

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 1495 final

Brussels, 6 September 1990

AIDE-MEMOIRE
ON THE FIXING OF THE ECSC LEVY RATE
AND ON THE DRAWING UP OF THE
ECSC OPERATING BUDGET FOR 1991

CONTENTS

	<u>Page</u>
I. <u>GENERAL INTRODUCTION</u>	
A. ECONOMIC CONTEXT	4
1. The economic outlook for 1990 and 1991	4
2. Outlook for the coal industry	9
3. Outlook for the steel industry	9
B. POLICY CONTEXT	11
1. Coal policy guidelines	12
2. Steel policy guidelines	12
3. Structural policy guidelines	15
4. The environmental aspect	20
5. Financial activities	22
C. FINANCIAL CONTEXT	27
II. <u>DRAFT ECSC OPERATING BUDGET FOR 1991</u>	
A. RESOURCES	31
B. FINANCIAL PROPOSALS	31
C. DRAFT BUDGET	32
<hr/>	
<u>ANNEXES</u>	
A. Outturn of the ECSC operating budget for 1989	33
B. ECSC operating budget for 1990	35
C. ECSC levies	37
D. ECSC balance sheet at 31 December 1989	39
E. Analysis of requirements reported and resources available for the financial year 1991	41
I. REQUIREMENTS	
1. Ordinary requirements	42
2. Requirements not entered in the budget: loans for financing workers' housing	85
II. RESOURCES	
1. Resources	86
2. Covering of requirements not entered in the budget	104
3. Balance of resources available for 1991	104
F. Draft ECSC operating budget for 1991	105

AIDE-MEMOIRE

on the fixing of the ECSC levy rate and on
the establishment of the ECSC operating budget for 1991

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 1991.

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

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

* * *

Like the preliminary draft general budget of the Communities, this draft ECSC operating budget does not take account of the consequences of German unification which are currently being examined. The Commission will make any appropriate proposals on this subject in due course. The impact of German unification on the operating budget is not therefore discussed in this paper.

I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1991 in its economic, policy and financial context.

A. ECONOMIC CONTEXT

1. The economic outlook for 1990 and 1991

At 3.4% in real terms, the growth of the Community economy in 1989 slackened a little after an exceptional 1988. In real terms, private consumption increased by 3.2%, investment by 6.7% and exports by 7.9%. Employment rose by 1.7%. After speeding up in the first six months of 1989, inflation levelled off in the second half of the year. The uncertainties affecting the international financial markets, reinforced by events in Central Europe, resulted in a steady rise in average Community interest rates, which passed the 10% mark. Economic growth in the United States was 3%; in Japan it was 4.8%. International trade expanded by 7.5% in terms of volume.

The outlook for the Community economy in 1990 and 1991 is still favourable. Although growth is expected to be lower, economic activity should still increase by 3.1% in 1990 and 3.0% in 1991. Inflation is even expected to drop in 1991. Unemployment should continue to fall, but at a slower rate. Investment and exports should retain their momentum. Overall, in most Member States growth should continue to display the same favourable features as in past years, though not to the same extent.

In 1990 the Community economy will be operating in an international environment reflecting a decline in economic expansion in real terms. The rate of increase for world trade will be 6.3% in terms of volume. World economic expansion will be depressed by poor results in the United States

and slower real growth in Japan. Real GDP growth in non-Community economies could rise to 2.7% in 1991. World trade could expand slightly, achieving a growth rate of 6.6% in 1991.

The Community's economic growth is influenced by a number of factors. On the one hand, demand is being depressed by measures taken by some countries to reduce macroeconomic imbalances, the gradual and general tightening of monetary conditions throughout the industrialized world and the high exchange rates for European currencies. On the other hand, supply and demand are bolstered by the progress towards the completion of the internal market, the transformation of the economies of Central and Eastern Europe and the process of unification of the two Germanies. This unification is having a particularly strong effect on short-term prospects. Even with the cautious assumptions adopted by the Commission, the economic growth expected for 1991 would be over a quarter of a percentage point lower without German unification, the full effects of which will not be felt until 1992.

Growth now depends more on the expansion of consumption. Private consumption is expected to expand slightly to 3.3% in 1990, mainly as a result of livelier growth in Germany. It could fall in 1991 as a result of the lower rate of increase expected for disposable household incomes.

Investment in plant and machinery and in construction is expected to slacken, mainly because of the policies introduced by a number of Member States to prevent overheating and, in particular, the effect of more restrictive monetary policies. Investment in plant and machinery in the Community is expected to increase by 6% in 1990 and 5% in 1991. Investment in construction should increase by a real rate of 2.8% each year.

After the record increases in 1988 and 1989, employment is expected to continue to rise sharply by 1.4% in 1990 and 0.9% in 1991, equivalent to some three million new jobs.

Inflation in 1990 should be at the 1989 level of 4.75%. The cost of imported goods and services is expected to rise by an average of 1.8% in 1990 as against 6.6% in 1989. In 1991 inflation could fall if wage rises are as moderate as expected, despite the higher increase in import prices. The increase in wages in the Community should be 6.7% in 1990, before falling back to last year's rate of 6% in 1991. In view of the productivity increases expected, unit wage costs should increase by 5.1% in 1990 and 3.9% in 1991.

The Community's external position should improve slightly; the current account is expected to show a small surplus of 0.2% of GDP in 1990 and 0.3% in 1991. This improvement in the Community's external position is due to a more favourable development in the balance of payments and to an improvement in the terms of trade.

These forecasts are subject to more uncertainties than usual. The persistence of major international imbalances in payments positions is one potential source of trouble, but it is mainly the economic, monetary and social union of Germany which confronts the forecasters with new problems of which they have no experience. At the final stage of the projections, the details of this historical transformation were still being negotiated and therefore had to be replaced by assumptions. Knowledge of the institutional arrangements is of only limited use for forecasting the behaviour of economic operators reacting to an entirely new situation.

	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (PERCENTAGE CHANGE OVER PREVIOUS YEAR)		
	1989	1990 (*)	1991 (*)
BELGIUM	4,5	3,0	2,5
DENMARK	1,1	2,0	2,1
GERMANY	3,4	3,7	3,7
GREECE	2,9	1,6	1,6
SPAIN	4,9	3,8	3,6
FRANCE	3,5	3,2	3,2
IRELAND	5,7	4,6	3,4
ITALY	3,2	3,1	2,8
LUXEMBOURG	4,6	3,7	3,2
NETHERLANDS	4,0	3,5	3,1
PORTUGAL	5,4	4,0	3,8
UK	2,3	1,6	2,4
COMMUNITY	3,4	3,0	3,1

(*) COMMISSION STAFF FORECASTS (JUNE 1990)

SOURCE: COMMISSION OF THE EUROPEAN COMMUNITIES
DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

2. Outlook for the coal industry

Community production fell by 5.6 million tonnes, to 209 million tonnes, in 1989.

On the other hand, deliveries from non-member countries rose by 7.2 million tonnes to 100.3 million tonnes. Total resources thus increased by 1.3 million tonnes. As deliveries within the Community fell by 3.5 million tonnes to 312 million tonnes, importers' and producers' stocks increased by 4.8 million tonnes.

The outlook for 1990 drawn up at the start of the year suggested a substantial drop in production (9 million tonnes) offset by an increase of 10 million tonnes in deliveries from non-Community countries. On the consumption side, deliveries to the electricity industry should increase by 3 million tonnes while consumption should remain unchanged in the other sectors.

In 1991 consumption should continue at the same level and Community production should drop to around 195 million tonnes. This fall in Community production will be partly offset by increased use of coal from non-Community countries.

After a long period of decline, prices have picked up since 1988, especially the price of coking coal, which increased by 15% between October 1987 and October 1989 when it reached USD 57.50/tonne, the same price in current terms as in 1986.

3. Outlook for the steel industry

Continued economic growth in 1989 had a distinct effect on virtually all sectors of steel consumption. The whole of the construction and public works sector continued to expand in 1989 and will continue to do so in

1990, but at a slower rate. Civil engineering had a very good year in 1989 (+8%), but the situation should be a little less favourable in 1990.

The motor industry had a fourth record year in 1989 and the outlook for 1990 is good. Production will probably fall off in some Member States such as the United Kingdom, where the restrictive monetary policy might have adverse effects. However, this will probably be offset by increased demand following the opening-up of the markets of Central and Eastern Europe.

Since Community demand remained very strong in 1989, crude steel production throughout the year was at a higher level than expected at the start of the year: 139.3 million tonnes, 1% more than in 1988. This figure also covers some stockbuilding, which would suggest that there might be some reduction stocks in 1990. At the same time, Community producers may find some export markets outside the Community less interesting in 1990, although this could be offset by increased opportunities in the countries of Central and Eastern Europe.

In the light of all these factors, crude steel production could fall by some 3% in 1990 to around 135 million tonnes.

The most reasonable scenario being that the situation will remain stable, crude steel production may be expected to be at the same level in 1991.

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, especially since the restructuring of the steel industry and introduction of the Rechar programme in the coal sector.

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 - the ECSC publishes facts and figures on the trend of investments and on its financial activities.

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 1991. The industries themselves, the ECSC's structural policy, the environmental aspect and the Community's financial operations are dealt with in turn.

1. Coal policy guidelines

In 1989 the dominant feature of the Community's coal policy was the toughening of the measures designed to overcome obstacles to the internal energy market. This was the criterion for the examination of aids paid by the Member States to the coal industry under Decision 2064/86/ECSC. These aids are authorized only if they help solve social and regional problems and improve the competitiveness of the coal industry.

The Commission decisions authorizing Spain and the Federal Republic of Germany to grant aids in 1989 require these two Member States to reduce the period over which the aids are to be paid and obliges them to present a plan for the restructuring, rationalization and modernization of the coal industry along the lines which already exist in the other coal-producing countries. The Commission is aware of the social and regional problems caused by its restructuring programmes and has introduced the Rechar programme to revitalize mining areas.

As regards technical research, which is of obvious importance for the future, the Commission will continue and boost its policy of aid to projects in the production, market and coal utilization sector (proposed appropriation: ECU 48 million). In view of the provisions of the Single Act, greater attention will be paid in this connection to the environmental aspect.

In 1990 the Commission will continue its measures to prepare for the internal market. A report on the implementation of Decision 2064/86/ECSC will be sent to the Council. There will also be a thorough examination of obstacles to the movement of coal from non-Community countries released for free circulation.

2. Steel policy guidelines

The medium-term economic outlook is rather encouraging:

sustained GDP growth rates and the prospect of steel production stabilizing around the 1988 level, with the normal cyclical fluctuations.

The steel industry has recovered its momentum and overall competitiveness and should thus derive maximum benefit from the favourable economic situation expected. On the basis of this scenario, the Commission adopted on 2 May 1990 the General Objectives Steel 1995¹ in which it sets out the main guidelines for its steel policy in the medium term.

The main features of steel policy between now and 1995 will be as follows:

- continuing liberalization; a far less interventionist stance on the part of the Community and a full power of initiative and responsibility for steelmakers;
- greater commitment by the Commission to secure compliance with the rules of free competition both within the Community and in international trade.

With this in mind, the Commission will pursue its efforts to guide and support undertakings' initiatives in the following fields:

- the Community's steel market will increasingly be the fundamental element for most Community steel undertakings. The Commission will therefore continue to devote special attention to the continuous study of market trends in the short and medium term;
- as regards foreign trade, in 1990 the Commission proposed to the Council a progressive liberalization of the external trade system (already started in 1989). The Commission will continue its efforts to ensure that the international market is really open. The consensus attached to the steel arrangement recently concluded with the United States offers interesting possibilities for achieving this objective. The

1 COM(90) 201 final, 7.5.1990.

Commission intends to promote this type of approach during the GATT talks. If no satisfactory progress is made by the end of 1990, it will have to adopt a more effective approach on the specific issue of trade in steel;

- as regards industrial structures, the Commission is in favour of complementary operations between Community steel firms, where such operations pursue the objective of facilitating the rationalization decisions and improving the industrial, commercial and financial structures of the firms concerned. It will, however, ensure that these operations do not impede effective competition on the markets;
- as regards research, the importance of which for the future cannot be overstated, the Community policy which has been pursued since 1955 will be continued; a larger contribution will be made to the technological development of the sector on the basis of a budget increased to ECU 60 million and the following considerations:
 - the unremitting need for further reductions in production costs and productivity improvements,
 - continued promotion of steel in its competition with substitute materials,
 - the growing pressure of environmental protection measures,
 - the 1993 single market, which will require research and probably, adjustments,
 - with regard to Article 54 ECSC loans, the Commission is planning, in order to expand its financial intervention within the limits allowed by its budget, to bring back a system of interest subsidies with a view to channelling investments towards priority fields in line with Community objectives and corresponding criteria. At the

outset it could concentrate on loans for environmental protection measures (see point 4 below).

- as regards social measures, in framing its policy the Commission is faced with two fundamental problems; more redundancies to be expected by 1995, though at a lower rate than in the 1980s and growing requirements in vocational training and work organization (see point 3.2 below).

- as regards regional measures, the RESIDER programme will be boosted by programmes eligible for objective 1 (backward regions) and 2 (industrial decline).

3. Structural policy guidelines

3.1 Employment trends in the coal and steel industries

Recent trend

Employment in the steel industry continued to decline at a slower rate which differed from country to country.

At the end of 1989 the number of workers in the industry totalled 395 000 as against 409 000 at the end of 1988, a net drop of 14 000 (-3.5%) for 1989, compared with 18 000 (-4%) in 1988. This levelling-off is due to a substantial decline in the number of workers leaving the industry (55 000) coupled with a stable recruitment figure (41 000). The countries recording the largest relative falls in 1989 were Spain (-6.9%), France (-7.5%), Luxembourg (-7.3%) and Portugal (-20.2%).

With the economic climate being favourable, fewer workers are leaving the industry - sometimes their departure is only delayed - but implementation of previously negotiated early retirement plans continues. That is why more than half the job losses in the steel industry are accounted for by retirement or early retirement.

The number of coal workers dropped sharply too, to around 300 000 at the end of the year. Pit closures and rationalization led to 37 000 job losses in 1989, i.e. 11% of the total.

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 where a large number of the workers recruited were trainees.

Outlook for 1990-92

Employment in the coal and steel industries should continue to fall between 1989 and 1991, as restructuring continues and rationalization speeds up.

Several companies have taken advantage of the improvement on the steel markets since 1988 to stagger or postpone 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 that some 50 000 jobs will be lost as a result of restructuring and modernization measures between 1989 and 1992. A large proportion of these job losses will involve ECSC activities in Italy, Spain, the Federal Republic of Germany and France.

Companies' plans to reduce their activities and efforts to rationalize and

modernize will continue or even increase in anticipation of the constraints linked with the post-1992 single European market. From plans announced by the companies, the Commission reckons that some 100 000 jobs will be lost as a result of restructuring and rationalization measures between 1989 and 1992. A large proportion of these job losses will involve ECSC activities in the United Kingdom and the Federal Republic of Germany.

3.2 ECSC redeployment aid

The Commission intends to continue providing assistance for the redeployment of coal and steel workers by means of:

- traditional aid, which now includes aid for the rationalization of the coal industry;
- the final stage of the supplementary programme of social support measures for the restructuring of the steel industry from 1988 to 1991;
- continuation of the supplementary programme for coal (under the RECHAR programme).

Traditional aids

This aid helps to ensure an appropriate level of social protection and an income guarantee for coal and steel workers, with the emphasis on transfers and retirement, thus making it easier for management and labour to reach a consensus on restructuring.

The procedure for granting traditional aid has been harmonized by the new common intervention system which defines five standard situations; early retirement, unemployment, internal transfer, external redeployment and training. Ceilings (as a percentage of wages and as an amount) and a maximum duration of assistance common to all Member States are applied to each of these standard situations.¹ A ceiling of ECU 3 000 has been set for the average assistance per worker.

¹ There is provision for higher rate of contribution in terms of previous wage levels for regions with a low economic capacity.

The trend in these aids, in relation to previous years, is marked by:

- the growing proportion accounted for by the coal industry as restructuring and rationalization measures speed up and the number of steelworkers involved tends to drop;
- the emphasis on vocational training policies for the redeployment of workers both inside and outside the ECSC; this trend is noted in the General Objectives Steel 1995.¹
Since it is expected that 23 000 steelworkers and 30 000 coalminers will receive this aid, an appropriation of ECU 130 million is considered necessary for 1991.

Additional programmes of social support measures

For the steel industry, the Commission has introduced an additional programme (1988-91) providing aid of ECU 150 million for some 50 000 workers. This programme is intended to boost traditional Community support for two types of measures: aid for early retirement and aid for re-employment. An appropriation of ECU 20 million is proposed for 1991.

For the coal industry, the Commission has decided to introduce a specific aid programme in connection with the RECHAR programme (see I B 3.3 below). An appropriation of ECU 40 million is proposed for 1991.

3.3 Regional policy measures

3.3.1 Conversion loans (Article 56 of the ECSC Treaty)

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.

¹ COM(90) 201 final, 7.5.1990, p.19.

This policy takes the form of ECSC conversion loans to create viable economic activities in the areas concerned. If the jobs created are likely to lead to the re-employment of former workers from the coal and steel industries, these loans may be accompanied by interest subsidies financed by the ECSC budget. An appropriation of ECU 75 million is proposed for this purpose in 1991.

In addition to these activities under the ECSC, it is now planned to grant ECSC conversion loans under the Community support frameworks which serve as a programming instrument for the structural Funds. These ECSC loans may be accompanied by an interest subsidy from the general budget (Regional Fund resources) in the case of operations such as the rehabilitation of industrial wasteland, the installation of major infrastructures, the transfer of ECSC technology and equity participation in innovatory firms.

This ECSC conversion policy backed by ECSC and Regional Fund interest subsidies covers all the regions affected by the restructuring and rationalization of the coal and steel industry. The conditions under which the loans are granted depend on job losses and the area's dependence on the coal and steel industries. The size of the interest subsidy depends on the number of posts to be created and likely to be occupied by former workers from the coal and steel industries.

The Community's RESIDER and RECHAR programmes

The aide-memoire on the ECSC operating budget for 1990 gave a number of details on the Community's RESIDER programme¹ which, by granting aid of ECU 3 200 for each job lost, was estimated to cost the general budget ECU 300 million during the period it covered (1988-92).

In December 1989 the Commission laid down detailed rules for the implementation of another framework programme (RECHAR) for coalmining areas in the process of conversion and rationalization (see also point 3.2 above).² Under this new measure, loans carrying ECSC interest subsidies

1 OJ L 33, 5.2.1988.

2 OJ L 20, 27.1.1990.

could total an estimated ECU 800 million between 1990 and 1993; the interest subsidies financed by the ECSC operating budget should amount to around ECU 120 million.

3.4 The Community framework

The ECSC's structural measures under the Treaty of Paris described above and funded by the levies under the operating budget provide the coal and steel industries with specific aids (redeployment, additional social measures, conversion) which are not available to other sectors under the structural Funds.

The current rules for coordinating these aids - the result of the reform of the structural Funds which took effect from 1 January 1989 - were explained in detail in the aide-memoire on the ECSC operating budget for 1990.¹

To sum up, where the ECSC's objectives and those of the structural Funds overlap, particularly in the case of aid for areas suffering from industrial decline, the Commission, in applying the reform, must ensure that the ECSC's financial resources are incorporated to maximum effect. However, this planning of structural operations does not prevent the ECSC from taking action at sectoral level outside these programmes or in areas of employment which do not qualify for aid from the Funds provided that its measures are consistent with the priorities adopted under these Funds.

4. The environmental aspect

Although the Treaty of Paris does not contain any provisions relating specifically to environmental policy, the requirements for the granting of aid from the ECSC budget have long recognized the importance of combating pollution in the iron and steel sector. In 1990, some ECU 10 million of aid for research (Chapter 3 of the budget) and priority investments (interest subsidies, Article 4.1) are for cleaning up the environment.

The Commission, aware of the fresh impetus given by the Single European Act in this area, already stated in General Objectives Steel 1995¹ that it might grant interest subsidies from the ECSC budget for loans for environmental protection measures. A move of this type depends of course on whether sufficient funds are available in the budget and the technical content must be determined in collaboration with experts from the sectors involved. In 1991 the Commission is planning to grant some ECU 30 million from the operating budget for projects with a specific impact on the environment - ECU 23 million as research aid and ECU 7 million in the form of interest subsidies.

For the future, the most important aspect of this increased environmental activity is an operational study to draw up a draft coordinated programme for the implementation of a directive adopted in 1984.

Council Directive 84/360/EEC on the combating of air pollution from industrial plants applies to the following installations in the coal and steel sector:

- coking plants
- roasting and sinter plants
- integrated production plants for pig iron and crude steel
- ferrous metal foundries.

The operating authorization issued by the competent authorities must also contain the obligation to modify these plants by applying the principle of "best available technology", without, however, entailing excessive costs for the control of air pollution.

In order to apply this approach, the Commission is currently examining the principle of "best available technology" (in collaboration with the sectors involved) in order to assess the state of progress in each branch. It will,

¹ COM(90) 201, p. 15.

however, bear in mind that any adjustments must take account of the specific situation of each industrial installation.

In view of the obligations which will arise for the companies, the funds available in the ECSC budget should be used to make it easier for them to install the technology which will lead to the desired degree of environmental protection. On the basis of current work being conducted under research programmes financed by the ECSC budget and studies into the meaning of "best available technology", the Commission will, under the ECSC research procedures, draw up a draft coordinated programme for the modification of coal and steel plants in 1991 with the collaboration of experts from the sectors involved.

This draft coordinated programme will cover the following aspects:

- technical and economic assessment of each operational unit;
- assessment of the conditions for the modification of these units;
- schedule and plan of finance for the coordinated programme.

The Commission will take account of its findings when examining the options for future measures in this sector.

5. Financial activities

For ECSC industrial loans the Commission has a financial capacity which it devotes to the various requirements of the coal and steel industries in line with the sectoral strategies laid down at Community level.

ECSC Financial Report No 35, outlining the Community's borrowing and lending operations and financial aid in 1989, will be published shortly.

Borrowings contracted in 1989 totalled ECU 913.3 million, compared with ECU 880 million in 1988 and ECU 1 487 million in 1987.

Industrial loans amounted to ECU 225.7 million in 1989 compared with ECU 435.2 million in 1988 and ECU 639.7 million in 1987, conversion loans to ECU 458.4 million, compared with ECU 451.7 million and ECU 304.3 million, and workers' housing loans to ECU 16 million, compared with ECU 20.9 million and ECU 25.3 million (see the tables below).

Borrowing and lending operations since the start of ECSC financial activities thus total ECU 17 163.7 million and ECU 15 863.4 million respectively (including ECU 366.7 million in loans from own funds). The outstanding balance of loans raised at 31 December 1989 was ECU 6 663.7 million.

It will be seen that the ECSC's lending operations contracted in 1989. For various reasons, it was not possible to contribute to the co-financing of a number of major industrial projects or steel consumption projects. In the steel industry in particular, large companies tended to concentrate on debt reduction; this is linked with their capacity to finance most of their investment.

Future financial activities will be influenced by the now substantial volume of conversion loans demanded and the possibility of interest subsidies for loans for priority investment in such areas as the environment (see point 4 above).

Operations under programmes such as RESIDER and RECHAR will also demand greater assistance from the ECSC.

In 1990 loans raised at 30 June amounted to ECU 510.6 million; loans paid out totalled ECU 442.8 million. The estimates for 1990 amount to ECU 1 300 million in borrowings and loans. The estimates for 1991 amount to ECU 1 450 million.

Investment expenditure in the coal industry (EUR 12) increased from ECU 1 400 million in 1987 to ECU 1 425 million in 1988. In 1988 investment expenditure in the Twelve's steel industry totalled over ECU 3 000 million, 15% down on the ECU 3 500 million invested in 1987; the size of this drop was moderated by the sharp increase in expenditure by Spanish companies on restructuring programmes adopted in anticipation of accession.

According to information supplied by the companies, investment expenditure for 1989 was estimated at ECU 1 450 million for the coal industry and ECU 3 600 million for the steel industry; the 1990 estimates are ECU 1 140 million and ECU 1 900 million.

ECSC - BORROWING AND LENDING OPERATIONS

AMOUNTS RECEIVABLE

ECU million

HEADING	Outturn 1989	Forecast 1990	Forecast 1991
Loans raised	913	1.300	1.450
Repayment of loans granted	812.1	900	910
Interest payments to the ECSC	676.9	600	600
Repayment of costs involved in borrowing and lending operations	7.9	10	10

AMOUNTS PAYABLE

ECU million

HEADING	Outturn 1989	Forecast 1990	Forecast 1991
Loans granted	700,1	1.300	1.450
Repayment of loans raised	994	875	910
Interest payments	660,7	600	600
Payment of costs involved in borrowing and lending operations	11,7	15	15

C. FINANCIAL CONTEXT

1. Price levels

The estimated increase in price levels between 1990 and 1991 to be taken into account in evaluating the draft 1991 budget is 4.3%.

2. Management of reserves and provisions

After a decade during which social and regional aid needs, linked mainly to the reform of the steel industry, dominated expenditure requirements (placing limits, in consequence, on expenditure for research) and over ECU 300 million of extraordinary revenue was provided by Member States and the EEC, to pay for support measures for restructuring, the Community now needs to be self-sufficient. Indeed the final ECU 150 million programme of supplementary steel social aid (1988-91) has been accepted by the Commission as a charge to ECSC resources.

In the next decade, in addition to normal programmes, there is a clear prospect of aid being needed in support of continued restructuring, particularly in the coal sector for which the RECHAR programme (1990-93) was launched last December. Other coming liabilities referred to earlier in this document concern expenditure in support of reducing pollution and specific needs to be identified in East Germany.

With this in mind, the Commission has taken the following decisions, in pursuance of its policy of keeping the reserves at minimum levels and, in accordance with recommendations from the Court of Auditors and Parliament,¹ of actively screening the level of budget allocations for future aid under the arrangements for accelerated cancellation of commitments unlikely to be implemented announced last year:²

- As a result of accelerated cancellations a net surplus of

1 See Parliament's Resolution of 3 April 1990 on the 1988 discharge, points 4-7 (OJ C 113, 7.5.1990).

2 See SEC(89) 1269, pages 33-34.

ECU 44 million was achieved in the 1989 budget. This has been credited to 1990 (see Annexes A and B).

- Mainly as a consequence of the writing down, in agreement with the Court of Auditors, of the end-1989 reserve for value adjustments in respect of debtors, an ECU 67 million increase was registered in 1990 revenue received under the heading of 'Net prior year surplus' (see Annex B).
- As part of the same operation ECU 36.5 million was also added to the reserve for budgetary contingencies included in the end-1989 balance sheet. The reserve now provides ECU 20 million for short-term contingencies and ECU 50 million for longer-term needs.

These contributions from reserves and from accelerated cancellations have not only covered the ECU 50 million extra receipts needed to finance supplementary social measures in 1990, but have also contributed to a forecast surplus of ECU 53 million in the 1990 budget. Bearing in mind the exceptional character of this surplus, the Commission has refrained from entering it in the current year's budget in which the planned level of commitment (ECU 435 million) is in any event ECU 31 million higher than the 1989 figure. Instead, the expected surplus will be taken as revenue in 1991, when there is greater need of it.

As far as the 1991 budget is concerned, this prudent approach will, when other factors are taken into account (see Annex F), allow the ECSC, at a constant levy rate, to finance commitments of ECU 407 million, compared with ECU 404 million in 1989 and ECU 435 million in 1990. Of the ECU 407 million, ECU 347 million accrues from regular revenues, ECU 53 million from the surplus to be carried forward from 1990 and ECU 7 million from a proposed drawing on the short-term contingency reserve. In this way it will be possible, from internal resources, to cover the continuing burden of supplementary social aid (put at ECU 60 million, including ECU 20 million for steel and ECU 40 million for the RECHAR programme), in spite of the lower level of annual revenue forecast for 1991, without any increase in the levy rate.

The lower level of ordinary revenue in 1991, reflecting the fact that the campaign described above to release extra resources is expected by then to have run its course, will also apply in later years. It is to alleviate this decline in the face of prospective needs which are difficult to deny that the Commission has set aside a longer-term contingency provision of ECU 50 million.

To sum up, the extra resources which have been made available for the budget in 1989 and 1990 through stringent management of the reserves and provision have made it possible to finance commitments for supplementary social aid in these years from internal resources. The carrying forward of some ECU 50 million in extra resources to 1991 will, moreover, enable the Community to continue these measures next year without increasing the levy rate.

The amounts of this supplementary social aid, shown in Annexes A, B and F, are (ECU million):

	<u>steel</u>	<u>coal</u>
1989	75	9.2
1990	50	40
1991	20	40

In addition, for the future needs of this or other special programmes, ECU 50 million from the non-recurring supplement to ordinary resources described above has been set aside as a longer-term contingency reserve.

3. Other budgetary matters raised in Parliament's resolution on the 1988 discharge

As well as the remarks on cancellation of commitments referred to above, Parliament's Resolution of 3 April 1990 raises some further matters which call for a response from the Commission:

- Conversion aid The Commission confirms that action is taken on the basis of the progress reports on each project, to ensure that the aid granted is limited according to the number of jobs created.

- Social measures Exhaustive details of these measures are given in the present aide-memoire.

- Expiry of the Treaty Following study of the legal aspects, the Commission has now established that ECSC borrowing and lending activities can legitimately extend into the period after the expiry of the Treaty in 2002. Work is continuing currently on the Commission's broader study of the succession to the ECSC Treaty.

II. DRAFT ECSC OPERATING BUDGET FOR 1991

A. RESOURCES

Assuming that the current levy rate of 0.31% is maintained in 1991, total resources will amount to ECU 407 million and are set out in detail in Annex E.

This estimate is appreciably lower than the ECU 435 million in commitments which are expected to be financed in 1990 (-11% in real terms).

B. FINANCING PROPOSALS

Although resources will be lower if the levy rate is kept the same, the Commission considers that, in view of requirements, the budget may be drawn up on the basis of the existing rate. Requirements for social aids (redeployment aid) are expected to drop sharply. Despite the reduction in resources, other chapters of the budget (research, interest subsidies), which for many years did not receive as much priority as social expenditure, may then be increased significantly.

The Commission's proposals for the 1991 ECSC operating budget are tabulated in Annex F and are based on the following factors:

- total resources of ECU 407 million;
- of the total, ECU 190 million will be to finance social measures:
ECU 130 million for redeployment aid (ECU 54 million less than the estimate for the 1991 budget), ECU 20 million for steel and ECU 40 million for coal (RECHAR);
- ECU 5 million for administrative expenditure;
- ECU 125 million for research expenditure (ECU 37 million higher than

the estimate for the 1990 budget). Of this total ECU 23 million will be earmarked for projects with an impact on the environment;

- ECU 87 million for interest subsidies (ECU 14 million higher than the estimate in the 1990 budget). Of this total, ECU 7 million will be earmarked for projects with an impact on the environment.

As regards the research allocation, to which it attaches fundamental importance in view of the key role for the future, the Commission proposes that ECU 60 million be devoted to steel, ECU 48 million to coal and ECU 17 million to social research.

As regards interest subsidies, the Commission proposes that ECU 75 million should go to conversion as direct aid for the creation of new jobs and ECU 12 million to investments.

In conclusion, the Commission proposes that the 1991 ECSC operating budget be adopted at a total amount of ECU 407 million and that the levy rate be set accordingly at 0.31%.

C. DRAFT BUDGET

The draft budget established by the Commission and amounting to ECU 407 million is presented in Annex F.

ECSC OPERATING BUDGET FOR 1989

Annex A

(ECU million)

REQUIREMENTS	FORECAST ¹	OUTTURN ²	RESOURCES	FORECAST ¹	OUTTURN ²
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	160	165,7
2. Aid for redeployment (Art. 56)	175	183,9	1.1 Yield from 0.31% levy	159	156
3. Aid for research (Art. 55)	74	78,6	1.2 Net prior year balance	40	52,2
3.1 Steel			1.3 Fines and surcharges for late payments ³	p.m.	0
3.2 Coal	34	35,8	1.4 Miscellaneous		
3.3 Social	27	30,1			
4. Interest subsidies	13	12,7	2. Cancellation of commitments unlikely to be implemented ⁴	20	71,1
4.1 Investment (Art. 54)	63	60,7			
4.2 Conversion (Art. 56)	10	0	3. Resources from 1987 not used	14	11,7
5. Social measures connected with restructuring of steel industry (Art. 56)	53	60,7	4. Exceptional revenue: social measures connected with restructuring of steel industry	p.m.	-
6. Social measures connected with rationalization of coal industry (Art. 56)	75	75	5. Drawings on contingency reserve	11	-
Surplus	12	44,3			
BUDGET TOTAL	404	456,7	BUDGET TOTAL	404	456,7
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
Workers' housing	12	12	Special reserve and former ECSC Pension Fund	12	12

¹ Forecasts made by the Commission at 16 June⁴ 1989 (OJ C 154, 22.6.1989).

² Approval of financial statements and implementation of ECSC operating budget: Commission decision of 22 June 1990

³ The figure of ECU 52.2 million represents actual receipts in 1989.

⁴ Of which the following amounts are rebooked to the original headings: ECU 8.9 million for redeployment aid, ECU 1.8 million for steel research, ECU 3.1 million for coal research and ECU 7.7 million for interest subsidies on conversion loans.

ECSC OPERATING BUDGET FOR 1990

Annex B
(ECU million)

REQUIREMENTS	Forecasts		RESOURCES	Forecasts	
	(1)	(2)		(1)	(2)
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-PAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources	172	172
2. Aid for redeployment (Art. 56)	184	184	1.1 Yield from 0.31% levy		
3. Aid for research (Art. 55)	88	88	1.2 Net prior year balance	139	206
3.1 Steel	41	41	1.3 Fines and surcharges for late payments	14	5,9
3.2 Coal	34	34	1.4 Miscellaneous	p.m.	p.m.
3.3 Social	13	13	2. Cancellation of commitments unlikely to be implemented	60	60
4. Interest subsidies	68	68	3. Resources from 1989 not used	p.m.	44,3
4.1 Investment (Art. 54)	10	10	4. Exceptional revenue: Social measures connected with restructuring of steel industry	50	-
4.2 Conversion (Art. 56)	58	58	5. Drawings on contingency reserve	p.m.	p.m.
5. Social measures connected with restructuring of steel industry (Art. 56)	50	50			
6. Social measures connected with restructuring of coal industry (Art. 56)	40	40			
Surplus		53,2			
BUDGET TOTAL	435	488,2	BUDGET TOTAL	435	488,2
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
Workers' housing	12	12	Special reserve and former ECSC Pension Fund	12	12

¹ Initial forecast: OJ L 380, 29.12.1989.

² Forecast based on figures at 30 June 1990.

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 1990

Products	Production serving as a basis for the calculation of the levy (million tonnes)	Yield per tonne at 0.31% levy rate	Levy yield (ECU million)
	(1)	(2)	(3)
Brown-coal briquettes and semi-coke	0,5	0,18147	0,09
All types of hard coal	40,2	0,24713	<u>9,93</u>
<u>COAL - TOTAL</u>			10,02
Pig-Iron other than that required for the manufacture of Ingots	0,6	0,38488	0,23
Steel Ingots	35,8	0,70995	25,42
Finished products	29,8	0,32882	<u>9,80</u>
<u>STEEL - TOTAL</u>			<u>35,45</u>
<u>GRAND TOTAL</u>			<u>45,47</u>

$$3 = (1) \times (2)$$

ECSC BALANCE SHEET AT 31 DECEMBER 1989

(before allocation of profit)

ASSETS		LIABILITIES	
1. Balances with central banks	85.900	1. <u>LIABILITIES TOWARDS THIRD PARTIES</u>	
2. Balances with credit institutions		11. Amounts owed to credit institutions: with agreed maturity dates or periods of notice	64.750.534
- repayable on demand	25.083.527	12. Long-term & medium-term debts	6.663.655.098
- with agreed maturity dates or period of notice	880.755.585	13. Other liabilities	5.747.119
3. Debt securities held in portfolio	1.099.119.086	14. Accruals & deferred income	355.002.342
4. Loans outstanding	6.919.110.226	15. Provisions for losses and expenses	4.741.757
5. Recoverable issuing costs and redemption premiums	32.058.930	16. Commitments for ECSC operating budget	1.120.320.224
6. Tangibles and Intangibles	6.452.622	17. <u>Total liabilities</u> towards third parties	8.214.217.074
7. Other assets	78.809.019	2. <u>NET ASSETS</u>	
8. Accruals and deferred income	237.966.940	21. Provisions	
9. <u>GRAND TOTAL</u>	9.279.441.835	- Provision for the financing of the ECSC operating budget	325.187.850
	=====	- Provision for changes in ecu rate	12.799.169
		22. <u>Reserves</u>	
		- guarantee fund	482.885.000
		- special reserve	188.980.000
		- former pension fund	53.698.379
		Total reserves	725.563.379
		23. Profit brought forward	893.213
		24. Profit for the financial year	781.150
		25. Net total	1.065.224.761
		3. <u>GRAND TOTAL</u>	9.279.441.835
			=====

ANNEX E

ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE
FINANCIAL YEAR 1991

In response to the wishes expressed by Parliament in its resolution of 14 December 1982,¹ 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 analysis of requirements and resources for 1991, as was the case last year and as in the general budget, contains a foreseeable schedule of payments against budget appropriations for 1991, 1990, 1989 and previous years.

¹ OJ C 23, 17.1.1983.

REQUIREMENTS

1. ORDINARY REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
100	<u>CHAPTER 10</u> <u>ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	CHAPTER 10 - TOTAL	5	5	5

REQUIREMENTS

Article	Remarks						
100	<p>1. <u>References and description</u></p> <ul style="list-style-type: none"> - Article 50 of the ECSC Treaty; - Article 20 of the Merger Treaty; - Council Decision of 21 November 1977;¹ - ECSC contribution to the Commission's administrative expenditure. <p>2. <u>Type of expenditure</u> Annual payment in four equal quarterly instalments.</p> <p>3. <u>Method of calculation and explanation of change</u> The Council has set the annual amount of the payment at ECU 5 million. Percentage change 1990-91: 0%.</p> <p>4. <u>Foreseeable schedule of payments</u></p> <p style="text-align: right;">(ECU million)</p>						
Commitments		Payments					Subsequent years
		1990	1991	1992	1993		
Commitments entered into against 1989 and earlier appropriations		-	-	-	-	-	
1990 approps	5	5	-	-	-	-	
1991 approps	5	-	5	-	-	-	
TOTAL	10	5	5	-	-	-	

¹OJ L 306, 30.11.1977.

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
200	<u>CHAPTER 20</u> <u>AID FOR REDEPLOYMENT</u> (Article 56)	130	184	193.1
	CHAPTER 20 - TOTAL	130	184	193.1

¹ Including social measures in connection with the rationalization of the coal industry (ECU 9.2 million) (originally Chapter 60).

REQUIREMENTS

Article	Remarks
200	<p>1. <u>References and description</u></p> <ul style="list-style-type: none">- Articles 50, 56 and 95 (extension of the principle of replacement) of the ECSC Treaty;- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States. <p>The High Authority/Commission provides non-repayable aid towards:</p> <ul style="list-style-type: none">(i) the payment of tideover allowances to workers;(ii) the financing of allowances to workers taking early retirement;(iii) the payment of resettlement allowances to workers;(iv) the financing of vocational retraining for workers having to change job. <p>The grant of the aid is conditional upon payment by the Member State concerned of a special contribution of not less than the amount of that aid. The average ECSC contribution per worker is subject to an overall ceiling and a ceiling for each standard situation.</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 bilateral agreements.</p>

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
200	<u>AID FOR REDEPLOYMENT (cont'd)</u>			

REQUIREMENTS

Article	Remarks
200 (cont'd)	<p data-bbox="448 383 1241 416">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="512 432 1347 506">In 1991 23 000 steelworkers should receive traditional redeployment aid.</p> <p data-bbox="512 521 1394 692">This total includes workers for whom the measures will be implemented between 1 January 1990 and 31 December 1991 and for whom requests for assistance are made by 30 September 1991.</p> <p data-bbox="512 707 1334 786">Most of the job losses will be in the German, Italian and Spanish steel industries.</p> <p data-bbox="512 801 1410 1021">The number of recipients in the coal industry is estimated at around 30 000, mainly in the United Kingdom, but also in the Federal Republic of Germany and France and, to a lesser extent, Spain. This figure includes recipients of aid granted to the coal industry under Article 56(1)(c).</p> <p data-bbox="512 1037 1334 1115">In view of the ECU 3 000 ceiling, the traditional aid required for 1991 is estimated at ECU 130 million.</p> <p data-bbox="448 1178 1023 1211">4. <u>Percentage change 1990/91: -29%.</u></p>

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
200	<u>AID FOR REDEPLOYMENT (cont'd)</u>			

REQUIREMENTS

Article	Remarks						
200 (cont'd)	5. <u>Foreseeable schedule of payments</u> (ECU million)						
	Commitments		Payments				Subsequent years
			1990	1991	1992	1993	
	Commitments entered into against 1989 and earlier appropriations	593,1	223,9	162,9	149	50	7,3
	1990 approps	184	-	25	57	75	27
	1991 approps	130	-	-	18	39	73
TOTAL	907,1	223,9	187,9	224	164	107,3	

¹Including former Chapter B.60 (ECU 9.2 million) for 1989.

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
	<u>CHAPTER 30</u>			
	<u>AID FOR RESEARCH</u>			
310	<u>Steel research</u>	60	41	35.8
320	<u>Coal research</u>	48	34	30.1
330	<u>Social research</u>	17	13	12.7
	CHAPTER 30 - TOTAL	125	88	78.6

REQUIREMENTS

Article	Remarks
310	1. <u>References and description</u>
320	<u>Articles 50 and 55 of the ECSC Treaty</u>
330	<p>The High Authority/Commission is required to encourage technical and economic research into the production and increased use of coal and steel and occupational safety in the coal and steel industries. To this end it grants aid to finance research after obtaining the opinion of the ECSC Consultative Committee and after receiving the Council's assent.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision to cover repayment of a proportion of the actual costs of research projects approved by the High Authority/ Commission. In 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>3. <u>Method of calculation and explanation of change</u></p> <p><u>Percentage change 1990-91: +42%.</u></p> <p>The grounds for the aid proposed for each category of research (steel, coal and social) are explained in the following paragraphs.</p>

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
310	<u>AID FOR RESEARCH (cont'd)</u> <u>Steel research</u>	60	41	35.8

REQUIREMENTS

Article	Remarks
310 (cont'd)	<p data-bbox="475 383 695 412"><u>Steel research</u></p> <p data-bbox="475 427 587 456"><u>Grounds</u></p> <p data-bbox="475 472 1406 734">As stated in the General Objectives Steel 1991-95,¹ the technological innovation effort must be continued to support and increase the competitiveness of the Community steel industry at world level. This effort will be conducted as follows under the research programme and the programme of pilot and demonstration projects:</p> <p data-bbox="475 757 1422 786">2.1 <u>Improvement of quality and reduction of production costs</u></p> <p data-bbox="555 801 1437 920">The aim is to refine processes and develop new methods in order to produce goods more quickly, more efficiently and more cheaply by:</p> <p data-bbox="555 943 1437 1061">2.1.1 reducing production time, improving the technical reliability of equipment, improving the quality of the products of each stage of production;</p> <p data-bbox="555 1084 1437 1202">2.1.2 increasing knowledge of the metallurgical phenomena connected with integrated processes and developing new processes to obtain better or new properties;</p> <p data-bbox="555 1225 1406 1344">2.1.3 continuing efforts to save raw materials and energy, in particular by selecting resources and forms of energy more efficiently.</p> <p data-bbox="475 1361 1437 1435">2.2 <u>Support for outlets on traditional markets and opening of new markets</u></p> <p data-bbox="555 1451 1422 1659">To counteract the impact of the replacement of steel by rival materials, research and development tend to refine the properties of existing products and present new products which are currently being developed. These measures involve:</p>

¹COM(90) 201 final.

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
310	<u>Steel research</u> (cont'd)			

REQUIREMENTS

Article	Remarks
310 (cont'd)	<p>2.2.1 more constant and reliable quality;</p> <p>2.2.2 development of new uses for steel or steel varieties;</p> <p>2.2.3 reduction of delivery times and adequate promotion of new products among customers.</p> <p>2.3 <u>Adjustment of production techniques to environmental protection</u></p> <p>Together with the other action taken by the Commission to protect the environment, the steel industry must continue and even increase its anti-pollution measures. The appropriations for ECSC steel research in 1991 will make a substantial contribution to the following operations:</p> <p>2.3.1 research projects for the development of new clean technologies for the production and utilization of steel;</p> <p>2.3.2 research projects into the upgrading of by-products in order to reduce the amount of waste</p> <p>2.3.3 drafting of a coordinated programme (see I B 4 above).</p> <p>A financial contribution from the ECSC operating budget for 1991 is proposed for the drafting of this coordinated programme covering the coal and steel installations set out above; this contribution is put at ECU 2 million for the steel industry and ECU 0.5 million for coking plants (see remarks to Article 320 below).</p> <p><u>Percentage change 1990-91: +46%.</u></p>

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
310	<u>Steel research</u> (cont'd)			

REQUIREMENTS

Article	Remarks						
	4. <u>Foreseeable schedule of payments</u> (ECU million)						
	Commitments		Payments				
			1990	1991	1992	1993	Subsequent years
	Commitments entered into against 1989 and earlier approps	77.3	34.7	23.6	10.6	5.4	3
	1990 approps	41	4	12	10	9	6
	1991 approps	60	-	6	18	16	20
TOTAL	178.3	38.7	41.6	38.6	30.4	29	

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
320	<u>AID FOR RESEARCH</u> (cont'd) <u>Coal research</u>	48	34	30.1

REQUIREMENTS

Article	Remarks
320	<p data-bbox="448 398 655 427"><u>Coal research</u></p> <p data-bbox="448 450 560 479"><u>Grounds</u></p> <p data-bbox="448 495 1430 568">In the years to come coal will face two major problems at three different levels:</p> <p data-bbox="448 591 671 620">1. <u>Production</u></p> <p data-bbox="448 636 1398 710">The Community's coal industry will very probably be forced to introduce further rationalization in this area in order to:</p> <ul data-bbox="448 725 1366 898" style="list-style-type: none">- improve its economic position;- cope with competition from other energy sources and from imported coal;- help reduce public aids. <p data-bbox="448 913 1430 1084">To achieve this objective, the remaining mines will have to be equipped with the most advanced technology for coal face operations for the improvement of safety and working conditions and for the appropriate management of operations.</p> <p data-bbox="448 1099 1350 1225">Research activity will therefore have to be stepped up and concentrated on the priorities set out in the Medium-term guidelines for coal research 1990-95,¹ viz:</p> <ul data-bbox="448 1240 1007 1397" style="list-style-type: none">- roadways and shafts;- mine gases, ventilation, climate;- coal winning techniques;- coal face infrastructure;- modern management of operations. <p data-bbox="448 1413 592 1442">2. <u>Market</u></p> <p data-bbox="448 1458 1414 1628">An attempt must be made in this sector to preserve traditional outlets and open up new ones. This means gearing product quality to customers' requirements as well as to the general rules for the handling of stocks and environmental protection.</p> <p data-bbox="448 1644 1398 1718">Research will have to concentrate on the following priorities set out in the medium-term guidelines:</p> <ul data-bbox="448 1733 1142 1816" style="list-style-type: none">- coal preparation- metallurgical utilization of coal (coking).

¹ OJ C 52, 1.3.1989.

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
320	<u>Coal research</u> (cont'd)			

REQUIREMENTS

Article	Remarks						
320 (cont'd)	<p><u>3. Utilization and the environment</u></p> <p>Finally, as regards utilization, the main problem to be tackled is that of harmful emissions (SO₂, NO_x, CO₂, etc.) and residues produced when coal is burned in small and medium-sized installations (the large power stations are covered by the non-nuclear research programme JOULE). Research will also have to develop new coal-based products for a wide variety of applications. Research activities in this sector must therefore concentrate on:</p> <ul style="list-style-type: none"> - coal combustion; - coal upgrading and conversion, <p>which are also mentioned in the medium-term guidelines. The Commission will also be studying the question of the "best available technology" for coking plants so that it can draw up a coordinated programme to combat air pollution (see I B 4 above).</p> <p><u>Percentage change 1990-91: +41%.</u></p> <p><u>4. Foreseeable schedule of payments</u> (ECU million)</p>						
	Commitments		Payments				Subsequent years
	Commitments entered into against 1989 and earlier approps	54.2	24.3	16.6	7.4	3.7	2.2
	1990 approps	34	3.5	10	8	7	5.5
	1991 approps	48	-	4	15	12	17
	TOTAL	136.2	27.8	30.6	30.4	22.7	24.7

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
330	<u>AID FOR RESEARCH (cont'd)</u> <u>Social and medical research</u>	17	13	12.7

REQUIREMENTS

Article	Remarks
330	<p data-bbox="464 412 884 445"><u>Social and medical research</u></p> <p data-bbox="464 461 576 495"><u>Grounds</u></p> <p data-bbox="464 524 1342 607">Social and medical research requirements come under the research programmes previously adopted by the Commission:</p> <ol data-bbox="464 618 1378 835" style="list-style-type: none"><li data-bbox="464 618 1378 701">1. technical measures to combat pollution at the workplace and near to steelworks<li data-bbox="464 712 772 745">2. medical research<li data-bbox="464 757 1406 835">3. protection of workers against occupational hazards in the coal and steel industries. <p data-bbox="464 869 1453 1043">As a result of the encouraging results achieved under previous programmes, the representatives of the coal and steel industries and of coal and steel workers who are consulted on the projects have called for the following new programmes in 1990:</p> <ol data-bbox="464 1055 1294 1137" style="list-style-type: none"><li data-bbox="464 1055 970 1088">1. ergonomics (sixth programme);<li data-bbox="464 1099 1294 1137">2. industrial health in coal mines (sixth programme). <p data-bbox="464 1178 1374 1352">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 data-bbox="464 1393 1342 1520">The assessment of requirements for 1991 is based on these programmes continuing normally and takes account of foreseeable limits on budget funds.</p> <p data-bbox="464 1581 963 1615"><u>Percentage change 1990-91: +30%.</u></p>

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

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
330	<u>Social and medical research</u> (cont'd)			
	CHAPTER 30 - TOTAL	125	88	78.6

REQUIREMENTS

Article	Remarks						
330 (cont'd)	4. <u>Foreseeable schedule of payments</u> (ECU million)						
	Commitments		Payments				Subsequent years
			1990	1991	1992	1993	
	Commitments entered into against 1989 and earlier approps	28,8	13	8.8	4	2	1
	1990 approps	13	1,5	5	4	2	0.5
1991 approps	17	-	1.5	5	4	6.5	
TOTAL	58.8	14,5	15.3	13	8	8	

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
	<u>CHAPTER 40</u>			
	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u>			
410	<u>Interest subsidies on investment loans</u>	12	10	0
420	<u>Interest subsidies on conversion loans</u>	75	58	60.7
	CHAPTER 40 - TOTAL	87	68	60.7
		=====	=====	=====

REQUIREMENTS

Article	Remarks
410	1. <u>References and description</u>
420	<p>Articles 54 (investment) and 56(2)(a) (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission. The ECSC may encourage certain investment related to the production or consumption of Community coal or steel or the redeployment of redundant coal and steel workers in ECSC employment areas.</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">- direct loans: to firms or other private or public bodies;- global loans: to banks or other credit institutions which onlend the ECSC funds, mainly to small or medium-sized businesses. <p>3. <u>Method of calculation and explanation of change</u></p> <p>The rate now applied is 3% for both investment loans and conversion loans: The term of all these interest subsidies is five years.</p> <p>4. The grounds for the aids proposed for each category of loan are explained in the following paragraphs.</p>

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
410	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u> (cont'd) <u>Interest subsidies on investment loans</u>	12	10	0

REQUIREMENTS

Article	Remarks
410	<p data-bbox="459 389 1050 421"><u>Interest subsidies on investment loans</u></p> <p data-bbox="459 439 571 470"><u>Grounds</u></p> <p data-bbox="459 501 1458 577">In the investment field, the purpose of interest subsidies is to encourage certain types of investment in ECSC industries.</p> <p data-bbox="459 640 1426 766">The criteria for granting subsidies cover the promotion of the consumption of Community coal produced in satisfactory economic conditions.¹</p> <p data-bbox="459 824 1385 1182">In the steel sector, the Commission is considering the possibility under the general objectives for steel² of a system of interest subsidies for investment in what are considered priority fields, in particular environmental protection. Because of Community and national rules, companies are incurring costs in this sector, which are steadily increasing in relative terms (the 1991 estimate is around 4% of total investment expenditure).</p> <p data-bbox="459 1245 1401 1370">The Commission will apply and adapt these criteria in the light of its assessment of priorities and the appropriations available.</p> <p data-bbox="459 1433 963 1464"><u>Percentage change 1990-91: 20%.</u></p>

¹ OJ C 343, 31.12.1982.
² COM(90) 201 final.

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
410	<u>Interest subsidies on investment loans (cont'd)</u>			

REQUIREMENTS

Article	Remarks						
410 (cont'd)	4. <u>Foreseeable schedule of payments</u> (ECU million)						
	Commitments		Payments				
			1990	1991	1992	1993	Subsequent years
	Commitments entered into against 1989 and earlier approps	29.3	6.5	6	6	6	4.8
	1990 approps	10	1	2	2	2	3
	1991 approps	12	-	1.2	2.4	2.4	6
TOTAL	51.3	7.5	9.2	10.4	10.4	13.8	

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
420	<u>AIDS IN THE FORM OF INTEREST SUBSIDIES (cont'd)</u> <u>Interest subsidies on conversion loans</u>	75	58	60.7

REQUIREMENTS

Article	Remarks
420	<p data-bbox="427 367 1018 398"><u>Interest subsidies on conversion loans</u></p> <p data-bbox="427 416 539 448"><u>Grounds</u></p> <p data-bbox="427 479 1391 649">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 data-bbox="427 698 1407 824">The guidelines drawn up by the Commission for granting conversion loans were first published in 1977. They have since been changed a number of times.</p> <p data-bbox="427 873 1375 1043">The latest version was adopted by the Commission on 19 July 1990. The new operating rules will gradually allow simplified application of these loans under the Regional Fund programmes.</p> <p data-bbox="427 1093 1359 1263">They also harmonize the conditions firms have to satisfy to obtain an interest subsidy by eliminating some of the former specifications which made calculation of these subsidies relatively complicated.</p> <p data-bbox="427 1312 1391 1572">Although it will earmark most of its budgetary funds for the promotion of productive investment in small and medium-sized business, the Commission expects that it will have to meet a growing demand for loans bearing interest subsidies granted directly to larger firms for major investments in new economic activities.</p> <p data-bbox="427 1621 1343 1747">At present, it is estimated that application of the RECHAR programme between 1990 and 1993 will in itself require some ECU 30 million a year for interest subsidies on ECSC loans.</p> <p data-bbox="427 1796 938 1827"><u>Percentage change 1990-91: +29%.</u></p>

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
420 (cont'd)	<u>Interest subsidies on conversion loans (cont'd)</u>			
	CHAPTER 40 - TOTAL	87	68	60.7

REQUIREMENTS

Article	Remarks					
420 (cont'd)	4. <u>Foreseeable schedule of payments</u> (ECU million)					
Commitments		Payments				
		1990	1991	1992	1993	Subsequent years
Commitments entered into against 1989 and earlier approps	231,2	50	48	48	45	40,2
1990 approps	58	5,8	11	11	11	19,2
1991 approps	75	-	8	15	15	37
TOTAL	359,2	55,8	67	74	71	96,4

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
500	<u>CHAPTER 50</u> <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>STEEL INDUSTRY</u>	20	50	75

REQUIREMENTS

Article	Remarks
500	<p>1. <u>References and description</u> 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">- aid for early retirement;- aid for employment premiums. <p>2. <u>Type of expenditure</u> Provision to cover the Community's contribution to expenditure on the measures in the additional programme under the conditions laid down for each Member State in accordance with common criteria applicable to the Community as a whole.</p> <p>3. <u>Method of calculation and explanation of change</u> The Commission estimates that some 50 000 workers will receive assistance under the additional programme between 1988 and 1991. In view of the average cost per worker of the two types of aid (early retirement and reintegration premiums), the cost of this programme has been estimated at ECU 150 million over four years, including ECU 20 million for 1991.</p> <p><u>Percentage change 1990-91: -60%.</u></p>

REQUIREMENTS

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
500	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY (cont'd)</u>			
	CHAPTER 50 - TOTAL	20	50	75

REQUIREMENTS

Article	Remarks							
500 (cont'd)	4. <u>Foreseeable schedule of payments</u>							
	ECU million							
	Commitments		Payments					Subsequent years
			1990	1991	1992	1993		
	Commitments entered into against 1989 and earlier approps	95.7	67	25	3.7	-	-	
1990 approps	50	-	18	20	10	2		
1991 approps	20	-	-	7	8	5		
TOTAL	165.7	67	43	30.7	18	7		

REQUIREMENTS

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989 ¹
600	<u>CHAPTER 60</u> <u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>COAL INDUSTRY (RECHAR)</u>	40	40	-

¹ Chapter 60 of the 1989 budget contained an allocation of ECU 9.2 million to finance social measures in connection with the rationalization of the coal industry; in this aide-memoire this appropriation is contained in Chapter 20: ECU 183.9 million + ECU 9.2 million = 193.1 million.

REQUIREMENTS

Article	Remarks
600	<p>1. <u>References and description</u></p> <p>The Commission has decided to implement the RECHAR programme which includes social measures to mitigate the effects of restructuring and rationalization in the coal industry by redirecting and reinforcing existing support measures.</p> <p>To supplement the traditional aids covered by Chapter B.20, this chapter contains:</p> <ul style="list-style-type: none">- aid for training (traditional or basic preliminary training);- aid for moving to a new job;- aid for early retirement. <p>2. <u>Type of expenditure</u></p> <p>Provision to cover the Community's contribution to expenditure on the measures in this programme, up to the limit of an average of ECU 3 000 for each worker.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>On the basis of the estimate of the number of recipients and the average cost per worker, ECU 38 million will be required in 1991.</p> <ul style="list-style-type: none">- <u>Percentage change 1990-91:</u> 0%.

REQUIREMENTS

Article	HEADING	1991 approps proposed	1990 approps authorized	Outturn 1989
600	<u>SOCIAL MEASURES IN CONNECTION</u> <u>WITH THE RESTRUCTURING OF THE</u> <u>COAL INDUSTRY (cont'd)</u>	-	-	-
	CHAPTER 60 - TOTAL	40	40	-
	REQUIREMENTS - TOTAL	407	435	456.7

REQUIREMENTS

Article	Remarks						
600 (cont'd)	4. <u>Foreseeable schedule of payments</u>						
	ECU million						
	Commitments		Payments				
			1990	1991	1992	1993	Subsequent years
	Commitments entered into against 1989 and earlier approps	1.5	1.5	-	-	-	-
1990 approps	40	-	5	15	15	5	
1991 approps	411	-	-	13	13	11	
TOTAL	81.5	1.5	5	28	31	16	

2. REQUIREMENTS NOT ENTERED IN THE BUDGET

Over and above the requirements to be financed by non-repayable grants from the year's resources are the measures to finance workers' housing which the ECSC 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.

2.1 References and description

Article 54 and Decisions of the High Authority/Commission assigning to the housing programmes funds from the "special reserve" constituted by interest from investments and 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 ECSC to resources provided nationally (in some cases ECSC loans from its own funds are supplemented by funds raised on the capital markets).

2.2 Type of expenditure

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

The eleventh programme covering a four-year period (1989-92) provides ECU 48 million in own funds taken from the special reserve or the former ECSC pensions fund and a maximum of ECU 120 million in loans raised where necessary on the financial markets. This programme is now being implemented.

Presentation of this programme in the annual budget tables proposes four instalments of ECU 12 million.

2.3 Objectives

The objectives of the programme are as follows:

- to satisfy the housing requirements of a workforce that is getting younger and younger;
- to guarantee an adequate quality of housing;
- to ease the restructuring process by catering for the social consequences.

At 31 December 1989 ECSC loans for workers' housing totalled ECU 511.1 million and some 199 600 dwellings had been subsidized.

R E S O U R C E S

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
	<u>CHAPTER 10</u>			
	<u>CURRENT RESOURCES</u>			
110	<u>Levies</u>	184	172	165.7
120	<u>Net balance from previous year</u>	131	139	156
130	<u>Fines and surcharges for late payment</u>	2	14	52.2
140	<u>Miscellaneous</u>	p.m.	p.m.	0
	CHAPTER 10 - TOTAL	317	325	373.9

R E S O U R C E S

Article	Remarks
110 120 130 140	The information on each of these articles (references and description - type of resource - method of calculation and explanation of change 1990/91) is presented below.

R E S O U R C E S

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
110	<u>CHAPTER 10</u> <u>CURRENT RESOURCES</u> " <u>Levies</u>	184	172	165.7

R E S O U R C E S

Article	Remarks
110	<p>1. <u>References and description</u></p> <p>- Articles 49 and 50 of the ECSC Treaty - Decision 2/52 of 23 December 1952.</p> <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. In accordance with the Commission Decision of 11 April 1983,¹ the reference period used to calculate the average values which serve as a basis for calculating the levy for 1991 will be the 1989 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 1991 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 change</u></p> <p>The latest estimates of the average values which serve as the basis for calculating the levies suggest that the figures for 1991, which relate to the reference period from 1 January to 31 December 1989, will be some 8% higher for steel and 2.4% higher for coal than the figures for 1990. However, as with the figures for the foreseeable volume of leviabale production, there is an appreciable margin of uncertainty because all the requisite data are not yet available.</p>

¹OJ C 101, 14.4.1983.

R E S O U R C E S

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
120	<u>CURRENT RESOURCES (cont'd)</u> <u>Net balance from previous year</u>	131	139	52.2

R E S O U R C E S

Article	Remarks
120	<p>1. <u>References and description</u> 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 provision and allocation to the reserves.</p> <p>2. <u>Type of resource</u> The net balance from 1990 will be determined when the Commission adopts the balance sheet at 31 December 1990.</p> <p>3. <u>Method of calculation and explanation of change</u> The figure of ECU 131 million is the current estimate of the balance which will be used to produce the balance sheet at 31 December 1990.</p> <p><u>Percentage change 1990-91: -5.8%.</u></p>

R E S O U R C E S

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
130	<u>CURRENT RESOURCES</u> (cont'd) <u>Fines and surcharges for late payment</u>	2	14	52.2

R E S O U R C E S

Article	Remarks
130	<p>1. <u>References and description</u> Fines and penalties imposed by the Commission under Articles 47, 58 and 60 of the ECSC Treaty (mainly).</p> <p>2. <u>Type of resource</u> From an accounting point of view, revenue from fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded as deferred resources, in view of the appeals made to the Court of Justice. For this reason only payments expected in the course of the financial year are entered as budgetary resources.</p> <p>3. <u>Method of calculation and explanation of change</u> On the basis of the agreements reached or still to be reached in certain disputed cases, it is proposed that ECU 2 million be entered under this heading. Percentage change 1990-91: -85.7%.</p>

RESOURCES

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
140	<u>CURRENT RESOURCES (cont'd)</u> <u>Miscellaneous</u>	p.m.	p.m.	0
	CHAPTER 10 - TOTAL	317	325	373.9

R E S O U R C E S

Article	Remarks
140	This article, carrying a token entry, allows miscellaneous revenue to be entered as resources for the financial year.

R E S O U R C E S

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
200	<u>CHAPTER 20:</u> <u>CANCELLATION OF COMMITMENTS UNLIKELY TO BE IMPLEMENTED</u>	30	60	71.1
	CHAPTER 20 - TOTAL	30	60	71.1

R E S O U R C E S

Article	Remarks
200	<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 remaining part of a provision for a contract or agreement for which obligations have not been satisfied in accordance with the contractual requirements may also be cancelled in full or in part. 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 shown in this chapter relates to normal cancellations involving redeployment and interest subsidies on investment and conversion loans. 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 ECU 30 million for 1991 reflects the normal rate in accordance with the Commission Decision of 19 July 1989. The substantial reduction compared with 1990 is due to the particularly high figure that year as a result of a purge started one year ago.</p> <p>The effects will gradually disappear.</p> <p><u>Percentage change 1990-91: -50%.</u></p>

R E S O U R C E S

Article	Heading	1991 approps proposed	1990 approps authorized	Outturn 1989
300	<u>CHAPTER 30</u> <u>RESOURCES FROM THE PREVIOUS YEAR</u> <u>NOT USED</u> *	53	p.m.	11.7
	CHAPTER 30 - TOTAL	53	p.m.	11.7

R E S O U R C E S

Article	Remarks
300	<p>The balance of the previous year's appropriations which are not used or not committed is entered in this article. The current forecasts (July 1990) for 1990 suggest that there will be an unused balance of ECU 53 million, broken down as follows:</p> <ul style="list-style-type: none">- forecast of net 1989 balance (R.1.2) increased from ECU 139 million to ECU 206 million (up by ECU 67 million);- forecast of unused resources (surplus) in 1990 (R.3): ECU 44 million (up by ECU 44 million);- forecast of revenue from fines (R.1.3) reduced from ECU 14 million to ECU 6 million (down by ECU 8 million);- forecast of exceptional revenue for social measures in the steel sector (R.6) now dropped (down by ECU 50 million).

R E S O U R C E S

Article	Heading	1991 approps authorized	1990 approps authorized	Outturn 1989
400	<u>CHAPTER 40</u> <u>EXCEPTIONAL REVENUE MADE</u> <u>AVAILABLE FOR SOCIAL MEASURES</u> <u>IN CONNECTION WITH THE</u> <u>RESTRUCTURING OF THE COAL AND</u> <u>STEEL INDUSTRIES</u>	p.m.	50	p.m.
	CHAPTER 40 - TOTAL	p.m.	50	p.m.

* Source: cancellations and, if necessary, advances from ECSC reserves.

RESOURCES

Article	Remarks
400	<p>This chapter, carrying a token entry, will accommodate, as resources for the financial year any amount which cannot be covered by the ECSC's current resources and which is needed to cover social support measures in connection with restructuring of the coal and steel industries.</p>

R E S O U R C E S

Article	Heading	1991 approps authorized	1990 approps authorized	Outturn 1989
500	<u>CHAPTER 50</u> <u>CONTINGENCY RESERVE</u>	7	p.m.	p.m.
	CHAPTER 50 - TOTAL	7	p.m.	p.m.
	RESOURCES - TOTAL	407	435	456.7

RESOURCES

Article	Remarks
500	<p>In the balance sheet at 31 December 1989 the contingency reserve contains ECU 70 million - ECU 20 million for short-term requirements and ECU 50 million for the financing of longer-term priority measures (see I C 2 above).</p> <p>The amount available for 1991 will be fixed when the Commission adopts the ECSC balance sheet at 31 December 1990.</p> <p>According to current forecasts, ECU 7 million will be taken from the reserve for short-term requirements in order to balance the 1991 operating budget.</p>

R E S O U R C E S

2. RESOURCES FOR REQUIREMENTS NOT ENTERED IN THE BUDGET

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

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

These resources are made up of the repayments of loans already made and fresh appropriations allocated to the special reserve. The ECU 12 million in repayments estimated for 1991 should be enough to cover loans to be financed in 1991.

3. BALANCE OF RESOURCES AVAILABLE FOR 1991

Since the yield of a levy rate of 0.01% has been estimated at ECU 5.94% million, levies should bring in ECU 184 million, assuming that the rate remains at 0.31%.

The estimates of traditional resources other than levies amount to ECU 223 million (net balance from previous year: ECU 131 million; fines: ECU 2 million; cancellations: ECU 30 million; resources from 1990 not used: ECU 53 million; drawings on contingency reserve: ECU 7 million).

The total ordinary resources available for 1991 are thus estimated at ECU 407 million.

DRAFT ECSC OPERATING BUDGET FOR 1991
SUMMARY TABLE

(Ecu million)

REQUIREMENTS	PROPOSALS	RESOURCES	PROPOSALS
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		RESOURCES FOR THE FINANCIAL YEAR	
1. Administrative expenditure	5	1. Current resources	184
2. Aid for redeployment (Art. 56)	130	1.1 Yield from 0.31% levy	
3. Aid for research (Art. 55)	125	1.2 Net balance from previous year	132
3.1 Steel	60 ¹	1.3 Fines and surcharges for late payment	2
3.2 Coal	48	1.4 Miscellaneous	p.m.
3.3 Social	17	2. Cancellation of commitments unlikely to be implemented	30
4. Interest subsidies	87	3. Resources from 1990 not used	52
4.1 Investment (Art. 54)	12	4. Exceptional revenue made available for social measures connected with restructuring of coal and steel industries	p.m.
4.2 Conversion (Art. 56)	75	5. Drawings on contingency reserve ²	7
5. Social measures connected with restructuring of steel industry (Art. 56)	20		
6. Social measures connected with restructuring of coal industry (Art. 56)	40		
BUDGET TOTAL	407	BUDGET TOTAL	407
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS		ORIGIN OF NON-BORROWED FUNDS	
Workers' housing	12	Special reserve and former ECSC Pension Fund	12

¹ Aid for projects with a specific impact on the environment: - Headings 3.1 : 10
3.2 : 7
3.3 : 6
4.1 : 7
total : 30

² Available at 1 January 1990: ECU 70 million, of which ECU 50 million is earmarked for priority measures in future years.