

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM (88) 456 final

Brussels, 6 September 1988

## AIDE-MEMOIRE

ON THE FIXING OF THE ECSC LEVY RATE  
AND ON THE DRAWING UP OF THE  
ECSC OPERATING BUDGET FOR 1989

(presented by the Commission)

## CONTENTS

	<u>Page</u>
I. <u>GENERAL INTRODUCTION</u>	
A. ECONOMIC CONTEXT	3
1. The economic outlook for 1988 and 1989	3
2. Outlook for the coal industry	7
3. Outlook for the steel industry	8
B. POLICY CONTEXT	10
1. Coal policy guidelines	11
2. Steel policy guidelines	13
3. Structural policy guidelines	16
4. Financial activities	27
C. FINANCIAL CONTEXT	30
ECSC financial and budgetary guidelines	
II. <u>DRAFT ECSC OPERATING BUDGET FOR 1989</u>	33
A. COMMISSION APPROACH	33
B. FINANCIAL PROPOSALS	34
C. DRAFT BUDGET	35
<hr/>	
<u>ANNEXES</u>	
A. Outturn of the ECSC operating budget for 1987	36
- summary table	
B. Forecast outturn of the ECSC operating budget for 1988	37
C. ECSC Levies	38
D. ECSC balance sheet at 31 December 1987	39
E. Analysis of requirements reported and resources available for the financial year 1989	40
I. REQUIREMENTS REPORTED	
1. Ordinary and extraordinary requirements	41
2. Requirements not entered in the budget: loans for financing workers' housing	85
II. RESOURCES AVAILABLE	
1. Resources for the financial year	87
2. Covering of requirements not entered in the budget	105
3. Summary of ordinary resources available for 1989	106
F. Draft ECSC operating budget for 1989	107

AIDE-MEMOIRE

on the fixing of the ECSC levy rate and on  
the establishment of the ECSC operating budget for 1989

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 1989.

This aide-memoire 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 1989 are described in Chapter II.

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

## I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1989 in its economic, policy and financial context.

### A. ECONOMIC CONTEXT

#### 1. The economic outlook for 1988 and 1989

While the economic prospects for 1987 had been overshadowed by substantial external imbalances and upheavals on the financial and exchange markets, the results so far available show that economies were relatively stable during the year. At around 2.5%, the rate of increase in real GDP for the Community as a whole was similar to the 1986 figure. The temporary uncertainties thus had only limited effects, at least in the short term.

The international adjustment process to reduce external imbalances is in progress. Its effects were already very clearly felt in 1987 in the real trade flows and should lead in 1988 and 1989 to reductions in money terms in the trade balance and current balance disequilibria (smaller surpluses for the Community and Japan, smaller American deficits).

At the same time a shift has occurred in factors of growth. While domestic demand in the Community and Japan has been sustaining growth against the adverse effects of foreign trade, exports have been the main stimulator of growth in the United States. If exchange rates remain relatively stable and the world economy does not suffer any serious interruptions, this process should continue in 1988 and 1989.

The general conditions imposed on the Community by the world economic environment should hardly change in 1988 and 1989. No recession is expected. Real growth rates in the industrialized countries should level at 3.1% in 1988 and drop a little to 2.3% in 1989. However, a recovery

is expected in the OPEC countries (stagnation in 1987, followed by increases of 1.6% in 1988 and 2.5% in 1989) together with a relatively steady growth rate of around 4% in the developing countries. International trade (measured in terms of world imports by volume) will expand 5% to 6% faster than production. Import growth rates will be particularly high in the countries preparing for their economic take-off and in Japan.

In 1988 the rate of increase in Community GDP will, overall, remain at the level of previous years (2.6%) and in 1989 will probably fall slightly in relation to the past four years to 2.3%. The dynamic effect of those countries recording particularly high growth rates in the recent past is expected to wane and the growth rates of the various Member States are expected to converge at the lowest level. As in the past two years, growth will be supported by internal demand.

The real external balance will have a negative effect on growth in virtually all the Member States (-0.8% in 1988 and -0.5% in 1989), with the Community taking part in the international adjustment process by developing its imports in real terms more than its exports.

The slightly more modest expansion of the world economy in 1989 and the trend in the exchange rate suggest, however, that the Community's prospects can be expected to be a little more favourable, even as regards exports.

On the whole, the growth in the Community's internal demand should be slacker (3.9% in 1987, 3.4% in 1988 and 2.8% in 1989), with private consumption and gross fixed-capital formation providing less stimulus. With the support of tax concessions in some countries and a falling savings ratio, private consumption should increase in real terms by 3.3% in 1988 and by 2.7% in 1989.

Gross fixed-capital formation is expected to increase sharply (4.3% in 1987, 4.8% in 1988 and 4% in 1989). On the other hand, the growth of investment in the building sector is expected to be relatively stable (3.3% in 1988 and 2.7% in 1989). In view of the higher degree of capacity utilization revealed by the latest business surveys and the continuing increase expected in world demand, it can be assumed that the investment climate will remain favourable. The growth rates for investment in capital

goods will probably fall but will be appreciably higher than GDP growth rates (6.7% in 1987, 6.4% in 1988 and 5.3% in 1989).

The forecasts concerning the growth rate and the continuing increase in productivity suggest that the increase in the Community's employment rate will slow (0.8% in 1988, 0.6% in 1989). This increase should be slightly higher than the increase in the civilian working population with the result that the rate of unemployment in the Community can be expected to fall only slightly from 11.3% in 1988 to 11.1% in 1989.

The increase in per capital wages in money terms should slacken (5% in the Community in 1988, 4.7% in 1989). Unit wage costs should thus increase at a relatively slower rate (3.2% in 1988, 3.1% in 1989). Price increases in the Community will probably be moderate as well: the GDP deflator will go up by 3.6% in 1988 and 3.5% in 1989; consumer prices will increase by 3.2% in 1988 and by 3.3% in 1989. The inflation rates of the Member States are expected to converge: inflation will rise slightly in countries enjoying considerable stability and drop in those which have had large price increases. Almost all the Member States should record an inflation rate below 5%.

For the Community as a whole, the trade balance surplus will probably drop from 0.9% of GDP in 1987 to 0.5% in 1988 and 0.2% in 1989, i.e. a fall from 39 billion ECU in 1987 to 27 billion ECU in 1988 and 12 billion ECU in 1989. This forecast is based on a larger increase, in both volume and value, for imports of goods (6.2% in volume in 1988 and 5.3% in 1989) than for exports (2.5% in volume in 1988 and 1989). It can be concluded that the basic disequilibria in the trade balance between the Member States will not be eliminated and will even become more marked.

The Community's current balance of payments should follow the same trend as the trade balance and the surplus should drop (from 1% of GDP in 1987 to 0.6% in 1988 and 0.3% in 1989). However, the considerable differences between Member States in this respect will also continue to be there.

	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (Percentage change over previous year)		
	1986	1987*	1988*
Belgium	1.8	2.0	1.8
Denmark	-1.0	-0.1	1.4
Germany	1.8	2.1	1.7
Greece	-0.6	1.8	1.3
Spain	5.2	4.3	3.8
France	2.2	2.3	2.2
Ireland	4.8	1.7	2.0
Italy	3.1	3.1	2.8
Luxembourg	2.0	1.9	2.1
Netherlands	2.2	1.5	2.0
Portugal	4.6	3.6	3.3
United Kingdom	3.6	3.1	2.3
<b>EBC</b>	<b>2.7</b>	<b>2.6</b>	<b>2.3</b>

\* Commission staff forecasts (14 June 1988)

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

## 2. Outlook for the coal industry

Community production fell by 9 million tonnes in 1987 to 225 million tonnes. Output was down in all the coal-producing Member States.

Supplies of coal from non-member countries amounted to 94 million tonnes (down by 2 million tonnes). An overall reduction in stocks of 4 million tonnes, after an increase of 7 million tonnes the previous year, kept consumption stable in 1987.

Total internal consumption of coal in the twelve-nation Community remained stable at 326 million tonnes. However, the structure of consumption shifted in favour of power stations, which accounted for 206 million tonnes (up by 5 million tonnes). By contrast only 72 million tonnes was used by coking plants (down by 5 million) and 48 million tonnes by other sectors of consumption, mainly other industries, households and other small consumers; the overall consumption of these other sectors was unchanged in 1987.

Coal consumption did not fall as it did in 1986. This was the result of increased use of coal in power stations, a slight increase in steel production and a stabilization in the tendency for coal to be replaced by oil and gas in industry.

A reduction in consumption and a reduction in production of 5 million tonnes are forecast in the outlook for 1988 produced at the beginning of the year.

This estimate is the result of a combination of different factors such as the effect of the fall in oil prices, the relatively strong situation of the steel industry, the commissioning of new nuclear power stations and a small rise in total domestic energy consumption (up by 0.5%).



Since the second half of 1987 coal prices have gradually been rising on the world markets. However, this rise has been moderated by the drop in the value of the dollar in relation to the ECU.

However, the current level of prices on the world market, which does not allow producers to cover all their costs, and the fall in the value of the dollar will put further pressure on Community coal.

A conservative production estimate for 1988 for the twelve-nation Community based on all these factors is around 219 million tonnes and the consumption estimate 318 million tonnes; the 1989 production estimate would be around 210 million tonnes compared with consumption of 309 million tonnes.

### 3. Outlook for the steel industry

In 1987, despite a hesitant start to the year, total Community steel production slightly exceeded the previous year's level of 125.6 million tonnes to reach 126.2 million tonnes. The trend in the production of finished products indicates a more clearout recovery (through increased use of continuous casting). All the Member States benefited from this improvement, especially the United Kingdom, where production rose by more than 10%.

As has already been noted in the past, the fluctuations in the level of production observed since the recovery in 1984 are mainly due to changes in trade with non-member countries. Compared with the figures for 1986, exports increased by 3%, imports dropped by almost 6%, while apparent domestic consumption of steel remained virtually unchanged.

For 1987 as a whole, the situation of the steel industry has therefore been satisfactory, especially since the deterioration of the monetary climate at the beginning of the year and the threat of a downturn in the economy (particularly as regards investment) raised fears of a repeat of 1986 which ended with production 10 million tonnes down. Despite the disturbed international trend and the stock market crash of autumn 1987, steel demand

was sustained by the export market, which remained favourable until the autumn, and by internal demand, which was particularly buoyant in the second half of the year. This was particularly the case for flat products, which benefited from the record level of motor vehicle production and where prices became firmer from the third quarter of 1987. On the export markets too, it was possible to raise prices and so offset the fall in the value of the dollar, which became even more pronounced in the final quarter of last year.

The situation on the world market has been exceptional. Some major suppliers, such as Japan (because of the yen rate and the measures to stimulate domestic demand) and South Korea (where domestic demand is rapidly expanding), cut back their sales and Brazil's demand for imports increased considerably; these factors more than offset the declining opportunities for exports to the United States.

In conclusion, neither the appreciation of Community currencies nor the stock market crisis really affected the steel market situation in 1987. What is more, there is no sign that it will do so in 1988. Nevertheless, the indirect effects of monetary adjustments may still be felt in 1988, although more probably in 1989, with a slackening in capital investment; this is clearly shown in the economic forecasts based on the most favourable scenario where the dollar exchange rate stabilizes at its level of early 1988. However, if this should occur, private consumption would probably remain sufficiently buoyant to prevent a sharp drop in domestic steel consumption. Up to autumn 1988 there are no signs of any decline. The export and import flows of some of the countries mentioned (South Korea, Japan, the United States) and of the Community itself can be expected to return to normal, exerting ultimately a moderating influence on the Community's trade balance in steel.

The trend in the level of steel stocks remains uncertain: a slight drop in demand could upset the stock cycle and intensify the drop in deliveries and prices. Caution must therefore be exercised in making forecasts; crude steel production is accordingly put at 125 million tonnes in 1988 and 123 million tonnes in 1989.

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 and regional dimension forms an integral part of the Community policies conducted by the Commission/High Authority pursuant to the Treaty. This structural dimension has assumed greater significance in the current economic situation and in view of the provisions of the Single European Act concerning cohesion.

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 of these 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 1989. The industries themselves, the ECSC's structural policy and the Community's financial operations are dealt with in turn.

1. Coal policy guidelines

In 1987 the Community's coal policy was still dominated by the new energy policy objectives for 1993 and, in particular, by the need to pursue efforts to promote consumption of solid fuels and improve the competitiveness of their production capacities.

As in 1986, the Community's activities mainly consisted of promoting the consumption of Community coal through the award of loans, in some cases with interest subsidies, under the second paragraph of Article 54 of the ECSC Treaty and on the promotion of research, development and demonstration projects. The Commission also intends to support Community coal production with whatever funds are available by granting loans with interest subsidies under Article 54 of the ECSC Treaty to projects which are economically viable and which will help improve the competitiveness of the coal industry.

Despite the energy objectives for 1993, solid fuel consumption did not increase in 1987. In fact, there was a slight drop in relation to the proportion accounted for by solid fuels in 1983. The Commission sent the Council a report on the application of the two Council recommendations of 24 May 1983 concerning the encouragement of investment in the use of coal in industry (83/250/EEC) and in public buildings and district heating systems (83/251/EEC).

1987 was also the first full year in which the new Decision No 2064/86/ECSC on State aids applied. Under this decision, aid granted to the coal industry may be considered compatible with the proper functioning of the common market if it helps to achieve at least one of the following objectives: improving the competitive position of the coal industry, creating new capacities which are economically viable or solving the social and regional problems of the industry.

The State aids for effective production authorized by the Commission in 1987 totalled 4.8 billion ECU, i.e. 21 ECU for each tonne produced. The State aids for social measures amounted to 6.2 billion ECU and the aid

to cover the costs involved in pit closures amounted to 503 million ECU, i.e. 47% lower than the 1986 figure of 957 million ECU.

As regards technical development, there will be two major requirements in future:

- the industry and its products must be made more competitive;
- the mining, utilization, upgrading and processing of coal must be improved while complying fully with the demands of environmental protection. The Communities will have to continue to support the measures necessary in the following three sectors:
  - . ECSC coal research as a basis for all future developments for the production, preparation, coking and upgrading of coal and its by-products; this research must also cover the combustion of coal in industry and the heating market because of restrictions on the non-nuclear research programme;
  - . non-nuclear research: the use of solid fuels has featured in this programme since 1985; however, the funds available have now been exhausted and the new programme for 1989-94 will be limited to problems raised by combustion for the purposes of electricity generation;
  - . energy demonstration projects: in 1989 these activities will relate to the gasification and liquefaction of solid fuels and new methods of use; a new programme for 1990-98 concentrating on the problems involved in utilization compatible with environmental protection will be proposed in due course.

## 2. Steel policy guidelines

In accordance with the decision taken by the Council on 29 and 30 October 1985 to liberalize the steel market progressively over a period of no more than two or three years, the scope of the quota system - set up under Article 58 of the ECSC Treaty - which had been in force since 1980 - was gradually reduced by removing quotas on concrete reinforcing bars (Category V) and non-galvanized coated sheet (Category Id) on 1 January 1986, galvanized sheet (Category Io) on 1 January 1987 and wire rod (Category IV) and merchant steels (Category VI) on 1 January 1988. Thus the quota system, to which the Council gave its assent<sup>1</sup> on 22 December 1987 for a period of six months (until 30 June 1988) covered only flat products in Category Ia (hot-rolled wide strip), Category Ib (cold-rolled sheet) and Category II (heavy plate), and heavy sections (Category III).

The Council also shared the Commission's conviction that the quota system could be justified only if there was structural adjustment: it therefore made extension of this system beyond 30 June 1988 for Category II and III products conditional on commitments by the companies to close down a sufficient proportion of capacity.

Despite the closures made under the system introduced by the old aids code (Decision No 2320/81/ECSC<sup>2</sup> which expired on 31 December 1985), the process of restructuring has not been completed. In its general objectives for 1990 the Commission estimated surplus capacity at around 30 million tonnes (by reference to the low assumption), more than half of which is for sensitive product categories (Ia, Ib, II and III).

In its communication to the Council of 16 June 1988 (COM(88)343) the Commission described the favourable market situation, particular in Category I where demand is no longer falling, and reported on the closures offered by the industry at 10 June 1988, the deadline fixed by the Council on 22 December 1987. Since these offers did not reach the level aimed for, the Council noted that the Commission did not propose to extend the

<sup>1</sup> Decision No 194/88/CECA, 6.1.1988 (OJ L 25, 29.1.1988).

<sup>2</sup> OJ L 228, 13.8.1981, p.14.

quota system which therefore automatically expired on 30 March 1988. It was, however, made clear that, even without a quota system, the Commission would continue to apply measures to adjust supply to demand in the form of statistical monitoring under Article 47 ECSC and guidelines in the forward programmes under Article 46 ECSC.

At its various meetings in 1987 the Council also reiterated its desire for the rules in the aids code in force since 1 January 1986 (Decision No 3484/85/ECSC)<sup>1</sup> to be observed as a basic factor for correctly carrying out the restructuring process. On 24 June 1988 it took note of the Commission's intention to propose that the aids code which would otherwise expire on 31 December 1988 should be extended beyond 1988.

Although the rules governing the steel market have become more flexible since 1986, the Commission continues to attach prime importance to the social and regional accompanying measures. It has accordingly endeavoured to retain both the supplementary social measures and the traditional measures under Article 56 ECSC; in the case of the steel industry, the field of application of these measures is still limited to redundancies resulting from restructuring accompanied by closures under a policy to provide incentives for any restructuring measures. On 2 February 1988 the Council also adopted the RESIDER regional conversion programme which the Commission proposed in COM(87)388 (see 3.3 below).

Special rules continued to apply to the Spanish and Portuguese steel industries in 1988 under the transitional provisions in Protocols 10 and 20 of the Accession Treaty. These rules consist mainly of restrictions on the volume of steel products which these countries may deliver to the other Community countries and a corresponding extension of the period of restructuring during which provisions similar to the aids code (Decision No 2320/81/ECSC)<sup>2</sup> apply. In 1988, as in 1987, these measures were accompanied by a safeguard clause for Spain in respect of deliveries from the other Member States so that the restructuring process in that

---

1 OJ L 340, 18.12.1985.

2 OJ L 228, 13.8.1981.

country is not disrupted. Contrary to what applies in the case of Portugal, which has a specific transitional period for restructuring up to the end of 1990, the measures provided for Spain in Protocol 10 expire on 31 December 1988. The Spanish steel industry, which will have undergone thorough restructuring to cut back its capacity to less than 18 million tonnes of hot-rolled products as demanded in Protocol 10, will then be fully integrated in the Community steel market in 1989.

The basic features of the external anti-crisis measures remain applicable in 1988. The system of arrangements will cover twelve non-member countries<sup>1</sup> - the arrangements with Austria, Finland, Norway and Sweden take the form of an exchange of letters - and Community exports to the United States will be subject to a quota until 1989.

---

<sup>1</sup> Bulgaria, Hungary, Poland, Romania, Czechoslovakia, Austria, Finland, Norway, Sweden, Brazil, Venezuela, South Korea.



### 3. Structural policy guidelines

#### 3.1. The integrated approach

##### 3.1.1. Better economic and social cohesion.

The EEC Treaty, as recently amended by the Single European Act, highlights the objective of economic and social cohesion in the Community. As an essential corollary to the completion of the large frontier-free market, this requirement forms part of an overall approach leading to the harmonious development of the Community as a whole. It involves both growing convergence in the economic performances of the Member States and a reduction in regional disparities. In accordance with Article 130 D of the EEC Treaty, the Commission has already sent the Council a comprehensive proposal to clarify the tasks of the structural Funds with a view to improved economic and social cohesion in the Community and to enhance the effectiveness of these Funds and the coordination between the Funds and with the other financial facilities, including the ECSC.

Along with the implementing decisions resulting from this comprehensive proposal, the Commission will also be sending the Council a communication on the KIB and the other financial instruments for strengthening economic and social cohesion. Where the ECSC's objectives coincide with those of the structural Funds, particularly as regards aid to areas affected by industrial decline, the Commission will continue to coordinate ECSC operations with those of the structural Funds and other financial instruments.

##### 3.1.2. Reform of the Funds

As a sectoral instrument, the role of the ECSC is to provide assistance in steel and coal-producing regions which will be covered by Community structural measures to develop a given area.

Its assistance will have to take account of various key themes contained in the comprehensive proposal for the reform of the structural Funds:

- Concentration means that the guidelines for ECSC assistance laid down in the operating principles<sup>1</sup> will reinforce the priority given to declining industrial areas which are to be converted under Objective No 2 of the reform. However, this key theme will not prevent the ECSC from also giving assistance to coal and steel-producing areas which are not eligible under Objective No 2.

The Commission will seek to ensure that the selection criteria for ECSC conversion areas are consistent with those for structural Fund assistance under Objective No 2.

- An attempt should be made to increase coordination when the Community support framework is established for determining the type of Community assistance and the volume of possible aid to ensure that the various partners concerned (Member State, region, Commission, etc.) can agree on the type of assistance and the amount of finance to be provided.
- Since Community action is to be based predominantly on programmes, all those concerned will have to be fully involved in the preparation, elaboration and *ex post* assessment of these programmes, including those concerned by ECSC operations when the Funds are directing their assistance to coal and steel-producing areas. This involvement must take place from the start of the programming process. However, at the operational stage, the programming of operations under the Funds should not prevent the ECSC from taking action at sectoral level outside these programmes if its projects are consistent with the priorities adopted

---

<sup>1</sup> Latest edition: OJ C 173, 1.7.1987.

for the Community support framework. The integrated approach could be used in some circumstances.

- Finally, in the interests of effectiveness, the Community's structural measures will be carefully monitored and assessed to check the relevance and progress of the steps taken, to verify use of the means of finance and, where necessary, to review the approach to be adopted in future.

### 3.2. Social and employment policy measures

#### 3.2.1. Employment trends in the coal and steel industries

##### Recent trend

Employment in the coal and steel industries continued to decline in 1987. Closures and rationalization measures by Community steel firms led to the loss of 32 000 jobs, around 7% of the total, mainly in France and the Federal Republic of Germany and, to a lesser extent, in Belgium, Italy and Spain. At the end of 1987 the number of workers in the industry totalled 456 000.

Almost half of the workers leaving the industry as a result of these job losses took retirement or early retirement, except in France, where the possibilities of early retirement appear to have been virtually exhausted.

At 35 000, the number of persons recruited remained relatively stable.

The number of coal workers also dropped sharply to reach 378 000 at the end of the year. Coal producers throughout the Community, with the exception of Spain, closed or rationalized pits; 41 000 jobs, i.e. 10% of the total, were lost as a result.

Except in the United Kingdom, a large proportion of these job losses were accounted for by retirement or early retirement.

Recruitment remained extremely low - less than 3% of the total - except in the Federal Republic of Germany. However, a large number of the workers recruited by the German coal industry were trainees.

#### Outlook for 1988-90

Employment in the coal and steel industries should continue to fall at a comparable pace between 1988 and 1990.

Several companies took advantage of the improvement on the steel markets in 1987 to stagger planned redundancies and permit optimum use of retirement measures. However, restructuring will have to continue in order to adjust the volume and the composition of production capacity to the market situation. From plans announced by the companies, the Commission reckons<sup>1</sup> that some 80 000 to 100 000 jobs will be lost as a result of restructuring and rationalization measures between 1988 and 1990, i.e. 27 000 to 33 000 a year.

A large proportion of these job losses will involve ECSC activities, mainly in Italy, the Federal Republic of Germany, France and Spain. Similarly, the measures proposed in the cuts planned by the Belgian,

---

<sup>1</sup> COM(87)388.

German, Spanish and French coal industries and continuing rationalization and modernization by all Community firms between 1988 and 1990 threaten further job losses estimated at around 75 000, i.e. 25 000 a year.

While the retirement measures will provide good terms for a large number of workers affected by the expected job losses, as fewer and fewer older workers are left, redeployment measures will become necessary, and these are difficult to carry out, especially in the areas in which the coal and steel industries are concentrated.

Given these prospects, the Commission intends to continue its social measures in favour of coal and steel workers, notably through its financial assistance under the Treaty of Paris.<sup>1</sup>

### 3.2.2. Legal bases of ECSC social measures

The Commission's financial assistance under the Treaty of Paris is covered by Articles 54, 55 and 56:

- (a) In the case of coal and steel industry workers whose jobs are not affected, the Commission can
  - grant low-interest housing loans from its own funds under Article 54 ECSC (see Annex D - requirements not entered in the budget)
  - provide grants to finance research projects on occupational safety under Article 55 ECSC (see Annex D - Article D 330).
  
- (b) In the case of coal and steel industry workers who lose their jobs as a result of the restructuring or rationalization measures occasioned by the major changes in the market conditions and technical processes used, the Commission can make use of:
  - paragraphs 1(c) and 2(b) of Article 56 ECSC to grant non-repayable redeployment aid (see 3.2.3. below);

---

<sup>1</sup> The Commission also uses the EEC's financial instruments, in particular the Social Fund (which is not sectoral in nature) and the Regional Fund (RESIDER programme).

- (o) For firms making investments which can create alternative jobs for redundant coal and steel workers the Commission can grant conversion loans carrying an interest subsidy under paragraph 2(a) of Article 56 ECSC (see 3.3. below).

### 3.2.3. ECSC redeployment aid

The ECSC redeployment aid scheme, which is based on conventions or agreements reached with the Governments of the Member States, mainly comprises aids in the form of compensation for losses of income in the event of unemployment, resettlement or early retirement and in the form of a financial contribution to the cost of vocational training, mobility and redeployment premiums.

The substantial financial resources channelled through this scheme have already allowed large amounts to be spent on the social measures accompanying the restructuring programmes. If the measures in connection with the restructuring of the coal and steel industries, financed from the exceptional resources made available to the ECSC from the general budget through successive Council decisions are also taken into account, seven workers out of every ten affected in the past ten years actually received this Community support which usefully supplements the national aids granted. These measures help make the consequences of restructuring socially and humanly acceptable for the coal and steel workers affected and directly facilitate the implementation of schemes to improve the financial

situation of non-competitive companies, the cost of which would otherwise be higher for the companies, workers, regions and public finances.

Between 1988 and 1990 the Commission intends to continue providing assistance for the redeployment of coal and steel workers affected by restructuring by means of:

- traditional aid financed from the ECSC's own resources, which will operate from 1989 under the rules of the new common intervention system;
- a new supplementary programme of social support measures for the restructuring of the steel industry from 1988 to 1990, partly financed by extraordinary resources;
- a new supplementary programme of social support measures for the rationalization of the coal industry financed from ordinary resources.

#### The common intervention system<sup>1</sup>

The prime objective of this new system, which will enter into force on 1 January 1989, is to offer the same Community guarantees to all coal and steel workers in the same employment situation. It sets up a consistent and transparent framework for recognizing the real scope of the aid granted, neither automatically ruling out types of guarantee offered by the old system nor inventing new types which do not correspond to national practice. All the types of aid existing under the old system are reorganized around five standard job situations of ECSC recipients recognized by virtually all the Member States' social security systems:

<sup>1</sup> C(88)31E

- workers taking early retirement
- workers transferred (internal)
- workers unemployed
- workers redeployed (external)
- workers being trained.

To standardize the ECSC contribution, the contribution by country for each standard situation has been given a ceiling which is determined identically from the average wage received and the maximum duration of assistance for each standard situation.

To encourage the Member States to carry out all the necessary redeployment and resettlement measures, the new system allows a combination of aids for workers who change category.

To harmonize the levels of assistance by reducing the extreme differences which could arise from excessive wage differences, the system also provides for higher contribution levels for workers in areas with a low economic capacity and maximum ceilings for each standard situation which are identical in all the Member States.

Finally, to contain total expenditure on the redeployment of coal and steel workers while harmonizing the average level of aid for workers in each Member country, a ceiling of 3 000 ECU has been set for the average amount of annual assistance for each worker. This ceiling does not apply to each worker individually but to the total amount of ECSC redeployment aid in one Member State. Through this rule, the Commission intends to adjust traditional redeployment requirements to ECSC budget resources and avoid or restrict the use of the clause it has recently had to include in all the bilateral agreements to make operations conditional on the availability of budget funds.



Extension of the field of application of aids

When the common intervention system entered into force, the Commission decided to make two extensions to the field of application of redeployment aid to adjust it to developments surrounding the restructuring and rationalization of the coal and steel industries.

First, the gradual exhaustion of the opportunities for coal and steel workers to transfer to other jobs in the coal and steel industries has been taken into account by the fact that redeployment aid may now be granted to workers in non-ECSC sectors of activity whose departure would allow redeployment of colleagues who have lost their jobs in an ECSC activity in the same firm (the Council's agreement is required under Article 95 of the ECSC Treaty).

This should have no significant financial implications; it will hardly increase the number of aid recipients since each award for a non-ECSC worker will be linked with the loss of an ECSC job which would in any case have led to ECSC aid.

Secondly, coal workers affected by rationalization measures carried out by companies which do not reduce their activities in proportion to the reduction in staff (a condition for aid under paragraph 2(b) of Article 56 have now been made eligible for Community redeployment aid under paragraph 1(c) of Article 56.

The financial repercussions of this extension - which is limited to the coal industry - should not exceed 1% of annual commitments for coal workers. As these additional aids constitute traditional redeployment aids they will be financed from ordinary resources.

Social support measures 1988-90

As part of the package of measures proposed for the steel industry for

1988-90,<sup>1</sup> the Commission announced a new programme of social support measures in connection with restructuring which would cost the Community an estimated 168 million ECU and provide aid for 85 000 workers. This additional programme will be directed at strengthening two types of measure: aid for early retirement and aid to genuine re-employment through the granting of re-employment premiums in addition to the vocational training, conversion and resettlement aids granted under the common intervention system and the measures to promote job creation in the hardest-hit steel areas. This addition to traditional aid will double the Community's contribution to the social costs involved in shedding jobs from around 10% to 20%.

### 3.3. Regional policy measures

#### 3.3.1. ECSC conversion loans

Under Article 56 of the ECSC Treaty, the Commission conducts a policy of job creation and of economic revitalization for those areas affected by cuts in activity and employment in the coal and steel industries.

This policy takes the form of measures to promote investment generating alternative employment. For this purpose, the Commission grants ECSC loans carrying an interest subsidy.

If there is no new investment, cuts in the workforce at a time when employment is in general decline in most coal and steel areas might condemn redundant workers to unemployment and leave young persons entering the employment market with even less chance of finding work. In view of this situation and of its responsibilities as specified in Article 2 of the ECSC Treaty, in particular as regards safeguarding continuity of employment,

---

<sup>1</sup> COM(87)388 final.

the Commission is also pursuing a policy of conversion commensurate in scale and effectiveness with the restructuring measures and adapted to the timetable and conditions for restructuring;

This policy covers all the areas affected by the restructuring of the steel industry and the mining areas affected by considerable job reductions. The granting of conversion loans is conditional on the number of job losses or the dependence of these areas on the coal and steel industries. In practice, the establishment and expansion of small and medium-sized businesses at various levels of technological innovation have proved to be the main source of new full-time jobs and must therefore be encouraged by all possible means. The marked expansion in global loans<sup>1</sup> from 30% of the total volume of loans approved in 1979 to 90% in 1987 is a pragmatic development which is perfectly in keeping with this approach.

### 3.3.2. The Community's RESIDER programme

The Community programme to assist the conversion of steel areas (the RESIDER programme) was set up on 2 February 1988 under the European Regional Development Fund.<sup>2</sup>

The programme should make a contribution to the conversion of certain declining industrial regions in the Community adversely affected by restructuring of the steel industry. It must help create alternative jobs following losses due to reductions in production capacity. The programme provides for the implementation of a series of consistent, multiannual measures (1988-92) aimed at improving the infrastructure and the economic environment in the areas concerned (redevelopment of industrial wasteland, infrastructure linked with job creation) as well as the establishment of new activities, the growth of small and medium-sized businesses and the development of innovation (improvement of services for small and medium-sized businesses).

---

<sup>1</sup> In contrast with direct loans, global loans are granted to a bank or financial institution which onlends the ECSC funds to investors, normally small or medium-sized businesses.

<sup>2</sup> OJ L 33, 5.2.1988.

The RESIDER programme will cover the areas most affected by the restructuring of the steel industry. The Community criteria for determining the geographical scope include both socio-economic and industrial indicators (socio-economic situation, number of jobs in the steel industry, rate of dependence on steel, job losses in the steel industry).

An estimated 300 million ECU concentrated on the first three years (1988-90) is to be allocated to the programme from the general budget. However, the Commission has stated that it intends to increase this amount in due course.

#### 4. Financial activities

ECSC Financial Report No 33, outlining the Community's borrowing and lending operations and financial aid in 1987, will be published shortly.

Borrowings contracted in 1987 totalled 1 487 million ECU, compared with 1 517.4 million ECU in 1986 and 1 264.8 million ECU in 1985.

Industrial loans amounted to 639.7 million ECU in 1987 compared with 799.5 million ECU in 1986 and 629.9 million ECU in 1985, conversion loans to 304.3 million ECU, compared with 243.5 million ECU and 363.4 million ECU, and workers' housing loans to 25.3 million ECU, compared with 26.2 million ECU and 17.3 million ECU (see the tables below).

Borrowing and lending operations since the start of ECSC financial activities thus totals 15 107.8 million ECU and 13 953.7 million ECU respectively (including 337.8 million ECU in loans from own funds). The outstanding balance of loans raised at 31 December 1987 was 6 643.8 million ECU.

In 1988 loans raised at 30 June amounted to 211.3 million ECU and loans paid out were at a corresponding level.

The prospects for borrowing and lending activities depend on the continuation of the restructuring programmes planned by the companies and on the granting of aid for interest subsidies for conversion and for the

utilization and economically viable extraction of Community coal; and other categories of investment to which the Commission considers that priority should be given may also influence these prospects. The estimates for both 1988 and 1989 amount to 1 350 million ECU in borrowings and 1 300 million ECU in loans. Investment expenditure in the coal industry (EUR 10) increased from 1 300 million ECU in 1985 to 1 400 million ECU in 1986.

In 1986 investment expenditure in the Twelve's steel industry totalled over 4 100 million ECU, 11% down on the 4 600 million ECU invested in 1985; the size of this drop was moderated by the sharp increase in expenditure by Spanish companies on restructuring programmes designed to help the industry contend with the effects of accession.

According to information supplied by the companies, investment expenditure for 1987 was estimated at 1 500 million ECU for the coal industry and 3 500 million ECU for the steel industry; the 1988 estimates are 1 100 million ECU and 1 700 million ECU.\*

---

\* Source: Investment in the Community's coal and steel industries - report on the 1987 survey - situation at 1 January 1987.

ECSC - BORROWING AND LENDING OPERATIONS

AMOUNTS RECEIVABLE

HEADING	Million ECU		
	Forecast 1988	Forecast 1989	Outturn 1987
1.0 Loans raised	1 350	1 350	1 487.0
1.1 Repayment of loans granted	900	900	1 086.9
1.2 Interest payments to the ECSC	660	660	669.0
1.3 Repayment of costs involved in borrowing and lending operations	10	10	10.5

AMOUNTS PAYABLE

HEADING	Million ECU		
	Forecast 1988	Forecast 1989	Outturn 1987
2.0 Loans granted	1 300	1 300	969.4
2.1 Repayment of loans raised	960	960	1 330.4
2.2 Interest payments	645	645	648.4
2.3 Payment of costs involved in borrowing and lending operations	25	25	25.2

### C. FINANCIAL CONTEXT

The main features of the financial context of the draft ECSC operating budget for 1989 are:

- maintenance of the traditional budget system, including the commitments recently introduced to improve transparency;
- a different approach concerning the financing of social measures in the steel industry. This new approach has already been announced in recent Commission documents on steel policy (COM(88)343, 16 June 1988 and the draft amending ECSC operating budget for 1988 (COM(88)342, 9 June 1988).

#### The budget system

After the institutions largely reconciled their views on the ECSC's budget system in 1987, and in the light of the comments made in Parliament's resolution of 20 November 1987 on the 1988 operating budget, the Commission confirmed in its half-yearly report on action taken on Parliament's own-initiative resolutions between July and December 1987 (SP(88)733, page 82) that it would be keeping the commitments budget in which a balance is struck between aid commitments and entitlements recorded in a financial year.

The Commission will continue to accompany this commitments budget with information on payments and cash transactions mentioned in Parliament's resolution of 13 April 1988 on the discharge in respect of the 1986 ECSC budget. This information takes the form of the schedules of payments in Annex D of this aide-memoire and a summary table in the Financial Report analysing all budget commitments by year of origin and expected year of disbursement.

In reply to certain specific items in the two resolutions, the Commission would make the following points:

- The Financial Regulation mentioned in Article 78h of the ECSC Treaty is in fact the Financial Regulation applicable to the general budget of the Communities. The management of the ECSC budget is covered by internal rules adopted by the Commission under Article 16 of the ECSC Treaty.

- The policy on reserves is still the same as that reported to Parliament in January 1987 (SEC(86)1832). For budgetary reasons (to take account of the difficulties linked with the crisis situation in the steel industry) and for financial and legal reasons (to safeguard the market financing instrument for coal and steel companies) the Commission has decided to adopt the policy of allocating the net annual surplus as far as possible to the financing of the ECSC budget and, as regards the financial statements and thus the level of reserves, of simply keeping the main financial ratios at a level close to those of the balance sheet at 31 December 1984.
  
- In its report on the accounting and financial management of the ECSC for 1985 the Court of Auditors commented on the annual payment to the general budget to cover administrative expenditure (8 million ECU). Given the legal framework (Article 20 of the Merger Treaty), it was noted that the reduction in the annual payment as decided by the Council in 1977 represented a sizeable "subsidy" to the ECSC.
  
- The trend in provisions to finance the operating budget is set out every year in one of the notes to the financial statements (note 13 in 1987).
  
- The criteria used by the Commission for the ECSC's property investments ensure that it will only engage in operations offering total financial security. In the current institutional and legal context, no financial undertaking made by the ECSC in the property sector goes beyond the year 2002.

Other subjects brought up by Parliament are discussed in the previous section of the aide-memoire (structural and social policy guidelines).

The Commission's reaction on the subject of the allocation of ECSC customs duties to the ECSC is set out below.

#### Financing of the social measures for coal and steel

After the fruitless negotiations in recent years on the financing of all social measures in the steel sector from appropriations from the general budget, the Commission proposed a new approach to this problem. This approach requires an undertaking from the three parties concerned - the Council, the industry and the Commission.



The Commission therefore proposes the following changes in the financing arrangements for social measures connected with restructuring of the steel industry:

- The estimated cost of 132 million ECU (COM(87)388, p.10) is amended to 165 million ECU (55 000 workers eligible for aid in the period 1988-90 x 3 000 ECU cost per head), 50 million ECU to be committed in 1988, 55 million ECU in 1989 and 60 million ECU in 1990.
- The 165 million ECU is to be financed by levy increases in 1989 and 1990 (80 million ECU equally divided between the two years) and the granting to the ECSC in 1989 and 1990 from the general budget of amounts corresponding to a proportion of the customs duties on ECSC products (85 million ECU: 65 million ECU in 1989 to cover 1988 and 1989 commitments - i.e. 50 + 55 (to be committed) - 40 (to be covered by levies) - and 20 million ECU for 1990 commitments).
- The 50 million ECU to be committed in 1988 is financed by a repayable advance from the ECSC's reserves (Guarantee Fund). This sum will be released only if the above Funds are actually made available. The advance is to be repaid in 1989 from the net balance for 1988.

After obtaining a favourable opinion from Parliament (Mr Bardong's resolution of 7 July 1988), the Commission accordingly amended its budget estimates for 1988 (see COM(88)342, 9 June 1988).

Since these are normal redeployment aids to be granted under paragraph 1(c) of Article 56 of the ECSC Treaty, the 12 million ECU provided for social measures in connection with the rationalization of the coal industry is to be financed from ordinary resources.

The Commission has therefore proposed that resources be allocated from the general budget to the ECSC for a limited period only and for the sole purpose of financing the social measures for the steel sector.<sup>1</sup> The transfers are proposed on the basis of new revenue in the general budget from customs duties on ECSC products in accordance with the Council decision of 24 June 1988.

In its proposals for financing the social measures in the steel sector the Commission, as in the past, has tried to ensure that the financing of ordinary budget aid (research, redeployment, interest subsidies, is not

---

<sup>1</sup> Proposal for a decision attached to the communication of 16 June 1988 from the Commission on steel policy (COM(88)343).

limited unacceptably in order to procure resources to cover the exceptional aid needed as a result of the restructuring of the steel industry.

However, the allocation to cover ordinary aid continues to be limited to the amounts available with a stable levy rate.

These proposals take full account of the conclusions of the 1 216th Council meeting on the social measures in the steel sector. At this meeting on 22 December 1987 the Council suggested that the Commission take the 50 million ECU needed for social measures in 1988 from ECSC reserves and recorded its readiness to reexamine future funding arrangements in the light of requirements and bearing in mind the possibility of a transfer of ECSC customs duties to the Community. At its 1 255th meeting on 24 June 1988 the Council again stressed the need for social measures to accompany the restructuring process and stated its intention of returning to the problems of financing them at its next meeting.<sup>1</sup>

## II. DRAFT ECSC OPERATING BUDGET FOR 1989

### A. COMMISSION APPROACH

For the purposes of evaluating the draft budget for 1989, the Commission considers that a price increase of 3.5% should be used as the basis for comparing the figures for 1988 and those for 1989.

Total resources for 1989 amount to 384 million ECU and are set out in detail in Annex E.

Of this total, 106 million ECU is to be regarded as exceptional resources (40 million ECU from an increase in levies and 66 million ECU from a transfer of revenue from ECSC customs duties from the general budget); 55 million ECU is needed to cover the social measures in connection with the restructuring of the steel industry and 50 million ECU for the repayment from potential ordinary resources (balance from the previous year) in 1989 of the advance from the reserves to provide provisional

---

<sup>1</sup> Proposal for a decision attached to the communication of 16 June 1988 from the Commission on steel policy (COM(88)343).

cover in 1988 for the commitments to be entered into this year in respect of the social measures. This "compensatory" 50 million ECU thus covers traditional aids in 1989.

As a result, the resources to be allocated to chapters other than the social measures in 1989 amount to 329 million ECU (384 - 105 + 50).

This budgetary approach reflects the following guidelines which were already explained at I.C above:

- mixed financing of the social measures (resources from ECSC customs duties from the general budget, ECSC levies, advance on reserves);
- financing of the social measures not to reduce the funds for traditional aid.

The additional 40 million ECU planned from levies means that a rate of 0.39% should be fixed for 1989 as against the 0.31% rate now in force.

#### B. FINANCING PROPOSALS

The Commission's proposals for the 1989 ECSC operating budget are tabulated in Annex F and are based on the following factors:

- Total resources of 384 million ECU: Of this total, 65 million ECU will come from the payment of ECSC customs duties from the general budget (statement of revenue, Item 1201) for the exceptional social measures in connection with the restructuring of the steel industry.
- Of the total, 55 million ECU will be to finance the social measures.
- Requirements to be covered by the traditional resources of 329 million ECU remaining available:
  - . 5 million ECU for administrative expenditure;
  - . 176 million ECU for redeployment aid;
  - . 74 million ECU for research expenditure;
  - . 63 million ECU for interest subsidies;
  - . 12 million ECU for social aids in connection with the rationalization of the coal industry.

As regards research appropriations, to which it attaches fundamental importance, the Commission proposals that 34 million ECU be devoted to steel, 27 million ECU to coal and 13 million ECU to social research.

As regards interest subsidies, the Commission proposes that 53 million ECU should go to conversion as direct aid for the creation of new jobs and 10 million ECU to investments.

In conclusion, the Commission proposes that the 1989 ECSC operating budget be adopted at a total amount of 384 million ECU and that the levy rate be set accordingly at 0.39%.

C. DRAFT BUDGET

The draft budget established by the Commission and amounting to 384 million ECU is presented in Annex F.

OUTTURN OF ECSC OPERATING BUDGET FOR 1987

SUMMARY TABLE

(million ECU)

REQUIREMENTS	FORECAST <sup>1</sup>	OUTTURN	RESOURCES	FORECAST <sup>1</sup>	OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources		
2. Aid for redeployment (Art. 56)	224	82.4	1.1 Yield from 0.31% levy	172	174.7
3. Aid for research (Art. 55)	70	73.7	1.2 Interest on investments and on loans from non-borrowed funds	201	201
3.1 Steel	35	37	1.3 Fines and surcharges for late payment <sup>2</sup>	18	18.6
3.2 Coal	24	25.3	1.4 Miscellaneous	pm	0.7
3.3 Social	11	11.4	2. Cancellation of commitments unlikely to be implemented	10	4.3
4. Interest subsidies	68	48.3	3. Revaluation of assets and liabilities	pm	pm
4.1 Investment (Art. 54)	8	8	4. Resources from 1986 not used	pm	pm
4.2 Conversion (Art. 56)	60	40.3	5. Exceptional revenue		
5. Social measures connected with restructuring of steel industry	34	pm	5.1 Social measures connected with restructuring of steel industry	pm	pm
6. Social measures connected with restructuring of coal industry	pm	pm	5.2 Social measures connected with restructuring of coal industry	pm	pm
7. Surplus		189.9	6. Drawings on contingency reserve	pm	pm
<b>BUDGET TOTAL</b>	<b>401</b>	<b>399.3</b>	<b>BUDGET TOTAL</b>	<b>401</b>	<b>399.3</b>
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
8. Workers' housing	13	13	7. Special reserve and former ECSC Pension Fund	13	13

<sup>1</sup>Forecasts made by the Commission at 21 July 1987.

<sup>2</sup>The figure of 18.6 million ECU represents actual receipts in 1987.

## SUMMARY TABLE

REQUIREMENTS	Initial forecast	Amended forecast*	RESOURCES	Initial forecast	Amended forecast*
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure <sup>1</sup>	5	5	1. Current resources	150	162
2. Aid for redeployment (Art. 56)	180	345	1.1 Yield from 0.31% levy		
3. Aid for research (Art. 55)	63	73	1.2 Net balance from previous year	107	107
3.1 Steel	30	34	1.3 Fines and surcharges for late payment <sup>2</sup>	7	15
3.2 Coal	22	26	1.4 Miscellaneous	pm	0.1
3.3 Social	11	13	2. Cancellation of commitments unlikely to be implemented	5	23
4. Interest subsidies	47	60	3. Resources from 1987 not used	pm	189.9
4.1 Investment (Art. 54)	7	7	4. Exceptional revenue		
4.2 Conversion (Art. 56)	40	53	4.1 Social measures connected with restructuring of steel industry <sup>2</sup>	50	pm
5. Social measures connected with restructuring of steel industry <sup>1</sup>	44	84	4.2 Social measures connected with restructuring of coal industry	pm	pm
6. Social measures connected with restructuring of coal industry	pm	pm	5. Drawings on contingency reserve	20	20
			6. Advance from the ECSC's reserves <sup>3</sup>	-	50
BUDGET TOTAL	339	567	BUDGET TOTAL	339	567
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
7. Workers' housing	13	13	7. Special reserve and former ECSC Pension Fund	13	13

<sup>1</sup>Footnote to the initial budget: implementation of these chapters depends on the exceptional revenue actually being made available, i.e.:  
- 44 million ECU for social measures connected with restructuring of the steel industry (Chapter 5);  
- 6 million ECU for aid for redeployment (Chapter 2).

<sup>2</sup>The Council did not authorize this transfer (Council meeting (Industry) of 22 December 1987).

<sup>3</sup>Footnote to the amended budget: implementation of this chapter depends on the allocation of a sum to be advanced from the ECSC's reserves (Guarantee Fund) and to be repaid in 1989, it being understood that this sum will be made over only on condition that supplementary levy revenue and a general budget contribution corresponding to part of the customs duties on ECSC products are made available in 1989.

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 FIRST QUARTER OF 1988

	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	0.6	0.20274	0.12
All types of hard coal	44.2	0.24152	10.68
<u>COAL - TOTAL</u>			10.80
Pig-iron other than that required for the manufacture of ingots	0.6	0.53384	0.31
Steel ingots	34.1	0.68460	23.34
Finished products	28.0	0.31759	8.88
<u>STEEL - TOTAL</u>			32.53
<u>GRAND TOTAL</u>			43.33

(3) = (1) x (2)

ECSC BALANCE SHEET AT 31 DECEMBER 1987

(Before allocation of profit)

ASSETS		LIABILITIES	
1. Balances with central banks	1 222 206	<u>1. LIABILITIES</u>	
2. Balances with credit institutions		11. Liabilities towards third parties	
- repayable on demand	16 244 011	- Amounts owed to credit institutions: with agreed maturity dates or periods of notice	-
- with agreed maturity dates or periods of notice	1 191 772 426	- Long-term and medium-term debts	6 688 768 678
3. Debt securities held in portfolio	665 663 392	- Other liabilities	22 321 424
4. Loans outstanding	6 768 061 076	- Accruals and deferred income	355 158 907
5. Recoverable issuing costs and redemption premiums	44 196 488	- Provision for losses and expenses	3 214 944
6. Tangibles and intangibles	4 715 386	12. Commitments for ECSC Operating Budget	
7. Other assets	97 124 950	- Legal commitments	797 878 777
8. Accruals and deferred income	195 345 674	13. Total liabilities towards third parties	7 867 342 730
<b>GRAND TOTAL</b>	<u><b>8 984 345 609</b></u>	<u>2. NET ASSETS</u>	
		21. Provision for the financing of the ECSC Operating Budget	391 967 067
		22. Reserves	
		- guarantee fund	469 982 000
		- special reserve	183 878 000
		- former pension fund	50 186 605
		- contributions from the new Member States to reserves not yet called in	19 370 834
		Total reserves	723 417 439
		23. Profit brought forward	344 467
		24. Profit for the financial year	1 273 906
		25. NET TOTAL	1 117 002 879
		<u>3. GRAND TOTAL</u>	<u>8 984 345 609</u>



ANNEX E

ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE  
FINANCIAL YEAR 1989

In response to the wishes expressed by Parliament in its resolution of 14 December 1982,<sup>\*</sup> the presentation of requirements reported and foreseeable resources is modelled on the systematic analysis of the data for the various budget headings in the general budget. 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).

The "percentage change 1988-89" compares the figures for the initial budget for 1988 with those in the proposal for 1989.

The analysis of requirements and resources for 1989, as was the case last year and as in the general budget, contains a foreseeable schedule of payments against budget appropriations for 1989, 1988 and previous years.

---

\* OJ C 23, 17.1.1983.

REQUIREMENTS

1. ORDINARY AND EXTRAORDINARY REQUIREMENTS

Article	Heading	1989 approps proposed	1988 approps authorised	Outturn 1987
	<u>CHAPTER 10 - ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	<u>CHAPTER 10 - TOTAL</u>	5	5	5

Art. Item	REMARKS					
10	<p><b>1. <u>References and description</u></b></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><b>2. <u>Type of expenditure</u></b></p> <p>Annual payment in four equal quarterly instalments.</p> <p><b>3. <u>Method of calculation and explanation of change</u></b></p> <p>The Council has set the annual amount of the payment at 5 million ECU.</p> <p>Percentage change 1988-89: 0%.</p> <p><b>4. <u>Foreseeable schedule of payments</u></b></p>					
(million ECU)						
Commitments		Payments				
		1988	1989	1990	1991	Subsequent years
Commitments entered into against 1987 & earlier approps	-	-	-	-	-	-
1988 approps	5	5	-	-	-	-
1989 approps	5	-	5	-	-	-
TOTAL	10	5	5	-	-	-

REQUIREMENTS

Article	Heading	1989 approps proposed	1988 approps authorised	Outturn 1987
	<u>CHAPTER 20 - AID FOR REDEPLOYMENT</u> <u>(Article 56 ECSC)</u>	175	180	82.4
	<u>CHAPTER 20 - TOTAL</u>	175	180	82.4

REQUIREMENTS

Art. Item	REMARKS
20	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"><li>- Articles 50, 56 and 95 (extension of the principle of replacement) 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> <p>2. <u>Type of expenditure</u></p> <p>Provision to subsidize the expenditure on redeployment incurred by the Member States according to the procedure set out in the agreements signed, and taking account of the changes to be made in line with what is described on pages 22 to 25 above (common intervention system).</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>In 1989 38 000 steelworkers should receive traditional redeployment aid.</p>

REQUIREMENTS

Article	Heading	1989 approps proposed	1988 approps authorised	Outturn 1987
20	<u>Aid for redeployment (cont'd)</u>			

REQUIREMENTS

Art. Item	REMARKS
20 (cont)	<p>This total includes workers who have lost their jobs or will lose them before 1989 and for whom the request for assistance is not made before that date (mainly steelworkers from Italy and France) and a large proportion of workers who will lose their jobs in 1989 and for whom the request for assistance is expected that year. The number of job losses expected in 1989 is between 27 000 and 30 000, mainly in Italian, German, French and Spanish companies.</p> <p>The number of recipients in the coal industry is estimated at around 23 000, mainly in the Federal Republic, France and the United Kingdom and, to a lesser extent, Belgium and Spain.</p> <p>Given the ceiling on redeployment expenditure under the operating rules introduced by the common intervention system applicable to traditional redeployment aids from 1989, the requirements of the steel industry (and iron ore mines) are estimated at 114 million ECU. The coal industry's requirements are estimated at 61 million ECU. For the ECSC sector as a whole, the requirements for traditional redeployment are thus estimated at 175 million ECU.</p>

REQUIREMENTS

Article	Heading	1989 approps proposed	1988 approps authorised	Outturn 1987
20	<u>Aid for redeployment (cont'd)</u>			



REQUIREMENTS

Art.	Remarks						
20 (cont'd)	Percentage change 1988-89: - 2.8% (not including 141.6 million ECU carried over from the 1987 budget nor the additional 234 million ECU in the amending budget)						
4. <u>Foreseeable schedule of payments</u>							
Commitments		PAYMENTS					
		1988	1989	1990	1991	Subsequent years	
Commitments entered into against 1987 and earlier approps	348.3	177.4	66.2	59.4	45.3	-	
1988 approps (initial)	180*	28.5	45.9	51.4	35.7	18.5	
1989 approps	175	-	11.2	49.3	45.7	68.8	
TOTAL	703.3	205.9	123.3	160.1	126.7	87.3	
*The schedule for the carryovers from 1987 and the additional appropriations in the amending budget (165 million ECU in all) is determined on a pro rata basis.							

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
	<u>CHAPTER 30</u>			
	<u>Aid for research</u>			
310	Steel research	34	30	37
320	Coal research	27	22	25.3
330	Social research	13	11	11.4
	CHAPTER 30 - TOTAL	74	63	73.7

REQUIREMENTS

Art.	Remarks
30	<p data-bbox="284 450 720 483"><u>1. References and description</u></p> <p data-bbox="328 510 887 544"><u>Articles 50 and 56 of the ECSC Treaty</u></p> <p data-bbox="328 602 1205 907">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 obtaining the opinion of the ECSC Consultative Committee and after receiving the Council's assent.</p> <p data-bbox="284 969 617 1003"><u>2. Type of expenditure</u></p> <p data-bbox="328 1061 1329 1319">Provision to cover repayment of a proportion of the actual costs of research projects approved by the High Authority/Commission. In most cases, the aid granted amounts to 60% of actual costs, or between 40 and 50% for pilot and demonstration projects. The industries concerned always make a substantial financial contribution.</p> <p data-bbox="284 1379 1041 1413"><u>3. Method of calculation and explanation of change</u></p> <p data-bbox="328 1471 1205 1550">Percentage change 1988-89: + 17.5%, not including the additional 10 million ECU in the amending budget for 1988.</p> <p data-bbox="328 1608 1195 1731">The grounds for the aid proposed for each of the research categories (steel, coal and social) are explained in the following paragraphs.</p>

REQUIREMENTS

Art.	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
310	<u>CHAPTER 30</u> (cont'd) - <u>AID FOR RESEARCH</u>  <u>STEEL RESEARCH</u>	34	30	37

REQUIREMENTS

Art.	Remarks
310	<p><u>Steel research</u></p> <p><u>Grounds</u></p> <p>In 1989 the European steel industry will have to make its final choices about how it is to face up to the 1990s.<sup>1</sup> Its objectives must be to continue and develop:</p> <ul style="list-style-type: none"><li>- its technological modernization efforts (high-technology processes);</li><li>- European cooperation (multinational programmes).</li></ul> <p>Through the first objective, it will be seeking to ensure high-quality production to meet users' new requirements as effectively as possible under the following conditions:</p> <ul style="list-style-type: none"><li>- improved cost-competitiveness in production and processing;</li><li>- continuing stimulation of consumption in domestic and export markets.</li></ul> <p>Through the second objective, it will be seeking to match similar efforts in Japan and the United States; this objective is also concerned with savings (avoiding duplication of effort).</p> <p>This dual research effort must also stimulate the basic role of researchers and give tomorrow's steelworkers the prospect of stable employment at a high technical level.</p> <p><sup>1</sup> Chapter IV of the General Objectives for Steel 1990 (COM(85) 450 final).</p>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
310 (cont'd)	<u>STEEL RESEARCH</u>			

REQUIREMENTS

Art.	Remarks
310 (cont'd)	<p>The research programmes have already produced outstanding successes recognized by all the sectors concerned.</p> <p>In 1989 the following programmes will be conducted in parallel with finance from ECSC aids:</p> <p>1. <u>The steel research programme</u></p> <p>This programme provides aid for the medium-term research needed to guarantee the industry's technical competitiveness. The scope covers both processes and products and includes the following priorities:</p> <ul style="list-style-type: none"><li>- new production channels for iron and steel;</li><li>- improvement of existing production methods (greater automation);</li><li>- development of new qualities of steel and new products adapted to market requirements to compete with the use of other materials.</li></ul> <p>2. <u>Programme of pilot and demonstration projects</u></p> <p>Recent years' experience has shown the effectiveness of this method of encouraging the industrial exploitation of laboratory research (projects relating to industrial processes and product development). The industry's growing interest in this programme suggests that it should be continued.</p>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
310 (cont'd)	<u>STEEL RESEARCH</u>			



REQUIREMENTS

Art.	Remarks																																								
310 (cont'd)	<p><b>3. Long-term research strategy</b></p> <p>Previous activities in this field have been aimed at achieving long-term strategic results which have so far been limited to the direct use of coal in the manufacture of pig iron (elimination of coke) and the direct casting of flat products.</p> <p style="text-align: center;">* * *</p> <p>The following technical sectors will be covered by these three types of research in 1989:</p> <ul style="list-style-type: none"> <li>- ore and blast furnaces;</li> <li>- oxygen steelworks and electric steelworks;</li> <li>- casting and solidification;</li> <li>- rolling mills and treatment of steel;</li> <li>- measures and analyses;</li> <li>- steel properties and utilization;</li> <li>- recycling of steel waste.</li> </ul> <p>Percentage change 1988-89: + 13.3%, not including the additional 4 million ECU in the amending budget.</p> <p><u>Foreseeable schedule of payments</u></p> <table border="1" data-bbox="268 1489 1370 2033"> <thead> <tr> <th colspan="2" data-bbox="268 1489 620 1653" rowspan="2">Commitments</th> <th colspan="5" data-bbox="620 1489 1370 1563">Payments</th> </tr> <tr> <th data-bbox="620 1563 773 1653">1988</th> <th data-bbox="773 1563 906 1653">1989</th> <th data-bbox="906 1563 1050 1653">1990</th> <th data-bbox="1050 1563 1179 1653">1991</th> <th data-bbox="1179 1563 1370 1653">Subsequent years</th> </tr> </thead> <tbody> <tr> <td data-bbox="268 1653 503 1821">Commitments entered into against 1987 and earlier approps</td> <td data-bbox="503 1653 620 1821">69.5</td> <td data-bbox="620 1653 773 1821">29.6</td> <td data-bbox="773 1653 906 1821">20.6</td> <td data-bbox="906 1653 1050 1821">10</td> <td data-bbox="1050 1653 1179 1821">5</td> <td data-bbox="1179 1653 1370 1821">4.3</td> </tr> <tr> <td data-bbox="268 1821 503 1899">1988 approps (initial)</td> <td data-bbox="503 1821 620 1899">30*</td> <td data-bbox="620 1821 773 1899">3</td> <td data-bbox="773 1821 906 1899">10</td> <td data-bbox="906 1821 1050 1899">8</td> <td data-bbox="1050 1821 1179 1899">6</td> <td data-bbox="1179 1821 1370 1899">3</td> </tr> <tr> <td data-bbox="268 1899 503 1955">1989 approps</td> <td data-bbox="503 1899 620 1955">34</td> <td data-bbox="620 1899 773 1955">-</td> <td data-bbox="773 1899 906 1955">3</td> <td data-bbox="906 1899 1050 1955">11.5</td> <td data-bbox="1050 1899 1179 1955">9.5</td> <td data-bbox="1179 1899 1370 1955">10</td> </tr> <tr> <td data-bbox="268 1955 503 2033"><b>TOTAL</b></td> <td data-bbox="503 1955 620 2033"><b>133.5</b></td> <td data-bbox="620 1955 773 2033"><b>32.6</b></td> <td data-bbox="773 1955 906 2033"><b>33.6</b></td> <td data-bbox="906 1955 1050 2033"><b>29.5</b></td> <td data-bbox="1050 1955 1179 2033"><b>20.5</b></td> <td data-bbox="1179 1955 1370 2033"><b>17.3</b></td> </tr> </tbody> </table> <p data-bbox="299 2056 1287 2123">* The schedule for the 4 million ECU added by the amending budget is determined on a pro rata basis.</p>	Commitments		Payments					1988	1989	1990	1991	Subsequent years	Commitments entered into against 1987 and earlier approps	69.5	29.6	20.6	10	5	4.3	1988 approps (initial)	30*	3	10	8	6	3	1989 approps	34	-	3	11.5	9.5	10	<b>TOTAL</b>	<b>133.5</b>	<b>32.6</b>	<b>33.6</b>	<b>29.5</b>	<b>20.5</b>	<b>17.3</b>
Commitments				Payments																																					
		1988	1989	1990	1991	Subsequent years																																			
Commitments entered into against 1987 and earlier approps	69.5	29.6	20.6	10	5	4.3																																			
1988 approps (initial)	30*	3	10	8	6	3																																			
1989 approps	34	-	3	11.5	9.5	10																																			
<b>TOTAL</b>	<b>133.5</b>	<b>32.6</b>	<b>33.6</b>	<b>29.5</b>	<b>20.5</b>	<b>17.3</b>																																			

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
320	<u>CHAPTER 30 (cont'd)</u> <u>AID FOR RESEARCH</u>  COAL RESEARCH	27	22	25.3

REQUIREMENTS

Art.	Remarks
320	<p data-bbox="294 465 404 499"><u>Grounds</u></p> <p data-bbox="294 528 1295 696">1. The research aids are needed for continuing the programmes already mentioned in the previous aide-memoire. In the chapter on solid fuels the New Community Energy Objectives for 1995<sup>1</sup> suggest that:</p> <ul data-bbox="341 712 1204 880" style="list-style-type: none"><li data-bbox="341 712 1078 745">- the market share for solid fuels be increased;</li><li data-bbox="341 757 1204 880">- the Community's solid fuels production industry should continue its restructuring in order to become more competitive.</li></ul> <p data-bbox="341 909 1248 1077">This document also stressed the basic importance of two factors influencing all developments in the energy sector: protection of the environment and technological innovation as the outcome of research, development and demonstration.</p> <p data-bbox="341 1106 1282 1319">The New Community Energy Objectives thus re-echo the conclusions of the Medium-term Guidelines for Technical Coal Research 1986-90<sup>2</sup> which serves as a framework for this branch of research and identifies the main tasks to be conducted in the two sectors of coal research.</p> <p data-bbox="341 1348 835 1382">In the mining technology sector,</p> <ul data-bbox="341 1397 1313 1700" style="list-style-type: none"><li data-bbox="341 1397 1271 1520">- costs must be reduced and productivity increased, mainly through the widespread application of new technologies and equipment;</li><li data-bbox="341 1532 1313 1610">- the quality of crude coal must be improved to make subsequent processing easier;</li><li data-bbox="341 1621 1287 1700">- safety in the mines must be increased and coal-face working conditions improved through better knowledge of natural</li></ul>

<sup>1</sup>OJ C 241, 25.9.1986.

<sup>2</sup>SEC(85)652 final.

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
320	<u>COAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Art.	Remarks
320 (cont'd)	<p>constraints and, in particular, the perfect containment of these constraints.</p> <p>The problems are even more complicated in the product beneficiation sector, since the industry must adapt to users' increasingly stricter requirements if it is to retain its traditional markets and open up new ones. It is also essential to take all possible steps to meet environmental protection standards. It is therefore necessary:</p> <ul style="list-style-type: none"><li>- to ensure that coal and coke is always of excellent and, in particular, stable quality by improving preparation, transport and coking;</li><li>- to improve the yield and flexibility of coal utilization, upgrading and processing procedures;</li><li>- to take account of environmental protection requirements both upstream and downstream of coal utilization, for example by eliminating pyritic sulphur during preparation, by stopping harmful emissions and by making use of residues.</li></ul> <p>2. Research aids are also required as the field of application of this research is to be expanded from 1989:</p> <ul style="list-style-type: none"><li>- Major efforts are required to adapt mechanized mining methods to specific conditions in the two new Member States.</li><li>- Open-cast mines, which account for a large proportion of total production, particularly in Spain and France, must be included in the Medium-term Guidelines for Technical Coal Research</li></ul>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
320	<u>COAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Art.	Remarks						
320 (cont'd)	<p>1986-90.</p> <ul style="list-style-type: none"> <li>- Modern mine management is currently moving away from traditional data processing to processes based on artificial intelligence and robotization.</li> <li>- In 1985 coal combustion was included in the non-nuclear research programme in the general budget; in its subprogramme concerning the use of solid fuels, the new non-nuclear research programme will be limited to fuel problems involved in electricity generation; the consumption of coal by industry and the private sector (e.g. district heating) must therefore be reincorporated in the ECSC coal research programme.</li> </ul> <p>Percentage change 1988-89: + 22.7%, not including the additional 4 million ECU in the amending budget.</p> <p><u>Foreseeable schedule of payments</u></p>						
Commitments		Payments					
		1988	1989	1990	1991	Subsequent years	
Commitments entered into against 1987 and earlier approps	45.7	19.5	13.5	6.6	3.3	2.8	
1988 approps (initial)	22*	2	7	6	5	2	
1989 approps	27	-	3	8	7.5	8.5	
TOTAL	94.7	21.5	23.5	20.6	15.8	13.3	
<p>*The schedule for the 4 million ECU added by the amending budget is determined on a pro rata basis.</p>							

REQUIREMENTS

Art.	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
330	<u>CHAPTER 30 (cont'd)</u> <u>AID FOR RESEARCH</u> <u>SOCIAL RESEARCH</u>	13	11	11.4



REQUIREMENTS

Art.	Remarks
330	<p>Social and medical research requirements come under the five research programmes previously adopted by the Commission:</p> <ol style="list-style-type: none"><li>1. ergonomics</li><li>2. industrial health in coal mines</li><li>3. technical measures to combat pollution at the place of work and near to steelworks</li><li>4. medical research</li><li>5. protection of workers against occupational hazards in the coal and steel industries.</li></ol> <p>These social and medical research programmes, some of which have been carried out for several years, have been an indisputable success, as both sides of the coal and steel industries and the research institutes regularly state.</p> <p>The assessment of requirements for 1989 is based on these programmes continuing normally and takes account of foreseeable limits on budget funds.</p> <p>Percentage change 1988-89: + 18.2% not including the additional 2 million ECU in the amending budget.</p>

REQUIREMENTS

Art.	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
330	<u>SOCIAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Art.	Remarks					
330 (cont'd)	<u>Foreseeable schedule of payments</u>					
Commitments		Payments				
		1988	1989	1990	1991	Subsequent years
Commitments entered into against 1987 and earlier approps	23.3	9.9	6.9	3.4	1.7	1.4
1988 approps (initial)	11*	1	4	3	2	1
1989 approps	13	-	1	5	4	3
TOTAL	47.3	10.9	11.9	11.4	7.7	5.4
<p>*The schedule for the 2 million ECU added by the amending budget is determined on a pro rata basis.</p>						

REQUIREMENTS

Art.	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
	<u>CHAPTER 40</u>			
	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u>			
410	<u>Investments</u>	10	7	8
420	<u>Conversion</u>	53	40	40.3
	CHAPTER 40 - TOTAL	63	47	48.3

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.</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> <ul style="list-style-type: none"><li>- direct loans: to firms or other private or public bodies;</li><li>- global loans: to banks or other credit institutions which onlend the ECSC funds, mainly to small or medium-sized businesses.</li></ul> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The following rates are now applied:</p> <ul style="list-style-type: none"><li>- investment loans: 3% (direct loans and global loans for the production and use of Community coal)</li><li>- conversion loans: 2% for direct loans 3% for global loans</li></ul> <p>The term of all these interest subsidies is five years.</p> <p>ECSC loans with interest subsidies are an important financial instrument for promoting industrial and other investments to meet the requirements for the coal and steel industries and to create</p>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
40 (cont'd)	<u>AIDS IN THE FORM OF INTEREST</u> <u>SUBSIDIES</u> (cont'd)			

REQUIREMENTS

Art. Item	REMARKS
40 cont'd	<p>jobs for redundant ECSC workers.</p> <p>Percentage change 1988-89: +34%, not including the additional 13 million ECU in the amending budget.</p> <p>The grounds for the aids proposed for each category of loan (investment and conversion) are explained in the following paragraphs.</p>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
410	<p><u>CHAPTER 40</u> (cont'd)</p> <p><u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u></p> <p><u>INVESTMENTS</u></p>	10	7	8



REQUIREMENTS

Art. Item	REMARKS																																															
410	<p><u>Grounds</u></p> <p>In the investment field, the purpose of interest subsidies is to encourage certain types of investment in ECSC industries.</p> <p>The criteria for granting subsidies cover the following areas:</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>- safety and hygiene, in particular the prevention of nuisances (OJ C 146, 25.11.1974);</li> <li>- promotion of coal production (OJ C 79, 29.3.1980, revised in OJ C 131, 20.5.1988);</li> <li>- promoting the consumption of Community coal (OJ C 343, 31.12.1982).</li> </ul> <p>The Commission will apply and adapt these criteria in the light of its assessment of priorities (at present limited to investment to promote the production and consumption of Community coal) and the appropriations available.</p> <p>Percentage change 1988-89: +42.9%</p> <p><u>Foreseeable schedule of payments</u> (million ECU)</p> <table border="1" data-bbox="263 1570 1364 1944"> <thead> <tr> <th colspan="2" data-bbox="263 1570 736 1671">Commitments</th> <th colspan="5" data-bbox="740 1570 1364 1615">Payments</th> </tr> <tr> <th colspan="2" data-bbox="263 1621 736 1671"></th> <th data-bbox="740 1621 859 1671">1988</th> <th data-bbox="863 1621 982 1671">1989</th> <th data-bbox="987 1621 1105 1671">1990</th> <th data-bbox="1110 1621 1228 1671">1991</th> <th data-bbox="1233 1621 1364 1671">Subsequent years</th> </tr> </thead> <tbody> <tr> <td data-bbox="263 1677 652 1767">Commitments entered into against 1987 and earlier appropriations</td> <td data-bbox="657 1677 736 1767">48.9</td> <td data-bbox="740 1677 859 1767">8</td> <td data-bbox="863 1677 982 1767">10.8</td> <td data-bbox="987 1677 1105 1767">9.6</td> <td data-bbox="1110 1677 1228 1767">9</td> <td data-bbox="1233 1677 1364 1767">11.5</td> </tr> <tr> <td data-bbox="263 1774 652 1818">1988 appropriations</td> <td data-bbox="657 1774 736 1818">7</td> <td data-bbox="740 1774 859 1818">0.7</td> <td data-bbox="863 1774 982 1818">1.4</td> <td data-bbox="987 1774 1105 1818">1.4</td> <td data-bbox="1110 1774 1228 1818">1.4</td> <td data-bbox="1233 1774 1364 1818">2.1</td> </tr> <tr> <td data-bbox="263 1825 652 1870">1989 appropriations</td> <td data-bbox="657 1825 736 1870">10</td> <td data-bbox="740 1825 859 1870">-</td> <td data-bbox="863 1825 982 1870">1</td> <td data-bbox="987 1825 1105 1870">2</td> <td data-bbox="1110 1825 1228 1870">2</td> <td data-bbox="1233 1825 1364 1870">5</td> </tr> <tr> <td data-bbox="263 1877 652 1944"><b>TOTAL</b></td> <td data-bbox="657 1877 736 1944"><b>65.9</b></td> <td data-bbox="740 1877 859 1944"><b>8.7</b></td> <td data-bbox="863 1877 982 1944"><b>13.2</b></td> <td data-bbox="987 1877 1105 1944"><b>13</b></td> <td data-bbox="1110 1877 1228 1944"><b>12.4</b></td> <td data-bbox="1233 1877 1364 1944"><b>18.6</b></td> </tr> </tbody> </table>						Commitments		Payments							1988	1989	1990	1991	Subsequent years	Commitments entered into against 1987 and earlier appropriations	48.9	8	10.8	9.6	9	11.5	1988 appropriations	7	0.7	1.4	1.4	1.4	2.1	1989 appropriations	10	-	1	2	2	5	<b>TOTAL</b>	<b>65.9</b>	<b>8.7</b>	<b>13.2</b>	<b>13</b>	<b>12.4</b>	<b>18.6</b>
Commitments		Payments																																														
		1988	1989	1990	1991	Subsequent years																																										
Commitments entered into against 1987 and earlier appropriations	48.9	8	10.8	9.6	9	11.5																																										
1988 appropriations	7	0.7	1.4	1.4	1.4	2.1																																										
1989 appropriations	10	-	1	2	2	5																																										
<b>TOTAL</b>	<b>65.9</b>	<b>8.7</b>	<b>13.2</b>	<b>13</b>	<b>12.4</b>	<b>18.6</b>																																										

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
420	<u>CHAPTER 40</u> (cont'd)  <u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u>  <u>Conversion</u> (cont'd)	53	40	40.3

REQUIREMENTS

Art.	Remarks
420	<p><u>Grounds</u></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, principally in the coal and steel industries.</p> <p>The guidelines drawn up by the Commission for granting conversion loans were published for the first time in OJ C 178, 27 July 1977.</p> <p>They have since been changed to improve and clarify the terms of global loans, which have proved a very effective instrument for creating new jobs in small businesses. The most recent amendment (OJ C 173, 1 July 1987) took account of the ECSC's difficult budget situation and the fall in interest rates on the capital markets. This revision was intended to lower the level of interest subsidies to a point where they would still act as a sufficient incentive to investors but could be granted to a larger volume of loans with the funds available. The maximum loan eligible for interest relief at the rate of 2% for 5 years - 3% for global loans - at the moment is 20 000 ECU per new job, equivalent to maximum aid of 2 000 to 3 000 ECU per job. Since the number of jobs subsidized accounts for a maximum of two thirds of the posts created, the actual aid per post created is therefore lower (1 350 to 2 000 ECU). The appropriation of 53 million ECU thus corresponds to the 25 000 to 35 000 posts to be created.</p>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
420 (cont'd)	<u>Conversion</u> (cont'd)			

REQUIREMENTS

Art.	Remarks																																												
420 (cont'd)	<p>Conversion requirements in the coal and steel industries will remain substantial in 1989 and subsequent years because of the continuing restructuring of these sectors. It is estimated that at least 160 000 jobs will be lost between 1988 and 1990.</p> <p>Percentage change 1988-89: + 32.5%, not including the additional 13 million ECU in the amending budget.</p> <p><u>Forseeable schedule of payments</u> <span style="float: right;">(million ECU)</span></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Commitments</th> <th colspan="5" style="text-align: center;">Payments</th> </tr> <tr> <th style="text-align: center;">1988</th> <th style="text-align: center;">1989</th> <th style="text-align: center;">1990</th> <th style="text-align: center;">1991</th> <th style="text-align: center;">Subsequent years</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Commitments entered into against 1987 and earlier appropriations</td> <td style="text-align: right;">228.6</td> <td style="text-align: right;">52</td> <td style="text-align: right;">55.5</td> <td style="text-align: right;">49.5</td> <td style="text-align: right;">36.6</td> <td style="text-align: right;">35</td> </tr> <tr> <td style="text-align: left;">1988 appropriations</td> <td style="text-align: right;">40(*)</td> <td style="text-align: right;">4</td> <td style="text-align: right;">8</td> <td style="text-align: right;">8</td> <td style="text-align: right;">8</td> <td style="text-align: right;">12</td> </tr> <tr> <td style="text-align: left;">1989 appropriations</td> <td style="text-align: right;">53</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5.2</td> <td style="text-align: right;">11</td> <td style="text-align: right;">11</td> <td style="text-align: right;">25.8</td> </tr> <tr> <td style="text-align: right;"><b>TOTAL</b></td> <td style="text-align: right;"><b>321.6</b></td> <td style="text-align: right;"><b>56</b></td> <td style="text-align: right;"><b>68.7</b></td> <td style="text-align: right;"><b>68.5</b></td> <td style="text-align: right;"><b>55.6</b></td> <td style="text-align: right;"><b>72.8</b></td> </tr> </tbody> </table>						Commitments	Payments					1988	1989	1990	1991	Subsequent years	Commitments entered into against 1987 and earlier appropriations	228.6	52	55.5	49.5	36.6	35	1988 appropriations	40(*)	4	8	8	8	12	1989 appropriations	53	-	5.2	11	11	25.8	<b>TOTAL</b>	<b>321.6</b>	<b>56</b>	<b>68.7</b>	<b>68.5</b>	<b>55.6</b>	<b>72.8</b>
Commitments	Payments																																												
	1988	1989	1990	1991	Subsequent years																																								
Commitments entered into against 1987 and earlier appropriations	228.6	52	55.5	49.5	36.6	35																																							
1988 appropriations	40(*)	4	8	8	8	12																																							
1989 appropriations	53	-	5.2	11	11	25.8																																							
<b>TOTAL</b>	<b>321.6</b>	<b>56</b>	<b>68.7</b>	<b>68.5</b>	<b>55.6</b>	<b>72.8</b>																																							
	<p>*The schedule for the 13 million ECU added by the amending budget is determined on a pro rata basis.</p>																																												

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
500	<u>CHAPTER 50</u> <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>STEEL INDUSTRY</u>	55	44	-

REQUIREMENTS

Art.	Remarks
500	<p>1. <u>References and description</u></p> <p>To supplement the traditional aids covered by Chapter B.20, this chapter contains the following social support measures in connection with the restructuring of the steel industry:</p> <ul style="list-style-type: none"><li>- aid for early retirement;</li><li>- aid for employment premiums.</li></ul> <p>2. <u>Type of expenditure</u></p> <p>Provision to cover the Community's contribution to expenditure on the measures in the additional programme in accordance with the conditions laid down for each Member State in accordance with common criteria applicable to the Community as a whole.</p>

REQUIREMENTS

Art.	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
500 (cont'd)	Social measures in connection with the restructuring of the steel industry			



REQUIREMENTS

Art.	Remarks																																													
500	<p><b>3. <u>Method of calculation and explanation of change</u></b></p> <p>The Commission estimates the updated cost of this additional programme at 165 million ECU (55 000 persons each costing 3 000 ECU). The first instalment of 50 million ECU will be charged to the 1988 budget and the second instalment of 55 million ECU to the 1989 budget. These aids will double the Community's contribution to the social cost of job losses, estimated at 30 000 ECU for each job lost.</p> <p>Percentage change 1988-89: + 25%</p> <p>On 22 December 1987 the Council refused the 44 million ECU contained in the 1988 aide-memoire. The draft amending budget for 1988 contains the 50 million ECU mentioned above and provides for the re-entry of the 34 million ECU which could not be implemented in 1987.</p> <p><b>4. <u>Forseeable schedule of payments</u></b></p> <p style="text-align: right;">(million ECU)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" rowspan="2" style="text-align: center;">Commitments</th> <th colspan="5" style="text-align: center;">Payments</th> </tr> <tr> <th style="text-align: center;">1988</th> <th style="text-align: center;">1989</th> <th style="text-align: center;">1990</th> <th style="text-align: center;">1991</th> <th style="text-align: center;">Subsequent years</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Commitments entered into against 1987 and earlier appropriations</td> <td style="text-align: center;">22.3</td> <td style="text-align: center;">21.1</td> <td style="text-align: center;">1.1</td> <td style="text-align: center;">0.1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: left;">1988 appropriations</td> <td style="text-align: center;">44(*)</td> <td style="text-align: center;">3.5</td> <td style="text-align: center;">16.7</td> <td style="text-align: center;">15.8</td> <td style="text-align: center;">6.2</td> <td style="text-align: center;">1.8</td> </tr> <tr> <td style="text-align: left;">1989 appropriations</td> <td style="text-align: center;">55</td> <td style="text-align: center;">-</td> <td style="text-align: center;">4.4</td> <td style="text-align: center;">20.9</td> <td style="text-align: center;">19.8</td> <td style="text-align: center;">9.9</td> </tr> <tr> <td style="text-align: center;"><b>TOTAL</b></td> <td style="text-align: center;"><b>121.3</b></td> <td style="text-align: center;"><b>24.6</b></td> <td style="text-align: center;"><b>22.2</b></td> <td style="text-align: center;"><b>36.8</b></td> <td style="text-align: center;"><b>26</b></td> <td style="text-align: center;"><b>11.7</b></td> </tr> </tbody> </table>						Commitments		Payments					1988	1989	1990	1991	Subsequent years	Commitments entered into against 1987 and earlier appropriations	22.3	21.1	1.1	0.1	-	-	1988 appropriations	44(*)	3.5	16.7	15.8	6.2	1.8	1989 appropriations	55	-	4.4	20.9	19.8	9.9	<b>TOTAL</b>	<b>121.3</b>	<b>24.6</b>	<b>22.2</b>	<b>36.8</b>	<b>26</b>	<b>11.7</b>
Commitments		Payments																																												
		1988	1989	1990	1991	Subsequent years																																								
Commitments entered into against 1987 and earlier appropriations	22.3	21.1	1.1	0.1	-	-																																								
1988 appropriations	44(*)	3.5	16.7	15.8	6.2	1.8																																								
1989 appropriations	55	-	4.4	20.9	19.8	9.9																																								
<b>TOTAL</b>	<b>121.3</b>	<b>24.6</b>	<b>22.2</b>	<b>36.8</b>	<b>26</b>	<b>11.7</b>																																								
<p>* The schedule for the 84 million ECU added by the amending budget is determined on a pro rata basis.</p>																																														

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
600	<u>CHAPTER 60</u> <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RATIONALIZATION OF THE</u> <u>COAL INDUSTRY</u>	12	p.m.	-

REQUIREMENTS

Art.	Remarks
20	<p>1. <u>References and description</u></p> <p>- Article 50 and paragraph 1(c) of Article 56 of the ECSC Treaty; - Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States.</p> <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> <p>2. <u>Type of expenditure</u></p> <p>Provision to subsidize the expenditure on redeployment (paragraph 1(c) of Article 56 of the ECSC Treaty) incurred by the Member States in connection with the rationalization of the coal industry according to the procedure set out in the agreements signed.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The cost of the social measures financed under paragraph 1(c) of Article 56 cannot be estimated accurately at this stage since these measures will be applied for the first time in 1989.</p>

REQUIREMENTS

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
600	<u>CHAPTER 60</u>  <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RATIONALIZATION OF THE</u> <u>COAL INDUSTRY (cont'd)</u>			

REQUIREMENTS

Art.	Remarks						
600 (cont'd)	<p>From the information now available, the cost should not exceed 12 million ECU in 1989.</p> <p><u>Percentage change 1988-89:</u> 1989 will be the first year in which these measures are applied.</p> <p>4. <u>Forseeable schedule of payments</u></p> <p style="text-align: right;">(million ECU)</p>						
Commitments		Payments					
		1988	1989	1990	1991	Subsequent years	
Commitments entered into against 1987 and earlier appropriations	-	-	-	-	-	-	
1988 appropriations	-	-	-	-	-	-	
1989 appropriations	12	-	1	3	3	5	
TOTAL	12	-	1	3	3	5	

2. REQUIREMENTS NOT ENTERED IN THE BUDGET  
LOANS FOR FINANCING WORKERS' HOUSING

In addition to the requirements to be financed by non-repayable grants from the year's resources, there are the requirements not entered in the budget to finance the housing loan scheme for ECSC workers which the High Authority/Commission has operated 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 (in some cases ECSC loans from its own funds are supplemented by funds raised 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.

The tenth five-year building programme ends in 1988. The Commission is expected to continue its policy in this sector by adopting an eleventh programme for the period 1989-92. An allocation of 48 million ECU in own funds ("special reserve") will be requested for this programme, of which 12 million ECU will be for 1989. This figure covers expected repayments during this period of loans granted under previous programmes.

### 3. Objectives

Continuation of the social and sectoral approach of programmes of this type, i.e. improvement of the quality of housing for coal and steel workers and facilitation of the transfer of manpower under the reorganization or restructuring programmes in the coal and steel industries.

At 31 December 1987 ECSC loans for workers' housing totalled 470 million ECU and some 194 000 dwellings had been subsidized.

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
110	<u>CHAPTER 10</u> <u>GENERAL RESOURCES</u> LEVIES	202	150	174.7



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>- Decision 2/52 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 accordance with the Commission Decision of 11 April 1983,<sup>1</sup> the reference period used for calculating the average values for calculating the levy base, for 1989 will be the 1987 calendar year.</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 1989 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 1989 financial year, which relate to the reference period from 1 January to 31 December 1987 will be some 2% higher for steel and 1.3% lower for coal than the figures for 1988. However, as with the figures for the foreseeable volume of leviabale production, there is an appreciable margin of uncertainty; this is because all the requisite data are</p> <p><sup>1</sup> OJ C 101, 14.4.1983</p>

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
110 (cont'd)	<u>LEVIES</u>			

RESOURCES

Art.	Remarks		
110 (contd)	<p>not available, and forecasting production in present economic conditions is a very uncertain exercise.</p> <p>Levy rate: 0.39%.</p> <p>Percentage change 1988-89: +34.7%, not including the additional 12 million ECU in the amending budget.</p> <p><u>Tonnage subject to the levy and yield form a levy rate of 0.01%</u></p>		
	Product	Production forecasts used for calculating the levy (million tonnes)	Yield from levy rate of 0.01% (million ECU)
	Brown coal briquettes and semi-coke derived from brown coal	3,3	0,02
	Hard coal of all categories	171	1,31
	COAL - TOTAL		1,33
	Pig iron other than that used for making ingots	2,3	0,04
	Steel in ingots	123	2,77
	Finished products	98,4	1,02
	STEEL - TOTAL		3,83
	GRAND TOTAL		5,16

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
120	<u>CHAPTER 10 (cont'd)</u> <u>NET BALANCE FROM PREVIOUS YEAR</u>	70	107	201

RESOURCES

Art.	Remarks
120	<p>1. <u>References and description</u></p> <p>Under its Decision of 30 April 1975, the Commission enters in the budget the net balance from the previous financial year, i.e. the surplus from financial and budgetary operations, less any provisions and allocation to the reserves.</p> <p>2. <u>Type of resource</u></p> <p>The net balance from 1988 will be determined when the Commission adopts the balance sheet at 31 December 1988.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The figure of 70 million ECU is based on the current estimate of the resources which the Commission will have available when it adopts the balance sheet at 31 December 1988. This forecast takes account of the repayment of the advance of 50 million ECU from the ECSC Guarantee Fund which was entered in the 1988 amending budget to cover the social measures in connection with the restructuring of the steel industry.</p> <p><u>Percentage change 1988-89:</u></p> <p>-34.6%, including the repayment of 50 million ECU.</p>

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
130	<u>CHAPTER 10 (cont'd)</u>  <u>FINES AND SURCHARGES FOR LATE PAYMENT</u>	18	7	18.6

RESOURCES

Art.	Remarks
130	<p>1. <u>References and description</u></p> <p>Articles 47, 58 and 60 of the ECSC Treaty (mainly).</p> <p>The Commission may impose fines on undertakings contravening the current price and quota systems.</p> <p>2. <u>Type of resource</u></p> <p>From an accounting point of view, revenue from the fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded to a certain extent as deferred resources, in view of the appeals made to the Court of Justice. Only payments expected in the course of the financial year are therefore entered as budgetary resources.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>It is very difficult to forecast the amount which will be collected in 1989, especially since the legal proceedings in disputed cases are likely to last some time.</p> <p>On the basis of the information currently available, it is proposed that 18 million ECU be entered under this heading.</p> <p><u>Percentage change 1988-89: +157.1%</u> (not including the 8 million ECU added to this heading by the amending budget).</p>

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
140	<u>CHAPTER 10 (cont'd)</u>  <u>MISCELLANEOUS</u>	p.m.	p.m.	0.7
	CHAPTER 10 - TOTAL	290	264	395



RESOURCES

Art.	Remarks
140	This article, which bears a token entry, allows miscellaneous revenue to be entered as revenue for the financial year.

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
	<u>CHAPTER 20:</u> <u>CANCELLATION OF COMMITMENTS UNLIKELY</u> <u>TO BE IMPLEMENTED</u>	20	5	4.3

RESOURCES

Art.	Remarks
20	<p>1. <u>References and description</u></p> <p>The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget state that, once all parties have discharged their obligations under a commitment, any remaining part of the provision will be cancelled. Any contract running into difficulties may also be cancelled. The amounts thus released become available again as resources for the current financial year.</p> <p>2. <u>Type of resource</u></p> <p>The estimate of 20 million ECU shown in this chapter relates mainly to cancellations of allocations for conversion and redeployment aid. Only a token entry would be needed for the other items which might be involved (cancellation of balances remaining in respect of completed research contracts, etc.).</p> <p>3. <u>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 20 million ECU for 1989 is based on a usual rate and reflects the Commission's desire to eliminate any provision for budgetary aids which have lapsed for one reason or another.</p> <p><u>Percentage change 1988-89:</u> +300% (not including an increase of 18 million ECU in the amending budget).</p>

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
	<u>CHAPTER 30</u> <u>RESOURCES FROM THE PREVIOUS YEAR</u> <u>NOT USED</u>	p.m.	p.m.	p.m.
	CHAPTER 30 - TOTAL	p.m.	p.m.	p.m.

RESOURCES

Art.	Remarks
30	<p data-bbox="288 495 1313 613">This chapter, carrying a token entry, records any balance remaining from the previous financial year as resources for the current financial year.</p> <p data-bbox="288 678 1130 752">The draft amending budget for 1988 contains an entry of 189.9 million ECU.</p>

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
	<p><u>CHAPTER 40</u></p> <p><u>EXCEPTIONAL REVENUE</u></p> <p><u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>STEEL INDUSTRY</u></p>	65	50	p.m.

RESOURCES

Art.	Remarks
40	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"><li>- Article 235 of the EEC Treaty,</li><li>- Commission proposals to the Council (decisions to be taken Article 235(EEC) (COM(88)343, Annex)).</li></ul> <p>2. <u>Type of resource</u></p> <p>Contribution from the general budget to the ECSC to be charged to Item 1201 of the statement of revenue of the general budget for 1989.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The 65 million ECU corresponds to the total amount of commitments for this aid in 1988 and 1989, less 40 million ECU to be financed from traditional resources (levies): <math>50 + 55 - 40 = 65</math> million ECU.</p> <p><u>Percentage change 1988-89</u>: +30%, disregarding the fact that the transfer from the general budget planned for 1988 was refused by the Council.</p>

RESOURCES

Art .	Heading	1989 approps proposed	1988 approps authorized	Outturn 1987
	<u>CHAPTER 50</u> <u>CONTINGENCY RESERVE</u>	9	20	p.m.
	CHAPTER 50 - TOTAL	9	20	p.m.



RESOURCES

Art.	Remarks
50	<p data-bbox="291 461 1287 584">This provision of 9 million ECU is to be made available from the contingency reserve, the final amount of which will be fixed when the Commission adopts the ECSC balance sheet at 31 December 1988.</p> <p data-bbox="291 645 793 678"><u>Percentage change 1988-89: -55%.</u></p>

RESOURCES

Art.	Remarks
	<p><u>COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET</u></p> <p>Funds to cover requirements for the construction of workers' housing are obtained from:</p> <ul style="list-style-type: none"><li>- the resources available for this in the former ECSC pension fund;</li><li>- the resources in the special reserve.</li></ul> <p>These resources are made up of the repayments of loans already made - estimated at 12 million ECU for 1988 - and fresh appropriations allocated to the special reserve. The 12 million ECU in repayments estimated for 1989 should be enough to cover loans to be financed in 1989.</p>

RESOURCES

Art.	Remarks
	<p><u>SUMMARY OF RESOURCES AVAILABLE FOR 1989</u></p> <p>As the yield of a levy rate of 0.01% has been estimated at 5.17 million ECU, the yield of the levies can be estimated at around 202 million ECU, assuming that the rate is increased from 0.31% to 0.39%. The estimates of traditional resources other than levies amount to 108 million ECU (net balance from previous year: 70 million ECU; fines: 18 million ECU; cancellations: 20 million ECU). The total ordinary resources available for 1989 is thus estimated at 310 million ECU, to which may be added 9 million ECU from the contingency reserve, giving a total of 319 million ECU. In view of the exceptional resources of 65 million ECU mentioned in Chapter R 410 above, the total amount of resources rises to 384 million ECU.</p>

DRAFT ECSC OPERATING BUDGET FOR 1989

SUMMARY TABLE

REQUIREMENTS	PROPOSALS	RESOURCES	PROPOSALS	(million ECU)
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	1. Current resources		202
2. Aid for redeployment (Art. 56)	175	1.1 Yield from 0.39% levy		70
3. Aid for research (Art. 55)	74	1.2 Net balance from previous year <sup>1</sup>		18
3.1 Steel		1.3 Fines and surcharges for late payment		p.m.
3.2 Coal		1.4 Miscellaneous		
3.3 Social				
4. Interest subsidies	63	2. Cancellation of commitments unlikely to be implemented		20
4.1 Investment (Art. 54)				
4.2 Conversion (Art. 56)		3. Resources from 1987 not used		p.m.
5. Social measures connected with restructuring of steel industry <sup>2</sup>	55	4. Exceptional revenue: Social measures connected with restructuring of steel industry		65
6. Social measures connected with rationalization of coal industry (Art. 56 (1)(c))	12	5. Drawings on contingency reserve		9
BUDGET TOTAL	384	BUDGET TOTAL		384
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS		ORIGIN OF NON-BORROWED FUNDS		
7. Workers' housing	12	6. Special reserve and former ECSC Pension Fund		12

<sup>1</sup> Taking account of the replenishment of the ECSC reserves following the advance made in 1988.

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