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AIDE - MEMOIRE

on the fixing of the ECSC levies and on
the drawing-up of the operational budget for 1977

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AIDE-MEMOIRE

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Following the usual practice, the views of the European Parliament are being requested before the Commission takes a decision on the levies and the operational budget of the ECSC for the financial year 1977.

This aide-memoire forms the basis for the consultation of Parliament. It is divided into the following sections:

- I. Introduction
- II. Analysis of requests submitted and possible resources for the 1977 financial year
- III. Draft operational budget of the ECSC for 1977.

The presentation of the document has been changed as follows since last year:

- the material in Chapter I concerning the economic, political and financial setting has been dealt with in greater detail, particularly as concerns the political guidelines adopted by the Commission in respect of the coal and steel sector, in accordance with the request by the Parliament set out in point 3 of its Resolution of 18 December 1975;
- the annexes include further information requested by the Parliament on trends in banking activities and the collection of the levies during the current financial year, or added by the Commission as regards the final execution of the 1975 budget.

The detailed reasons for the Commission proposal concerning the 1977 levies is given in Chapter III. The Commission now requests Parliament to approve the proposal that the 0.29% rate already in force should continue to be applied in 1977.

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The aide-memoire has also been sent to the ECSC Consultative Committee for information.

I. GENERAL INTRODUCTION

This chapter summarizes the factors necessary for appreciating the economic, political and financial background to the draft operational budget of the ECSC for 1977.

A. Economic aspects

1. The economic outlook for 1976 and 1977

Following the strong phase of expansion at the beginning of the year and the less firm progress noted during the Summer, economic growth in the Community is likely to continue in the coming months at a moderate pace. The overall increase in Gross Domestic Product for the year 1976 could amount to close on 5% in real terms. For 1977, the provisional forecasts derived in particular from the guidelines adopted up to the present in economic policy suggest a rate of increase of the order of 4%. Most member States should experience a slowing in economic growth over the year as a whole. Only the Federal Republic of Germany is likely to experience a rate of advance significantly above the Community average.

The expected development in production during 1977 will probably only lead to limited improvement in employment; there is still surplus capacity in most member States and additional capacity created will add to the surplus. In all probability, the rate of unemployment in the Community could be in the neighbourhood of 4% of the working population, which amounts to a less than satisfactory degree of improvement for most member States. The number of wholly unemployed in the Community is likely to be at least as high as in 1975.

Intra-Community trade will continue to play its part in unifying the markets as in 1976, there will be a considerable increase in Community internal trade in 1977. In most member States, investment by firms will show a limited degree of expansion with marked differences between sectors. The level of public investment and domestic housing construction should not be very different from the year 1976. Private consumption will continue to increase in volume terms, particularly in those member States in which the improvement in consumer confidence is reflected by a lower propensity to save.

The future course of inflation will depend essentially on the outcome of economic policies and the attitude displayed by unions and employers. Short of vigorous action by member States, such as has already been undertaken in some cases, there are grounds for fearing that, for the Community as a whole, consumer prices will continue to increase at an over-rapid rate. Present trends could indeed be worsened as a result of the effects of the drought on agriculture, the latest currency depreciations and world price increases. The underlying rate of inflation could not be allowed to continue at this level. It would not only place in jeopardy the Community's recovery from economic depression, it would also threaten its economic cohesion and give a lasting character to the divergent price and cost trends as between member States.

Continuance of the economic recovery, along with a worsening in the terms of trade and the longer term effects of the 1976 drought (such as imports of feeding stuffs) will be reflected by a prolongation into 1977 of the Community's current balance of payments deficit. This is

not likely to be less than the deficit for the previous year unless import demand in deficit countries diminishes while world-wide demand remains firm. The balance of payments surplus of the OPEC countries is likely to increase in 1977, while the deficits of non-petroleum exporting developing countries and those of state trading countries will tend to reduce. The efforts applied by most member countries to reducing their balance of payments deficits will only be able to meet with success, therefore, if the remaining countries in the Community reduce their surpluses and if non-member industrialised countries, notably the U.S.A. and Japan, accept a worsening in their current balance of Payments.

The following tables gives the trend figures for the Community's GDP during the period 1974 to 1976.

GROSS NATIONAL PRODUCT IN VOLUME TERMS

(% variation as compared with the previous year)

	1974	1975	1976
Belgium	3.9	- 0.8	3.5
Denmark	1.6	- 1.0	5.0
Fed.Rep. of Germany	0.6	- 3.5	6.0
France	3.9	- 2.0	5.0
Ireland	0.4	- 0.5	3.5
Italy	3.4	- 3.7	4.5
Luxembourg	4.4	- 7.7	3.0
Netherlands	2.9	- 0.9	3.5
United Kingdom	0.3	- 1.6	3.0
Community	2.0	- 2.5	5.0

Source : Commission estimates

2. Prospects in the coal sector

As the economic recovery observed in 1976 is expected to continue, energy consumption is likely to increase in 1977 compared with 1976, but it is very difficult to predict what the rate of increase will be, since it is impossible to know at present whether or not the sectors with a high energy input will expand to the same extent as the economy as a whole.

With the increase in the general demand for energy, the demand for coal will also be decisively influenced in 1977 by the trend in certain sectors such as the steel industry and the electricity sector.

Community steel production will be higher in 1977 than in 1976 simply because of the general economic situation, but because it is impossible to forecast the effect of additional economic factors peculiar to the steel industry it is difficult to make reliable estimates about the expansion of steel production. Bearing in mind that the consumption of coal and coke in the steel industry is being rationalized, the best that can be expected in 1977 is a slight increase in the demand for these products.

In the electricity industry, however, the demand for coal is likely to pick up slightly more. By virtue of the level of economic activity the rate of increase in total electricity production will probably be close to the normal annual rate of about 7%. It can be concluded that, as a result of the special aid measures to boost the use of coal in power stations and the great drought of 1976 (affecting the generation of electricity in hydro-electric power stations), coal will help to increase total electricity production in

1977, though it must not be forgotten that the potential demand for coal is determined to a large extent by the commissioning of new nuclear power stations or other power stations.

The rate of extraction, pit-head stocks and imports from non-member countries will be adequate to cover 1977 requirements, but it is difficult to evaluate the proportion in which these three sources of supplies will be used. Coal imports from outside the Community will probably be much the same in 1977 as in 1976; this would mean that increases in demand could be satisfied by Community coal. However, the internal arrangements made by the firms will determine whether and to what extent it is stocks or extraction which will be called on. Lengthy experience leads one to suppose that the rate of extraction will remain stable and that extra demand will be covered by stock lifting.

All in all, it can be assumed that the Community coal market will not differ appreciably in 1977 from 1976. Consequently, at best total production in 1977 could be between 250 and 255 million extracted tonnes compared with 257 million tonnes in 1975 and 250 million tonnes (estimate) in 1976.

As regards the financial situation of the undertakings, the coal industry is at present running into liquidity problems. Large stocks are blocking liquid assets worth 2 000 million EUA and are affecting

the implementation of investment programmes. Even a small reduction in stocks could improve matters. The high cost of bank loans are having an unfavourable effect on costs.

As regards revenue, a certain amount of fluctuation must be expected in 1977. Production costs will certainly continue to go up but it is uncertain whether these increases in costs can be offset by price rises. The trend in oil prices and world coking coal prices will determine whether the market can absorb price increases in 1977 without sales being affected. There are signs that prices might be raised, and if the increase in production costs cannot be fully offset by price rises more State aid will be needed for the long-term maintenance of production capacities in the Community.

3. Prospects in the steel sector

In the first five months of 1976 the general economic recovery, the first signs of which were seen in the Member States of the Community in autumn 1975, has clearly consolidated and in fact in a number of Member States a fresh injection of confidence has resulted in a speeding-up of the increase in the level of demand and production. However, so far the recovery in the Community has been limited to a large extent to the sectors producing semi-finished products and consumer goods while activity in the capital goods industries and in the field of exports, although starting to pick up, is still sluggish in most of the Member States.

The recovery in the Community steel industry which began around October 1975 continued in the first quarter of 1976. The new orders for ordinary steel received by the industry in the first quarter show an increase of almost 31% over the orders recorded when the crisis was at its worst, i.e., in the third quarter of 1975. Despite this big increase, the new orders received in the first quarter of 1976 are still markedly lower (by about 13%) than at the end of 1973 and during the first months of 1974. The main feature of the recovery in order books in winter and spring 1975/1976 is that it was confined solely to the Community market, since export orders continued to stagnate at the low level to which they had fallen in the summer of 1975. As a result the orders placed with Community producers by Community users in the first quarter of 1976 are about 8% lower than the average level of orders recorded in the peak period of the last quarter of 1973 and the first six months of 1974. Comparing export orders on the same basis, the falling-off was about 40%.

Monthly crude steel production in the Community broke the 11 million tonne barrier in March 1976, having fallen to 10 million tonnes during the crisis period in 1975. In the first months of the summer it reached 12 millions tonnes. Production is thus still well below the record levels (between 13 and 14 million tonnes per month) of 1974, largely because of the reduction of 1 to 2 million tonnes per month in net exports compared with 1974. It should also be noted that even with a production level of 12 million tonnes the average utilization of capacities in the

Community will not be much more than 70%, compared it is true with the figure of less than 60% during the last crisis. The reduction in the level of production compared with 1974 is more especially marked in the BLEU and the Federal Republic of Germany, the countries hardest hit by the fall in exports.

The upward trend has not continued in the second half of 1976. Since April the orders received by the Community steel industry have stagnated to some extent.

The prices of rolled products have continued to consolidate on the Community market since the end of last year. The rise in listed prices continues to be more accentuated for certain products such as cold-rolled products, coils and - more recently - hoop and wire rod. Prices have risen less markedly for concrete reinforcing bars and heavy plate. However, the basic prices for deliveries made up to the end of the second quarter of 1976 are still below the high levels of 1974.

The effect of this increase in prices is to bring returns to the level of costs which have continued to rise since 1974. In general the steel industry is now beginning to show a profit, albeit an extremely modest one, after more than a year of massive losses.

There is no appreciable increase in the prices of exports to non-member countries. Quotations have remained at the levels of the end of last year, the only favourable factor being the stability of the dollar for sales made in this currency. In April and May 1976 the only net increase in prices obtained by the companies was for sales of hoop and cold-rolled sections.

There has been a marked increase in imports in recent months.

Because of the continued sluggishness of the world market, exports are still about 40% below the peak reached in 1974.

As regards employment, short-time working in the Community steel industry has been considerably reduced, at least in terms of the number of workers affected by this type of unemployment. Forecasts prepared by the firms for May 1976 show less than 40 000 workers on short-time compared with 107 000 in March 1976 and 223 000 in December 1975. A further fall was registered in the third quarter of 1976. However, some short-time working remains at the end of the quarter in certain sub-sectors, because of the low demand for certain products. During the fourth quarter, short-time working may again increase, particularly in the long products and thick plate sectors.

In 1976 production of crude steel is expected to be about 134 million tonnes compared with 125 million tonnes in 1975. After the record total of 156 million tonnes in 1974, the production estimated for 1976 would mean that only a third of the reduction in 1975 had been made good. The initial estimates of the general economic trend point to continued economic expansion in 1977. If this turns out to be correct, steel production could also continue to increase to around 145 million tonnes. This estimate is rather unreliable as the prospects for the export of steel products, like those for industrial products, are still very difficult to predict. The same applies to investment, on which most of the steel production depends.

B. The policy context

The general objectives of the ECSC are permanently established in Articles 1 to 5 of the Treaty of Paris.

As provided for in Article 46 of the Treaty, the Commission periodically lays down general objectives for the future development of the ECSC coal and steel industries after consulting the various parties concerned, including the ECSC Consultative Committee. Although these objectives are in no way binding, they give general guidance as a basis for decisions which affect the future expansion of the production capacities. They also include a section on manpower problems in these industries; this explains the background for the various branches of social policy which come under the High Authority/Commission by virtue of the provisions of the Treaty. These objectives also depict the special economic environment within which the Community pursues its task of financing ECSC investments. This information is further supplemented by two yearly reports published by the ECSC, one on the results of the investment survey in the Community coal and steel industries and the other a financial report on the borrowing and lending activities of the ECSC. The Commission has also at Parliament's request sent it a report on the borrowing and lending policy of the Communities, in March 1976.

The remarks which follow are not intended to summarize or to replace the policy guidelines referred to above. They will be confined rather to certain key points or recent events that the Commission feels should be highlighted as being of relevance to the draft operational budget of the ECSC for 1977. These remarks therefore deal with the industries, the social policies of the ECSC and the financial activities of the current year. Some comments are also added on the operational budget and related procedures.

1. Guidelines for coal policy

It goes without saying that the guidelines laid down by the Commission for the coal industry come under the Community's energy policy.

In its communication to the Council in January 1976 on the "implementation of the energy policy guidelines drawn up by the European Council at its meeting in Rome on 1 and 2 December 1975", the Commission set out general outlines for further proposals on Community energy policy. It hoped that the Council would hold a discussion in principle on the matter before approving the draft resolution. Although this hope proved unfounded, the Commission nevertheless considers that the proposals put forward for the coal industry at that time are still valid and are still just as pressing.

First of all, the Commission feels that the coal-mining industry should be relieved of part of the financial burden involved by reason of the increase in stocks held. This stock-piling is designed to improve elasticity of supply in the industry and to help achieve the Community objective of maintaining production, thus increasing security of supply. As a very rough estimate, the Commission feels that a maximum of 50 million u.s. should be allocated yearly from the General Budget towards achieving this objective. Because of the uncertainties of the present situation the Commission has settled for a new token entry (Article 322) in its draft budget for 1977.

Secondly, the Commission has proposed extending the present system of aid for coking coal until 1985, so as to include the whole of the period covered by the Council resolutions on objectives for Community energy policy and by the Commission's communication on "Medium-term guidelines for coal 1975-85". The annual contribution from the ECSC budget to this financing operation is currently running at 6 million u.a.

Thirdly, the Commission intends to submit to the Council a proposal to encourage the use of coal from all sources in thermal power stations. This measure is designed to supplement the directives adopted by the Council in 1975 on limiting the use of natural gas and petroleum products in electricity power stations. The Commission feels that the appropriations required to encourage the use of coal in electricity power stations should also come from outside the ECSC budget. The ECSC will also maintain its existing policy under Article 54 of the Treaty for the grant of loans to assist investment for the construction of thermal power stations.

2. Guidelines for iron and steel policy

The Commission sketched the broad outlines for Community steel policy in years to come in its recent document entitled "General objectives for steel 1980/85". This document shows that steel demand and Community steel production will not increase as rapidly over the next few years as they have done in previous years. This trend accounts for the main problems anticipated in future steel policy.

Whereas formerly the accent has been placed on the three following objectives :- increase of production capacity, reduction of production costs and improvement in product quality, in the future the two last of these points which directly relate to the competitiveness of the industry must be taken as priorities.

The three determinant factors for increasing productivity are :

- to secure supplies of raw materials on the best possible terms
- to make full use of any possible scope for rationalization within the iron and steel industry
- to strengthen research effort.

As the present supply situation for raw materials is somewhat difficult, it falls to the Commission, under Article 54 of the ECSC Treaty, to do all it can to facilitate the carrying out of investment in this field. As regards improving competitiveness and steel quality, only a sustained technical research drive can meet these needs. The same consideration applies with regard to the rationalisation of the steel industry. That is why the Commission foresees a considerable increase in lending activities.

As to the qualitative improvement of the products and reduction in cost price a sustained development of technical research could well meet the needs.

Technical research must also look into other problems like the rational reutilization and recycling of raw materials and energy; the development of new production processes leading to lower-cost production and less harmful to the environment than the traditional methods and, lastly,

the improvement of measuring and analysis techniques, both for quality control and for the automation of plants. The Commission ought to make the widest possible use of this field of the provisions in Article 55 of the Treaty of Paris on the promotion of research.

In July the Commission adopted the guidelines concerning short-term policy in the iron and steel sector that it intends to follow to cope with the problem of managing this sector which occurred in the period of economic crisis. The aim is to set up machinery to help restore proper functioning of the market and to allow the undertakings to overcome their difficulties in times of crisis.

3. Guidelines for social policy

As a general rule, social policy carried out under the Treaty of Paris is not dissimilar to the policies later developed by the European Economic Community. ECSC aid to resettlement and retraining thus has aims and methods which largely reappear in the regime of the social fund, while ECSC redevelopment aid clearly falls under the same heading as the regional fund but this operates in a broader context.

However, legal differences and especially the fact that ECSC aid is financed by the industries result in a more robust aid system. Payment is mandatory, at least for worker retraining, because of the bilateral agreements between the High Authority/Commission and the Member States. The redevelopment aid system likewise ensures that this aid will create jobs which will be reserved primarily for workers from the ECSC industries. Furthermore, since 1955, the ECSC has pursued a policy of aid for the construction of housing for workers in these industries.

In June 1976, the High Authority/Commission informed the Consultative Committee of its position regarding the application of instruments of social policy which are available to it under the Treaty of Paris to social aspects of the problems of structural and technological unemployment which have arisen as a result of present trends in ECSC industries, particularly the iron and steel industry. It made three points:

- The Commission recognizes the fundamental importance of making comprehensive studies of those regions affected by iron and steel problems with a view to defining clearly the specific difficulties which can be anticipated. This work could be included with that of working out regional development programmes which the Member States have already begun in accordance with the rules governing the

regional development fund, as the areas affected by structural changes in the iron and steel industry are mainly covered by the areas eligible for aid from the regional fund. The Commission also seeks to promote studies under the Treaty of Paris (Article 46), inviting the cooperation of Member States indispensable to this end under the procedures stipulated in this Article;

- the Commission feels that Article 56 of the Treaty of Paris still remains a sound instrument permitting it, the Commission, to find the best response possible to the problems of structural employment which can be expected in the ECSC industries;
- in view of the structural changes in the iron and steel industry which are anticipated in the coming years, the Commission intends to extend its activity directed to the financing of investment likely to create employment - for which it can grant loans at reduced rates of interest within the limit of the interest arising from the sums not borrowed - in order to take account both of the consequences of rationalizing and modernizing these industries and of those of market changes. This will involve henceforth applying the first paragraph of Article 56 of the ECSC Treaty (rationalization) - until now, in fact, only the second paragraph (changes in market conditions) has been applied.

Lastly, it should be recalled that because of the 20 or so iron and steel firms situated there, the Community solidarity action adopted by the Commission in June 1976 following the earthquake which affected the Friuli region in Italy includes a contribution from the ECSC. In fact, it has decided to grant loans at reduced rates up to a maximum amount of 6 million EJA for rebuilding homes and 5 million EJA for rebuilding factories. Applications being considered at present represent a total of 5 million EJA for housing and 3 million EJA for factory investment.

4. Borrowing and lending operations since 31 December 1975

The ECSC financial report No 21 summarizes the borrowing and lending activity of the Community over the 1975 financial year and presents analytical and cumulative statistics for the whole of such activity since the beginning.

The total amount of borrowings raised in 1975 was 731 million ECU. The total amount of loans on lent over the same period was 805 million ECU. The total amount of borrowings and lendings since the very beginning thus rose to 2 872 m ECU and 2 908 m ECU respectively (including 152 m ECU in loans from non-borrowed funds). The total amount of borrowings outstanding at 31 December 1975 reached 2 391 m ECU.

During the 1976 financial year, the financial activities of the ECSC have continued to develop in order to meet the demand from undertakings.

In the first half of the year, the total amount of borrowings raised was 668 m ECU and the amount of loans on lent 766 m ECU. The total amount of borrowings outstanding thus slightly topped 3 000 m ECU at 30 June 1976.

The ECSC has continued to obtain favourable conditions on the capital market. The most significant borrowings, namely 75 million US dollars over 8 years and \$100 million over 20 years were raised on the New York market under the most favourable conditions so far obtained on this market this year.

Two loans have been granted for investments outside the Community, designed to consolidate the supply of raw materials to the Community iron and steel industry.

Given the demand to be met, ECSC financial activity over the coming months can be expected to continue at a fairly intensive level.

The table shown in Annex C to this memorandum gives a break-down of the loans on lent in the first half of the 1976 financial year.

5. The ECSC operational budget

Within the given economic and political setting, which represents more an indirect than a determining constraint in the preparation of the budget and the consequent decision to be taken on levy rates, the budgetary procedures and the categories of action and financial operations to be carried out via the operational budget have, for some time, been quite firmly established either by the Treaties or by practices accepted by the bodies concerned for several years.

However, in an attempt to codify this practice and to update it to take account of the new budgetary guidelines already applied to the General Budget, the Commission adopted on 2 August 1976 a number of "Internal Rules for drawing-up and implementation of the ECSC operational budget", thereby bringing together in a single document provisions comparable to those applying to the General Budget.

During the year the Commission has acted on two recommendations set out in Points 6 and 7 of the Resolution adopted by the Parliament on 18 December 1975 concerning the fixing of the rate of levies and the drawing-up of the operational budget for 1976:

- by virtue of Decision 755/76/ECSC of 31 March 1976 (OJ No L 89 of 2 April 1976), the Commission decided to postpone by two months the date on which the levy on steel production for the months of March-December 1976 is payable,
- by Decision No 2239/76/ECSC of 15 September 1976 (OJ No L 252 of 16 September 1976) the Commission has taken steps to restrict the increase in the average values used to calculate levies if a falling-off in economic activity points to a coming drop in average values in comparison with the values recorded over the reference period.

During 1976/77, the ECSC finances are having to bear unexpected social costs in view of the sectoral aid already referred to above and approved by the Commission for the vital reconstruction work following the earthquakes which hit the Friuli region. The aid is in the form of reduced-rate loans.

C. FINANCIAL CONTEXT

As regards the financial background to the preparation of the 1977 operational budget, it may be noted that :

- the rise in prices continues to be an important factor in assessing forecasts. Comparing the 1976 and 1977 financial years, it may be assumed that costs will increase by 9 or 10%;
- interest rates continue to reach a fairly high average level; this suggests that despite the Commission's decision to postpone the date on which levies for the months of March-December 1976 are due, the return on liquid assets for the current year will enable a significant contribution to be made to the current resources of the operational budget for 1977.

Following Commission Decision No 3289/75/ECSC of 18 December 1975 introducing the adoption by the ECSC on the European Unit of Account (EUA), this unit of account, which is based on a basket of Community currencies, has been used in all operations under the operational budget since 1 January 1976. The implementing procedures for the various fields have been approved by the Commission and incorporated into the internal budgetary rules which were adopted on 2 August 1976.

Whereas there have been no insurmountable problems so far over the introduction of the EUA system - under which all debts and claims and an increasing number of payments issued by the Community have to be expressed in EUA - its introduction has called for a special learning effort both on the part of the Commission's administrative departments and by those paying the levy or executing ECSC contracts. The Commission is pleased that this work has been successfully completed.

II. ANALYSIS OF EXPECTED EXPENDITURE AND POSSIBLE RESOURCES IN THE FINANCIAL YEAR 1977

Article 49 of the Treaty establishing the European Coal and Steel Community authorizes the Commission to procure the funds it requires to carry out the activities laid down in that Treaty by imposing levies on the production of coal and steel. Pursuant to Article 50, these levies are assessed annually on the various products according to their "average value", but the "rate" may not exceed 1% unless previously authorized by the Council.

For the purpose of fixing this rate, it is necessary first to estimate financing requirements and then to see how far they can be met from resources other than the levies, in particular interest on investments and on loans financed out of capital resources and also provision cancellations. In this way, the amount to be covered by the levies can be determined.

In addition, on the basis of a preliminary assessment of the average value of the various products and given the likely volume of output during the year, the probable yield from one levy "point", i.e., from a rate of 0.1%, is calculated. This calculation, therefore, hinges on an estimate of output which is difficult to make owing to the extreme sensitivity of the industries concerned to any sudden change in business conditions.

It is then necessary to determine to what extent the Community should forego financing the entirety of the requirements reported which come well above resources provided by the present rate, or to what extent the rate should be revised upwards or downwards.

Since 1972, the rate has been fixed at 0.29%.

The following presentation of expected expenditure and foreseeable resources has been rearranged and is modelled on the systematic analysis of the data on the different budget headings in the General Budget, as shown in Part II of the General Introduction to the Preliminary Draft General Budget for the Financial Year 1977. It contains a number of minor amendments to the nomenclature used made necessary by the internal budget rules. As with the General Budget, this presentation lists separately the main features of each chapter (legal basis and description of operation, type and breakdown of expenditure, explanation). To permit a better assessment the explanations given for non-compulsory expenditure (research and interest subsidies) are more full than for the other chapters.

A. EXPECTED EXPENDITURE IN 1977

1 - ORDINARY REQUIREMENTS

CHAPTER B 1 - RUNNING COSTS: ADMINISTRATIVE EXPENDITURE

1. Legal basis and description of operation

Legal basis:

- Article 50 of the ECSC Treaty.
- Article 20 of the Merger Treaty.

ECSC contribution to the Commission's operating expenditure.

2. Type and breakdown of expenditure

Annual lump-sum payment made in 12 equal monthly instalments.

3. Explanation

The amount of 18 million u.a. (units of account of the General Budget) laid down in the Merger Treaty is still applicable.

CHAPTER B 2 - AID TO RESETTLEMENT

1. Legal basis and description of operation

Legal basis:

- Articles 50 and 56 of the ECSC Treaty
- Bilateral agreements concluded between the High Authority/Commission and the governments of the Member States.

The High Authority/Commission provides non-repayable aid towards:

- the payment of tideover allowances to workers;
- the payment of resettlement allowances to workers;
- the financing of vocational training for workers having to change their employment.

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, unless an exception is authorized by the Council, acting by a two-thirds majority.

2. Type and breakdown of expenditure

Earmarking of funds intended to subsidize, by means of a 50% reimbursement, expenditure incurred by the governments within the scope of the agreements signed.

The breakdown by product and by country of the expenditure estimates made by the governments is as follows:

m EUA			
Country	Coal	Iron and steel iron ore	Total per country
Federal Republic of Germany	5.5	3	8.5
Belgium	1.5	1	2.5
France	1	4.5	5.5
United Kingdom	3.5	2.5	6
Other	0.5	2	2.5
Total per industry	12	13	25

The social repercussions of the present situation are still difficult to predict and it is to be noted that the forward figures are highly unreliable.

3. Explanation

The coal industry's foreseeable expenditure is down on 1976, mainly as a result of the progress made in rationalizing the industry in the Federal Republic of Germany. By contrast, foreseeable expenditure in the iron and steel industry has risen owing to the gradual rationalization and restructuration of the industry. On balance, the level of expected expenditure in the two industries is still, therefore, relatively stable (25 m EUA for 1976 and for 1977), representing a slight fall in real terms once price inflation is taken into account.

CHAPTER B 3 - AID TO RESEARCH

1. Legal basis and description of the operation

Legal basis: Articles 50 and 55 of the ECSC Treaty

The High Authority/Commission grants non repayable aid to finance technical and economic research relating to the production and increased use of coal and steel and to occupational safety in the coal and steel industries.

2. Type and breakdown of expenditure

Earmarking of the amounts intended for part subsidies which take the form of the 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; these cover, in particular, the consultation of the ECSC Consultative Committee and the receipt of the Council's assent. In most cases the aid granted amounts to 60% of the estimated and justified costs.

The applications can be broken down as follows:

m EUA

Heading	Sector	Aid requested
B 3.1	Steel	44.5
B 3.2	Coal	32
B 3.3	Social and medical	9.3
	TOTAL	85.8

3. Explanation

Steel research

The general orientation of technological progress within the Community and the measures to be taken to achieve these goals up to the end of the present decade are contained in the "General Objectives for Steel 1975-80". In outlining the specific strategy to be applied in connection with the research programme to be adopted in 1977, it is first necessary to examine certain aspects of the current situation within the Community's steel industry.

Following the serious drop in demand for steel in 1975 and the consequent very low level of utilization of production capacity in the Community, the industry has devoted considerable efforts - by improving efficiency and productivity - to minimizing the impact of this recession; these operations have demonstrated the vitally important contribution that new technology is making and will continue to make towards achieving improved manufacturing methods and reductions in production costs. Indeed, such measures are essential to ensure the long-term competitiveness of the industry.

Furthermore, the prevailing economic climate within the industry continues to exert considerable pressure on the funds available for research and development. Thus, the contribution being made by the ECSC to technological progress in the steel sector is of increasing importance for the industrial laboratories, the research institutes and the universities participating in this collaborative research effort.

In addition to the problems resulting from a low level of demand and the weak export markets, an examination of the future pattern of development of the steel industry indicates that international competition - already severe - will intensify further. This competition, which will range from differences in product quality and sophistication to straightforward price differentials, will come both from the established steel-producing nations and from the rapidly-expanding steel industry of the developing world. Further technological progress and innovation by the Community's steel industry will be essential if it is to continue to meet this challenge; this will be achieved only if the requisite long-term research and development work is undertaken; the implications for the ECSC programme are obvious.

One of the most important aspects of the future development of the Community's steel industry concerns the raw materials (particularly energy) for which the Community's steel producers are heavily dependent on external sources of supply. These materials not only represent the largest single item of cost in steel production (approximately 55 to 60% of total costs, of which energy represents one half) but they are today international commodities subjected to world fluctuations in price and demand. There are enormous pressures, therefore, to utilize raw materials more efficiently and to have the capability of substitution, e.g. replacing coke by oil or reducing gases in the blast furnace or scrap by sponge iron in steelmaking, as dictated by availability or economic factors. While the ECSC has already made a significant contribution to technological developments in this field, further Community research will be essential to ensure greater flexibility and economy in the use of raw materials.

To meet specific needs within the Community's steel industry, priority will be given to the following areas of research:

- energy utilization (reduced consumption, improved efficiency and flexibility);
- casting (conventional and continuous) and processing of steel (to increase productivity and to enhance the quality of semi-finished and finished products);
- properties of steel (particularly weldability, resistance to corrosion and wear, to achieve further improvements in service performance and thereby extend the "useful life" of steel structures);
- utilization of steel (to expand markets and thus demand. This will include further support for the development and application of steels to exploit available energy resources e.g. off-shore structures, steel gas and oil pipelines, etc.);
- measurement and monitoring (to further advance automation and mechanization of production processes in iron- and steelworks);
- basic research (ranging from iron- and steelmaking to physical metallurgy; essential to provide the necessary background for future technological development in ferrous metallurgy).

Coal research

The coal research requirements are closely based on the Community's energy policy objectives, particularly the objective laid down by the Commission and Council of maintaining the production level at 250 m tce per year up to 1985. If these productivity and production targets are to be achieved, research must be stepped up. The first effects are already being felt.

The technical research targets adopted by the Commission and published on 30 January 1975 (OJ No C 22, 30 January 1975) advocated, in particular, the grant of annual aid to coal research, totalling some 15-20 m EUA, to promote research projects in the extraction and upgrading of coal.

Furthermore, in view of the inadequate coking coal reserves and their high price, additional efforts must be made to develop alternatives, such as formed coke. The application of such alternative processes will produce favourable results from two viewpoints: the upgrading of Community coal and its use as coke for the iron and steel industry at lower costs.

Finally, within the framework of the energy policy, ECSC aid must be granted to certain projects of a preliminary and fundamental nature in the field of the conversion of solid fuels into hydrocarbons.

The applications which have already been submitted or notified concern the following research projects:

Underground

- preparatory work
- firedamp, ventilation, atmosphere and strata pressure
- winning and working
- general facilities underground
- automation and economics of operations

Upgrading

- coking
- coal preparation

Conversion into hydrocarbons

- gasification
- coal liquefaction

Social and medical research

The social research requirements relate mainly to working conditions, safety at work, environmental protection and the protection of workers' health in the ECSC countries.

The undertakings and their technical departments still urgently require solutions to problems arising in the fields listed above. The problems of prevention are directly linked with the functioning of the enterprises, and require to be re-examined with each new technical development introduced into the industrial processes.

The redefined medium-term objectives for coal and steel respectively specify that the prevention and production must be dealt with at all stages in the development of technical research.

The requirements stated above are always pressing and real. For example, it must be realized that in the coal industry the problem of measures against pneumoconiosis is an ever-present worry to the industry in spite of the undeniable progress made. Hence, at the beginning of 1977, the Commission intends to start up a new research programme, the "Fourth Health in Mines Programme".

The outline Mine Safety programme launched by the Commission will get under way in 1977. The rate at which applications are being received likewise confirms the steel industry's interest in reducing those sources of pollution for which it is responsible and in cleaning up the atmosphere at its sites. The medical research activities begun under the various programmes and covering chronic respiratory diseases, ergonomics and rehabilitation are continuing.

In a broader context, it should be remembered that, in a very general way, workers have for some time now tended to refuse special payments for dangerous, unpleasant or arduous work and are insisting, during negotiations, on the removal of the danger and of the causes of unpleasant and noxious conditions. The Commission must therefore encourage research - such as ergonomic research on specific jobs - which could lead to improvements in working conditions.

To meet the known requirements, the Commission plans to continue with the outline programmes already adopted or being prepared and covering the following fields:

- prevention and treatment of chronic respiratory diseases,
- ergonomics and retraining,
- pollution control in the steel industry,
- industrial health in mines,
- mine safety.

CHAPTER B 4 - AID IN THE FORM OF INTEREST RATE SUBSIDIES

1. Legal basis and description of operation

Legal basis: Articles 54 (investments) and 56 (redevelopment) of the ECSC Treaty. Decisions of the High Authority and the Commission

The ECSC may use its resources in own funds to provide interest rate subsidies on certain types of loans. The amount of the subsidy is calculated in EUA on the terms laid down by the Commission. Currently, the calculations are based on an interest rate subsidy of 3% over a period of five years.

2. Type and breakdown of expenditure

Earmarking the sums intended to cover part of the interest due on loans made by the ECSC, in accordance with interest rate subsidy contracts drawn up between the Commission and the beneficiaries thereof.

The details of requests received are as follows:

in EUA

Title	Sector	Aids requested
B 4.1	Investments	8.5
B 4.2	Redevelopment	15
TOTAL		23.5

3. Explanation

Investments

In the investment field, the chief aim of subsidized interest loans is to improve and reorganize the structure of the industries forming part of the ECSC. The conditions for receiving interest rate subsidies relate to the following categories:

- environment: expenditure on environmental protection represents approximately 15% of the expenditure of the ECSC industries. When dealing with this expenditure, the Commission has had to be selective in spending the reduced amount available for interest subsidies. The selection criteria are set out in the Official Journal of 25 November 1974; in short, the subsidy is restricted to exceptionally high investments on existing installations and to innovatory investments;

- the elimination of bottlenecks: to date the subsidies in this sector have been limited to investments likely to remedy the shortage of coking coal. The investment survey sets out the investments in coking plants, a large proportion of which could satisfy the interest subsidy criteria. Other shortages of capacity may be considered for subsidy;

- research and vocational training centres: the Commission attaches a high priority to investment of this type, which has a determining influence on the future of the ECSC industries.

Redevelopment

Subsidized loans are granted for any redevelopment which will help to maintain jobs in those regions affected by the running down or closing down of any industrial activity coming under the ECSC Treaty. The Commission grants these loans to undertakings which absorb coal or steel workers who have become redundant or which - by means of economically sound activities - maintain the level of employment previously provided within in those sectors in the regions in question. The undertakings concerned benefit from a reduced interest rate to the extent that they undertake to create new jobs in these regions and give former workers of the ECSC industries first refusal of any vacancies.

The requests for aid in this sector are on the increase, particularly as a result of structural changes in the steel industry. Work on this restructuring can only continue on socially acceptable terms if the necessary measures are taken with regard to maintaining jobs for the workers directly affected.

CHAPTER B 5 - SUBSIDIES BASED ON ARTICLE 95 OF THE ECSC TREATY
(COKING COAL AND COKE FOR THE STEEL INDUSTRY)

1. Legal basis and description of operation

Legal basis:

- Article 95 of the ECSC Treaty;
- Commission Decision No 287/73/ECSC of 25 July 1973
(OJ No L 259 of 15 September 1973).

The ECSC transfers a contribution to the special fund managed by the Commission and set aside for subsidizing the intra-Community marketing of coking and coal originating in the Community and intended for the iron and steel industry. In accordance with Decision No 287/73/ECSC of 15 July 1973, the financing of the fund is shared between the Community, the Member States and the steel industry.

2. Type and breakdown of expenditure

Earmarking of a lump sum contribution of 6 m EUA to the fund, whose total has been fixed at a maximum of 25.6 m EUA for 1977. The subsidies due are determined on the basis of the supplied tonnage eligible for aid up to a maximum of 15 million tonnes per year.

3. Explanation

The aim of the special system of aid to coking coal and coke, dealt with in Decision 287/73/ECSC of 15 July 1973, is to help maintain production of coal intended to be supplied to the Community steel industry's blast furnaces and to subsidize the marketing of the coal and the coke manufactured from it at prices reflecting those on the world market.

In this field the Commission felt the need to maintain a certain production capacity as well as the requisite

labour force to man that capacity in the best possible conditions and that it would therefore be desirable to have at its disposal a suitable system of aid as the problem of the Community's production of coking coal is of interest to all the Member States, particularly since there is a considerable trade in coking coal within the Community.

Proposals to modify both the level of the subsidies and the ECSC contribution are being examined, this might lead to a change in requirements, either to make up for the effect of applying the EUA to this system of subsidies, or in order to review and continue the subsidy system which would otherwise end at the end of 1978.

2. REQUIREMENTS NOT INCLUDED IN THE BUDGET - LOANS FOR FINANCING SUBSIDIZED HOUSING

To the requirements for non-repayable finance to be found from the year's resources, should be added a reference to the ECSC's "below-the-line" intervention which it has been providing since 1956 to finance social housing. Forecasts for this programme are included in this aide-mémoire in order to complete the picture of overall ECSC interventions provided for Parliament and the Consultative Committee. For the sake of convenience they have been provided in the same analytical format as for the requirements already described.

1. Legal basis and descriptions of operation

Legal basis: Art. 54 and Decisions by the High Authority/Commission assigning for use on housing programmes the "special reserve" funded by interest on investments and loans from non-borrowed funds.

The ECSC intervention takes the form of reduced interest loans, and helps to ease the cost of financing housing by combining the funds made available by the Community with other nationally provided resources.

2. Type and breakdown of expenditure

Grant of long-term 1 % interest rate loans to the responsible national bodies.

The second phase of the eighth subsidized housing building programme (1975-78) which is planned for 1977 and 1978 will require a sum of 30 m EUA spread over the financial years 1977 and 1978, depending on funds available. Allocations to the various interested parties in the nine countries will be decided by the Commission when the round of prior consultations has been completed.

3. Explanation

The main reason for proposing to set aside 30 m EUA the second phase (1977-78) as compared with the 25 m EUA for phase one (1975-76) is the increase in construction costs. Also, the requirements put forward far exceed the limits of the aid available.

This project is intended to subsidize the following projects:

- housing for labour employed in the new coastal steelworks; steelworks;
- housing linked with industrial restructuration in the traditional steel centres and in those coal fields where production is to be increased;
- specific solutions for immigrant workers;
- housing to be modernized as part of the move to renovate steel and mining urban centres.

This project is therefore in the interests of the workers, since it alleviates the effects of price increases and high interest rates, and of benefit to the industry since it indirectly facilitates restructuration.

3. EXCEPTIONAL REQUIREMENTS - FRIULI

The reduced interest loans of 11 m EUA which the Commission decided to grant as the ECSC's share in Community aid to the Friuli earthquake victims could all be classified as "below the line" expenditure, which would not figure in the Operational Budget, since these are not non-repayable grants.

Nevertheless, the Commission, in its concern for clarity and budgetary transparency, has decided to add a special chapter "Aid to Friuli victims (allocation to the reserves)" to the ECSC's budgetary nomenclature and to enter against it the amounts concerned, i.e. 6 m EUA in 1976 and 5 m EUA in 1977.

The financing of the 6 m EUA in 1976 will be covered by recourse to the budget contingency reserve of 3 m EUA created last year and by allocating to the reserves the surplus over a levy yield of 90 m EUA as provided in the Commission's original budget (see the amending ECSC Operational Budget for 1976, at Annex B, below). A similar allocation of 5 m EUA is needed in the 1977 Operational Budget.

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4. SUMMARY OF REQUIREMENTS PUT FORWARD

Total requirements put forward therefore amount to 163.3 m EUA to be financed under the operational budget, plus 15 m EUA in the form of below-the-line loans at low interest rates for the building of subsidized housing. The figures for requirements put forward are summarized in Annex D, in the "requests" column.

B. POSSIBLE RESOURCES

1. RESOURCES FOR THE FINANCIAL YEAR

CHAPTER R 1 - CURRENT RESOURCES

1. Legal basis and description

Legal basis:

- Articles 49 and 50 of the ECSC Treaty
- Decisions No 2/52 and 3/52 of 23 December 1952

The levies are calculated on the basis of a fixed scale per tonne which is decided each financial year by the High Authority/Commission and published in the Official Journal.

Resources from interest on investments and loans from non-borrowed funds will be finally determined when the Commission closes the accounts on 31 December 1973. Pursuant to the decision it adopted on 30 April 1975, the Commission will enter the interest available from the previous financial year in the budget of the current year.

2. Type and breakdown

Levy resources are claims identified in respect of levies due on production in the 1977 financial year and quantified on the basis of the production declarations made by undertakings.

Interest will be credited in accordance with the allocations decided by the Commission when it closes the accounts on 31 December 1976.

A breakdown of forecast resources - according to the latest estimates - is given below.

Title 1.1: Levy

Tonnage subject to the levy, and yield of one "point" of levy (= yield at a rate of 0.1%)

Product	Production serving as a basis for calculation of the levy in million tonnes	One levy "point" in mU.A.
Brown-coal briquettes and semi-coke	4.4	0.08
All types of hard coal	216.0	7.56
Total for coal		7.64
Pig iron other than that required for the manufacture of ingots	5.8	0.51
Steel in ingots	143.0	16.77
Finished products	102.9	5.77
Total for steel		23.05
GRAND TOTAL		30.69

Other Titles

Titles	Heading	m EJA
R 1.2	Interest on investments and loans from non-borrowed funds	16
R 1.3	Fines and increased interest for delay in payment	token entry
R 1.4	Miscellaneous revenue	token entry

3. Explanation

The latest estimates of the average values which serve as a basis for calculation of the levies reveal that the figures for the 1977 financial year which concern the reference period from 1 July 1975 to 30 June 1976 will be 15% higher in the case of coal and 10-12% lower for steel compared to those for the previous financial year.

It should be noted that there is an appreciable margin of uncertainty in these figures, because the departments concerned are not yet in possession of all the necessary data and forecasting production in the present short-term economic conditions is very uncertain.

The amount of revenue from interest is based on an advance estimate of the resources which the Commission will be in a position to allocate when it closes the accounts on 31 December 1976.

CHAPTER R 2 - CANCELLATIONS OF COMMITMENTS WHICH WILL PROBABLY NOT BE USED

1. Legal basis and description

The allocation of funds earmarked on the strength of Commission and decisions must be confirmed within a reasonable time limit by the contracting of legal commitments.

The Commission's internal rules on the drawing-up and implementation of the ECSC operational budget therefore provide that in the event (exceptional as it may be) of undue delay at this stage the earmarked funds will be cancelled.

They also provide that once all parties have discharged their obligations under a legal contract, any unused allocation earmarked for that item will likewise be cancelled.

The amounts thus released become available again as resources for the current financial year.

2. Nature and breakdown

Save in the exceptional cases where decisions on the earmarking of funds are not followed up within a reasonable period of time by legal commitments, any cancellation of earmarked funds normally indicates complete discharge of the contract, agreed with the contracting party concerned.

The estimate of 6 m EUA shown in this chapter relates, in essence, to cancellations of allocations for resettlement aid. Only a token entry would be needed for the other items which could be involved (cancellations of balances remaining in respect of contracts which have been performed in full, delayed legal commitments, etc.).

3. Explanation

It is difficult to estimate the rate of cancellation arising from resettlement programmes as it depends on the negotiations to be held with the governments concerned. The estimated figure of 6 m EUA takes into account the fact that some major closures will be completed in 1977.

CHAPTER R 3 - REVALUATION OF ASSETS AND LIABILITIES

This chapter, under which a "token entry" has been entered, will bring to account the net effect of the changes in rates of conversion during the financial year.

CHAPTER R 4 - UNUSED RESOURCES FROM THE FINANCIAL YEAR 1976

This chapter, under which a "token entry" has been entered, will enable any balance remaining from the funds of the previous financial year to be entered as resources for the current financial year.

2. COVERING OF REQUIREMENTS NOT ENTERED IN THE BUDGET

Provision has been made for the following resources to cover requirements for the construction of subsidized housing:

- repayments on earlier loans (7 m EUA);
- a part of the special reserve and of the former ECSC pension fund (8 m EUA).

3. SUMMARY OF POSSIBLE RESOURCES FOR 1977

The estimates of resources other than levies amount to 22 m EUA (interest available - 16 m EUA; cancellations - 6 m EUA). As the yield from levies has been estimated at 30.69 m EUA, the resources obtained from levies can be estimated at 89 m EUA on the basis of the rates currently applied. Any variation of 0.01% in the rate would alter the amount by some 3 m EUA. The estimated resources are summarized in Annex D in the section on "resources".

III. DRAFT OPERATIONAL BUDGET FOR 1977

A. RATE OF LEVY TO BE ADOPTED

The information set out above and summarized in Annex D reveals that the total requirements to be covered from the resources of the financial year amount to 163.3 m EUA, whilst the amount of resources available on the basis of the currently-applicable rate of levy of 0.29% would be only 111 m EUA. To meet all requirements in full, the rate of levy would have to be fixed at 0,46 %.

However, the Commission considers it inadvisable to impose such a high rate of levy on the ECSC countries.

The Commission would, however, draw attention to the fact that funding requests for 1977 exceed the 137 m EUA sought for 1976 by substantially more than the 10% which might be the foreseeable price increase between the two years. By contrast, requests are up by 19 %. Even to maintain the real value of the initial operational budget for 1976 would call for a rate of 0.31%.

Nevertheless, the Commission would point out that it has tried in its levy policy to maintain stability, to save those subject to the payment of levies from the disadvantages of a rate of levy which varies every year. Furthermore, in its capacity as High Authority of the ECSC, the Commission is obliged to take fully into consideration of the financial position of the industries who pay the levy. Being aware of the difficulties mentioned above, which were inherited from the economic crisis, and conscious of the psychological effect which an increase in the rate could have at a time when activity, especially in the Community's iron and steel industry, should be reviving, the Commission has decided not to increase the rate and is proposing that the rate of 0.29% which has already been in force since 1972 should be maintained in 1977.

The result of this decision is that the operational budget for 1977 will be subject to exceptionally stringent financial restrictions, since the estimated resources are lower in real terms than those available in the budget for the previous financial year, whilst the requirements are far higher.

The consequences of the application of a rate of 0.29% in respect of satisfying requirements for the financial year 1977 are set out below.

B. DRAFT BUDGET

The draft budget drawn by the Commission for the financial year 1977 is set out in Annex D.

Since resources are limited to 111 m EUA, it is necessary to review priorities.

Among the requirements to be satisfied, three are unavoidable i.e.:

- the contribution to the "administrative expenditure"	18 m EUA
- the amounts to be allocated for "aid to resettlement"	estimated at: 25 m EUA
- "aid to coking coal":	6 m EUA
	<u>49 m EUA</u>
	i.e. <u>49 m EUA</u>

Furthermore, priority must be given to the provision of the 5 m EUA earmarked for intervention to help victims of the Friuli disaster.

Consequently the sum of 57 m EUA remains for distribution amongst non-compulsory expenditure. Taking into account the considerations set out above, the Commission proposes to allocate 42 m EUA for research and 15 m EUA for interest rate subsidies.

Consequently, despite inflation and the big increase in applications, the amounts assigned to these chapters remain as shown in the budget for the current financial year.

The Commission proposes the following allocation within these chapters:

Research (42 m EUA):

The sum of 9 m EUA assigned in 1976 has been maintained for social and medical research, leaving 33 m EUA for technical research, shared equally between steel and coal.

Interest subsidies (15 m EUA):

The Commission proposes to allot 9 m EUA to redevelopment operations in view of their growing importance. The remaining 6 m EUA will be allocated to interest subsidies for investment.

The breakdown of these funds is shown in Annex C.

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The Commission therefore asks Parliament to agree that the levy for 1977 should be set at 0.29%.

IMPLEMENTATION OF THE ECSC OPERATIONAL BUDGET FOR 1975

This year, for the first time, the Commission is including the final figures for the implementation of the budget for the year ended as an Annex to the annual aide-mémoire on the ECSC operational budget.

Until 1968 the figures for the implementation of the budget for each year used to be published in an ECSC communication, the "General Statement on the Community's financial position". As this was discontinued on the merger of the executives, the Commission thought it appropriate to include the final figures for the implementation of last year's budget in this year's aide-mémoire to provide more budgetary information for the bodies concerned, i.e., the European Parliament and the ECSC Consultative Committee.

The amending operational budget for 1975, totalling 98 m u.a., was presented as Annex I to last year's aide-mémoire (SEC(75)3239 final of 29 October 1975) and published in OJ L 295 of 14 November 1975.

The figures for the implementation of this budget as at 31 December 1975 are shown in the table below. The final budget total was 99.5 m u.a.

Consequently, requirements exceed the estimates of the amending budget by 1.5 m u.a. because of the commitments for aid to resettlement which is mandatory expenditure pursuant to Article 56 of the ECSC Treaty. This rise would have been offset by miscellaneous resources of 0.6 m u.a. and an increase from 11 to 13.5 m u.a. in the cancellation of commitments, had levy income not fallen short 2.8 m u.a. (70 m u.a. instead of 73 m u.a.) because steel production was even lower than forecast in the amending budget. The resulting deficit is $1.5 - 0.6 - 2.5 + 2.8 = 1.2$ m u.a.

This deficit is to be charged to the budget for the following year when this is amended (see Annex B).

IMPLEMENTATION OF THE ECSC OPERATIONAL BUDGET FOR 1975.

(in m u.a.)

REQUIREMENTS	BUDGET ⁽¹⁾ FIGURES	FINAL FIGURES	RESOURCES	BUDGET ⁽¹⁾ FIGURES	FINAL FIGURES
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			CURRENT RESOURCES		
1. Administrative expenditure	18	18	1. Levy yield	73	70.2
2. Aid to resettlement (Art. 56)	26	27.5	2. Interest on investments and on loans from non-borrowed funds	14	14
3. Aid to research (Art. 55)	35	35	3. Miscellaneous	token entry	0.6
(a) steel	(16.3	(16.3			
(b) coal	(13.4	(13.4			
(c) social	(5.3	(5.3			
4. Aid to coking coal (Art. 95)	6	6	4. Cancellation of commitments which will not now be implemented	11	13.5
5. Interest subsidies	13	13	5. Unused resources carried over from the financial year 1974	token entry	-
(a) Article 54 - Investment	(7	(6.4	6. Deficit ⁽²⁾		1.2
(b) Article 56 - Redevelopment	(6	(6.6			
	98	99.5		98	99.5
OPERATIONS FINANCED WITH LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
6. Social housing	12.5	12.5	7. Repayments on loans for social housing	6.4	5.3
			8. Part of the former ECSC Pension Fund or of the special reserve	6.1	7.2

(1) OJ L 295 of 14 November 1975, page 43 (amending budget).

(2) To be covered in the amending budget for the financial year 1976.

FORECAST IMPLEMENTATION OF THE ECSC OPERATIONAL BUDGET FOR 1976

The forecast given in the table below shows an increase in levies of 3 m EUA, partly because of a rise in the average value figures for steel finally adopted compared with the provisional figures used in the initial calculation and partly because the difference between the old u.a. and the new EUA, this difference being somewhat bigger than was allowed for.

The forecast for the cancellation of commitments also shows a rise of 1.6 m EUA (3.6 m EUA instead of 2 m EUA) due mainly to the cancellation of conditional commitments for steel research because of delays in the negotiation of a contract.

In addition, following the Friuli earthquake disaster, the Commission has decided to use the 3 m EUA allocation set aside last year for budgetary contingencies.

This brings the budget total from 106 m EUA to 113.6 m EUA
(106 + 3 + 1.6 + 3 = 113.6).

In its amending budget the Commission upheld its decision, as contained in the footnote to the initial budget, to assign any surplus from the levies to reserves.

This along with the contingency allocation will facilitate in particular the financing of aids in the form of loans (11 m EUA) decided on by the Commission in June to help Friuli disaster victims. To bring this special aid into the budget it therefore added an extra item for "Aid to Friuli victims (allocation to reserves)" to the forecast requirements.

Information relating to levies

In its Resolution of 18 December 1975 on the operational budget for 1976, the European Parliament asked the Commission to supplement this aide-mémoire by an up-to-date account of production and of the levy yield for the current financial year. The latest available information is given below:

Levy yield for the period from January to June 1976 (1)

Products	Production serving as a basis for the calculation of the levy in million tonnes	Levy yield in m EUA
Brown-coal briquettes and semi-coke	1.9	0.1
All types of hard coal	97.7	8.6
Total for coal		8.7
Pig iron other than that required for the manufacture of ingots	2.4	0.8
Steel ingots	66.0	27.5
Finished products	49.1	9.1
Total for steel		37.4
GRAND TOTAL		46.1

(1) information available 15 October 1976

AMENDING ECSC OPERATIONAL BUDGET FOR 1976

(in m EUA)

REQUIREMENTS	ESTIMATES		RESOURCES	ESTIMATES	
	initial	amended		initial	amended
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			CURRENT RESOURCES		
1. Administrative expenditure	18	18	1. Levy yield	90	93 ⁽¹⁾
2. Aid to resettlement (Article 56)	25	25	2. Interest on investments and on loans from non- borrowed funds	14	14
3. Aid to research (Article 55)	42	43.4	3. Miscellaneous	token entry	token entry
(a) steel	(16	(17.4			
(b) coal	(17	(17			
(c) social	(9	(9			
4. Aid to coking coal (Article 95)	6	6	4. Cancellation of commit- ments which will not now be implemented	2	3.6
5. Interest subsidies	15	14	5. Unused resources carried over from the financial year 1975	token entry	—
(a) Investment (Article 54)	(7	(6			
(b) Redevelopment (Article 56)	(8	(8			
6. Aid to Friuli victims (allocation to reserves) ⁽¹⁾	—	6	6. Drawing of allocation for budgetary contingencies	—	3
7. Deficit from 1975 financial year	—	1.2			
	106	113.6		106	113.6
OPERATIONS FINANCED WITH LOANS FROM NON-BORROWED FUNDS			ORIGIN OF NON-BORROWED FUNDS		
8. Social housing	12.5	12.5	7. Repayments on loans for social housing	6.4	6.4
			8. Special reserve and part of the former ECSC Pension Fund	6.1	6.1

¹The surplus levy yield over 90 m EUA is allocated to the reserves as envisaged in the initial budget.

BREAKDOWN OF LOANS FOR THE FIRST SIX MONTHS OF 1976

ANNEX C

(in m EUA)

Sector	Federal Republic Germany	Belgium	Denmark	France	Italy	Nether- lands	Luxembourg	United Kingdom	Ireland	Community
I Coal industry	-	-	-	27.95	-	-	-	58.83	-	86.78
Iron and steel industry	86.95	1.92	-	42.26	117.42	35.49	-	348.36	-	632.40
II Industrial redevelopment	-	-	-	17.24	13.86	-	-	7.19	0.55	38.84
III Social housing	4.85	0.92	-	1.25	0.29	0.17	0.07	0.05	0.16	7.76
GRAND TOTAL	91.80	2.84	-	88.70	131.57	35.66	0.07	414.43	0.71	765.78

This table has been added at the request of the European Parliament for an up-to-date account of asset and loan activities (see point 3 of its Resolution of 18 December 1975 on the fixing of the ECSC levies and on the drawing-up of the operational budget for 1976). It supplements the information given in this connection on page 19 of the Aide-mémoire.

(in m EUA)

REQUIREMENTS	APPLICATIONS	PROPOSALS	RESOURCES	PROPOSALS
OPERATIONS TO BE FINANCED FROM CURRENT RESOURCES (NON-REPAYABLE)			RESOURCES FOR THE FINANCIAL YEAR	
1. Administrative expenditure	18	18	1. Current resources	
2. Aid to resettlement (Article 56)	25	25	1.1 Levy yield at 0.2%	89
3. Aid to research (Article 55)	85.8	42	1.2 Interest on investments and on loans from non-borrowed funds	16
3.1 steel	(44.5	(16.5	1.3 Fines and interest levied f delayed payment	token entry
3.2 coal	(32	(16.5	1.4 Miscellaneous	token entry
3.3 social	(9.3	(9	2. Cancellation of commitments which will probably not be implemented	6
4. Interest subsidies	23.5	15	3. Revaluation of assets and liabilities	token entry
4.1 Investment (Article 54)	(8.5	(6	4. Unused resources carried over from the 1976 financial year	token entry
4.2 Redevelopment (Article 56)	(15	(9		
5. Aid to coking coal and metall- urgical coke (Article 95)	6	6	ORIGIN OF NON-BORROWED FUNDS	111
6. Aid to Friuli victims (allocation to reserves)	5	5	5. Repayments on loans for social housing	7
OPERATIONS FINANCED WITH LOANS FROM NON-BORROWED FUNDS	163.3	111	6. Special reserve and part of the former ECSC Pension Fund	8
Social housing	15	15		