

WEEKLY

industry and society

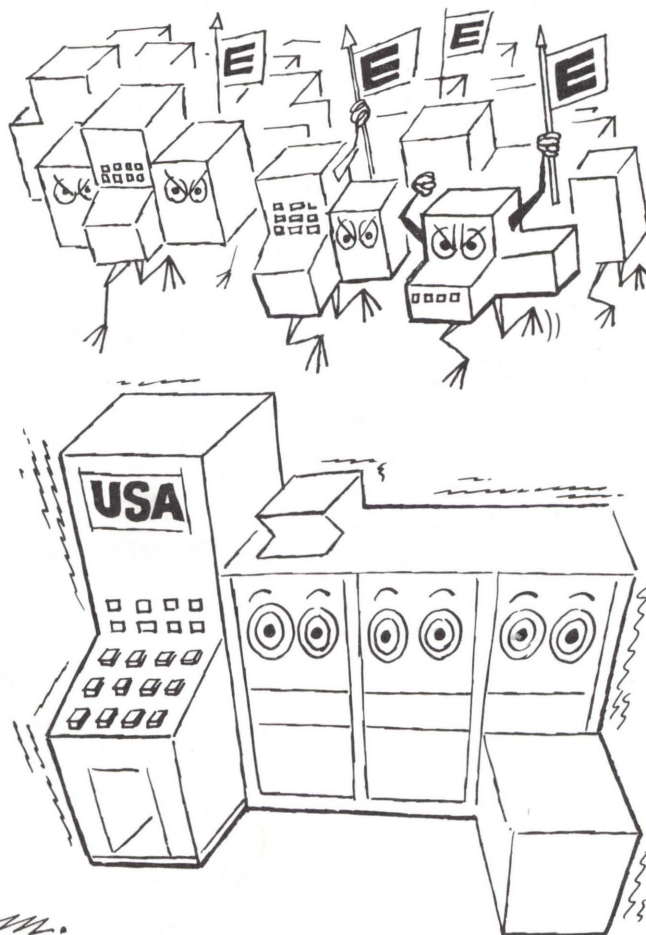
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** Current trends in the DATA PROCESSING INDUSTRY are such as to create opportunities for Europe which may not arise again. This is the warning given in a report by the Economic and Social Committee of the European Communities.

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ANNEX 1 contains extensive extracts from the ESC report and the general outline of the proposed policy for revitalizing the industry.

** The European Commission hopes to encourage personal and family links between nationals of non-member countries and those of the Community. With this in mind, it has proposed A DUTY- AND TAX-FREE ALLOWANCE ON SMALL CONSIGNMENTS OF GOODS FROM NON-MEMBER COUNTRIES.

ANNEX 2 explains the conditions under which small gifts will be granted customs and tax exemption.

** Mr Hansen, Member of the European Parliament, expressed his concern in a Written Question about the risk to the environment caused by the construction of two NUCLEAR POWER STATIONS in the Moselle valley, one in France, the other in Luxembourg. In reply, the European Commission points out that as a rule electricity producers who submit plans for nuclear power station construction carry out very detailed studies to determine their possible effects on the environment. The Commission does not think that these two power stations will be an exception to this rule. However, the Commission will take steps to ensure that these studies have been properly carried out when the plans are submitted. Furthermore, in a Resolution on Energy and the Environment adopted on 4 March 1975, the Council of Ministers has invited the European Commission to present proposals for a Community information exchange policy on the planning and siting of new nuclear power stations. The aim is obviously to consider risks of pollution and harmful effects on the environment. The European Commission plans to hold its first meeting on this subject in the near future.

** The third edition of the FAIR ADVERTISING CODE recently came into force in Italy. Considerable progress has been made since the Code was first published in 1966 and again in 1971. It is expressly stated that "advertising will be considered above all as a public information service". The main articles deal with the identification of advertising, which must always be recognized as such (Article 7), the fact that advertising should not offend people's moral, civic or religious convictions (Article 10) and that advertising must concern itself with consumer safety (Article 12). The third Code pays a great deal of attention to hire purchase (Article 17) and emphasizes that advertising must clearly state the amount of the first payment, the interest rate, any additional charges and the total cost. For cosmetics, the Code lays down that advertising should not lead the consumer to think that the sole effect of these products is to beautify, protect, perfume, deodorize or clean (Article 23). The Code attempts to discourage advertising for alcoholic beverages (Article 22) and devotes an entire article to advertising for organized holidays (Article 26).

- ** Are reduced fares for large families a "social advantage"? This is what the COURT OF JUSTICE of the European Communities has to decide. The problem was brought up by Mrs Anita Cristini, wife of an Italian migrant worker, who unsuccessfully requested a reduction for her large family from the French National Railways (SNCF). The Paris Court of Appeal, which finally dealt with the case, asked the Court of Justice of the European Communities if a reduction of this kind is one of the "social advantages" to which migrant workers from another country of the European Community are entitled (under Article 7 of Regulation 1612/68).
- ** The additives in FEEDINGSTUFFS are the subject of a Directive which the European Commission proposes to amend in order to take account of the development of scientific and technical knowledge. It is proposed firstly to authorize the use of a new antibiotic and of some defined mixtures of coccidiostats, and secondly, to allow new uses of coccidiostats which are already in use. As these additives and uses have already been successfully investigated in certain Member States of the Community, they are to be authorized subject to certain conditions at national level (until 30 June 1976) pending a definitive decision as to whether they are to be permitted at Community level.
- ** Consumers are less pessimistic over the economic trend for the next twelve months. This is the main conclusion of an ECONOMIC SURVEY carried out in the second half of January 1975 in 40 000 households constituting a representative sample of the overall population of the member countries of the Community. Provisional results of this survey show that since the autumn of 1974 the economic situation has further deteriorated, but most of the households - particularly in Germany, France and Denmark - make a less pessimistic assessment of the economic trend for the coming twelve months than previously. This is probably due to the expectation of a more favourable trend on the labour market. The upward price movement is still regarded as too steep; however, respondents are apparently becoming aware of the initial effects of anti-inflation measures. Although the propensity to save is probably higher than in previous years, purchasing intentions in respect of motor vehicles and other consumer durables have grown stronger, in comparison with January 1974. Planned expenditure on holidays also seems to have increased compared with last year.
- ** The second European Congress on INFORMATION SYSTEMS AND NETWORKS will take place in Luxembourg from 27 to 30 May 1975. This Congress, organized by the Commission of the European Communities, will be another opportunity for European information scientists to exchange views on information systems and networks. While the First European Congress established the state of the art in documentation systems, the aim of the Second Congress is to make the information specialists aware of the problems raised by the development of information networks and of the characteristics of the European Information Network which is now being initiated.

** In 1964 two KNITTING YARN firms, an English one and a French one, signed an agreement under which each undertook not to market its product on the other's home market. The reason for this agreement was the distinct similarity of the two brand names (Phildar and Sirdar). Following United Kingdom accession to the Community, the French firm decided that the agreement was void as infringing the rules on competition in the EEC Treaty and it began selling yarn on the British market. The British company therefore brought an action before the High Court, but the European Commission took the view that geographical market sharing was not justified, even though the brand names were very similar and might therefore lead to confusion. The agreement has consequently been suspended. The British court followed the advice of the Commission and has rejected the action brought by the British manufacturer.

A COMMUNITY POLICY ON DATA PROCESSING

Current trends in computing are such as to create opportunities for Europe which may not arise again. This is the warning given by the section of the Economic and Social Committee of the European Communities with special responsibility for industrial policy. A communication of the European Commission to the Council of Ministers concerning a Community policy on data processing was examined very closely by a Study Group of the Economic and Social Committee. The report drawn up by the ESC contains some useful suggestions which are summarized in detail below.

The American Giant

Any discussion of data processing must inevitably include IBM, the American computer giant which dominates the world market. The growth of IBM, and its profitability, are too well known to require restating here but some of the reasons for this success are worth analysing if a successful European industry is to emerge in the 1980s. First of all, during the period from the mid 1950s to the early 1970s, there was a large US domestic market with users ready, willing and able to adopt computers. Also, IBM, by virtue of its large customer base, profitability and therefore financial strength was in a unique position to capture a large share of the US market. During this growth period IBM did not have to face significant competitors in terms of installed equipment and its customers were largely locked into their supplier.

The expansion of IBM into Europe and indeed the rest of the world was thus solidly based and at that time met even less effective competition. Thus, while in 1957, IBM's US sales were about \$1 000 million, its Western European sales were only \$150 million. However, today its world trade sales represent about 70% of that market and exceed those of the US domestic market.

The situation in Europe

The significant point here for Europe today is that the same conditions for an IBM type of growth do not exist, at least in the established so-called mainframe computer market. Thus, there is not a virgin market, there is very effective competition while the funds required to achieve a minimum threshold size in the computer business are now enormous and not readily available. IBM spent as much on R&D in one year in the mid 1960s as has been contributed by all European governments in the last five years of that decade. It is in this context that past European funding for the computer industry, whether private or governmental, has, together with enforced consolidation and preferential purchasing, been criticized as "too little and too late".

Thus, Europe is now faced with either massive funding even to maintain a certain market share or with maintaining a minimum competence in the mainframe market, while seeking out new but related growth markets in the computer fields. Fortunately, these exist.

The failure of many European computer companies is perhaps worth exploring further using a military analogy. In general, they have been divided; they have attempted to arm themselves with the same broad range of (marketing) weapons and strategies as the principal adversary and have, therefore, not achieved sufficient strength to survive.

The lessons perhaps are to unite (but in a sound commercial manner), conquer new markets and at least hold the centre ground with the main adversary, using more effective weapons and strategies. It is even possible that the ground held by IBM, in the broad range of medium and large mainframe computers, will wither somewhat, at least relatively, due to the changes in the shape of the total computer market now taking place.

Future strategy for European data processing

The Community should encourage and, where necessary, support mainframe manufacturers in their efforts to achieve minimum viable size, having regard to the following guidelines.

The non-competitive and even virtually monopolistic nature of the market for mainframe computers, the consequences of varying seriousness of European dependence in this sector, the scope for expansion within and outside the Community and the need to integrate European undertakings which are currently in weaker positions must not lead to the establishment of a Community monopoly but to a concentration of aid at the outset in order to avoid a dissipation of public expenditure which would be ineffective and contrary to the interests of users. Further, there must be change in Community measures with regard to hardware and software and a balance will have to be found, depending on the nature of the activities involved, between an initial stage of concentration and more diversified aid to individual firms, pending the establishment of a major and effective industry.

The policy should be oriented towards companies which can be expected to become competitive and technically competent without support in a reasonable period. While the Section does not believe that merger is of itself the only way of achieving minimum viable size, the lack of a legal framework at European level, which would facilitate any desired concentration between manufacturers of different Member States is deplored.

This policy in the field of mainframe manufacturers should be complemented by steps to promote cooperation in other industry segments where the opportunities are greater and European companies better placed to grasp them. This will provide more effective competition

on an international scale and offer computer users a wider choice. The desired cooperation should also involve the mainframe manufacturers so as to reduce the total investment to compete internationally.

It is recommended, therefore, that other companies in the data processing field be promoted, so that they can play their full part in competing internationally. These include communications and other specialized system suppliers; terminal peripheral and mini-computer manufacturers, the semi-conductor industry and various service companies such as bureau and systems, software and consultancy houses.

The Community should ensure that all suppliers follow new marketing practices, based on unbundling, which support the above strategy and open the computer market to a wide range of companies. Promotion of these practices can be effected by studying which of them can and should be followed or discouraged, discussing these with a wide range of interested parties and publishing the conclusions and recommendations. Encouragement and enforcement, where necessary and sensible, should be effected via agreed and preferred standards (e.g., for interfaces and programming languages), by adopting other EEC measures, such as those devised under Article 100 to remove technical barriers to trade and under Article 86 to avoid dominant positions and by well-conceived government procurement policies in order to work towards free access to public purchasing within the Community.

These measures would equally apply to all companies operating in the European market, even though these companies are not likely to welcome them since they will lead to more intense competition.

Future strategy to encourage effective use of data processing

The strategy proposed by the Economic and Social Committee, based on the Commission's objectives, will also benefit the user by promoting more open competition and, therefore, providing a wider choice and the opportunity of obtaining more cost effective solutions to his data processing needs. It will also avoid users becoming locked into a particular manufacturer which, in the long term, should be of benefit to European companies.

Part of the wider choice should not only be selection of manufacturer but the possibility to tailor computer systems to meet particular user needs.

The mainframe manufacturers make a large investment in research and development associated with the design of a wide, and as far as possible, complete range of hardware, software and related services. If other companies need to exploit this investment in order to offer alternative products or services and thereby reduce the legitimate share of the market which the investment was designed to secure, then it is right that they should contribute to a fair proportion of the cost.

Similarly, computer users should not be faced with additional charges applied retrospectively (perhaps as a result of further unbundling) and will need time to adapt to the opportunities offered by new marketing practices, particularly if multi-vendor systems are to be installed or main contractors employed other than the mainframe suppliers who traditionally offer a total system capability to users.

The ESC report goes on to deal with the consequences of data processing on employment and the quality of life and the serious question of protection of individual privacy. The report concludes by urging that the opportunity to revitalize the European computer industry should be taken immediately without hesitation.

SMALL GIFTS TO BE ALLOWED INTO THE COMMUNITY DUTY-FREE

The European Commission hopes to encourage personal and family links between nationals of non-member countries and those of the Community. It is with this in mind that it has proposed a duty- and tax-free allowance on small consignments of goods from non-member countries.

Under this proposal, any small consignments of goods of a non-commercial nature (including agricultural products and goods resulting from their processing) of not more than 25 units of account in value (1 u.a. = US \$1.3) can be sent duty-free. Under the proposal made by the European Commission to the Council of Ministers, this applies to small consignments sent by private residents of non-member countries to private residents within the Community.

These measures are at present operating in each Member State, but there are such discrepancies - for example, the allowance can be twice as much in one country as in another - as to be incompatible with the equal treatment to which all members of the Community are entitled under the customs union and the common agricultural policy.

The proposal put forward by the European Commission is based on the most liberal measures at present in force in the various Member States. In order to avoid abuse of this allowance, however, quantitative restrictions are proposed in the case of certain heavily taxed products (tobacco, coffee, perfumes, etc.) when these are included in the consignment.

Small consignments must comply with the following conditions, in order to be entitled to customs and tax allowances:

- (i) they should not be intended for resale and their nature and quantity should be such as to be intended for personal or family use by the recipients;
- (ii) no payment of any kind should be received from the recipient;
- (iii) the total value should not exceed 25 units of account.

Quantitative restrictions are proposed in the case of certain products:

(a) Tobacco products:

- 100 cigarettes
- or 50 cigarillos (cigars weighing not more than 3 grammes each)
- or 25 cigars
- or 100 grammes of smoking tobacco

(b) Alcoholic beverages:

Distilled beverages and spiritous beverages of an alcoholic strength exceeding 22° -
1 standard bottle (up to 1 litre)
or distilled beverages and spiritous beverages, wine-based or alcohol-based aperitifs
of an alcoholic strength equal to or below 22°; sparkling wines and liqueur wines -
1 standard bottle (up to 1 litre)
or still wines - 2 litres

(c) Perfumes:

60 grammes or 2 ounces
or toilet waters - $\frac{1}{4}$ litre or 8 ounces

(d) Coffee:

500 grammes
or coffee extracts and essences - 200 grammes

(e) Tea:

100 grammes
or tea extracts and essences - 40 grammes

Care should be taken not to exceed the quantities indicated, because if the customs authorities find more than the permissible quantity of goods, the whole consignment will lose its duty-free allowance. You have been warned!