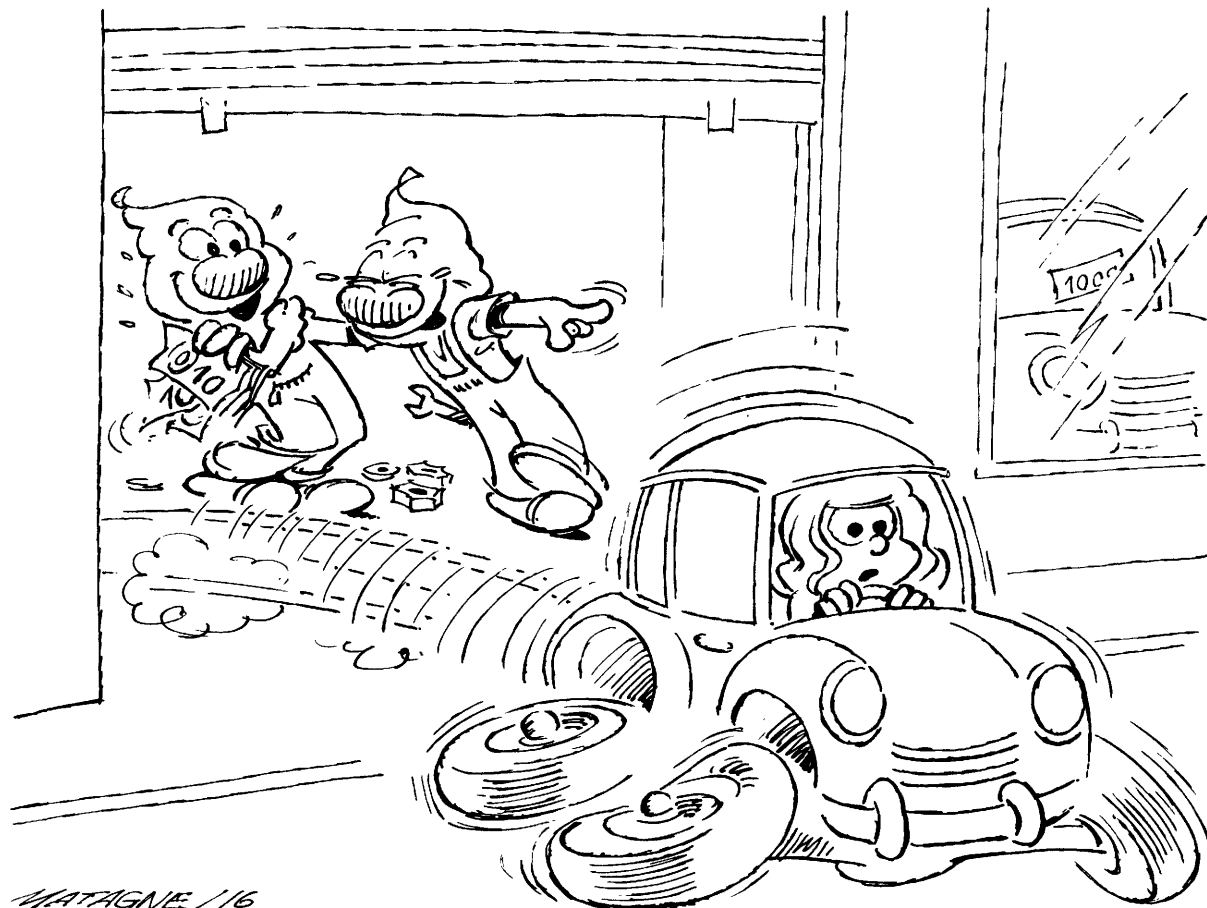


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No 18/76



"She's a bit of all right! And she'll be back soon! That's what I call after-sales service ..."

X/251/76-E

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IN THIS ISSUE:

- \* After-sales service in the Community (p. 3)
- \* Group accounts (p. 3)
- \* Solar energy research (p. 3)
- \* Trade unions and the European Commission (p. 3)
- \* Water quality in the Community (p. 4)
- \* Income maintenance for workers during retraining (p. 4)
- \* Trade with the United States (p. 5)
- \* Super Phenix (p. 5)
- \* The Community and the European Space Agency (p. 5)
- \* The Tenth Nation of Europe (p. 6)
- \* Wire-ropes, chains and hooks (p. 6)
- \* Nuclear power stations in the Community (p. 6)
- \* Just out (p. 7)

**\*\* AFTER-SALES SERVICE IN THE EUROPEAN COMMUNITY**

Consumers are becoming more and more aware of the importance of an efficient after-sales service. A study carried out by the European Bureau of Consumers' Unions on behalf of the European Commission is therefore very well-timed.

In ANNEX 1, Euroforum outlines the authors' main suggestions.

**\*\* GROUP ACCOUNTS**

More and more companies are tending to belong to groups. In this situation a company's annual accounts no longer give a fair picture of its position - one needs to see the group's accounts.

In ANNEX 2, Euroforum discusses a European Commission proposal calling for the publication of group accounts. Publication is essential in the interests of shareholders, employees and third parties (suppliers and creditors for example).

**\*\* SOLAR ENERGY RESEARCH**

The European Commission is to make more than 500 000 units of account (1 u.a. = approximately US \$1.15) available to finance twenty-three research projects on solar energy. Solar energy is one of the areas being investigated as part of a wider energy R&D programme which also covers energy conservation, production and utilization of hydrogen, geothermal energy and so on.

The research projects to be financed will concentrate on the use, in medium- and high-temperature areas, of solar heat to produce power and on the improvement of low-power sets (1-10 kW); a pilot 1 MWe installation will also be built. Another group of projects will concentrate on the basic study of photoelectrochemical, photochemical and photobiological processes.

**\*\* TRADE UNIONS AND THE EUROPEAN COMMISSION**

Contacts between the European Commission and the trade unions are being stepped up: within the space of a few days its President, Mr Ortoli, addressed the Congress of the European Trade Union Confederation and received a delegation from the CGT (Confédération générale du Travail) led by its Secretary-General, Mr Seguy. The European Commission, Mr Ortoli told delegates to the ETUC Congress, felt that close cooperation with the trade unions was essential to the success of the European endeavour. It attached great importance to the direct contacts which had been established with the trade unions through the various consultative committees, the Committee on Employment and the Tripartite Conference which would be bringing management, trade union and government representatives together in the near future. The CGT delegation took advantage of its visit to present a paper to Mr Ortoli outlining its solutions to present economic and social problems with particular reference to employment. This advocated a genuine revival of consumption, a

shorter working week and a lower retirement age. The delegation also expressed the hope that the contacts which had been established with the Commission could be extended and intensified.

**\*\* WATER QUALITY IN THE COMMUNITY**

The European Commission is acutely aware that pollution knows no boundaries. This is why it recently proposed the introduction of a uniform procedure for the exchange of water pollution data between sampling and measuring stations in the Community. An arrangement of this kind should make it possible to define pollution levels, to monitor the changing pattern of pollution and assess the impact of national and Community regulations on water pollution.

The European Commission feels that this information system could form the nucleus of a Community water pollution monitoring network and that it could eventually be incorporated into the global monitoring system to be set up under the United Nations Environment Programme.

**\*\* INCOME MAINTENANCE FOR WORKERS DURING RETRAINING**

The European Commission has suggested on several occasions that the list of aids qualifying for assistance from the European Social Fund should be extended to include income maintenance for workers awaiting retraining or looking for a job. The Community's Council of Ministers has yet to agree but arrangements governing the European Social Fund will come up for review before 1 May 1977. The European Commission may well decide at that stage to reactivate its proposal in one form or another.

The European Social Fund is already helping with income maintenance for workers attending training or retraining courses. The idea here is not only to guarantee trainees an income throughout the period of training but also to ensure maintenance, acquisition and recovery of the right to statutory or contractual benefits for illness, maternity, death, disablement, old age, accidents at work, unemployment and family responsibilities.

**\*\* A COMMUNITY YOUTH ORCHESTRA**

The Community Youth Orchestra may well be giving its first concert in the summer of 1977. The European Commission recently decided to accord Community sponsorship to a youth orchestra to be set up, organized and administered by the International Festival of Youth Orchestras Foundation (IFYOF). The idea of a Community Youth Orchestra has been warmly welcomed by the European Parliament (see Euroforum No 11/76). Lady Fisher of Rednal, a member of the European Parliament, suggested that the IFYOF should organize this project in close cooperation with the Fédération Internationale des Jeunesses Musicales (FIJM), which has considerable experience in this field.

**\*\* COMMUNITY TRADE WITH THE UNITED STATES**

The European Community is the United States' main trading partner for imports and exports alike. It seems that Europe's rising standard of living and the gradual elimination of technical barriers to trade between the Nine have been the key factors in stimulating American exports. Added to this is the fact that the Community's Common Customs Tariff is very liberal. Only 2.4% of CCT duties on industrial goods are higher than 15%; the United States by contrast imposes duties of 15% and more on 23.7% of its industrial imports. This helps to explain the steady deficit on Community trade with the United States. The table below shows that this will reach a record level in 1975.

Community trade with the United States

(1 u.a. = approximately US \$1.15)

'000 m. u.a.

			<u>Deficit</u>
1958	3 952	2 622	-1 330
1969	10 473	8 524	-1 949
1970	12 300	9 306	-2 994
1971	12 149	10 758	-1 391
1972	11 783	11 594	-189
1973	14 433	12 592	-1 841
1974	19 405	15 182	-4 223
1975	13 990	8 696	-5 293

(January-September)

Source: Statistical Office of the European Communities.

**\*\* SUPER PHENIX**

The European Commission is taking a keen interest in the Super Phenix project through the Fast Reactor Coordination Committee. Overall responsibility for construction of the fast breeder reactor and subsequent operation of the power station lies with NERSA (Centrale Nucléaire Européenne à Neutrons Rapides SA), a company formed in late 1973 by Electricité de France (51%), Ente Nazionale per l'Energia Elettrica (33%) and Rheinisch-Westfälisches Elektrizitätswerk (16%). Negotiations now in progress may lead to Britain's Central Electricity Generating Board taking a holding too. The NERSA group of companies operating as ESK (Europäische Schnellbrüter Kernkraftwerksgesellschaft), with the EDF and RWE holdings reversed, is also planning a second 1 200 MWe power station.

**\*\* THE COMMUNITY AND THE EUROPEAN SPACE AGENCY**

The data bases stored in the European Space Agency's computer in Frascati, Italy, may soon be integrated into the EURONET network. Readers of Euroforum No 6/76 will remember

that EURONET is an integrated information system designed to guarantee all categories of Community users direct access to a pool of scientific, technical, economic and social data bases, some already in existence, some in course of creation. The ESA's Space Documentation Service operates approximately fifteen data bases which are accessible to more than a hundred users in the nine Community countries, Sweden, Spain and Morocco. Since EURONET came into being, the European Commission and the European Space Agency have been exploring the possibility of harmonizing their scientific and technical information programmes to avoid unnecessary duplication. The European Commission has now given the go-ahead for discussions which could eventually lead to an agreement integrating the ESA computer into EURONET on a permanent basis.

**\*\* THE TENTH NATION OF EUROPE**

The Community's migrant workers might be regarded as forming a separate nation. This is why a film produced by the German film company, "Film für Information und Bildung", in cooperation with the Westdeutsche Rundfunk and the European Commission, has been entitled "The Tenth Nation of Europe". The film is in two parts: the first illustrates the current situation of migrants in the Community; the second highlights the problems facing migrant workers and their families and gives an idea of what has already been achieved in the matter of housing, education, social services, vocational training and so on.

Dr Hillery, Vice President of the European Commission, holds the social affairs portfolio. He appears in the film to stress that the situation of Europe's migrants will not improve until joint action is taken at Community level, until each and everyone of us takes an interest in their fate.

**\*\* WIRE-ROPES, CHAINS AND HOOKS**

If nasty accidents to workmen are to be avoided wire-ropes, chains and hooks must be carefully matched to the load to be pulled or lifted. This is why the European Commission believes that every length of wire-rope and chain and every hook should bear a mark or, if this is impossible, a securely-attached plate or ring giving the name of the manufacturer and the number of the technical specifications certificate. It has included provisions to this effect in a recent proposal for a Community directive on the certification and marking of wire-ropes, chains and hooks. If adopted by the Community's Council of Ministers this new regulation should facilitate marketing throughout the Community of wire-ropes, chains and hooks manufactured to Community specifications.

**\*\* NUCLEAR POWER STATIONS IN THE EUROPEAN COMMUNITY**

Readers will remember that a list of nuclear power stations in the European Community was published in Euroforum No 8/76. Preussische Elektrizitäts AG (Preag) of Hanover has now written to inform us that it has no plans for a new nuclear power station at Wurgassen and that it is in no way associated with the station at Grafenrheinfeld. This is in fact the sole responsibility of Bayernwerk AG.

\*\* JUST OUT

A communication on the COMMON RESEARCH AND DEVELOPMENT POLICY addressed by the European Commission to the Council of Ministers is reproduced as Supplement No 4/76 to the Bulletin of the European Communities. It outlines the medium-term (1976-80) objectives and priorities proposed by the Commission for Community research and development (see I&S No 39/75). The Supplement can be obtained from the Publications Office of the European Communities, Boite postale 1003, Luxembourg.

A conference on WORK ORGANIZATION - TECHNICAL DEVELOPMENT AND MOTIVATION OF THE INDIVIDUAL held in November 1974 in Brussels by the European Commission discussed the humanizing of living and working conditions. The proceedings, which run to 250 pages, have now been published by the European Commission and are obtainable from the Publications Office, Boite postale 1003, Luxembourg.

The entire ENVIRONMENT PROGRAMME (1977-81) has been published as Supplement No 6/76 to the Bulletin of the European Communities. It restates the aims and principles of a Community environment policy and then goes on to specify four main objectives: the reduction of pollution and nuisances; the non-damaging use and rational management of space, the environment and natural resources; general action to protect and improve the environment; Community participation in conventions on the environment. This Supplement is obtainable from the Publications Office, Boite postale 1003, Luxembourg.

AFTER-SALES SERVICE IN THE EUROPEAN COMMUNITY

Until a few months ago an English car sold in Belgium was guaranteed for no more than six months although the same car sold in Britain was guaranteed for twelve! This was obviously unjust but even now guarantees on some Japanese hi-fi equipment bought in Britain are not honoured by the manufacturer's (Japanese) subsidiary in Belgium. This is bad business and something that the consumer should watch out for.

Consumers are becoming more and more aware of the importance of an efficient after-sales service. A survey carried out by the BEUC (The European Bureau of Consumers' Unions - 29 rue Royale, 1000 Brussels) on after-sales service in the nine Member States is therefore very well-timed.

The survey was carried out at the request and with the financial backing of the European Commission. It not only examines national legislation on guarantees but also has a look at voluntary codes of conduct and steps taken by industry to provide a better after-sales service. The BEUC also canvassed the views of ten thousand consumers throughout the Community on the shortcomings of the after-sales service provided by manufacturers of dishwashers, washing machines, television sets, cookers and vacuum cleaners. The authors conclude with a number of recommendations based on the findings of the survey.

In working order?

Replies from consumers in four Community countries revealed that no less than 16% of appliances were defective on delivery. An average of 30% of new appliances had to be repaired while still under guarantee. It is interesting to note here that no law in any of the Nine specifically states that an appliance must be in working order although legislation in all Nine stipulates that products must be of "marketable quality" and fulfil the function for which they are sold. The authors conclude that there is a need for higher manufacturing standards and stricter quality controls, but that the associated costs must not be passed onto the consumer. It could be said indeed that the need for a rapid, efficient, inexpensive after-sales service has been created by present-day manufacturing standards.

Guarantee

No minimum guarantee period is specified by law in any Community country. The BEUC survey also established that in some cases consumers are actually required to pay (travelling time, spare parts and sometimes even labour costs) for repairs carried out during the guarantee period. Consumers' associations feel very strongly that for the first year the manufacturer should bear all costs associated with repairs made necessary by malfunctioning of an appliance - always assuming that this was not caused by misuse.



The conditions attached to a guarantee are often complicated and subject to national regulations. The study therefore recommends that the extent of the guarantee be explained in simple terms with an indication of consumers' rights under national law.

The text of the guarantee should be displayed at the point of sale. All too often the guarantee is packed away with the appliance, despite the fact that the terms of the guarantee could well be a determining factor when the consumer comes to making his choice.

Restrictive clauses which deprive the consumer of his rights under national law should obviously be banned throughout the Community. Similarly, the guarantee should not be conditional on the consumer returning a coupon to the manufacturer: this sort of restriction cannot be upheld in a court of law. Finally any guarantee given by a retailer should in no way relieve the manufacturer of his responsibilities.

#### Point of sale

All appliances should be delivered with clear instructions and the consumer should also be told who to contact in the event of a breakdown. This has been required by law in Denmark since 1974. The more complicated appliances should be demonstrated in the home. This is already done in some cases but it should be made the general rule.

#### The repair man comes to call

How often have you waited for an electrician or a plumber who failed to turn up? This is a sore point with many consumers. The BEUC survey discovered that only one consumer in six had been given a definite appointment; 35% of consumers had been told the day but not the time! The consumer shouldn't be expected to stay in all day in the hope that the technician will call, running the risk of losing a day's pay for nothing.

It should be possible to arrange an appointment by telephone for either the morning or the afternoon. And common courtesy, not to mention good business, should mean that the consumer is informed if the appointment cannot be kept. This sort of thing cannot be legislated for but any manufacturer who voluntarily respects a code of conduct of this kind deserves patronage and respect.

#### Estimates

It seems that in many instances estimates are given on request only. The authors of the survey feel that the cost of giving an estimate should be stated when the appointment is made. The consumer should be informed as fully as possible at this stage of the probable cost and the technician carrying out the repairs should have the courtesy to inform him of any additional costs that are likely to arise so that he can decide how far he is prepared to commit himself. The bill should be clearly broken down between labour costs, travelling time and spare parts. Once again this is a matter for a code of conduct rather than the law.

### Guaranteeing repairs

An enormous number of complaints relate to breakdowns following badly-executed repairs. Repairs are rarely guaranteed. As things now stand the law protects the consumer only if he can produce evidence of incompetence. Obviously the technician cannot be held responsible for expendable parts, like fuses and bulbs, but repeated breakdowns are often caused by a fault which the manufacturer could have avoided or which could have been detected by an experienced technician on his first call.

### Replacements

Only in rare cases is an appliance lent to a consumer while his own is being repaired. The BEUC feels that this should be standard practice if repairs take more than a week: it even claims that the consumer should be paid some compensation.

### Spare parts

Unfortunately there are still far too many cases of appliances being thrown away because a particular spare part is no longer manufactured. The survey considers that manufacturers could reasonably be expected to continue supplying spare parts for a period at least twice as long as the normal life of an appliance.

### Lengthy repairs

It shouldn't take longer than a week on average to repair an appliance, particularly since the wide range of spare parts carried in their vans by the more experienced technicians allow them to repair about 80% of breakdowns on their first visit. If a repair is going to take much longer than a week the consumer should be informed. This would certainly be appreciated, as the survey showed that one consumer in four was given no information whatsoever about repairs which in the event took four weeks or more.

The problems of after-sales service are included in the Community's consumer protection and information programme (see I&S No 15/75), in the chapter on the protection of consumers' economic interests. The business sense and progressive attitude of manufacturers can accomplish more here than any number of government regulations.

## GROUP ACCOUNTS

More and more companies are tending to belong to groups. The annual accounts of a company belonging to a group are no longer sufficient to give a true and fair view of its position. In a group situation this will only be obtained by the presentation of group accounts, i.e. by consolidation of the annual accounts of the companies members of the group. Publication of group accounts is essential in the interests of shareholders, employees and third parties (creditors for example).

The European Commission has considered various aspects of the problem as part of its company law programme and has now produced a proposal for a directive on the harmonization of laws relating to group accounts.

Harmonization is needed to facilitate right of establishment for companies, to create favourable conditions for the operation of a European capital market, and to prevent varying legal requirements in the matter of disclosure from distorting conditions of competition for companies within the Community.

## Multinationals

Harmonization of national laws on group accounts will also make a positive contribution to the work currently being carried out at various levels on multinational companies (see Euroforum No 14/76). Harmonization would mean that multinationals with registered offices in the Community would have to publish group accounts covering their world subsidiaries and revealing relationships within the group. In addition, multinationals with registered offices outside the Community would be subject to the same rules in respect of activities carried out through companies established within the Community.

## Harmonization programme on company law

### General programme

First directive. Adopted by the Council 9 March 1968; deals with disclosure of information by companies (Registrar, Gazette) and some technical aspects of company law (ultra vires, nullity of a company) of particular interest to third parties; implemented in all Member States.

Second directive. Proposed 9 March 1970; deals with the formation of public limited liability companies and the maintenance or alteration of share capital; an amended proposal (1972) now being discussed by the Council of Ministers; could be adopted this year.

Third directive. Proposed 16 June 1970; deals with mergers of public limited liability companies incorporated under the same national law (preliminary to the convention on international mergers); an amended proposal (1972) has been given a first reading by the

Council of Ministers; a second amendment was submitted by the Commission in 1976; discussion may continue once the second directive is adopted.

Fourth directive. Proposed 16 November 1971; deals with the annual accounts of limited liability companies; an amended proposal (1974) is being given a second reading by the Council of Ministers; may well be adopted by the end of 1976.

Fifth directive. Proposed 9 October 1972; deals with the structure of public limited liability companies; now being discussed by the Legal Affairs Committee of the European Parliament; a Green Paper on employee participation and company structure published in November 1975 to enlarge and contribute to the debate.

Sixth directive. Proposed 5 October 1972; deals with the prospectus to be published when securities are admitted to official Stock Exchange quotation.

#### Definition of a group

The proposal, which has been finalized after thorough consultations of government experts and associations of accountants and financial analysts begins by defining a "group" to determine the scope of the required consolidation. There are two conditions to be met here. Firstly a company must have potential control over another company; secondly this potential control must be exercised in practice so that the companies concerned are in fact managed on a central basis.

The advantage of this definition is that it automatically excludes holdings, even majority holdings, in the capital of undertakings which are merely short-term investments, and that it covers situations where an undertaking is controlled by another by virtue of a minority holding in its capital.

#### Consolidation

A controlling company will be required to produce group accounts where it or another member of the group is a company incorporated with limited liability. Consolidation must be world-wide: the annual accounts of all the undertakings belonging to the group, irrespective of where their registered office is situated, must be consolidated. A group undertaking may not be excluded from the consolidated accounts unless it is of minor importance.

The proposal applies both to vertical groups, the usual kind of group dominated by a single undertaking, and to horizontal groups (consortia) centrally managed by two or more companies heading the group.

Consolidated accounts must also be produced for sub-groups within the Community encompassing several companies. This is particularly important where the company heading the group is situated outside the Community and does not publish group accounts.

A true and fair view

Group accounts comprise the group consolidated balance sheet, the group consolidated profit and loss account, and notes to the accounts. They must give a true and fair view of the group's assets, liabilities, financial position and results.

The proposal lays down a number of principles governing consolidation to ensure uniformity throughout the Community. Thus debts, claims and transactions between group undertakings must be eliminated to prevent group accounts from giving a false impression of the group's assets, liabilities and results. The annual accounts of undertakings to be included in the consolidation must also be drawn up at the same date so that the consolidated accounts refer to the same period and cover comparable accounting items.

Finally, items incorporated in group accounts must be valued using identical methods to prevent the consolidation of heterogeneous, non-comparable values.

Adoption and implementation of this proposal should ensure that companies established in the Community publish comparable information drawn up on uniform lines.

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