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REPORT

drawn up on behalf of the Committee on Budgets

on the guidelines for the budgetary policy of
the Communities for 1985

Rapporteur: Mrs C. SCRIVENER

PE 89.189/fin.
Or. Fr.

On 25 January 1984 the Committee on Budgets appointed Mrs SCRIVENER as the Member responsible for reporting on matters relating to the budget for the financial year 1985 (Section III - Commission).

In conformity with the procedure followed in recent years by the institutions for examination of the main guidelines for the budget of the next financial year, the Committee on Budgets considered the general guidelines for the 1985 budget of the European Communities at its meetings of 22 February and 21 March 1984.

At the latter meeting, the Committee on Budgets considered the motion for a resolution and adopted it by 15 votes in favour, 2 votes against and one abstention.

The following members were present: Mr Lange, chairman, Mr Notenboom and Mrs Barbarella, vice-chairmen, Mr Abens, Mr Adonnino, Mr Aigner (deputizing for Mr Pfennig), Mr Baillet, Lord Douro, Mr Gouthier, Mr Helms (deputizing for Mr Konrad Schön), Mr Hord (deputizing for Mr Balfour), Mr Kellett-Bowman, Mr Lalumière, Mr Langes, Mr Louwes and Mr Newton-Dunn.

The opinions of the Committee on Energy, Research and Technology and of the Committee on Transport are attached to this report.

The explanatory statement will be made orally by the rapporteur.

The report was tabled on 26 March 1984.

The deadline for tabling amendments to this report is shown in the draft agenda of the part-session at which it is due to be debated.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the guidelines for the budgetary policy of the Communities for 1985

The European Parliament

- having regard to its resolution of 9 March 1983¹ on the guidelines for the budgetary policy of the Communities for 1984
 - having regard to its resolutions of 27 October 1983² and 15 December 1983³ on the budget for the financial year 1984,
 - having regard to the report of the Committee on Budgets and to the opinions of the Committee on Energy, Research and Technology and the Committee on Transport (Doc. 1-79/84),
- A. whereas the Community reached the ceiling on its own resources in supplementary budget No. 2/83 and the budget for 1984;
- B. whereas this ceiling will not be raised in time for the 1985 financial year;
1. Points out that the Community is facing financial difficulties which have the effect of:
- seriously hindering its development and making convergence of the economies of the Member States more difficult;
 - exposing the Community to the real danger of collapse of its common agricultural policy;
 - creating unacceptable situations for certain Member States;
 - reducing the volume of funds available for the priorities established by Parliament;

¹ OJ No. C. 96 of 11.4.1983

² OJ No. C. 322 of 28.11.1983

³ OJ No. C. 10 of 16.1.1984

2. Emphasises that this situation has arisen because the Council has for many years shown itself incapable, despite urgent appeals from the European Parliament, of taking decisions to deal with the major problems facing the Community; notes in particular the Council's failure to apply the guidelines of the Mandate of 30 May 1980 and the conclusions of the European Council meeting in Stuttgart;
3. Reaffirms that a global strategy is necessary to restore budgetary balance; considers that the raising of the VAT ceiling must be accompanied by measures to:
 - reduce the structural surpluses in the agricultural sector;
 - increase the effectiveness of Community financing;
 - develop new policies and activities;
 - prevent unacceptable situations occurring in certain Member States;
4. Considers that a decision must be taken on the policies which are to be implemented and financed as a matter of priority at Community level;
5. Is opposed to any solution which would involve postponing yet again the necessary decisions and making structural policies bear the brunt of budgetary constraints;
6. Decides, since there has been no appreciable change in the economic situation, to renew the guidelines for the budgetary policy which it adopted for the 1983 and 1984 financial years to combat unemployment and hunger in the world;
7. Considers that to achieve this objective, the 1985 budget should:
 - improve employment opportunities, in particular by promoting training in the use of new technological tools;
 - boost productive investment which creates jobs;
 - support certain activities vital for economic development, such as new technologies and innovations, growth industries, research, energy strategy and transport infrastructure;

- ensure a more balanced distribution of activities throughout the Community;
 - concentrate aid to the developing countries on projects where results can be measured and which provide not only for material assistance but also for the training of manpower;
8. Stresses that the preliminary draft budget submitted by the Commission should:
- be accompanied, on the revenue side, by the information used by the Commission in its calculations;
 - take account of all foreseeable expenditure;
 - include all Community financing, in particular the activities of the European Development Fund and borrowing and lending operations;
9. Is of the opinion that the accounts opened in the name of the Commission in the bookkeeping systems of the national treasuries should bear interest;
10. Instructs its President to forward this resolution to the Commission and the Council

O P I N I O N

of the Committee on Energy, Research and Technology

Draftsman: Mr ADAM

On 1 February 1984, the Committee on Energy, Research and Technology appointed Mr ADAM draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 22 February, and adopted it unanimously.

The following took part in the vote: Mr GALLAGHER, acting-chairman; Mr SELIGMAN, vice-chairman; Mr ADAM, draftsman; Mr CALVEZ (deputizing for Mr GALLAND); Mr FUCHS; Mr MARKOPOULOS; Mr MARCHESIN; Mr PETERSEN; Mr PURVIS; Sir Peter VANNECK; Mr VERONESI, Mrs VIEHOFF (deputizing for Mrs LIZIN)

The budgetary context in the spring of 1984

1. At the time of drafting, it is quite impossible to establish what constraints will apply to budgetary policy for 1985 given that the own resources of the Community have reached exhaustion point and that there is not as yet the unanimity necessary for the increase in revenue needed to maintain Community policies at their existing levels.

2. An additional cause of uncertainty is, again at the time of drafting, that there have yet to be Council decisions on either the ESPRIT programme or on the demonstration projects for energy saving and new energy sources. These two items account for a large proportion of planned Community expenditure in the energy and research fields for 1984 (up to 35%). It is ardently to be hoped that agreement on these two proposals will permit a start up of the programmes in early spring of this year. The funding allocated to ESPRIT must not be taken out of the budgets of other programmes and activities.

3. There should be no mistake as to the seriousness of the situation; failure to reach agreement at the next European Council meeting on budgetary matters would not simply deprive new policies of the resources necessary to finance them but would also jeopardise existing areas of Community activity in the same way as energy investment, for which provision has been made in the budget, is held back.

4. In the view of your draftsman it is not premature to underline the fact that even in a period of general austerity and budgetary constraint, spending on energy and research must remain a clear priority area and should be exempted from any cutbacks even were there to be no increase in Community own resources and no reform of the Common Agricultural Policy. This view is strongly underlined by "Investing in Europe's Future" published by the European Investment Bank.

Energy and research as a priority

5. Your draftsman would put forward six arguments to highlight the need for Parliament to attach first priority status to energy and research expenditure:
 - (i) energy saving and the diversification of energy supply is vital to the European Community, both politically and economically, for reasons which require no rehearsal here. In particular, energy

investment, which has slowed down during the recession, is vital if Europe is to maintain secure energy supplies. Despite major energy research and development programmes in the Member States, investment is rising too slowly in some areas (e.g. coal technology);

- (ii) Community research, particularly in the information technology area, is bound to play a vital role in any growth strategy for the Community and therefore in combating unemployment;
- (iii) at present only a very small proportion of the Community budget is devoted to research and energy policies (energy and research have accounted for between 2% and 3% of the annual budget totals for the last few years);
- (iv) nevertheless, for relatively small outlays at the European Community level, a major contribution may be made (for example, nuclear fusion, where for as little as 0.3% of the Community budget per year a major breakthrough in energy supply could be achieved);
- (v) there appears to be no national substitute for Community policies and the alternative to the Community undertaking certain research activities would simply seem to be no research activity at all. This is likely to be the case in the area of certain new information technologies, where research teams need to achieve the critical mass to obtain results, where duplication should be avoided while the spectrum of research should be as wide as possible. In the biotechnology field, it is recognised that the Member States have fallen behind the United States and Japan because of a lack of coherence in R and D policies and the absence of structures on a Community scale. But the American example also shows how small high-risk companies may bankrupt themselves because of inadequacies of scale;
- (vi) finally, the Commission has now a good record in implementing budget appropriations in this area. In the energy sector, for example, some 93% of the commitment appropriations entered in the 1983 budget were effectively committed before year end. This represents a radical improvement on previous years.⁽¹⁾

⁽¹⁾ See Commission's information document PE 88.881 on the implementing of the 1983 budget.

6. In the light of these points the Committee on Energy, Research and Technology would suggest to the Committee on Budgets that in its resolution on the guidelines for the budgetary policy for 1985 specific mention should be made of the priority status to be accorded to spending in these spheres.

Prospects for the future

7. Commission Davignon has already circulated to the Committee the Commission's work programme for 1984 which indicates proposals in preparation.⁽¹⁾ It is clear that in the first few months of 1984, according to this programme, new proposals are likely to be launched which could have important financial consequences: in the research sector, for example - proposals for a biotechnology programme, control and storage of radioactive waste, aquaculture are announced.

8. In the energy sector it is not certain which new proposals on the list supplied by Commissioner Davignon will require new financial support, and the Commission should be asked to give a general estimate which should not, of course, at this stage of the budgetary procedure be binding.

9. In this context, note should be taken of the fact that whereas the outcome of budgetary deliberations resulted in 62,735,000 ECU⁽²⁾ in commitments and 74,250,000 ECU in payments being entered in Ch. 70 'Energy', the Commission originally proposed in its preliminary draft budget 155,270,000 ECU in commitments and 91,672,000 ECU in payments.

10. The Committee will also wish to assess the impact of the special measures in the energy sector in the United Kingdom and the Federal Republic of Germany, and the extent to which these measures correspond to the points made by the Committee in its most recent opinion for the Committee on Budgets⁽³⁾ - are the measures new, innovative and do they fit in with overall Community energy policy objectives? The outcome of the visit to the United Kingdom by representatives of this and the other committee concerned, will undoubtedly influence deliberations on the 1985 budget.

(1) Notice to Members, PE 88.542

(2) With 30,000,000 ECU in commitments and 24,000,000 ECU in payments entered in Chapter 100.

(3) PE 88.785

11. Furthermore, it should be recalled that whereas in its opinion on budgetary policy for 1984⁽¹⁾ the Committee indicated that one of its priorities would be cooperation with developing countries in the energy sector, this approach was not in fact translated into a major increase in resources. It is worth pointing out that for cooperation with non-associated developing countries in the energy sphere (Article 933 of the budget) 4.3 mECU have been entered for commitments for 1984 and 2.455 mECU in payments.⁽²⁾ Also, appropriations for energy programming (Line 706) were substantially increased. Indeed commitment appropriations were virtually doubled - from 2.6m to 5m ECU. This money largely helps developing countries. However, the Committee on Energy, Research and Technology would wish for even larger sums to be devoted to this vitally important aspect of energy strategy.

12. Nevertheless, the Commission should bear in mind, particularly as regards the presentation of new proposals, that Parliament will only be able, for timetable reasons, to take account of new initiatives, at least as regards the budgetary procedure, if formal proposals are made at the latest by the end of March.

13. Parliament's last session before elections is in May and the constitutive session, which will already have a budgetary element to it, will take place in late July. Immediately after that, the resumption of parliamentary work will coincide with the full budgetary procedure. Therefore, a separate examination of individual proposals prior to budgetary deliberations will not be possible, and the Committee on Energy, Research and Technology will undoubtedly insist on the possibility for full examination of Commission proposals and will not allow itself to be manoeuvred into giving less than full consideration simply because of the electoral timetable

Staffing and administration

14. Your draftsman would remind the Committee that in its opinion on the 1984 budget, the Committee indicated that it would, after the next elections to the European Parliament, draw up a major report on the question of staffing of the Joint Research Centre. The efficiency of the JRC is difficult to assess in general terms but there are objective means of arriving at a view of the value of its contribution to Community research. These matters are principally the concern of

(1) PE 86.118

(2) Compared with 2,250,000 in commitments and 1,250,000 in payments in the 1983 budget.

the Committee on Energy, Research and Technology which would insist that the role of the Centre be examined in the context of Parliament's research objectives, not as part purely of a cost-saving or accounting exercise.

15. The Committee was disappointed to note that its amendment to the 1984 draft budget on posts for the Joint Research Centre to enable it to recruit staff immediately for the new research programme was defeated. Clearly, if Parliament is to be consistent when it calls for the Commission to undertake new research activities,⁽¹⁾ it must provide it with the means and resources.

The Committee's working methods for examining the 1985 budget

16. Your draftsman believes that the Committee's deliberations on the budget should not take place in isolation. On the contrary, the amendments and proposals made by the Committee should be the result of its consideration of

- (i) the draft budget itself,
- (ii) the annual report by the Commission on the progress made towards the achievement of the 1990 energy policy objectives,⁽²⁾
- (iii) a review of the framework programme for Community research, development and demonstration activities,⁽³⁾
- (iv) the special report to be drawn up by the Committee on the problems of staffing of the Joint Research Centre,
- (v) the proposals for the annual ECSC budget,
- (vi) the most recent annual Court of Auditors' report.

Only by working in this way could the Committee ensure that a coherent and comprehensive assessment of the budgetary needs of the Community in the energy and research spheres is achieved.

(1) See resolution of EP of 14.10.83: Report by Mr Linkohr (Doc. 1-753/83) paras. 5, 9 and 21 in particular.

(2) Council resolution 6.6.80, OJ No. C 149 of 18.6.80.

(3) OJ C 208 of 4.8.83.

Conclusions

17. The Committee on Energy, Research and Technology suggests to the Committee on Budgets that the following paragraphs be incorporated in the motion for a resolution on the guidelines for 1985 budgetary policy:

The European Parliament,

- (i) considers increased expenditure on energy and research policies as a priority, irrespective of other budgetary factors, because of the vital importance of Community activity in this sphere as a means of restoring the Community economy and combating unemployment;
- (ii) insists that funding for the ESPRIT programme should not be taken out of the budgetary appropriations for other programmes and activities;
- (iii) intends to strengthen Community cooperation with developing countries in the energy sector through increased budgetary resources in 1985;
- (iv) points out to the Commission the need when tabling new proposals to respect the timetable of Parliament and of the budgetary procedure, in order that, where appropriate, agreed amounts may be entered in the 1985 budget;
- (v) instructs its Committee on Energy, Research and Technology to draw up, concurrently with Parliament's examination of the 1985 general budget, a report on staffing at the Joint Research Centre with a view to assessing the real staff needs of the Centre in the future.

O P I N I O N

of the Committee on Transport

Draftsman: Mr W. ALBERS

The Committee on Budgets decided to draw up a report on the guidelines for the 1985 budget. In accordance with its role in the budgetary procedure, the Committee on Transport was requested to deliver an opinion on this report.

At its meeting of 1 December 1983, the Committee on Transport appointed Mr ALBERS draftsman of the opinion.

The Committee on Transport considered the draft opinion at its meeting of 27 February 1984, and adopted it unanimously at its meeting of 28 February 1984.

The following took part in the vote: Mr Seefeld, chairman; Dame Shelagh Roberts; Mr Carossino, vice-chairmen; Mr Albers, draftsman; Mrs von Alemann; Mr Buttafuoco; Mr K. Fuchs (deputizing for Mr K-H. Hoffmann); Mr Gouthier (deputizing for Mr Cardia); Mr Klinkenborg; Mr Marshall, Mr Martin; Mr Moorhouse and Mr Moreland (deputizing for Mr Cottrell).

1. The Committee on Transport has for several years given top priority in the budgetary procedure to extending the financial support for transport infrastructure projects of Community interest, since only through this instrument can an effective common transport infrastructure policy be developed.
2. Originally created by the European Parliament on the basis of its powers under the budgetary procedure, against the will of the Council, this instrument has been consolidated to some extent in the 1984 budget. Although the Council has still not complied with Parliament's request for a general legal basis for infrastructure financing, it nevertheless entered appropriations for this purpose in the 1984 draft budget - not least under the effect of the action brought against it by the European Parliament for failure to act - which are substantial enough to enable a worthwhile experimental programme to be launched.
3. Parliament thus only needed to increase these appropriations slightly in its decisions on the 1984 budget. At the same time, by creating Article 784 (financial support for transport infrastructure projects outside the Community), it established a p.m. entry guaranteeing assistance for transport infrastructure projects of major Community interest in third countries.
4. For the financial year 1985, the aim should now be to ensure that sufficient appropriations are made available for the financial support of infrastructure projects to permit continuous development of the Commission's multi-annual programme.
5. A specific amount of the reserve in Chapter 100 of the 1984 budget should be earmarked for support for transport infrastructure projects in third countries. Such an approach has advantages even if the negotiations on this matter between the Community and a third country have not yet been concluded. On the one hand, the Commission would know how much room for financial manoeuvre it possessed; on the other hand, the outcome of the negotiations would not be prejudged, since these appropriations could if necessary also be transferred in whole or in part - with Parliament's approval - to Article 781 of the budget (financial support for projects inside the Community).

6. Since the Commission submitted its 1976 proposal for a regulation on support for projects of Community interest in transport infrastructure, and especially since the first budget appropriations for this purpose were authorized, there have been political signs, in particular the Council's tendency to issue ad hoc regulations on the financing of individual projects, that the European Parliament needs to make greater use of its budgetary powers in order to secure implementation of its priorities in transport infrastructure policy.

7. In the reports by Mr BAUDIS on a multi-annual transport infrastructure programme (Doc. 1-979/83) and Mr KLINKENBORG on transport infrastructure planning (Doc. 1-1347/83), the Committee on Transport calls on the Commission to pave the way for the political decision on support for projects from Community funds by establishing objective criteria for the evaluation of Community interest, together with a procedure for cost-benefit analysis. The KLINKENBORG report also emphasizes that the roles of the individual modes of transport must be defined by coordination at European level and that, after decades of neglect of rail transport, the development of a modern railway network must be regarded as central to Community transport infrastructure policy.

8. The European Parliament has so far considered it the task of the Commission to select specific projects which, because of their importance for the Community's transport system, are eligible for financial assistance from the budget.

On the other hand, it has reserved the right to issue general transport policy guidelines, and to define the relationship between the various modes of transport. Parliament can express its priorities regarding the latter's development needs in an effective manner in the budget by creating a separate budget heading for infrastructure projects in respect of each transport mode. By accordingly

weighting the distribution of the total amount available between these individual items, Parliament can impose its own development priorities vis-à-vis the Commission and the Council

Conclusions:

9. In the guidelines for the 1985 budget, the Commission should therefore be requested, as regards the transport chapter of the preliminary draft budget for 1985:
 - (a) to enter sufficient appropriations to ensure the continuous development of its multi-annual transport infrastructure programme;
 - (b) in addition, to earmark a specific amount in Chapter 100 as a reserve for financial support for projects in third countries;
 - (c) to break down Article 781 by mode (c) of transport, so that separate items are included for infrastructure measures in respect of rail transport, road transport, the inland waterway sector, seaports and airports;
 - (d) to concentrate the resources available on projects to eliminate bottlenecks in railway infrastructures.