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(Information)

COURT OF AUDITORS

ANNUAL REPORT CONCERNING THE ECSC

for the financial year 2000, together with the Commission's replies

(Article 45c(4) of the ECSC Treaty and Article 88 of the Financial Regulation of 21 December 1977, as last amended by Council Regulation (EC, ECSC, Euratom) No 762/2001 of 9 April 2001)

(2001/C 366/01)

CONTENTS

ECSC SOLVENCY AND DEVELOPMENTS CONCERNING THE MAIN ECSC ACTIVITIES

Introduction

1. This chapter relates, on the one hand, to the solvency of the ECSC as at 31 December 2000 and, on the other hand, to developments concerning its main budgetary and financial activities during the financial year.

2. Until recently, the solvency of the ECSC was of particular importance for the following reasons:

— apart from some marginal lending from its own funds, ECSC loans were financed by bank borrowings or bond issues. In order to achieve the best possible financial market rating, the ECSC had to have a very good solvency ratio,

— most ECSC loans are back-to-back with the corresponding borrowings in terms of rates, currency and maturity. The main banking risk is therefore the risk of non-recovery,

— the Treaty of Paris, which created the ECSC, expires in July 2002. Consequently, any changes in the level of funds needed to guarantee the ECSC's solvency must be monitored carefully, right up to the expiry of the Treaty, and beyond that date, to ensure that the remaining borrowings can be serviced.

ECSC solvency

Solvency ratio

3. The solvency ratio provided for in Directive 2000/12/EC of the European Parliament and of the Council (1) is the main instrument by which the ECSC's solvency is assessed. The denominator of the ratio comprises assets and off-balance-sheet items weighted in accordance with the level of risk. For the numerator, the Commission takes the guarantee fund and the unallocated surplus items (see *Table 1*). The definition of own funds used in calculating the solvency ratio is the result of an interpretation of the Directive which provides a prudent valuation.

4. According to Article 47(1) of Directive 2000/12/EC, credit institutions must have a solvency ratio of at least 8 %. In the case of the ECSC, which now only has a short-term future, the ratio rose to 37,8 % at 31 December 1999 to 41,4 % at 31 December 2000. As was the case in the previous year, this change was due partly to the increase in the Guarantee Fund, but mainly to the decrease in the volume of outstanding loans to banks.

5. It should be noted that this ratio will continue to rise until the liquidation of the ECSC. In fact, taking into account the gradual repayment of outstanding loans and borrowings, the absence of any new loans and borrowings, and the fact that the items taken for the numerator will remain more or less stable (in view of the outlook for the Guarantee Fund), the solvency ratio will continue to increase.

6. The Commission has decided to adjust borrowing and lending policy in view of the expiry of the ECSC Treaty in 2002 (2). At that point it expects to have achieved a level of reserves equal to 100 % of the loans still outstanding that are not covered by a State guarantee. At 31 December 2000, the coverage of these loans, which should total 572 million euro at 23 July 2002, stood at 98,8 %.

Provision for large exposures

7. Pursuant to Council Directive 92/121/EEC on the monitoring and control of large exposures of credit institutions (3), the Commission established a provision for large exposures in 1995. The amount of the provision is calculated as a function of the amounts by which the two limits set in Annex VI to Council Directive 93/6/EEC (4) have been exceeded. This provision concerns loans which are not covered by first-rate guarantees and which exceed 25 % of the ECSC's own funds. It is therefore intended to cover the risks associated with this concentration of resources and to enable the ECSC to weather any default. Although this Directive is not legally applicable to the ECSC, it does result, if the ECSC observes it, in a policy which is prudent as regards large exposures resulting from past transactions.

8. This provision has continued to decrease, from 23 million euro at 31 December 1998 to 18 million euro at 31 December 1999 and 17 million euro at 31 December 2000. This change is due to the fall in the volume of assets in question following the repayments made in recent years.

Changes in the ECSC balance sheet

9. The ECSC's accounts are audited by a private-sector audit firm. Between the financial years 1999 and 2000, the firm responsible for carrying out this audit was replaced, at the end of a tendering

(1) Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions (OJ L 126, 26.5.2000, p. 1).

(2) Adjustment of borrowing and lending policy with a view to the expiry of the Treaty (23 July 2002) (OJ C 175, 28.6.1994, p. 5).

(3) Council Directive 92/121/EEC of 21 December 1992 on the monitoring and control of large exposures of credit institutions (OJ L 29, 5.2.1993, p. 1).

(4) Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions (OJ L 141, 11.6.1993, p. 1).

procedure. As a result of a change, in 2000, in the way the financial statements are presented, and of the publication of Directive 2000/12/EC, some of the figures in the tables relating to the financial year 1999 given in the Annexes were restated. The main changes concerned appropriations for the ECSC's operating budget (brought together, as from 2000, under a single heading entitled ECSC operating budget' in place of the two headings used previously ('commitments for the ECSC operating budget' and 'provisions for financing of the ECSC operating budget') and the entry in the accounts of currency swap transactions.

10. Until 1999, these commitments were entered in the accounts not only as off-balance-sheet items but also as balance sheet items. In fact, the balance between commitments received and commitments given used to be included in the balance sheet, which had the result of inflating the balance sheet (by around 12 million euro in the financial year 1999). As from 2000, these commitments are now only entered in the accounts as off-balance-sheet items. In the financial statements for the ECSC concerning the financial year 2000, the Commission indicates that there has been a change in the way that the financial statements are presented, but does not explain that change. This lack of explanation makes it difficult to understand the changes made to the data for the financial year 1999, depending on whether they were published in the financial statements for that year or in those concerning the financial year 2000.

11. The ECSC balance sheet total declined by 503,6 million euro (11,25 %) between 31 December 1999 and 31 December 2000, from 4 475,6 to 3 972 million euro [1] (see *Table 2* for details). On the assets side, this decrease was due, to the extent of 88 %, to the decline in loans and advances to customers (– 363 million euro to credit institutions and – 81 million euro to undertakings). On the liabilities side the decline was due, to the extent of 85 %, to the decrease in the amounts owed to credit institutions (– 427,2 million euro).

12. The liquid asset accounts made up 44,3 % of the ECSC's assets and constituted the second largest item after loans. These accounts had declined by 87 million euro (– 4,7 %). The accounts concerned and the balancing items under liabilities are shown in *Table 3*.

Changes in applications of ECSC funds and in resources

13. In view of the forthcoming expiry of the ECSC Treaty, the appropriations for the ECSC operating budget continued to fall in 2000 (– 15,7 million euro, see *Table* 4), by almost twice the amount they had fallen in 1999. For the third consecutive year, budgetary expenditure was significantly lower than estimated (27,4 % in 1998, 23 % in 1999 and 24,2 % in 2000). As had been the case in previous financial years, this was due to the fact that actual requirements for rehabilitation aid, including social measures for the coal industry, were considerably lower than forecast (30 % in 1998, 50 % in 1999 and 46 % in 2000). These forecasts are made by the Commission on the basis of information supplied by the Member States.

14. The decline in resources in 2000 was also more accentuated than in 1999 (– 31,1 and – 28,3 million euro, respectively). This was mainly due to the decrease in other resources (– 16,5 million euro) and in cancellations of commitments (– 13,8 million euro). The decrease in other resources was due to the fact that in 1999 the ECSC had collected an amount of 16,6 million euro in the form of fines imposed by the Commission pursuant to Articles 58 and 65 of the ECSC Treaty and of surcharges relating to these, whereas in 2000 there was no change in the items under these headings.

15. The budget was in surplus for the fifth successive year, thus allowing the Guarantee Fund to be increased to 565 million euro (+ 12 million euro) and the provision for financing of the ECSC operating budget to be raised to 401 million euro (+ 8 million euro, see *Table 5* for details). This provision will be used, in part, to finance the ECSC in its last two financial years (2001 and 2002). Allocations for the financial years 2003 and 2004, and for the creation of a contingency provision [2] will at that point already be made within the framework of the 'Coal and Steel Research Fund', which is to be created after the liquidation of the ECSC, and will come from the balance, at 23 July 2002, of the provision for financing the operating budget.

THE LIQUIDATION OF THE ECSC

16. The various Community bodies began to examine the consequences of the liquidation of the ECSC in the early 1990s. As a result of the Nice Protocol, the assets of the 'ECSC in liquidation', the main source of which is the levy on the production of coal and steel established in Article 49 of the ECSC Treaty, will therefore be allocated to these two sectors of economic activity to fund research activities to help these sectors, on the basis of an allocation formula of 27,2 % for coal and 72,8 % for steel [3]. The net revenue arising from the management of the assets of the 'ECSC in liquidation' (the Commission estimates that this will stand at 45 million euro per year [4] will therefore be revenue allocated to the general budget [5].

(1) As a result of the change, in 2000, in the way that the financial statements are presented, the figures for 1999 have been restated to enable a comparison.

(2) Commission working paper concerning the procedures to be followed to establish the amount of net revenue to be allocated to coal and steel research, as set out in the Annex to the Draft Decision of the representatives of the governments of the Member States of the European Coal and Steel Community, meeting within the Council (COM(2000) 519 final, 6 September 2000) (document SEC(2000) 2207, 7 December 2000, p. 2).

(3) SEC(1998) 1948, p. 11: 'at 31 December 1997 values the percentage contributions of the coal and steel industries were 27,2 % and 72,8 % respectively'.

(4) For details of the calculation, see COM(2000) 518 final. This amount of 45 million euro is estimated on the basis of a rate of yield of 4 % for short-term investments and 5,5 % for medium and long-term investments (for 2000, the rate of yield for the investments was 4,72 % — see the financial statements of the ECSC at 31 December 2000, page 17).

(5) The allocation of this revenue will therefore stand as an exception to the principle of universality applicable to the general budget, which is permitted under Article 4(2) of the Financial Regulation: 'Total revenue shall cover total appropriations for payments. Notwithstanding the first subparagraph, and without prejudice to the specific provisions of Title XI, certain revenues, provided that they are within the limit of the authorised amounts shall not be used for any other purpose, notably: ...'.

17. A 'Coal and Steel Research Fund' will be created in order to implement the Council's decisions. This Fund will draw on the interest earned on the assets under management, which will initially belong to the 'ECSC in liquidation' and will then, after this has been wound up, become part of the 'Assets of the Coal and Steel Research Fund'.

18. The Commission has submitted three proposals to the Council with a view to putting in place the procedures for the liquidation of the ECSC and the implementation of the research fund:

— the first concerns the laying down of the provisions required to implement the Nice Protocol [1],

— the second regards the laying down of multiannual financial guidelines for managing the assets of the 'ECSC in liquidation' [2],

— lastly, the third lays down the multiannual technical guidelines for the research programme [3].

In the light of the approaching expiry of the ECSC Treaty, the Court draws attention to the fact that the only decision taken so far has come as a result of the Nice Protocol.

FOLLOW-UP OF PREVIOUS OBSERVATIONS

Performance of liquid assets

19. In its Annual Report on the ECSC concerning the financial year 1999 [4], the Court recommended that the Commission include, in the ECSC's annual report, the 'information needed to assess whether these liquid assets are being managed in a financially efficient manner, taking account of market conditions'. In its reply, the Commission undertook to indicate, as from the financial year 2000, the average rate of yield on the liquid assets managed. This rate was 4,72 % for the financial year 2000.

Cancellation of dormant commitments

20. As a result of the corrective measures taken in the financial year 2000, the Commission cancelled interest subsidies of a total value of 35,2 million euro in 2000. The amount cancelled could have been higher if the Commission had systematically cancelled commitments that were still to be settled and which had remained dormant for years. The Court estimates the additional amount that could have been cancelled in 2000 to be in the order of 12 million euro.

21. When the Commission becomes aware that the number of posts created or maintained is lower than that contractually agreed, it revises the corresponding interest subsidies downwards and, if needs be, also demands the repayment of the excess amounts paid. The Commission could also cancel that part of the commitment corresponding to the number of posts not created, which it does not do. This cancellation only takes place several years later, at the time the instalment for the corresponding loans is closed.

Loans to officials

22. Under Article 11 of the implementing provisions concerning the granting of loans to officials, the Commission has to draw up an annual activity report. For several years now, this report has been drawn up every two years. At present, the most recent report available relates to the period 1994 to 1995. The Commission has set up a working party to study loans policy and propose changes to this, in the light of the fact that loans will only be granted up to the time that the ECSC is liquidated. No proposals have yet been put forward.

Repayment of taxes levied at source

23. The ECSC balance sheet at 31 December 2000 (other assets) shows a claim of 2,4 million euro relating to three applications concerning tax levied at source between March 1989 and June 1996. These three applications were sent, on average, six years and one month late. As a result of this delay, the ECSC has not earned the legal interest to which it was entitled. No progress was made concerning this matter in the financial year 2000.

CONCLUSIONS

24. Budgetary and financial activity in the financial year 2000 was marked, as in the past, by the liquidation of the ECSC: the budget for the financial year 2000 was in surplus for the fifth consecutive year, due to cancellations of commitments and the under-implementation of budgetary expenditure, especially rehabilitation aid. This surplus enabled the ECSC to increase its solvency ratio and the level of the necessary provisions and value adjustments.

25. Concerning the imminent liquidation of the ECSC, the Court observes that, despite the proposals submitted by the Commission to the Council, the only decision taken to date has come as a result of the Nice Protocol. This Protocol only deals with the principles of:

— the legal basis,

— the transfer of the ECSC's assets,

— allocation exclusively to research.

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(1) Proposal for a Council decision establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty of Nice, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel (COM(2000) 519 final, 6 September 2000, as amended by COM(2001) 121 final of 7 March 2001).

(2) Proposal for a Council decision laying down multiannual financial guidelines for managing the assets of the 'ECSC in liquidation' (COM(2000) 520 final of 6 September 2000, as amended by COM(2001) 121 final of 7 March 2001).

(3) Proposal for a Council decision laying down the multiannual technical guidelines for the research programme of the 'Coal and Steel Research Fund' (COM (2000) 521 final, 6 September 2000, as amended by COM(2001) 121 final of 7 March 2001).

(4) Annual Report on the ECSC for the financial year 1999 (OJ C 347, 4.12.2000).

STATEMENT OF ASSURANCE CONCERNING THE ECSC

26. Pursuant to Article 45c of the Treaty establishing the European Coal and Steel Community (ECSC), the Court has examined the ECSC's accounts so as to provide the European Parliament and the Council with a Statement of Assurance concerning the reliability of the accounts and the legality and regularity of the underlying transactions.

27. The accounts concerned are the financial statements of the ECSC at 31 December 2000, which were drawn up under the responsibility of the Commission and published in the *Official Journal of the European Communities* (1).

28. In its report on the ECSC's financial statements at 31 December 2000 (2), which incorporates the Statement of Assurance concerning the reliability of the accounts and which is published together with the financial statements concerned, the Court concluded that the latter gave 'a true and fair view of the assets and financial situation of the European Coal and Steel Community at 31 December 2000, and of the result of its operations for the financial year then ended'.

29. Furthermore, with a view to checking the legality and regularity of the transactions underlying the ECSC's accounts for the financial year 2000, the Court carried out its audit in accordance with generally accepted international auditing standards. In particular, the audit was based on an analysis of the systems and on tests.

30. In the Court's view, it obtained adequate assurance that the transactions, taken as a whole, are legal and regular.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 10 October 2001.

For the Court of Auditors

Jan O. KARLSSON

President

(1) Financial statements of the ECSC at 31 December 2000 (OJ C 185, 30.6.2001).

(2) Report on the financial statements of the ECSC at 31 December 2000 (OJ C 185, 30.6.2001; Corrigendum: OJ C 363, 19.12.2001).

Table 1

ECSC own funds in 2000

(Mio EUR)

Items (after allocation of surplus)	31.12.1999	Allocation	Withdrawal	31.12.2000
Guarantee fund ([1])	553,0	12,0	0,0	565,0
Special reserve	176,1	0,0	0,0	176,1
Former pension fund	74,6	0,0	0,0	74,6
Surplus brought forward	0,2	1,8	0,0	2,0
Subtotal (reserves and surplus)	**803,9**	**13,8**	**0,0**	**817,7**
Provisions for large exposures	18,0	0,0	1,0	17,0
Available provision for financing the operating budget	393,0	14,0	6,0	401,0
Total	**1 214,9**	**27,8**	**7,0**	**1 235,7**

([1]) Own funds used by the Commission in the numerator of the ECSC solvency ratio.

NB: As a result of the change, in 2000, in the way the financial statements are presented, the figures for 1999 have been restated to enable a comparison. For this reason, differences exist between some of the figures in this table and those in the corresponding table in the Annual Report on the ECSC concerning the financial year 1999. See paragraph 10.

Table 2

Changes in the ECSC summary balance sheet, before allocation of the surplus, between 31 December 1999 and 31 December 2000

	31.12.1999		31.12.2000	
	Mio EUR	%	Mio EUR	%
Assets				
Loans (to banks and undertakings)	2 473	55,3	2 071	52,1
Liquid assets (bank balances and bonds)	1 845	41,2	1 758	44,3
ECSC operating budget (levy, fines and subsidies receivable)	42	0,9	42	1,1
Tangible and intangible assets	1	0,0	—	—
Other assets	9	0,2	5	0,1
Prepayments and accrued income	107	2,4	96	2,4
Total assets	**4 476**	**100,0**	**3 972**	**100,0**
Liabilities				
Amounts owed (including bond issues)	2 436	54,4	2 044	51,5
Other liabilities	24	0,5	7	0,2
Accruals and deferred income	89	2,0	92	2,3
Provision for liabilities and charges	155	3,5	159	4,0
Provision for large exposures	18	0,4	17	0,4
ECSC operating budget (commitments and provisions)	949	21,2	836	21,0
— commitments	556	12,4	435	11,0
— provisions	393	8,8	401	10,1
Reserves and surplus	804	18,0	818	20,6
Total liabilities	**4 476**	**100,0**	**3 972**	**100,0**

NB: As a result of the change, in 2000, in the way the financial statements are presented, the figures for 1999 have been restated to enable a comparison. For this reason, differences exist between some of the figures in this table and those in the corresponding table in the Annual Report on the ECSC concerning the financial year 1999. See paragraph 10.

Source: Financial statements of the ECSC at 31 December 2000.

Table 3

Changes in ECSC liquid assets and principal balancing items, 31 December 1999 to 31 December 2000

(Mio EUR)

Balance sheet item	31.12.1999		31.12.2000	
	Partial	Total	Partial	Total
Liquid assets				
Loans and advances to credit institutions		76,3		33,7
— repayable on demand	5,0		8,3	
— with agreed maturity date	71,3		25,4	
Bonds (1)		1 855,6		1 803,7
— public issuers	1 223,3		995,0	
— ECSC bonds	23,4		—	
— sundry items (2)	608,9		808,7	
Total liquid assets		**1 931,9**		**1 837,4**
Balancing items				
Reserves		614,6		631,7
— Guarantee fund	553,0		565,0	
— Special reserve	27,8		42,1	
— reserve	176,1		176,1	
— utilisation (3)	– 148,3		**– 134,0**	
— Former pension fund	33,8		24,6	
— reserve	73,0		74,6	
— utilisation (4)	– 39,2		**– 50,0**	
Commitments for the operating budget		556,2		434,5
Provisions for financing the operating budget		393,0		401,0
— for budget imponderables	59,0		73,0	
— for financing of future operating budgets	334,0		328,0	
Provision for liabilities and charges		113,5		116,4
Provision for large exposures		18,0		17,0
Value adjustments		231,1		223,0
— on loans disbursed on loan capital	143,8		143,1	
— on bonds	87,3		79,9	
Sundry items		5,6		13,8
Total balancing items		**1 931,9**		**1 837,4**

(1) Before value adjustments.
(2) This item includes 98,1 Mio EUR of financial instruments issued by a defaulting debtor.
(3) Loans for the construction of social housing.
(4) Building loans granted to officials of the European Communities.

Source: Financial statements of the ECSC at 31 December 2000.

Table 4

Changes in applications of funds and in resources during the period 1993 to 2000

(Mio EUR)

Item	1993	1994	1995	1996	1997	1998	1999 (a)	2000 (b)	Variation (b) – (a)
A. **Application**									
Administrative expenditure	5,0	5,0	5,0	5,0	5,0	5,0	5,0	5,0	0,0
Commitments	531,2	386,4	277,9	201,2	180,9	154,0	145,6	129,9	– 15,7
Exceptional applications	7,1	32,5	—	—	—	—	—	—	—
Total applications (A)	543,3	423,9	282,9	206,2	185,9	159,0	150,6	134,9	– 15,7
B. **Resources in the financial year**									
Results of non-budgetary operations	201,3	112,5	90,8	95,6	143,3	69,6	82,9	82,1	– 0,8
Levy	121,3	107,7	102,3	95,9	101,6	—	—	—	—
Other budgetary resources (fines, subsidies, etc.)		4,8	11,6	4,4	4,3	12,3	19,5	3,0	– 16,5
Cancellations of commitments	94,0	63,3	70,7	90,0	195,2	134,2	85,4	71,6	– 13,8
Exceptional resources	—	91,9	—	—	—	—	—	—	—
Total resources in the financial year (B)	416,6	380,2	275,4	285,9	444,4	216,1	187,8	156,7	– 31,1
B – A	– 126,7	– 43,7	– 7,5	79,7	258,5	57,1	37,2	21,8	– 15,4
Transfer from (+)/to (–) the provision for financing the operating budget	105,9	43,3	0,3	– 58,6	– 224,9	– 26	– 13	– 8	5
Transfer from (+)/to (–) the reserves	22,0	2,0	9,0	– 19,0	– 31,3	– 30,0	– 23,0	– 12,0	11,0
Surplus for the financial year	1,2	1,6	1,8	2,1	2,3	1,1	1,2	1,8	0,6

Source: Financial statements of the ECSC for the financial years in question.

Table 5

Movements against the provision for financing the ECSC operating budget in 2000

(Mio EUR)

Items	Balance at 31.12.1999	Utilisation	Allocation	Net change	Balance at 31.12.2000
1. Available provision for financing the ECSC operating budget	393,0	– 6,0	14,0	8,0	401,0
2. Provision for fines and surcharges to be collected subsequently and for subsidies to be recovered [1]	41,7	– 1,2	1,8	0,6	42,3
Total	**434,7**	**– 7,2**	**15,8**	**8,6**	**443,3**

[1] Fines, surcharges and interest subsidies are considered to be ECSC resources only at the point when they have actually been paid. Until then, an amount equivalent to these claims is included in this provision. As a result, the 42,3 Mio EUR in question is not yet available to finance the operating budget.

Source: Financial statements of the ECSC at 31 December 2000, notes 13 and 14.3.

THE COMMISSION'S REPLIES

ECSC SOLVENCY AND DEVELOPMENTS CONCERNING THE MAIN ECSC ACTIVITIES

4 to 6. Changes in the solvency ratio reflect the strategy adopted by the Commission for the prudent financial management of the ECSC until the expiry of the Treaty.

10. The Commission has noted the Court's remark about the presentation of the financial statements and will provide a more detailed explanation of any future changes in presentation.

THE LIQUIDATION OF THE ECSC

18. The Commission would note that significant progress was achieved at the Industry Council on 14 May 2001.

The final decision will be taken after ratification of the Nice Treaty and the opinion of the European Parliament.

FOLLOW-UP OF PREVIOUS OBSERVATIONS

20. From an accounting point of view, the legal commitments are made at the level of tranches, as laid down by the accounting procedures for ECSC loans. These require the procedures for cancelling such commitments to be applied to specific 'dormant' accounts (connected with a financial tranche), i.e. accounts where there has been no movement for more than two years. These procedures have been correctly followed. During previous visits the Court of Auditors never made any specific remarks about the way subsidies are entered in the budget at the level of tranches.

The system of monitoring loans allows the Commission to identify cases where there is a likelihood of the subsidy being recalculated or repaid. However, given the fact that cancellations are irreversible, prudence dictates that the money should remain available in case a sub-borrower produces additional documents and belatedly requests payment of the subsidy.

Finally, the Commission would stress that the cancellation of these commitments has no financial impact, in the sense that the outcome of the cash operations (net balance) is not affected.

22. Despite staff shortages, the department responsible has tried to make up the delay. In order properly to examine the available data the department must check individual dossiers, working backwards in time. The introduction of clearer management procedures for the departments involved in administering the loans should enable the Commission to present the missing reports before the end of 2001.

The working party has finished its study and concluded that there was no other solution to be proposed.

23. The Commission's efforts to recover the tax levied at source were unsuccessful in 2000. The Commission accordingly initiated infringement proceedings against the Member State by sending a letter of formal notice in 2001.

CONCLUSIONS

25. The Commission adopted amended proposals on this basis on 7 March 2001, and significant progress was made at the Industry Council on 14 May 2001.