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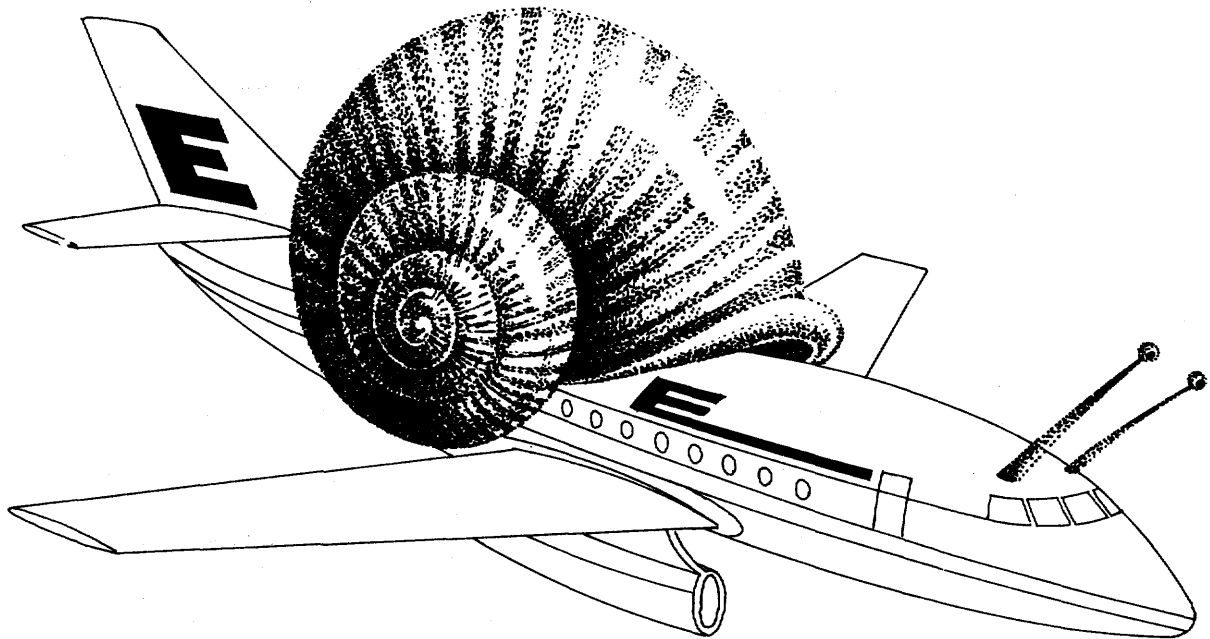
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Will Europe's Aeronautical Research Programme get up enough speed to take off? (see page 3)

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Directorate General of Information
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Editor and coordinator : Jean Pirlot

++ AERONAUTICAL RESEARCH PLAN FOR THE 80's

By the end of the eighties, a new generation of aircraft should be in service which are cheaper to maintain, safer for the environment and substantially better than those in the air at the moment.

Euroforum outlines in Annex 1 the European Commission's proposals to boost aeronautical research and develop this new breed of aircraft.

++ FARMING LOANS : COSTLY BUT VITAL

Since the 60's, loans to agriculture have increased spectacularly. The conditions attached, however, have become increasingly less preferential.

The causes and consequences of this trend are examined in Annex 2.

++ SOLIDARITY AGAINST DISASTERS (cont.)

The ugly side of nature has been rearing its head in parts of Europe: a devastating cyclone in Tuscany and floods in south-west France. To bring immediate aid to the stricken areas, the European Commission has decided to allocate 3 million units of account (1 u.a. = 1.1 US dollars approx.)

The Commission has also been considering the longer term implications of the damage and particularly the impact on the ecological balance of the regions. It has set Commission experts to work examining what the Community can do to rebuild the ecology of the devastated areas. As immediate action, some of the aid allocated to Tuscany will go towards rebuilding the damaged forests.

++ CONSUMER PRICE INDEX

The consumer price index for July 1977 has just been published by the Community's official statistical office (1970 = 100) :

	<u>July 77</u>	<u>June 77/July 77</u>	<u>July 76/July 77</u>
D	147.0	-0.1%	+ 4.3%
F	184.1	+0.9%	+10.1%
I	237.2	+0.6%	+18.8%
NL	176.6	-0.3%	+ 7.4%
B	175.5	+0.3%	+ 7.2%
LUX	167.4	+0.4%	+ 7.2%
UK	251.4	+0.1%	+17.5%
IRL	249.7 (1)	+3.8% (2)	+14.0% (3)
DEN	188.2	+0.7%	+11.4%

(1) on 15 May 1977

(2) from 15.2.77 to 15.5.77

(3) variation from 15.5.76 to 15.5.77

++ BELGIAN CONSUMER ASSOCIATION CELEBRATES 20 YEARS

'Test Achats' - Belgium's Consumer Association - celebrated its twentieth year with a conference in Brussels on 'consumers and full employment'. The event attracted government ministers and representatives of a variety of organisations and was addressed by the President of the European Commission, Roy Jenkins.

Mr. Jenkins stressed the excellent cooperation between 'Test Achats' and the British Consumer Association. The British organisation, with which Mr. Jenkin's own wife was associated for many years, was partly the inspiration for the Belgian magazine 'Test Achats' which is similar in approach to the British magazine 'Which'.

Test Achats was founded in 1957, the same year as the Treaty of Rome was signed, and the Commission President remarked on the tremendous strides that have been made since then. When the Treaty was signed, he pointed out, there were virtually no consumer organisations in Europe, and the lengthy text of the Treaty referred only three times to the consumer. Now in 1977, the position is very different, he remarked. There

are consumer organisations in every country in Europe and Test Achats alone has over 240,000 subscribers.

Mr. Jenkins underlined the Community's efforts to encourage consumer protection organisations. In the European Commission itself, special responsibility for consumer information and protection has been given to Irish Commissioner, Richard Burke, and the Commission takes a wider view of consumer's interests than simply the directives and policies it has put forward under the specific heading of 'consumer policy'. The consumer has to be taken into account in all areas of Community policies: industry, agriculture, competition, anti-trust law, transport, environment, etc. In looking for concrete ways of helping consumers in these areas, the Commission's work coincides with that of the consumer organisations, and cooperation can bring tremendous results.

++ SAIL FOR EUROPE : MORALE IS HIGH

Morale is excellent aboard the "Traite de Rome" - the fifty foot aluminium sloop that is representing the European Community in the Whitbread round-the-world yacht race. The crew, which has one member from every Community country, is experiencing no problems caused by language or nationality.

The race, however, has not been that easy for the crew so far. The spinnaker broke off twice and had to be repaired, as did the 'big boy'. Even the metal rail at the prow of the yacht was twisted by the violence of the elements early on in the race. Apart from these minor technical problems, the team has been showing good form and is well placed on handicap.

More serious, however, is the problem of cash. The sloop was hired and fitted out by a group of sailing enthusiasts and they are now a quarter of the way round the world and still need £40,000 to cover the total costs of the journey. The Sail for Europe organisation (60 avenue de la Chapelle, Brussels 1200) is still trying to raise funds. The French government has announced it will give FF 60,000 and the Belgian and Luxembourg governments have already provided funds. Several governments are still examining the request for assistance. The European Commission has also given financial support.

++ MEDICAL COMPUTER

In 1980, the European pharmacological data bank should come into operation. The European Commission initiated the idea, and recently various experts - doctors, pharmacologists, computer engineers and government experts - have been meeting in Luxembourg to review progress. The various parties have to coordinate both the technical computer

problems, the nomenclature of the principal medical compounds, the terminology and the pharmaceutical and therapeutic properties of the various products. The data bank will constitute one of the essential elements of Europe's scientific memory when linked to 'EURONET' - the European telecommunications network.

++ BIRTHRATE DROPS

Since 1971, the birthrate has continued to decline in all Community countries. Below are the figures for the number of births per thousand population between 1971 and 1975 :

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
D	12.7	11.3	10.3	10.1	9.7
F	17.2	17.0	16.4	15.3	14.1
I	16.8	16.3	16.0	15.7	14.8
NL	17.2	16.1	14.5	13.8	13.0
B	14.4	13.8	13.3	12.6	12.1
LUX	12.9	11.7	10.8	11.0	11.1
UK	16.2	14.9	13.9	13.0	12.4
IRL	22.7	22.7	22.5	22.3	21.6
DEN	15.2	15.1	14.3	14.2	14.2
EEC	15.7	14.9	14.1	13.5	12.8

++ FOOD RESEARCH

Insufficient research is being undertaken by the Community's food industry. Research expenditure of 0.3% to 0.5% of turnover is considerably less than in other economic sectors of comparable importance, and the total number of researchers involved is little more than 6000 throughout the Community. To give a boost to this research effort, the European Commission has proposed a study programme devoted to examining the physical properties of foodstuffs.

In the production chain - harvesting, transport, packaging, storage - farm products are subjected to a number of physical and chemical factors about which little is known. It is extremely important to know how raw materials react physically

so that handling technology can be suitably adapted and consistency in taste, smell, flavour, non-toxicity, nutritive value, etc. guaranteed in the finished products.

The Commission has proposed that all research efforts in this field be coordinated at the national level and all the data received from the laboratories be processed and placed in a data bank, the management of which would become the responsibility of the Community's Computer Centre in Luxembourg.

++ COMPETITION : PAPER AGREEMENTS BANNED

Marketing agreements between Dutch and Belgian printing paper manufacturers have been ruled illegal by the European Commission. The manufacturers in question are members of COBELPA - Association des Fabricants de Pâtes, Papiers et Cartons de Belgique - and the VNP - the Vereeniging van Nederlandsche Papierfabrikanten-, and between them they produce 80-90% of Dutch and Belgian printing paper and stationary.

The agreements which the Commission have banned provided for the firms involved to exchange details of their prices and general sales terms and to respect set distribution circuits. The agreements also provided for the exchange of output and sales figures between certain firms.

The Commission ruled that these practices infringed the EEC Treaty by distorting competition and affecting trade between Member States of the Community.

++ STEEL INDUSTRY POLLUTION

To reduce pollution within the steel industry the European Commission has allocated some 2.7 million units of account (1 u.a. = 1.1 US dollars) to a total of 12 research projects. Particular attention has been given to the problems of noise, especially in electric arc furnaces. Dust is also a particularly serious problem in a steelworks and four research projects will be devoted to examining the problems of dust in electric furnaces.

These twelve projects are in addition to 43 existing projects to which the European Commission has already contributed more than 5.5 million u.a. within the framework of the third Community programme against pollution in the steel industry.

++ INDUSTRIAL SECRETS

Statisticians working in the industrial field are always up against the problem of secrecy. Certain figures can be very revealing commercially to those capable of interpreting them.

If, for example, one country had only one main shoe manufacturer, national statistics on shoe production would immediately reveal to foreign competitors the state of his business. Naturally the manufacturer and the country concerned would prefer not to reveal the statistics. Such exceptions are numerous and when multiplied by nine, lead to some undesirable gaps in Community statistics.

Is this unavoidable? The Community's Statistical Office, in agreement with national statistical services, have decided to take a close look at the problem and try and produce a solution. A report entitled "The secret of industrial statistics in the European Community" has been drawn up by an independent expert on behalf of the European Commission. It reviews all the laws and practices covering statistical secrets in the industrial field in each Community country.

By publishing this report the Community's Statistical Office hopes to get some favourable feedback from readers, particularly from the bodies which represent manufacturers or from the users of industrial statistics. The document is available from the Community's Office for Official Publications - PO Box 1003, Luxembourg.

++ RADIATION AND HOSPITALS

The principal source of ionising radiation to which the average European is subjected, comes from medical diagnostic equipment - X-ray machines and the like. The increased use of isotopes and radiological techniques in medicine is, however, raising the level of radiation absorbed by the general public. The people most involved are patients and the medical and semi-medical personnel.

Though the importance of radiological techniques in the detection and diagnosis of a large number of ailments cannot be underestimated, the risks involved through contact with radiation should, nevertheless, remain within acceptable limits. The European Commission has consequently taken the initiative and set up a study group to examine the problem in depth.

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AERONAUTICAL RESEARCH PLAN FOR THE 80's

Whether it is Concorde being banned for noise pollution or commercial airlines rising up in arms against cut-price Atlantic crossings, the technological and financial interplay in the aeronautical industry is stunningly complex. Over the next decade, aircraft will not only have to reduce their environmental impact, but also reduce considerably their running costs.

A new generation of aircraft is needed by the end of the eighties but the considerable resources involved in extending Europe's research effort really indicates that a pooling of effort is required. For most Community countries, however, the development of the aircraft industry is still regarded very much as a national affair, but faced with the intense competition from the USA, the most effective research should be undertaken at the Community level, thereby avoiding any duplication of effort.

Cooperation between European manufacturers has already been in evidence and, for its part, the European Commission has given the aeronautical sector high priority in its research and development programme over the last two years.

The Commission's work has materialised in the Aeronautical Research Programme-drawn up jointly by Community experts, national research centres and representatives of various sectors of industry. The plan is already before the Council of Ministers of the Nine and could be adopted in the near future.

The two principal themes are environment and cost reduction, and efforts have been concentrated in two areas : helicopters and airframes.

The overall objective of the programme is to promote collaboration between industry and research centres in areas in which there would otherwise be wasteful duplication of effort. The European Commission also hopes that the efficiency of research expenditure and the use of research facilities in the Member States would be improved by the programme. It is also expected that there will be collaboration at the industrial level on future civil programmes.

Choppers

The technological objectives for the helicopter sector are to widen the scope for the use of helicopters in the civil field by way of improvements in fuel economy, safety, instrument flight capability and environmental improvements relating to noise and vibration.

Up until now, helicopters have only been of real interest to the military and certain public bodies. The few attempts at 'popularising' helicopters were quickly abandoned. The main reasons for this were the adverse effects on the urban environment, where the machines principally have to operate on account of their landing and take off flexibility. They are also rather uncomfortable for passengers on account of the internal vibration which is a result of their construction design. Finally, they are rather slow and expensive.

It is these points of helicopter performance which the Commission's action programme is aimed at. Its work will range from experimentation with modified blade profiles, to an investigation of the noise emitted by the rotors. It will also look at ways of improving the aerodynamics of the fuselage and increasing safety. The research programme will also examine the development of fast vertical take off aircraft which combine the qualities of both planes and helicopters.

The Commission's choice of the helicopter sector is not only an ambitious and futuristic attempt to introduce a novel form of civil transport, it is also an area where European industry is well placed in respect to its American competitors. In the world today, only one helicopter in five is European designed but the European producers in the UK (Westland), France (Aerospaciale), Italy (Auguste Groupe) and Germany (MBB) are technically well advanced. The value of European helicopters produced in 1975 came to around 700 million dollars, as against 780 million for the USA alone.

Airframes

The second main area covered in the action plan is airframes and the Commission's proposals are aimed at increasing structural life and reducing maintenance costs through better understanding of fatigue and fracture mechanics in metal and composite structures. One aim is to draw up a manual for producers to enable optimum choice of materials and manufacturing methods, and to set up a data bank on the properties of materials, and to encourage the joint development of what is known as non-destructive testing techniques. This should enable the cost of aircraft maintenance to be reduced, whilst guaranteeing the necessary level of safety.

46 m. dollar budget

Over the coming five years (1977-81), the plan will absorb about 46 million dollars from the Community budget. Two-fifths will go to research on helicopters and the remainder to airframes. The Commission also expects industry to

contribute 20% to the programme which should push expenditure up to about 55m dollars. Even this limited participation by industry attests to the seriousness and the potential effectiveness of the programme.

Beyond the immediate programme, the Aeronautical Research Programme will probably be extended in the long term and incorporate research into the motor and equipment sector as well as research-infrastructure. One possible major project for the future will be the construction of a giant trans-sonic wind-tunnel. This would be an important aid to developing the next generation of aircraft. The cost of such a wind-tunnel and the complementary facilities and staff, is virtually prohibitive at the national level. At the Community level however, it is a feasible project. The Commission has proposed that an advisory committee of national experts be set up straight away to guide the implementation of the action plan.

Community precedent

The Aeronautical Research Programme will set a precedent at the Community level. Most joint research programmes up until now have covered more general industrial areas. This plan has virtually institutionalised cooperation between the Community's national and industrial research centres.

The Community aerospace industry has great potential in terms of capital, manpower and capacity to undertake such a programme, and the possible gains in a world civil aircraft market, which amounted to 56 billion dollars in 1976, are enormous. Apart from the USA which is almost saturated, the world aircraft market is continually expanding. Europe, however, only had one-twelfth of this market in 1976 and this share has been declining since 1970 under intense competition (down 1.7% in six years).

The Community's main success should be found in the short and medium haul aircraft. At present 12% of this type of aircraft comes from the EEC.

The European aircraft industry's full potential can only be realised by cooperation at the Community level and the Community itself could benefit from the extra employment possibilities - the sector employs half a million people at present, though in the US it employs twice this number - not to mention the technological spin-off.

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FARMING LOANS : COSTLY BUT VITAL

Times have changed in the farming industry. After a period of reconstruction and modernisation, it is now very much an industry like any other, intent on growing and diversifying.

Loans to agriculture have been expanding dramatically since the sixties and should increase even more rapidly in the future. As has been shown by a recent Community-wide study, however, these loans are now rarely given on preferential terms.

As a result, agriculture now has to operate financially like any other industry and is subject to the same constraints. Profitability is now the key-word for survival.

Less self-financing

The last fifteen years has been a period of intense restructuring in the agricultural sector. In the EEC, the number of farms larger than 1 hectare has declined from 7.2 million to 5.4 million between 1960 and 1972. The average size of farms has risen from 13.5 ha in 1958 to 17.4 ha in 1972. Production, however, has increased 2.4% in volume, and 5.3% in value between 1965 and 1972.

The number of people working the land has consequently also dropped from 18.1 million in 1958 to 9.4 million in 1973 - a 52% decrease.

The rationalisation process has been hard, and spurred on by the Common Market which has expanded agricultural markets and exposed farmers to sharper competition at the same time. Farmers have been forced to invest and, due to the sharp rise in prices, invest considerably. The effect of this has been to outmode personal savings as a method of financing, and most farmers have been forced to look towards outside sources.

The precise level of borrowing in the agricultural sector is difficult to assess but the best estimates indicate that capital borrowing in the EEC between 1960 and 1973 increased at a rate of 7.5% per year, with a maximum of 14.5% per year in France, 9.9% in Ireland as against 4.2% in Belgium and 6.1% in Germany.

The use of outside funds has produced very favourable results in Belgium, Italy and above all the Netherlands. By contrast, borrowing in France and Germany has increased faster than production.

Erosion of finance facilities

The increased use of outside capital by farmers came at a time of increased economic difficulties. Even the financial facilities traditionally offered by public authorities to this sector have been cut back. Many still benefit from the specialist banking organisations who fully understand the difficulties in the agricultural sectors. But even these bodies have not been able to spare farmers from the considerable increases in interest rates.

In the early 70s, money became very expensive due to the economic recession, the tightening of money supply, balance of payments problems, the increased borrowing needs of the State itself, and general drop in the value of money. Subjected to a variety of constraints, the public authorities have not been able to increase interest rebates as compensation. Certain measures have been tried such as putting a ceiling on interest rates for farmers, or even direct aid. But these measures have had limited effect.

Currently, the agricultural sector now has to invest to increase its productivity. If it is unable to improve its efficiency it will not be able to repay its debts and maintain its level of income. Agriculture is consequently likely to increase its need for capital. It has been estimated that the capital required by French farmers in 1980 will be in the order of FF 25.5 billion as against FF 13 billion in 1973. The needs of Danish farmers will increase by Kr 8.5 billion between 1974 and 1981.

Agricultural loans in the Nine

Belgium has an interest rebate system (5% maximum) and a limited system for guaranteeing loans. The rate of interest offered by the three main specialist finance organisations rose from 6.5% in 1970 to 7.4% in 1973.

In Denmark, mortgage-type loans are the most frequently used. They are granted by four banks and amount to about 50% of the value of the project.

In Germany, credit is offered by all the banking organisations and between 1971 and 1975 the average rate of interest climbed from 7.4% to 8.9% for short term loans, and 8.4% to 8.7% for mortgages.

In France, loans to farmers are generally granted by the 'Caisse Nationale de Crédit Agricole', whose terms are generally more favourable than commercial banks.

In the UK, farm finance is provided by all the main banks and by the Agricultural Mortgage Corporation which is able to offer relatively 'cheap' capital by virtue of its good reputation.

In Italy this role is undertaken by specialist bodies and approved organisations who grant, above all, interest rebates.

In the Netherlands, 90% of loans are granted through the Rabobank on preferential terms, but at the same rates as for other borrowers.

In Ireland, most types of loans are granted by the commercial banks.

Luxembourg cooperative banks offer the farming sector preferential treatment in the granting of credit.

Additional special facilities for farmers cannot be expected from the public authorities. Only Italy seems prepared to grant special concessions and the State is considering making up the difference between the market rate of interest (14.5% in mid-1976) and an acceptable rate to farmers (5-7%). Generally, Community States are too restrained by their budgetary policies to consider improving terms for farmers.

Priority to productivity

In the future, money will be expensive for farmers and they will basically have to compete with other industrial sectors and the public authorities themselves. Farmers will have to pay the market price for loans and they will have to operate on strictly commercial lines.

Loans will be more selective than ever and available only to the most efficient enterprises. A large number of marginal concerns will consequently disappear.

Despite the cold logic of economic life, it would be unacceptable in certain Community regions for these changes to happen without any public assistance.

The Community adopted directives in 1972 on structural improvement of farms, and on the granting of aid or interest rebates and these go a long way to helping farmers adapt. Without such aid, many farms could not expand.

With ever increasing credit costs and increased competition on the capital market, a number of more far reaching questions come to light. With such change taking place in the financing of agricultural enterprises, should there not also be certain reforms in the common policy covering agricultural markets and prices? Maybe that's another problem...

For more details read : 'Agricultural Credit in the Member States of the European Community', N° 28/77 in the agricultural information series. This document can be obtained from the Office for Official Publications of the European Communities - PO Box 1003 - Luxembourg.

PRESS AND INFORMATION OFFICES OF THE EUROPEAN COMMUNITIES

BELGIUM

1049 BRUSSELS
Rue Archimède 73
Tel. 735 00 40/735 80 40

DENMARK

1045 COPENHAGEN K
4 Gammeltorv
Postbox 144
Tel. 14 41 40

FRANCE

75782 PARIS CEDEX 16
61, rue des Belles-Feuilles
Tel. 553 53 26

GERMANY

53 BONN
Zitelmannstrasse 22
Tel. 23 80 41

1 BERLIN 31
Kurfürstendamm 102
Tel. 8 92 40 28

IRELAND

DUBLIN 2
29 Merrion Square
Tel. 76 03 53

ITALY

00187 ROME
Via Poli, 29
Tel. 68 97 22 à 26

LUXEMBOURG

LUXEMBOURG
Bâtiment Jean Monnet B/O
Plateau du Kirchberg
Tel. 43011

NETHERLANDS

THE HAGUE
29, Lange Voorhout
Tel. 070-46 93 26

UNITED KINGDOM

LONDON W8 4QQ
20, Kensington Palace Gardens
Tel. 727 8090

CARDIFF CF1 1WF
4 Cathedral Road
P.O. Box 15
Tel. 371 631

EDINBURGH EH2 4PH
7, Alva Street
Tel. (031) 225.2058

CANADA

OTTAWA, Ont. K1R 7S8
350 Sparks St.
Suite 1110
Tel. 2386464

CHILE

SANTIAGO 9
Avenida Ricardo Lyon 1177
Casilla 10093
Tel. 25 05 55

GREECE

ATHENS 134
Vassilisis Sofias 2
Tel. 743 982/83/84

JAPAN

102 TOKYO
Kowa 25 Building
8-7 Sanbancho
Chiyoda-Ku
Tel. 239-0441

SWITZERLAND

1202 GENEVA
37-39, rue de Vermont
Tel. 34 97 50

TURKEY

ANKARA
Kavaklidere
13, Bogaz Sokak
Tel. 27 61 45/46

UNITED STATES

WASHINGTON, D.C. 20037
2100 M Street, N.W.
Suite 707
Tel. (202) 872-8350

NEW YORK, N.Y. 10017
245 East 47th Street
1 Dag Hammarskjöld Plaza
Tel. (212) 3713804