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AIDE-MEMOIRE
ON THE FIXING OF THE ECSC LEVY RATE
AND ON THE DRAWING UP OF THE
ECSC OPERATING BUDGET FOR 1988

COM(87) 404 final

AIDE-MEMOIRE

on the fixing of the ECSC levy rate and on
the establishment of the ECSC operating budget for 1988

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 1988.

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 1988 are described in Chapter II.

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

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I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1988 in its economic, policy and financial context.

A. ECONOMIC CONTEXT

1. The economic outlook for 1987 and 1988

The Community is passing through a difficult period of adjustment to the major changes affecting the world economy. The weakening of external demand in 1986 and the decline in the competitiveness of Community firms explain why the increase in exports to non-member countries has slackened. Internal demand was buoyant although it did not fully make up for the meagre increase in exports.

The external risks likely to affect developments within the Community in the remainder of 1987 and in 1988 are clear. The need to correct the budgetary and external deficits in the United States continues to cast a shadow over the world economy. The future trend in exchange rates is also extremely uncertain. The problem of world debt has still not been resolved. In addition, protectionism continues to threaten the prospects of a regular increase in international trade.

These factors could further slow down the growth in the volume of world trade in 1987 to around only 2% (non-Community). If these risks are contained, however, world economic activity could improve slightly during the year and world trade could recover a little in 1988.

In 1987 and 1988 the Community's economic growth will still be affected by adjustments to the shocks caused by energy prices and exchange rates in 1985/86. Internal demand, stimulated by the increase in real incomes in 1986, should be sustained, albeit with a drop in the rate of growth. At the same time, the negative contribution of the volume of trade to economic growth will probably remain significant in 1987 and will still be felt in 1988.

More particularly, private consumption at constant prices should increase by some 3% during these two years. The increase in real disposable household income will probably slacken in 1987 and 1988 but households will gradually be able to adjust their spending to the new energy price situation, possibly producing a slight reduction in savings and a boost to expenditure.

The collapse in external demand towards the end of 1986 immediately affected investment in capital goods and most export industries cut back their investment plans. However, unless these industries are exposed to further shocks, investment is not expected to decline considerably again: firms' financial situations should remain favourable and the capacity utilization rate in industry is relatively high. The growth rate of around 5% now forecast for 1987 and 1988 is not, however, likely to produce the production capacity needed to create sufficient new jobs and reduce unemployment to any significant extent.

In the present economic situation, the moderate recovery in investment in the building sector, which should continue this year and next at 3%, is an element of stability.

Community exports are expected to increase at constant prices by only around 2% in 1987 and by 3% in 1988 provided that demand picks up slightly and price competitiveness ceases to deteriorate.

Internal demand will probably continue to grow at a reasonable rate while imports should remain buoyant, rising by 5% in 1987 and by 4% next year. The negative contribution of the volume of trade to real GDP growth could therefore again be around 1% in 1987 and is still likely to be significant in 1988 (around 0.5%).

As a result of the divergent trends between internal and external demand, real gross domestic product may be expected to rise by around 2.2% in 1987 and by almost 2.3% in 1988.

Growth rates of this size are not enough to improve the situation on the employment market. Total employment should increase by around 0.5% a year. This rate of job creation will only help to stabilize the average unemployment rate in the Community which is now around 12%.

The Community has recorded an appreciable fall in inflation rates over the past two years. The marked decline in import prices in 1986 accentuated this movement and the average rate was around 3% in early 1987. Provided that the increase in wages remains moderate, this rate of inflation could be more or less sustained in 1987 and 1988 although the positive effects of the low level of import prices will gradually fade.

The Community's current trade balance showed a considerable surplus in 1986 owing to the fall in oil prices. Since the positive effects of this fall on prices are likely to fade, the external balance position will be dominated by a negative balance of trade in terms of volume and the surplus is expected to fall from 45 billion ECU in 1986 to some 30 billion ECU this year and 20 billion ECU in 1988.

	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (Percentage change over previous years)		
	1986	1987 *	1988 *
Belgium	2.2	1.2	2.1
Denmark	3.4	- 0.2	0.5
Germany	2.5	1.5	2.0
Greece	1.3	- 0.7	0.6
Spain	3.0	2.8	3.0
France	2.4	1.5	2.4
Ireland	0.5	1.1	1.6
Italy	2.7	3.2	2.8
Luxembourg	2.3	2.0	1.6
Netherlands	2.1	1.7	1.1
Portugal	4.3	3.4	3.0
United Kingdom	2.4	3.1	2.6
EEC	2.5	2.2	2.3

* Commission staff forecasts (June 1987)

Source: Commission of the European Communities

Directorate-General for Economic and Financial Affairs

2. Outlook for the coal industry

As a result of the resumption of production in the United Kingdom (+ 15 million tonnes), which more than made up for the reductions in all the other coal-producing Member States, Community production increased by 10 million tonnes in 1986 to 233 million tonnes.

Total internal consumption of coal in the twelve-nation Community fell by 4 million tonnes to 326 million tonnes.

Of this total, 195 million tonnes was for power stations (up by 4 million tonnes), 79 million tonnes for coking plants (down by 3 million) and 48 million tonnes for other sectors of consumption, mainly other industries, households and other small consumers (down by 4 million).

The level of consumption in 1986 was affected by the reduction in steel production (down by 7%) and increased competition from oil and natural gas.

The opposing trends for consumption and production led to an increase in stocks (up by 8 million tonnes) and a reduction in supplies of coal from non-member countries to 95 million tonnes (down by 3 million tonnes).

A further reduction in consumption of the same size as in 1986 and a reduction in production are forecast in the outlook for 1987 produced at the beginning of the year.

This estimate is the result of a combination of different factors such as the delayed effect of the fall in oil prices, the commissioning of new nuclear power stations and the downward trend in steel production, all in the overall context of a small rise in GDP (up by 2.2%).

Since the beginning of the year coal prices have gradually been falling on the world markets.

Since the dollar fell at the same time and supply still outstrips demand on the world market, this has put further pressure on Community coal.

The production estimate for the twelve-nation Community based on all these factors is around 229 million tonnes and the consumption estimate 321 million tonnes.

3. Outlook for the steel industry

In 1986 steel production dropped considerably: only 125.4 million tonnes (twelve-nation Community) as against 135.5 million tonnes the previous year. However, there is every indication that the fluctuations in the level of production observed since the recovery in 1984 are mainly due to changes in trade with non-member countries, particularly as regards exports.

In 1986 internal demand for steel in the Community remained at a reasonable level. The Community steel industry was still able to benefit from the sustained trend in internal general demand in the Community, in particular for capital investment, which maintained a rapid rate of increase even at the beginning of the year.

However, the Community's economic situation has deteriorated distinctly since the end of 1986, mainly because of the marked slackening of the growth of industrial exports. This is mainly due to the fall in the dollar in relation to the ECU, which has seriously undermined the competitive position of Community industry on the markets of many non-member countries, and to a drop in imports by the OPEC countries. Apart from the clear deterioration of export prospects, the investment climate in the Community has worsened and, according to the business survey, manufacturing industry has cut back on its investment programmes. In view of this information on changes in the international situation and in the Community's economic climate, the Commission expects that economic growth in 1987 will be far lower than the autumn 1986 forecast (GDP up by 2.2% and not 2.8%).

However, at present steel consumption cannot be expected to collapse as it did in 1975 and 1980. Most large steel-consuming sectors, with shipbuilding a notorious exception, expect to keep up their activities in 1987. This is even true of the building sector which, after years of gloom, hopes to benefit from the fall in interest rates, increased confidence and pent-up demand.

As for the longer-term prospects for the steel market, there is every indication that the level of demand reached in 1984-86 was a ceiling. First, most outlets for durable consumer goods are relatively stable during the economic cycle but are no longer growing significantly. In general, the products involved are substitute products, at least in the older Member States of the Community, and also continue to be subject to the effects of steel substitution. Secondly, the increasingly lighter nature of capital goods in the industrialized countries is likely to have a moderating impact on steel demand in investment-linked outlets.

As in 1986 and the first half of 1987, exports of steel and derived products of Community origin will continue to encounter growing competition on all the markets as a result of the appreciation of Community currencies against the dollar and as a result of excess world capacity, while the firmness of these currencies may well attract a large volume of steel imports which can no longer find an outlet in the OPEC countries or on the regulated United States market. The reservations which the Commission expressed in connection with its external trade forecasts in the general objectives for steel 1990 (COM(85) 450 final), published in an export boom, have thus been borne out relatively quickly. These forecasts were revised in the report on the general objectives for steel 1990 (COM(86) 515 final) which indicates that, in the years to come, the export balance will gravitate around the lower limit of the general objectives and also contains the revised forecasts for the Spanish and Portuguese steel industries.

These trends and the surrounding uncertainties will probably also affect the steel market in 1988. A cautious attitude must therefore be taken and annual crude steel production in the twelve-nation Community can be put at 123 million tonnes in 1988 as against the slightly higher production figure of around 125 million tonnes for 1986 and the slightly lower figure for 1987 of around 122 million tonnes according to the latest information available. This corresponds to the lower limit of the general objectives arising from the revised production objective of 14 million tonnes for Spain and Portugal (see COM(86) 515 final).

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 in those reports. They concentrate rather on certain key points or recent developments which the Commission wants to highlight in establishing its draft of the ECSC's operating budget for 1988. The industries themselves, the ECSC's structural policy and the Community's financial operations are dealt with in turn.

1. Coal policy guidelines

The Community's coal policy was dominated by two main features in 1986.

In its Resolution of 15 September 1986 concerning new Community energy policy objectives for 1995, the Council stressed the need to pursue efforts to promote consumption of solid fuels and improve the competitiveness of their production capacities. It concluded that the share of solid fuels in energy consumption should be increased.

Within the limit of existing financial possibilities, the Community's activities in 1986 concentrated on the promotion of research, development and demonstration projects. Even though the emphasis was placed on the promotion of research, development and demonstration, the Commission also intends to support Community coal production with whatever funds are available, in particular by creating new economically viable production capacity under Article 54 of the ECSC Treaty. The system of support for the consumption of Community coal through the award of loans with interest subsidies under the second paragraph of Article 54 of the ECSC Treaty was also pursued.

In 1986 the Council also approved new Community rules for State aid to the coal industry in line with the major developments in the economic situation and the specific conditions on the energy and coal market over the past ten years.

Decision No 2064/86/ECSC, which will remain in force until 31 December 1993, stipulates that the Member States may implement aid measures only with the approval of the Commission, which checks whether they conform to the objectives and criteria set out in the decision.

To be authorized, the aids must help to achieve at least one of the following objectives:

- improvement of the competitiveness of the coal industry, which contributes to assure a better security of supply,
- creating new capacities provided that they are economically viable,
- solving the social and regional problems related to developments in the coal industry.

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 ECSC must continue to support coal research as a basis for all future developments for the production, preparation, coking and upgrading of coal and its by-products.

2. Steel policy guidelines

From 1 January 1986 the Community started to liberalize the steel market by suspending minimum prices and removing the quotas for reinforcing bars and some coated sheet. However, prices have dropped since then, not only for the liberalized products but also for those products still enjoying the protection of quota arrangements. This has resulted in controversy in the steel industry about the justification for the Commission's approach, which consists of restoring the market rules provided for in the ECSC Treaty. However, most producers of long products want liberalization to continue.

At its meetings on 20 October and 18 November 1986 the Council was hesitant about accepting the Commission's proposals for the gradual liberalization of most long products and galvanized sheet and approved the liberalization of only the latter category with effect from 1 January 1987.

When the decision was taken at the end of 1985, to restore normal market rules and thus put responsibility for management back in the hands of the firms, the intensive restructuring under the 1981-85 aids code had enabled a large proportion of the necessary rationalization to be achieved. In its report on the general objectives for steel 1990 (COM(86) 515 final) the Commission noted that the closures under the old aids code (Decision No 2320/81/ECSC which expired on 31 December 1985) and under Decision No 1018/85/ECSC had reduced the ten-nation Community's hot rolling capacity from 172 million tonnes in 1980 to 140 million tonnes at the end of 1986. This still left surplus capacity of more than 21 million tonnes by reference to the high assumption in the general objectives and more than 30 million tonnes by reference to the low assumption. The deterioration of the steel market situation since 1986 makes the latter scenario appear increasingly realistic while the figures

mentioned do not include Spain's surplus capacity which far exceeds the 3 million tonnes of capacity which Spain must close down by the end of 1988 under the accession arrangements.

At the end of 1985 it was hoped that the pressure of a market operating in accordance with the rules of the ECSC Treaty (to be gradually reintroduced during the orderly transitional period) would force firms to make the remaining efforts necessary. However, the only major restructuring initiative - by the Eurofer companies - which involves a genuine commitment on the part of the firms since it proposes a balanced and ordered readjustment has the drawback of demanding as a major condition that the quota arrangements should be retained beyond the transitional period, which is due to expire at the end of 1988, the decision governing the current quota arrangements expiring at the end of 1987.

At its meetings on 19 March and 1 June 1987 the Council shared the Commission's view that the closures proposed by Eurofer for flat products and heavy sections were insufficient. The Council asked the Commission to put forward Community measures which might prompt the firms to reduce existing surplus capacity, together with accompanying measures to cover the social, occupational retraining and regional conversion aspects.

The Council also found that the quota arrangements were becoming increasingly difficult to apply and took note of the Commission's plans to set up a simpler and more transparent quota system which would be updated in the light of actual situations and would include Community restructuring incentives.

The Council confirmed that the new aids code applicable from 1 January 1986 (Decision No 3484/85/ECSC) had been fully complied with and added that it was a basic conditions for continued rationalization.

At the end of July, in preparation for the Council (Industry) meeting in September, the Commission drew up a proposal for a steel policy package consisting essentially of:

- an extension of the quota arrangements for categories Ia, Ib, II and III for a period of three years in principle, subject to a clear commitment by the undertakings concerned to close down sufficient capacity;
- the inclusion in the quota arrangements of financial incentives for closures, in addition to the possible sale of quotas, by means of premiums financed from levies on part of the quotas under Article 58(2) ECSC (closure fund);
- continuation of the additional cover for redeployment aid (social measures), requiring a transfer from the general budget to the ECSC budget in 1988; in addition, some of the funds collected under Article 58(2) ECSC would be allocated to social measures outside the framework of agreements under Article 56(2)(b) ECSC;
- increased regional aids through interest subsidies (Article 56(2)(a)) and the proposal for a Community programme under Article 7 of the Regional Fund Regulation (RESIDER).

Special rules continue to apply to the steel industries of the two Member States for a period of three years (Spain) and five years (Portugal). 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 old aids code (Decision No 2320/81/ECSC) apply. However, because of serious disruptions in the early months after accession, Spain has been authorized to apply safeguard measures in respect of deliveries from the other Member States, while Portugal has been allowed a safeguard measure in respect of deliveries from Spain. In principle, these measures have been extended to the end of 1987.

As part of the new package of proposals put forward at the end of July, the Commission asked Spain and Portugal to take part in the proposed measures in 1988, although this did not mean that their transitional periods in respect of steel policy were being shortened.

The basic features of the external anti-crisis measures remain applicable in 1987. The system of arrangements will cover twelve non-member countries* - the arrangements with Australia, Japan and South Africa were not renewed, while Venezuela is included for the first time - and Community exports to the United States will be subject to a quota until 1989.

*Bulgaria, Hungary, Poland, Romania, Czechoslovakia, Austria, Finland, Norway, Sweden, Brazil, Venezuela, South Korea.

3. Structural policy guidelines

3.1 The integrated approach

The Commission will continue its social support policy and its efforts to bring about a recovery in the regional economy of the steel-producing areas, which have already been given particular attention and which have received considerable funds from the Community's structural instruments (ECSC redeployment aid and conversion loans carrying an interest subsidy, Social Fund aid and Regional Fund aid). Greater use could be made of these possibilities available to the Member States. The appropriations provided and the coordinated use of all the Community's financial instruments, with the participation of all the competent authorities and the involvement of all groupings active in economic and social life at local level, must increase the effectiveness of the measures introduced and help respond to the challenge represented by the crisis in the coal and steel industries.

In its communication of 17 July 1985¹ the Commission therefore decided to take support measures to "counteract the negative effects on employment which will flow from the restructuring of the steel industry" as part of an overall strategy for restoring the Community steel market to normal conditions.

Since then, some of the preconditions contained in this communication have changed. For instance, an even greater concentration of operations by the structural Funds (the European Regional Development Fund and the European Social Fund) is required if the main objectives of the Commission's political commitment of 17 July 1985 are to be achieved.

The Commission has therefore defined and set out in practical terms the measures proposed in favour of the steel areas, the aim of which is to make a significant contribution to overcoming the grave economic and social conversion problems which have arisen in the Community steel areas.² In accordance with its commitment,

¹COM(85)384 final.
²COM(86)422 final.

the Commission has accordingly just submitted to the Council a Community programme under Article 7 of the ERDF Regulation to enable the areas concerned to mobilize indigenous resources by promoting the activities of small and medium-sized businesses and developing industrial sites which have fallen into disrepair.

Among the measures envisaged, special attention is asked for stepping up use of lending operations to encourage investment likely to generate employment in the productive sector in all coal and steel areas. Interest subsidies can play a key role.

Integrated operations could be used in the most seriously affected areas to produce better coordination of Community and national efforts and increased concentration of funds on the most important areas. The integrated approach should ensure that the measures proposed are made more effective through concerted planning and consistent implementation over a period of years.

The structural measures proposed are thus in keeping with the Community's economic and social cohesion objectives which have been given a new dimension by the Single European Act and which concern areas undergoing industrial conversion as well as underdeveloped areas. At the same time they will back up efforts to reduce long-term structural unemployment.

Reference must be made in the operating budget to the social policies underlying the redeployment aid programmes, including the additional social aid connected with the restructuring of industry, and, in the regional sector, to the conversion aid designed to promote the siting of alternative economic activities to create new jobs in areas affected by the decline of the coal and steel industries.

* COM(87)388, Annex 2.

3.2 Social and employment policy measures

The social and employment policies conducted by the Commission for the ECSC industries use a number of financial instruments provided by Articles 54, 55 and 56 of the ECSC Treaty.*

In the case of coal and steel industry workers whose jobs are not affected, the Commission can

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

These measures enable the Commission to help improve their working and living conditions. They will continue on the basis of the principles set out in Annex D to this aide-mémoire.

In the case of coal and steel industry workers who lose their jobs as a result of the restructuring measures occasioned by the major changes in the market conditions and technical processes used, the Commission can make use of:

- paragraph 2(b) of Article 56 ECSC to grant non-repayable redeployment aid in the form of tideover allowances, vocational retraining and resettlement allowances and income supplements in the case of early retirement;
- paragraph 2(a) of Article 56 ECSC to grant conversion loans carrying an interest subsidy to promote investment which can create alternative jobs for coal and steel workers.

The Commission's operations under Article 56 have been stepped up considerably in recent years because of the structural crisis which has affected the coal and steel industries and led to substantial job

*For the sake of completeness it should be noted that under the general budget of the Communities some Social Fund measures also provide aid for coal and steel workers; the Regional Fund too makes financial contributions to some coal and steel areas.

losses. In recent years - the most acute stage of the steel crisis - restructuring measures have meant that almost one in three steelworkers has been made redundant. The number of workers fell from 597 900 at the end of 1980 to 396 744 at the end of 1986 in the ten-nation Community (456 311 in the enlarged Community). The annual rate of decline, which was 8% in 1981 (49 000 jobs lost), has gradually been reduced and amounted to 6% in 1986 (25 000 jobs lost).

As stated at B.2 the trend in the world market for steel products shows that only the low assumption set out in the general objectives for steel 1990 is realistic today, i.e. surplus capacity of around 30 million tonnes, not including the considerable surpluses in the Spanish steel industry under the restructuring agreed in the Treaty of Accession up to the end of 1988. The rationalization and/or restructuring measures which will have to be carried out could result in up to 80 000 job losses in the steel industry of the twelve-nation Community between 1988 and 1990.

In the past six years the pace of the restructuring process in the coal industry has quickened, leading to the loss of more than one job in five. At the end of 1980 coal mines in the ten-nation Community employed 522 200 miners. By the end of 1986 this figure had dropped to only 371 737 (420 834 in the enlarged Community). The annual number of job losses rose from 16 000 in 1981 to 35 000 in 1986, an increase in the annual rate from 3% to over 8%.

According to the analyses in the preliminary documents for the decisions on the renewal of the Community system of public aids to the coal industry and the new Community energy objectives for 1995,* confirmed by the restructuring plans of the main coal undertakings, continued rationalization and modernization of the Community coal

* COM(85)245 final.

industry will still involve a large number of job losses. It is expected that some 85 000 jobs will be lost in the next three years.

These prospects for employment in the coal and steel industries must be viewed in the general context of particularly high unemployment. Despite a moderate expansion in economic activity in most Community countries over the past two years and a slight increase in employment for the first time since the start of the economic crisis, there were over 16 million unemployed in the Community. This general situation, aggravated in those areas where the coal and steel industries are concentrated, makes it particularly difficult to find new jobs for redundant workers.

Faced with these prospects, the Commission intends to continue its measures in favour of coal and steel industry workers, notably through redeployment aid.

This aid scheme, which is based on conventions or agreements reached with the Governments of the Member States and regularly renewed, is sufficiently flexible and diversified to enable the Commission to take the most effective action in response to the specific characteristics and the development of national provisions on redeployment aid. It 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, between 1981 and 1984, 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.

However, in December 1986, after long discussions the Council was unable to approve the transfer to the ECSC of the exceptional resources entered in the 1985 general budget, and thus rejected the planned financing of the outstanding parts of the programmes of measures connected with the restructuring of the coal and steel industries. The shelving of these exceptional programmes meant that 66 000 steelworkers (outside Spain and Portugal) who had been made redundant in 1984, 1985 and 1986 and 60 000 coalminers made redundant in 1985 and 1986 were unable to receive any aid in addition to the "traditional" redeployment aid.

Confronted with this decision and in view of the recent unfavourable trend on the steel market, the Commission felt it could not go back on its political commitment to introduce additional social measures at a time when redundancies were hitting a new peak. It therefore decided to introduce interim measures financed by ECSC funds alone in 1987.¹

As part of the package of measures proposed for the steel industry for 1988-90,² the Commission announced in July 1987 a new programme of social support measures in connection with restructuring under

¹COM(87)289 final.

²COM(87)388 final.

Article 56(2)(b), which would cost the Community 132 million ECU and provide aid for 50 000 workers. This additional programme will be directed at strengthening two important and costly 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, resettlement and income support grants which constitute the ECSC's traditional redeployment aid (and the measures to promote job creation in the hardest-hit steel areas). This addition to traditional redeployment aid will double the Community's contribution to the social costs involved in shedding jobs (the estimated average cost to the Community is around 30 000 ECU) from around 10% to 20%. Pending the reform of the structural Funds under Article 130 D of the EEC Treaty, this programme will have to be financed in 1988 by transferring 50 million ECU from the general budget to the ECSC budget.

At the same time, under the financial mechanism provided for in Article 58(2), the Commission proposes that 30% of the funds collected, i.e. 180 million ECU, should be allocated to measures which will ensure that the level of social protection is maintained for workers affected either by closures under the restructuring process or by any other major employment-reducing measure, and will ease the cost burden of social protection for firms. The appropriations available under this mechanism will be used even in cases where financing is not possible under Article 56, for example to help a firm with social charges to which there is no government contribution or a firm that is sharply reducing its workforce without necessarily cutting back its activity. The 600 million ECU, of which the abovementioned 180 million ECU forms

an integral part, will not be entered in the budget: however, information is given on the measures concerned in order to give an overall view of the social measures planned.

3.3 Regional policy measures

Under Article 56(2)(a) of the ECSC Treaty, the Commission also 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, 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.

The programme of conversion loans for new alternative activities has been stepped up considerably in recent years as a result of the crisis in the coal and steel industries. Loans approved by the Commission increased from 200 million ECU in 1979 to 650 million ECU in 1986. This should permit the co-financing of investments to generate an estimated 44 000 new jobs, 31 000 of them qualifying for an interest subsidy.

Global loans, introduced to promote the employment potential offered by small and medium-sized undertakings, have developed considerably from 30% of the total volume of loans approved in 1979 to 92% in 1986.*

The possibilities of attracting investment to conversion areas are becoming rarer. There is thus a growing need to encourage the establishment and expansion of small and medium-sized businesses in these areas as the main source of new full-time jobs at various levels of technological innovation.

4. Financial activities

ECSC Financial Report No 32, outlining the Community's borrowing and lending operations and financial aid in 1986, will be published shortly.

Borrowings contracted in 1986 totalled 1 517.4 million ECU, compared with 1 264.8 million ECU in 1985 and 822.5 million ECU in 1984.

Industrial loans amounted to 799.5 million ECU in 1986 compared with 629 million ECU in 1985 and 541.3 million ECU in 1984, conversion loans to 243.5 million ECU, compared with 363.4 million ECU and 247.5 million ECU, and workers' housing loans to 36.2 million ECU, compared with 17.3 million ECU and 36.7 million ECU (see the tables below).

Total borrowing and lending since the start of ECSC financial operations is thus brought to 14 279.7 million ECU and 13 506.9 million ECU respectively (including 322.3 million ECU in loans from own funds). The outstanding balance of loans raised at 31 December 1986 was 6 761.3 million ECU.

* Unlike 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.

In 1987 loans raised at 30 June amounted to 996 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 the grant of aids for interest subsidies for conversion, the increased use of Community coal (criteria of 31 December 1982) and, possibly, other categories of investment to which the Commission considers that priority should be given.

Investment expenditure in the coal industry increased from 1 000 million ECU in 1984 to 1 300 million ECU in 1985 after the end of the miners strike in the United Kingdom. Expenditure in 1986 and 1987 could be between 1 300 million and 1 800 million ECU.

In 1985 investment expenditure in the steel industry totalled almost 4 000 million ECU, 36% more than the 2 950 million ECU invested in 1984, as a result of projects which the companies adopted under restructuring programmes and which qualified for public aid for the last time in 1985.

In early 1986 the companies estimated that investment expenditure would reach 3 000 million ECU.

ECSC - BORROWING AND LENDING OPERATIONS

AMOUNTS RECEIVABLE

HEADING	Million ECU		
	Forecast 1987	Forecast 1988	Outturn 1986
1.0 Loans raised	1750	1750	1517,4
1.1 Repayment of loans granted	1000	1000	1172,8
1.2 Interest payments to the ECSC	600	600	622,1
1.3 Repayment of costs involved in borrowing and lending operations	15	15	14,9

AMOUNTS PAYABLE

HEADING	Million ECU		
	Forecast 1987	Forecast 1988	Outturn 1985
2.0 Loans granted	1500	1500	1069,2
2.1 Repayment of loans raised	1200	1200	1644,3
2.2 Interest payments	590	590	600,3
2.3 Payment of costs involved in borrowing and lending operations	25	25	23,3

C. FINANCIAL CONTEXT

ECSC budget guidelines

The last year has seen a significant convergence of views between the interested institutions both on the subject of the Community's reserves policy and on that of the ECSC budget conventions and guidelines.

This development is of highest importance, since there is no doubt, with hindsight, that the on-going debate on these matters turned out to be a complicating factor in the negotiations which took place concurrently, between Commission and Council, on the Commission's proposals (rejected by the Council last December) for financial transfers from the general budget to the ECSC to finance supplementary social aid linked to coal and steel restructuring programmes.

Now that a new proposal for a transfer from the general budget to the ECSC has been sent to Council (see Chapter II below), it is important to have overcome the doubts which have been aired in the last three years as to whether the option did not exist for the ECSC, by a change of policy, to release from its own reserves and provisions any additional resources required for supplementary social aid.

It is a fact that, in recent years, internally generated resources credited to the budget have consistently exceeded the initial forecast, both in respect of the commitments and in respect of internal revenue : part of these extra resources was directly attributable to tighter management of reserves and of budgetary commitments inspired by the on-going debate on these matters.

These improved procedures form part of the guidelines now in operation, of which the key elements are given below :

1. ECSC reserves

The purpose of the ECSC reserves is to guarantee its borrowings on the capital markets. ECSC borrowing operations are not backed by any special security and are guaranteed in the final instance by the Member States as the founders of the ECSC in accordance with the general principles of international law^(*).

A description of the ECSC reserves and policy guidelines for the annual allocation of the net surplus are contained in SEC(86) 1532 final which the Commission approved on 8 October 1986 and which was sent to Parliament, the Council and the Court of Auditors in January 1987.

As set out in this document, the Commission's policy is, both on budgetary grounds (in particular, at the present time, to mobilize resources to deal with the state of crisis in the steel sector) and for financial and legal reasons (to safeguard the market finance instrument of ECSC undertakings), to allocate as much of the annual net surplus as possible to the ECSC budget, while aiming at the same time, as regards the financial statements and hence the level of reserves, to keep the main financial ratios at a level close to that of the balance sheet at 31 December 1984.

The need to maintain the financial ratios was set out in the detailed analysis conducted on the Commission's behalf by the international consultants Deloitte, Haskins and Sells (SEC (86) 780) which clearly shows that the ECSC reserves are not excessive and that they are at the lower end of the scale compared with similar institutions (for example, the ratio of reserves to total assets is 8 % for the ECSC and 12 % for the EIB).

(*) For EEC and Euratom borrowings, on the other hand, the Member States offer a guarantee on a first demand basis.

2. The budget system

This remains the traditional commitment budget, in which the year's resources finance the legal commitments entered into that year. The funds held to cover commitments awaiting payment and the counterpart to the ECSC reserves are invested to yield interest, most of which (after deduction of any amounts allocated to reserves to maintain the ECSC's international credit rating (triple A)) is used under the guise of the disposable balance of the annual profit and loss account to provide extra ECSC budget resources for the following year. This financing system makes it possible to provide additional resources and to safeguard the Community's financial base at a time when the industries are facing severe problems.

The bulk of the disposable balance just mentioned is entered directly into the budget - to increase transparency, the name of the budget item involved is being changed in the 1988 draft budget from 'interest on investments and on loans from non-borrowed funds' to 'net balance from previous year' - but a small amount is normally placed at the start of the year in a reserve for budgetary contingencies to be drawn on to meet revenue shortfalls or extra demands for aid.

Within this traditional framework, in agreement with Parliament's rapporteur (Mr Bardong), two useful changes are being introduced, again in order to render the annual budgetary transactions more transparent:

- Illustrative schedules identical to those in the general budget have been added to Annex D of the present document. They show for the first time the annual incidence of estimated payments.
- In addition, a table will be added to the annual Financial Report analysing by year of origin and expected year of disbursement the funds held at the end of each year to cover commitments awaiting payment.

Attention is likewise drawn to four detailed points bearing on the management of the 1988 budget :

- Amendments to the bilateral agreements with governments on resettlement aid now enable the Commission to pay less if it has funding problems.
- In addition to the 40 million ECU budgeted for conversion aid it should prove possible to finance further conversion aid grants by reemploying appropriations to be decommitted in respect of slow-moving projects.
- For the first time, the budget takes into account a predicted drawing on the contingency reserve (20 million ECU). A risk is involved in thus anticipating the allocation the Commission will be able to make to the reserves at end-1987 and likewise in presuming that the 20 million ECU will not be absorbed by an undershoot of forecast resources. In the present climate of financial stringency the Commission has judged it right to show this sum in the draft budget, in pursuance of the policy of entering the maximum amount of internal resources in the budget. The validity of the 20 million ECU figure will be kept under review.
- As with the Commission's 1985 proposal (COM(85) 428), approved by Parliament on 15 November 1985, the new proposal, already referred to, for a transfer from the General Budget to the ECSC provides that the amounts transferred annually will match the expected payments. The total commitment booked in the ECSC's accounts will be underwritten by the terms of the Council Decision authorizing the transfers (COM(87)388, Annex 4).

The Commission notes with satisfaction that these guidelines are entirely consistent with the terms of the draft Parliamentary resolution on the 1985 report of the Court of Auditors adopted by the Parliament's Committee on Budgetary Control on 23 June 1987.

* * * * *

Finally with regard to the Commission's proposal (COM(87)388) to raise levies on certain categories of steel production, to a total of 600 million ECU, under the terms of Article 58(2)ECSC, and to allocate 70 % of this sum for closure premiums linked to reductions of capacity and 30 % to social aids (maintenance of employment...) it should be stressed that the management and accounting arrangements for this fund will be separate from the operating budget and that the social aids will be of a different nature from those financed through the budget.

II. DRAFT ECSC OPERATING BUDGET FOR 1988

A. COMMISSION APPROACH

For the purposes of evaluating the draft budget for 1988, the Commission considers that a price increase of 3.4% should be used as the basis for comparing the figures for 1987 and those for 1988.

At the current levy rate (0.31%), ordinary resources for 1988 are estimated at 289 million ECU, of which 150 million ECU will come from levies and 127 million ECU from the balance available from the previous year (including 20 million ECU from the contingency reserve - see I.C above). It is estimated that a 0.01% increase in the levy rate yields an additional 4.8 million ECU.

In its steel policy proposals of July 1987 (COM(87)338), the Commission asked the Council to authorize an exceptional contribution of 50 million ECU from the general budget to the ECSC in 1988 to finance social support measures in connection with the restructuring of the steel industry. Of this total, 44 million ECU would be for exceptional social measures and 6 million ECU would be added to the ordinary funds available for redeployment aid. Whether or not this 50 million ECU can actually be granted thus depends on the contribution being made.

The Commission, in its capacity as the High Authority of the ECSC, has the power to fix a higher levy rate to provide sufficient cover for next year's requirements. However, the rate has remained unchanged at 0.31% since 1980, as the Commission considers that no increase can be made in view of the crisis affecting the coal and steel industries in recent years.

In its draft budget the Commission has therefore merely allocated the expected 289 million ECU in ordinary resources in line with the necessary priorities, supplementing this ordinary budget with exceptional social aid to be financed from exceptional revenue.

The Commission would point out that, with the levy rate held at 0.31%, the expected total ordinary resources of the operating budget in future years will remain within the 250-300 million ECU range, although its value in real terms will probably decline. This level, in particular the 289 million ECU now planned for 1988, is well below that of ordinary operating budgets in recent years (341 million ECU in 1985, 329 million ECU in 1986 and an estimated 401 million ECU in 1987) because of the general drop in foreseeable revenue. There can therefore be no question of the ECSC providing the additional resources needed to finance the social support measures proposed in connection with the new steel restructuring programme, since this would affect the financing of traditional aid to an unacceptable degree.

B. FINANCING PROPOSALS

The Commission's proposals for the 1988 ECSC operating budget are tabulated in Annex E and are based on the following factors:

- Total resources of 339 million ECU. However, 50 million ECU is accounted for by the amount due from the EEC for the exceptional social measures in connection with the restructuring of the steel industry. The Commission will not take decisions on this aid until the Council has adopted the decision (Article 235 EEC) proposed by the Commission.¹
- Requirements to be covered by the traditional resources of 289 million ECU:
 - . 5 million ECU for administrative expenditure;
 - . 174 million ECU for redeployment aid;
 - . 63 million ECU for research expenditure;
 - . 47 million ECU for interest subsidies.

¹ COM(87)388, Annex 4.

As regards research appropriations, the Commission proposes that 30 million ECU be devoted to steel, 22 million ECU to coal and 11 million ECU to social research.

As regards interest subsidies, the Commission proposes that 40 million ECU should go to conversion as direct aid for the creation of new jobs and 7 million ECU to investments.

Lastly, the Commission proposes that the 1988 ECSC operating budget be adopted at a total amount of 339 million ECU. It therefore proposes that the levy rate be set at 0.31%.

C. DRAFT BUDGET

The draft budget established by the Commission and amounting to 339 million ECU is presented in Annex E.

OUTTURN OF ECSC OPERATING BUDGET FOR 1986

SUMMARY TABLE

		(million ECU)			
REQUIREMENTS	FORECAST ¹	OUTTURN	RESOURCES	FORECAST ¹	OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)					
1. Administrative expenditure	5	5	1. Current resources	170	166.5
2. Aid for redeployment (Art. 56)	170	171.9	1.1 Yield from 0.31% levy		
3. Aid for research (Art. 55)	60	61.6	1.2 Interest on investments and on loans from non-borrowed funds	100	100
3.1 Steel	28.5	28.9	1.3 Fines and surcharges for late payment ²	27	16.4
3.2 Coal	22	22.4	1.4 Miscellaneous	p.m.	0.5
3.3 Social	9.5	10.3	2. Cancellation of commitments unlikely to be implemented	10	18.7
4. Interest subsidies	78.2	84.8	3. Revaluation of assets and liabilities	p.m.	-
4.1 Investment (Art. 54)	13.2	14.3	4. Resources from 1985 not used	2.2	-
4.2 Conversion (Art. 56)	65	70.5	5. Exceptional revenue		
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6	5.1 Social measures connected with restructuring of steel industry	/100/	-
6. Social measures connected with restructuring of steel industry ¹	/100/	-	5.2 Social measures connected with restructuring of coal industry	/60/	-
7. Social measures connected with restructuring of coal industry ¹	/60/	-	6. Drawings on contingency reserve	10	27.2
BUDGET TOTAL	319.2 + 160	329.3	BUDGET TOTAL	319.2 + 160	329.3
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS					
8. Workers' housing	13	13	7. Special reserve and former ECSC Pension Fund	13	13

¹Forecast made by the Commission at 31 July 1986.

²The figure of 16.4 million ECU represents actual receipts in 1986.

(million ECU)

SUMMARY TABLE

REQUIREMENTS	BUDGET FIGURE	FORECAST OUTTURN	RESOURCES	BUDGET FIGURE	FORECAST OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		*	RESOURCES FOR THE FINANCIAL YEAR		*
1. Administrative expenditure	5	5	1. Current resources		
2. Aid for redeployment (Art. 56)	150	224	1.1 Yield from 0.31% levy	180	172
3. Aid for research (Art. 55)	63	70	1.2 Interest on investments and on loans from non-borrowed funds		
3.1 Steel	30	35	1.3 Fines and surcharges for late payment	75	201
3.2 Coal	22	24	1.4 Miscellaneous	23	18
3.3 Social	11	11		p.m.	p.m.
4. Interest subsidies	65	68	2. Cancellation of commitments unlikely to be implemented	5	10
4.1 Investment (Art. 54)	5	8	3. Revaluation of assets and liabilities		
4.2 Conversion (Art. 56)	60	60	4. Resources from 1985 not used		
5. Social measures connected with restructuring of steel industry ¹	125	34	5. Exceptional revenue		
6. Social measures connected with restructuring of coal industry ¹	p.m.	p.m.	5.1 Social measures connected with restructuring of steel industry	125	p.m.
			5.2 Social measures connected with restructuring of coal industry	p.m.	p.m.
			6. Drawings on contingency reserve	p.m.	p.m.
BUDGET TOTAL	408	401	BUDGET TOTAL	408	401
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			7. Special reserve and former ECSC Pension Fund	13	13
7. Workers' housing	13	13			

¹ Apart from the 34 million ECU entered in Chapter 5, implementation of these chapters depends on the exceptional revenue actually being made available.
*Published in OJ C 207, 4 August 1987.

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 1987

	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	0,9	0.18885	0.17
All types of hard coal	44,3	0.25436	11.27
<u>COAL - TOTAL</u>			11,44
Pig-iron other than that required for the manufacture of ingots	0.5	0.54110	0,27
Steel ingots	29,9	0,72825	21.77
Finished products	24,0	0.33740	8,10
<u>STEEL - TOTAL</u>			30,14
<u>GRAND TOTAL</u>			41,58

(3) = (1) x (2)

ECSC BALANCE SHEET AT 31 DECEMBER 1986

(Before allocation of profit)

ASSETS		LIABILITIES	
1. Balances with central banks	19 874 654	1. LIABILITIES TOWARDS THIRD PARTIES	
2. Balances with credit institutions		- Amounts owed to credit institutions: with agreed maturity dates or periods of notice	217 470.984
- repayable on demand	67 786 480	- Long-term and medium-term debts	6 761 264 883
- with agreed maturity dates or periods of notice	1 071.711.246	- Other liabilities	6 759 216
3. Debt securities held in portfolio	636.788 961	- Accruals and deferred income	301.006 565
4. Loans outstanding	7 001 552 088	- Provision for losses and expenses	2 674 261
5. Recoverable issuing costs and redemption premiums	57 804 638	Commitments for ECSC Operating Budget	
6. Tangibles and intangibles	3 028 063	- legal commitments	901 605 714
7. Other assets	126.879 471	- commitments not yet implemented	-
8. Accruals and deferred income	203 617 928	Total liabilities towards third parties	8 190.781 623
GRAND TOTAL	9 189 043 529	2. NET ASSETS	
		- Provision for changes in the ECU conversion rate	-
		- Provision for the financing of the ECSC Operating Budget	274 500 000
		<u>Reserves</u>	
		- guarantee fund	452 491.000
		- special reserve	178 939 000
		- former pension fund	47 856.905
		- contributions from the new Member States to reserves not yet called in	38 122 917
		Total reserves	717 409.822
		Profit brought forward	211 212
		Profit for the financial year	6 140 872
		NET TOTAL	998 261 906
		3. GRAND TOTAL	9 189 043 529

ANNEX D

ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE
FINANCIAL YEAR 1988

In response to the wishes expressed by Parliament in its resolution of 14 December 1982,* 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 1987-88" compares the figures for the initial budget for 1987 with those in the proposal for 1988.

For the first time, the analysis of requirements and resources for 1988, as in the general budget, contains a foreseeable schedule of payments against budget appropriations for 1986 (and previous years), 1987 and 1988.

* OJ C 23, 17.1.1983, p. 36.

REQUIREMENTS

1. ORDINARY REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<u>CHAPTER 10 - ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	<u>CHAPTER 10 - TOTAL</u>	5	5	5

REQUIREMENTS

Article	Remarks						
10	<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 (OJ L 306, 30.11.1977, p. 28); - 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 5 million ECU. Percentage change 1987-88: 0%.</p> <p>4. <u>Foreseeable schedule of payments</u></p>						
Commitments		Payments					
		1987	1988	1989	1990	Subsequent years	
Commitments entered into against 1986 and earlier approps		-	-	-	-	-	
1987 approps	5	5	-	-	-	-	
1988 approps	5	-	5	-	-	-	
TOTAL	10	5	5	-	-	-	

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<u>CHAPTER 20 - AID FOR REDEPLOYMENT</u> <u>(Article 56 ECSC)</u>	180	150	171.9
	<u>CHAPTER 20 - TOTAL</u>	180	150	171.9

REQUIREMENTS

Article	Remarks
20	<p>1. <u>References and description</u></p> <ul style="list-style-type: none">- Articles 50 and 56 of the ECSC Treaty;- Bilateral agreements concluded between the High Authority/Commission and the Governments of the Member States. <p>The High Authority/Commission provides non-repayable aid towards:</p> <ul style="list-style-type: none">(i) the payment of tideover allowances to workers;(ii) the 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 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.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>In 1988 26 000 steelworkers will qualify for traditional redeployment aid.</p> <p>After slowing down, the annual rate of job losses has returned to its previous level because of:</p>

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
20	<u>Aid for redeployment</u> (cont'd)			

- 43 -
REQUIREMENTS

Article	Remarks
20 (cont'd)	<ul style="list-style-type: none">- the deterioration of the situation on the steel market;- further efforts by firms to regain economic viability. <p>In addition to losses in countries which are lagging behind in the restructuring of their steel industry (Spain, Italy, Portugal), further large-scale redundancies are announced in Germany and the United Kingdom.</p> <p>After allowing for a selective reduction in expenditure in view of the funds available in the ECSC budget and for improved harmonization of the aids granted to workers, it is estimated that 76 million ECU will be needed to finance the Community contribution.</p> <p>With the same selective reduction and harmonization, the coal industry's requirements are estimated at 113 million ECU. This high level is due to the modernization process under way in the Community coal industry, which has been stepped up since 1983. The modernization programme involves the closure of a large number of uneconomic pits and the rationalization of operating conditions at those left open. A total of 35 000 workers will thus qualify for redeployment aid in 1988.</p> <p>The gradual closure of iron ore mines will continue. In relative terms, the requirements of this sector are small.</p>

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
20	<u>Aid for redeployment</u> (cont'd)			

REQUIREMENTS

Art.	Remarks																																														
20 (cont'd)	<p data-bbox="379 383 1406 696">Total requirements for traditional redeployment aids in the three sectors can be estimated at 189 million ECU for 1988. Only part of this requirement - 174 million ECU - can be financed from ordinary revenue. However, it is proposed that the figure be raised to 180 million ECU to increase aid to steelworkers by adding 6 million ECU to be financed from exceptional revenue (Article 410 on the resources side).</p> <p data-bbox="379 757 1374 837">Percentage change 1987-1988: + 20% (not including an additional 74 million ECU allocated to this heading in 1987).</p> <p data-bbox="379 898 935 931">4. <u>Foreseeable schedule of payments</u></p> <table border="1" data-bbox="379 992 1437 1682"> <thead> <tr> <th colspan="2" data-bbox="379 992 699 1211" rowspan="2">Commitments</th> <th colspan="5" data-bbox="699 992 1437 1086">Payments</th> </tr> <tr> <th data-bbox="699 1086 826 1211">1987</th> <th data-bbox="826 1086 927 1211">1988</th> <th data-bbox="927 1086 1043 1211">1989</th> <th data-bbox="1043 1086 1193 1211">1990</th> <th data-bbox="1193 1086 1437 1211">Subsequent years</th> </tr> </thead> <tbody> <tr> <td data-bbox="379 1211 587 1413">Commitments entered into against 1986 and earlier approps</td> <td data-bbox="587 1211 699 1413">448</td> <td data-bbox="699 1211 826 1413">243</td> <td data-bbox="826 1211 927 1413">105</td> <td data-bbox="927 1211 1043 1413">57</td> <td data-bbox="1043 1211 1193 1413">32</td> <td data-bbox="1193 1211 1437 1413">11</td> </tr> <tr> <td data-bbox="379 1413 587 1503">1987 approps (initial)</td> <td data-bbox="587 1413 699 1503">150*</td> <td data-bbox="699 1413 826 1503">8</td> <td data-bbox="826 1413 927 1503">60</td> <td data-bbox="927 1413 1043 1503">45</td> <td data-bbox="1043 1413 1193 1503">22</td> <td data-bbox="1193 1413 1437 1503">15</td> </tr> <tr> <td data-bbox="379 1503 587 1585">1988 approps</td> <td data-bbox="587 1503 699 1585">180</td> <td data-bbox="699 1503 826 1585">-</td> <td data-bbox="826 1503 927 1585">9</td> <td data-bbox="927 1503 1043 1585">72</td> <td data-bbox="1043 1503 1193 1585">54</td> <td data-bbox="1193 1503 1437 1585">45</td> </tr> <tr> <td data-bbox="379 1585 587 1682">TOTAL</td> <td data-bbox="587 1585 699 1682">778</td> <td data-bbox="699 1585 826 1682">251</td> <td data-bbox="826 1585 927 1682">174</td> <td data-bbox="927 1585 1043 1682">174</td> <td data-bbox="1043 1585 1193 1682">108</td> <td data-bbox="1193 1585 1437 1682">71</td> </tr> </tbody> </table> <p data-bbox="379 1715 1353 1809">*The schedule for the 74 million ECU added by the amendment of 21 July 1987 is determined on a pro rata basis.</p>							Commitments		Payments					1987	1988	1989	1990	Subsequent years	Commitments entered into against 1986 and earlier approps	448	243	105	57	32	11	1987 approps (initial)	150*	8	60	45	22	15	1988 approps	180	-	9	72	54	45	TOTAL	778	251	174	174	108	71
Commitments		Payments																																													
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TOTAL	778	251	174	174	108	71																																									

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<u>CHAPTER 30</u>			
	<u>Aid for research</u>			
310	Steel research	30	30	28.9
320	Coal research	22	22	22.4
330	Social research	11	11	10.3
	CHAPTER 30 - TOTAL	63	63	61.6
		=====	=====	=====

REQUIREMENTS

Article	Remarks
30	<p>1. <u>References and description</u> <u>Articles 50 and 55 of the ECSC Treaty</u></p> <p>The High Authority/Commission is required to encourage technical and economic research into the production and increased use of coal and steel and occupational safety in the coal and steel industries. To this end it grants aid to finance research after 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 accordance with the procedures provided for in the Treaty (consultation of the ECSC Consultative Committee and the receipt of the Council's assent). In most cases, the aid granted amounts to 60% of actual costs, with the industries concerned making a substantial financial contribution.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>Percentage change 1987-88: 0%</p> <p>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	1988 approps proposed	1987 approps authorized	Outturn 1986
310	<u>CHAPTER 30 (cont'd) - AID FOR RESEARCH</u> <u>STEEL RESEARCH</u>	30	30	28.9

REQUIREMENTS

310	<p><u>Grounds</u></p> <p>Steel research* is intended to prepare the European steel industry to face the 1990s by maintaining or even increasing its competitiveness by:</p> <ul style="list-style-type: none">- increasing cooperation on methods;- applying the most-up-to-date high-technology processes. <p>The steel industry must therefore continue its technological modernization efforts in order to meet users' requirements and match the efforts undertaken in Japan and the United States. In 1988 two programmes will be conducted in parallel with finance from ECSC aids:</p> <ol style="list-style-type: none">1. <u>The steel research programme</u> This programme provides for the essential basic studies into both processes and products to maintain the high level of technology already achieved in the steel industry. In particular, the trend in demand and the growing competition from alternative materials call for steels of more advanced qualities and will lead to the development of improved and more competitive products.2. <u>Programme of pilot and demonstration projects</u> The establishment of this programme in 1983 proved to be decisive in facilitating the adaptation and installation of new steel production technologies, as the Community industry has recognized. This research is expensive by nature and the question of finance has so far limited the number of projects receiving aid.

* Chapter IV of the General Objectives for Steel 1990 (COM(85)450 final of 31.7.1985).

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
310 (cont'd)	<u>STEEL RESEARCH</u>			

REQUIREMENTS

Article	Remarks					
310 (cont'd)	<p>3. <u>Long-term research strategy</u></p> <p>The two programmes share the following overall objectives:</p> <ul style="list-style-type: none"> - increased competitiveness as regards the cost of manufacturing and processing steel, accompanied by a more regular level of quality in its various forms; - stimulation of the use of steel on domestic and export markets through the development of new types of steel and new applications for products which are economically more advanced than those of our competitors. <p>Percentage change 1987-88: 0%, not including the additional 5 million ECU allocated to this heading for 1987.</p> <p><u>Foreseeable schedule of payments</u></p>					
Commitments		Payments				
		1987	1988	1989	1990	Subsequent years
Commitments entered into against 1986 and earlier approps	61	26	17	10	5	3
1987 approps (initial)	30*	4	10	8	5	3
1988 approps	30	-	4	10	8	8
TOTAL	121	30	31	28	18	14
<p>*The schedule for the 5 million ECU added by the amendment of 21 July 1987 is determined on a pro rata basis.</p>						

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
320	<u>CHAPTER 30 (cont'd)</u> <u>AID FOR RESEARCH</u> <u>COAL RESEARCH</u>	22	22	22.4

REQUIREMENTS

Article	Remarks
320	<p><u>Grounds</u></p> <p>In the chapter on solid fuels the New Community Energy Objectives for 1995¹ suggest that:</p> <ul style="list-style-type: none">- the market share for solid fuels be maintained and if possible increased;- the Community's solid fuels production industry should continue its restructuring in order to become more competitive. <p>This document also stressed the basic importance of two factors influencing all developments in the energy sector:</p> <ul style="list-style-type: none">- protection of the environment;- technological innovation as the outcome of research, development and demonstration. <p>The New Community Energy Objectives thus re-echo the conclusions of the Medium-term Guidelines for Technical Coal Research 1986-90² 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>In the mining technology sector,</p> <ul style="list-style-type: none">- costs must be reduced and productivity increased, mainly through the widespread application of new technologies and equipment;

¹COM(85)245 final.
²COM(85)652 final.

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
320	<u>COAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Article	REMARKS
	<ul style="list-style-type: none">- the quality of crude coal must be improved to make subsequent processing easier;- safety in the mines must be increased and coal-face working conditions improved through better knowledge of natural constraints and, in particular, the perfect containment of these constraints. <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.</p> <p>It is therefore necessary:</p> <ul style="list-style-type: none">- to ensure that coal and coke is always of excellent quality by improving preparation, transport and coking;- to improve the yield and flexibility of coal utilization, upgrading and processing procedures;- 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. <p>These few examples show that there are still a large number of problems to be resolved despite all the success already recorded.</p>

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
320	<u>COAL RESEARCH</u> (cont'd)			

REQUIREMENTS

Article	Remarks						
	<p>Previous research programmes have made an excellent and generally recognized contribution to technical progress in the Community coal industry. However, political, economic and social change appears to provoke a sort of competition between requirements and resources available. The coal sector risks defeat if the appropriate research effort is not carried out.</p> <p>Percentage change 1987-88: 0%, not including the additional 2 million ECU allocated to this heading for 1987.</p> <p><u>Foreseeable schedule of payments</u></p>						
	Commitments		Payments				
				1987	1988	1989	1990
Commitments entered into against 1986 and earlier approps	39		17	11	6	3	2
1987 approps (initial)	22	*	3	7	6	4	2
1988 approps	22		-	3	7	6	6
TOTAL	83		20	21	19	13	10
	<p>*The schedule for the 2 million ECU added by the amendment of 21 July 1987 is determined on a pro rata basis.</p>						

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
330	CHAPTER 30 (cont'd) AID FOR RESEARCH SOCIAL RESEARCH	11	11	10.3

Art.	Remarks
330	<p>The social research programmes drawn up in accordance with the general medium-term guidelines for technical coal research (1986-90) and the general objectives for steel 1990 have been an indisputable success, as both sides of the coal and steel industries and the research institutes regularly state.</p> <p>An assessment has been made of the requirements which still exist. In view of the priorities which have to be set because of the limits on budget funds, the programmes under way have sometimes been adjusted and new proposals have been cut back in line with the resources available.</p> <p>The proposal for the allocation of 1988 appropriations covers the following six programmes:</p> <ol style="list-style-type: none">1. <u>Continuation of current programmes</u><ul style="list-style-type: none">- ergonomics (fifth programme)- industrial health in coal mines (fifth programme)- technical measures to combat pollution at the place of work and near to steelworks.2. <u>New programmes</u><ul style="list-style-type: none">- medical research (fifth programmes): protection of workers against occupational hazards in the coal and steel industries;- mine safety (third programme);- safety in the steel industry: improvement of safety in finishing workshops through the adoption of suitable technical and organizational measures.

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
330	<u>SOCIAL RESEARCH</u> (contd)			

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REQUIREMENTS

Art.	Remarks						
	<u>Percentage change 1987-88:</u> 0%						
	Commitments		Payments				
			1987	1988	1989	1990	Subsequent years
	Commitments entered into against 1986 and earlier appropriations	24	10	7	4	2	1
	1987 appropriations (initial)	11	2	4	3	1	1
	1988 appropriations	11	-	2	4	3	2
	TOTAL	46	12	13	11	6	4

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<u>CHAPTER 40</u> <u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u>			
410	<u>Investments</u>	7	5	14.3
420	<u>Conversion</u>	40	60	70.5
	CHAPTER 40 - TOTAL	47	65	84.8

- 63 -
REQUIREMENTS

Art.	Remarks
40	<p data-bbox="328 387 802 421">1. <u>References and description</u></p> <p data-bbox="328 483 1366 562">Articles 54 (investment) and 56 (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission.</p> <p data-bbox="328 624 1366 748">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 data-bbox="328 810 892 844">The following rates are now applied:</p> <ul data-bbox="328 907 1366 1122" style="list-style-type: none"><li data-bbox="328 907 1366 981">- investment loans: 3% (direct loans and global loans for the use of Community coal)<li data-bbox="328 1043 1366 1122">- conversion loans: 2% for direct loans 3% for global loans <p data-bbox="328 1184 1206 1218">The term for all these interest subsidies is five years.</p> <p data-bbox="328 1281 687 1314">2. <u>Type of expenditure</u></p> <p data-bbox="328 1377 1394 1500">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 data-bbox="328 1563 1382 1686" style="list-style-type: none"><li data-bbox="328 1563 1382 1597">- direct loans: to firms or other private or public bodies;<li data-bbox="328 1608 1382 1686">- global loans: to banks or other credit institutions which onlend the ECSC funds, mainly to small or medium-sized businesses. <p data-bbox="328 1749 1126 1783">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="328 1823 1350 1948">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	1988 approps proposed	1987 approps authorized	Outturn 1986
40 (cont'd)	<u>AIDS IN THE FORM OF INTEREST</u> <u>SUBSIDIES (cont'd)</u>			

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REQUIREMENTS

Art.	Remarks
40 (cont'd)	<p data-bbox="341 409 842 443">jobs for redundant ECSC workers.</p> <p data-bbox="341 544 1270 667">The grounds for the aids proposed for each category of loan (investment and conversion) are explained in the following paragraphs.</p> <p data-bbox="341 730 823 763">Percentage change 1987-88: -28%</p>

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
410	<u>CHAPTER 40 (cont'd)</u> <u>AIDS IN THE FORM OF INTEREST SUBSIDIES</u> <u>INVESTMENTS</u>	7	5	14.3

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REQUIREMENTS

Art.	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"> - research and training centres, and the elimination of bottlenecks (OJ C 73, 18.6.1970); - promotion of coal production (revision of criteria set out in OJ C 79, 29.3.1980); - promoting the consumption of Community coal (OJ C 343, 31.12.1982). <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 consumption of Community coal) and the appropriations available.</p> <p>Percentage change 1987-88: +40% (not including an additional 3 million ECU allocated to this heading in 1987).</p> <p><u>Foreseeable schedule of payments</u></p> <p style="text-align: right;">(million ECU)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <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;">1987</th> <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;">Subsequent years</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Commitments entered into against 1986 and earlier appropriations</td> <td style="text-align: center;">46</td> <td style="text-align: center;">11</td> <td style="text-align: center;">10</td> <td style="text-align: center;">9</td> <td style="text-align: center;">8</td> <td style="text-align: center;">8</td> </tr> <tr> <td style="text-align: left;">1987 appropriations (initial)</td> <td style="text-align: center;">5 *</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: left;">1988 appropriations</td> <td style="text-align: center;">7</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: left;">TOTAL</td> <td style="text-align: center;">61</td> <td style="text-align: center;">11</td> <td style="text-align: center;">12</td> <td style="text-align: center;">13</td> <td style="text-align: center;">12</td> <td style="text-align: center;">13</td> </tr> </tbody> </table>						Commitments		Payments					1987	1988	1989	1990	Subsequent years	Commitments entered into against 1986 and earlier appropriations	46	11	10	9	8	8	1987 appropriations (initial)	5 *	-	2	2	2	2	1988 appropriations	7	-	-	2	2	3	TOTAL	61	11	12	13	12	13
Commitments		Payments																																												
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*The schedule for the 3 million ECU added by the amendment of 21 July 1987 is determined on a pro rata basis.

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
420	<u>CHAPTER 40 (cont'd)</u> <u>AIDS IN THE FORM OF INTEREST</u> <u>SUBSIDIES</u> <u>Conversion (cont'd)</u>	40	60	70.5

Art.	Remarks
420	<p data-bbox="300 376 416 412"><u>Grounds</u></p> <p data-bbox="300 443 1310 613">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="300 676 1326 757">The guidelines drawn up by the Commission for granting conversion loans were published for the first time in OJ C 178, 27.7.1977.</p> <p data-bbox="300 819 1374 945">They have since been changed slightly to improve and clarify the terms of global loans, which have proved a very effective instrument for creating new jobs in small businesses.</p> <p data-bbox="300 1008 1350 1267">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.</p> <p data-bbox="300 1330 1358 1500">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 non-repayable aid of 2 000 to 3 000 ECU per job.</p> <p data-bbox="300 1563 1326 1688">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).</p>

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
420 (cont'd)	<u>Conversion</u> (cont'd)			

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REQUIREMENTS

Art.	Remarks																																													
420 (cont'd)	<p>Conversion requirements in the coal and steel industries will remain substantial in 1987 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. Conversion loan activities in Spain and Portugal, which did not begin until 1987, will increase substantially in 1988.</p> <p>Percentage change 1987-88: -33%</p> <p>This large drop is because the Regional Fund may cover some of the interest subsidies on conversion loans as part of the Community programme for the steel areas.</p> <p><u>Foreseeable schedule of payments</u></p> <p style="text-align: right;">(million ECU)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="2" style="width: 40%;">Commitments</th> <th rowspan="2"></th> <th colspan="5" style="text-align: center;">Payments</th> </tr> <tr> <th style="width: 8%;">1987</th> <th style="width: 8%;">1988</th> <th style="width: 8%;">1989</th> <th style="width: 8%;">1990</th> <th style="width: 8%;">Subsequent years</th> </tr> </thead> <tbody> <tr> <td>Commitments entered into against 1986 and earlier appropriations</td> <td style="text-align: center;">229</td> <td style="text-align: center;">57</td> <td style="text-align: center;">50</td> <td style="text-align: center;">50</td> <td style="text-align: center;">43</td> <td style="text-align: center;">29</td> </tr> <tr> <td>1987 appropriations</td> <td style="text-align: center;">60</td> <td style="text-align: center;">-</td> <td style="text-align: center;">12</td> <td style="text-align: center;">12</td> <td style="text-align: center;">12</td> <td style="text-align: center;">24</td> </tr> <tr> <td>1988 appropriations</td> <td style="text-align: center;">40</td> <td style="text-align: center;">-</td> <td style="text-align: center;">8</td> <td style="text-align: center;">8</td> <td style="text-align: center;">8</td> <td style="text-align: center;">16</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: center;">329</td> <td style="text-align: center;">57</td> <td style="text-align: center;">70</td> <td style="text-align: center;">70</td> <td style="text-align: center;">63</td> <td style="text-align: center;">69</td> </tr> </tbody> </table>						Commitments		Payments					1987	1988	1989	1990	Subsequent years	Commitments entered into against 1986 and earlier appropriations	229	57	50	50	43	29	1987 appropriations	60	-	12	12	12	24	1988 appropriations	40	-	8	8	8	16	TOTAL	329	57	70	70	63	69
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REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
500	<u>CHAPTER 50</u> <u>SOCIAL MEASURES IN CONNECTION WITH</u> <u>THE RESTRUCTURING OF THE STEEL</u> <u>INDUSTRY</u>	44.	125	-

REQUIREMENTS

Art.	Remarks
500	<p data-bbox="424 405 874 434">1. <u>References and description</u></p> <p data-bbox="424 495 1477 801">In its decision of 29 July 1987, which forms part of the package for the steel sector 1988-90 and introduces a new programme of social support measures for 50 000 workers in connection with the restructuring of the steel industry at an estimated total cost of 132 million ECU, the Commission states that it will send the Council a proposal for the transfer of 50 million ECU from the general budget to the ECSC operating budget for 1988.¹</p> <p data-bbox="424 864 1390 987">The measures proposed in this programme are set out at point B.3.3 of this aide-mémoire and mainly involve early retirement and re-employment premiums.</p> <p data-bbox="424 1050 1342 1128">These measures will have to supplement the traditional ECSC redeployment aid authorized under Article 56(2)(b).</p> <p data-bbox="424 1191 770 1220">2. <u>Type of expenditure</u></p> <p data-bbox="424 1281 1469 1449">Provision for the partial reimbursement of the expenditure incurred by the Member States. The conditions for granting aid are laid down for each Member State in accordance with common criteria applicable to the Community as a whole.</p> <p data-bbox="424 1512 1206 1541">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="424 1601 1458 1769">The Commission estimates the cost of this additional programme at 132 million ECU. The first instalment of 44 million ECU will be charged to the 1988 budget. The Community contribution will double from 10% to 20% of the estimated average cost of 50 000 ECU a job.</p> <p data-bbox="424 1888 847 1917">¹COM(87)388 final, Annex 4.</p>

RESOURCES

Art.	Heading	1988 Approps proposed	1987 Approps authorized	Outturn 1986
500 (cont'd)	Social measures in connection with the restructuring of the steel industry			

REQUIREMENTS

Art.	Remarks					
500	<p><u>Percentage change</u></p> <p>The transfer from the general budget planned for 1987 was refused.</p> <p><u>Foreseeable schedule of payments</u></p>					
Commitments		Payments				
		1987	1988	1989	1990	Subsequent years
Commitments entered into against 1986 and earlier approps	-	-	-	-	-	-
1987 approps	-*	-	-	-	-	-
1988 approps	44	-	2	17	16	9
TOTAL	44	-	2	17	16	9
<p>*The schedule for the 34 million ECU added by the amendment of 21 July 1987 is as follows: 1987 - 2 million ECU 1988 - 14 million ECU 1989 - 12 million ECU 1990 - 6 million ECU</p>						

REQUIREMENTS

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
600	<u>CHAPTER 60</u> <u>SOCIAL MEASURES IN CONNECTION WITH</u> <u>THE RESTRUCTURING OF THE COAL</u> <u>INDUSTRY</u>	p.m.	p.m.	-

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REQUIREMENTS

Art.	Remarks
600	The Commission may be making new proposals relating to this heading.

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 Commission has approved a tenth programme covering five years (1984-88) divided into a first tranche of 22 million ECU for 1984-85 and a second tranche of 39 million ECU for 1986-88. The second tranche should also cover the additional requirements of the new Member States. A total of 13 million ECU must be provided for 1988 (as for the two previous years).

3. Objectives

This scheme has the twin aim of:

- complementing Community policy in the coal and steel industries; and
- improving living conditions for workers in these industries.

The criteria for granting loans were adopted by the Commission on 10 December 1984.*

The scheme is both in the interest of workers, since it alleviates the effects of high costs (building, purchase, conversion) and high mortgage interest rates, and of benefit to the industry, since it reduces the property costs which used to burden their budget.

At 31 December 1986 ECSC loans for workers' housing totalled 443 million ECU and some 192 000 dwellings had been subsidized.

*OJ C 119, 14.5.1985.

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
110	<u>CHAPTER 10</u> <u>GENERAL RESOURCES</u> LEVIES	150	180	166.5

RESOURCES

Art.	Remarks
110	<p>1. <u>References and description</u></p> <p>- Articles 49 and 50 of the ECSC Treaty - Decisions 2/52 and 3/52 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.</p> <p>In its Decision of 11 April 1983¹ the Commission brought forward the reference period used for calculating the average values for calculating the levy base. For 1988 this period will be the 1986 calendar year. The aim of this change is to harmonize the date for presenting the draft ECSC operating budget with that for the general budget.</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 1988 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 1988 financial year, which relate to the reference period from 1 January to 31 December 1986, will be some 10% lower for steel and 4.6% lower for coal than the figures for 1987. However, as with the figures for the foreseeable volume of leviable production, there is an appreciable margin of uncertainty; this is because all the requisite data are not yet available, and</p> <p>¹ OJ C 101, 14.4.1983.</p>

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
110 (cont'd)	<u>LEVIES</u>			

RESOURCES

Art.	Remarks																											
110 (cont'd)	<p>forecasting production in present economic conditions is a very uncertain exercise. Levy rate: 0.31%.</p> <p>Percentage change 1987-88: - 17%, not including the reduction of 8 million ECU foreseeable for 1987.</p> <p><u>Tonnage subject to the levy and yield from a levy rate of 0.01%</u></p> <table border="1" data-bbox="248 723 1355 1384"> <thead> <tr> <th data-bbox="248 723 730 864">Product</th> <th data-bbox="730 723 1098 864">Production forecasts used for calculating the levy (million tonnes)</th> <th data-bbox="1098 723 1355 864">Yield from levy rate of 0.01% (million ECU)</th> </tr> </thead> <tbody> <tr> <td data-bbox="248 864 730 981">Brown coal briquettes and semi-coke derived from brown coal</td> <td data-bbox="730 864 1098 981">3.3</td> <td data-bbox="1098 864 1355 981">0.02</td> </tr> <tr> <td data-bbox="248 981 730 1025">Hard coal of all categories</td> <td data-bbox="730 981 1098 1025">167.0</td> <td data-bbox="1098 981 1355 1025">1.30</td> </tr> <tr> <td data-bbox="248 1025 730 1070">COAL - TOTAL</td> <td data-bbox="730 1025 1098 1070"></td> <td data-bbox="1098 1025 1355 1070"><u>1.32</u></td> </tr> <tr> <td data-bbox="248 1070 730 1149">Pig iron other than that used for making ingots</td> <td data-bbox="730 1070 1098 1149">2.3</td> <td data-bbox="1098 1070 1355 1149">0.04</td> </tr> <tr> <td data-bbox="248 1149 730 1193">Steel in ingots</td> <td data-bbox="730 1149 1098 1193">123.0</td> <td data-bbox="1098 1149 1355 1193">2.60</td> </tr> <tr> <td data-bbox="248 1193 730 1238">Finished products</td> <td data-bbox="730 1193 1098 1238">98.4</td> <td data-bbox="1098 1193 1355 1238"><u>0.96</u></td> </tr> <tr> <td data-bbox="248 1238 730 1317">STEEL - TOTAL</td> <td data-bbox="730 1238 1098 1317"></td> <td data-bbox="1098 1238 1355 1317">3.60</td> </tr> <tr> <td data-bbox="248 1317 730 1384">GRAND TOTAL</td> <td data-bbox="730 1317 1098 1384"></td> <td data-bbox="1098 1317 1355 1384">4.92</td> </tr> </tbody> </table> <p>The estimate contained in the draft budget has been rounded off to 150 million ECU to allow for the uncertainties referred to above.</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	167.0	1.30	COAL - TOTAL		<u>1.32</u>	Pig iron other than that used for making ingots	2.3	0.04	Steel in ingots	123.0	2.60	Finished products	98.4	<u>0.96</u>	STEEL - TOTAL		3.60	GRAND TOTAL		4.92
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RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
120	<u>CHAPTER 10 (cont'd)</u> <u>NET BALANCE FROM PREVIOUS YEAR</u>	107	75	100

RESOURCES

Art.	Remarks
120	<p>1. <u>References and description</u></p> <p>In the aides-mémoires for previous financial years, this heading was entitled "Interest on investments and loans against non-borrowed funds". The new heading is in accordance with the new nomenclature of the ECSC operating budget.*</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>Resources deriving from income on investments and on loans against non-borrowed funds will be determined when the Commission adopts the balance sheet at 31 December 1987.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The figure for interest revenue is based on an estimate of the resources which the Commission will have available when it adopts the balance sheet at 31 December 1987.</p> <p><u>Percentage change 1987-88:</u> + 43%, not including an exceptional increase of 126 million ECU expected for 1987 and referred to in the presentation of the amending ECSC operating budget for 1987 (COM(87)289).</p>

*See page 100.

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
130	<u>CHAPTER 10 (cont'd)</u> <u>FINES AND SURCHARGES FOR LATE PAYMENT</u>	7	23	16.4

RESOURCES

Art.	Remarks
130	<p data-bbox="268 394 758 427">1. <u>References and description</u></p> <p data-bbox="344 488 1145 521">Articles 47, 58 and 60 of the ECSC Treaty (mainly).</p> <p data-bbox="344 582 1353 660">The Commission may impose fines on undertakings contravening the current price and quota systems.</p> <p data-bbox="268 721 598 754">2. <u>Type of resource</u></p> <p data-bbox="344 815 1305 985">From an accounting point of view, revenue from the fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded to a certain extent as deferred resources, in view of the appeals made to the Court of Justice.</p> <p data-bbox="268 1046 1085 1079">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="344 1140 1305 1361">It is very difficult to forecast the amount which will be collected in 1988, especially since the legal proceedings in disputed cases are likely to last some time. It is proposed that only those cases where recovery is in progress should be taken into consideration.</p> <p data-bbox="344 1422 1257 1500">On the basis of the information currently available, it is proposed that 7 million ECU be entered under this heading.</p> <p data-bbox="344 1561 1337 1639"><u>Percentage change 1987-88:</u> - 70% (not including a reduction of 5 million ECU expected for 1987).</p>

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
140	<u>CHAPTER 10 (cont'd)</u> <u>MISCELLANEOUS</u>	p.m.	p.m.	0.5
	CHAPTER 10 - TOTAL	264	278	283.4

Art.	Remarks
140	<p data-bbox="292 405 496 439"><u>Miscellaneous</u></p> <p data-bbox="292 495 1374 573">This article allows miscellaneous revenue to be entered as revenue for the financial year.</p>

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<u>CHAPTER 20:</u> <u>CANCELLATION OF COMMITMENTS UNLIKELY</u> <u>TO BE IMPLEMENTED</u>	5	5	18.7

RESOURCES

Art.	Remarks
20	<p data-bbox="292 376 785 412">1. <u>References and description</u></p> <p data-bbox="368 472 1302 600">Assignment of appropriations on the basis of Commission aid decisions must be given tangible form by the contracting of commitments.</p> <p data-bbox="368 663 1407 1115">The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget* provide that any assignment of appropriations which is not followed by a commitment is automatically cancelled at the end of the year. These rules also state that once all parties have discharged their obligations under the 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 data-bbox="292 1176 625 1211">2. <u>Type of resource</u></p> <p data-bbox="368 1272 1347 1491">The estimate of 5 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 data-bbox="292 1552 1112 1588">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="368 1648 1347 1818">It is difficult to estimate the rate of cancellation as it depends on several factors, such as negotiations with the governments concerned. The estimated figure of 5 million ECU for 1988 is based on a usual rate.</p> <p data-bbox="368 1879 1315 1957"><u>Percentage change 1987-88:</u> 0% (not including an increase of 5 million ECU expected for 1987).</p> <p data-bbox="292 2036 683 2072">*Revised on 31 July 1987.</p>

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<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	This chapter, carrying a token entry, records any balance remaining from the previous financial year as resources for the current financial year.

RESOURCES

Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
410	<u>CHAPTER 40</u> <u>EXCEPTIONAL REVENUE</u> <u>SOCIAL MEASURES IN CONNECTION WITH</u> <u>THE RESTRUCTURING OF THE STEEL</u> <u>INDUSTRY</u>	50	125	-

RESOURCES

Art.	Remarks
410	<p>1. <u>References and description</u></p> <ul style="list-style-type: none">- Article 235 of the EEC Treaty,- Commission proposals to the Council (decisions to be taken Article 235 (EEC) (COM(87)388, Annex 4). <p>2. <u>Type of resource</u></p> <p>Funds due from the general budget to cover the aids approved. This chapter records the additional resources intended for financing measures in connection with the restructuring of the steel industry. The Commission proposes to finance these measures by means of a transfer from Article 650 of the general budget to the ECSC budget on the basis of a decision to be taken pursuant to Article 235 EEC. The appropriations will be transferred as payments are actually made by the ECSC.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The total allocation amounts to 50 million ECU, of which 44 million ECU is needed in 1988 to cover the social support measures in connection with the restructuring of the steel industry (Chapter B.5) and 6 million ECU to supplement the financing of conventional redeployment aid in this sector (Chapter B.2).</p> <p><u>Percentage change 1987-88</u></p> <p>The transfer from the general budget planned for 1987 was refused.</p>

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Art.	Remarks
420	The Commission may be making new proposals relating to this heading.

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Art.	Heading	1988 approps proposed	1987 approps authorized	Outturn 1986
	<u>CHAPTER 50</u>			
	<u>CONTINGENCY RESERVE</u>	20	p.m.	27.2
	CHAPTER 50 - TOTAL	20	p.m.	27.2

RESOURCES

Art.	Remarks
50	This provision of 20 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 1987.

RESOURCES

Art.	Remarks
	<p data-bbox="400 360 1187 392"><u>COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET</u></p> <p data-bbox="400 456 1342 533">Funds to cover requirements for the construction of workers' housing are obtained from:</p> <ul data-bbox="400 551 1453 627" style="list-style-type: none">- the resources available for this in the former ECSC pension fund;- the resources in the special reserve. <p data-bbox="400 689 1453 810">These resources are made up of the repayments of loans already made - estimated at 11.6 million ECU for 1987 - and fresh appropriations allocated to the special reserve.</p> <p data-bbox="400 875 1390 996">The decision on the allocation to the special reserve of the additional resources required will be taken when the Commission adopts the balance sheet at 31 December 1987.</p> <p data-bbox="400 1061 1011 1093"><u>SUMMARY OF RESOURCES AVAILABLE FOR 1988</u></p> <p data-bbox="400 1158 1541 1603">As the yield of a levy rate of 0.01% has been estimated at 4.92 million ECU, the yield of the levies can be estimated at 152.5 million ECU, assuming that the current rate of 0.31% is maintained. This amount is rounded to 150 million ECU because of the margin of uncertainty (see pages 80 to 82). The estimates of traditional resources other than levies amount to 119 million ECU (net balance from previous year: 107 million ECU; fines: 7 million ECU; cancellations: 5 million ECU). The total ordinary resources available for 1988, assuming that the levy rate remains unchanged, is thus estimated at 289 million ECU.</p> <p data-bbox="400 1668 1481 2024">If the Council agrees to the transfer of 50 million ECU mentioned in the remarks to Article 410 on the resources side, the total amount of resources would rise to 339 million ECU. Further exceptional revenue could also be obtained if the Commission is able to persuade the Council to adopt another decision on a transfer from the general budget to the ECSC budget as part of the new initiative which it is proposing in connection with the restructuring of the coal industry.</p>

SUMMARY TABLE
(million ECU)

REQUIREMENTS	PROPOSALS	RESOURCES	PROPOSALS
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)		RESOURCES FOR THE FINANCIAL YEAR	
1. Administrative expenditure	5	1. Current resources	150
2. Aid for redeployment (Art. 56) ¹	180	1.1 Yield from 0.31% levy	107
3. Aid for research (Art. 55)	63	1.2 Net balance from previous year	7
3.1 Steel	30	1.3 Fines and surcharges for late payment	p.m.
3.2 Coal	22	1.4 Miscellaneous	
3.3 Social	11	2. Cancellation of commitments unlikely to be implemented	5
4. Interest subsidies	47	3. Resources from 1987 not used	p.m.
4.1 Investment (Art. 54) ¹	7	4. Exceptional revenue	
4.2 Conversion (Art. 56)	40	4.1 Social measures connected with restructuring of steel industry	50
5. Social measures connected with restructuring of steel industry ¹	44	4.2 Social measures connected with restructuring of coal industry	p.m.
6. Social measures connected with restructuring of coal industry	p.m.	5. Drawings on contingency reserve	20
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS	339	ORIGIN OF NON-BORROWED FUNDS	339
7. Workers' housing	13	6. Special reserve and former ECSC Pension Fund	13

¹ Implementation of these chapters depends on the exceptional revenue actually being made available, i.e. :
- 44 MioECU for social measures connected with restructuring of the coal industry (Chapter 5) ;
- 6 MioECU for aid for redeployment (Chapter 2).