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REPORT

on the draft ECSC operating budget for 2000
(SEC(1999) 803 – C5-0017/1999)

Committee on Budgets

Rapporteur: Giovanni Saverio Pittella

<i>Symbols for procedures</i>	<i>Abbreviations for committees</i>
<p>* Consultation procedure <i>majority of the votes cast</i></p> <p>**I Cooperation procedure (first reading) <i>majority of the votes cast</i></p> <p>**II Cooperation procedure (second reading) <i>majority of the votes cast, to approve the common position</i> <i>majority of Parliament's component Members, to reject or amend the common position</i></p> <p>*** Assent procedure <i>majority of Parliament's component Members to give assent</i> <i>majority of the votes cast in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty</i></p> <p>***I Codecision procedure (first reading) <i>majority of the votes cast</i></p> <p>***II Codecision procedure (second reading) <i>majority of the votes cast, to approve the common position</i> <i>majority of Parliament's component Members, to reject or amend the common position</i></p> <p>***III Codecision procedure (third reading) <i>majority of the votes cast, to approve the joint text</i></p>	<p>I. AFET Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy</p> <p>II. BUDG Committee on Budgets</p> <p>III. CONT Committee on Budgetary Control</p> <p>IV. LIBE Committee on Citizens' Freedoms and Rights, Justice and Home Affairs</p> <p>V. ECON Committee on Economic and Monetary Affairs</p> <p>VI. JURI Committee on Legal Affairs and the Internal Market</p> <p>VII. INDU Committee on Industry, External Trade, Research and Energy</p> <p>VIII. EMPL Committee on Employment and Social Affairs</p> <p>IX. ENVI Committee on the Environment, Public Health and Consumer Policy</p> <p>X. AGRI Committee on Agriculture and Rural Development</p> <p>XI. PECH Committee on Fisheries</p> <p>XII. REGI Committee on Regional Policy, Transport and Tourism</p> <p>XIII. CULT Committee on Culture, Youth, Education, the Media and Sport</p> <p>XIV. DEVE Committee on Development and Cooperation</p> <p>XV. AFCO Committee on Constitutional Affairs</p> <p>XVI. FEMM Committee on Women's Rights and Equal Opportunities</p> <p>XVII. PETI Committee on Petitions</p>
<p>(The type of procedure depends on the legal basis proposed by the Commission)</p>	

CONTENTS

	<u>Page</u>
Procedural page	4
MOTION FOR A RESOLUTION.....	5
EXPLANATORY STATEMENT	10

Procedural page

By letter of 10 June 1999, the Commission forwarded to Parliament the draft ECSC operating budget for 2000.

At the sitting of 23 July 1999 the President of Parliament announced that she had referred the draft to the Committee on Budgets as the committee responsible.

The committee appointed Mr Giovanni Saverio Pittella rapporteur at its meeting of 28 July 1999.

It considered the draft report at its meetings of 13/14 October 1999 and 19 October 1999.

At the latter meeting it adopted the motion for a resolution unanimously.

The following took part in the vote: Wynn, chairman; Pittella, rapporteur; Böge, Buitenweg, Casaca, Cauquil, Costa Neves, Dell'Alba (for Ilgenfritz), Dover, Fabra Vallés (for Elles), Färm, Gill, Haug, McCartin, Naranjo, Pronk (for Garriga Polledo), Rühle, Turchi, Virrankoski and Walter.

The report was tabled on 19 October 1999.

The deadline for tabling amendments is 12 noon on Tuesday, 26 October 1999.

MOTION FOR A RESOLUTION

Resolution of the European Parliament on the draft ECSC operating budget for 2000 (SEC(1999) 803 – C5-0017/1999)

The European Parliament,

- having regard to the provisions of the ECSC Treaty, and in particular Articles 55, 56 and 95 thereof,
 - having regard to the draft ECSC operating budget for 2000 (SEC(1999) 803 – C5-0017/1999),
 - having regard to the preliminary draft budget and the draft budget for the financial year 2000 (C5-0300/1999),
 - having regard to its resolution on the incorporation of the ECSC into the budget of the European Communities¹,
 - having regard to the Communication from the Commission to the Council on the expiry of the ECSC Treaty - financial activities (COM(1997) 506),
 - having regard to its resolution of 22 October 1998 on the Communication from the Commission to the Council on the expiry of the ECSC Treaty - financial activities²,
 - having regard to the resolution of the Council and of the Representatives of the Governments of the Member States, meeting within the Council³, concerning the expiry of the Treaty establishing the European Coal and Steel Community,
 - having regard to the consultation of the ECSC Consultative Committee during its 345th session of 25 June 1999⁴,
 - having regard to the report of the Committee on Budgets (A5-0032/99),
- A. whereas this draft budget arises in the context of the expiry of the ECSC Treaty on 23 July 2002,
- B. whereas the financial arrangements established pursuant to Articles 54 and 56 of the ECSC Treaty have made a major contribution to mitigating the serious economic, social and structural consequences of the restructuring which has taken place in the coal and steel sectors,
- C. whereas, on the basis of the forecasts forwarded by the Commission, the number of jobs to be lost in the year 2000 is expected to be 9000 in the coal sector and 2000 in the steel sector,

¹ OJ C 362, 2.12.1996, p. 327

² OJ C 341, 9.11.1998, p. 123

³ 1999/C 190/01

⁴ DOC 1798/99

- D. whereas the reserves and provisions accumulated by the ECSC will assure the financing of the final operating budgets between now and 2002,
- E. whereas the assets and liabilities of the ECSC will pass to the Communities remaining,
- F. whereas the financial perspective underpinning the general budget for the period 2000-2006 has been calculated on the basis of the 1999 budget, taking no account of any revenue or expenditure relating to the ECSC,
- G. whereas only research activities concerning the sectors associated with the coal and steel industries will continue to be financed after 2002,
- H. whereas the reserves and provisions determined by the liquidation balance sheet will be allocated to a coal and steel research fund, the management and the cost of which will be borne by the general budget,
1. Stresses that the ECSC budget proposed by the Commission shows clear signs of phasing-out, whereas the incorporation of ECSC activities into the general budget (phasing-in) is lagging far behind, and notes, therefore, the mismatch between the two processes;
 2. Points out that, when the ECSC Treaty expires, the part of the pre-allocated revenues which will be transferred to the general budget will consist of the annual interest (estimated at EUR 50 million) on the capital stemming from the ECSC reserves (estimated at EUR 1600 m);
 3. Stresses that this transfer will entail a budget entry against both revenue lines and expenditure lines and will therefore necessitate an appropriate technical adjustment to the financial perspective;
 4. Welcomes the fact that the Council, in its resolution of June 1999⁵, accepted the structure recommended by Parliament in its resolutions of 15 November 1996⁶ and 22 October 1998⁷ for the management of the assets of the ECSC when the latter expires;
 5. Confirms its wish to see the management of the fund entrusted to a structure (agency or foundation) so as to maintain, vis-à-vis the coal and steel sectors, a degree of visibility and continuity of the activities specific to the ECSC which will continue after the Treaty expires, and so as to ensure the industry's involvement in decision-making via the governing body;
 6. Approves the decision whereby, with the ECSC assets reverting to the Communities remaining, the resulting management and costs will legitimately be their responsibility, and therefore reaffirms that the administrative and operating expenditure resulting from the fund will be borne by the general budget and subject to the procedure referred to in Article 272 of the Treaty on European Union;

⁵ 1999/C 190/01

⁶ OJ C 362, 2.12.1996, p. 327

⁷ OJ C 341, 9.11.1998, p. 123

7. Points out that, by virtue of the merger Treaty, the general budget has made a major contribution to the administrative expenditure stemming from the activities financed by the ECSC budget, and calls on the Commission to incorporate that contribution into the liquidation balance sheet and to carry out an assessment of real staffing requirements following the abolition of many of these activities and in the light of the European Union's current political priorities;
8. Deplores the fact that the Council opposes the intention to transfer ECSC funds to the general budget, as called for by Parliament and as proposed by the Commission on the basis of Article 95 of the Treaty authorising it to do so, which would have been a positive sign of phasing-in;
9. Recommends, with the aim of giving greater impetus to phasing-in, that financing be provided in the general budget for pilot projects to formalise 'bridging' activities between the general budget and the ECSC budget, in particular in order to facilitate the transition between the procedures for access to financing for eligible beneficiaries; enters in the ECSC budget, in parallel, amounts intended for pilot projects under phasing-out;
10. Opposes the Commission's persistent approach of maintaining a high level of reserves, rather than seeking to cover the maximum of requirements, since sufficient resources exist and provisions for the future fund are already assured;
11. Calls, therefore, for the reinstatement of the amounts laid down in the 1999 budget, which was used as the basis for calculating the financial perspective for 2000-2006 in relation to the general budget;
12. Considers that additional expenditure is broadly justified by the continuing job losses expected in the sectors concerned;
13. Considers that the percentage of aid reserved for coal, on the one hand, and steel, on the other, must be reflected in the budgetary nomenclature, in order to reveal the continuing balance between the two sectors via the amounts allocated under Articles 55 and 56 of the Treaty;
14. Proposes certain adjustments to the allocations to the sectors that it deems priorities, in accordance with needs, and in particular an increase in social aid, in respect of coal, and in research, in respect of steel;
15. Calls for additional appropriations to be allocated to finance measures to promote health and safety in mines, in respect of the coal sector, and to ensure the development of clean technologies (environmental research) and of products with a high added value, in respect of the steel sector;
16. Calls on the Commission to channel aid granted to coal under Article 56 towards measures to promote social and health protection at work, since the training aspects are covered by the programmes financed by the general budget and also by the local and regional development context;
17. Invites the Commission, in connection with redeployment measures relating to both sectors, to encourage support for information and guidance measures within undertakings, with a view to reorganising working time;

18. Considers that, in view of the expiry of the ECSC Treaty in 2002, ECSC phasing-in must be viewed with enlargement in mind; calls on the Commission to earmark Phare programme appropriations for activities connected with the coal and steel sectors of the applicant countries, so as to facilitate their absorption of the *acquis communautaire*;
19. Reiterates its call for a reduction in administrative expenditure, since it considers that the amount of the lump sum calculated 19 years ago is no longer commensurate with the current level of activities, all the more so since a substantial portion of the administrative expenditure stemming from ECSC activities is charged to the general budget;
20. Points out that, in a statement to Parliament in 1973, the Commission undertook to accept the opinions delivered by Parliament on the ECSC operating budget as binding, and that these have become even more justified in the context of the phasing-in process;
21. Instructs its President to forward this resolution to the Commission, the Council and the Consultative Committee.

DRAFT ECSC OPERATING BUDGET FOR 2000

(million EUR)

Requirements			Resources		
Operations to be financed from resources for the financial year (non-repayable)	Forecast	Rapporteur's proposal	Resources for the financial year	Forecast	Rapporteur's proposal
1. Administrative expenditure	5.0	3.0	1. Current resources		
2. Aid for redeployment (Article 56)	61.0	68.0	1.1 Yield from levy at a rate of 0.00 %	pm	pm
2.1 Redeployment in coal regions undergoing industrial conversion (Articles 56(1) and 56(2)(b))		38.0	1.2 Net balance	54.0	54.0
2.2 Redeployment in steel regions undergoing industrial conversion (Articles 56(1) and 56(2) (b))		28.0	1.3 Fines and surcharges for late payment	pm	pm
2.3 Phasing-out pilot projects		2.0	1.4 Miscellaneous	4.0	4.0
3. Aid for research (Article 55) ⁽¹⁾	81.0	91.0	2. Cancellation of commitments not likely to be implemented	37.0	37.0
3.1 Steel	56.0	61.0	3. Unused resources from previous year		
3.2 Coal	25.0	28.0	4. Drawings on provision for financing ECSC budget	83.0	101.0
3.3 Phasing-out pilot projects		2.0	5. Exceptional resources		pm
4. Conversion aid (Article 95)					
5. Social measures (Article 56)					
5.1 Steel					
5.2 Coal	31.0	34.0			
TOTAL BUDGET	178.0	196.0	TOTAL BUDGET	178.0	196.0

(1) Including projects with an impact on technical measures to combat harmful effects at the workplace and around steel plants, industrial hygiene and mine safety (indicative amounts of EUR 4 and 3 million respectively).

EXPLANATORY STATEMENT

The institutional framework

1. The Commission adopted the draft operating budget for 2000 on 21 June 1999 and forwarded it, as usual, to Parliament and to the ECSC Consultative Committee.
2. The draft budget for 2000 is the penultimate budget covering a full financial year before the date of the Treaty's expiry, on 23 July 2002. This is why the budgets for 2000 and 2001 must be considered within an overall context of the phasing-out/phasing-in included in the illustrative scenario put forward by the Commission following the calls made by Parliament⁸ and the Council⁹; Parliament insisted on two points, in particular:

- *the need for phasing-out and phasing-in to run properly in parallel, not only in terms of activities (social activities and research activities), but also in terms of the budgetary authority's monitoring of the general budget;*
- *establishment of a structure (European foundation or agency) for coal and steel to ensure continuity with the past, with the following characteristics:*
 - *capital constituted by the ECSC provisions remaining after the Treaty expires, to be subject to the European Union's discretionary power,*
 - *annual interest to be paid into the general budget and accounted for as revenue,*
 - *interest on the agency's capital to be made available to finance programmes in the field of research,*
 - *the agency's governing body to be a joint body, comprising industry representatives (former Consultative Committee) and Commission representatives,*
 - *the agency's administrative and operational expenditure to be included in the general budget and become subject to the annual budgetary procedure.*

3. The Commission's reply¹⁰ sets out the following transitional measures:

- *the tapering off of financial operations under the Treaty of Paris ... the final ECSC [term] loans [5 years] were paid out in 1997 so that they can be repaid before the ECSC Treaty expires;*

Since 1998 the ECSC has neither raised nor paid out any loans.

- *keeping the reserves at 100% of the loans without a State guarantee;*

At 31 December 1998 outstanding borrowings came to ECU 2806 m and outstanding loans to ECU 2833 m.

⁸ Report on the incorporation of the ECSC into the budget of the European Communities - A4-0302/1996, OJ C 362, 2.12.1996

⁹ Resolution on growth and employment (June 1997)

¹⁰ COM(1997)0506, 8.10.1997

- *the abolition of the levy on undertakings, which has been the source of ECSC revenue since its inception¹¹;*

This revenue was actually eliminated on 1 January 1998.

- *the existence of sufficient provisions to finance the remaining operating budgets (1998-2002) while complying with the Commission's target for the level of reserves for 23 July 2002;*

This is estimated at EUR 1805 m in 2000 and EUR 1567 m in 2002.

The difficulties encountered

Structures

4. In the resolution on growth and employment adopted at its meeting of 16 and 17 June 1997 in Amsterdam, the Council pointed out that in 2002 the revenues of outstanding reserves would be used for a research fund for sectors related to the coal and steel industry. In its resolution of 21 June 1999 on the expiry of the ECSC Treaty¹², it provided that the assets and liabilities of the ECSC should revert to the Communities remaining on the basis of a liquidation balance sheet in the form of pre-allocated revenue, the cost of the management of which will be borne by the general budget. The Commission would be required to detail what that revenue will be in relation to the relevant financial perspective (2000-2006) and what amounts are expected to be borne by the Community budget.
5. Your rapporteur notes that the Council's proposal is along the same lines as that of Parliament, although the latter supports the creation of an agency to manage the fund; your rapporteur considers this to be preferable, since it has the advantage of a structure which would be visible to the industry, on the one hand, and would facilitate scrutiny by the budgetary authority, on the other. This is why he is calling on the Commission to incorporate the thrust of paragraphs 9-33 of Parliament's resolution of 15 November 1996 into the proposal for a decision that it is required to draw up for the Council.
6. Where administrative expenditure is concerned, your rapporteur wishes to stress that, although Parliament proposed a reduction in the lump-sum amount of ECU 5 m once the ECSC's financial activities began to taper off, the Commission has always reinstated that figure, on the grounds that it was a lump-sum amount set by a Council Decision¹³.
7. In its report on the 1991 financial year, the Court of Auditors showed that there is a very substantial gap between the lump-sum amount of ECU 5 m (which was preferred to an increase in the levy to finance the deficit in the ECSC budget from 1978 onwards) and the real level of the ECSC's administrative costs. The real administrative costs borne by the ECSC are in the region of EUR 25 m per annum, including EUR 20 m in staff costs. At present, there are still 183 people working for the ECSC, spread across 12 departments. The substantial reduction in activities associated with loans has resulted in the redeployment of only 42 posts between 1991 and 1997. The Court also points out that

¹¹ Commission Decision No 2618/97/ECSC, OJ L 353, 24.12.1999, p. 20

¹² OJ C 190, 7.7.1999, p. 1

¹³ Decision 77/729/ECSC, 21 November 1977

the lump-sum approach impairs the transparency of the ECSC accounts and of the general budget.

8. The result of these calculations reveals that the ECSC budget has been subsidised by the Community budget to a considerable extent since 1978. Given that the Treaty (Article 49) explicitly provides that administrative expenditure is to be covered by levies, this underestimate of administrative costs has directly benefited the industry which pays those levies: it has had to pay that much less. This is why your rapporteur once again questions the advisability of maintaining this lump-sum amount, which has remained unchanged for 19 years, for the next two financial years.
9. He considers that, in the context of the rigorous budgetary approach that is binding on the institutions, the Commission should carry out not only an assessment of real staffing requirements in connection with the liquidation balance sheet, but also an assessment for the future. He suggests that the general assessment of human resources requirements called for by the budgetary authority in respect of the general budget should take account of the current staff allocated to the ECSC, in the light of the European Union's political priorities.

Activities

10. Your rapporteur notes that the parallel operation of phasing-out and phasing-in called for by Parliament has not been followed by the Commission. Although phasing-out is well under way, only a few ECSC activities have been incorporated into the general budget. Where social measures are concerned (Article 56 of the ECSC Treaty), particularly vocational training and employment aid programmes, the Commission envisages that from now on they may be financed by the Social Fund, provided that they qualify under the Structural Fund regulations, which means that it is for the Member States to give such expenditure the requisite degree of priority to ensure that it is covered by the general budget.
11. It should be pointed out that Parliament, in its opinion on the 1999 budget, and reflecting its activist approach towards phasing-in, entered EUR 30 m (from the EUR 60 m forecast surplus in provisions and reserves in 2002) as a transfer from the ECSC budget to the general budget. These appropriations were intended for the Rechar and Resider initiatives for conversion activities in ECSC employment areas which were hard hit by continuing industrial restructuring, after the Commission guaranteed the two initiatives' capacity to absorb that amount. Since the Consultative Committee and the Council expressed their strong opposition to the transfer, on the grounds that *the ECSC budget surpluses should be maintained in reserve to cope with possible needs and that the additional surpluses should be allocated to research*, the Commission did not implement those appropriations, in the absence of a legal basis.
12. Given that the Commission has undertaken to respect Parliament's opinion on the operating budget, it should take more account of the regional context within which the ECSC aid granted under Article 56 should operate. Your rapporteur considers that measures seeking to promote a global approach to the economic and social cohesion of regions affected by restructuring should supplement more scattered, individual measures.
13. Where aid for research is concerned (Article 55 of the ECSC Treaty), the Commission cites the incompatibility between the specific nature of ECSC research (which is sectoral

and the findings of which are made available to any interested party in the Community) and activities under the Fourth Framework Programme (generic, multisectoral in their applications, comparative and confidential) as the reason for an amount of ECU 35.1 m for steel research (compared with EUR 56 m in the draft ECSC budget for 2000), and no phasing-in of coal research activities (compared with EUR 25 m in the draft ECSC budget for 2000). The medicine and health programme has taken over ECU 3.5 m of ECSC social research activities. Where the Fifth Framework Programme is concerned, since invitations to tender are in progress it will be difficult to assess what the degree of phasing-in will be. Your rapporteur shares the Commission's thinking about the specific nature of ECSC research and on the constitution of assets which will be maintained in the form of a specific fund, but urges the advisability of encouraging the coal and steel sector to make use of the research programmes.

14. In order to stimulate the phasing-in process, the Commission should help to clarify the procedures for access to financing stemming from the general budget, which are more complex than those applied under the ECSC budget. This is why your rapporteur proposes that the Commission, as the manager of ECSC funds, should introduce some 'bridging' activities, of the information centre or information outlet type, to facilitate access for eligible beneficiaries, particularly in the context of research and the Structural Funds. Parallel to this, pilot projects should be provided with funding in the general budget.
15. Given that the ECSC Treaty does not authorise any action outside the Member States, as part of the phasing-in process the Commission should provide funding, via Phare appropriations, for the coal and steel sectors in the countries applying for membership, so as to extend the principle of the *acquis communautaire*, which forms part of the origins of the ECSC, to those countries.

The economic context

16. While the resources which finance the ECSC budget are, as we have seen, essentially levied from provisions, needs are assessed on the basis of the economic context of the industries concerned.

Coal sector

- inland deliveries of coal in the Member States are expected to show a 5% fall compared with 1998,
- forecasts for annual production in 1999 show a continuing decline of around 6.1%,
- imports from third countries remain at the level of 1997 and account for around 58% of total availability in the Member States,
- total coke production in 1999 is expected to drop by 12%.

Steel sector

- the demand for steel, which had dropped significantly at the beginning of 1999, should stabilise and even rise during 2000,
- steel imports into the Community market should stabilise, while exports by the domestic industry will not experience any real upturn.

Year	1998		1999		2000		Variation 2000/1998	
	Coal	Steel	Coal	Steel	Coal	Steel	Coal	Steel
Production (million tonnes)	107	160	100	157	92	160	- 14%	0%
Jobs (thousands)	123	285	113	280	104	278	- 15%	- 2%

Your rapporteur's proposals concerning the draft budget for 2000

17. The draft budget for 2000 amounts to EUR 178 m, i.e. EUR 18 m less than for 1999. The main resources are as follows:
- net balance: EUR 54 m
 - cancellation of commitments: EUR 37 m
 - provisions: EUR 83 m.
18. Your rapporteur considers that the 1999 budget should be the reference point for the budget for 2000, as has been the case for the general budget. He does not take the view that provisions must be saved for future activities which, after 2002, will only continue only certain elements of ECSC aid (mainly research) which will have been disbursed for 50 years; he also considers that the Commission has not given a sufficiently clear response to the calls made by Parliament and the Council concerning the arrangements for the establishment and running of the future structure (foundation/agency/research foundation) and, in particular, its implications for the general budget. He therefore proposes that the draft budget should be set at the same level as for 1999.

Presentation of the budget

19. Your rapporteur proposes a change in the nomenclature to ensure greater visibility for the aid provided by the ECSC to each sector and to show how the greater amounts of aid to the coal sector for redeployment, and to the steel sector for research, balance out.

Administrative expenditure

20. The reduction in this expenditure reproduces the traditional position of the Committee on Budgets, and the justification can be found in paragraphs 6-9 above.

Redeployment aid

21. An additional amount should be earmarked for the development of local initiatives relating to health and safety at work, instead of for social measures such as training, which has already been phased in.

Aid for research

22. Your rapporteur considers that the coal sector should be encouraged, in particular with regard to mine safety and health protection in mines. He proposes an increase in this sector to finance aspects of research/innovation, and in particular the development of clean technologies and of products with a high added value.

Social measures - coal

23. Aid provided by the ECSC in this sector should be increased, since it provides practical support reflecting the spirit of the *acquis communautaire* expressed in Article 56 of the ECSC Treaty. In particular, it should contribute to the socio-economic development of the regions affected by restructuring by means of individual measures.