

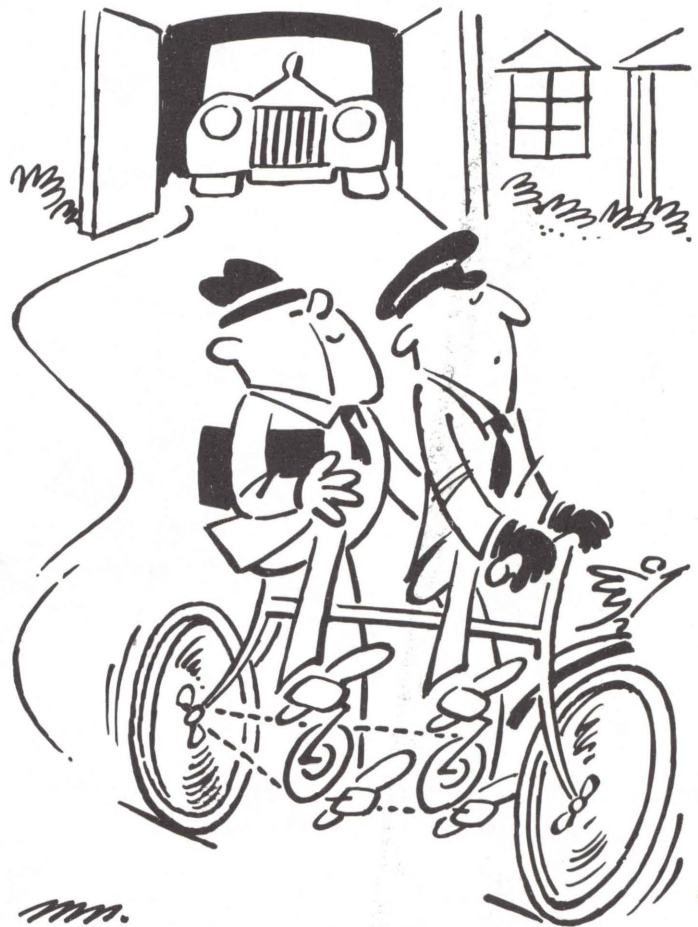
REPRODUCTION AUTHORIZED

Brussels, 26 November 1974

No 42/74

CONTENTS

- \* Preventing waste (p. 1)
- \* Wage indexing (p. 2)
- \* Waste materials and plants - new energy sources (p. 2)
- \* Surface waters (p. 2)
- \* The economic situation (p. 2)
- \* The Budget (p. 3)
- \* Competition - two agreements prohibited (p. 3)
- \* Multinational companies (p. 3)
- \* Materials in contact with foodstuffs (p. 3)
- \* Competition - an agreement authorized (p. 4)
- \* Atmospheric pollution (p. 4)
- \* The Airbus (p. 4)
- \* The quality of life (p. 4)
- \* Fraud and tax evasion (p. 4)



\*\* At the meeting of the "Environment" Council on 7 November (see I&S - No 40/74), the French Delegation forwarded to the other Community Delegations some comments on the paths the Community might follow in its fight against waste. These were entitled "Thoughts on WASTE PREVENTION" as it relates to ACTION ON THE ENVIRONMENT AND THE QUALITY OF LIFE".

X/653/74-E

This bulletin is published by the

Commission of the European Communities  
 Directorate General of Information  
 Division for industrial information and consumers  
 Rue de la Loi 200  
 B-1049 - Brussels - Tel. 735 00 40

Further information is available from the Commission's press and information offices in the countries listed on the inside cover.

*The information published in this bulletin covers the European Communities' activities in the fields of industrial development, protection of the environment and consumer welfare. It is therefore not limited to recording Commission decisions or opinions.*

#### PRESS AND INFORMATION OFFICES OF THE EUROPEAN COMMUNITIES

##### BELGIUM

1049 BRUSSELS  
Rue de la Loi 200  
Tel. 735 00 40

##### DENMARK

1457 COPENHAGEN  
4 Gammeltorv  
Tel. 14 41 40

##### FRANCE

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

##### GERMANY

53 BONN  
Zitelmannstraße 22  
Tel. 2380 41

1 BERLIN 31  
Kurfürstendamm 102  
Tel. 886 40 28

##### GREAT BRITAIN

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

##### IRELAND

DUBLIN 2  
41 Fitzwilliam Square  
Tel. 66 223

##### ITALY

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

##### LUXEMBOURG

LUXEMBOURG  
Centre européen du Kirchberg  
Tel. 479 41

##### NETHERLANDS

THE HAGUE  
29, Lange Voorhout  
Tel. 070-46 9326

##### SWITZERLAND

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

##### UNITED STATES

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

NEW YORK 10017  
277 Park Avenue  
Tel. 371-3804

We felt it might be interesting to reproduce these in ANNEX 1.

\*\* Is wage indexing, or automatic ADJUSTMENT OF WAGES TO THE COST OF LIVING, a developmental factor, or a brake on inflation? Does it hold down purchasing power or increase it? Does it constitute a factor making for social peace, or not? These are some of the questions which a document drawn up by the Commission's departments tries to answer, after listing and studying the different systems of linking wages to the cost of living at present applied in Member States.

ANNEX 2 gives a short summary of the document.

\*\* After biological processing, the solid WASTE from a city of two million inhabitants could supply sufficient material to feed a 1 000 MW electric power station. Again, by using aquatic PLANTS, such as algae, the United States could supply 100% of its gas requirements in the year 2000, utilizing only 5% of its total area. These encouraging forecasts are the results of work carried out all over the world on photobiological and photochemical conversion processes. Following our two articles on solar energy (see I&S - No 39 and 41/74) we now publish an article, IN ANNEX 3, on photobiological and photochemical conversion, which is also one of the NEW SOURCES OF ENERGY. The development of such sources is one of the primary aims of the "Energy for Europe" research and development programme proposed to the Council by the Commission.

\*\* Following the Dutch Government's decision to withdraw its reservation concerning the directive on the quality of surface waters intended for the production of drinking water (see I&S - No 40/74), ALL THE PROPOSALS forwarded to the Council, as part of the Community action programme on THE ENVIRONMENT, HAVE BEEN ADOPTED by the Council of Ministers.

\*\* In face of the worldwide ECONOMIC SITUATION, with its many risks and uncertainties, the required restrictions cannot be introduced all at once into the Community without creating intolerable and unequally-spread stresses and strains. Since we must promote investment and not limit it, the sacrifices will have to come from public and private consumption. This is brought out by the Commission in a document on the economic situation in the Community. Its approach has been adopted by the Council of Ministers, In it the Commission recalls that "despite their gravity, the problems the Community faces can be overcome. This, however, demands greater solidarity among social groups within each country, among member countries of the Community and also between the Community and the rest of the world."

\*\* In a vote on the draft budget presented by the Council of Ministers most of the ADDITIONAL APPROPRIATIONS, some 750 million units of account, (1 u.a. = approximately US \$1) requested for inclusion in the 1975 BUDGET by the Commission, and turned down by the Council, have been restored by the European Parliament. Regarding the ENVIRONMENT AND HEALTH PROTECTION particularly, Parliament has asked for restoration of most of the increases requested by the Commission, i.e., 24 000 u.a. for conferences, 35 000 u.a. for anti-pollution measures, 30 000 u.a. to implement the environmental protection programme, and 1.5 million u.a. to set up the foundation for improving living and working conditions (see IRT No 213). For the SOCIAL FUND, Parliament has requested an increase of 35 million u.a., though the Commission wanted an extra 70 million, which the Council did not approve.

\*\* Following intervention by the Commission, two agreements, one concerning Belgium and the other the Netherlands, relating to standard quality electrodes for arc-welding have been suppressed. The two agreements constituted a RESTRICTION OF COMPETITION within the meaning of the Community treaties, and limited the freedom of the parties in their commercial dealings with consumers.

\*\* 9 500 MULTINATIONAL COMPANIES, with their Head Offices in Community or non-Community countries, are the subject of a study conducted by the Commission, with the aim of throwing some light on their structure and the exact number of their activities (see IRT No 210 and I&S - No 34/74). Studies of multinationals carried out so far by other bodies have been limited to a few such companies and, in each case, the largest only. The Commission's departments therefore felt that it would be best, first of all, to extend the field of enquiry to all the multinational corporations actually in existence, throughout the world. For the first time therefore, an almost complete picture of these undertakings will be available; this will help avoid the error of arbitrarily applying to small and medium-sized multinationals (which constitute the majority), conclusions drawn from study of the large ones only. So far, some 65% of the documents for which the 9 500 companies were asked have already reached the Commission, and been examined with a view to extracting the following information: name and address of company head office, principal and secondary areas of activity, turnover before group tax, total number of employees, and total number and location of subsidiaries in various countries. The data is computer-processed as and when required. The survey is expected to be completed by the middle of 1975.

\*\* At its last session, the European Parliament welcomed the Commission proposal concerning MATERIALS AND OBJECTS WHICH COME IN CONTACT WITH FOODSTUFFS (see I&S - No 31/74). Parliament noted, however, that this Directive was not sufficient, by itself, to bring about any specific change in the divergent practices of member countries, and invited the Commission to forward its planned implementing provisions as soon as possible.

- \*\* The European Commission has just AUTHORIZED the largest German steel manufacturer (Thyssen), to PARTICIPATE in the SOLMER iron and steel company established in Fos, at the mouths of the Rhône. This undertaking will therefore be controlled by the three groups, SACOLOR, USINOR and THYSSEN. After making enquiries, the Commission found that the agreement did not contravene the Community's competition rules, though it stressed that authorization was subject to certain conditions being observed: the groups must remain independent of each other in their commercial activities, and are obliged to seek Commission approval for any change in production capacities, or for any inter-company links, etc.
- \*\* The amount of sulphur dioxide and particles in suspension in the atmosphere over the Community is close to several million metric tons. These pollutants are being systematically and intensively monitored throughout Europe. To find the levels of pollution to which the Community's inhabitants are subjected, discover how they vary in space and time, and the effect that anti-pollution policies are having, the Commission has just proposed to the Council that an intra-Community INFORMATION EXCHANGE system be established covering ATMOSPHERIC POLLUTION due to such sulphur compounds and particles in suspension. The information thus obtained will give the Commission a statistical basis on which to draw up pollution-control measures at either Community or national level.
- \*\* The European Investment Bank has granted 15.5 million units of account (1 u.a. = approximately US \$1) towards financing the acquisition of three AIRBUS aircraft, to be rented to Air France by two European Cooperation Groupings. The aircraft will operate on the Paris-London route to begin with, and later will be put into service between other large Community cities, such as Milan, Frankfurt and Amsterdam. They will also be used over longer distances, to serve routes of interest to the Community. The airbus has considerable advantages from the environmental point of view. Its fuel consumption is reasonable, and noise levels on take-off, in flight and on landing are much lower than for many other aircraft.
- \*\* QUALITATIVE IMPROVEMENT IN LIVING CONDITIONS is the concomitant of all action to reduce pollution and harmful effects, Mr Scarascia Mugnozza, Vice-President of the Commission, stated at a meeting of the OECD Environment Committee in Paris recently. Mr Scarascia Mugnozza stressed the need to integrate environmental policy with other policies, such as the social and economic, and to ensure that greater consideration is given to environmental aspects in structural and regional development.
- \*\* To ensure that measures to counteract INTERNATIONAL FRAUD AND TAX EVASION are made more effective, the European Commission has just forwarded to the Council of Ministers a

proposal for close and permanent cooperation between the tax departments of all Member States. It is in the realm of international companies that these questions are of greatest concern (e.g., multinationals transferring profits from one country to another, to benefit from tax advantages). Cooperation between the tax departments of Member States, along the lines proposed by the Commission, includes not only extensive exchange of information, but also the possibility of collaborating in tax enquiries and tracking down evidence.

## WASTE PREVENTION

At the meeting of the "Environment" Council on 7 November (see I&S - No 40/74), the French Delegation forwarded to the other Community Delegations some comments on the paths the Community might follow in its fight against waste. These were entitled "Thoughts on waste prevention as it relates to action on the environment and the quality of life".

We felt it might be interesting to reproduce these below:

The Governments of the Community countries are of course clearly determined not to see their environmental policies subjected to the dictates of fashion or of the economic situation. Yet this continuity means anything but lack of regard for present economic reality or the profound changes involved. That reality, like the phenomenon which has turned out to be so much more than a mere "energy crisis", reveals that policies to improve the quality of life and the environment are closely bound up with waste prevention. They are not luxuries for rich countries to indulge in.

Without amending the two year Community programme in any way, it would seem appropriate therefore, to place more emphasis on the waste prevention aspect during the second half of the programme still before us. With Community work at its present stage, it seems best simply to point to some of the paths that might be profitably followed, for instance:

- (i) First, in the research field, more effort should be put into developing new forms of energy and integrating them into the economy and the ecology. Do we need a European Research Fund for new sources of energy, or should we simply concentrate some of the Community's research funds on this sector? That is one question which should be studied as soon as possible.
- (ii) A working group ought to be set up to investigate every opportunity of cutting down specific forms of waste or to promote new behaviour patterns.
- (iii) Recycling is one important aspect the potential and limitations of which should be fully explored. Without going into specific proposals at this point, it may be stated that, domestic refuse apart, at European level, exchange scholarships for industrial waste and effluent could be discussed.
- (iv) A policy aimed at rethinking some aspects of consumption and at lengthening the life of certain articles, for instance, should also be undertaken, from school, up to company level, repair and maintenance services and, last but not least, the consumers.
- (v) Geographical strategies should also be examined. Here, coordination in the matter of sites for future nuclear power stations would appear to be particularly desirable, in order to achieve the most effective development of these indispensable sources of energy, as well as from the point of view of economic efficiency and the environment.

- (vi) Vocational training also has a part to play, particularly in the adaptation or re-organization which will be necessary in some industries. The European Social Fund could be called upon in this connection, while in order to help solve the problems raised by these changes in the production process, it will be of prime importance to develop our policy of improving working conditions. This was the feeling behind the proposal for a European Foundation for Working Conditions and the Quality of Life. Such a Foundation should be established before too long, and one of its priorities, provided for in the programme, should be to stagger working hours. One of the Foundation's first tasks could be to concentrate, for instance, on spreading information concerning the experiments already carried out in Europe on staggering working hours and planning seasonal work.
- (vii) Lastly, to come to the special problem of the future of non-urban areas, the drive against wastefulness, and the desire to preserve our countryside and heritage will lead us in the end to advocate other types of action. Concern, in every case, to employ the product which is most economic from the point of view of managing our natural resources will also lead us to consider certain substitutes, and even to return to the use of renewable materials (i.e., leather and vegetable matter).



## INDEXING WAGES TO THE COST OF LIVING

Is wage indexing, or automatic adjustment of wages to the cost of living, a developmental factor, or a brake on inflation? Does it hold down purchasing power or increase it? Does it constitute a factor making for social peace or not? These are some of the questions which a document drawn up by the Commission's departments tries to answer, after listing and studying the different systems of linking wages to the cost of living, at present applied in Member States.

### 1. Current wage-indexing machinery in the Member States

Four Member States - Belgium, Luxembourg, Denmark and Italy - have been applying a general system of automatic wage indexing for some years. This means that wages are periodically and automatically increased when the price index selected (generally the consumer price index) rises above a certain fixed limit. The Netherlands, France, Ireland and the United Kingdom have different systems for adjusting wages to prices, but no generalized automatic wage indexing system exists. Systems vary between one category of worker and another and between sectors, while wage adjustments are the result of agreements covering several years, as part of collective agreements for example. In Germany wage indexation hardly plays any role. Trade unions there negotiate short-term collective agreements which, of course, take account of cost of living increases in determining wage increases.

### 2. Wage indexing and inflation

Is indexing inflationary or counter-inflationary? Arguments are not lacking on both sides. Those opposed to indexing say for instance that price increases which could have been temporary, are unlikely to be reversed, if meantime, they have produced wage increases through sliding-scale operations; while those in favour, on the other hand, maintain that indexing is likely to encourage, if not compel, public authorities and management to be even more wary of increasing prices still more and effective in fighting inflation.

A glance at the consumer price index statistics of the different Member States over the last few years, shows that among the countries with the lowest rate of price increases are those where wage-indexing has been general for a very long time - Luxembourg (average annual rate up to 1972: 2.9%) and Belgium (3.3%), as well as Germany, where wage-indexing is not a factor (3.2%). On the other hand, the country showing the highest price increase is Denmark, where indexing is general (6%), immediately followed by Ireland (5.4%), with a limited sliding wage-scale, introduced only towards the end of the period.

So only one conclusion seems possible: wage indexation is not necessarily a "dangerous" recipe, which would unleash and intensify inflation; and sliding scales alone do not seem able to do so, unless the objective conditions for inflation are already there.

3. Wage indexing and purchasing power

Here too we find people for and against. Wage indexing could be said to be a damper on one of the most important trade union aims, namely, to tilt the balance of earned incomes in favour of wages. Yet wage indexing, it could also be said, offers a minimum of social justice by safeguarding the level of purchasing power already achieved.

If we study the statistics, in this connection, we can see that the relative increase in wages has been most apparent in the Netherlands. Next comes a group of five countries where the increase has been appreciable and of the same order (three countries with a general sliding scale - Denmark, Italy, Belgium; and two where the sliding scale has entered little or not at all - Ireland and Germany). In the two remaining countries, France and the United Kingdom, the situation seems to have been stable, or showing a slight advance in the wage portion; in neither of them, did wage indexing play more than a very small part, during the period we are considering.

4. Wage indexing and social peace

There are those who maintain that wage indexing is not a factor making for social peace, because trade disputes are usually about other points in trade union claims, and sometimes about the sliding scale itself. Others argue that the mere fact that workers know the index system guarantees the purchasing power of wages makes for social peace.

In actual fact, if we count the number of working days lost through wage disputes, we see that the figure is much the highest in Italy (general index system), followed by France (where indexing was not a factor). A study of the figures shows that though in some countries wage indexing may be a factor making for social peace, nevertheless, the number and scale of trade disputes occurring generally depends much more on the economic, social and even political situation in the various countries.

WASTE MATERIAL AND PLANTS - NEW SOURCES OF ENERGY

After biological processing, the solid waste from a city of two million inhabitants could supply sufficient material to feed a 1 000 MW electric power station. Again, by using aquatic plants such as algae, the United States could supply 100% of its gas requirements in the year 2000, utilizing only 5% of its total area. These encouraging forecasts are the results of work carried out all over the world on photobiological and photochemical conversion processes. Following our two articles on solar energy (see I&S - Nos 39 and 41/74) we publish below an article on photobiological and photochemical conversion, which is also one of the new sources of energy. The development of such sources is one of the primary aims of the "Energy for Europe" research and development programme proposed to the Council by the Commission.

Stated very simply, photosynthetic bioconversion is the conversion of solar energy by plants absorbing that energy. Generally, their efficiency amounts to several tenths of 1% only but laboratory experiments on certain algae have resulted in a level of 10%. Some experts have calculated that an "energy harvest", equivalent to 850 km<sup>2</sup>, could operate a power plant with a base load of 1 000 MW. The biological conversion of organic matter into fuel could provide a new, cheap source of energy. Given the simplicity of the basic technology, and the present state of the art, it is not unreasonable to believe that in 10 years' time very large conversion units for biological material and organic waste could be feeding 100 - 1 000 MW power stations.

Research required by the Community could therefore be broken down as follows:

Photochemical and photoelectric processes

Basic research in the field of photochemistry, photoelectric chemistry and photobiology must be undertaken by the European Community, in order to develop new ways of producing chemical substances from water.

Biological processes

The Community should make an effort to improve the production of hydrogen from living cells, through photosynthesis; and to construct synthetic systems based on our existing knowledge of photosynthesis.

Production of fuel and heat from energy harvests and solid organic wastes

The Community should study four processes (combustion, fermentation, pyrolysis and chemical reduction) so that in 10 years' time it can produce commercial units capable of treating 500 to 1 000 tons of organic solids daily. The technological feasibility of the four processes has been widely demonstrated, but it remains to be seen which of the four best lends itself to treating large amounts of material.