1997 ECSC Operating Budget

1996/2102(BUD) - 13/06/1996 - Council draft budget

OBJECTIVE: presentation of the draft ECSC operating budget for 1997 in its economic, policy and financial context. SUBSTANCE: . Economic and policy context: the Commission starts by reviewing the economic outlook for the Union in 1996 and 1997 and states that economic growth has experienced a marked slowdown since 1995, leading to forecasts for 1996 being revised downwards; - the coal industry: coal production in the Union should continue to fall in 1996 (estimated production for 1997 is around 122 m tonnes, as against 128.4 m tonnes in 1996). However, the Commission states that production rose by 6 m tonnes in 1995, as a result of increased production in the United Kingdom (+10.5%) and Germany (+2. 9%). This increase is purely cyclical and is not the result of any significant boost in competitiveness. In these circumstances, the process of restructuring is likely to continue, with considerable job losses as a result (144 050 jobs in 1996, as against 136 900 in 1997); - the steel industry: 1995 was marked by a substantial increase in demand and prices, which resulted in a considerable increase in imports, a reduction in exports and an increase in production (steel production by the Fifteen: 155.7 m tonnes in 1995, compared with 153 m tonnes in 1996; the forecast for 1997 is 155 m tonnes). . Financial context: according to the Commission, the Union should redeploy the ECSC's budgetary instruments while taking account of not only the foreseeable economic and policy constraints but also budgetary constraints, bearing in mind the deadline of the expiry of the Treaty of Paris in 2002. As a consequence, the Commission has decided to adjust its policy on borrowing and lending: during an initial period, borrowing and lending activity is to be kept down to a level which avoids increasing reserves from 1997 onwards. At all events, the term of new loans may not extend beyond 2002. The main point affecting the level and scope of the ECSC budget is the continuing decline in resources (1993: ECU 596 m; 1994: ECU 465 m; 1995: ECU 297.5 m; 1996: ECU 261.6 m: 1997: ECU 265.5 m), which is likely to continue in 1998. Where aid to the coal and steel sectors is concerned, given the allocation of shrinking resources from the ECSC budget, this will be geared mainly to social measures and research aid, while seeking the optimum solution for dealing with the gradual phasing-out of ECSC budget expenditure. . Draft ECSC operating budget for 1997: the draft budget is based on a cautious estimate of the trend in coal and steel production in 1997. The Commission has decided to continue its gradual cutting of the levy rate (rate set at 0.17% instead of 0.19%). The budget is thus characterized by a reduction in resources from the levy and the net balance and by a substantial reduction in the demand for social aid associated with the completion of the process of restructuring. It should be noted that the total figure for social measures in the coal sector, which expire in 1997, will be ECU 132 m instead of the ECU 110 m estimated initially, on account of the allocation of ECU 22 m for 1997. To summarize, the budget is as follows: - Resources: on the basis of a levy rate of 0.17%: . resources from the ECSC levy ECU 95.4 m . net balance for 1997 ECU 96 m . payment of amounts owing ECU 6 m . cancellations ECU 53.5 m . unused resources from 1996 ECU 14.6 m . (workers' housing programme ECU 13 m) - Requirements: . administrative expenditure ECU 5 m . social aid ECU 78 m (broken down into ECU 56 m for traditional redeployment aid and ECU 22 m for social measures in the coal industry) . research ECU 82 m (broken down into ECU 54 m for steel and ECU 28 m for coal: measures to combat nuisances at the workplace and in the environment and research in connection with industrial hygiene and mine safety) . interest subsidies ECU 7 m . provision for financing subsequent budgets (1998/99) ECU 93.5 m - TOTAL ECU 265.5 m