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A FOUR-YEAR PROGRAMME FOR THE DEVELOPMENT OF INFORMATICS IN THE COMMUNITY

(submitted to the Council by the Commission)

VOLUME I

OBJECTIVES AND SUMMARY OF THE PROGRAMME
LEGAL TEXTS

COM(76) 524 final. VOL. I

COMMUNICATION OF THE COMMISSION TO THE COUNCIL

COMMUNITY POLICIES FOR THE ELECTRONIC-INFORMATION INDUSTRIES

In every industrial period certain industries play a key part in the development of an economy. Today the key industry is the complex of industries concerned with the processing and communication of information and based on electronic technology : data-processing, telecommunications and advanced electronic components.

A strong capability in these related industries is essential to Europe's future because :

1. The character of our society will depend on our skill in using these new technologies, with their almost limitless possibilities.
2. Most industries and many services will become dependent on these technologies.
3. The remarkable growth rate of the market for these industries means that by 1980 they will be responsible, together, for over 6 per cent of Europe's gross national expenditure.

The data-processing, telecommunications and electronic component industries are rapidly converging and becoming mutually interdependent. The telephone exchange is becoming a computer. In the 1900s, the telephone headset will become a data terminal ; thanks to the development of electronic components, a vast new range of peripheral devices, involving some element of intelligence is emerging onto the market, opening up new applications of distributed computing and communications. The complex of industries concerned with computing, and communications and based on electronics is an indispensable part of the infrastructure of what some call the post-industrial society.

The external challenges in these three industries are closely related.

In all three cases, there is a powerful American industrial position, generated both by a rich homogeneous home market and in the case of informatics and electronic components by massive Federal Government purchasing and support for research and development.

In all these three industries, a combined Government-industrial effort is making Japan a formidable new competitor.

The competitive industrial challenge also has common elements. IBM, already dominating the world market in data-processing, is also one of the largest components producers in the world and is mounting a significant challenge in telecommunications through its electronic PBX exchanges and its new interest in communication satellites.

The scale of these challenges requires a joint European response. It must contain elements common to all three sectors.

The establishment of network and other standards, in telecommunications for example, provides an essential framework for the development of data-processing policy.

The opening of the market, procurement policies, and public support for industrial R&D must seek to foster healthy, competitive structures in this group of industries as a whole.

The component industry must develop to serve the needs of the electronic equipment industries as a whole.

The Commission is therefore sending to the Council two related Communications on two of the three key industries concerned :

- A. The pluriannual programme for data-processing, supported by the the report on data-processing in Europe and the world.
- B. A communication on the electronic components industry.

A third draft communication, on a common policy for telecommunication, supported by an information document on the telecommunications services and manufacturing industries is under discussion

with national telecommunications administrations. It will be sent to the Council when these discussions are complete.

Document A (the pluriannual programme for data-processing) contains a series of draft proposals for decision by the Council.

Document B (electronic components) does not require immediate Council decisions, but discussions are under way between the Commission and representatives of Governments and industry on a Community programme. As the document points out, a major effort is required from Member States and industry if a successful European effort is to be mounted in the critical field of Very Large Scale Integration. A decision to mount such an effort is the precondition for a successful programme which, the Commission hopes, can be proposed in 1977. The Commission has, however, made provision in the pluriannual programme for data-processing for certain support to components of importance to the data-processing sector.

COMMUNICATION OF THE COMMISSION TO THE COUNCIL

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INFORMATICS IN THE COMMUNITY

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PART I

OBJECTIVES AND SUMMARY OF THE PROGRAMME

LEGAL TEXTS

A FOUR-YEAR PROGRAMME FOR THE DEVELOPMENT
OF INFORMATICS IN THE COMMUNITY

INTRODUCTION : OBJECTIVES AND SUMMARY OF THE PROGRAMME

- 1.1. The importance of informatics and of the informatics industry, stressed in previous Commission Communications to the Council, is born out by the report on data-processing (Doc. III/176/76) attached to this programme. By the early 1980s, expenditure on informatics, which is growing at some 13 per cent per year, is expected to account for some 4 per cent of the gross national expenditure of the European Community. The industrial market for dataprocessing equipment and services will be worth over 10 billion u.a., while users will be spending as much again on their own internal activities - wages, services and internal developments.
- 1.2. The spread of informatics to a vast range of new users will owe much to the development of distributed computing, a trend already described in document COM(75)467, "Community Policy in the Data Processing Sector" (September 1975).
- 1.3. Already today the market for minicomputers is growing much faster (at some 30 per cent per year) than the market for traditional medium-sized computers. By 1980 (1) some estimates suggest that some 80 per cent of systems will be mini-based.
- 1.4. The mini or microcomputer moreover is becoming indistinguishable from many other kinds of so-called "intelligent" terminals-devices for input and output incorporating some kind of specialised or general processing and memory power. By 1980, therefore, what can be loosely called the "peri-informatic" sector - minis and microcomputers, terminals and peripherals - will account for over half the value of the market and more than the entire informatics market today.

(1) See Report Annex Table 2.7

- 1.5. The explosive development of a great variety of intelligent devices owes much to the development of electronic component technology. Already today circuits equivalent to what was once a medium-sized computer can be brought together on a single chip no larger than a finger-nail. The new component technology now makes possible a great range of other intelligent devices, ranging from the "intelligent telephone" to the pocket calculator, and the typewriter with a memory. All these devices provide users with data processing power under their own control, but linked when necessary by networks to databanks or to other terminals and processing devices.

- 1.6. The development of distributed computing provides Europe with an opportunity and a challenge. An opportunity because the immense range of new markets that are opening up provides opportunities for a wide range of companies of varying sizes to provide services, specialised and general terminals, devices and other equipment on a competitive and viable basis - an opportunity because the application of distributed computing offers many new opportunities to the user to control and use computing power, enhancing both productivity and the quality of life.

- 1.7. The challenge, however, is also real. IBM does not dominate the world of distributed computing as it still does the market for medium to large central processors (it had 56.6 per cent of the world computer park in 1975); but it is developing a range of systematic strategies to penetrate and command these new markets : its System 32, aimed at the mini-computer market, its PBX switch 3270, its systems Network Architecture offering an all embracing network and software concept, its capability as one of the largest electronic component manufacturers in the world. Moreover, a manufacturer who dominates the world market-base for central processors can also shape limit and control the market for many different types of terminals and attached peripherals if that manufacturer continues to control the standards, interfaces and software which condition information and communication systems as a whole.

- 1.8. The programme which follows is therefore designed to implement the two main themes spelt out in the Commission's Communication to the Council of September 1975 (Doc. COM(75)467) :

- to develop standards, procurement policies and other policies concerned with the environment of data processing, with the aim of maximising both the range of choice and competition open to the user, and the market opportunities open to suppliers of equipment and services;
- to promote the collaborative development of new applications and joint industrial initiatives by the European-based industry in the new market areas of opportunity related to distributed computing.

1.9. As envisaged in the Resolution of July 1974 these aims will be pursued by a combination of coordination of national policies and common actions. The programme will cover the four years 1978 to 1981.

2. THE ENVIRONMENT OF DATA PROCESSING AND THE USER

2.1. Standardization

2.1.1. The creation of Community-wide standards is essential if an environment is to be created in which users have a wide range of choice of equipment and services, conversion costs are low and manufacturers of all kinds of equipment are to have access to a large homogeneous market.

Important international standardization activities already exist in some areas, but in others they do not. In many significant areas standards have been set by the dominant company, while the weight of Europe in international standardization activities is less than it should be. The purposes of Community standardisation policy are to strengthen the representation of Community interests in international standardization activities, to develop Community standards where no world standard exists or is possible, and to ensure that public procurement and other national policies support, implement, and require suppliers to implement recommended Community standards once these exist.

2.1.2. A Working Group on Standards has already been set up between the Commission and officials from Member States to develop standardization policy for the Community : its method of work and preliminary tasks are described in Annex A.1, part 2.

2.1.3. In Document COM(75)467, the Commission already proposed a first new standardization development for the Community, the development of a common language for real time applications, an area which will account for over a third of DP applications in the 1980s. It is hoped that the Council will take an early decision in 1976 to implement the definition phase of the project.

2.2. Portability

2.2.1. Closely related to standardization policy is the promotion of portable software, for which proposals were put forward by the Commission in Document COM(75)467.

2.2.2. At present users in the Community are estimated to spend some 1000 MUA on conversion over a period of five years. In the short term more efficient conversion tools can help to reduce these costs.

2.2.3. In the medium term an effort is also necessary to promote the development of transportable applications packages and systems software. One significant common tool to promote such portability would be a common software implementation language. Data Base Management Systems, for example, largely written today in unportable assembler code could be rendered portable if such a language were widely accepted and used.

2.2.4. Portability is of particular importance in the area of distributed computing because of the great number of types of minicomputer or processor on the market and the need for users to link them within networks.

2.2.5. The Commission hopes that the Council will take an early decision on the study phase of its portability proposals put forward in Document COM(75)467. Provision for a possible development phase like that for the real time language described in par. 2.1.3. above, has been made in the wider financial support scheme for software described below.

2.3. Coordination of Procurement Policies

2.3.1. The Council Resolution of July 1974 called for the coordination of public procurement policies. The scale and importance of this activity are shown by the fact that the public markets in Community countries account for some 20 to 30 per cent of the Community market. The scope and potential for public procurement policy is shown by the experience of the United States, where federal government policy has ensured that certain standards have been imposed (for example COBOL), where the practice of buying rather than leasing equipment is common (see report), and where IBM had in 1975 only 36 per cent of the park by value, compared with 68 per cent in the US market as a whole.

2.3.2. In the view of the Commission, coordination within the Community should have three main objectives :

- to assist public buyers in obtaining a wider choice and better value for money, by exchange of experience and adoption of the best common practices.
- to create a more open and homogeneous market for industry, ensuring that the European-based companies have access to all Community contracts on the same conditions.
- to encourage the procurement, throughout the Community, of data processing equipment, software and services from European based companies, when these are comparable in price and performance to other equipment, software and services.
- to apply Community standards, once these are agreed.

2.3.3. In its draft Directive on public supplies now before the Council, the Commission has already proposed that public tendering for data processing equipment be open to competitive tender as from 1980; the intervening years must be used to prepare the European industry to take advantage of the new situation and to implement the other measures described above. A Working Group of Officials has been set up to carry out this work (see Annex A.2., part 2).

The Commission welcomes the efforts being made in the Federal Republic of Germany's programme to ensure that opportunities are provided to European-based companies to compete in German public contracts.

2.4. General aspects of data-processing policies

2.4.1. Collaboration between centres concerned with research and support to the use of data processing, education and training.

2.4.1.1. Collaboration between public centres responsible for research or support to users in the member States can provide a useful infrastructure for the Community programme. In the view of the Commission, research centres of this kind can achieve larger returns from the funds they spend and provide a more effective service to users if they collaborate together on a systematic and permanent basis. In Document COM(75)467 proposals were made for a first series of joint studies between such centres, concerning evaluation of data base management systems, programming methodology, and problems of data security and confidentiality of information. The Commission hopes that the Council will take a rapid decision on these studies, which are designed to encourage the Centres concerned to develop a wide ranging collaboration.

2.4.1.2. It is proposed that such centres also :

- a) Assist in the implementation of standards, once these have been agreed - at Community level.
- b) Assist the Commission in the work of technical evaluation, for example with regard to its portability proposals, and the choice of projects eligible for support.
- c) Provide technical support, where appropriate, for public procurement activities.

2.4.1.3. In the field of basic research, discussions are going on in the framework of the CREST sub-committee on data processing concerning, in particular, possible joint studies or research in the field of realtime computing. In addition, a follow-up to the study on programming techniques foreseen in Doc. COM(75)467 can be envisaged.

2.4.2. Medium and long-term studies of informatics sector

2.4.2.1. Work on the Report on the data processing industry, which lies behind this programme, has shown the grave limitations of present Community-wide statistics in this sector.

2.4.2.2. A continuous and systematic further effort is needed, to provide a solid statistical foundation on which future policy decisions can be based.

2.4.3. Effects of informatic on employment

2.4.3.1. In particular the Commission, with its limited resources, has not been able to analyse in sufficient depth the volume and structure of employment, present and future, in both the informatics industry and the user industries; the rapid extension of the application of data processing is bringing far-reaching changes in the scale and pattern of skills required.

- 2.4.3.2. If national and Community instruments are to be effectively employed to support education and retraining on the scale and in the directions required and if the full social and economic benefits of data processing are to be realised, a systematic study of employment patterns and problems at Community level is required, in close collaboration with employers and trade unions.
- 2.4.3.3. In a time characterised by persistent unemployment and problems of reconversion, regional problems and the impact of investment on employment require sustained attention. Systematic study of this aspect will be needed as an input to the coordination of national policies and the efficient use of the Community's own instruments (BEI, Regional Fund, Social Fund).

2.4.4. The protection of privacy

In its Communication to the Council of November 1973 (1), the Commission pointed out that the protection of the citizen's privacy had become a matter of Community interest. With the growth of cross-frontier data-communication, laws designed to protect citizens in one country can be bypassed by the communication of information about them to and from another country. Indeed, citizens rights in this field are becoming a constitutional issue significant in the context of European union. In this light, the European Parliament has invited the Commission to draft a directive on the subject. The Commission has initiated discussions with the member States on a possible harmonization of legislation in this field. The study on data-security described in par.2.4.1. above is designed to support these discussions. A number of national laws are already implementing the valuable principles set out by the Council of Europe in its resolutions of 26 September 1974. Further discussions with member States should help to determine whether and how a directive could ensure

(1) Document SEC(73)4300 def.

systematic applications of such principles throughout the Community, taking account of subsequent practical experience, and ensuring in particular that cross-frontier communication of data does not distort competition and render national laws ineffective.

3. COMMUNITY SUPPORT FOR THE DATA PROCESSING SECTOR

3.1.1. The importance of the informatics sector and the challenge of external competition have led a number of member states to establish major programmes of financial support to help the European-based industry, to promote the application of data processing and to improve education. On average member states of the Community spent some 183 million U.A. per year on such programmes in the four years 1971-75. *

3.1.2. These national schemes have helped to spread the application of data processing to users, and permitted the European industry to survive, but they carry dangers if not coordinated, complemented by and closely linked with measures of support at Community level.

3.2. Applications :

3.2.1. In the field of applications, a major stimulus to the American industry has been the massive public procurement and applications programmes of the US Federal Government. It is estimated to spend some 12 to 16 billion dollars per year on data processing; major space and defence applications programmes have stimulated new capabilities in the US industry and in particular generated skills in managing large projects. Both in the public and private sectors, the market in the United States has been homogeneous, large and advanced.

* See Report (Doc III/176/76) Chapter VI.

- 3.2.2. In Europe, by contrast, different solutions in different countries have often been sought to common problems. The result has frequently been that only a company with the multinational market power of IBM has been able to impose common solutions, based frequently on applications developed to meet US market needs. The smaller European-based companies, rooted in national markets, have often found it difficult to obtain a European-wide return on their investments, and have been unable to muster the resources needed to attack all sectors of the market.
- 3.2.3. What is bad for European industry may also be bad for the public purse. Public resources in Europe can be wasted if public applications needs required by many countries (for example in the social security, health or transport fields) are developed in more than one country. Such multiple solutions can be particularly wasteful in the transport trade, traffic control or other sectors which have an inherently international requirement which can only be satisfied by an international project or activity.
- 3.2.4. There is a need in short : to bring users together in key sectors, to define their requirements jointly, to support and promote joint developments to meet such needs, and to encourage the European industry (hardware and software) to combine to meet these needs.
- 3.2.5. In Chapter B1, part 2, a programme of support for applications studies and developments put forward by users from at least three member states, or by industrial companies from at least two states, or by combinations of industries and users is therefore elaborated. The purpose of the scheme is to provide support to applications developments which bring a pooling and rationalisation in the use of public resources, serve needs of a transnational character, or help industry to penetrate key new markets, by providing between 20 and 50 per cent of the cost of collaborative projects with the remainder provided by users including Governments or industry.

3.2.6. The scheme, designed to cost some 23 MUA over four years, would require no more than 5 to 10 per cent of applications support funds in the Community, but it is sufficient, in the view of the Commission, to fund a significant range of useful applications and to catalyse a wider process of collaboration between national support schemes.

3.3. General software

3.3.1. A viable and competitive European based industry must contain strong and thriving companies in all aspects of systems : hardware and its components, software and services.

3.3.2. As the report on data processing shows, the market for software and services in the Community is valued at some \$ 1.3 billion in 1975 and is expected to be worth some \$ 4 billion in 1980, a growth rate of some 30 per cent per year.

3.3.3. In this sector, there are a large number of successful and competitive European-based companies which are estimated to serve some 57 per cent of the European market today, and which have a substantial export business.

3.3.4. A strong software and services sector is not only a valuable industrial asset, but essential as a means of assisting users to apply data processing more effectively by making the best use of equipment available on the market.

3.3.5. In the view of the Commission, a general financial support scheme for the software and service industry is not required. Software companies however will play an essential part in the applications programme described above and there are certain specific types of general software for which support from Community funds is envisaged, because of the wider impact on the productivity of the economy and of data processing generally. These are the portable

software described in par. 2.2 above and the development of tools designed to increase the efficiency of systems.

3.3.6. The development of the market for portable applications packages and portable systems software in areas such as data base management systems marks an important evolution in the structure of the maturing software industry. What is increasingly required is the capability to develop and market widely a standard industrial software product applicable to many users.

3.3.7. To encourage and assist the industry to develop Europe-wide structures and marketing capabilities, it is proposed to make Community financial support for portable software and tools available to consortia of Europeanbased companies from at least two Community countries which come forward with proposals.

3.3.8. The funds available under this section of the programme would also be used to fund any software developments recommended by the Working Group on Standards, including a possible development phase of the proposed real time language

3.4. Support for the systems or hardware industry

3.4.1. The hardware or systems industry in Europe faces particularly acute financial or investment problems in two areas : the commercialisation of computing including the finance of rental or leasing of computers, and the funding of research and development. In both areas major distortions of competition at world level exist and action is required to create equivalent competitive conditions.

3.4.2. Equivalent Competitive Conditions for Supporting Sales

3.4.2.1. In its Communication on "Community Policy for Data-Processing" * the Commission spelt out the problem of leasing in the following terms :

* COM(75)467, September 1975

"The most urgent need for a Community activity is in the field of leasing. Its established market position and gigantic internal rental income give IBM a permanent advantage in relation to other competitors who must constantly raise new external finance to fund growth. This disadvantage is aggravated by inflation and recession, which together reduce the amounts of credits which companies can raise in relation to their equity base. The problem is particularly acute for small and medium-sized companies, for leasing, initially concentrated largely on central processors, is increasingly necessary for minicomputers, peripherals and terminals of high value.

In an industry dependent on direct sales a growing, innovating company, starting from a small or nil market share can, after an initial short period, say of two years, finance further growth out of sales from income. Indeed the faster sales grow, the faster revenues and profits grow. In an industry such as data processing, where leasing or rental prevails, the opposite is the case. The faster a company increases its sales, the more money it must raise from outside, and the worse its balance sheet.

In a market growing by some 13 per cent per year, it would seem a reasonable objective for the European-based industry to aim to try to increase its market share to 41% of the European market by 1979 and some 50 per cent by 1985. Such a growth would require some 5.000 MUA of finance in the next five years.

On the basis of these projections, and given present financing arrangements, it may be estimated that industry may obtain some 50% of these funds from the private banking system. For the remainder, further financial mechanisms would appear necessary".

3.4.2.2. Studies and discussions since the publication of this document * have, in the Commission's view, confirmed this analysis. The

* COM(75)467 cit.

practice of renting computers, hitherto concentrated on medium to large computers, is spreading to the minicomputer and perinformatics sectors, posing new needs for the growing companies in this sector.

3.4.2.3. In Japan, the Japan Electronic Computer Co Ltd (JECC) was set up in 1961 by the seven main manufacturers of computers in Japan (now six) and acts as the lessor for sales of any equipment manufactured by these companies. Its growth has been rapid. It was initially capitalised at Yen 1,050 million, but by 1974 this had been increased to Yen 59,700 million. In 1974 the equity/debt ratio was 1/3, and the company had Yen 300 million worth of computers out on lease. The main source of finance for the JECC was the state-owned Japan Development Bank who provided (in 1974) 47% of its financial requirements at both fixed and favourable rates, although these rates have not been made public.

3.4.2.4. In the view of the Commission, a comparable Community arrangement is desirable and it has explored the possibility of creating a Community Leasing fund managed by the European Investment Bank, and endowed with an initial capital of 100 million U.A. The fund would be able to raise resources on the market of up to some 500 million U.A. and thus to catalyse and join in much wider support operations together with the private banking Community, and in liaison with national support operations that develop in the member states.

3.4.2.5. Though this solution is strongly supported in parts of the Community, this support is not yet strong enough, in the Commission's view, to justify a proposal in the context of the pluriannual programme.

3.4.2.6. It should be added that purely national solutions to this problem threaten to create new distortions of competition, especially if the national schemes only support national-based industries. Moreover, the capital-raising potential of a Community fund

linked with national schemes and private banks may be greater than that of national schemes alone. The Commission therefore is continuing to explore the questions in the hope that an acceptable Community solution can be found.

3.4.3. Redressing the balance in research and development

- 3.4.3.1. Historically, the American computer industry received a major impetus from the advanced requirements of the US Federal Government for defence and space systems during the 1960s and early 70s and from the consequent funding by the Government of research and development of the order of \$ 500 million per year.
- 3.4.3.2. The leading, and in IBM's case dominant, position which it acquired, partly in consequence, have since permitted major advantages of scale, in research and development, production and marketing.
- 3.4.3.3. IBM, for example, was able to spend \$ 890 million on research and development in 1974, a figure equivalent to only 7 per cent of turnover. The largest European based company at that time, ICL spent only some \$ 36 million, on R and D, but this was 9 per cent of turnover. Individual European Governments have sought to redress this balance through public funds. National schemes of direct financial support to research and development in the systems and hardware industry cost on average some 100 million U.A. per year in the period 1971-75 (see report Doc. III/176/76 Statistical Annex, Table 6.6). The Commission accepted these programmes of aid under Article 92 of the Treaty in the belief that they have been critical in enabling some elements of the European-based industry to survive.
- 3.4.3.4. The Commission, however, aware of the problems of economies of scale in this sector has in the past urged the major companies in this field to seek practical forms of commercial and industrial association with one another. For these reasons, it strongly favoured the Unidata association between Siemens, GII and Philips

which provided for joint development and marketing of a common range of computers.

- 3.4.3.5. The Commission considers that, if this group had moved on to its logical conclusion of a full industrial merger, it would have reinforced the competitive position of a significant part of the European industry and provided a powerful base from which to explore the possibilities of further associations with companies inside and outside Europe.
- 3.4.3.6. During 1975, however, the French Government negotiated and reached an agreement with the Honeywell Corporation on a merger between CII and Honeywell-Bull, to form a new company CII-HB, 53 per cent under French control. Unidata has since been dissolved.
- 3.4.3.7. The new CII-HB group is, in the Commission's view in the formal sense a European-based company, with the majority of shares in Europe. But it remains doubtful where the real power lies.
- 3.4.3.8. In the sector of medium to large central processors there thus exist in Europe three major companies : ICL, Siemens and CII-HB competing strongly with each other. There is at present no practical prospect of a far-reaching industrial combination between them.
- 3.4.3.9. This is the reason why the Commission is not proposing any Community funding or support for developments in the areas of medium to large computers.

3.4.4. Support for developments in the periinformatic sub-sector :

3.4.4.1. It is therefore proposed to concentrate Community support for industrial research and development in the medium-term programme on what can be loosely called the periinformatic sector (peripherals, minicomputers, terminals and other intelligent devices) responsible for only 28 per cent of the market in 1973 but expected to account for 61 per cent in 1985 *. Support in this sector can benefit a wide range of companies throughout the Community. In this sector of the industry, there are a substantial number of competitive and promising European firms. Even those companies (such as ICL, Siemens and CII-HB) which are largely in the medium-sized computer field, can also benefit insofar as they participate in joint proposals in the periinformatic, applications or software sectors. Indeed limited collaboration in such sectors may provide a useful preparation for more far-reaching joint activities later on.

3.4.4.2. Certain national schemes for supporting this sector already exist or are coming into existence. They need to be complemented by a Community scheme which encourages companies to combine across frontiers to rationalise development and marketing, and discourages the emergence of a series of purely national enterprises, protected nationally and lacking the scale and opportunities to tackle the European market as a whole.

3.4.4.3. It is proposed to make Community financial support available for the development of new products in the periinformatic sector put forward by associations of companies based in at least two Community countries. The scheme would cost some 30 million U.A. over four years; a sum equivalent to some 5 per cent of the R and D expenditure necessary if this sector of the European industry is to maintain and modestly increase its market share. In the Commission's view this is the minimum necessary to have a useful catalytic effect in an area of great opportunity.

* See Report Doc. III/176/76, Chapter IV.

- 3.4.4.4. Such a small sum will only have a significant impact if it is used to complement a coordination of promotion effects funded with national resources. In practical terms this means that Governments which have significant support schemes must encourage industry to seek valid commercial partners in other Community countries, and inform the Commission and their partners of detailed industrial initiatives and policies so that national and Community aids pull in the same direction, reinforcing the strong points of Community industry.
- 3.4.4.5. The Commission's agreement to national aid proposals for this sector will depend on the implementation of practical arrangements for this coordination.

3.4.5. Support for electronic component developments

The Communication on the electronic component industry (Doc. III/881/76) spells out the broad problems of this key industry. Its importance for data processing is shown in Chapter V of the Report on data processing.

The development of a longterm programme for this sector is under discussion with the Governments and industries of the Community. In the meantime, the Commission, proposes that limited Community support should be available to promote cooperative developments in two areas of interest to the DP industry, high capacity memories, microprocessors and integrated circuits oriented towards applications. Such support would be available to help developments proposed by users and producers based in at least two member States of the Community.

4. MANAGEMENT : THE COMMUNITY PREMIUM SCHEME

- 4.1. In formulating a mechanism for Community financial support for industrial research and development and applications, the Commission has felt it necessary to innovate, for a number of novel factors have to be reconciled. Public officials, whether in the Commission or in national Governments, are not the best placed to conceive timely, innovative developments in industry or in the application of data processing. Public officials must be able to judge such proposals, when public spending is involved, but the proposals must come from industry and users themselves.
- 4.2. Fairness and efficiency also require that all firms throughout the Community must have an opportunity to submit proposals to meet programme objectives.
- 4.3. Moreover, in a fast-moving technology, such as data-processing, decisions to embark on a new development have often to be made rapidly, if a market opportunity is to be seized and a competitive opportunity not missed.
- 4.4. Public support for industrial innovation must respect the need for confidentiality, which is a critical element in competition. Experience, has also shown that if development proposals have to involve or have an interest for industry or users in all member states, the chances of promoting a significant number of useful projects are minimal and the practical problems of managing such projects immense.
- 4.5. There are, on the other hand, a large number of potential collaborative projects between a smaller number of users or industries in different member states, not presently supported by national programmes, and which could valuably be supported by Community funds.

- 4.6. It is clear, therefore, that any Community programme, in which each project had to pass through the normal timescale of Community decision making, in the full light of public knowledge, and with the support, for each project, of every member state, would have no chance of success.
- 4.7. As is the practice under national programmes, there is, in short, a need for a Community support arrangement, which makes funds available in advance to support certain programme objectives, publicly invites industry and users to make proposals to meet those objectives, and provides for a rapid and confidential assessment and decision-making process on the projects proposed.
- 4.8. Member States are understandably concerned to have a significant say in the choice of projects. It is in any case essential that they be closely involved, because of the need to relate national to Community support arrangements, and to use the Community programme as a means of bringing together national industrial policies.
- 4.9. The Commission, in its proposals, has sought to meet these various objectives by proposing a programme, funded from the Community budget, and designed to support collaborative developments and studies meeting the objectives and criteria spelt out in the two major areas described above : applications, software and standardization development; the periiinformatic industry, electronic components for data processing.
- 4.10 Funds under these programmes will be available under what is called the "Community Premium Scheme" to support collaborative developments, put forward by companies based in at least two Community countries or by users based in at least three Community countries or by a combination of users and companies. As a general rule such funds will be available to support between 20 and 50 per cent of the cost of projects and will be reimbursable in case of success. In exceptional cases, for example standardization developments or certain applications of public interest, 100 per cent funding may be possible on the initiative of the Community.

- 4.11. Decisions concerning the management of the Community premium mechanism, and in particular the choice of projects, will be taken by the Commission assisted by the Committee for the Management and Coordination of the data-processing programmes, in which Member states will be represented (see draft decision of the Council in Annex II) and who will have responsibility for all data-processing actions adopted by the Council. This practice will be a significant departure from the procedure of the existing Advisory Committee for data-processing, where opinions do not bind the Commission. The Commission, however, believes that, in view of the broad scope which it is proposed to delegate to the managers of the scheme, it is necessary to give member states a restraining hand at this level. On the other hand, if the opinions of the Management Committee had to be unanimous, this could hamper technical judgements and politicise decisions.
- 4.12. In consequence, with regard to the management of the Community Premium Scheme it is proposed that the Committee should have the power to express an opinion based on the qualified majority when the Commission presents the papers relating to the award of contracts. Where the majority view is against the Commission's proposals and it nevertheless maintains its position, the Council, on the basis of the qualified majority can adopt a different decision within one month. Such a proposal is founded on the procedures already in force within the Community for the Management Committees for Agriculture and Regional Funds. The Committee would thus become the framework in which Member States share in implementing the programme and Coordinating their own national policies with those of other Member States and the Community.
- 4.13. The preparation of decisions for the Advisory Committee in key sectors (for example applications, or perinformatics) and the continuing process of policy coordination and advice to the Commission in specialised areas (such as procurement and standardization) will of course be undertaken by specialised technical committees or working groups (as is already the case with the Working Group on Standards).
- 4.14. As a means of ensuring an early start to the programme in 1978 and subject to the results of discussions in the European

Parliament, the Economic and Social Committee, and of the first discussions in the Council itself, the Commission proposes to make a first request for proposals from users and industry in the Official Journal of the Communities in mid 1977. This will enable preparatory examination of projects to go on in parallel to the Council's definitive decision on the programme and budget for 1978.

- 4.15. The Commission, like member States, is aware of the innovative character of the programme and procedures that are proposed, and of the lack of experience at Community level of sponsorship of collaborative projects in the DP sector.
- 4.16. Though confident of the aims and means proposed, it therefore proposes that for the first two years, the programme will develop on a limited scale and that an opportunity for revision by decision of the Council will be provided after two years.

5. BUDGET AND STAFF

- 5.1. The total cost of the programme described above is 103 MUA over the four years 1978 to 1981, of which 36 MUA will be spent in the first two experimental years and 67 MUA in the last two (see following Table I). This is expected to be approximately 10 per cent of total national support programmes during the four-year period. Details are provided in Part 2, Annex C2, "Budget and Staff". The total cost includes all expenses, during the period of the programme, arising from the Commission's priority proposals already presented to the Council.
- 5.2. As the Economic and Social Committee pointed out in its opinion on Document COM(75)467, the Commission will need to have recourse to specialists if it is to carry out these tasks efficiently. The secondment of national experts, already used effectively on a small scale in this sector, could be advantageously used on a larger scale, as a means both of strengthening the Commission's capability and of involving member States more closely in the management of the plan. In addition, experts from national research centres will be used as widely as possible in the appraisal of projects. However, a stronger core of capable officials is also needed with expertise in the specialised areas concerned.

TABLE I

Budget table for the full programme (1978-1981)

ACTIVITIES	1977	1978	1979	1980	1981	Total
CCX(75) 35 CCX(75) 467	1.762 2.836	4.246	6.142	3.925	-	14.313 *
- <u>General environment projects :</u>						
Standardization	-	1.3	1.3	1.3	1.3	5.20
Public procurement	-	0.12	0.12	0.12	0.12	0.48
Advance course	-	-	-	-	-	-
General aspects						for reference
(a) Research centres		0.5	0.5	0.5	0.5	2.00
(b) study of the sector	-	0.12	0.12	0.12	0.12	0.480
(c) study of employment	-	0.12	0.12	0.12	0.12	0.480
(d) confidentiality - security	-	-	-	-	-	-
(e) software protection	-	0.06	0.06	0.06	0.06	0.24
- <u>Support for the data-processing sector</u>						
Software, applications, standardization	-	3 (1.266)	4.5 (1.589)	12.5 (0.177)	12.00	32.00 + (3.032)
Peri-informatic sector	-	3.00	4.5	12.5	12.00	32.00
Electronic components	-	2.00	2.00	4.00	4.00	12.00
- <u>Management of the programme :</u>						
Management of the programme :	-	1.00	1.00	1.00	1.00	4.00
Total	4.598	14.466	20.362	36.145	31.220	103.193

* : Total for the years 1978 to 1981

PROFOSAL FOR A COUNCIL DECISION ADOPTING A MULTIANNUAL
PROGRAMME (1978-81) FOR THE DATA PROCESSING SECTOR

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas in the Resolution of 15 July 1974 on a Community data processing
policy the Council considered that it was desirable to create a medium term
systematic community programme for the promotion of research, development
and the application of data processing,

Whereas with a view to the effective attainment of the common market, the
improvement in the use of data processing and the harmonious incorporation
of data processing in society, it is necessary to take a number of environ-
mental measures, in particular as regards standardization, public procurement,
collaboration between research centres concerned with and support in the
use of data processing, training, protection of individual privacy and
industrial property, and to study carefully the development of this sector,
including its influence on employment in general;

Whereas the use of data processing should be efficiently developed and
whereas to this end cooperation between users at Community level should be
promoted, in particular by the development of software and applications;

Whereas it is important for the Community to have a powerful and competitive
industry, fully conversant with electronics and data processing technologies
and having structures suited to the dimension of the world market;

Whereas, to this end, the programme needs to cover particularly the coordination of national promotion measures and, in suitable areas of common European interest, a Community financial support; that this support will be provided in accordance with the Council Regulation concerning a Community Premium Scheme in the Data Processing Sector dated (1);

Whereas the Commission will be assisted in ensuring the implementation of the programme by the Management and Coordinating Committee for the Data Processing Programmes established by the Council Decision of(2);

Whereas it is appropriate to review and possibly revise the programme after a period of two years;

Whereas the aforementioned programme appears necessary in order to attain certain Community aims in the operation of the common market;

Whereas the Treaty establishing the European Economic Community has not provided the necessary powers for this purpose;

HAS DECIDED AS FOLLOWS :

ARTICLE 1

A multiannual programme on data processing covering the period 1978-1981 is adopted with the following aims :

- in respect of the environment of the sector : standardization, public procurement, collaboration between research centres and support for the use of data processing, studies of the sector and employment, confidentiality and security of data, protection of software;
- in respect of support for the data processing sector : measures concerning software, applications and standardization, the perinformatics sector and electronic components.

(1) O.J.

(2) O.J.

ARTICLE 2

The necessary credits for carrying out the programme are entered in the budget of the Communities.

ARTICLE 3

The Commission shall ensure the implementation of the programme notably in coordination of national programmes and measures, and the granting of Community financial support to actions of common European interest. It will be assisted by the Management and Coordinating Committee of the Data Processing Programmes, composed of representatives from the Member States.

ARTICLE 4

The Commission shall submit an annual report to the Council and to the Parliament. The programme shall be subject to review in 1979 to permit the implementation of possible modifications from the beginning of 1980. The Commission, on the advice of the Management and Coordinating Committee of the Data Processing Programmes, shall make to the Council any relevant proposals for appropriate amendments to the programme.

DONE AT BRUSSELS,

FOR THE COUNCIL

THE PRESIDENT

MULTIANNUAL PROGRAMME FOR A COMMUNITY DATA PROCESSING

POLICY

Broad lines of the programme

1. GENERAL ACTIONS CONCERNING THE ENVIRONMENT OF THE DATA PROCESSING SECTOR

1.1. Standardization policy

1) Aims

- a) to define priority sectors after the widest possible consultations with users and industry;
- b) to promote research or any other action for the development of appropriate Community or international standards;
- c) to ensure that the member countries apply approved Community standards, in particular in the public sector, and that the relevant national centres undertake concerted action in support of their application;
- d) to ensure the dissemination of information of interest to the Community in the field of standardization, in particular by founding and editing a European Standardization Bulletin;
- e) to provide secretariat services for the CAMAC activities.

1.2. Public procurement

1) Aims

- a) To determine the most efficient methods for the rapid application in the public sector of standards on which agreement has been reached;
- b) to examine the measures required in the public sector to aid the European industry to prepare for the full application of relevant Community rules;
- c) to coordinate national efforts concerning the general appraisal of systems and, in conjunction with national computer research centres, to lay down principles for the establishment of appraisal criteria;
- d) to study the possibility of laying down a number of principles to be applied in the evaluation of tenders;
- e) to study the possibilities of establishing common principles from which standard conditions of contract are drawn up;
- f) to organize exchanges of technical experience between national departments responsible for public procurement and to support these exchanges by coordination of the work of national computer research centres;
- g) to monitor the progress made by the Europeanbased industry in relation to the actions taken by the Member States in the area of data processing procurement; to collect the necessary statistical data; to facilitate access for European-based companies to all Community markets under the same conditions and to encourage purchase of equipment of European origin when price and performance are comparable with those of other tenderers;

- h) to identify topics likely to lead to the development of projects of common interest that could be funded by the premium scheme.

1.3. General aspects of the data processing policy

1.3.1. Collaboration between centres and support in the use of data processing advanced courses

1) Aims

- a) Establishment of arrangements for consultation between public research centres at Community level to ensure effective contact with the Commission in connection with the Community data processing policy.
- b) Execution of studies in support of data processing.
- c) Participation in portability actions as regards selection criteria and the evaluation of certain factors.
- d) Organization of arrangements for the examination by experts of technical documents under the Community premium scheme for the data processing sector.
- e) Discussion and possible definition of research topics under the Community data processing policy.

1.3.2. Medium- and long-term study of the data processing sector and its impact on society

1) Aims

- a) Continuation on a permanent basis of the work done for the preparation of the report on developments in the data processing sector required by the Resolution of July 1974 concerning a Community policy for data processing.

- b) Expansion of the terms of reference for the work so as to include :
 - a- forward data in the medium and long term
 - b- study of the foreseeable impact of data processing techniques on society.
- c) Establishment of the necessary relations with organizations working in similar fields so as to compare the results obtained and avoid duplication.
- d) Preparation of an annual consolidated report containing an interpretation of statistical data and the appropriate diagnoses.

1.3.3. Effects of data processing on employment

1) Aims

- a) Introduction, with both sides of industry, of suitable methods for the collection of data or the holding of the necessary discussions on the subject.
- b) Inclusion of employment problems in the medium- and long-term study of the data processing sector and its impact on society, including regional aspects.

1.3.4. Data security and confidentiality

1) Aims

- a) Launching and execution of a study on data security and confidentiality.
- b) Examination of laws in force or in preparation in the Member States and discussion of harmonization possibilities.

- e) Development at Community level of cooperation with non-member countries for the exchange of knowledge and experience gained and for the promotion of harmonization and effective protection for citizens at world level.

1.3.5. Legal protection for computer program

1) Aims

- a) Consultations with those concerned at Commission level.
- b) Development of suitable relations between the Commission and national or international bodies dealing with the problem.

2. ACTIONS IN SUPPORT OF THE DATA PROCESSING SECTOR

2.1. Introduction

2.1.1. Support will be given to the following subsectors or activities :

- software, applications and standardization developments
- peri-informatics
- electronic components.

2.1.2. The actions will be financed through the Community premium scheme. In addition, national aid schemes will be systematically coordinated in these sectors.

2.2. Software, applications and standardization developments

2.2.1. Standardization and software

- Work on developments in line with the aims of the standardization policy.

- Tools to improve the efficiency of data processing systems of general application in the Community.
- Development of new technologies for data transmission networks and distributed data processing.
- Conversion tools of Community interest.
- Development work designed to make basic software subsystems portable, such as data base management and transaction processing systems and applications.

2.2.2. Applications

- Collaborative studies carried out by users in several Community countries with the aim of defining common needs and thus establishing a homogeneous market.
- Developments facilitating better market penetration by the European-based industry while bringing about an improved use of data processing.

The actions must satisfy the greatest possible number of the following criteria :

- a) the application has a transnational character or dimension and therefore joint development and project management on a Community scale are required (for example, environmental monitoring, air, sea and land traffic control, container movement and other international transport applications, customs);
- b) applications which foster or help the fulfilment of aims of specific European Community policies (for example free

- movement of labour and capital; international communications, agricultural and regional policies, energy policy, environmental and regional policies, energy policy, environmental protection, Community Social polity);
- c) applications which offer a manifest saving in public expenditure either through common study or development for example those health, medical and educational applications which might be applied in more than one Community country;
 - d) the project complements an application already studied or developed in one member state by study, development or adaptation which makes it available economically to other Community users;
 - e) in particular where user requirements have characteristics peculiar to Europe (based for example on particular European social environmental and economic circumstances) to encourage European-based industry to seek and develop European solutions so that it may expand its market share in the Community;
 - f) to improve the competitiveness of the European-based industry and thus to expand its share of exports to third country markets or provide technical assistance to associate countries (for example in relation to the Euro-Arab dialogue or the Lomé Convention);
 - g) to raise productivity in economic sectors important to the Community by the effective application of data processing techniques such as C.A.D., process, and industrial control systems and office automation;
 - h) where study and development will generate a product of widespread interest to users throughout the Community and wide marketability by industry;

- i) applications whose implementation at Community level will have a significant impact on Community-wide standards and on wider developments processing such as networks, data communication and the like.

2.3. Periinformatics

Products includes : peripherals, minicomputers, terminals.

Criteria

In the first two years of the programme (1978 and 1979) two subjects will have special priority : the development of European products in the near-in peripheral area where no European source of supply exists and developments concerning distributed computing.

Actions satisfying the greatest number of the following criteria will be favoured :

- the innovative nature of the product or its application;
- provision of a product to serve a European standard requirement or assisting the implementation of a standard, in line with relevant Community policy;
- commitments by more than one major European systems company to purchase the product, if satisfactory, on a substantial scale;
- the creation of a European second source of supply;
- the development of a competitive European product on the basis of technology acquired from outside the Community (e.g. licenses);

- modular characteristics likely to serve a variety of needs and hence a large market;
- development of design or production technology likely to have a significant impact on costs and competitiveness;
- improvement of the European position on the Community's external markets.

2.4. Support for electronic components

- Products included :
- high capacity semi-conductor memories
 - microprocessors and integrated circuits intended for data processing applications.

General eligibility criteria

- Specification in common by customers or manufacturers and customers in more than one Community country and with a realistic prospective minimum turnover and/or innovative content.
- Modular characteristics (e.g. compliance with CECC).
- Creation of a European second source in a significant market area.
- Position of tools (e.g. in the case of microprocess, software) to enable rapid and effective application by European user industries of new more advanced products.

Proposals which form part of a wider joint effort of marketing and rationalisation bu the proposes will be favoured.

2.5. All projects must satisfy the following conditions

- Studies and developments must be capable of completion within the space of four years.
- The project must not be dependent on a prior process of legal or other harmonization.
- Implementation of a project at the Community level must carry economic and technical benefits compared with development at the national level.
- They must be proposed by firms or users from several Community countries.

Where industrial collaboration is involved the efficiency of the proposed collaboration method will be a factor taken into account in the evaluation, the aim being to encourage the development of commercially viable industrial structures adapted to the European scale, and to strengthen competition.

Where collaboration between users is involved, the number of users and the countries concerned will be a factor which will be taken into account in the evaluation.

DRAFT COUNCIL DECISION
SETTING UP A MANAGEMENT AND COORDINATING COMMITTEE
FOR THE DATA PROCESSING PROGRAMMES

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the draft Decision submitted by the Commission,

Whereas the Council, by Decision of(1) has adopted a multiannual programme for the data processing sector;

Whereas, in accordance with Article 3 of the abovementioned Decision, the Commission will ensure the implementation of this programme assisted by a Committee composed of representatives of the member States;

Whereas, since it is appropriate to establish this Committee

HAS DECIDED AS FOLLOWS :

(1) O.J. n°

ARTICLE 1

A Management and Coordinating Committee for the Data Processing Programmes, hereinafter called the "Committee", is hereby set up.

The Committee shall consist of representatives who are appointed by the Member States and who may call on the assistance of experts or advisers according to the nature of the actions under consideration.

The Committee shall be chaired by a representative of the Commission.

The Commission shall provide the secretariat services for the Committee.

The Committee shall adopt its own rules of procedure.

ARTICLE 2

The Committee shall assist the Commission in the execution of the data processing programme adopted in Decision 76/.../EEC.

The Committee shall be consulted in particular on the following :

- formulation and application of the criteria for the choice of projects,
- choice of project directors, composition and responsibilities of the technical subcommittees,
- choice of the organizations to which the work is to be entrusted.

With regard to Community Premium contracts, the Committee shall be consulted under the conditions laid down in Article 6 of the Council Regulation concerning Community Premium Contracts in the Data Processing Sector dated (1)

(1) O.J. N°

ARTICLE 3

The member States and the Commission will consult together, through the Committee, with a view to promoting coordination of their programmes in the data processing areas covered by the programme.

DONE AT BRUSSELS,
FOR THE COUNCIL
THE PRESIDENT

PROPOSAL FOR A COUNCIL REGULATION ON THE
COMMUNITY PREMIUM SCHEME FOR THE DATA PROCESSING SECTOR

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Having regard to the Opinion of the Economic and Social Committee,

Whereas the Council by Decision of the (1) has adopted a multiannual
programme for the data processing sector,

Whereas the Council, in its Resolution of 15 July 1974 concerning a
Community policy for data processing (2), considered it was desirable, in the
framework of this programme, to provide a community funding in appropriate
areas of common European interest,

Whereas industrial innovation in the data processing sector carries high
technical and financial risks which can exceed the capacity of firms;

Whereas cooperation between firms and users from different member States
is a factor in more efficient development and an essential adjunct to
national efforts, it is important to grant measures of Community financial
support to collaborative projects involving firms or users from several
member States.

Whereas it is appropriate that Community support should take the form of
repayable loans where the results of the projects in question can be
exploited.

(1) O.J. N°

(2) O.J. N°

Whereas the granting of such premia appears necessary to realise, in the operation of the common market, the objectives of the Treaty.

Whereas the Treaty has not provided the necessary powers of action for the Community Premium Scheme,

HAS ADOPTED THIS REGULATION :

Purpose and conditions of eligibility

ARTICLE 1

Under the multiannual programme for the data processing sector, the Community may, in order to attain some of its aims, conclude contracts for Community premiums (hereinafter referred to as contracts) with companies or users in the Community and, where appropriate, in non-member countries.

ARTICLE 2

The contracts may cover feasibility, predevelopment and development studies concerning basic and applications software, peripherals, peri-informatic equipment, electronic components and data processing systems in general, in accordance with the aims and criteria of the programme. The Commission, after receiving the advice of the Management and Coordinating Committee for the Programme, will periodically lay down the orientation and awarding criteria for premia, taking into account the development of the sector.

ARTICLE 3

The contracts may be awarded :

- to at least two separate firms from at least two Community countries,
- to users from at least three Community countries,
- to users from at least two Community countries and at least one undertaking.

Preparatory and decision-making procedures

ARTICLE 4

Applications shall be addressed to the Commission by the undertakings or users concerned. They must be justified under Articles 2 and 3 of this Regulation and shall contain all other relevant information. In the case of developments, the applications shall be accompanied by information pertaining to the potential market for the product, the programme or timetable for the completion of the project, a detailed cost estimate and a financing plan including any national aid from which the project may benefit. The Commission may ask for any documents and supplementary information required for the examination of the dossier.

ARTICLE 5

Under conditions guaranteeing industrial confidentiality, the Commission shall examine the dossiers, seeking the opinion of experts on the technical and scientific aspects.

ARTICLE 6

Following examination of the dossier, the Commission proposes to make an award it will send to the Management and Coordinating Committee a draft decision accompanied by a report.

The Committee will give its opinion within two months. It will make a decision on a majority basis requiring at least forty-one votes. Within the Committee the votes of the member States will be weighted in accordance with Article 148, para. 2 of the Treaty. The Chairman shall not take part in the vote.

The Commission shall take a decision which shall be immediately applicable. However, if it is contrary to the opinion expressed by the Committee it shall be immediately communicated by the Commission to the Council. In this event the Commission shall defer, by at least one month from the date of this Communication, application of the decision which it has taken. The Council, acting on the basis of the qualified majority, can take a different decision within one month.

Where a favourable decision is given, the Commission will conclude the contract on behalf of the Community.

Financial Provisions

ARTICLE 7

The amount of Community aid shall be suited to the nature of the action and the financial situation of the beneficiaries :

- a) Feasibility studies shall cover from 20 to 100 % of the total cost of the research to a maximum of 100.000 u.a.
- b) Pre-development studies and developments shall receive financing for 20-50 % of the total cost of the action.
- c) If a project is launched on the initiative of the Community, it may receive aid of up to 100 % of the cost of the action.

ARTICLE 8

For developments or predevelopment studies with a commercial product in view, the contracts shall be concluded in the form of interest free loans. The duration of the loans and the conditions of repayment shall be laid down in accordance with the characteristics of the projects.

The due date for the first capital repayment shall be fixed in the light of the commencement of commercial exploitation.

ARTICLE 9

At the request of the beneficiaries of the contract, the Commission may agree to postpone the due dates if commercial exploitation is delayed. Similarly, during repayment the Commission may defer or cancel the payments outstanding if the results obtained differ substantially from those envisaged when the contract was concluded. Where there is delay in repayment in cases of commercial success, interest will be charged in accordance with the rates being applied on the financial market.

ARTICLE 10

If the work does not result in commercial exploitation and the Commission is satisfied with the reasons submitted by the beneficiaries, the latter may be released from their obligation to repay the loan.

If however, the beneficiaries resume work in the same field, their repayment obligation shall again come into force and the terms shall be negotiated with the Commission.

ARTICLE 11

For feasibility studies the contracts shall be concluded in the form of capital Grants. The same thing applies in cases not covered by Article 8 where the project is launched on the initiative of the Community.

If a contractor has deliberately given incorrect information, either when requesting a contract or during its implementation, and has received as a result a sum exceeding the price required for implementation the work, the Commission can equally, without exercising its right to rescind the contract, require repayment of sums improperly received plus interest at the rates current on the financial market.

Property rights

ARTICLE 14

The property rights shall belong to the beneficiaries. They shall make use of the results of the contract to a significant extent within the Community and under conditions consistent with the general interest. In this case, if one year after the completion of the contract use has not been made of the results of the contract, the Commission may require the beneficiaries to grant licences on a commercial basis to persons or organizations in the Community who apply for them.

Community funding takes the form of capital grants and exceeds 80 % of the total cost, the contracts shall provide for the commitment of the contractors to make available to competent and interested Community people and undertakings, the property rights patentable or not necessary for the implementation of products or procedures which are the subject of the contracts. This availability will be subject to conditions stated in the contracts, which will take into account the financial and technical contribution of the contractors.

Final provisions

ARTICLE 15

The appropriations required to finance the Community contracts shall be entered annually in the budget of the European Communities.

The repayments shall be entered as revenue in the budget of the European Communities in accordance with the expected date of receipt.

ARTICLE 16

In accordance with the provisions of the Financial Regulation, the Commission shall recognize the budgetary implications of the decisions it takes under Articles 9, 10 and 12 of this Regulation.

ARTICLE 17

The Commission shall submit an annual report to the Council and the European Parliament on the implementation of this Regulation.

ARTICLE 18

The contracts shall provide that the Court of Justice of the European Communities is to have jurisdiction in respect of all disputes between the parties arising out of the contracts.