

EUROPEAN COMMUNITY
research and technology

bulletin published by the press and information services
of the commission of the european communities

REPRODUCTION AUTHORIZED

Brussels, 19 January 1971

No. 82

- ** Mr Seefeld, a German member of the European Parliament, has submitted a written question to the Commission of the European Communities concerning the construction of a SAFE MOTOR CAR in Europe. The full text of the Commission's reply is given in ANNEX 1.
- ** On 8 January Mr Spinelli, the member of the Commission of the European Communities with particular responsibility for industrial affairs and research, held an extensive EXCHANGE OF VIEWS ON THE COMMUNITY'S INDUSTRIAL POLICY WITH REPRESENTATIVES OF TRADE UNION ORGANIZATIONS IN THE COMMUNITY COUNTRIES of all the various movements (free, Christian, CGT and CGIL). Alongside the legitimate differences in shades of opinion between the various philosophies represented, there was nonetheless broad agreement on the need for a EUROPEAN APPROACH to the problems of industrial policy, which should be regarded not as an end in itself, but, as Mr Spinelli said, as a MEANS WHICH MUST BE PUT TO THE SERVICE OF SOCIETY as a whole.

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The information and articles published in this Bulletin concern European scientific cooperation. Hence they are not simply confined to reports on the decisions or views of the Commission of the European Communities, but cover the whole field of questions discussed in circles concerned in European cooperation in science and technology.

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- ** The Community's Working Group on Scientific and Technical Research Policy (Aigrain Group) held a further meeting in Brussels on 14 January. In pursuance of its brief, in accordance with which it is instructed to compare the research programmes and budgets of the Community countries in order to pick out projects suitable for cooperative action, the Group proposes a SYSTEMATIC EXCHANGE OF INFORMATION ON LARGE-SCALE PROGRAMMES due to be undertaken in one or another member country and ON MAJOR HARDWARE now in the planning stage, so that other Community countries MAY HAVE THE OPPORTUNITY TO PARTICIPATE in these national projects. At its next meeting, planned for 16 February, the Group will discuss in detail the means by which this exchange of information may be set in motion.
- ** It will be recalled that in its memorandum on the Community's industrial policy the Commission of the European Communities proposed the setting-up of COMMUNITY DEVELOPMENT CONTRACTS (see "Research and Technology" No. 48). The Commission's proposals are at present being examined by the staff of the Council of Ministers, but already four industrial companies from different Community countries have applied to the Commission specifically requesting that they be awarded such contracts with a view to the development of equipment on a basis of transnational industrial cooperation; at present, the mere fact that a development project is being undertaken in transnational cooperation generally means that it cannot benefit from national financing by one or another of the member countries.

- ** The Council recently examined two proposals for directives on the JOINT TAXATION SYSTEM APPLICABLE TO MERGERS AND TO MAIN AND SUBSIDIARY COMPANIES submitted to it in January 1969 by the Commission of the European Communities. These proposals would facilitate the regroupment of industrial companies across national frontiers. Details are given in ANNEX 2.
- ** In reply to a written question from Mr. Romeo, an Italian member of the European Parliament, the Commission recently stated that in its opinion the situation in the European IRRADIATED FUEL REPROCESSING INDUSTRY (see in particular "Research and Technology" No. 68) could be characterized as follows, to an even more marked degree than that of the United States: for about the next ten years the capacity of existing or proposed installations would be in excess of demand; these installations were not profitable owing to their low charging rate, the small size of several of them and the prices on the international market; additional facilities big enough to meet international competition would not be needed until about 1980.

The Commission considers that in order to comply with the aims and spirit of the Treaty, steps should be taken at Community level to organize the operation of the existing installations, possibly to increase their capacity, and also to create new reprocessing plants, the aim being to define and implement a concerted policy for the utilization and development of the reprocessing capacities of the Community, and no doubt of Great Britain, on the basis of the outlook for the future development of the nuclear industry. THE COMMISSION PROPOSES TO TAKE STEPS ALONG THESE LINES during the coming months and in so doing will make use of all the possibilities offered by the Treaty.

- ** The group of delegates from the member countries, set up as an ad hoc committee and instructed by the Council of Ministers to study some of the concrete proposals put forward by the Commission in its MEMORANDUM ON INDUSTRIAL POLICY (see "Research and Technology" No. 63 for the brief given to this group), expects to complete its work by 5 February 1971. The meeting which it held on 7-8 January enabled it to arrive at a large measure of agreement on most of the Commission's proposals, and in particular on the creation of a permanent committee (or group) for industrial policy.

- ** The Commission of the European Communities recently decided to give the NUKEM/CERCA ASSOCIATION AN ORDER FOR ABOUT 420 FUEL ELEMENTS AND 72 CONTROL RODS for the HFR reactor at the Petten establishment of the Joint Research Centre over the next three years.

- ** The Commission of the European Communities has given its approval for a study to be conducted on the drawing-up of INDUSTRIAL MAPS OF THE AVIATION AND SPACE SECTORS for the European Community and the United Kingdom. The aim is to present in a clear form the large body of important data necessary to provide adequate knowledge of the various industrial sectors, and the study will constitute a pilot experiment to this end.

- ** Following an approach made by the Commission of the European Communities, the United States Atomic Energy Commission recently agreed to a considerable relaxation of THE TERMS GOVERNING THE SUPPLY OF PLUTONIUM TO COMMUNITY USERS. Under the agreement for nuclear cooperation between the USA and the Community, customers

can henceforth buy plutonium from US private producers at freely negotiated prices. The supply contracts will, of course, be awarded through the Community Supply Agency, and the plutonium supplied will, like all other fissile material, be subject to the Community's system of safeguards and controls (see "Research and Technology" No. 81).

** In reply to a written question raised by Mr Oele, a Dutch Member of the European Parliament, on the TRAINING OF MANAGERIAL STAFF FOR EUROPEAN INDUSTRY, the Commission of the European Communities put forward the view that the improvement of the calibre of management in firms is essentially a matter for the firms themselves. It was with this in mind that the Commission recommended, in particular, that industry should take the lead in setting up a European foundation for management and training with the task of defining requirements and surveying the available resources, as well as organizing the exchange of experience between firms.

A Safety Car for Europe

Reply by the Commission of the European Communities to a written question submitted by Mr Seefeld, a German Member of the European Parliament.

1) Alive to the problems of road safety, the Commission has over a long period put in hand various schemes aimed at effecting substantial improvements in that area.

Although it has not yet formulated its final attitude on the subject, the Commission is following with acute interest proposals for building a "safety car" in Europe. This seems to the Commission, however, to be only one aspect, though an important one, of a more complex problem, namely, road safety, which has taken on particular importance as a result of heightened public awareness and gradual realization of the problem by the authorities and the car manufacturers.

The chief aim is to design a vehicle which is as safe as possible, bearing in mind that a "100% safe car is an ideal objective which is not feasible in practice.

Any vehicle is a compromise between engineering, safety and economic requirements, and its operation is governed by many factors, e.g., the standard of road construction and maintenance, the density and policing of traffic, and the ease with which the vehicle itself can be driven.

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Safety, as a general problem, can be viewed from two angles, namely, that of "active" or preventive safety (reducing the causes of accidents) and that of "passive" or protective safety (limiting the effects of accidents).

"Active" safety entails action affecting the human factor and the road network, as well as certain factors inherent in the vehicle (e.g., brakes and roadholding); "passive" safety, on the other hand, involves measures primarily affecting the vehicle itself (design, internal and external fittings, means of eliminating or reducing the effects of impact on the passengers).

Regarding vehicles, the Commission has already had occasion to concern itself with their active and passive safety as part of its work on the harmonization of the statutes, regulations and administrative provisions on this subject which exist in the member countries and constitute barriers to trade.

Having regard to the conditions peculiar to Europe it was felt to be desirable to direct attention first of all to vehicle components and characteristics, e.g., braking systems, roadholding, suspension, steering, etc., and thereafter to means of protecting the driver or passengers which require no specific action on their part (safety belts, air bags, etc.). With this in view the Commission has submitted a number of proposals for directives, eight of which have already been adopted by the Council, and others are under consideration.

As regards the other aspects of the road safety problem in general and attempts to promote active safety, the Commission has begun to draw up a crash programme

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covering the human factor (Community-wide standards for alcohol levels, conditions governing the granting and withdrawal of driving licences, road-safety education in schools, etc.), roads, technical testing of vehicles in use, overall speed limits, etc.

Some time in the coming months a memorandum on an overall programme of action will be sent to the European Parliament's Transport Committee. It may be added that the Working Group on Technical and Scientific Research Policy has recommended a project for setting up an integrated system of electronic aids to help the flow of road traffic. This project is now being examined in detail by the Six and by the nine European non-member countries interested in technical and scientific cooperation.

Lastly, the Commission was recently apprised of a step taken by a member country which, with the close collaboration of its own automobile industry, is now drawing up specifications for a 2,000 lb safety car. The other interested member countries have been informed of this decision which, according to those responsible, is no more than a first step towards the uniform standards which should be laid down at European level. The Commission will touch upon this new move in the course of the normal contacts with the Member States, and when it meets the Liaison Committee for the Motor Industry with a view to exploring the feasibility of coordinating efforts at Community level.

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2) Yes, the Commission is prepared to intervene in this sector. One of the directives already adopted by the Council covers permissible noise levels, and others, still in the proposal stage, have been submitted to the Council (rear mirror, field of vision, etc.), while still others (relating to internal and external layout and fittings) are being drafted by the Commission preparatory to submission to the Council at an early date.

Once adopted by the Council, these directives become binding, i.e., the Member States are allowed a period of a year to eighteen months in which to bring their legislation into line. Furthermore, regulations laid down in this way can be modified at any time to meet new requirements. The Commission will not hesitate to make use of this power in the sweeping campaign which it intends to mount in an effort to conserve the environment.

The Common Tax System Applicable to Mergers
and Parent and Subsidiary Firms

It is now accepted that Community enterprises must be allowed to carry out cross-frontiers amalgamations, particularly with a view to matching their size to the demands of the market and improving their competitiveness. Nevertheless, a number of obstacles, particularly in the field of taxation, still stand in the way of mergers between companies incorporated in different member countries.

In order to rectify the situation the Commission of the European Communities has sent to the Council, in advance of the publication of the memorandum on industrial policy, two proposed directives on the common tax system applicable to mergers, divisions and contributions of assets taking place between companies incorporated in different member countries and to parent firms and subsidiaries incorporated in different member countries. The Council discussed these proposals on 23 November.

1) As regards mergers, divisions and contributions of assets, the proposed directives are aimed at removing the disincentive implicit in the prohibitive tax burden of the exercise, while safeguarding the Member States' taxation right and tax receipts.

The Commission proposes:

- non-collection of tax on the occasion of a merger. The "deferred taxation" system has been adopted for capital gains: payment of tax on capital gains is postponed until they are actually realized by the company acquiring the assets;
- safeguarding the rights of the State in which the contributing company is incorporated by maintaining its right to tax the capital gains, which will be done by including the assets in the accounts of the establishment finally resulting from the merger.

- improving the tax system currently applicable to domestic companies with stable establishments abroad by preventing any double taxation of the latter's profits, and prohibiting in the Member States any form of discrimination against a stable establishment belonging to a foreign company as compared with the domestic company.

2) The system proposed for application to parent and subsidiary companies incorporated in different Member States aims at preventing a profit subject to corporation tax at subsidiary-company level from being taxed again when it is transferred to the parent company as dividend. It also aims at ensuring tax neutrality with regard to the final distribution of the dividends received by the parent company from its subsidiaries located in other Community countries.

In order to achieve these two aims in the context of a realignment of companies incorporated in different member countries, it is proposed:

- that it be permissible, at least in cases where the participation reaches 20% for dividends received by a parent firm from its subsidiaries not to form part of its taxable profit;
- that, with a view to securing genuine tax neutrality, dividends paid by a subsidiary to its parent company will, except in special cases, be exempted from deduction of tax at source.