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Working Documents

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DOCUMENT 1-1004/82

REPORT

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 1-936/82 - COM(82) 728 final) for a regulation amending Regulation (EEC) No. 2744/80 establishing supplementary measures in favour of the United Kingdom

Rapporteur: Mrs C. BARBARELLA

PE 81.972/fin.

1004/82

By letter of 22 November 1982, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 2744/80 establishing supplementary measures in favour of the United Kingdom.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and to the Committee on Economic and Monetary Affairs, the Committee on Regional Policy and Regional Planning and the Committee on Energy and Research for their opinions.

At its meeting of 29 November 1982, the Committee on Budgets appointed Mrs BARBARELLA rapporteur.

The committee considered the Commission's proposal at its meetings of 29 November and 7 December 1982.

At the latter meeting the committee decided to recommend to the Parliament that it approve the Commission's proposal with the following amendments.

The committee then adopted the motion for a resolution as a whole by 17 votes to 5 with no abstentions.

The following took part in the vote: Mr LANGE, chairman; Mr NOTENBOOM, first vice-chairman; Mrs BARBARELLA, second vice-chairman and rapporteur; Mr ADONNINO, Mr ANSQUER, Mr BALFE, Mr BALFOUR, Mr BARBAGLI, Mrs BOSERUP, Mr BONDE, Lord DOURO, Mr FICH, Mr GOUTHIER, Mr HELMS (deputizing for Mr CROUX), Mrs HOFF, Mr JACKSON, Mr KELLETT-BOWMAN, Mr LEGA, Mr LOUWES, Mr NEWTON DUNN, Mr MOUCHEL (deputizing for Mr COUSTE), Mr PFENNIG, Mr PRICE, Mr SABY and Mrs SCRIVENER.

The opinions of the Committee on Regional Policy and Regional Planning and of the Committee on Energy and Research are attached.

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The Committee on Budgets hereby submits to the European Parliament the following amendments to the Commission's proposal and motion for a resolution, together with explanatory statement :

1. Proposal for a Council regulation (EEC) amending Regulation (EEC) No. 2744/80 establishing supplementary measures in favour of the United Kingdom

Amendments tabled by the
Committee on Budgets

Text proposed by the Commission
of the European Communities

Amend the title of the
proposal for a regulation
as follows :

Proposal for a Council
Regulation (EEC) establishing
new supplementary measures
in favour of the United Kingdom

Proposal for a Council regulation
(EEC) amending Regulation (EEC)
No. 2744/80 establishing
supplementary measures in favour
of the United Kingdom

Amendments tabled by the
Committee on Budgets.

Text proposed by the Commission
of the European Communities

Amendment No. 2

Replace the fourth recital
by the following:

Whereas the conclusions of the Council of
24 and 25 May 1982 and 26 October 1982
provide for the year 1982 a solution
comparable to that existing for the
years 1980 and 1981, although this is
a new action which requires a separate
legal basis;

Whereas, in accordance with the Council
conclusions of 26 October 1982, the
solution for the year 1982 continues
within the framework laid down for the
years 1980 and 1981 which includes the
amended financial mechanism and
supplementary measures;

Amendment No. 3

Replace the fifth and sixth recitals
by the following:

Whereas these new supplementary measures
must also apply to investment in the
sectors of energy and the rational
utilization of energy as well as to
public expenditure on research;

Whereas it is appropriate, however, to
extend these supplementary measures
to investments in the areas of energy
and the rational utilization of energy
as well as to expenditure by the public
authorities in the field of research;

Whereas it is consequently appropriate
to adapt and to extend Regulation (EEC)
No. 2744/80; whereas the Treaty makes
no provision in this respect;

Amendments tabled by the
Committee on Budgets

Text proposed by the Commission
of the European Communities

Amendment No. 4

Amend Article 1(1) concerning Article 1
of Regulation (EEC) No. 2744/80, as
follows:

Replace Article (1) by the following:

This regulation lays down supplementary
measures in favour of the United Kingdom
relating to the year 1982.

In addition to the amounts which will
be transferred to the United
Kingdom in application of Council
Regulation (EEC) No. 1172/76 of
17 May 1976 establishing a financial
mechanism⁵, as amended by
Regulation (EEC) No. 2743/80⁶, this
Regulation provides for supplementary
Community measures relating to the
years 1980, 1981 and 1982.

Amendment No. 5

Amend Article 1(3) concerning Article 2(2)
of Regulation (EEC) No. 2744/80

The special programmes, which shall contain the information referred to in Annex I, shall be broken down into sub-programmes corresponding to categories of investments and expenditure in the field of research. These programmes shall as a general rule relate to regions covered, on 1 January 1980, wholly or in part, by areas eligible for State regional aid. The regions concerned are as a general rule those covered, on 1 January 1982, wholly or in part, by areas eligible for State regional aid with the exception concerning expenditure in the field of research.

The special programmes, which shall contain the information referred to in Annex I, shall be broken down into sub-programmes corresponding to categories of investments and expenditure in the field of research. These programmes shall as a general rule relate to regions covered, on 1 January 1980, wholly or in part, by areas eligible for State regional aid. For the supplementary measures relating to the year 1982 the regions concerned are as a general rule those covered, on 1 January 1982, wholly or in part, by areas eligible for State regional aid with the exception concerning expenditure in the field of research.

Amendment No. 6

Amend Article 1(4) concerning
Article 3 of Regulation (EEC) No. 2744/80
as follows:

Investments are eligible for financial participation by the Community within the framework of the special programmes referred to in Article 2 provided that they are undertaken by public authorities in the form of capital expenditure. In the field of research, the eligible expenditure is that concerning projects which are financed wholly or in part by public authorities. Moreover, the investments and the projects in the field of research shall fulfil the following criteria:

- (a) they must contribute to the economic and social development of the Community;
- (b) they must contribute to Community integration;
- (c) they must ensure in a diversified manner the development of economic and social infrastructures and the progress of Community research;
- (d) they must not give rise to distortions of competition;
- (e) they must be integrated into the relevant Community policies and in particular be compatible.

Investments are eligible for financial participation by the Community within the framework of the special programmes referred to in Article 2 provided that they are undertaken by public authorities in the form of capital expenditure. In the field of research, the eligible expenditure is that concerning projects which are financed wholly or in part by public authorities. Moreover, the investments and the projects in the field of research shall fulfil the following criteria:

- (a) they must contribute to the economic and social development of the United Kingdom;
- (b) they must contribute to Community integration;
- (c) they must ensure in a diversified manner the development of economic and social infrastructures;
- (d) the research projects should be placed within the framework of Community policy;
- (e) they must not be incompatible with a Community policy;
- (f) they must not give rise to distortions of competition.

- as regards infrastructures:

- they must comply with the new criteria adopted by the Commission and the European Parliament with a view to the revision of the basic regulation of the Regional Fund, with particular regard to the definition of the regions in which specific Community actions (ERDF, non-quota section) may be undertaken.
- they must be compatible with the proposals put forward by the Commission in its memorandum on the role of the Community in the development of transport infrastructures (OJ C 207/76, 249/77 and 89/80) and the decisions of Parliament on this matter (OJ C 293/76 and 197/80) which give priority to public transport.

- as regards energy and research they must comply with the objectives laid down, inter alia, in the following three Community programmes approved by Parliament:

the exploitation of substitute energy sources, energy-saving and the substitution of hydrocarbons,

the liquefaction and gasification of solid fuels,

the rational utilization of energy.

Amendment No. 7

Amend Article 1(5) concerning Article 4
of Regulation (EEC) No. 2744/80 as
follows:

Article 4(3) is replaced by the following:

The amount of the Community's financial contribution to a sub-programme corresponding to a category of investments may not exceed 70% of the annual expenditure estimated for its execution. In calculating this amount, the Commission may take into consideration payment made by the public authorities in the United Kingdom as from 1 April 1982 and payment due as from the entry into force of this regulation.

3. The amount of the Community's financial contribution to a sub-programme corresponding to a category of investments may not exceed 70% of the annual expenditure estimated for its execution. In calculating this amount, the Commission shall take into consideration, as regards the supplementary measures relating to 1980, the payments made and estimated by the public authorities in the United Kingdom as from 1 April 1980 and, as regards the supplementary measures relating to 1981, the payments made and estimated by the public authorities in the United Kingdom as from 1 April 1981.

As regards the supplementary measures relating to the year 1982, the Commission shall take into consideration the payments made and estimated by the public authorities in the United Kingdom as from 1 April 1982.

Amendment No. 8

Article 1(6) concerning Article 5(1) of Regulation (EEC) No. 2744/80

Deleted.

However, as regards the supplementary measures relating to the year 1982, the appropriations shall be entered in the budget for 1982.

Amendment No. 9

Amend Article 1(7) concerning Article 5(3)
of Regulation (EEC) No. 2744/80 as follows:

Replace Article 5(3) by the following:

3. As soon as the decision referred to in Article 4(2) has been taken, the Commission shall make a payment of 50% of the amount of the Community contribution decided on, in the light of the appropriations available. The transfer of the 50% balance shall be effected immediately after the exhaustion of the above payment, as certified by the Government of the United Kingdom, and at the latest before the end of the financial year following that of the commitment, provided that implementation of the sub-programme proceeds as planned.

Deleted.

3. As soon as the decision referred to in Article 4(2) has been taken, the Commission shall make a payment of 90% of the amount of the Community contribution decided on, in the light of the appropriations available. The transfer of the 10% balance shall be effected immediately after the exhaustion of the above payment, as certified by the Government of the United Kingdom, and at the latest before the end of the financial year following that of the commitment, provided that implementation of the sub-programme proceeds as planned.

However, as regards the supplementary measures relating to the year 1982, the Commission shall, as soon as the decision referred to in Article 4(2) has been taken, make payment of 100% of the Community contribution before the end of the year 1982.

Amendment No. 10

Article 1: Between paragraphs 7 and 8 insert a new paragraph so as to create a new paragraph 1a in Article 6 of Regulation (EEC) No. 2744/80:

To this end the Commission shall base its financing decisions on conditions enabling the following to be verified:

- (a) conformity of the administrative practices with Community rules;
- (b) the availability of supporting documents and their conformity with the operations financed;
- (c) the conditions under which the operations financed are implemented and verified;
- (d) the conformity of the projects implemented with the operations financed.

Amendment No. 11

In Article 1, between paragraphs 7 and 8, insert a new paragraph amending Article 6(4) of Regulation (EEC) No. 2744/80

Amend Article 6(4) as follows:

If the implementation of a sub-programme is not in conformity with this regulation or departs substantially from decisions taken in implementation thereof, the Commission may suspend outstanding payments and recover payments already made.

(Reg. No. 2744/80)

4. If the implementation of a sub-programme is not in conformity with this Regulation or departs substantially from decisions taken in implementation thereof, the Commission may suspend payments still due. In this case the Commission may decide that sums already paid or still due are to be allocated, in accordance with the procedure laid down in Article 8, to other sub-programmes submitted under this Regulation. If, in the opinion of the Commission, no other sub-programme is available, the Commission shall recover the payments made to the United Kingdom.

Amendment No. 12

In Article 1, between paragraphs 7 and 8,
insert a new paragraph so as to delete
Article 7 of Regulation (EEC) No. 2744/80

Deleted.

(Article 7 of Reg. No. 2744/80)

1. A committee is hereby established composed of representatives of the Member States and chaired by a representative of the Commission.
2. Within the committee the votes of the Member States shall be weighted in accordance with Article 148(2) of the Treaty. The chairman shall not vote.

Amendment No. 13

In Article 1, between paragraphs 7 and 8,
insert a new paragraph so as to create a
new Article 7a in Regulation (EEC)
No. 2744/80

Article 7a:

In the event of sale or other commercial use of the results of the programmes financed on the basis of this regulation the subsidies received must be refunded to the Commission. A provision to that effect is included in each decision by the Commission on financing.

Amendment No. 14

In Article 1, between paragraphs 7 and 8,
insert a new paragraph so as to amend
Article 8 of Regulation (EEC) No. 2744/80

Article 8 to read as follows:

Article 8

1. Where the procedure laid down in this article is to be followed, the committee responsible for the common policy to which the relevant programmes relate shall be consulted by its chairman either on his own initiative or at the request of a representative of a Member State;
2. Unchanged.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the opinion of the committee, that fact shall be mentioned in the report referred to in Article 10.

Amendment No. 15

In Article 1, between paragraph 7 and 8,
insert a new paragraph so as to amend
Article 10 of Regulation (EEC) No. 2744/80

At the end of Article 10, add the following
sentence:

'The report shall assess the implementation
of each paragraph of Article 6'

Article 8 of Reg. No. 2744/80

1. Where the procedure laid down in this Article is to be followed, the chairman shall refer the matter to the committee either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit drafts of decisions to be taken. The Committee shall deliver its opinion on the drafts within a time limit which the chairman may fix according to the urgency of the questions under consideration. An opinion shall be adopted by a qualified majority in accordance with Article 148 (2) of the Treaty.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the opinion of the committee, they shall, as soon as possible and at the latest within one month, be communicated by the Commission to the Council. In that event the Commission shall defer application of the decisions which it has adopted for not more than two months from the date of such communication. The Council, acting by a qualified majority, may take a different decision within two months.

Amendment No. 16

In Article 1, between
paragraphs 7 and 8, insert
a new paragraph so as to amend
Article 11 of Regulation (EEC)
No. 2744/80

This regulation shall enter into force
on the day following its publication
in the Official Journal.

Article 11 of Reg. No. 2744/80

This Regulation shall enter into
force on 1 November 1980.

Amendment No. 17

Article 1(8) to read as follows:

8. Annex 1 is amended as follows:

- 1 Unchanged.
- 2 A special programme will also state the effects on other regions of the United Kingdom and the Community resulting from the investments and the expenditure in the field of research made under it, together with the investments and the research expenditure which need to be made outside the region for the purpose of its development.
- 3 Unchanged.

1. The words "as well as to the execution of research projects" are added to the first paragraph under 2.
2. The third paragraph under 2 is replaced by the following:

"A special programme will also state the benefits for other regions resulting from the investments and the expenditure in the field of research made under it, together with the investments and the research expenditure which need to be made outside the region for this purpose of its development".
3. The words "and the expenditure in the field of research" are added to paragraph 5(a).

Amendment No. 18

Article 1(9) concerning Annex II
to Regulation (EEC) No. 2744/80
to read as follows:

Delete the existing text of Annex
II in the initial Regulation and in
the amendments proposed by the
Commission

Deleted

The following is added to Annex II:

5. On the basis of the Commission's estimate (1530 million ECU), compensation for the United Kingdom for 1982 is fixed at 850 million ECU (net). Compensation to the United Kingdom will amount to 1092 million ECU (gross).
6. Corrections to be made for 1980 and 1981 in the light of the actual figures will be taken into account when negotiating the subsequent solution.
7. At that time, adjustments will be made in the event that the actual figure proves to be higher or lower than the 1982 base referred to at point 5 above.

If the actual figure is higher than 1530 million ECU but lower than 1580 million ECU, the net compensation to the United Kingdom is unchanged. If the actual figure is higher than 1580 million ECU but lower than 1730 million ECU the net compensation is increased by 50% of the difference between the actual figure and 1580 million ECU. If the actual figure is higher than 1730 million ECU the net compensation is increased by 75 million ECU plus 75% of the difference between the actual figure and 1730 million ECU. If the actual figure is lower than 1530 million ECU, but higher than 1480 million ECU, the net compensation to the United Kingdom is unchanged. If the actual figure is lower than 1480 million ECU, the net compensation to the United Kingdom is reduced by an amount equal to 75% of the difference between the actual figure and 1480 million ECU.

8. Any adjustment of the gross figures in point 5 above to take account of the correction provided for in point 7 will be entered into the budget of 1983.

Reword as follows:

'The amount to be paid to the United Kingdom in 1982 is estimated at 850 million ECU (net) (1,092 million ECU gross) on the basis of available data relating to the places at which own resources are collected and Community expenditure paid.

If these figures change substantially in relation to the present forecasts, the amount payable to the United Kingdom will be revised upwards or downwards using the mechanism adopted for the subsequent solution to avoid unacceptable situations arising for certain Member States and to ensure a satisfactory relationship between the total payments made since 1980 and the compensation which is really necessary.'

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No. 2744/80 establishing supplementary measures in favour of the United Kingdom

The European Parliament,

- A. having regard to the proposal from the Commission of the European Communities to the Council (COM(82) 728 final),
- B. having been consulted by the Council (Doc. 1-936/82),
- C. having regard to the Joint Declaration by the European Parliament, the Council and the Commission on various measures to improve the budgetary procedure¹,
- D. having regard to the report of the Committee on Budgets and the opinions of the Committee on Regional Policy and Regional Planning and the Committee on Energy and Research (Doc. 1-1004/82),
- E. having regard to the result of the vote on the Commission's proposal,
 - 1. Deeply deplores the fact that attempts are still being made to solve the budgetary imbalance affecting the United Kingdom by partial measures and not by a definitive and comprehensive financial reform;
 - 2. Notes with concern that the continuation of national compensation measures may create imbalances for other Member States, too, and that a chain reaction can only be avoided if Community solutions are adopted;

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OJ No. C 194, 28.7.82

3. Considers that the continued application of the criterion of the 'net contribution' seriously jeopardizes the principles of the financial autonomy of the Community and the system of own resources;
4. Notes that in 1980-1981, substantial surplus payments were made to the United Kingdom under the special measures and considers that this surplus should be refunded to the Community by 1983;
5. Declares that it cannot accept the compensation agreed for 1982 unless:
 - (a) it is covered by the new political agreements reached by the Council in May and October 1982, constitutes a new action and has a legal basis different from that used for the old regulation which was valid only in 1980 and 1981;
 - (b) in conformity with the provisions for the inter-institutional Declaration of 30 June 1982, the amount of the expenditure is entered in the new regulation;
 - (c) the projects financed on the basis of the new regulation comply with the principles and objectives of the existing common policies as defined by the institutions;
 - (d) the proposed conditions of participation and control procedures are harmonized with those normally applied to actions resulting from the application of the common policies;
6. Considers it indispensable for expenditure resulting from this legislative provision to be classified as non-compulsory, given that it is to be fixed solely through the budget;
7. Asks for the conciliation procedure laid down in the 1975 agreement to be opened if the Council proposes to depart from the amendments to the proposal for a regulation adopted by Parliament;

8. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.

B.

EXPLANATORY STATEMENT

1. The refunds to the United Kingdom, both those under Regulation No. 2744/80 and those envisaged in these proposals for a regulation and a supplementary budget, are all based on the conclusions of the Council of 30 May 1982.

These conclusions determined the refunds to the United Kingdom to compensate for part of the 'net contribution' of that country in the years 1980 and 1981.

The agreement gave a mandate to the Commission 'for 1982.... to resolve the problem by means of structural changes'. The possibility of failure was, however, envisaged: 'if this is not achieved, the Commission will make proposals along the lines of the 1980/1981 solution'(point 7).

2. Point 6 of the same agreement stipulates that the appropriations are to be entered in the budget of the following year 'following the precedent of the financial mechanism' and that at the request of the United Kingdom the Council can decide to grant advances.

3. The refunds of the 'net contribution' in 1980 and 1981 were entered in the budgets of the following years: 1981 and 1982 (in the 1980 and 1981 budgets advances were granted). In May 1982 (informal meeting of the Foreign Ministers on 24-25 May 1982) the Ministers agreed to grant compensation of 850 million ECU net on the 'overpayments' for 1982. At that stage they still intended to respect the agreement of their predecessors in May 1980. Point 4 of their conclusions provides specifically that:

'the effects on the 1983 Community budget of this agreement on compensation for the United Kingdom for 1982 will be limited to the amount corresponding to the net compensation referred to in point 1.'

4. According to the Commission's latest calculations, the 'net contribution' of the United Kingdom remained well below estimates in 1980 and 1981.

m ECU

Year	UK 'net contribution'		compensation received/forecast		
	estimated	actual	net	gross	budget
1980	1,784	1,507	1,175	1,437.6	1980/81
1981	2,140	1,376	1,410	1,804.2	1981/82
Sub-total	3,924	2,883	2,585	3,241.8	
1982	1,530		850	1,092	SB 1/82 (draft)

5. In the present proposal for a regulation for the United Kingdom it can be noted that:

- a. The decision to enter in the 1982 budget the refund of the United Kingdom's net contribution for 1982 is contrary to the previous Council decisions on this matter of 24-25 May 1982 and 30 May 1980 and to the provisions on this subject in Regulation No. 2744/80 establishing supplementary measures in favour of the United Kingdom (Article 5(1)).

Parliament is entitled to ask why it should respect the provisions on the amount of this expenditure and its classification as compulsory expenditure if the Council does not feel itself bound by the provisions concerning the year of entry in the budget.

- b. The entry in the 1982 budget is explained by the considerable savings made in the 1982 budget.

This is therefore primarily a budgetary rather than a legislative decision. The Council is exceeding its powers in taking unilaterally budgetary decisions which are the sole responsibility of the budgetary authority. It is difficult to view this agreement within the Council other than as a proposal to the budgetary authority.

- c. The Council decisions determine the beneficiary and the amount of the payment. They impose advance payments of 100% and even lay down on which budget the amount is to be entered and paid. All this is not only in contradiction with the Joint Declaration of 30 June 1982,

but also constitutes an attempt to deny that the Community budget has any significance other than in purely accounting terms. This constitutes a manifest breach of the financial provisions of the Treaties. These facts merit examination in the light of the imminent depletion of own resources.

d. The form of the present proposal for a regulation is also contrary to the conclusions of the Council of 30 May 1980, which considered the measures for 1982 as a new action, requiring a new Council decision on the basis of new proposals from the Commission. The Commission was simply to follow 'the lines of the 1980-81 solution' (point 6 - conclusions of 30 May 1980).

The joint Declaration of 30 June 1982 prohibits for these new measures the fixing of amounts of appropriations in regulations except for indicative purposes.

6. If the Commission's proposals are examined in more detail, it can be seen that the aspects criticized by Parliament in its opinion on the first supplementary measures have not been improved and in fact have sometimes deteriorated, and that other negative features have been introduced:

a. The fixing of the amounts of appropriations and of a link between these appropriations and the so-called net UK contribution is contrary to the principles of the EEC Treaty and to the Joint Declaration of 30 June 1982. Annex II to the regulation, which mentions these amounts must therefore be withdrawn or at least amended to show that these amounts are for guidance only.

b. The Community contribution can total 70%, which is a very high figure compared with the financial instruments for Community policies.

c. Normal financial control is made impossible by the obligation to pay immediately 100% of the amount entered in the supplementary budget which cannot be drawn up until shortly before the end of the year. Experience with the first supplementary measures has shown that it is necessary to provide stricter provisions for advances and more specific rules on control.

d. No guarantee is provided as regards the compatibility of the programmes to be financed with common policies. The only indication which the Commission has found is that 'according to the British Government's own statements, some of these investments could not have been achieved within the same time schedules without the aforementioned supplementary

measures.

- e. For 1982 it is proposed to finance research projects as well. This further emphasizes the rather dubious nature of the procedure of creating, parallel to common policies, direct finance for purely national programmes on much more advantageous terms. At the very least, machinery for coordinating the two systems should be introduced. It should, for example, be possible to ensure that research projects are compatible with the energy and research policy which the Community is developing.
- f. The management committee system remains unchanged with the right of appeal to the Council against the Commission's decisions. The rapporteur feels that this committee could be abolished and its consultative powers transferred to the committees on the Community policies involved in the projects to be financed: regional policy, transport, energy and research.
- g. Lastly, provisions should be introduced on property rights and intellectual rights arising from the projects financed. Provision might be made for repayment of subsidies if the project were put on a commercial footing.
- 7. As regards the calculation of the amounts to be paid, it is questionable whether it is necessary to draw a distinction between the 'net' amount and the 'gross' amount if the measures are to be paid from the 1982 budget. In this case they are in fact financed by savings in the EAGGF-Guarantee Section. There is, therefore, no supplementary expenditure to finance and therefore no United Kingdom contribution to that finance to be compensated.

If the idea of compensation for supplementary financing is retained, this means accepting the fact that if there were no supplementary measures for the United Kingdom the savings should have been paid back to the Member States. Even on this hypothesis it can be pointed out that 660 million ECU of the financing comes from the balance of the previous financial year.

8. Shortly after the present proposals for regulations and for a supplementary budget, a communication from the Commission to the Council on compensatory measures for the years 1983-1984 and 1985 reached the European Parliament.

The only positive feature of this document is that it announces that the Commission "now intends to conduct a thorough review of the Community's financing system", "as a complement to its proposals in the Mandate Report".

Indeed, Parliament has never interpreted the Mandate in any other way.... All the other aspects are extremely disappointing. The final solution to the British problem should emerge from the new financial system and the development of the Community policies to which it should lead. Pending the emergence of tangible results from this development process, "a new ad hoc arrangement for the United Kingdom" should be found. Since the Council did not accept the Commission's proposals in the Mandate Report as regards a system based on EAGGF expenditure, the Commission is merely re-proposing the existing arrangement.

9. The only new element is that it will be necessary to take into account 'the corrections to be made for 1980 and 1981'. But even here, "the Commission would prefer that the Council should first enter into a discussion of the method of a further compensatory arrangement.... and then deal simultaneously with the level of such compensation and the level of the corrections to be applied to it".
10. Apart from a reference to the third enlargement of the Community which will coincide with the new development of the budget, there is no mention of problems that might arise in respect of other Member States before and/or after such enlargement.
11. After proposing that the present refund arrangement by "supplementary measures" should be continued, and after stating in black and white:

- that the amount must be based on the level of the United Kingdom contribution, which constitutes a negation of the idea of Community own resources and an affirmation of the principle of "fair returns";

- that the amount of appropriations to be entered in the Community budget must also be determined by the Council, which is contrary to the Joint Declaration of 30 June 1982,

the Commission, in the final point of its document, adds a few kind words for the European Parliament:

"The Commission is conscious of the criticisms which have been expressed, not least by the European Parliament..."

"For this reason, the Commission is of the view that this further interim arrangement should help promote the development of true Community policies".

12. The reaction of Parliament to these statements, which amount to requesting a renewal of the Mandate of 30 May 1980 without any guarantee of better results, can only be an extremely severe condemnation of the Commission. It will be remembered that in 1981 several Members already openly urged that a motion of censure be tabled against the Commission on account of its failure to translate the Mandate of 30 May 1980 into tangible proposals.
13. If the figures for the "net British contribution", deemed acceptable in the agreements of 30 May 1982, are taken as a reference, the United Kingdom has been overcompensated. For 1981, the compensation might even slightly exceed the "net contribution".

The Council and the Commission propose that this "excess" should be regularized only on the occasion of the three supplementary measures which are announced for the years 1983-85.

Parliament would no doubt prefer immediate regularization. From the point of view of budgetary orthodoxy, a necessary provision should be created on the revenue side.

Implications for the budgetary procedure

14. When it considers Draft supplementary budget No. 1/82, Parliament must take into account its observations and criticisms regarding the regulation on supplementary measures for the United Kingdom in 1982.

First and foremost, it must adopt a position on the amount of the compensation and on the financing thereof.

The Council agreements of 30 May 1980, Regulation No. 2744/80 on the supplementary measures for 1980 and 1981 and the first Council agreements of 24-25 May 1982 on the supplementary measures for 1982 provide that these measures must be implemented in the financial year following that in which an unacceptable situation has arisen. There is, however, provision for the granting of advances during the latter year.

Thus, a distinction should be made in the budgetary nomenclature between advances paid in one year in respect of the next and the normal supplementary measures which are implemented during the appropriate financial year.

As Parliament has given its agreement that the existing supplementary measures should be classified as compulsory expenditure, there would seem little point in opening a discussion with a view to reclassifying this budget line because of the change in the legal basis. In these circumstances, it is preferable to create a completely new nomenclature in which an indent would be entered in respect of measures to be implemented during the financial year itself. For 1982 there is provision for these appropriations in the existing Article 530, and for 1983 they will have to be entered in the 1983 budget.

It will also be necessary to reflect in the budget Parliament's concern as regards the ways and means of supervising the implementation of the supplementary measures.

Parliament must finally express its opinion on the manner in which the regularization of any excess payment received by the United Kingdom should be incorporated in the budget. It would seem more proper to insert an appropriate heading under revenue than to enter negative expenditure on the expenditure side.

There must also be coordination as regards the amendments relating to the new energy programme, an initial application of which is already intended for Germany.

Conclusions

15. Parliament is aware of the existence of an unacceptable situation for the United Kingdom and of the fact that comparable problems may arise for other Member States. That is why it has been proposing, since 1979, a draft final solution consisting of a system of financial compensation based on national standards of living and total taxable income (see for example, the Lange Report, Doc. 1-512/79, OJ No. C.309/34, 10.12.79).

Following the failure of the Mandate of 30 May 1980, provisional solutions of a bookkeeping nature are unacceptable when there is no certainty that a definitive system valid for all the Member States will be established. The Commission's proposals for 1983 and 1985 give reason to suppose that it has not yet drawn the inevitable conclusions from the failure of the Mandate of 30 May 1980.

16. As regards compensation for 1982, this can only be granted by virtue of a new decision which would in any case require endorsement by the budgetary authority. The Council will probably maintain its position to the effect that an additional legal basis is necessary. As we have seen earlier, this would have to be a new regulation and not merely an amendment to the existing regulation.
17. The new regulation could take over some concepts contained in its predecessor but it must represent substantial progress towards a Community policy with particular reference to:
 - criteria of eligibility,
 - the section in respect of which advance payments are possible,
 - the possibility of verifying implementation,
 - coordination with existing or evolving Community policies,
 - management, and
 - reimbursement in the event of sale of the results of a programme.
18. The obligation to pay from the 1982 budget 100% of the compensation normally falling due in 1983 is not a legislative problem but strictly a matter of budgetary procedure. Parliament will treat the Council's conclusions of 26 October and 24-25 May 1982 as an urgent request from the budgetary authority. However, in legislative terms the only acceptable possibility of making an advance payment is reference to point 6 of the conclusions reached by the Council on 30 May 1980, included in Article 5(2) of Regulation No. 2744/80 provides for the possibility of advance payments.

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Opinion of the Committee on Regional Policy and Regional Planning

Letter from the chairman of the committee to Mr LANGE, chairman of the Committee on Budgets

Dear Mr Lange,

At its meeting of 25-26 November 1982, the Committee on Regional Policy and Regional Planning considered the problems relating to Draft supplementary and amending budget No. 1/82 and its legal basis, namely the proposal from the Commission for a Council regulation (COM(82) 728 final) establishing supplementary measures in favour of the United Kingdom. Wishing to respect the time limit laid down and to facilitate the work of the committee responsible, the Committee on Regional Policy and Regional Planning has decided to deliver its opinion in the form of a letter.

This draft budget is, in reality, a financial compensation operation, the political grounds for which do not lie within the terms of reference of the Committee on Regional Policy and Regional Planning. The fact that this operation is presented as a regional policy measure does not necessarily mean that this committee has to approve it. The appropriation in question (1,092 million ECU) is, in fact, a refund to the British Treasury to cover expenditure already made on projects and support measures. This is not Community regional policy but a Community contribution to alleviate the burden of British public spending. It would be more appropriate to delete the entry of 1,092 million ECU from the chapter covering regional policy and enter it, where necessary, under a heading governing refunds to Member States.

Our reservations are borne out by a consideration of the legal basis for the proposal for a regulation drawn up in great haste by the Commission. This is a 'fair returns' operation disguised as regional policy. There is no time to give a detailed analysis of the mechanisms involved, but it is clear that the Commission proposal takes us into territory far removed from the ERDF's institutional framework. One need only consider the rates of repayment and payment and the generous nature of the criteria laid down in Article 3 of the proposal to realize that this regulation has nothing to do with Community regional policy.

My committee does not have the time to table amendments proper and will therefore confine itself in this opinion to general considerations

It trusts that the Committee on Budgets will take them into account when it makes its preparations for the plenary debates in accordance with established procedures.

Yours sincerely,

(sgd) Pancrazio DE PASQUALE

Opinion of the Committee on Energy and Research

Letter from the chairman of the committee to Mr LANGE, chairman of the Committee on Budgets

Dear Mr Chairman,

At its meeting of 2 and 3 December 1982 the Committee on Energy and Research jointly considered:

- the proposal for a Council Regulation instituting a special energy development programme (Doc. 1-937/82 COM(82) 727 final)

and

- the proposal for a Council Regulation amending Regulation (EEC) No. 2744/80 establishing supplementary measures in favour of the United Kingdom (Doc. 1-936/82 - COM (82) 728 final).

It reached the following conclusions:

1. The Committee on Energy and Research is basically in favour of any research project or energy programme within the framework of endeavours to achieve the Treaty objectives.
2. After consideration of both documents, together with draft supplementary and amending budget No. 2/1982 (Doc. 1-930/82 - COM(82) 715 final), it reached the conclusion that the proposed measures belong to the spheres of energy and research but for reasons other than those given, although the background is a general political one. The committee does not consider these methods appropriate and does not regard them as compulsory items of expenditure.
3. However, there is nothing to suggest that energy and research programmes for the whole Community on the lines of the ideas and procedures set out in both documents could not be developed; however, they would need to be set out more clearly. The committee stresses above all that it should be informed of such plans in good time so as to enable it to influence them.

Yours sincerely,

(sgd) Hanna WALZ

PE 81.972/fin/Ann.II