

cc. Press Office
20



Prime Minister (2)
I thought you would like
to see an analysis.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Handwritten initials

11 July 1980

M.O.B. Alexander, Esq.,
No.10, Downing Street

Dear Michael,

EUROPEAN COMMUNITY : PRELIMINARY DRAFT BUDGET FOR 1981

I understand that the Prime Minister has asked for a short note on the Commission's Preliminary Draft Budget for 1981, which Mr. Tugendhat outlined to the European Parliament yesterday. The attached note, summarizing the key features, is based on the best information available to us at present. We will of course inform the Prime Minister if the version presented formally to the Budget Committee differs significantly from Mr. Tugendhat's expose.

.....

I am copying this letter to Paul Lever.

Yours ever
John Wiggins

A.J. WIGGINS

EUROPEAN COMMUNITY:
PRELIMINARY DRAFT BUDGET FOR 1981

The Commission outlined its Preliminary Draft Budget (PDB) for 1981 on 10 July. Full details will not be available until the Commission introduces the PDB in the Budget Committee at either the end of July or the beginning of September. The first meeting of the Budget Council is scheduled for 23 September.

Size of Budget

2. Total appropriations in the PDB, with the increase over the 1980 provision, is as follows:

	<u>Commitments</u>		<u>Payments</u>	
	MEUA	£m	MEUA	£m
Provision	21,734	13,678	20,053	12,620
Increase on 1980 (%)	25.5%		27.9%	

Headroom within Own Resources Ceiling

3. This implies a VAT rate of 0.95%, leaving headroom of 559 MEUA (£352m)* within the expected Own Resources yield of 20,612 MEUA (£12,972m).

Agricultural expenditure

4. The PDB makes no allowance for an agricultural price settlement during the course of the Budget year, but on present market forecasts, it envisages an increase in price support expenditure (Guarantee Section) of 12.7% over the 1980 provision. This contrasts with the trend rate of growth in the late 1970s of 23% per annum.

5. Total spending on agriculture and fisheries amounts to 13,514 MEUA (£8,505m). This represents 67.4% of the Budget, as against 75.7% in the 1980 Budget.

UK refund

6. The Commission have provided for payment from the 1981 Budget of the full amount of the refund to which the UK is entitled in respect of 1980 (1175 MEUA/£740m)*. They anticipate that 469 MEUA (£295m) will be paid through the Financial Mechanism and the balance under the new supplementary expenditure regulation. The provision of 1444 MEUA (£909m) ^{for the latter} includes the sum needed to compensate the UK for its contribution to the cost of the measures through its Own Resources contributions.

7. The PDB also includes 100 MEUA (£63m) for advances to the UK of the payments to which it will be entitled under the supplementary expenditure regulation in respect of 1981.

Regional and Social Funds

8. The Regional and Social Funds together account for 1480 MEUA (£931m) of payments appropriations and 2600 MEUA (£1636m) of commitments. These represent ^{respectively} 7.4% and 12.00% of total appropriations.

Commission staffing

9. The Commission are seeking an increase in their own staff of 323, of whom 173 would be Greek.

Who?

Preliminary reaction of the European Parliament

10. When Mr Tugendhat introduced the Budget in the European Parliament, the Chairman of the Parliament's Budget Committee (M Lange) stated that although the initial reaction of the Budget Committee had been favourable, he nonetheless expected considerable conflict between Parliament and Council over its passage.

* The Rate of Exchange used in this note is £ = 1.58894 EUA which is the official Budget rate for 1981 (ie the rate on 1.2.80) and which is the rate that will be used in the Explanatory Memorandum which will be laid before Parliament in due course. The current rate is £1 = 1.64 EUA.