

COMMISSION OF THE EUROPEAN COMMUNITIES

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AIDE-MEMOIRE
ON THE FIXING OF THE ECSC LEVY RATE
AND ON THE DRAWING UP OF THE
ECSC OPERATING BUDGET FOR 1987

COM(86) 467 final.

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AIDE-MEMOIRE

on the fixing of the ECSC levy rate and on
the establishment of the ECSC operating budget for 1987

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 1987.

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 1987 are described in Chapter II.

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

I. GENERAL INTRODUCTION

This chapter summarizes the information needed to set the draft ECSC operating budget for 1987 in its economic, policy and budgetary context.

A. ECONOMIC CONTEXT

1. The economic outlook for 1986 and 1987

The macroeconomic outlook for the Community in 1986 and 1987 is dominated by the effects of major changes which recently affected two basic aspects of economic activity - exchange rates and energy prices. The future development of these two factors and the prospects for the economies of the Community countries are to a large extent clouded in uncertainty.

If it is assumed that the ECU/dollar rate and the price of oil will settle somewhere around their spring 1986 levels, the period up to the end of 1987 will see the main part of the process of adjustment to these new conditions.

Changes in these two key variables tend to affect the Community's economic activity in opposing directions: cheaper oil will boost internal demand and the weaker dollar will hamper exports. On the whole, the livelier growth in internal demand can be expected to offset the negative effects of the limitation of exports. Overall growth prospects for 1986 and 1987 have thus improved in recent months.

Private consumption in the Community as a whole will probably increase in both 1986 and 1987 at annual rates of over 3%. Such growth rates have not

been recorded since the recovery of 1978-79. While the nominal increase in household income should continue to slow down in these two years, real disposable incomes will benefit from the rapidly falling rates of inflation. It is expected that the average increase in the private consumption deflator in the Community will fall from 6% in 1985 to 3.5% in 1986 and will be around 3.1% - 3.4% in 1987. The expected slowdown of inflation is therefore expected to be particularly pronounced in 1986 and the increase in real incomes will mainly occur this year. On the assumption that households will take some time to adjust their spending habits to the new incomes situation, the rate of savings can be expected to increase a little this year and then fall in 1987. If consumers do take this line, the increase in real consumer demand over the two years would be somewhat stunted.

In recent years trends in investment in capital goods and in building in the Community have diverged sharply. While the building sector remained in a deep recession, investment in capital goods has picked up since 1984-85. This recovery should continue at Community level in 1986 and 1987 with a growth rate of over 7% in each of the two years. The factors behind this recovery in investment in capital goods will remain fundamentally the same in the period ahead: companies generally have a favourable cash flow, a relatively high proportion of capacity is being used, prospects for consumer expenditure are improving, the pressure of wage costs should not become excessive in the foreseeable future and nominal interest rates can be expected to continue downwards.

The structural problems in the building sector do not presage a strong recovery in the near future. However, the climate in this sector has already begun to change and growth rates around 3% may be expected in 1986 and 1987.

Public consumption should continue to grow in real terms at the same moderate rate recorded since the beginning of the eighties.

Stockbuilding will probably be fairly buoyant in 1986. Both the price of raw materials and increased demand should boost stocks.

Overall, internal demand is expected to increase in real terms by around 3.7% this year and by 3.4% in 1987.

Community exports will probably be depressed by several factors: the expansion of world trade is expected to be fairly slow and the substantial appreciation in European currencies in relation to the dollar will make export prices less competitive in 1986, even forcing European exporters to make some price reductions on foreign markets. As a result, the Community will probably lose some of its market share and exports of goods and services at constant prices will, according to the forecasts, increase by around 3% in 1986. The Community's price competitiveness should not deteriorate substantially in 1987 but the delayed effects from 1986 will probably rule out any major gains in market shares.

With domestic demand expanding substantially, the volume of imports will probably increase far more rapidly (by around 6% in each of the two years) than exports. Overall, the net contribution of export

and import volumes to total growth in the Community will probably be extremely negative in both 1986 and 1987. The Community will thus be supporting world trade in a difficult period of adjustment. In real terms, Community GDP is expected to grow at annual rates of 2.7% in 1986 and 2.9% in 1987.

This greater buoyancy will probably have a favourable impact on employment. For the first time since the early seventies, the increase in employment (by 0.8% in each of the two years) could offset the growth in the work force and the average rate of unemployment in the Community (with the exception of Spain, Portugal and Greece, for which there are as yet no standardized definitions) could fall from an annual average of around 11% in 1985 to around 10.5% in 1987. If the unemployment figures for the three countries not included in this calculation are taken into account, the rate would be higher but the expected drop would be of the same order of magnitude.

These rates are still too high, and the Community will therefore continue to apply policies designed to increase the growth rates above the levels mentioned and to promote more labour-intensive growth.

Community inflation will fall more rapidly as a result of the movements in exchange rates and oil prices. Average import prices in national currencies for goods and services are expected to fall by almost 10% in 1986 and then rise slightly (by less than 2%) in 1987. If it is assumed that wages policies will not change substantially and that competition on the markets for goods will rule out excessive profit margins, internal factors too will continue to contain inflation. Unit labour costs are expected to increase by less than 4% in 1986

and 3% in 1987. These rates are lower than the increase in the GDP deflator and indicate that the shift in income distribution towards non-wage incomes will continue.

The Community's balance of payments, like the economy in general, will be affected in opposite directions by the new situation on the energy and exchange markets. The improvement in the terms of trade in 1986 will offset the adverse effect of changes in the volume of exports and imports, and the trade balance (fob/fob) could register a surplus of some 42 000 million dollars in 1986. With the customary large surplus in services and the sizeable deficit in net factor income and transfers, the surplus in the current balance could amount to some 45 000 million dollars (more than 1% of GDP). Because of continuing negative trends in the volume of foreign trade and the deterioration in the terms of trade, the surplus should fall in 1987.

	GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES (Percentage change over previous year)		
	1984	1985	1986 ¹
Belgium	1.4	1.5	2.1
Denmark	3.9	2.4	2.5
Germany	2.6	2.5	3.7
Greece	2.6	2.1	- 0.8
Spain	2.2	2.1	2.8
France	1.3	1.3	2.3
Ireland	4.4	2.3	3.2
Italy	2.6	2.3	2.8
Luxembourg	4.9	2.0	2.1
Netherlands	1.7	2.3	1.7
Portugal	- 1.7	3.2	3.9
United Kingdom	1.8	3.3	2.6
EEC	2.1	2.2	2.7

¹Commission staff forecasts (April 1986)

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

2. Outlook for the coal industry

In 1985 total internal consumption of coal in the twelve-nation Community¹ increased by 30 million tonnes (11%) to 314 million tonnes. Of this total, 189 million tonnes was for power stations (up by 22 million tonnes), 78 million tonnes for coking plants (up by 3 million) and 46 million tonnes for other sectors of consumption, mainly other industries, households and other small consumers (up by 4 million).

The large increase in consumption was mainly due to the end of the miners' strike in the United Kingdom. All Community capacity was thus again available in mid-1985. Community production therefore increased by 35 million tonnes (26%) compared with 1984 to 218 million tonnes. Imports from outside the Community also increased by 4 million tonnes (5%) to 90 million tonnes.

A further but smaller increase in consumption and production was forecast in the outlook for 1986 produced at the end of 1985. However, this prospect has become extremely uncertain because of the effects of the fall in oil prices and the dollar. If oil prices were to remain at their current low level - leading to a fall in gas prices as well - the effects on demand for coal, particularly from power stations, other industries and households, would have to be taken into account.

¹The accession of Spain and Portugal increases the Community's capacity; production of coal and brown coal: 18 million tonnes coal equivalent; consumption: 30 million tonnes.

Since the beginning of the year coal prices have fallen on the world market along with oil prices, but not to the same extent. Since the dollar fell at the same time, the price of imported coal has dropped, putting further pressure on Community coal.

The production estimate for the twelve-nation Community based on all these factors is around 230 million tonnes in 1986 and 227 million tonnes in 1987.

3. Outlook for the steel industry

In 1985 steel production was slightly higher than in 1984: 96 million tonnes of finished rolled products (ten-nation Community) as against 94.3 million tonnes. However, in terms of crude steel production, the figure stabilized at around 120 million tonnes, reflecting increasingly higher output in the processing of crude steel with the continued expansion of continuous casting.

While there has been some recovery in Community steel production since 1984, the role of exports in this trend must be underlined. In 1984 exports - and reduced imports - accounted for almost half of the production increase of 10.6 million tonnes compared with 1983 while in 1985 export demand was the only factor to increase substantially (by over 10%).

In 1986 the internal consumption of steel products should remain at the 1984 and 1985 level as a result of the beneficial effects which the increases of almost 3% (in volume) in household consumption and almost 4% in investment are expected to have on the steel processing and building industries. These increases, which make it possible to

stabilize the downward trends in the specific consumption of steel in the processing sectors, have every chance of materializing, since the fall in crude oil prices and the dollar will probably help boost the Community economy.

However, the effects of these movements are not all positive: exports of steel and derived products of Community origin will probably encounter growing competition on all the markets as a result of the appreciation of Community currencies against the dollar, 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) would thus be borne out relatively quickly.

In view of these uncertainties, which will probably also affect the steel market in 1987, annual crude steel production can be put at 118 million tonnes. In addition, 14 million tonnes will be produced in Spain and Portugal where some recovery in the domestic market is expected; this would enable Spain to strike a better balance between domestic sales and exports.

The production figure for the twelve-nation Community would therefore be 132 million tonnes, as against 135.4 million tonnes in 1985 and a bracket of between 125.2 and 135.9 million tonnes in the general objectives for steel 1990.

B. POLICY CONTEXT

The general objectives of the ECSC are determined for all time by Articles 1 to 5 of the Treaty of Paris.

For both coal and steel, the Commission at intervals makes proposals for new measures and presents general objectives or guidelines bearing on the future development of the ECSC industries. Coal is one of the areas covered by general papers produced by the Commission on the subject of Community energy policy. These also cover manpower questions, indicating that the social dimension forms an integral part of the Community policies conducted by the Commission/High Authority pursuant to the Treaty. In two annual reports - the Report on the Results of the Survey on Investment in the Community Coal and Steel Industry and the ECSC Financial Report - it publishes facts and figures on the recent and foreseeable trend of investments and what the Community is doing to finance them.

The remarks which follow are not intended to take the place of the data in those reports. They concentrate rather on certain key points or recent developments which the Commission wants to highlight in establishing its draft of the ECSC's operating budget for 1987. The industries themselves, the ECSC's social policy and the Community's financial operations are dealt with in turn.

1. Coal policy guidelines

The Commission's coal policy forms an integral part of its energy policy. The draft resolution on the new Community energy objectives for 1995, now being discussed by the Council, emphasizes that "the aim of any energy policy is to enable consumers to have adequate and secure supplies of energy under satisfactory economic conditions".

The following objectives have been set for a solid fuels policy:

- continued efforts to promote the consumption of solid fuels and to improve the competitiveness of production capacities in the Community;
- an increase in the proportion of total energy consumption accounted for by solid fuels, in order to ensure continuity in the Community's coal policy.

In view of the above considerations, and within the limit of the possibilities existing, the Community's policy focuses on:

- the promotion of coal consumption;
- the promotion of research, development and demonstration projects in the coal sector;
- measures in connection with Community production.

As regards coal consumption, the Commission is continuing to grant investment

loans, either with or without interest subsidies, under the second paragraph of Article 54 of the ECSC Treaty.

The Commission also prompted the Council to advocate greater consumption of solid fuels in industry, in the heating of public buildings and for district heating in two recommendations to the Member States made in 1983.²

The Commission wishes to retain the system of support for Community production through the award of loans, with or without interest subsidies, under the first paragraph of Article 54 of the ECSC Treaty. Similarly it will keep up the continuous monitoring of the market and the regular publication of a report on the solid fuels market.³

This year sees a major renewal in Community rules on aids to the coal industry. Decision No 528/76/ECSC regarding the Community system of measures taken by the Member States to assist the coal-mining industry,⁴ the general aid scheme for coal which has existed since 1976, expires in mid-1986. The special scheme for coking coal (Decision 73/287/ECSC concerning coal and coke for the iron and steel industry in the Community⁵) will finally end on 31 December 1986, and with it the special fund to help finance aids to promote intra-Community trade. In the end this fund was being financed by a 6 million ECU contribution from the ECSC budget, by the iron and steel industry and by some Member States. The two decisions which are expiring will be replaced by new rules⁶ under which

²OJ L 140, 31.05.1983.

³COM(86)115/2.

⁴OJ L 63, 11.3.1976.

⁵OJ L 259, 15.9.1973.

⁶COM(86) 95.

Member States will be able to grant aid after prior authorization by the Commission.

Some time-tested provisions of the old schemes have been retained. They include the monitoring of prices and flows in coal and coke deliveries and the authorization of alignment, even if there is no effective competition at the place of consumption (notional alignment).

Parliament gave its opinion during the plenary sitting on 13 March 1986. The Council, acting unanimously under the first paragraph of Article 95 of the Treaty, gave its assent on 25 June 1986.

The Commission never ceases to stress the need for active and adequate support for research, development and demonstration projects. The financing of ECSC coal research proper is intended:

- to promote the use of coal in the various branches of the market, i.e. mainly electricity generation, the iron and steel industry and heating;
- to help the Community coal industry to overcome the increasingly tougher constraints imposed by market conditions, the type of deposits or the demands of safety, working conditions and environmental protection.

The third non-nuclear energy R&D programme (1985-95) contains a subprogramme on the use of solid fuels in industry. This is the first time that solid

fuels have been included in an R&D programme financed from the EEC budget.

Solid fuels are an important aspect of the Commission's energy demonstration projects. Both the liquefaction and gasification of solid fuels and new methods for utilizing solid fuels are given support. The Council has adopted a new regulation on demonstration projects so that these measures can be continued until the end of 1989.

2. Steel policy guidelines

The Commission's steel market measures

The financial situation of the steel industry has improved considerably as a result of the anti-crisis policy which the Community pursued between 1980 and 1985, mainly on the basis of the quota system under Article 58 ECSC and the aids code (Decision No 2320/81/ECSC).

At the end of 1985 application of the aids code had led to the closure of 31.5 million tonnes of capacity (hot-rolled equivalent), i.e. more than 18% of the capacity existing in 1980. As a result, and also because of the improvement in the economic situation observed since 1984, an average utilization rate of almost 70% was reached, as against only 52% in 1982 and 1983 (hot-rolled equivalent). Although this represents a decisive step towards a better balance between supply and demand, the problem of overcapacity will still hang over the market after 1985.

The financial balance of companies has also improved and most companies made a profit in 1985. Other companies should return to a state of financial balance in the years to come, once all the restructuring measures have had time to

produce their effects.

In these circumstances, the Commission and the Council considered that a return to the normal market rules required a transitional period during which the market support arrangements would be gradually phased out and aids normally banned. At its meeting of 29 October 1985 the Council gave its assent to the following decisions on future market and aid schemes:

- Removal of quotas for reinforcing bars and coated sheet other than galvanized sheet. The quota scheme is extended from 1 January 1986 to the end of 1987 but with greater flexibility (including an adjustment of the reference figures); before the end of 1986 the Commission and the Council will examine the market situation with a view to liberalizing other products (Decision No 3485/85/ECSC of 27 November 1985).
- Suspension of compulsory minimum prices from 1 January 1986.
- Strict definition of aids which may be deemed compatible with the common market. Only aids for research and development, aids for bringing plants into line with new statutory environmental standards and some aids for closure are allowed for a period of three years (Decision No 3484/85/ECSC of 27 November 1985).

Special rules apply to the steel industries of the two new Member States for a period of three years (Spain) and five years (Portugal) from 1986. 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 for a limited period before the quota scheme is extended to companies and the Spanish market on 1 January 1987 at the latest.

External aspects

The basic features of the external anti-crisis measures remain applicable in 1986. Following enlargement, the geographical scope of the system of steel industry arrangements has been reduced to 14 non-member countries, but the number of countries may be increased during the year. The provisions of these arrangements have been adapted in line with the foreseeable trend in internal consumption and to take account of enlargement. Greater flexibility has been introduced in accordance with the decisions adopted at internal level at the end of 1985.

Community exports to the United States, with the exception of semi-products, will be subject to a quota until 1989.

Social and regional policy measures

To continue its social support policy, the Commission put forward proposals to continue its social measures for the steel industry for the period 1983-86 until 1987.⁷ It also decided to continue its efforts to achieve a recovery in the regional economy of the steel-producing areas through coordinated use of

⁷COM(85)428 final, 5 August 1985.

all the financial instruments at the Community's disposal and to increase efficiency through closer cooperation with the competent national and local authorities.

3. Social policy guidelines

The social and employment policies conducted by the Commission use a number of financial instruments provided by Articles 54, 55 and 56 of the ECSC Treaty.⁸

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

- grant low-interest loans from own funds to help provide housing under Article 54 ECSC;
- 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 outlined in

⁸ For the sake of completeness it should be noted that under the general budget of the Communities some Social Fund measures - which are not generally limited to a specific industry - concern coal and steel workers; this is mainly the case with measures for young people or workers taking part in training schemes not directly connected with restructuring measures. In addition, the European Regional Development Fund has been financing an operation since 1981 to promote the regional development of certain areas affected by the restructuring of the steel industry (Regulation No 2616/80 (OJ L 271, 15.10.1980) amended by Regulation No 216/84 (OJ L 27, 31.1.1984) and successive Commission implementing decisions of 8 October 1984 (OJ L 275, 18.10.1984), 30 May 1984 and 10 September 1984 (OJ L 249, 18.9.1984 and 11 June 1985 (OJ L 167, 26.6.1985)).

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 considerably stepped up in recent years because of the structural crisis which has affected the coal and steel industries and led to substantial job losses.

In the past five years - the most acute stage of the steel crisis - restructuring measures have meant that one in three steelworkers has been made redundant. The number of workers fell from 597 000 at the end of 1980 to 423 400 at the end of 1985. The annual rate of decline, which was 8% in 1981 (49 000 jobs lost), has gradually been reduced and amounted to 5.3% in 1985 (22 400 jobs lost).

This relative slackening of the rate of decline reflects the progress made in adapting the number of workers to market conditions and the productive apparatus

and the desire to spread the remaining adjustment efforts over a certain period of time, notably to take account of the social consequences. It also conceals considerably different situations in the Member States. The main effort has already taken place in the Federal Republic of Germany and in the United Kingdom, while the achievement of the plans to restructure the steel industry in Italy, France and Spain will still involve considerable job losses.

According to the forecasts in the general objectives for steel 1990,⁹ the annual number of job losses will remain around the 1985 level of 22 400 until the end of 1987. As a result, and because of the slippage which has occurred between the decisions to restructure and the actual entry on stream of new, more productive installations, the period of restructuring and of application of the social measures for steel 1983-86 has been extended by one year.

In the past five 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 Community coal mines employed 522 200 miners. By the end of 1985 this figure had dropped to only 416 300. The annual number of job losses rose from 16 000 in 1981 to 38 200 in 1985, 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 1995,¹⁰ continued rationalization and modernization of the Community coal industry will still involve a large number

⁹COM(85)208 final.

¹⁰COM(85)245 final.

of job losses. It is expected that some 30 000 jobs will be lost in both 1986 and 1987.

These prospects for employment in the coal and steel industries must be viewed in the general context of particularly high unemployment. At the end of 1985, despite a moderate expansion in economic activity in most Community countries over the previous two years and a slight increase in employment for the first time since the start of the economic crisis, there were over 12 million unemployed in the ten-nation 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, primarily 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 through successive Council decisions, are also taken into account, seven workers out of every ten affected in the past ten years actually received this Community support which usefully supplements the national aids granted. These measures help make the consequences of restructuring socially and humanly acceptable for the coal and steel workers affected and directly facilitate the implementation of schemes to improve the financial situation of non-competitive companies, the cost of which would be higher for the companies, workers, regions and public finances if the action had been delayed or reduced in scale.

In view of the very large number of coal and steel workers whose jobs will again be affected in the next two years, in August 1985 the Commission renewed its proposals concerning contributions to the European Coal and Steel Community from the general budget of the European Communities to finance measures connected with the restructuring of the coal and steel industries¹¹ to supplement measures financed by traditional aids. These proposals were originally put forward in April 1983 under the social measures for steel 1983-86 and in October 1983 under the social measures for coal which, with the Council's authorization, have already led to the transfer of 62.5 million ECU and 60 million ECU respectively. They involve a Community contribution to the financing of early retirement for coal and steel workers and of the redeployment premiums allowing steelworkers to find jobs outside the steel industry. They are accompanied by a proposal for the adoption of a new approach to financing which will match the annual volume of appropriations

¹¹COM(85)428 final.

transferred from the Community budget to the ECSC budget with the volume of payments made by the ECSC as the social measures are implemented.

According to the Commission's analyses in the general objectives for steel 1990, there are a number of reasons why efforts should concentrate more in future on supporting retraining measures. They include:

- a gradual diminution in the possibility of using early retirement (so far the only realistic priority measure adopted by the Member States to effect these changes in socially acceptable conditions);
- greater pressure on the lower age groups compelling them to seek new employment in other sectors;
- a general and urgent need for vocational training for workers who have to use new technical processes and equipment.

The Commission also intends to continue its measures to create alternative new jobs for coal and steel workers by means of aid in the form of conversion loans carrying an interest subsidy.¹² While, because of its prime objective, this is an ECSC social measure, it is also one of the major regional policy instruments

¹² A decision taken by the Commission on 6 April 1984 authorizes interest subsidies on conversion loans to be combined with national aids and the interest subsidies (granted by reference to the number of new jobs likely to be filled by former coal and steelworkers) to be calculated on a flat-rate basis in the priority areas of ECSC employment.

to promote economic recovery in coal and steel-producing areas.

Although greater than in the past, the amount of appropriations requested and the capacity of new, economically sound firms to use them have meant that loans can only be granted to cover a small number of the jobs lost in the steel industry. It should be observed that existing firms often develop without taking on substantial numbers of new staff through improved productivity and greater use of automation (robots and computers). Even though a large number of new firms are being set up, the number closing down, mainly through bankruptcy, has risen sharply.

4. Financial activities

ECSC Financial Report No 31, outlining the Community's borrowing and lending operations and financial aid in 1985 will be published shortly.

Borrowings contracted in 1985 totalled 1 264.8 million ECU, compared with 822.5 million ECU in 1984 and 749.6 million ECU in 1983.

Industrial loans amounted to 629.9 million ECU in 1985 compared with 541.3 million ECU in 1984 and 618.4 million ECU in 1983, conversion loans to 363.4 million ECU, compared with 247.5 million ECU and 139.5 million ECU, and workers' housing loans to 17.3 million ECU, compared with 36.7 million ECU and 20.2 million ECU (see the tables below).

Total borrowing and lending since the inception of the ECSC is thus brought to 13 199.2 million ECU and 12 827.9 million ECU respectively (including 301.5 million ECU in loans from own funds). The outstanding balance of loans

raised at 31 December 1985 was 7 034.3 million ECU.

In 1986 loans raised at 31 March amounted to 162.1 million ECU and loans paid out were at a corresponding level.

The prospects for borrowing and lending activities in 1987 depend on such factors as the implementation 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.

Because of the repercussions of the miners strike in the United Kingdom, investment expenditure in the coal industry amounted to just under 1 000 million ECU in 1984. Expenditure in 1985 and 1986 could be between 1 300 million and 1 500 million ECU.

In 1984 investment expenditure in the steel industry totalled more than 2 800 million ECU, 11% more than the 2 500 million ECU invested in 1983.

In early 1985 the companies estimated that the investment expenditure would increase further in 1985 to reach 3 700 million ECU; if this objective is achieved, it will mark a vigorous recovery in investment.

ECSC - BORROWING AND LENDING OPERATIONS

AMOUNTS RECEIVABLE

HEADING	Million ECU		
	Forecast 1987	Forecast 1986	Outturn 1985
1.0 Loans raised	1 500	1 400	1 264,7 ¹
1.1 Repayment of loans granted	470	1 010	577,0
1.2 Interest payments to the ECSC	650	680	660,5
1.3 Repayment of costs involved in borrowing and lending operations	15	15	13,1

AMOUNTS PAYABLE

HEADING	Million ECU		
	Forecast 1987	Forecast 1986	Outturn 1985
2.0 Loans granted	1 500	1 400	1 010,6
2.1 Repayment of loans raised	960	1 000	902,4
2.2 Interest payments	620	650	630,8
2.3 Payment of costs involved in borrowing and lending operations	30	30	25,7

¹Including renegotiated loans of 227 million ECU.

LOANS FOR WORKERS' HOUSING

million ECU

	Total loans paid at 31 December 1984 ¹	New loans in 1985	Situation at 31 December 1985	
			Total loans paid	Amount outstanding
Belgium	39.3	1.1	40.4	8.4
Denmark	1.7	-	1.7	0.8
FR of Germany	188.7	1.8	190.5	90.2
Greece	0.5	-	0.5	0.4
France	47.7	1.7	49.4	25.1
Ireland	0.9	0.1	1.0	0.8
Italy	65.4	11.0	76.4	62.5
Luxembourg	6.9	0.1	7.0	2.3
Netherlands	17.9	0.0	17.9	6.3
United Kingdom	19.2	1.5	20.7	11.7
TOTAL	388.2	17.3	405.5	208.5

¹ After adjustment for the new rates for converting national currencies into ECU.

C. FINANCIAL CONTEXT

ECSC financial reserves

Following the comments by the Court of Auditors for 1983 and the reports on the discharge in respect of the ECSC statement of accounts for 1983 and on the establishment, purpose and amounts of reserves in the ECSC financial statements, the Commission instructed an independent expert of high international standing to examine the best level for ECSC reserves. The final report on this study was submitted to the Commission in early May 1986 and distributed to the Court of Auditors, Parliament and the Council on 21 May.

In its conclusions, the report considers that the ratio between total ECSC reserves and total assets is reasonable. This ratio is in the same bracket as that of other international bodies, even if the figure for the ECSC is in the lower part of the bracket. The reserves give the ECSC a financial base and enable it to obtain the best terms on the capital markets whenever necessary. At present the ECSC has a triple A rating.

As regards liquid assets, the report considers that the ECSC should keep a fairly high volume of assets which it can mobilize at short notice; even if these liquid assets appear fairly high, they are not out of proportion with those of other international organizations. Some of these assets cover commitments still awaiting payment. General abandonment of the practice by which commitments for budgetary aids entered on the debit side of the balance sheet are virtually all balanced on the assets side by revenue which has already been collected would harm the Community's financial base on which its borrowing and lending operations are founded.

II. DRAFT ECSC OPERATING BUDGET FOR 1987

A. COMMISSION APPROACH

For the purposes of evaluating the draft budget for 1987, the Commission considers that a price increase of 3.4% should be used as the basis for comparing the figures for 1986 and those for 1987.

At the current levy rate (0.31%), ordinary resources for 1987 are estimated at 283 million ECU, of which 180 million ECU will come from levies and 103 million ECU from interest and other sources. It has been calculated that each 0.01% increase in the levy rate yields an additional 5.81 million ECU.

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

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 1981, as the Commission considers that no increase can be made in view of the crisis affecting the coal and steel industries in recent years.

B. FINANCING PROPOSALS

The Commission's proposals for the 1987 ECSC operating budget are tabulated in Annex E and are based on the following factors:

- total resources of 408 million ECU. However, 125 million ECU is accounted for by the amount due from the EEC for the exceptional social measures in connection with the restructuring of the coal and steel industries. The Commission will not take decisions on these aids until the Council has adopted the decisions (Article 235 EEC) proposed by the Commission.¹

- requirements to be covered by the traditional resources of 283 million ECU:
 - . 5 million ECU for administrative expenditure;
 - . 150 million ECU for redeployment aid;
 - . 63 million ECU for research expenditure;
 - . 65 million ECU for interest subsidies;

As regards research appropriations, the Commission proposes that 30 million ECU be devoted to steel (an estimated 28.5 million ECU in 1986), 22 million ECU to coal (22 million ECU in 1986) and 11 million ECU to social research (9.5 million ECU in 1986).

As regards interest subsidies, the Commission proposes that 60 million ECU should go to conversion as direct aid for the creation of new jobs (an estimated 65 million ECU in new appropriations and some 8 million ECU in released and recommitted appropriations in 1986) and 5 million ECU to investments (in 1986 the figure was 13.2 million ECU, including 2.2 million ECU financed from unused 1985 resources).

Lastly, the Commission proposes that the 1987 ECSC operating budget be adopted at a total amount of 408 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 408 million ECU is presented in Annex E.

¹COM(85)428 final of 5.8.1985 and
COM(86)319 final of 2.6.1986.

(million ECU)

SUMMARY TABLE

REQUIREMENTS	FORECAST ¹	OUTTURN	RESOURCES	FORECAST ¹	OUTTURN
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR		
1. Administrative expenditure	5	5	1. Current resources		
2. Aid for redeployment (Art. 56)	208	215	1.1 Yield from levy at 0.31%	147	149
3. Aid for research (Art. 55)	51	51	1.2 Interest on investments and on loans from non-borrowed funds	70	70
3.1 Steel		24	1.3 Fines and surcharges for late payment ²	35	42.6
3.2 Coal		19	1.4 Miscellaneous	p.m.	1
3.3 Social		8	2. Cancellation of commitments unlikely to be implemented	55	70.8
4. Interest subsidies	60	63.8	3. Revaluation of assets and liabilities	p.m.	-
4.1 Investment (Art. 54)	6	3.8	4. Resources from 1984 not used	p.m.	-
4.2 Conversion (Art. 56)	54	60	5. Exceptional revenue		
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6	5.1 Measures connected with restructuring of the steel industry	62.5	-
6. Measures connected with restructuring of the steel industry	62.5	-	5.2 Measures connected with restructuring of the coal industry	60	-
7. Measures connected with restructuring of the coal industry	60	-	6. Drawings on contingency reserve	23	7.4
Sub-total Surplus	452.5	340.8	Sub-total Deficit	452.5	340.8
Budget total	-	-	Budget total	-	-
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
Workers' housing	12	12	Special reserve and former ECSC Pension Fund	12	12

¹Forecast made by the Commission at 5 August 1985.

²The figure of 42.6 million ECU represents total receipts in 1985; the 91.4 million ECU outstanding is not taken into account.

(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	170	1.1 Yield from levy at 0.31%	170	170
3. Aid for research (Art. 55)	60	60	1.2 Interest on investments and on loans from non-borrowed funds	75	100
3.1 Steel		28.5	1.3 Fines and surcharges for late payment	29	27
3.2 Coal		22	1.4 Miscellaneous	p.m.	-
3.3 Social		9.5	2. Cancellation of commitments unlikely to be implemented	5	10
4. Interest subsidies	58	78.2	3. Revaluation of assets and liabilities	p.m.	p.m.
4.1 Investment (Art. 54)		9	4. Resources from 1985 not used	p.m.	2.2
4.2 Conversion (Art. 56)		49	5. Exceptional revenue		
5. Aid for coking coal and metallurgical coke (Art. 95)	6	6	5.1 Measures connected with restructuring of the steel industry	/100/	/100/
6. Measures connected with restructuring of the steel industry	/100/	/100/	5.2 Measures connected with restructuring of the coal industry	/60/	/60/
7. Measures connected with restructuring of the coal industry	/60/	/60/	6. Drawings on contingency reserve	p.m.	10
BUDGET TOTAL	439	479.2	BUDGET TOTAL	439	479.2
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
8. Workers' housing	13	13	7. Special reserve and former ECSC Pension Fund	13	13

¹ Implementation of these chapters depends on the exceptional revenue actually being made available.

Information relating to levies

The latest available information on production and the levy yield for the current financial year is given below:

Levy yield for the period from January to March 1986 (provisional estimate)

	Production serving as a basis for the calculation of the levy (million tonnes)	Yield per tonne at 0.31% levy rate	Levy yield (million ECU)
	(1)	(2)	(3)
Brown-coal briquettes and semi-coke	1.2	0.17692	0.21
All types of hard coal	49.2	0.25262	12.43
<u>COAL - TOTAL</u>			12.64
Pig-iron other than that required for the manufacture of ingots	0.7	0.48596	0.34
Steel ingots	28.2	0.70643	19.92
Finished products	21.8	0.32840	7.16
<u>STEEL - TOTAL</u>			27.42
<u>GRAND TOTAL</u>			40.06

(3) = (1) x (2)

ECSC BALANCE SHEET AT 31 DECEMBER 1985

ASSETS		LIABILITIES	
1. Cash in hand and balances with central banks	2.8	1. Coupons and bonds due but not yet presented for payment	102.8
2. Balances with credit institutions - repayable on demand - with agreed maturity dates or periods of notice	1 258.2 192.6	2. Long-term and medium-term debts	7 040.2
3. Debt securities held in portfolio	509.1	3. Other liabilities	19.8
4. Loans outstanding	7 039.4	4. Accruals and deferred income	349.9
5. Recoverable issuing costs and redemption premiums	61.9	5. Provisions for ECSC operating budget	1 095.0
6. Bank deposits for bonds and coupons due but not yet presented for payment	102.8	6. Reserves	630.6
7. Land and buildings	0.5	- Guarantee fund	420.0
8. Other assets	78.3	- Special reserve	165.0
9. Accruals and deferred income	215.4	- Former pension fund	45.6
		7. Surplus brought forward	30.1
	<u>9 268.4</u>		<u>9 268.4</u>

ANALYSIS OF REQUIREMENTS REPORTED AND RESOURCES AVAILABLE FOR THE
FINANCIAL YEAR 1987

In response to the wishes expressed by Parliament in its resolution of 14 December 1982,¹³ the presentation of requirements reported and foreseeable resources which follows is modelled on the systematic analysis of the data for the various budget headings in the general budget. As with the general budget this presentation lists the main features of each heading (references and description of the operation, type of expenditure and explanation). Two categories of expenditure take priority in that they derive from decisions already taken (administrative expenditure) or from framework agreements with the Member States (aid for redeployment).

¹³ OJ C 23, 17.1.1983, p.36.

I.

REQUIREMENTS

1. ORDINARY REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
	<u>CHAPTER 10 - ADMINISTRATIVE EXPENDITURE</u>	5	5	5
	<u>CHAPTER 10 - TOTAL</u>	5	5	5
	<u>CHAPTER 20 - AID FOR REDEPLOYMENT</u>			
	<u>(Article 56 ECSC)</u>	150	150	215

REQUIREMENTS

Art.	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></p> <p>Annual payment in four equal quarterly instalments.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The Council has set the annual amount of the payment at 5 million ECU. Percentage change 1986-87: 0%.</p>
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>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
20	<u>Aid for redeployment (cont'd)</u>			

REQUIREMENTS

Art.	Remarks
	<p data-bbox="245 389 608 423">2. <u>Type of expenditure</u></p> <p data-bbox="245 468 1406 546">Provision to subsidize the expenditure on redeployment incurred by the Member States according to the procedure set out in the agreements signed.</p> <p data-bbox="245 620 1046 654">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="245 698 1437 965">In 1985 a total of 141.8 million ECU was granted to 52 736 Community steelworkers affected by restructuring measures. A large proportion of this money went on multiannual programmes in France and Italy. Some had been carried over from previous years because of budgetary constraints, which were aggravated in 1984 by the extreme pressure of the coal industry's requirements.</p> <p data-bbox="245 1043 1437 1395">Because of the slippage between the adoption of the restructuring programmes and the gradual adjustment of the volume of labour and introduction of the social support measures, the annual rate at which the number of steelworkers declines in 1986 and 1987 is expected to be around 5.5%, corresponding to around 24 000 jobs a year. The biggest losses will occur in Spain, France and Italy, since the other main producers have practically completed their restructuring. Steel industry requirements for 1987 are estimated at 70 million ECU.</p> <p data-bbox="245 1491 1358 1615">The gradual closure of iron ore mines will continue as long-term supply contracts expire. In relative terms, however, the requirements of this sector are small.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
20	<u>Aid for redeployment (cont'd)</u>			
	<u>CHAPTER 20 - TOTAL</u>	150	150	215
	<u>CHAPTER 30 - AID FOR RESEARCH</u>			

REQUIREMENTS

Art.	Remarks
	<p>The coal industry's estimated requirements for 1987 will remain high at 80 million ECU as a result of the modernization process under way in the Community coal industry, which has been stepped up since 1983.</p> <p>The modernization programme involves the closure of a large number of uneconomic pits and the rationalization of operating conditions at those left open, leading to considerable job losses. A total of 38 200 workers will thus lose their jobs in 1985 and a further 30 000 jobs are expected to be lost in both 1986 and 1987.</p> <p>All in all then total requirements for traditional redeployment aids can be estimated at 150 million ECU for 1987.</p> <p>Percentage change 1986-87: 0% (not including an additional 20 million ECU allocated to this heading in 1986).</p>
30	<p>1. <u>References and description</u></p> <p><u>Articles 50 and 55 of the ECSC Treaty</u></p> <p>The High Authority/Commission is required to encourage technical and economic research into the production and increased use of coal and steel and occupational safety in the coal and steel industries. To this end it grants aid to finance research after receiving the Council's assent.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
30	<u>Aid for research (cont'd)</u>			
310	<u>STEEL RESEARCH</u>	30	28.5	24

REQUIREMENTS

Art.	Remarks
310	<p data-bbox="245 421 608 450">2. <u>Type of expenditure</u></p> <p data-bbox="245 501 1437 667">Provision to cover repayment of a proportion of the actual costs of research projects approved by the High Authority/Commission in accordance with the procedures provided for in the Treaty (consultation of the ECSC Consultative Committee and the receipt of the Council's assent).</p> <p data-bbox="245 734 1278 808">In most cases, the aid granted amounts to 60% of the estimated and substantiated costs.</p> <p data-bbox="245 920 1046 949">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="245 1001 1422 1167">The 63 million ECU proposed in total aid for research is 5% higher than the appropriations authorized in 1986. The grounds for the aid proposed for each of the research categories (steel, coal and social) are explained in the following paragraphs.</p> <p data-bbox="245 1272 1481 1451">In accordance with the general objectives for steel 1990¹ and the new medium-term guidelines for technical steel research,² laboratory research must be given a major stimulus, with particular attention being paid to the improvement of the competitiveness of steel products. These guidelines aim to:</p> <ul data-bbox="245 1525 1086 1554" style="list-style-type: none">- complete the restructuring started in earlier years; <p data-bbox="245 1742 587 1816">¹COM(85)450 final ²OJ C 294, 16.11.1985.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
310	<u>Steel research</u> (cont'd)			

REQUIREMENTS

Art.	Remarks
	<ul style="list-style-type: none">- continue technological modernization and increase competitiveness in order to continue competing by improving productivity and product quality;- develop and intensify research and development activities in large sectors of use such as the motor industry, the building sector and electrical engineering. <p>Although it accounts for only around 10% of Community steel research, the current research programme which the Commission is supporting continues to play a major and acknowledged role in meeting common requirements in the steel sector, in accordance with the medium-term guidelines.</p> <p>This research programme is supplemented by the parallel programme of pilot and demonstration projects¹ in order to meet the increasing need to boost and speed up the transfer of the results of laboratory research to the operational stage.</p> <p>The two programmes share the following overall objectives:</p> <ul style="list-style-type: none">- 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. <hr/> <p>¹OJ C 81, 24.3.1983.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
310	<u>Steel research</u> (cont'd)			

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REQUIREMENTS

Art.	Remarks
	<p>In 1987, the two programmes will cover the following technical fields:</p> <ul style="list-style-type: none">- sintering and pelletizing,- use of coal and its by-products in the steel industry,- blast furnace and direct reduction technology,- oxygen and electric steelmaking,- casting and solidification,- processing and treatment of steel,- properties and utilization of steel,- measurements technologies and analytical methods. <p>The steel industry is increasingly recognizing the urgent need, in some selected fields, of longer-term research going beyond the short or medium-term objectives in the two abovementioned programmes. One of these fields, for which a proposal was recently drawn up by the industry in consultation with the Commission, is the continuous casting of thin sheet products. Developments in this field could thoroughly transform current steel production and the Community must be at the forefront of this technology which is already being examined in detail in Japan and North America with the aid of public funds.</p> <p>Percentage change 1986-87: + 5%.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
320	<u>COAL RESEARCH</u>	22	22	19

REQUIREMENTS

Art.	Remarks
320	<p>The Commission has stressed on a number of occasions the importance of coal research as one of the ways of achieving the Community's energy goals, most recently in the new Community energy objectives¹ and, in particular, in the medium-term guidelines for technical coal research 1986-90.²</p> <p>In the guidelines, in particular, the Commission laid down the tasks which the Community coal industry and research must carry out to face changing economic conditions and increasingly rigid market requirements.</p> <p>Since then the situation has tended to deteriorate and the following constraints now apply:</p> <ul style="list-style-type: none">- The drop in oil prices, though generally considered temporary, is beginning to have an effect on the price of imported coal. The Community coal industry must therefore once again step up its efforts to reduce production costs in order to remain competitive. Apart from reducing operating costs, this means subsequently increasing productivity.- The extension of mines to greater depths or to new deposits often leads to a decline in the quality of the coal and a deterioration in geological conditions. It will therefore be of prime importance to extend the application of successful techniques to the new types of deposit. <p>¹COM(85)245 final ²SEC(85)652 final</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
320	<u>Coal research (cont'd)</u>			

REQUIREMENTS

Art.	Remarks
	<ul style="list-style-type: none"><li data-bbox="248 376 1453 544">- Mining techniques, especially coal-face workings and transport, will have to be improved to ensure better-quality crude coal, particularly as regards grading and water content, thus allowing effective preparation and further processing.<li data-bbox="248 607 1453 819">- Considerations of mining safety and working conditions will remain of prime importance alongside technical and economic aspects. Climatic conditions at the coal face, for instance, will still require a considerable research effort to mitigate the effects of increasing depths and more powerful equipment.<li data-bbox="248 882 1422 1005">- On the surface, coal preparation and transport methods will have to be improved in line with market requirements and the development of new coal uses.<li data-bbox="248 1068 1437 1330">- Further work will be needed on coke to improve quality, its use in blast furnaces and the upgrading of the by-products of the coking process. As usual, this research will be conducted in close cooperation with the steel industry. A major "European" project is also in preparation for all interested parties in the Community to be able to use an existing experimental coking plant.<li data-bbox="248 1393 1469 1561">- Processes for processing coal and the more noble products, e.g. gasification and liquefaction, are still a major long-term option. Their further development must therefore continue, especially since this research serves as a basis for the Community's demonstration programme.

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
320	<u>Coal research</u> (cont'd)			
330	<u>SOCIAL RESEARCH</u>	11	9.5	8

REQUIREMENTS

Art.	Remarks
	<p>- Finally, the economic constraints facing the Community coal industry will require the research effort to be concentrated on projects aimed at rapid practical applications. These projects are normally fairly expensive.</p> <p>The research programme for 1987 will concentrate on the following fields:</p> <p><u>Mining engineering</u></p> <p>Development work Ventilation, firedamp, mine climate Coal-getting techniques Outbye operations underground Modern management techniques</p> <p><u>Utilization and beneficiation</u></p> <p>Coal preparation and transport Coking Beneficiation and new products Percentage change 1986-87: 0%</p>
330	<p>The success of previous programmes justifies the continuation of the current programmes.</p> <p>The various sectors of the industries concerned, management and workers and the research institutes are all concerned to see the development of research projects aimed at improving working conditions.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
330	<u>Social research</u> (cont'd)			
	<u>CHAPTER 30 - TOTAL</u>	63	60	51

REQUIREMENTS

Art.	Remarks
	<p>The general medium-term guidelines for technical coal research (1986-90)¹ and the general objectives for steel indicate that the value of the research must contribute to improving the aspects of health, environmental protection and protection at the place of work.</p> <p>Technological development also raises new problems which have to be quickly solved if the objectives of improving competitiveness laid down in the programmes approved by the Commission with the Council's assent are to be achieved.</p> <p>For these reasons Community research is of benefit to all those concerned with health and safety at work. The ECSC social research programme being the only one at Community level concerned with health and safety at work, the various sectors covered by multiannual research programmes are:</p> <ul style="list-style-type: none">- the effect on workers' health of occupational hazards and physical conditions at their place of work- ergonomics (fifth programme)- mine safety: the second programme was adopted by the Commission in July 1982- industrial health in coal mines (measures against dust and harmful gases in mines)- technical measures to combat pollution at the place of work and near to steelworks. <p>Percentage change 1986-87: +16%</p> <p>¹..... SEC(85)652 final.</p>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
	<u>CHAPTER 40 - AIDS IN THE FORM OF INTEREST SUBSIDIES</u>			

REQUIREMENTS

Art.	Remarks
40	<p data-bbox="252 387 719 421">1. <u>References and description</u></p> <p data-bbox="252 483 1315 560">Articles 54 (investment) and 56 (conversion) of the ECSC Treaty, and Decisions of the High Authority/Commission.</p> <p data-bbox="252 622 1394 743">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="252 804 1262 837">It currently stands at 3% for five years, or 5% for global loans.</p> <p data-bbox="252 898 608 931">2. <u>Type of expenditure</u></p> <p data-bbox="252 994 1422 1115">Provision for offsetting part of the interest due on loans disbursed by the ECSC, in accordance with the contracts drawn up between the Commission and the beneficiaries.</p> <p data-bbox="252 1176 1046 1209">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="252 1272 1390 1393">ECSC loans with interest subsidies are the principal financial instrument for promoting priority investments to meet the requirements for the coal and steel industries and to create jobs for former ECSC workers.</p> <p data-bbox="252 1456 1422 1532">The grounds for the aids proposed for each category of loan (investment and conversion) are explained in the following paragraphs.</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
410	<u>INVESTMENTS</u>	5	9	3.8
420	<u>CONVERSION</u>	60	49	60

REQUIREMENTS

Art.	Remarks
410	<p>In the investment field, the aim of interest subsidies is to encourage certain types of investment in the ECSC industries. The Commission's current criteria for granting subsidies are as follows:</p> <ul style="list-style-type: none">- research and training centres, and the elimination of bottlenecks (OJ C 73, 18.6.1970);- stabilization of coal production: subsidies are limited to investment in shafts, underground workings and haulage and winding equipment (OJ C 79, 29.3.1980);- promoting the consumption of Community coal (OJ C 343, 31.12.1982). <p>The Commission reserves the right to apply and adapt these criteria in the light both of its assessment of current priorities and of the appropriations available.</p> <p>Percentage change 1986-87: -45% (not including an additional 4.2 million ECU allocated to this heading in 1986).</p>
420	<p>Conversion loans with interest subsidies are granted to firms or public bodies which encourage investments creating new jobs in regions hit by declining economic activity in the coal and steel industries.</p> <p>The guidelines drawn up by the Commission for granting conversion loans are published in OJ C 178, 27.7.1977.</p>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
420	<u>Conversion</u> (cont'd)			
	CHAPTER 40 - TOTAL	65	58	63.8
	<u>CHAPTER 50 - AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY)</u>	-	6	6

REQUIREMENTS

Art.	Remarks
50	<p>They have since been changed slightly (OJ C 191, 16.7.1983) to improve and clarify the terms of global loans, which have proved a very effective instrument for creating new jobs in small businesses.</p> <p>The maximum loan eligible for interest relief at the rate of 3% for 5 years - 5% for global loans¹ - at the moment is 20 000 ECU per new job, equivalent to maximum non-repayable aid of 3 000 to 5 000 ECU per job. When recruiting, the recipients undertake to give priority to former ECSC workers.</p> <p>Apart from the continuing conversion requirements in the steel industry, there are additional requirements in 1987 resulting from redundancies in the coal industry, sometimes in the same areas, due to the restructuring programme.</p> <p>It should also be noted that both the non-quota and quota sections of the European Regional Development Fund help to create jobs in regions hit by the steel crisis.</p> <p>Percentage change 1986-87: +22% (not including an additional 16 million ECU allocated to this heading in 1986).</p> <p><u>1. References and description</u></p> <p>(i) Article 95 of the ECSC Treaty</p> <p>(ii) High Authority/Commission Decision 73/287/ECSC of 15 July 1973 (OJ L 259, 15.9.1973), as last amended and extended by Decision 759/84/ECSC of 23 March 1984 (OJ L 80, 23.3.1984) and applicable until 31 December 1986.</p> <p>¹The Commission is considering reducing the rate of subsidy since interest rates on the capital markets are at present tending to fall.</p>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
50	<u>AIDS UNDER ARTICLE 95 OF THE ECSC TREATY (COKING COAL AND COKE FOR THE STEEL INDUSTRY) (cont'd)</u>			
	CHAPTER 50 - TOTAL	-	6	6

REQUIREMENTS

Art.	Remarks
	<p>The ECSC makes a lump-sum contribution to the special fund for easing intra-Community trade, the rest of the finance being provided by the Member States and the steel industry.</p> <p>The scheme expires on 31 December 1986 and no extension is planned.</p> <p>2. <u>Type of expenditure</u></p> <p>Provision for a lump-sum contribution of 6 million ECU to the fund (ECSC contribution). Community aid is for a maximum amount of 36 million ECU, corresponding to 10 million tonnes of coking coal per annum. If trade drops below these limits, the reduced subsidies will be drawn first from the Community's contribution (6 million ECU) and the 6 million ECU contributed by the steel industry and then from the 24 million ECU paid in by the Member States.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>The aim of the special system of aid to coking coal and coke is to help maintain production of blast-furnace coal for the Community's iron and steel industry, and also to enable the coal and the coke produced to be sold at prices reflecting world market prices.</p> <p>Apart from Community aid the system lays down pricing rules for the products concerned and authorizes the producing countries to grant production and sales aid to their collieries.</p> <p>Percentage change 1986-87: -</p>

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REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
60	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u>	125	100	-

REQUIREMENTS

Art.	Remarks
60	<p data-bbox="252 398 721 430">1. <u>References and description</u></p> <p data-bbox="252 488 1391 654">On 13 April 1983 the Commission transmitted proposals to the Council on a financial contribution by the ECSC under Article 56(2)(b) of the Treaty towards the implementation of the social support scheme for restructuring in the steel areas of the Community in the period 1983-86.¹</p> <p data-bbox="252 734 1216 766">The measures recommended in the action programme are aimed at:</p> <ul data-bbox="252 801 1439 1012" style="list-style-type: none">- continuing the aid to early retirement and short-time working which was approved in the 1981 social measures;- financing the maintenance of jobs through reductions in working time;- introducing a new aid to facilitate the integration of former steelworkers in other sectors of activity. <p data-bbox="252 1079 1471 1438">These measures supplement the traditional redeployment aids authorized under Article 56(2)(b). The Community contribution is estimated at 330 million ECU. Since the resources provided for in the ECSC Treaty are not sufficient in the present circumstances to finance these measures, 62.5 million ECU was transferred from Chapter 65 of the EEC budget to the ECSC in 1984² and another 62.5 million ECU contained in the 1985 budget was carried over to 1986. On 5 August 1985 the Commission proposed a new approach to financing³ under which the annual volume of appropriations transferred would, from 1986,</p> <p data-bbox="252 1765 938 1863">¹ COM(83)158 final of 13 April 1983. ² Decision 84/541/ECSC, EEC, 23 October 1984. ³ COM(85)428 final of 5 August 1985.</p>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
60	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u> (cont'd)			

REQUIREMENTS

Art.	Remarks
	<p>match the volume of ECSC payments as the measures were carried out.</p> <p>2. <u>Type of expenditure</u></p> <p>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>3. <u>Method of calculation and explanation of change</u></p> <p>The Commission estimated that 330 million ECU was needed to supplement the social support scheme for restructuring the steel industry in the context of the general objectives for steel.</p> <p>This estimate was based on the hypothesis that 150 000 jobs would be lost over the period 1983-86. It is likely that roughly half of the workers affected will take early retirement or be kept in work thanks to measures involving adjustments in working time, while the remainder will have to find jobs in other sectors of the economy.</p> <p>The cost of measures relating to early retirement and aids for short-time working is put at 195 million ECU. Measures designed to facilitate a return to the labour market will cost an estimated 135 million ECU, giving a total of 330 million ECU.</p>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
60	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u> (cont'd)			
	CHAPTER 60 - TOTAL	125	100	-
	<u>CHAPTER 70 - SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY</u>	p.m.	60	-

REQUIREMENTS

Art.	Remarks
70	<p>However, on 2 June 1986 the Commission decided to amend the original decision in order to increase the 1987 appropriation from 100 million ECU to 125 million ECU to take account of the job losses in the Spanish and Portuguese industries.¹</p> <p>Percentage change 1986-87: +25%</p> <p>1. <u>References and description</u></p> <p>The Commission has transmitted a proposal to the Council on the ECSC's financial contribution to the implementation of measures in connection with the restructuring of the coal industry in the period 1984-86.² These measures supplement the traditional redeployment aids authorized under Article 56(2)(b). The Community contribution is estimated at 180 million ECU. Since the resources provided for in the ECSC Treaty are not sufficient in the present circumstances to finance these measures, 60 million ECU was transferred from Chapter 65 of the EEC budget to the ECSC in 1984³ and another 60 million ECU contained in the 1985 budget was carried over to 1986. On 5 August 1985 the Commission proposed a new approach to financing⁴ under which the annual volume of appropriations transferred would, from 1986, match the volume of ECSC payments as the measures were carried out.</p> <p>¹ COM(86)319 final of 2 June 1986. ² COM(83)583 final of 6 October 1983. ³ Decision 84/348/EEC, 23 July 1984. ⁴ COM(85)428 final of 5 August 1985.</p>

REQUIREMENTS

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
70	<u>CHAPTER 70 - SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY (cont'd)</u>			
	CHAPTER 70 - TOTAL	p.m.	60	-
	<u>TOTAL REQUIREMENTS</u>	408	439	340.8

REQUIREMENTS

Art.	Remarks
	<p data-bbox="236 376 593 409">2. <u>Type of expenditure</u></p> <p data-bbox="236 472 1390 595">Provision for the partial reimbursement of the expenditure incurred by the Member States. The conditions for granting aid are laid down pursuant to Article 56(2)(b) of the ECSC Treaty.</p> <p data-bbox="236 658 1046 692">3. <u>Method of calculation and explanation of changes</u></p> <p data-bbox="236 752 1481 1061">Given the comparative stagnation of the market for energy-generating products, the substantial stocks of coal held in the Community and the heavy losses incurred by certain coalmines, there is a clear need to step up efforts to restructure this industry and, in particular, to close the least profitable pits. Several coal-producing Member States have already made public their multiannual restructuring programmes, and the Commission envisages the loss of over 20 000, and even as many as 25 000, jobs a year over the period 1984-86.</p> <p data-bbox="236 1124 1453 1290">The Commission considers that the total of 180 million ECU already proposed can cover the increase in appropriations resulting from Spanish and Portuguese accession. It feels that a token entry should be made for 1987 so that any appropriations not used in 1986 may be carried over to 1987.</p> <p data-bbox="236 1368 687 1402">Percentage change 1986-87: -</p>

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

In addition to the requirements to be financed by non-repayable grants from the year's resources, there is the ECSC housing subsidy scheme, which has been in operation since 1954. Forecasts for this programme are included in this aide-mémoire to complete the picture of all ECSC operations for Parliament and the Consultative Committee.

1. References and description

Article 54 and Decisions of the High Authority/Commission assigning to the housing programmes the funds from the "special reserve" constituted by interest from investments and from loans against own funds.

ECSC intervention takes the form of reduced-interest loans, and eases the cost of financing housing by adding the funds lent by the Community to resources provided nationally (and, in some cases, funds borrowed by the ECSC on the capital markets).

2. Type of expenditure

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

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

3. Explanation

This scheme has the twin aim of:

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

The criteria for granting loans were adopted by the Commission on 10 December 1984.¹ They will be revised during the 10th programme in line with the experience gained.

The scheme is both in the interest of workers, since it alleviates the effects of price increases and high interest rates, and of benefit to the industry, since it facilitates reorganization. The number of dwellings subsidized by means of ECSC loans at 31 December 1985 stood at around 189 000. The loans granted are broken down by country at I.B.4.

¹OJ C 119, 14.5.1985.

II.

1. RESOURCES FOR THE FINANCIAL YEAR

million ECU

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
110	<u>CHAPTER 10 - GENERAL RESOURCES</u> <u>LEVIES</u>	180 ¹	170	149

¹ Assuming that the current 0.31% rate is renewed.

RESOURCES

Art.	Remarks
110	<p data-bbox="245 360 718 394">1. <u>References and description</u></p> <ul data-bbox="245 456 963 533" style="list-style-type: none">- Articles 49 and 50 of the ECSC Treaty- Decisions 2/52 and 3/52 of 23 December 1952. <p data-bbox="245 595 1358 719">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 data-bbox="245 770 1461 999">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 1987 this period will be the 1985 calendar year. The aim of this change is to harmonize the date for presenting the draft ECSC operating budget with that for the general budget of the European Communities.</p> <p data-bbox="245 1059 558 1093">2. <u>Type of resource</u></p> <p data-bbox="245 1155 1369 1279">Levy resources are duly established entitlements in the form of levies payable on output in the 1987 financial year and calculated on the basis of the production declarations made by the undertakings.</p> <p data-bbox="245 1339 1058 1373">3. <u>Method of calculation and explanation of changes</u></p> <p data-bbox="245 1435 1461 1648">The latest estimates of the average values which serve as the basis for calculating the levies suggest that the figures for the 1987 financial year, which relate to the reference period from 1 January to 31 December 1985, will be some 1% higher for coal and 6% higher for steel than the figures for 1986.</p> <p data-bbox="245 1839 692 1872">¹OJ C 101, 14.4.1983, page 4.</p>

RESOURCES

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
110	<u>Levies</u> (cont'd)			

RESOURCES

Art.	Remarks																													
	<p>It should be noted that there is an appreciable margin of uncertainty in these figures; this is because all the requisite data are not yet available, and forecasting production in present economic conditions is a very uncertain exercise.</p> <p>Levy rate: 0.31%.</p> <p>Percentage change 1986-87: + 6%.</p> <p><u>Tonnage subject to the levy and yield from a levy rate of 0.01%</u></p>																													
	<table border="1"> <thead> <tr> <th data-bbox="225 853 691 1003">Product</th> <th data-bbox="691 853 1099 1003">Production forecasts on which the levy is calculated (million tonnes)</th> <th data-bbox="1099 853 1477 1003">Yield from levy rate of 0.01% (million ECU)</th> </tr> </thead> <tbody> <tr> <td data-bbox="225 1003 691 1144">Brown coal briquettes and semi-coke derived from brown coal</td> <td data-bbox="691 1003 1099 1144">4.0</td> <td data-bbox="1099 1003 1477 1144">0.02</td> </tr> <tr> <td data-bbox="225 1144 691 1211">Hard coal of all categories</td> <td data-bbox="691 1144 1099 1211">186.9</td> <td data-bbox="1099 1144 1477 1211">1.56</td> </tr> <tr> <td data-bbox="225 1211 691 1279">Coal - total</td> <td data-bbox="691 1211 1099 1279"></td> <td data-bbox="1099 1211 1477 1279"><u>1.58</u></td> </tr> <tr> <td data-bbox="225 1279 691 1379">Pig iron other than that used for making ingots</td> <td data-bbox="691 1279 1099 1379">2.3</td> <td data-bbox="1099 1279 1477 1379">0.04</td> </tr> <tr> <td data-bbox="225 1379 691 1447">Steel in ingots</td> <td data-bbox="691 1379 1099 1447">132.0</td> <td data-bbox="1099 1379 1477 1447">3.18</td> </tr> <tr> <td data-bbox="225 1447 691 1514">Finished products</td> <td data-bbox="691 1447 1099 1514">90.30</td> <td data-bbox="1099 1447 1477 1514">1.01</td> </tr> <tr> <td data-bbox="225 1514 691 1581">Steel - total</td> <td data-bbox="691 1514 1099 1581"></td> <td data-bbox="1099 1514 1477 1581"><u>4.23</u></td> </tr> <tr> <td data-bbox="225 1581 691 1641">GRAND TOTAL</td> <td data-bbox="691 1581 1099 1641"></td> <td data-bbox="1099 1581 1477 1641"><u><u>5.81</u></u></td> </tr> </tbody> </table>			Product	Production forecasts on which the levy is calculated (million tonnes)	Yield from levy rate of 0.01% (million ECU)	Brown coal briquettes and semi-coke derived from brown coal	4.0	0.02	Hard coal of all categories	186.9	1.56	Coal - total		<u>1.58</u>	Pig iron other than that used for making ingots	2.3	0.04	Steel in ingots	132.0	3.18	Finished products	90.30	1.01	Steel - total		<u>4.23</u>	GRAND TOTAL		<u><u>5.81</u></u>
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RESOURCES

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
120	<u>INTEREST ON INVESTMENTS AND LOANS AGAINST NON-BORROWED FUNDS</u>	75	75	70
130	<u>FINES AND SURCHARGES FOR LATE PAYMENT</u>	23	29	42.6

RESOURCES

Art.	Remarks
120	<p>1. <u>References and description</u></p> <p>Under its Decision of 30 April 1975, the Commission enters in the budget the interest available from the previous financial year.</p> <p>2. <u>Type of resource</u></p> <p>Resources deriving from income on investments and on loans against non-borrowed funds will be determined when the Commission adopts the balance sheet at 31 December 1986.</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 be in a position to release when it adopts the balance sheet at 31 December 1986.</p> <p>Percentage change 1986-87: 0%.</p>
130	<p>1. <u>References and description</u></p> <p>Article 47, 58 and 60 of the ECSC Treaty (mainly). The Commission may impose fines on undertakings contravening the current price and quota systems.</p> <p>2. <u>Type of resource</u></p> <p>From an accounting point of view, revenue from the fines imposed by the Commission under Article 58 of the ECSC Treaty should be regarded to a certain extent as deferred resources, in view of the appeals made to the Court of Justice.</p>

RESOURCES

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
130	<u>FINES AND SURCHARGES FOR LATE PAYMENT</u> (cont'd)			
140	<u>MISCELLANEOUS</u>	p.m.	p.m.	1
	CHAPTER 10 - TOTAL	278	274	262.6
	<u>CHAPTER 20 - CANCELLATION OF COMMITMENTS UNLIKELY TO BE IMPLEMENTED</u>	5	5	70.8

RESOURCES

Art.	Remarks
	<p><u>3. Method of calculation and explanation of change</u></p> <p>It is very difficult to forecast the amount which will be collected in 1987, especially since the legal proceedings in disputed cases are likely to go on for one or two years. It is proposed that only those cases where recovery is in progress should be taken into consideration. On the basis of the information currently available, it is proposed that 23 Million ECU be entered under this heading.</p> <p>Percentage change 1986-87: - 20% (not including a reduction of 2 million ECU in fines expected to be collected in 1986).</p>
140	<p><u>Miscellaneous</u></p> <p>This article enables miscellaneous revenue to be entered as revenue for the financial year.</p>
20	<p><u>1. References and description</u></p> <p>Provisions based on Commission aid decisions must be given tangible form by the contracting of legal commitments.</p> <p>The Commission's Internal Rules for the drawing up and implementation of the ECSC operating budget¹ provide that any prior commitment which is not followed by a legal commitment within four months of being recorded in the accounts is automatically cancelled. These rules also state that once all parties have discharged their obligations under the legal commitment, any remaining part of</p> <hr/> <p>¹Revised on 8 January 1986.</p>

RESOURCES

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
20	<u>Cancellation of commitments unlikely to be implemented (cont'd)</u>			
	CHAPTER 20 - TOTAL	5	5	70.8
	<u>CHAPTER 30 - REVALUATION OF ASSETS AND LIABILITIES</u>	p.m.	p.m.	-
	CHAPTER 30 - TOTAL	p.m.	p.m.	-
	<u>CHAPTER 40 - RESOURCES FROM THE PREVIOUS YEAR NOT USED</u>	p.m.	p.m.	-
	CHAPTER 40 - TOTAL	p.m.	p.m.	-

RESOURCES

Art.	Remarks
	<p>the provision will be cancelled. Any contract running into difficulties of implementation may also be cancelled. The amounts thus released become available again as resources for the current financial year.</p> <p>2. <u>Type of resource</u></p> <p>The estimate of 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 (cancellations of balances remaining in respect of contracts which have been performed in full, etc.).</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>It is difficult to estimate the rate of cancellation as it depends on several factors, such as negotiations with the governments concerned. The estimated figure of 5 million ECU for 1987 is based on a usual rate.</p> <p>Percentage change 1986-87: 0% (not including an increase of 5 million ECU in cancellations in 1986).</p>
30	This chapter, carrying a token entry, is to record the net effect of changes in exchange rates during the financial year.
40	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	1987 Approps proposed	1986 Approps authorized	Outturn 1985
510	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE STEEL INDUSTRY</u>	125	100	-

RESOURCES

Art.	Remarks
510	<p>1. <u>References and description</u></p> <ul style="list-style-type: none">- Conclusions of the 717th Council meeting of 24 June 1981,- Article 235 of the EEC Treaty,- Commission proposals to the Council (decisions to be taken under Article 235 EEC)¹. <p>2. <u>Type of resource</u></p> <p>Funds from the general budget to cover the aids approved. This chapter records the additional resources intended solely for financing social measures in connection with the restructuring of the steel industry (Article B.6). The Commission proposes that this temporary measure should be continued by means of a transfer from Article 650 of the general budget to the ECSC budget on the basis of decisions to be taken pursuant to Article 235 EEC.</p> <p>3. <u>Method of calculation and explanation of change</u></p> <p>In Article 650 of its preliminary draft budget for 1987 the Commission has proposed a token entry so that appropriations may be transferred from the EEC budget when the ECSC actually pays the aid and not when it is committed, as is the case at present. The sum of 125 million ECU thus represents the revenue to be obtained from the general budget. The Commission has proposed that the Council give an undertaking that the necessary appropriations will be made available as payments are made.</p> <p>Percentage change 1986-87: + 25%.</p> <hr/> <p>¹COM(85)428 final of 5 August 1985; COM(86)319 final of 6 June 1986.</p>

RESOURCES

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
520	<u>SOCIAL MEASURES IN CONNECTION WITH THE RESTRUCTURING OF THE COAL INDUSTRY</u>	p.m.	60	-
CHAPTER 50 - TOTAL		125	160	-

RESOURCES

Art.	Remarks
520	<p data-bbox="236 353 695 387">1. <u>References and description</u></p> <ul data-bbox="236 421 1241 544" style="list-style-type: none">- Article 235 of the EEC Treaty,- Commission proposal to the Council (decision to be taken under Article 235 EEC).¹ <p data-bbox="236 600 536 633">2. <u>Type of resource</u></p> <p data-bbox="236 667 1489 790">Funds from the general budget to cover the aids approved. This chapter records the additional resources intended solely for financing social measures in connection with the restructuring of the coal industry.</p> <p data-bbox="236 846 1449 969">The Commission proposes that these measures should be financed by means of a transfer from Article 651 of the general budget on the basis of a decision to be taken pursuant to Article 235 EEC.</p> <p data-bbox="236 1037 1023 1070">3. <u>Method of calculation and explanation of change</u></p> <p data-bbox="236 1104 1461 1406">In Article 651 of its preliminary draft budget for 1987 the Commission has proposed a token entry so that appropriations may be transferred from the EEC budget when the ECSC actually pays the aid and not when it is committed, as is the case at present. The sums entered in this chapter thus represent the revenue to be obtained from the general budget. The Commission has proposed that the Council give an undertaking that the necessary appropriations will be made available as payments are made.</p> <p data-bbox="236 1473 691 1507">Percentage change 1986-87: -</p> <hr data-bbox="236 1877 722 1888"/> <p data-bbox="236 1899 783 1933">¹COM(85)428 final of 5 August 1985.</p>

RESOURCES

Art.	Heading	1987 Approps proposed	1986 Approps authorized	Outturn 1985
	<u>CHAPTER 60 - CONTINGENCY RESERVE</u>	p.m.	p.m.	7.4
	CHAPTER 60 - TOTAL	p.m.	p.m.	7.4
	TOTAL RESOURCES	408	439	340.8

RESOURCES

Art.	Remarks
60	<p>This chapter has been given a token entry so that an appropriate amount may be entered if necessary to cover any deficit arising in 1987. The amount available for the contingency reserve will be fixed when the Commission adopts the balance sheet at 31 December 1986.</p>

2. COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET

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

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

These resources are made up of the repayments of loans already made and fresh appropriations allocated to the special reserve.

The decision on the allocation to the special reserve of the additional resources required will be taken when the Commission adopts the balance sheet at 31 December 1986.

3. SUMMARY OF RESOURCES AVAILABLE FOR 1987

The estimates of traditional resources other than levies amount to 103 million ECU (interest available: 75 million ECU; fines: 23 million ECU; cancellations: 5 million ECU). As the yield of a levy rate of 0.01% has been estimated at 5.81 million ECU, the yield of the levies can be estimated at 180 million ECU, assuming that the current rate of 0.31% is maintained. The total ordinary resources available for 1987, assuming that the levy rate remains unchanged, is thus estimated at 283 million ECU.

In addition, there is exceptional revenue of 125 million ECU to finance measures connected with the restructuring of the steel and coal industries, giving a total of 408 million ECU in resources available.

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	180
2. Aid for redeployment (Art. 56)	150	1.1 Yield from 0.31% levy	75
3. Aid for research (Art. 55)	63	1.2 Interest on investments and on loans from non-borrowed funds	23
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		
4. Interest subsidies	65	2. Cancellation of commitments unlikely to be implemented	5
4.1 Investment (Art. 54) ¹	5	3. Revaluation of assets and liabilities	p.m.
4.2 Conversion (Art. 56)	60		
5. Social measures connected with restructuring of the steel industry ²	125	4. Resources from 1986 not used	p.m.
6. Social measures connected with restructuring of the coal industry ²	p.m.	5. Exceptional revenue	125
		5.1 Social measures connected with restructuring of steel industry	p.m.
		5.2 Social measures connected with restructuring of coal industry	p.m.
		6. Contingency reserve	
OPERATIONS FINANCED BY LOANS FROM NON-BORROWED FUNDS	408	ORIGIN OF NON-BORROWED FUNDS	408
7. Workers' housing	13	7. Special reserve and former ECSC Pension Fund	13

¹ Any additional resources will be allocated to interest subsidies on investment aid, up to a maximum of 10 million ECU. Further resources could be allocated to priority aids in the research sector and other sectors of prime political importance, especially conversion.

² Implementation of these chapters depends on the exceptional revenue actually being made available.