COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 285 final

Brussels, 16 June 1975

FIRST COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on progress in liberalizing public contracts and contracts awarded by undertakings responsible for the operation of services of general economic interest in respect of supplies

Updating of Document SEC(72) 2601 final of 24 July 1972

(submitted to the Council by the Commission)

COM(75) 285 final

INTRODUCTION

On 4 August 1972 the Commission forwarded to the Council its first communication (SEC (72) 2601 final) on progress in liberalizing public contracts and contracts awarded by undertakings responsible for the operation of services of general economic interest in respect of supplies.

The conclusion reached in this document was that although the gradual abolition of customs duties and quantitative restrictions had led to vigorous trade in the Community in all products bought by private firms or private individuals, the same was not true of capital goods and articles of advanced technology generally bought by public administrations and undertakings responsible for operating economic services of general interest.

Consequently, the only way to gradually break down the persistent compartmentalization of these markets so vitally important for Europe's technological future seemed to lie in strong measures to achieve, for instance, the implementation of procedures ensuring that all the Community's competent suppliers are consulted, the removal of technical, administrative and customs barriers, joint decisions by the major purchasers or relevant public authorities regarding the type of equipment to be developed in the future and, where appropriate, Community support for the joint development of some new types of equipment.

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At the meeting of the Permanent Representatives Committee held on 17 July 1974, the Italian delegation expressed its wish for an exchange of views to be held on this Communication forwarded by the Commission to the Council before the accession of the new Member States. With a view to such a discussion, the Committee asked the Commission to update this Communication as soon as possible.

Although the Permanent Representatives probably thought that an updating of a 1972 document in 1974 should take into account the intervening enlargement of the Community, the Commission did not consider, save exception, that it could reasonably include the three new member countries in a study on the effects of the liberalization of public contracts. The statistical data currently available on industrial output (and consequently the ratio trade/production) very rarely go beyond 1972 and therefore almost always relate to a period prior to the enlargement of the Community.

The transitional measures provided for in the Accession Treaty, particularly Articles 32 (customs duties) and 36 (charges with equivalent effect) thereof, means that at present time the conditions for free movement of goods between the Six and their new partners are only partly established, and that it is not feasible to draw up statistical time series. Similarly, under Article 42 of the Act of Accession measures having equivalent effect to quantitative restrictions existing on the date of the accession to the Community as originally constituted of the new Member States are to be prohibited only from 1 January 1975. What this means in practice is that it is only from this very recent date that the rules contained in Articles 30 to 36 of the EEC Treaty, as set out in more detail by the Commission in Directive No 70/32/EEC which was the first legal instrument of importance as regards the opening of public contracts in the Community, are to apply to the three new Member States.

It would therefore be premature at the present time to measure the consequences in the new member countries of the liberalization of a market which is still fettered by so many limitations. The statistics of these countries for the periods in question are totally inadequate as a basis for any new thoughts on the subject or even simply for qualifying, endorsing or rejecting the general conclusions reached in the report, i.e. that the achievement of the common market has triggered a veritable surge intra-Community trade in goods purchased by private firms or individuals, whereas public and semi-public purchases seem to have been very little affected by the existence of the European Economic Community.

Even in the limited framework of the six original members, the work of the Commission's departments has been complicated, as in 1972, by the current lack of comparable industrial statistics; the collected data are therefore not always as specifically accurate as the Commission would like them to be. Despite their shortcomings they nevertheless indicate the main trends. However, the figures take no account of the de-compartmentalization of markets resulting from the fact that general contractors may sub-contract parts of their orders to firms located in other countries or that transfers of capital or know-how to other countries may replace trade in goods. From the economic angle, these two activities do not produce the same economies of scale as a genuine liberalization of the market and may therefore only be regarded as similar with substantial reservations. However this may be, the Commission does not yet possess the necessary data for a quantitative analysis of these activities.

In compliance with a Directive adopted by the Council in 1972 which provided for the establishment of coherent statistics on the structure and productive activity of industry in the Community, a survey relating to

1973 is at present under way. The results of this survey should be published towards the end of 1975. Similar surveys will then be conducted every year.

It is not until these published data become available that the Commission will be able to consider presenting a new report to the Council on the progress made in liberalizing public contracts and contracts awarded by undertakings responsible for the operation of services of general economic interest. This report will then cover all the member countries of the enlarged Community.

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In the following pages, the Commission submits to the Council the updated version requested by the Permanent Representatives Committee; updating has mainly affected the parts dealing with the quantitative aspects of trade. Parts relating to the legal aspects of the liberalization of public contracts and the conclusions to be drawn from a review of the sectors studied remain virtually unchanged.

Even in the factual part of this updated version, the Commission felt that it was of little use to go more deeply into the problems affecting conventional supplies. Suffice it to say that between 1969 and 1971 the portion of gross internal product accounted for by contracts concluded by the public authorities and by undertakings responsible for operating services of general economic interest hardly varied in the original Community taken as a whole (slight increase in Germany, Italy and the Netherlands, offset by a decrease in Belgium and France). In contrast, intra-Community trade continued to expand strongly: at current prices, the value of trade rose from $ 36 000 m to $ 52 000 m between 1969 and 1972, an increase of 42% in three years.

This being said, the Commission thinks best to comply with the wishes expressed by the Permanent Representatives Committee by focusing the updating of its communication to the Council on capital goods and articles of advanced technology bought by governments and by undertakings responsible for a service of general interest. As will be seen in the following pages, the latter undertakings took no significant part in the expansion of trade. To illustrate the situation, supplementary notes of a basically statistical nature have been prepared for each of the sectors studied in 1972, except for technical infrastructure equipment for airports. For this sector, the Commission was unable to obtain more up-to-date figures since they had originally been obtained through personal contacts with the relevant authorities in 1972.

Thus, the supplementary notes presented in the following pages concern:

- Note No 1: electro-medical and x-ray instruments
- Note No 2: data processing
- Note No 3: civil aviation
- Note No 4: equipment for conventional and nuclear power stations
- Note No 5: railway equipment
- Note No 6: telecommunications equipment

<u>IMPORTANT REMARK</u>: In this working paper, the value of the unit of account equals the value of the US dollar before its devaluation in 1972. It is thus not identical to the EUR unit adopted recently by the Statistical Office of the European Communities.

SUPPLEMENTARY NOTE NO 1 to

Doc. SEC (72) 2601 final of 24 July 1972

Electromedical and x-ray instruments

The market for electromedical instruments in the Community of Six was estimated at 281 million u.a.[1,2] in 1974, compared with 198 million u.a. in 1970. This amount breaks down as follows:

- 70% for x-ray apparatus
- 14% for diagnostic instruments
- 11% for monitoring and surveillance apparatus
- 5% for therapeutic appliances

This breakdown broadly corresponds to subheadings 90.17-11 to 19 and 90.20-11 of the Community's analytical nomenclature for external trade (NIMEXE).

Taking these products as a whole, the volume of intra-Community trade (imports) was as follows for the period 1968-1972 (the last year for which foreign trade figures could be had):

[1] See "Electronics" December 1973. Figures expressed in this review in dollars at current prices have been converted into units of account on the basis of the dollar/European currency conversion rates applied by the review itself.

[2] 315 to 320 million u.a. for the enlarged Community.

Table I

Intra-Community trade (imports) in electromedical and x-ray instruments

(NIMEXE subheadings 90.17-11 to 19 and 90.20-11)
(in '000 u.a.)

Product group	year	Destination					
		France	Belg./ Luxemb.	Nether- lands	Germany	Italy	Six
- electro- cardiographs	1968 1970 1972	288 78 493	266 44 21	145 230 99	122 890 823	75 403 554	896 1.646 1.990
- ultraviolet & infrared apparatus	1968 1970 1972	120 70 12	219 - -	485 877 949	135 854 640	77 - -	1.036 1.036 1.601
- instruments for diathermy	1968 1970 1972	285 21 19	74 12 -	151 50 40	151 231 322	11 - 23	672 318 404
- other electro- medical appliances	1968 1970 1972	918 943 1.340	1.033 364 453	927 2.868 1.991	568 4.690 7.655	984 249 832	4.430 9.113 12.271
- x-ray apparatus for medical use	1968 1970 1972	6.105 3.082 4.238	1.608 3.350 4.774	2.409 2.202 3.290	2.081 12.191 15.047	1.732 2.901 3.520	13.935 23.724 30.869
- all electro- medical and x- ray instruments	1968 1970 1972	7.716 4.194 6.102	3.200 3.770 5.248	4.117 6.227 6.369	3.057 18.856 24.487	2.979 3.553 4.929	21.069 36.606 47.135
rate of variation 1972/68 (current prices)		-11%	+64%	+55%	+701%	+65%	+124%

Intra-Community trade thus increased in value at current prices by 124% in four years. During the same period, the Community's imports from non-member countries increased by 103% and currently represent 34% of all imports into the Member States compared with 40% in 1972.

Thus substantial increase in intra-Community trade is due in particular to a very strong increase in German imports of x-ray apparatus produced in France (5.4 million u.a. in 1972), the Netherlands (4.2 million u.a.) and Italy (4.3 million u.a.), and of French equipment covered by the statistical heading "other electromedical appliances" (7.7 million u.a. in 1972).

Intra-Community trade therefore represents a considerable and increasing share of Community consumption: 16.8% in 1972, the last date for which we have figures on foreign trade, compared with 15% in 1970. These figures indicate that the liberalization of purchases by institutions which are mainly public or semi-public (hospitals, dispensaries, etc.) encounters no particular obstacles once there is a sufficiently high number of purchasers acting in their best respective interests without interference by the State and in a field where the value of individual orders is generally fairly low.

The market for such equipment, which expanded considerably between 1964 and 1968 (rates of growth - in u.a. at current prices - then lay between 59% in Germany and 174% in Italy), has grown considerably less rapidly since: the average rate for the period 1970 to 1974 is no more than 42% for the Six as a whole. The sharpest increases in this period occurred in France (61%) and Italy (about 50%). Of course these figures must be interpreted in the light of the different rates of monetary depreciation in these various countries.

The figures in no way modify the conclusions reached by the Commission in its Communication to the Council of 24 July 1972. The reader is therefore referred to the conclusions reached at that time.

SUPPLEMENTARY NOTE NO 2 to

Doc. SEC (72) 2601 final of 24 July 1972

Data processing

To supplement its communication of June 1972, the Commission is now in a position to present the following factual information:

1. Table II on page 17 of this communication is to be replaced by the following table relating to the period 1971/72:

Table II

Share of the various constructors in the markets of the countries of the Community of Six, the United Kingdom and other countries

Period 1971/72

(in % of respective values)

	Germany	Benelux	France	Italy	Royaume Uni	Others	Total
IBM	57	60	57,5	73	38,4	65	59,47
Honeywell (HIS)	8	9,5	18,0	11	7,0	6	10
UNIVAC	3	5	3,5	7	3,7	4	4,4
CDC	3	4	3,5	2,5	1,8	4,5	3,27
Burroughs	3	4	1,5	2,5	3,9	3,5	3,12
ICL	0,5	3	3,0	-	34,7	5	7,83
Philips/Siemens/CII	16,5	8	12,0	2,5	0,9	2	6,93
Others	9	6,5	1,0	1,5	9,6	10	4,85
Total	100%	100%	100,0%	100%	100,0%	100%	100%

Sources: Délégation à l'Informatique, Paris 1972
Department of Trade and Industry, London 1973

2. Table III, on page 18 of Doc. III/846/72, was based on the results of a survey conducted by the Diebold-Deutschland GmbH for the West German Government. Since this survey has not been repeated in the intervening years, the Commission cannot update the figures supplied. It would seem, however, that the trend has not radically changed.

3. According to two surveys carried out by the "Commission pour le Traitement et la Transmission de l'Information", on behalf of the Délégation de l'Informatique, the breakdown by origin of computers in use in France was as follows on the dates shown:

Table IV

Breakdown by origin of computers in use in France at 1 January 1973

Overall market and public or semi-public buyers

(in value)

	IBM	CHB	CII	other European	others
a) government departments:					
at 1.1.1970:	55%	15%	10%	n.d.	n.d.
1.1.1971:	46,5%	16,3%	16,5%	5,5%	15,2%
1.1.1972:	41%	16%	22%	4%	17,0%
1.1.1973:	40%	26%	12%	5%	17,0%
b) public undertakings: at 1.1.1973:	55%	9%	14%	n.d.	n.d.
c) national level: at 1.1.1973:	51%	14%	17%	6,5%	11,5%

4. In reply to a parliamentary question on progress contracts (contrats de progrès), the following information on computers in use in public administrations in Belgium was obtained in July 1973; percentages relate to the cumulated capacity of the memories:

- IBM: 60%
- Siemens: 30%
- Philips: 5%
- NCR: 2.3%
- CHB: 2%

5. According to a document drawn up for the Select Committee on Science and Technology of the UK Parliament, the breakdown by origin of computers in use in the United Kingdom was as follows on 1 January 1974:

Table IV_2

Breakdown by origin of computers in use in the United Kingdom at 1 January 1974: Overall market and public and private buyers

(in value and in %)

	ICL	Total United Kingdom	IBM	other US	others
Private buyers	24,9	26,7	47,4	23,4	2,5
Central gov't	50,4	63,3	19,4	15,2	1,3
Local gov't	55,3	56,9	24,3	17,8	1,2
Public undertakings	41,5	51,3	32,9	15,2	0,8
Total UK	32,9	37,5	39,7	20,9	2,0

6. Since the Commission's Communication to the Council in 1972, the Member States with a technological development policy on data processing have continued their aid measures to national producers and to producers who have agreed to become established on their soil.

The table below illustrates the extent of this aid in the three countries of the Six which apply a national policy in this field, and in the United Kingdom:

Table IV_b

Aids and other forms of national support to the development of data processing in the Community

('000 000 u.a.)

	Hardware		Applications
Belgium	Progress contracts:	25% max. of public contracts to Philips 25% max. to Siemens	1971-73: 4
France	1967-70: 109	1971-75: 158	1967-70: 7,2 1971-75: 29
West Germany	1967-70: 65	1971-75: 190	1967-70: 15,6 1971-75: 150
United Kingdom	1968 - Sept. 1976: = 144	support to ICL	

Source: National delegations

This table includes all forms of direct aid: subsidies, research contracts, loans repayable in the event of success, etc.

7. The conclusions presented in the Commission's Communication to the Council on 24 July 1972 have been confirmed and amplified in the Commission's Communication to the Council of 21 November 1973 on "A common Policy on Data Processing", to which the delegations are referred for further details on specific aspects of this sector.

SUPPLEMENTARY NOTE NO 3 to

Doc. SEC (72) 2601 final of 24 July 1972

Civil aviation

In the civil aviation sector, opening up markets to intra-Community competition is not really a problem in itself; almost all civil aircraft are nowadays built by multinational co-operation and are therefore no longer national products. On the other hand, Europe is still suffering from the almost complete absence of Community production of commercial long-haul aircraft, for which it is totally dependent on imports from the United States. The real problem is therefore Europe's excessive dependence on foreign production, which is highly diversified and scaled to meet the requirements of the world market, and also the difficulty of launching programmes to make good present shortcomings in Europe.

Because of this there would be little point in supplying figures on intra-Community trade and its trend; on the other hand, the reasons why, in the other parts of the document, we limited our statistical information to the Six countries of the original Community no longer apply and it seems preferable to present here the figures for the enlarged Community.

Since 1960, the turnover of aerospace industries in all the Nine countries has steadily increased:

Table IV_c

Trend in turnover of the aerospace industries in Europe and the United States 1960 to 1973

('000 000 u.c. current prices)

	1960	1970	1972	1973
A) Community of Nine	1.809	4.039	5.329	6.898[1]
B) For comparison: United States	15.132	24.930	22.609	23.771

[1] Estimate

The turnover of the aerospace industry in the Community has been multiplied by 3.7, that of the United States by 1.5 (current prices); however, the turnover in the Community is still only 29% that of the United States.

The Community's trade balance in civil aviation equipment is in deficit and this deficit is tending to increase; it was estimated at about 170 m u.c. per year on average for the period 1960 - 1970 and it seems to have approached 750 m u.a. per year on average for the period 1968 - 1973.

This situation is mainly due to the lack of any significant production of long-haul aircraft in the Community during this period (1968-1973), the requirements for these being covered by heavy purchases of long-haul aircraft from the United States (2 300 m u.a. during this period, of which almost 1 500 m u.a. for purchases of Boeing 747s).

Community production of short and medium-haul aircraft has been mainly based on the following types (period 1968 - 1973):

	Sales in Europe.	Sales in the rest of the world.
Caravelle	31	1
BAC 111	67	51
Fokker 27	19	21
Fokker 28	27	22
Trident	38	6

For the period 1968-1973, the balance of production and trade in short and medium-haul aircraft was as follows:

(in '000 000 u.a.)

	Consumption		Trade
Production: 1 101 m u.a., of which	784	exports	317
Imports	+1.839		-1.839
	2.623	difference	-1.522

For the entire range of commercial aircraft (including long-haul aircraft), the deficit amounted to:

	('000 000 u.a.)
long-haul	- 2 246
short and medium-haul	- 1 522
	- 3 768

The relative value of the European market (value of the commercial fleet) and the coverage of requirements by European products have evolved as follows:

Year	EEC market as percentage of world market (x)	Market share of European products	
		world(x)	EEC
1970	14,7%	9,5%	33%
1971	15,4%	9,2%	26%
1973	18,2%	6,6%	24%
1974	17,9%	5,9%	20%

(x) Except USSR and China

Thus, the increase in the relative value of the Community market is accompanied by a sharp drop in the market share of European products not only in the world but also in the Community.

With regard to the main and most recent production programmes, sales of Concorde seem to be limited to 9 firm sales and 5 options until the aircraft is brought into operation; as regards the Airbus, the evolution of sales is fairly slow (13 firm sales in 1972; 24 at 31 October 1974); however, a number of options approximately equal to the number of firm sales shows the interest aroused by this aircraft, the only twin-jet wide-body airliner brought into operation in Spring 1974.

SUPPLEMENTARY NOTE NO 4 to

Doc. SEC (72) 2601 final of 24 July 1972

Equipment for conventional and nuclear power stations

1. The following table gives the maximum net capacities of the thermal power stations that became operational in 1970, 1971 and 1972:

Table IV$_a$

Capacities of the thermal power stations that became operational in the Community of the Six in 1970, 1971 and 1972

(in MWe)

Year	Non-nuclear power stations (thermal and geothermal)	Nuclear power stations	Total
1970	6.393	36	6.429
1971	8.347	465	8.812
1972	5.353	1.828	7.181
Total 1970-72	20.093	2.329	22.422

On the basis of the specific costs mentioned by the Commission in its first illustrative programme, the total value of the trade in question can be set at some $ 3 000 million, of which nonetheless only half, or $ 1 500 million, results from the supply of mechanical and electrical items.

2. The reservations, already made in the 1972 Communication to the Council, regarding the possibility of ascertaining precisely the level of trade within the Community in equipment for use in power stations, still apply in their entirety. For parts of equipment for which external trade statistics provide valid data (multi-tubular boilers, steam turbines, turbo-alternators and transformers), the value of intra-EEC exports reached

some $ 31 million in 1971 (1971 $). As compared with 1968 and 1969 ($ 27 and 20 million respectively) this represents a relative decline, which makes the objective of opening up the markets even more remote.

3. An attempt to estimate the share of the principal equipment for power stations (steam turbines, alternators) accounted for by the internal production of the Community countries can be made by comparing the figures resulting from the OECD statistics for deliveries by producers in the six countries to their national industries (non-exported part) with those appearing in the Community statistics on the new entries into service of power stations in the year following that of these deliveries. It goes without saying that the method chosen (for want of a more satisfactory one) only gives acceptable results if data relating to several years are taken into account. In the following table, therefore, only the grand total for the five years surveyed, must be considered and not the figures for each year separately.

Table V

Conventional thermal and nuclear power stations

Non-exported deliveries of some large items of equipment (year X), and creation of new capacities (year X + 1)

Year	Deliveries remaining in the producing countries (year X)		New capacities put into service[1] (year X + 1)
	Steam turbines (MW)	Alternators (MW)	(MW)
1967=X	6.072	6.657	5.418
1968=X	5.417	5.487	4.919
1969=X	6.179	7.093	6.429
1970=X	9.513	8.520	8.812
1971=X	4.666	4.347	7.181
1967 to 1971	31.847	32.104	32.759

[1]Maximum net capacities

The figures of the last column for 1967-69 are revised OECD figures which differ from those published by the Commission in 1972.

A comparison of the two time series shows that the imports of the countries of the Community of the Six coming from all the European Member States of OECD (including Member States of the EEC) can hardly have exceeded, for the entire reference period, 2 to 3% for steam turbines and alternators. This conclusion is not strictly accurate in view of the uncertainty that affects the differences in phase in the annual fluctuations of values. Furthermore, the OECD statistics neglect turbines and alternators of a capacity below 10 MW/MVA. Nonetheless, the result is convincing enough to enable the Commission to conclude that total European and - even more - intra-Community trade for the period 1967 to 1971 was negligible as regards principal mechanical components for power plants.

4. The following table extends Table VI of the Communication of July 1972 up to 1971:

<u>Table VI</u>

<u>Power transformers and boilers</u>

<u>Deliveries in EEC countries and exports from these countries to European Member States of the OECD</u>

Year	Power transformers			Boilers		
	Total deliveries EEC (in MVA)	Exports to European Member States of the OECD (in MVA)	Ratio (in %)	Total deliveries EEC (in tonnes/h)	Exports to European Member States of the OECD (in tonnes/h)	Ratio (in %)
1967	43.892	3.343	7,6	21.914	916	4,2
1968	52.793	4.812	9,1	23.572	1.224	5,2
1969	65.072	5.286	8,1	26.753	2.105	7,9
1970	63.658	3.933	6,2	38.018	2.500	6,6
1971	75.528	5.063	6,7	45.047	3.355	7,4
1967-71	300.943	22.437	7,5	155.304	10.100	6,5

Source: OECD survey of electric power equipment

In the preceding table, the ratios of exports to deliveries concern all the exports of the Six to whatever countries. Only part of these exports consisted of intra-Community trade; the absence of statistical data does not enable it to be determined.

5. Within its working programme on the situation and perspectives of the industries responsible for heavy electromechanical and nuclear equipment, the Commission intends to engage this year upon a study on the degree of market liberalization in this sector. It is hoped that the results from this study will be available in the first half of next year.

SUPPLEMENTARY NOTE NO 5 to

Doc. SEC (72) 2601 final of 24 July 1972

Railway equipment

In this analysis of the reasons for the compartmentalization of markets and in its conclusions, document III/846/72 of 24 July 1972 is still completely up to date.

From 1970 to 1974, no increase was noted in intra-Community trade in rolling stock, which has remained at the very low level of 3 to 4% of apparent consumption. The peak reported in document III/846/72 for 1970 proved to be an ephemeral phenomenon due to the fulfilment, by France, of a large order from the Belgian national railways (SNCB).

On the other hand, the situation regarding the production of rolling stock has substantially changed. There has been a distinct tendency towards recovery since 1970. The production of wagons, which amounted to 17 000 units in 1968 for the Six, reached 20 000 units in 1970 and exceeded 30 000 units in 1972. The production of locomotives became stabilized between 1970 and 1973 at around 500 units[x] of more than 1000 horsepower, and the production of railcars increased from 300 units in 1968 to 400 in 1970 and 500 in 1972.

Since the publication of Doc. III/846/72 of July 1972, the OECD ad hoc working party on the railway rolling stock industry has ceased work, thus depriving the Commission of its main source of statistical information. In view of the absence of any other source of co-ordinated information on this subject, the Commission is currently not in a position to update its previous figures on the value of the rolling stock produced in the Community. A large-scale survey is being conducted among the producers of the Nine Member States and should provide the Commission with the necessary data in the second half of 1975.

Since the energy crisis, there have been numerous indications that the tendency to develop rail transport will have to continue.

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[x] Figure revised in comparison with the report of 1972, because of the improvement in the statistical data that have become available in the meantime.

It should also be noted that there is an increasing demand for urban transport, which the railway equipment industry will have to satisfy.

As regards permanent way equipment coming under the ECSC Treaty (rails, guard rails, sleepers, fish-plates and rolled bed plates), the production level in the Community of the Six remained steady at around 1.10 to 1.15 million metric tons per year between 1970 and 1973. This production, in which all the Member States participated except for the Netherlands (with about 25 000 metric tons per year, Belgium's production has become marginal since 1970), had remained constantly above the apparent consumption of the Community which fluctuated around 900 000 metric tons per year. Production currently represents a value of about $ 350 million, of which $ 280 million correspond to the internal consumption of the Community.

The level of intra-Community trade hardly varied at all during the period 1970-72; intra-Community imports during this period averaged 7.4% apparent consumption (the 1972 report indicates 6 to 8% on average for the period 1960-70). At the very most it can be said that there has been a very slight and statistically negligible increase in imports to France from other Member States. As was the case two years ago, most of the intra-Community trade is once again due to imports by the Netherlands, which has ceased all production on its territory; this makes the level of trade between the other countries even less significant. Imports to these countries from other Member States were about 1% for Germany, 7 to 8% for France, and 5 to 6% for the other countries.

In summary, the situation in the railway sector is characterized currently, as in 1972, by a very low and stagnant level of trade. On the other hand, the drop in production recorded in 1972 was followed by a distinct recovery, due largely to the great expansion in urban transport. This recovery leads the Commission to modify to some extent its previous appraisal of the extent of the surplus capacity in the sector.

Capacity has been progressively adapted to requirements as a result of the large number of mergers or shutdowns in the industry; in only a few years, the number of undertakings producing rolling stock decreased by a good third, while the number of producers of heavy rails decreased from 14 in 1971 to only 8 in 1974.[1]

The problem of surplus capacity nevertheless continues to exist. Under these conditions, the conclusions of the Commission in its previous report still apply in their entirety. In particular, the Commission still considers that any arrangement aimed at opening up the markets in the sector in question will have to provide for the necessary ancillary measures to facilitate the restructuring of the railway equipment industry on the regional level.

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1 It is true that the number of ECSC permanent way equipment producers is not a criterion of capacity; rails and accessories are only rolled to order and the same rolling mills produce girders when they are not producing rails.

SUPPLEMENTARY NOTE NO 6 to

Doc. SEC (72) 2601 final of 24 July 1972

Telecommunications equipment

1. In its communication to the Council of July 1972, the Commission indicated that no directly usable stastistics were available to measure the degree of interpenetration in the markets of the Community countries for telecommunications equipment.

Since then, the Commission has managed to draw up a table - albeit limited only to telephonic and telegraphic equipment by means of wire - in which the production figures correspond exactly to those relating to external trade. This table, vastly improved in its method, must not be compared with the less perfect version published by the Commission in its original report to the Council.

Once more, production figures are available only for five countries, those relating to the Netherlands still being treated as classified information. For this reason, it is not possible to determine the average penetration of the markets of the Six original Member States by products coming from all other Member States. As the following table shows, the average for the five countries actually surveyed was 5.9% in 1971.

Table VIII

Share of the intra-Community imports in the apparent consumption of line telephonic and telegraphic apparatus for five Community countries in 1971

(in '000 000 u.a.)

	Germany	Belg./Lux.	France	Italy	Netherlands	Community excluding Netherlands
Production	978,0	177,2	549,2	442,2	n.d.	2145,9
Imports	33,9	27,6	16,1	25,9	42,9	146,4
- of which intra-EEC	26,4	25,0	11,2	11,2	33,5	107,3
Exports	247,3	71,8	54,7	45,0	43,3	462,1
- of which intra-EEC	45,7	33,5	10,8	7,1	12,6	109,7
Visible consumption	764,6	133,0	510,6	408,4	n.d.	1815,9
% of intra-EEC imports in visible consumption	3,5%	18,8%	2,2%	2,7%	n.d.	5,9%

Sources: 1 production: unpublished OECD data corresponding to the SITC (STC) code 724.9(1): apparatus for telephony and telegraphy.

2 External trade: external trade statistics for the countries of the EEC (NIMEXE), heading 85.13

Note: the figures in this table are not to be compared with those of Table VIII of Doc. III/846/72.

2. For one country of the Community, West Germany, the available figures enabled a time series for the same equipment[1] to be drawn up showing the development of intra-Community trade during the period from 1967 to 1972. A certain increase is noted here in the volume of imports from 1970 onward, an increase which could very well be explained by the change, from the end of 1969, in the parity of the German Mark as compared with the currency of the other countries. Nonetheless, the volume of trade still remains very modest, since imports never exceed 5.6% of apparent consumption, of which 3.5% come from the EEC.

Table IX

Share of intra-Community trade in the apparent consumption of line telecommunications equipment in West Germany from 1967 to 1972.

('000 000 u.a., at current rates of exchange)

	1967	1968	1969	1970	1971	1972
Production	435,0	466,0	600,1	756,0	978,0	1241,0
Imports	8,0	9,9	12,7	23,9	33,9	53,0
- of which intra-EEC	4,6	5,2	6,7	13,8	26,4	30,6
Exports	118,3	129,7	132,7	189,6	247,3	271,8
- of which intra-EEC	20,6	21,5	21,5	34,8	45,7	58,7
Apparent consumption	324,7	346,2	480,1	590,3	764,6	1022,2
% of imports from all sources in apparent consumption	2,5%	2,9%	2,6%	4,1%	5,6%	5,2%
% of intra-EEC imports in apparent consumption	1,4%	1,5%	1,4%	2,3%	3,5%	3,0%

Sources: [1] production: Die Produktion der westdeutschen Elektroindustrie, successive volumes, ZVEI, Frankfurt/Main

[2] External trade: External trade statistics for the countries of the EEC (NIMEXE), heading 85.13, SOEC

(1) The production of which represents in Germany, by value, a good third of the total production of telecommunications equipment (line plus radio plus line-wire and cable)

3. For line-wires and cables, the ZVEI statistics give the following situation as regards the Federal Republic of Germany:

Table X

Telecommunications line wires and cables: share of imports in apparent consumption in West Germany

	Production	Exports	Imports	Apparent Consumption	Proportion of apparent consumption accounted for by imports	
Year	Millions of DM	Millions of DM	Millions of DM	Millions of DM	from all sources	from EEC
1969	994	95,7	32,2	933,5	3,8%	2,5%
1970	1.078	123,0	47,2	1.022,2	4,7%	2,9%
1971	1.039 (1)	167,4	62,2	933,8	6,7%	3,3%
1972	1.034 (1)	139,6	63,4	957,8	6,6%	4,0%

Sources: Production: ZVEI
External trade: NIMEXE

(1) Estimate

With 2.5 to 4% of the total, the share of intra-EEC imports in apparent consumption is, once again, very modest. Nevertheless, some progress has been obtained in the last few years.

4. Since 1968, investments by national post and telegraph administrations in telecommunications have developed considerably, as the following table shows:

Table XI

Investment by national post and telegraph administrations in telecommunications 1968 to 1972

('000 000 u.a. at current value)

Country	1968	1970	1972
Belgium (RTT)	118	123	170
West Germany (PTT)	n.d.	1.050	2.086
France (PTT)	294	368	666
Italy (SIP)	266	n.d.	740
Netherlands (PTT)	n.d.	169	248

These figures may in some cases include real estate investments and are thus not strictly comparable.

COMMISSION
OF THE
EUROPEAN COMMUNITIES

NOTE TO THE COMMISSION

(Communication by Sig. Spinelli)

Re: Updated version of document SEC (72) 2601 final of 24 July 1972: First communication of the Commission to the Council on progress in liberalizing public contracts and contracts awarded by undertakings responsible for the operation of services of general economic interest in respect of supplies.

I. By a note dated 24 July 1972, the Commission sent to the Council, for information, a first communication on progress in liberalizing public contracts and contracts awarded by undertakings responsible for the operation of services of general economic interest in respect of supplies, in the Community. This report, which evidenced to what extent an exchange of supplies and heavy capital goods, which are mainly purchased by public authorities and utilities took place at that time between EEC countries, had been presented at the request of several delegations in the Council, on the occasion of the examination of the Commission's Memorandum on Industrial Policy. The main conclusion drawn from the situations described in that report was that while the gradual abolition of customs duties and quantitative restrictions had led to vigorous trade in the Community in all products bought by private firms or private individuals, the same was not true of capital goods and articles of advanced technology generally bought by public administrations or by undertakings responsible for operating economic services of general interest. Consequently, the only way to gradually break down the persistent compartment-

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alization of these markets so vitally important for Europe's technological future seemed to lie in strong measures to achieve, for instance, the implementation of procedures ensuring that all the Community's competent suppliers are consulted, the removal of technical, administrative and customs barriers, joint decisions by the major purchasers or relevant public authorities regarding the type of equipment to be developed in the future and, where appropriate, Community support for the joint development of some new types of equipment.

II. At the meeting of the Permanent Representatives Committee held on 17 July 1974, the Italian delegation expressed its wish for an exchange of views to be held on the Communication just mentioned. With a view to such a discussion, the Committee asked the Commission to update this Communication as soon as possible.

Attached to this note, the Members of the Commission will find a draft text of the updating requested. Although the Permanent Representatives probably thought that the updating of a 1972 document in 1974 should take into account the intervening enlargement of the Community, the competent services did not consider, save exception, that they could reasonably include the three new member countries in a study on the effects of the liberalization of public markets. The temporary persistence of some customs duties and taxes of equivalent effect between old and new member countries, the non-availability of industrial statistics for the period after the enlargement of the Community and, most important of all, the lack of an adequate span of time to allow for a naturally very slow evolution to take place, would at present deprive such an inclusion of all its meaning. The situation in the new member countries can therefore be only analysed in a future report.

III. The Commission is requested to kindly approve the attached draft report by the means of a written procedure, and to authorize its transmission to the Council.