten and the European Commission, calling for production capacity (hot-rolled equivalent) to be cut back by 30-35 million tonnes from the 1980 level.

At 31 December 1985 the total cutback in Community steel capacity will work out at some 32 million tonnes, the process involving very heavy job losses of nearly 200 000.

Thanks to this restructuring, the European steel industry should return to viability starting in 1986. The Commission's 1990 General Objectives for steel<sup>1</sup> predict, however, that

- (i) the steel market will steady to some extent from 1986;
- (ii) at best there will still be some 20-25 million tonnes overcapacity.

The normal break-even point for a heavy industry like steel is to have capacity running at about 80%; in early 1986 the figure is expected to be only 70% at best.

Moreover, the world steel outlook remains problematic: there is substantial overcapacity world-wide, and stabilization is still some years away.

The restructuring of the European steel industry after 1985 will have

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<sup>1</sup>COM(85)208 final of 31 May 1985.

social and economic side-effects which the Community must take in hand now.

The Community already has substantial funds set aside for the social and economic rehabilitation of the ECSC employment areas. In 1981-84 something like 6 700 million ECU were mobilized, including 2 200 million in 1984 alone, in the steel areas, to help preserve jobs or create them to offset the contraction in steel.

The Community has two deadlines coming up at the end of the year:

- (i) the expiry of the aids code;
- (ii) the expiry of the Decision on market controls.

This being so, it is determined to get the market back quickly to normal competitive operation as envisaged in the ECSC Treaty, and will pursue the following objectives:

- (i) to maintain the steelmakers' confidence in the behaviour of the market;
- (ii) to encourage the industry to press ahead with restructuring in order to achieve a balance between supply and demand;
- (iii) to channel more from its structural facilities to help create jobs in the steel areas, especially those hardest hit.

The Commission is considering the following measures to this end:

#### New market arrangements

In 1986 the liberalizing of the steel market will get under way. However, with overcapacity persisting it will be necessary to retain some market controls, to be phased out by the end of 1988.

The Commission is accordingly thinking in terms of a transitional period to bring the state of manifest crisis to an end. The period will be divided into two stages.

In the first, lasting 18-24 months, market controls will be substantially eased, with progressive liberalization of the various quota product categories and more flexible management of the remaining quota products, and suspension of the minimum prices imposed in December 1983, though

there will still be control of market prices; in the second stage only a minimum of controls will remain in the run-up to the recommencement of normal market operation.

This future market set-up will include a number of incentives to restructuring:

- (i) in the case of the liberalized categories market forces will have free rein;
- (ii) in the case of the remaining quota categories undertakings deciding on further cutbacks will be entitled to additional quotas under procedures to be agreed.

#### Strict discipline on aid

Also to enable the market to operate unimpeded, all aid for covering undertakings, operating losses or priming their investment, regional or otherwise, will be prohibited from 1 January 1986. The Commission may, however, authorize aid for research and development and for environmental protection.

It may also, subject to very stringent conditions and for a limited period, authorize aid to encourage undertakings to close more plants, this aid to help cover social costs (e.g. departure bonuses, early-retirement payments) and compensation not exceeding the value of the plant concerned.

#### External constraints

The external anti-crisis measures were designed to complement 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. For 1985 arrangements have been made with 15 supplier countries providing for slight increases in maximum deliveries to the Community in the light of domestic consumption levels.

The policy to be followed in 1986 will depend on the decisions to be taken in the second half of 1985, particularly as regards the internal measures.

As far as Community exports are concerned, relations with the United States have been marked by further difficulties, which could lead to tighter restrictions on our exports there in future.



### 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.<sup>1</sup>

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 Annex D to this aide-mémoire.

Whereas these aids enable the Commission to help improve the working and living conditions of workers employed in ECSC industries, 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

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<sup>1</sup>For the sake of completeness it should be noted that under the general budget of the Communities the European Regional Development Fund has been financing an operation from its non-quota section since 1981 to promote the regional development of certain areas affected by the restructuring of the steel industry (Reg. No 2616/80, OJ L 271, 15.10.1980, and Reg. No 216/84, OJ L 27, 31.1.1984).

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, contributions to early retirement pensions 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 1984 the Community steel industry, not counting Greece, lost more than 41% of its labour force as 328 000 workers were made redundant. The numbers of jobs lost in 1981, 1982, 1983 and 1984 were 49 000, 35 000, 33 000 and 30 200 respectively.

Between 1975 and 1984, 154 235 jobs have been lost in the coal industry, which represents 26% of the labour force in 1975.

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. At the end of 1984, total unemployment in the ten Member States stood at 13 145 600, as against 6 200 000 in 1978.

Although 1985 and 1986 are 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.<sup>1</sup> 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 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

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<sup>1</sup> A decision taken by the Commission on 6 April 1984 authorizes interest subsidies on conversion loans to be combined with national aids and the social clause (loans with interest subsidies must relate to the creation of new jobs likely to be filled by former coal and steelworkers) to be calculated on a flat-rate basis in the priority area of ECSC employment.

immediately after dismissal. They assist the new employee to allow a redeployed worker a period of adaptation and help the worker acquire new skills and, if necessary, move house. If the worker cannot find a new job, he may receive income support after 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 extending to the end of 1982. In June 1981 the Council approved Community financial aid for early retirement and short-time working. Since these were exceptional measures which the ECSC was unable to cover from its ordinary resources, this 212 million ECU programme was financed from national budgets and transfers from the Community's general budget to the ECSC budget.

In April 1983, in an attempt to cope with the heavy job losses, the Commission adopted a "social support scheme for restructuring in the steel areas of the Community",<sup>1</sup> which includes not only the initial 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. In October 1984 the Council authorized the transfer of the first instalment of 62.5 million ECU under the social measures for 1983-86; the new measure was to part-finance redeployment premiums allowing steelworkers to obtain jobs outside the steel industry. The Commission has proposed to the Council that 330 million ECU should be transferred from the EEC budget to the ECSC budget for these measures.<sup>1</sup>

The Commission means to respond to the prospect of falling employment in consequence of continuing restructuring by using its structural instruments to do more to promote job creation in the steel areas in the four years ahead.

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<sup>1</sup> COM(83) 158 final of 13 April 1983.

In the autumn of 1985 new machinery will be set up at the instigation of the Commission to tackle the worst problems in some hard-hit areas.

Through coordinated operations using the structural instruments - aid and lending - together it will be possible to deploy them promptly and straightforwardly, with the focus on certain new departures directly related to employment - easier access for small and medium-sized undertakings to risk capital and credit, encouragement to set up new business and innovation centres, assistance for local subcontracting, grants to help develop small business projects, local employment initiatives.

In the other areas of ECSC employment, Community schemes will be continued but redirected towards employment: the new measures, though rating lower priority than in the worst-affected areas, will apply there too.

The funding for this Community activity in the steel areas will be stepped up as follows:

- (i) lending to these areas will be substantially increased to 800 million ECU over four years in redevelopment loans; ECSC industrial loans (environment, energy-saving, sale of steel) will also be increased for these areas;
- (ii) additional budget funds will also be made available to the steel areas by reappportionment of the funds in hand for the various structural instruments under the existing regulations; this will yield some 70 million ECU a year to boost interest subsidies on redevelopment and NCI loans (50 million ECU from the ERDF) and on ECSC industrial loans (a maximum of 20 million ECU to be charged to future operating budgets within the limit of the resources available).

These new moves will bring Community outlay on tackling the social and economic effects of the restructuring of the steel industry to around 10 000 million ECU for the years 1985-88 inclusive.

The decline in coalmining 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 heavy job losses.

The Commission has therefore proposed temporary exceptional contributions<sup>1</sup> to the ECSC from the general budget. In 1984 the Council authorized the first instalment of 60 million ECU from the 180 million ECU in the three-year programme (1984-86) presented by the Commission.

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<sup>1</sup>COM(83) 583 final of 6 October 1983.

#### 4. Financial activities

ECSC Financial Report No 30, outlining the Community's borrowing and lending operations and financial aid in 1984 will be published shortly.

Borrowings contracted in 1984 totalled 822.5 million ECU, compared with 749.6 million ECU in 1983 and 712.0 million ECU in 1982.

Industrial loans<sup>1</sup> amounted to 541.3 million ECU in 1984 compared with 618.4 million ECU in 1983 and 559.7 million ECU in 1982, conversion loans<sup>2</sup> to 247.5 million ECU, compared with 139.5 million ECU and 162.8 million ECU, and subsidized housing loans<sup>3</sup> to 36.7 million ECU, compared with 20.2 million ECU and 18.0 million ECU (see the tables below).

Total borrowing and lending since the inception of the ECSC is thus brought to 12 942.0 million ECU and 12 815.4 million ECU respectively (including 291.9 million ECU in loans from own funds). The outstanding balance of loans raised at 31 December 1984 was 7 073.7 million ECU.

In 1985 loans raised at 30 June amounted to 442.1 million ECU and loans paid out were at a corresponding level.

The prospects for borrowing and lending activities in 1986 depend on such factors as the implementation of the restructuring programmes planned by the companies and approved by the Community and the grant of aids for interest subsidies for conversion, the increased use of Community coal (criteria of 31 December 1982) and, possibly, other categories of investment to which the Commission considers that priority should be given.

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<sup>1</sup> Article 54 ECSC.

<sup>2</sup> Article 56 ECSC.

<sup>3</sup> Loans under Article 54 ECSC paid from ECSC special reserve funds and part of the former ECSC pension fund.

The coal industry, after investing some 1 800 million ECU in 1983, will invest between 1 500 million ECU and 2 000 million ECU in 1985 and 1986.

The problems caused by the crisis and restructuring beyond the objectives set in the aids code make it particularly difficult to estimate steel industry investment but it seems that expenditure in 1986 may well be around the 3 000 million ECU invested in 1983.

If the active policies envisaged above can be implemented, borrowing by the ECSC could amount to about 1 000 million ECU in 1986 if market conditions allow.



ECSC - BORROWING AND LENDING OPERATIONS

AMOUNTS RECEIVABLE

HEADING	Million ECU		
	Forecast 1986	Forecast 1985	Outturn 1984
1.0 Loans raised	1 000	1 100	822.5
1.1 Redemption of loans granted	1 000	740	786.0
1.2 Interest payments to the ECSC	730	700	653.3
1.3 Repayment of costs involved in borrowing and lending operations	15	15	10.3

AMOUNTS PAYABLE

HEADING	Million ECU		
	Forecast 1986	Forecast 1985	Outturn 1984
2.0 Loans granted	1 000	1 100	825.5
2.1 Redemption of loans raised	990	700	817.4
2.2 Interest payments	725	690	625.3
2.3 Payment of costs involved in borrowing and lending operations	30	30	25.8

LOANS FOR WORKERS' HOUSING

million ECU

Community	Total loans paid at 31 December 1983	New loans in 1984 <sup>1</sup>	Situation at 31 December 1984	
			Total loans paid	Amount outstanding
Belgium	37.7	1.0	38.7	8.1
Denmark	1.6	0.1	1.7	0.9
FR of Germany	172.3	10.2	182.5	91.6
Greece	0.6	0.1	0.7	0.6
France	42.0	3.9	45.9	24.6
Ireland	0.8	0.1	0.9	0.7
Italy	48.1	18.7	66.8	54.3
Luxembourg	6.6	0.2	6.8	2.5
Netherlands	16.4	0.7	17.1	6.7
United Kingdom	17.7	1.7	19.4	11.4
TOTAL	343.8	36.7	380.5	201.4

<sup>1</sup>After allowing for new rates for the conversion of national currencies into ECU.

C. BUDGETARY CONTEXT

1. The ECSC budget: examination of the comments made by the Court of Auditors in its report on the accounting and financial management of the ECSC in 1983

Since 1981 the exceptional social measures implemented by the ECSC in connection with the restructuring of the coal and steel industries have been financed by resources transferred from the general budget.

In its report the Court of Auditors concluded that the accumulation of large cash holdings as a result of the Commission's current financial policy was not the best way to manage Community funds. The Court recommended that, before considering any future transfer of appropriations from the general budget to the ECSC, there should be a detailed examination of whether such measures were necessary. It set out four subjects which should be examined with this in mind.

In its replies contained in an annex to the Court's report, the Commission set out its initial reactions to the Court's questions. It has now made a detailed study of the changes which could be made to the ECSC's present financial management and balance-sheet accounting policy in the areas referred to in the Court's comments. Its conclusions are summed up below.

(a) Establishment of guidelines to determine the amount necessary for the guarantee fund in accordance with banking criteria

The ECSC reserves, in particular the guarantee fund, are an essential basis for the borrowing and lending operations by which it supports investment in the coal and steel industries. The correct level of reserves evidently depends on such factors as the assessment of capital markets on which the ECSC currently has a triple A rating and the Commission does not consider that the current reserves are

by any means excessive when viewed from this angle. It could also point out that the only free item among the reserves and provisions is the guarantee fund, which amounted to 380.0 million ECU at 31 December 1984 for 7 161.9 million ECU in loans outstanding. The establishment of precise criteria to determine the ideal level of the guarantee fund at any one time would be an extremely uncertain exercise.

However, the Commission has decided to ask an independent body to conduct an inquiry into the establishment, use and level of the ECSC reserves. It will inform Parliament and the Court of any change in its balance-sheet accounting policy which may result.

(b) Commitment of appropriations only on the basis of a legal commitment

The Commission intends to adopt this practice from the beginning of the 1986 financial year. Beginning with the balance sheet at 31 December 1986 the provision for budgetary commitments to be implemented will therefore be deleted.

(c) More detailed and more realistic analysis of outstanding commitments to ensure that commitments which are not going to be carried out are cancelled without delay

There is already a regular review of outstanding commitments so that any commitment which is not going to be implemented can be cancelled. In the current financial year 55 million ECU has already been cancelled and reallocated, 45 million ECU of it for redeployment and 10 million ECU for interest subsidies under Article 56 (see Annex B).

(d) Introduction of a system to make annual revenue coincide with annual expenditure and not revenue with commitments

In its replies to the Court's report, the Commission has already stated that management of the ECSC's financial aids cannot be based on a "cash budget". It maintains this position, putting forward the following arguments:

- General abandonment of the traditional policy whereby the commitments for budget aids entered on the liabilities side of the balance sheet are virtually balanced on the assets side by revenue already collected would seriously affect the Community's financial standing, which provides fundamental support for borrowing and lending operations totalling three times the ordinary budget. Uncovered obligations would thus have to be set against future resources, in particular the future outturn from a levy which is generally considered to be inflexible and which, in certain circumstances, might have to be used, under Article 50 ECSC, for debt servicing.
- The loss of the interest received under the present arrangements on provisions relating to the budget (70 million ECU was entered in the budget in 1985) would lead to the disappearance of the aids now granted in the form of interest subsidies on investment in the conversion of coal and steel areas since, from the legal point of view, these aids cannot be financed from levies.
- The ECSC has a limited lifespan of fifty years, over thirty of which have already passed. A system of finance which systematically encumbers future years is not compatible with this fact.
- The "cash budget" system means that each year's budget is largely pre-determined by the need to implement multiannual commitments

entered into in the past. This problem of the "cost of the past" is recognized as a major handicap for the general budget. However, it does not arise for the ECSC because of the ECSC budget approach. Introducing this concept would cause management difficulties, in particular the risk of a seesaw effect on the levy rate, which would then be largely determined by the schedule of payments against past commitments.

In conclusion the Commission would be against any basic change in the ECSC's financial policy as regards the financing of ordinary aids from ordinary resources.

However, these arguments do not have the same force as regards the exceptional aids financed from the general budget since 1981. These are measures of limited duration which are financed separately. Here the Commission could accept the introduction in 1986 of a system of finance relating future revenue to expenditure, i.e. aid payments. This new approach to financing the special social measures is set out in detail at 1.C.2 below.

In conclusion, the Commission, after detailed examination of the points raised by the Court of Auditors in connection with the ECSC's current policy as regards financial management and balance-sheet accounting, is able to accept two of the four ideas put forward by the Court (commitment of appropriations on the basis of a legal commitment; immediate cancellation of commitments which are not going to be carried out). It considers that it would be difficult to act on the suggestion that guidelines be produced for the guarantee fund but this problem is still being examined. Finally, it sees no need to change the ECSC's financial policy in the case of traditional budget measures financed by levies and the ECSC's own resources; however, for the exceptional social measures, it proposes that a system be

introduced in 1986 to make annual revenue coincide with expenditure.

Along the lines of the rules for implementing the Social Fund, it is also planned to introduce a system for the payment of advances on aids granted; this would speed up the settlement of the corresponding commitments.

## 2. New approach to the financing of social measures in connection with the restructuring of the coal and steel industries

From 1986 the Commission proposes to adopt a new approach to the financing of the exceptional social measures introduced by the ECSC in connection with the restructuring of the coal and steel industries and financed from the general budget.

This approach involves the following:

- the policy of recent years, under which the ECSC implements special social measures financed from the general budget, will continue while restructuring operations are going on in the industries;
- the ECSC will make firm financial commitments as and when programmes of special measures are approved;
- advances amounting to 50% of commitments will be paid;
- the commitments will be entered on the liabilities side of the ECSC balance sheet in the traditional form of a provision for financial aids;
- the contra-item on the assets side of the balance sheet to this provision in the operating budget will be a debt due from the EEC (revenue receivable) and not revenue already collected;
- the EEC will give a firm undertaking, by means of a Council decision under Article 235 EEC, to make the necessary funds available to the ECSC as payments fall due.

The Commission has submitted to the Council a proposal for a decision on this undertaking.

The new approach will have the following effect on financial operations:

- payments falling due under programmes already approved will be financed from appropriations already transferred from the general budget until these are exhausted;
- future payments under the remaining programmes will be covered by a transfer from the general budget to the ECSC in the year of payment;
- the overall cost of the measures proposed by the Commission totals 510 million ECU (180 million ECU for the coal industry<sup>1</sup> and 330 million ECU for the steel industry<sup>2</sup>), of this total, 122.5 million ECU was transferred in 1984 (60 million ECU for the coal industry and 62.5 million ECU for the steel industry) and the same amount is earmarked for transfer in the 1985 budget; this leaves 265 million ECU (510 - (2 x 122.5)) to be transferred to cover payments still to be financed;
- according to the current estimates, once the EEC has given the above undertaking, the 245 million ECU already entered in the budget will be sufficient to cover the payments needed for the special measures at least until the end of 1986. In its preliminary draft budget for 1986 the Commission has therefore proposed that the relevant chapter of the general budget (Chapter 65) should carry a token entry.

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<sup>1</sup>COM(83) 583 of 6 October 1983

<sup>2</sup>COM(83) 158 of 13 April 1983.



## II. DRAFT ECSC OPERATING BUDGET FOR 1986

### A. COMMISSION APPROACH

For the purposes of evaluating the draft budget for 1986, the Commission considers that a price increase of 4.6% should be used as the basis for comparing the figures for 1985 and those for 1986.

Since 1981 the ECSC's traditional operating budget has been supplemented by exceptional social measures financed from exceptional resources. Continuation of these measures - connected with the restructuring of the coal and steel industries - depends on resources being made available from the general budget of the Communities.

As stated at 1.C.2 above, the Commission has proposed new arrangements for financing these measures. If they are to be applied, the Council will have to take a decision under Article 235 EEC by 31 December 1985. The commitments to be entered into in 1986 under the programmes concerned (160 million ECU, of which 60 million ECU is for the coal industry and 100 million ECU for the steel industry) will not be covered by provisions until after this decision is adopted.

At the current levy rate (0.31%), ordinary resources for 1986 are estimated at 279 million ECU, of which 170 million ECU will come from levies and 109 million ECU from interest and other sources. It has been calculated that each 0.01% increase in the levy rate yields an additional 5.48 million ECU.

The Commission, in its capacity as the High Authority of the ECSC, has the power to fix 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.

#### B. FINANCING PROPOSALS

The Commission's proposals for the 1986 ECSC operating budget are tabulated in Annex E and are based on the following factors:

- total resources of 439 million ECU. However, 160 million ECU is accounted for by the amount received from the EEC for the exceptional social measures in connection with the restructuring of the coal and steel industries (see I.C.2 above). The Commission will not take decisions on these aids (60 million ECU for the coal industry and 100 million ECU for the steel industry) until the Council has adopted the decision giving the relevant undertaking by the EEC.

- requirements to be covered by the non-allocated resources of 279 million ECU:

- . 5 million ECU for administrative expenditure;
- . 150 million ECU for redeployment aid;
- . 60 million ECU for research expenditure;
- . 58 million ECU for interest subsidies;
- . 6 million ECU for coking coal.

As regards research appropriations, the Commission proposes that 28.5 million ECU be devoted to steel (an estimated 24 million ECU in 1985), 22 million ECU to coal (19 million ECU in 1985) and 9.5 million ECU to social research (8 million ECU in 1985).

As regards interest subsidies, the Commission proposes that 49 million ECU should go to conversion as direct aid for the creation of new jobs (an estimated 44 million ECU in new appropriations and 10 million ECU in released appropriations in 1985) and 9 million ECU to investments (6 million ECU in 1985).

Lastly, the Commission proposes that the 1986 ECSC operating budget be adopted at a total amount of 439 million ECU.

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 439 million ECU is presented in Annex E.

OUTTURN OF ECSC OPERATING BUDGET FOR 1984

ANNEX A

SUMMARY TABLE (million ECU)

REQUIREMENTS	FORECAST(1)	OUTTURN	RESOURCES	FORECAST(1)	OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	141	136,4
2. Aid for deployment (Art. 56)	130	140 (3)	1.1 Yield from levy at 0.31%		
3. Aid for research (Art. 55)	51	50,9	1.2 Interest on investments and on loans from non-borrowed funds	70	70
3.1 Steel		24			
3.2 Coal		19	1.3 Fines and surcharges for late payment (2)	5	8,8
3.3 Social		8	1.4 Miscellaneous	p.m.	p.m.
4. Interest subsidies	70	83,9 (3)	2. Cancellation of commitments unlikely to be implemented	3	31,3
4.1 Investment (Art. 54)		9	3. Revaluation of assets and liabilities	p.m.	p.m.
4.2 Conversion (Art. 56)		61	4. Unused resources carried over from 1983	13,2	13,2
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6	5. Exceptional revenue		
6. Measures connected with restructuring of the steel industry	62,5	62,5	5.1 Measures connected with restructuring of the steel industry	62,5	62,5
7. Measures connected with restructuring of the coal industry	60	60	5.2 Measures connected with restructuring of the coal industry	60	60
			6. Drawings on contingency reserve	29,8	26,1
Sub-total Surplus	384,5	408,3	Sub-total	384,5	408,3
Budget total	--	--	Deficit	--	--
	384,5	408,3	Budget total	384,5	408,3
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
8. Subsidized housing	10	10	7. Special reserve and former ECSC Pension Fund	10	10

(1) Forecast made by the Commission at 10 August 1984.

(2) The figure of 8.8 million ECU represents total receipts in 1984; the 121.1 million ECU outstanding at 31 December 1984 is not taken into account.

(3) These aids are partly financed from the appropriations resulting from the cancellation of existing commitments (13.1 million ECU for redeployment and 15.9 million ECU for interest subsidies).

FORECAST OUTFURN OF ECSC OPERATING BUDGET FOR 1985

ANNEX B

SUMMARY TABLE (million ECU)

REQUIREMENTS	BUDGET FIGURE	FORECAST OUTFURN	RESOURCES	BUDGET FIGURE	FORECAST OUTFURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	147	147
2. Aid for redeployment (Art. 56)	125	208 (1)	1.1 Yield from levy at 0.31%	70	70
3. Aid for research (Art. 55)	51	51	1.2 Interest on investments and on loans from non-borrowed funds	17	35
3.1 Steel	24	24	1.3 Fines and surcharges for late payment	p.m.	p.m.
3.2 Coal	19	19	1.4 Miscellaneous	3	55
3.3 Social	8	8	2. Cancellation of commitments unlikely to be implemented		
4. Interest subsidies	50	60	3. Revaluation of assets and liabilities	p.m.	p.m.
4.1 Investment (Art. 54)	6	6	4. Unused resources carried over from 1984	p.m.	p.m.
4.2 Conversion (Art. 56)	44	54 (1)	5. Exceptional revenue		
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6	5.1 Measures connected with restructuring of the steel industry	62,5	62,5
6. Measures connected with restructuring of the steel industry	62,5	62,5	5.2 Measures connected with restructuring of the coal industry	60	60
7. Measures connected with restructuring of the coal industry	60	60	6. Drawings on contingency reserve	p.m.	23
BUDGET TOTAL	359,5	452,5	BUDGET TOTAL	359,5	452,5
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
8. Subsidized housing	12	12	7. Special reserve and former ECSC Pension Fund	12	12

(1) These aids are partly financed from the appropriations resulting from the cancellation of existing commitments (45 million ECU for redeployment and 10 million ECU for interest subsidies under Article 56).

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 1985 (provisional estimate)

Product	Production serving as a basis for the calculation of the levy (million tonnes)	Yield per tonne at 0.31% levy rate	Levy yield (million ECU)
	(1)	(2)	(3)
Brown-coal briquettes and semi-coke	1,2	0,17428	0.21
All types of hard coal	34,9	0,23628	8.25
COAL - TOTAL			8,46
Pig-iron other than that required for the manufacture of ingots	0,6	0.45177	0.27
Steel ingots	29.2	0,66256	19.35
Finished products	22.5	0.30779	6,92
STEEL - TOTAL			26,54
GRAND TOTAL			35,0

(3) = (1) x (2)

## ECSC BALANCE SHEET AT 31 DECEMBER 1984

(million ECU)

ASSETS		LIABILITIES	
1. Cash in hand and balances with central banks	1,7	1. Bonds and coupons due but not yet presented for payment	51,2
2. Claims on credit institutions	1.061,6	2. Long-term and medium-term debts	7 163,0
- repayable on demand		3. Other liabilities	1,4
- with agreed maturity dates or periods of notice	42,8	4. Accruals and deferred income	415,2
3. Debt securities held in portfolio	1.018,8	5. Provisions for ECSC operating budget	1 000,0
4. Loans outstanding	619,3	6. Reserves	587,8
5. Recoverable issuing costs and redemption premiums	72,7	- Guarantee fund	380,0
6. Bank deposits for bonds and coupons due but not yet presented for payment	51,2	- Special reserve	163,0
7. Land and buildings	0,5	- Former pension fund	44,8
8. Other assets	114,9	7. Surplus brought forward	80,4
9. Accruals and deferred income	215,2		
	<u>9.299,0</u>		<u>9.299,0</u>
	=====		=====

AN EX D

ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE  
FINANCIAL YEAR 1986

In response to the wishes expressed by Parliament in its resolution of 14 December 1982<sup>1</sup>, 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). Three categories of expenditure take priority in that they derive from decisions already taken (administrative expenditure and coking aids) or from framework agreements with the Member States (aid for redeployment).

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<sup>1</sup>OJ C 23, 17.1.1983, p. 36.



REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
	<u>CHAPTER 10 - ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	CHAPTER 10 - TOTAL	5	5	5
	<u>CHAPTER 20 - AID FOR REDEPLOYMENT</u> <u>Article(56 ECSC)</u>	150	125	140

REQUIREMENTS

Art.	Remarks
10	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"><li>- Article 50 of the ECSC Treaty;</li><li>- Article 20 of the Merger Treaty;</li><li>- Council Decision of 21 November 1977 (OJ L 306, 30.11.1977, p.28);</li><li>- ECSC contribution to the Commission's administrative expenditure.</li></ul> <p>2. <u>Type of expenditure</u></p> <p>Annual payment in four equal quarterly instalments.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The Council has set the annual amount of the payment at 5 million ECU. Percentage change 1985-86: 0%.</p>
20	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"><li>- Articles 50 and 56 of the ECSC Treaty;</li><li>- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States.</li></ul> <p>The High Authority/Commission provides non-repayable aid towards:</p> <ul style="list-style-type: none"><li>(i) the payment of tideover allowances to workers;</li><li>(ii) the financing of allowances to workers taking early retirement;</li><li>(iii) the payment of resettlement allowances to workers;</li><li>(iv) the financing of vocational retraining for workers having to change job.</li></ul> <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.</p>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
20	Aid for redeployment (contd.)			

R E Q U I R E M E N T S

Art.	Remarks
	<p data-bbox="352 454 699 488">2. <u>Type of expenditure</u></p> <p data-bbox="352 546 1501 622">Provision to subsidize the expenditure on redeployment incurred by the Member States according to the procedure set out in the agreements signed.</p> <p data-bbox="352 685 1129 719">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="352 730 1517 1043">In 1984 the coal industry's requirements increased considerably as the Community coal industry entered an important stage of its restructuring and modernization programme involving the closure of a large number of uneconomic pits and the rationalization of operating conditions at those left open. Between 1982 and 1984 a total of 46 432 workers in this sector lost their jobs while the number of persons receiving ECSC aids rose from 10 000 in 1982 and 15 000 in 1983 to 25 000 in 1984.</p> <p data-bbox="352 1106 1538 1227">Under the multiannual programmes now drawn up by the Member States concerned, additional redundancies will increase the number of persons receiving ECSC aids.</p> <p data-bbox="352 1290 1453 1456">In order that these restructuring measures can take place in acceptable social conditions, some Member States are planning to increase their financial assistance to persons whose jobs are affected by increasingly difficult circumstances.</p> <p data-bbox="352 1518 1437 1693">In 1985 the volume of aid is expected to remain at much the same level as in 1984. However, the breakdown of appropriations between the Member States will show a drop in the number of applications by the United Kingdom, where</p>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
20	<u>Aid for redeployment</u> (cont'd)			
	<u>CHAPTER 20 - TOTAL</u>	150	125	140

REQUIREMENTS

Art.	Remarks
	<p>the programmes covered the strike period, and no applications from Belgium. Total coal industry requirements for 1986 are estimated at 81.5 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 fell considerably in 1984 compared with previous years mainly because the applications under the French and Italian aid programmes for 1983 and 1984 were deferred to 1985. While applications from the Federal Republic and the United Kingdom will remain the same in 1985, the total volume of applications for aid will thus be far larger.</p> <p>The requirements announced for 1986 suggest that there will be a slight fall to an estimated 68.5 million ECU.</p> <p>All in all then total requirements for traditional aids under Article 56(2)(b) can be estimated at 150 million ECU for 1986.</p> <p>Percentage change 1985-86: +20% (not including 83 million ECU reallocated to this heading in 1985).</p>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
	<u>CHAPTER 30 - AID FOR RESEARCH</u>			
310	<u>STEEL RESEARCH</u>	28.5	24	24

REQUIREMENTS

Art.	Remarks
30	<p>1. <u>References and description</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>Provision to cover 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>Method of calculation and explanation of change</u></p> <p>The 60 million ECU proposed in total aid for research is 18% higher than the appropriations authorized in 1985. 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>1986 will be the first year in which the new General Objectives for Steel-1990 will be taken into consideration. As regards research and development, a draft of the new general objectives for 1990 was presented by the Commission at a recent bilateral meeting with the steel industry in Brussels. Unanimous agreement was reached on the Commission draft.</p>



REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
310	<u>STEEL RESEARCH</u> (cont'd)			

R E Q U I R E M E N T S

Art.	Remarks
	<p>This draft is a logical extension to the General Objectives for 1983<sup>1</sup> since it aims to:</p> <ul style="list-style-type: none"><li>- complete the restructuring started in earlier years;</li><li>- continue technological modernization and increase competitiveness in order to continue competing by improving productivity and product quality;</li><li>- develop and intensify research and development activities in large sectors of use such as the motor industry, the building sector and electrical engineering.</li></ul> <p>Although it accounts for only around 10% of Community steel research, 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 guidelines. As with the General Objectives for Steel, the medium-term guidelines for 1981-85<sup>2</sup> served as a basis for draft medium-term guidelines for 1986-90 which were approved at the consultative meeting of steel industry representatives on 22 February 1985.</p> <p>This research programme is supplemented by the parallel programme of pilot and demonstration projects<sup>3</sup> in order to meet the increasing need to boost and speed up the transfer of the results of laboratory research to the operational stage.</p> <p>The two programmes share the following overall objectives:</p> <ul style="list-style-type: none"><li>- increased competitiveness as regards the cost of manufacturing and processing steel, accompanied by a more regular level of quality in its various forms;</li><li>- stimulation of the use of steel on domestic and export markets through the development of new types of steel and new applications for products which are economically more advanced than those of our competitors.</li></ul> <p><sup>1</sup>COM(83)239</p> <p><sup>2</sup>OJ C 99, 2.5.1981.</p> <p><sup>3</sup>OJ C 81, 24.3.1983.</p>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
310	<u>STEEL RESEARCH</u> (cont'd)			
320	<u>COAL RESEARCH</u>	22	19	19

REQUIREMENTS

Art.	Remarks
320	<p>In 1986, the two programmes will cover the following technical fields:</p> <ul style="list-style-type: none"><li>- sintering and pelletizing,</li><li>- use of coal and its by-products in the steel industry,</li><li>- blast furnace and direct reduction technology,</li><li>- oxygen and electric steelmaking,</li><li>- casting and solidification,</li><li>- processing and treatment of steel,</li><li>- properties and utilization of steel.</li></ul> <p>Percentage change 1985-86: +19%.</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.<sup>1</sup></p> <p>Even though there have been major changes in the general situation in the energy sector and in the market conditions in recent years, the Community's energy policy still pursues the aim of using indigenous sources, in particular coal, as economically as possible to limit dependence on energy imports.</p> <p>If coal is to be given a suitable role in the Community's energy supply, it will be necessary to concentrate efforts and overcome the difficulties arising from natural mining conditions or the market situation:</p> <ul style="list-style-type: none"><li>- Community mines are reaching increasing depths and, as a result, increasingly serious difficulties have to be overcome (pressure, fire damp, heat).</li><li>- In many cases, the natural limits set by the field cannot be overcome despite full mechanization or even automation of extraction. This is why equipment and capital are utilized to only a relatively low extent.</li><li>- Mechanization of extraction has made the coal qualities very difficult to adapt to market requirements, leading to considerable expenditure on coal preparation.</li><li>- The fall in steel production together with the large drop in the specific use of coke have an adverse effect on the coking coal market.</li><li>- Public opinion is increasingly sensitive to environmental pollution.</li></ul> <p><sup>1</sup> Framework research programme 1984-87 (COM(82)865) Five-year programme on energy and energy research (COM(83)315) Working programme on solid fuels (COM(83)54).</p>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
320	<u>COAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Art.	Remarks
	<p>- Although acceptable from the viewpoint of environmental protection, the new coal combustion processes (pressurized fluidized bed, electricity generation in combined-cycle power stations) have not yet reached the stage of development at which they could soon replace conventional coal-fired power stations.</p> <p>- Coal gasification and liquefaction processes have reached a high level of technical development but still cannot compete economically with the products to be replaced. This is particularly true of the use of European coal and the production of liquid products.</p> <p>The overall political situation and the current state of technology suggest that the coal industry should satisfy the following basic requirements:</p> <ul style="list-style-type: none"><li>- reduction of costs and increased productivity;</li><li>- rational exploitation of existing fields;</li><li>- better exploitation and rational use of products and by-products;</li><li>- improvement of working conditions, safety and environmental protection;</li><li>- quick application of R&amp;D findings.</li></ul> <p>The Commission has already taken account of these developments and problems in two recent measures:</p> <p>First, it included a chapter on the combustion of both imported and domestic coal in its third non-nuclear energy research programme.<sup>1</sup> One of the reasons was to allow the limited funds of the ECSC budget to be concentrated on research into European coal.</p> <p>Second, the Commission decided to draw up new medium-term coal research guidelines for 1986-90.<sup>2</sup> This document sets out the current fields and selection criteria for projects. It thus serves as a basis for the 1986 research programme.</p> <p>The research programme for 1986 will concentrate on the following fields:</p> <p><u>Mining engineering</u></p> <p>Development work</p> <p>Ventilation, firedamp, mine climate</p> <p>Coal-getting techniques</p> <p>Outbye operations underground</p> <p>Modern management techniques</p> <p><sup>1</sup>OJ L 83, 25.3.1985.</p> <p><sup>2</sup>SEC(85)652 final.</p>

R E Q U I R E M E N T S

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
320	<u>COAL RESEARCH</u> (cont'd)			
330	<u>SOCIAL RESEARCH</u>	9.5	8	7.9
CHAPTER 30 - TOTAL		60	51	50.9

R E Q U I R E M E N T S

Art.	Remarks
330	<p><u>Utilization and beneficiation</u></p> <p>Coal preparation Coking Beneficiation and new products</p> <p>Percentage change 1985-86: +16%</p> <p>The success of previous programmes justifies the continuation 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>The general medium-term guidelines for technical coal research (1986-90) and the general objectives for steel indicate that the value of the research must contribute to improving the aspects of health, environmental protection and protection at the place of work.</p> <p>Technological development also raises new problems which have to be quickly solved if the objectives to improve competitiveness laid down in the programmes approved by the Commission with the Council's assent are to be achieved.</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"><li>- the effect on workers' health of occupational hazards and physical conditions at their place of work</li><li>- ergonomics (fifth programme)</li><li>- mine safety: the second programme was adopted by the Commission in July 1982</li><li>- industrial health in coal mines (measures against dust and harmful gases in mines)</li><li>- technical measures to combat pollution at the place of work and near to steelworks.</li></ul> <p>Percentage change 1985-86: +19%</p>





REQUIREMENTS

Art.	Remarks
40	<p>1. <u>References and description</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, or 5% for global loans.</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>Method of calculation and explanation of change</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"><li>- research and training centres, and the elimination of bottlenecks (OJ C 73, 18.6.1970);</li><li>- stabilization of coal production: subsidies are limited to investment in shafts, underground workings and haulage and winding equipment (OJ C 79, 29.3.1980);</li><li>- promoting the consumption of Community coal (OJ C 343, 31.12.1982).</li></ul>

R E Q U I R E M E N T S

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
410	<u>Investments</u> (cont'd)			
420	<u>CONVERSION</u>	49	44	63

R E Q U I R E M E N T S

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>Percentage change 1985-86: + 11%</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, 27.7.1977. They have since been changed slightly (OJ C 191, 16.7.1983) 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>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
420	<u>Conversion</u> (cont'd)			
	CHAPTER 40 - TOTAL	58	50	83.9
	<u>CHAPTER 50 - AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY)</u>	6	6	6

R E Q U I R E M E N T S

Art.	Remarks
50	<p>Apart from the continuing conversion requirements in the steel industry, there are additional requirements in 1985 resulting from redundancies in the coal industry, sometimes in the same areas, due to the restructuring programme.</p> <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 1985-86: + 11% (not including 10 million ECU in appropriations lapsing which were reallocated to this heading in 1985).</p> <p>1. <u>References and description</u></p> <p>(i) Article 95 of the ECSC Treaty</p> <p>(ii) High Authority/Commission Decision 73/287/ECSC of 15 July 1973 (OJ L 259, 15.9.1973), as last amended and extended by Decision 759/84/ECSC of 23 March 1984 (OJ L 80, 23.3.1984) and applicable until 31 December 1986.</p> <p>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.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision for a lump-sum contribution of 6 million ECU to the fund (ECSC contribution). Community aid is for a maximum amount of 36 million ECU, corresponding to 10 million tonnes of coking coal per annum. If trade drops below these limits, the reduced subsidies will</p>

R E Q U I R E M E N T S

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
50	<u>AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY</u> (cont'd)			
	CHAPTER 50 - TOTAL	6	6	6
	<u>CHAPTER 60 - SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u>	100	62.5	62.5

REQUIREMENTS

Art.	Remarks
60	<p>be drawn first from the Community's contribution (6 million ECU) and the 6 million ECU contributed by the steel industry and then from the 24 million ECU paid in by the Member States.</p> <p>3. <u>Method of calculation and explanation of change</u> 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 produced to be sold at prices reflecting world market prices.</p> <p>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.</p> <p>Percentage change 1985-86: 0%</p> <p>1. <u>References and description</u> On 13 April 1983 the Commission transmitted proposals to the Council on a financial contribution by the ECSC under Article 56(2)(b) of the Treaty towards the implementation of the social support scheme for restructuring in the steel areas of the Community in the period 1983-86.<sup>1</sup></p> <p>The measures recommended in the action programme are aimed at:</p> <ul style="list-style-type: none"><li>- continuing the aid to early retirement and short-time working which was approved in the 1981 social measures;</li></ul> <p><sup>1</sup>COM(83)158 final of 13 April 1983.</p>



R E Q U I R E M E N T S

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
60	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY (cont'd)</u>			

REQUIREMENTS

Art.	Remarks
	<p data-bbox="422 459 1524 593">- financing the maintenance of jobs through reductions in working time; - introducing a new aid to facilitate the integration of former steelworkers in other sectors of activity.</p> <p data-bbox="422 627 1524 952">These measures supplement the traditional aids for resettlement authorized under Article 56(2)(b). The Community contribution is estimated at 330 million ECU. Since the resources provided for in the ECSC Treaty are not sufficient in the present circumstances to finance these measures, 62.5 million ECU was transferred from Chapter 65 of the EEC budget to the ECSC in 1984<sup>1</sup> and another 62.5 million ECU is contained in the 1985 budget.</p> <p data-bbox="422 985 782 1019">2. <u>Type of expenditure</u></p> <p data-bbox="422 1052 1572 1220">Provision for the partial reimbursement of the expenditure incurred by the Member States. The conditions for granting aid are laid down for each Member State in accordance with common criteria applicable to the Community as a whole.</p> <p data-bbox="422 1265 1212 1299">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="422 1332 1556 1456">The Commission estimates that 330 million ECU is needed to supplement the social support scheme for restructuring the steel industry in the context of the general objectives for steel.</p> <p data-bbox="422 1500 1540 1624">This estimate is based on the hypothesis that 150 000 jobs will be lost over the period 1983-86. It is likely that roughly half of the workers affected will take early retirement or be kept in work thanks to</p> <p data-bbox="422 1948 1101 2004"><sup>1</sup> Decision 84/541/ECSC, EEC, 23 October 1984.</p>

REQUIREMENTS

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
60	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY (CONT'D)</u>			
	CHAPTER 60 - TOTAL	100	62.5	62.5
	<u>CHAPTER 70 - SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY</u>	60	60	60

REQUIREMENTS

Art.	Remarks
70	<p>measures involving adjustments in working time, while the remainder will have to find jobs in other sectors of the economy.</p> <p>The cost of measures relating to early retirement and aids for short-time working is put at 195 million ECU. Measures designed to facilitate a return to the labour market will cost an estimated 135 million ECU, giving a total of 330 million ECU.</p> <p>Percentage change 1985-86: + 60%</p> <p>1. <u>References and description</u></p> <p>The Commission has transmitted a proposal to the Council on the ECSC's financial contribution to the implementation of measures in connection with the restructuring of the coal industry in the period 1984-86.<sup>1</sup> These measures supplement the traditional aids for resettlement authorized under Article 56(2)(b). The Community contribution is estimated at 180 million ECU. Since the resources provided for in the ECSC Treaty are not sufficient in the present circumstances to finance these measures, 60 million ECU was transferred from Chapter 65 of the EEC budget to the ECSC in 1984<sup>2</sup> and another 60 million ECU is contained in the 1985 budget.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision for the partial reimbursement of the expenditure incurred by the</p> <p><sup>1</sup>COM(83)583 final of 6 October 1983. <sup>2</sup>Decision 84/348/EEC, 23 July 1984.</p>

R E Q U I R E M E N T S

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
70	<u>CHAPTER 70 - SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY (cont'd)</u>			
	CHAPTER 70 - TOTAL	60	60	60
	<u>TOTAL REQUIREMENTS</u>	439	359.5	408.3

R E Q U I R E M E N T S

Art.	Remarks
	<p>Member States. The conditions for granting aid are laid down pursuant to Article 56(2)(b) of the ECSC Treaty.</p> <p>3. <u>Method of calculation and explanation of changes</u></p> <p>Given the comparative stagnation of the market for energy-generating products, the substantial stocks of coal held in the Community and the heavy losses incurred by certain coalmines, there is a clear need to step up efforts to restructure this industry and, in particular, to close the least profitable pits. Several coal-producing Member States have already made public their multiannual restructuring programmes, and the Commission envisages the loss of over 20 000, and even as many as 25 000, jobs a year over the period 1984-86.</p> <p>Percentage change 1985-86: 0%.</p>

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 1954. 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

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 (and, in some cases, funds borrowed by the ECSC on the capital markets).

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 five years (1984-88) has been adopted and the first stage involving 22 million ECU is in progress. A proposal for the second stage (1986-1988) is to be submitted to the Commission. It is proposed that this second stage should be given 39 million ECU to cover the additional requirements of the new Member States.

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 granting loans were adopted by the Commission on 10 December 1984.<sup>1</sup> They will be revised during the 10th programme in line with the experience gained.

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 31 December 1984 stood at around 187 000. The loans granted are broken down by country at I.B.4.

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<sup>1</sup>OJ C 119, 14.5.1985.



RESOURCES FOR THE FINANCIAL YEAR

million ECU

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
110	<u>CHAPTER 10 GENERAL RESOURCES</u> <u>LEVIES</u>	170 <sup>1</sup>	147	136.4

<sup>1</sup>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"><li>- Articles 49 and 50 of the ECSC Treaty</li><li>- Decisions 2/52 and 3/52 of 23 December 1952.</li></ul> <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<sup>1</sup> the Commission brought forward the reference period used for calculating the average values for calculating the levy base. For 1986 this period will be the 1984 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 1986 financial year and calculated on the basis of the production declarations made by the undertakings.</p> <p>3. <u>Method of calculation and explanation of changes</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 1986 financial year, which relate to the reference period from 1 January to 31 December 1984, will be some 6.9 higher for coal and 5% higher for steel than the figures for 1985.</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 1985-86: +16%</p> <p><sup>1</sup>OJ C 101, 14.4.1983, page 4.</p>

RESOURCES

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
110	Levies (cont'd)			
120	<u>INTEREST ON INVESTMENTS AND LOANS AGAINST NON-BORROWED FUNDS</u>	75	70	70

RESOURCES

Art.	Remarks																											
	<p data-bbox="351 470 1340 504"><u>Tonnage subject to the levy and yield from a levy rate of 0.01%</u></p> <table border="1" data-bbox="335 537 1468 1276"> <thead> <tr> <th data-bbox="335 537 813 705">Product</th> <th data-bbox="813 537 1189 705">Production forecasts on which the levy is calculated (million tonnes)</th> <th data-bbox="1189 537 1468 705">Yield from levy rate of 0.01% (million ECU)</th> </tr> </thead> <tbody> <tr> <td data-bbox="335 705 813 828">Brown coal briquettes and semi-coke derived from brown coal</td> <td data-bbox="813 705 1189 828">3.7</td> <td data-bbox="1189 705 1468 828">0.02</td> </tr> <tr> <td data-bbox="335 828 813 952">Hard coal of all categories</td> <td data-bbox="813 828 1189 952">180.0</td> <td data-bbox="1189 828 1468 952">1.50</td> </tr> <tr> <td data-bbox="335 952 813 963" style="text-align: right;">Coal- total</td> <td data-bbox="813 952 1189 963"></td> <td data-bbox="1189 952 1468 963"><u>1.52</u></td> </tr> <tr> <td data-bbox="335 963 813 1030">Pig iron other than that used for making ingots</td> <td data-bbox="813 963 1189 1030">2.3</td> <td data-bbox="1189 963 1468 1030">0.03</td> </tr> <tr> <td data-bbox="335 1030 813 1075">Steel in ingots</td> <td data-bbox="813 1030 1189 1075">131.6</td> <td data-bbox="1189 1030 1468 1075">3.00</td> </tr> <tr> <td data-bbox="335 1075 813 1142">Finished products</td> <td data-bbox="813 1075 1189 1142">90.3</td> <td data-bbox="1189 1075 1468 1142">0.93</td> </tr> <tr> <td data-bbox="335 1142 813 1176" style="text-align: right;">Steel - total</td> <td data-bbox="813 1142 1189 1176"></td> <td data-bbox="1189 1142 1468 1176"><u>3.96</u></td> </tr> <tr> <td data-bbox="335 1176 813 1276" style="text-align: right;">GRAND TOTAL</td> <td data-bbox="813 1176 1189 1276"></td> <td data-bbox="1189 1176 1468 1276"><u><u>5.48</u></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	3.7	0.02	Hard coal of all categories	180.0	1.50	Coal- total		<u>1.52</u>	Pig iron other than that used for making ingots	2.3	0.03	Steel in ingots	131.6	3.00	Finished products	90.3	0.93	Steel - total		<u>3.96</u>	GRAND TOTAL		<u><u>5.48</u></u>
Product	Production forecasts on which the levy is calculated (million tonnes)	Yield from levy rate of 0.01% (million ECU)																										
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GRAND TOTAL		<u><u>5.48</u></u>																										
120	<p data-bbox="343 1310 798 1344"><u>1. References and description</u></p> <p data-bbox="343 1355 1356 1444">Under its Decision of 30 April 1975, the Commission enters in the budget the interest available from the previous financial year.</p> <p data-bbox="343 1478 638 1512"><u>2. Type of resource</u></p> <p data-bbox="343 1523 1404 1657">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 1985.</p> <p data-bbox="343 1691 1117 1724"><u>3. Method of calculation and explanation of change</u></p> <p data-bbox="343 1736 1404 1870">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 1985.</p> <p data-bbox="343 1904 813 1937">Percentage change 1985-86: +7%</p>																											

RESOURCES

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
130	<u>FINES AND SURCHARGES FOR LATE PAYMENT</u>	29	17	8.8
	CHAPTER 10 - TOTAL	274	234	215.2
	<u>CHAPTER 20 - CANCELLATION OF COMMITMENTS UNLIKELY TO BE IMPLEMENTED</u>	3	3	31.3

RESOURCES

Art.	Remarks
130	<p>1. <u>References and description</u> 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> 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>Method of calculation and explanation of change</u> It is very difficult to forecast the amount which will be collected in 1986, 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 29 million ECU be entered under this heading.</p> <p>Percentage change 1985-86: +70% (not including an increase of 18 million ECU in fines expected to be collected in 1985)</p>
20	<p>1. <u>References and description</u> Provisions based on Commission aid decisions must be given tangible form by the contracting of legal commitments.</p> <p>The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget provide that once all parties have discharged their obligations under the legal commitment, any remaining part of the provision will be cancelled. Any contract running into difficulties of implementation may also be cancelled.</p>

RESOURCES

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
	CHAPTER 20 - TOTAL	5	3	31.3
	<u>CHAPTER 30 REVALUATION OF ASSETS AND LIABILITIES</u>	p.m.	p.m.	-
	CHAPTER 30 - TOTAL	p.m.	p.m.	-
	<u>CHAPTER 40 UNUSED RESOURCES FROM THE FINANCIAL YEAR 1985</u>	p.m.	p.m.	13.2
	CHAPTER 40 - TOTAL	p.m.	p.m.	13.2
	<u>CHAPTER 50 EXCEPTIONAL REVENUE</u>			
510	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u>	100	62.5	62.5

RESOURCES

Art.	Remarks
	<p>The amounts thus released become available again as resources for the current financial year.</p> <p><u>2. Type of resource</u></p> <p>Any cancellation of provisions normally indicates complete discharge of the contract, agreed with the other contracting party.</p> <p>The estimate of 5 million ECU show 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, etc.).</p> <p><u>3. Method of calculation and explanation of change</u></p> <p>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 5 million ECU for 1986 is based on a usual rate.</p> <p>Percentage change 1985-86: +66% (not including an increase of 52 million ECU in cancellations in 1985).</p>
30	<p>This chapter, carrying a token entry, is to record the net effect of changes in exchange rates during the financial year.</p>
40	<p>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><u>1. References and description</u></p> <ul style="list-style-type: none"><li>- Conclusions of the 717th Council meeting of 24 June 1981,</li><li>- Article 235 of the EEC Treaty,</li><li>- Commission proposal to the Council (decision to be taken under Article 235 EEC)</li></ul>



RESOURCES

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
510	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY (cont'd)</u>			
520	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY</u>	60	60	60

RESOURCES

Art.	Remarks
520	<p data-bbox="368 421 667 454"><u>2. Type of resource</u></p> <p data-bbox="368 465 1490 779">Funds from the general budget to cover the aids approved. This chapter records the additional resources intended solely for financing social measures in connection with the restructuring of the steel industry (Article B.6). The Commission proposes that this temporary measure should be continued by means of a transfer from Article 650 of the general budget to the ECSC budget on the basis of a decision to be taken pursuant to Article 235 EEC.</p> <p data-bbox="368 808 1145 842"><u>3. Method of calculation and explanation of change</u></p> <p data-bbox="368 853 1474 1211">In Article 650 of its preliminary draft budget for 1986 the Commission has proposed a token entry so that appropriations may be transferred from the EEC budget when the ECSC actually pays the aid and not when it is committed, as is the case at present. The sum of 100 million ECU thus represents the revenue to be obtained from the general budget. The Commission has proposed that the Council give an undertaking that the necessary appropriations will be made available as payments are made (see I.C.2).</p> <p data-bbox="368 1240 852 1274">Percentage change 1985-86: +60%</p> <p data-bbox="368 1323 820 1357"><u>1. References and description</u></p> <ul data-bbox="368 1368 1362 1491" style="list-style-type: none"><li>- Article 235 of the EEC Treaty,</li><li>- Commission proposal to the Council (decision to be taken under Article 235 EEC).</li></ul> <p data-bbox="368 1525 667 1559"><u>2. Type of resource</u></p> <p data-bbox="368 1570 1474 1693">Funds from the general budget to cover the aids approved. This chapter records the additional resources intended solely for financing social measures in connection with the restructuring of the coal industry.</p>

RESOURCES

Art.	Heading	1986 Approps proposed	1985 Approps authorized	Outturn 1984
520	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY (cont'd)</u>			
	CHAPTER 50 - TOTAL	160	122.5	122.5
	<u>CHAPTER 60 CONTINGENCY RESERVE</u>	p.m.	p.m.	26.1
	CHAPTER 60 - TOTAL	p.m.	p.m.	26.1
	TOTAL RESOURCES	439	359.5	408.3

RESOURCES

Art.	Remarks
60	<p>The Commission proposes that these measures should be financed by means of a transfer from Article 651 of the general budget on the basis of a decision to be taken pursuant to Article 235 EEC.</p> <p><u>3. Method of calculation and explanation of change</u></p> <p>In Article 651 of its preliminary draft budget for 1986 the Commission has proposed a token entry so that appropriations may be transferred from the EEC budget when the ECSC actually pays the aid and not when it is committed, as is the case at present. The sum of 60 million ECU thus represents the revenue to be obtained from the general budget. The Commission has proposed that the Council give an undertaking that the necessary appropriations will be made available as payments are made (see I.C.2).</p> <p>Percentage change 1985-86: 0%</p> <p>This chapter has been given a token entry so that an appropriate amount may be entered if necessary to cover any deficit arising in 1986. The amount available for the contingency reserve will be fixed when the Commission adopts the balance sheet at 31 December 1985.</p>

## 2. COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET

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

- the resources 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 1985.

## 3. SUMMARY OF RESOURCES AVAILABLE FOR 1986

The estimates of traditional resources other than levies amount to 109 million ECU (interest available: 75 million ECU; fines: 29 million ECU; cancellations: 5 million ECU). As the yield of a levy rate of 0.01% has been estimated at 5.48 million ECU, the yield of the levies can be estimated at 170 million ECU, assuming that the current rate of 0.31% is maintained. The total ordinary resources available for 1986, assuming that the levy rate remains unchanged, is thus estimated at 279 million ECU.

In addition, there is exceptional revenue of 160 million ECU to finance measures connected with the restructuring of the steel and coal industries, giving a total of 439 million ECU in resources available.

DRAFT ECSC OPERATING BUDGET FOR 1986

ANNEX E  
(million ECU)

SUMMARY TABLE

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	170
2. Aid for redeployment (Art. 56)	150	1.1 Yield from 0.31% levy	
3. Aid for research (Art. 55)	60	1.2 Interest on investments and on loans from non-borrowed funds	75
3.1 Steel	28.5	1.3 Fines and surcharges for late payment	29
3.2 Coal	22	1.4 Miscellaneous	p.m.
3.3 Social	9.5	2. Cancellation of commitments unlikely to be implemented	5
4. Interest subsidies	58	3. Revaluation of assets and liabilities	p.m.
4.1 Investment (Art. 54)	9	4. Unused resources carried over from 1985	p.m.
4.2 Conversion (Art. 56)	49	5. Exceptional revenue	
5. Aid to coking coal and coal for the steel industry (Art. 95)	6	5.1 Social measures connected with restructuring of steel industry	100
6. Social measures connected with restructuring of the steel industry <sup>2</sup>	100	5.2 Social measures connected with restructuring of coal industry	60
7. Social measures connected with restructuring of the coal industry <sup>2</sup>	60	6. Contingency reserve	p.m.
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS	439	ORIGIN OF NON-BORROWED FUNDS	439
8. Subsidized housing	13	7. Special reserve and former ECSC Pension Fund	13

<sup>1</sup> Any additional resources would be allocated to interest subsidies on investment aid.

<sup>2</sup> Implementation of these chapters depends on the exceptional revenue actually being made available.