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The summary of a study carried out on behalf of the Commission on the practicability of a European data processing industry is to be found in ANNEX 1.

** At the end of November the Council of Ministers of the European Communities is to discuss the development of the COMMON TRANSPORT POLICY, on the basis of a report which has just been sent to it by the European Commission.

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The information and articles published in this Bulletin concern European scientific cooperation and industrial development in Europe. 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 the different circles concerned.

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A summary of the document is to be found in ANNEX 2.

** Manufacturers of PRE-PACKAGED GOODS (foodstuffs, perfumery, cosmetics and toilet preparations, solvents and fertilizers) will be able to sell them in all the Community countries with the European label "e" if the Council adopts the proposal which the Commission recently submitted to it for a directive on the elimination of technical barriers in this sector.

Details of this proposed directive are to be found in ANNEX 3.

** Community measures to FIGHT INFLATION will be proposed to the Council of Ministers of the Community by the European Commission at the session to be held in Brussels on 3 and 4 December: this was decided by the Ministers of Finance of the Nine when they met in Brussels on 8 and 9 November last. The fight against inflation in the Community will require an active policy of competition, price control and a better regional sharing of profits.

** A MINIMUM LEGAL INDUSTRIAL GUARANTEED WAGE exists in only three Member States at the present time - the Netherlands, France and Luxembourg. This information is contained in the answer given by the European Commission to a written question from Lord O'Hagan, a Member of the European Parliament. The Commission points out that the percentage relationship between the minimum income of aged persons and the minimum guaranteed wage or worker's wage is as follows:

55% in the Netherlands

47% in France

53% in Luxembourg.

The European Commission is unable at the moment to state the rates prevailing in the other Community countries, but it hopes to be

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able to supply additional information through the study on minimum wages which it proposed to the Council in its recent "Guidelines for the Programme on Social Action".

** THE CONSUMERS' CONSULTATIVE COMMITTEE set up last September by the European Commission (see IRT Nos 202 and 209) will consider a proposal by the Commission for a programme of action on consumer protection at its first meeting on 19 November. This proposal will then be discussed by national experts from the member countries. The Commission is to submit its proposals on this subject to the Council before the end of the year.

** In the twenty-year period 1950-70 a considerable GROWTH IN AGRICULTURAL PRODUCTIVITY was observed for all products (e.g., wheat: +58%, rye: +43%, barley: +38%, potatoes: +40%, etc. ...); moreover, the difference in productivity between the North and the South of the Community is not as great as it was twenty years ago. This information is contained in a study which has just been published by the European Communities Statistics Office in the series "Agricultural Statistics 1/1973". This study is available at the Official Publications Office of the European Communities (P.O. Box 1003, Luxembourg).

** The SUBCONTRACTING needs and opportunities of Community manufacturers are being intensively studied by the European Commission, which is considering what forms of Community action are required.

** About thirty people responsible for SPECIALIZED CONSUMER PROTECTION MAGAZINES in the Community will meet in Brussels on 3 and 4 December 1973 at the request of the European Commission's Directorate-General for Press and Information.

** All interested professional circles will be able to HELP SOLVE THE PROBLEMS ARISING FROM THE FUNCTIONING OF THE CUSTOMS UNION through the Advisory Committee on Customs Matters which the European Commission has just decided to set up.

** A seminar on THE ROLE OF THE SCIENTIFIC JOURNALIST IN MODERN SOCIETY will be organized in Salzburg in April 1974 by the European Union of the Associations of Scientific Journalists.

** "Our European mergers? ... They're being ambushed by governments." This is the title of an article by Dr Mazzolini, Assistant Professor at the Business School of the University of Columbia, New York, dealing with the phenomenon of industrial concentration in Europe and appearing in the review "European Business".

Copies of this article are available (in very limited quantities) on request from the Industrial Information Section (DG X, rue de la Loi, 1040 Brussels).

THE PRACTICABILITY OF A EUROPEAN DATA PROCESSING INDUSTRY

(according to a study carried out for the
European Commission)

In the near future the European Commission will forward to the Council of Ministers of the Community a report on industrial projects to be undertaken at Community level in the data processing sector. The Commission consulted numerous experts in the circles concerned when compiling the document.

A study carried out for the European Commission on the practicability of a European data processing industry has supplied criteria which make it possible to assess the chances of survival of firms in this sector in the face of US competition. It assesses the problem of compatibility with IBM equipment in the context of the proposed cooperation between European-owned constructors. The following is a summary of the study:

1. Estimate of the critical size of this type of industry:

A survival of European data processing industries depends on the size they can reach through restructuration. This size may be assessed according to two main criteria:

- (a) experience
- (b) market share.

(a) Experience

This criteria refers to the fact that unit costs decline when quantities produced increase. In the data processing industry unit costs decrease by about 15% every time output doubles. This increase in output can be achieved either by internal growth, or by a merger provided the merger is successful. As we shall see the second solution alone is practical.

(b) Market share:

The required size for a firm to survive without outside support can be estimated at an annual turn-over of about 600 million dollars. This figure may be reduced to 350 million dollars if the firm receives 250 million dollars in government aid.

The minimum share of the overall market with which a data processing firm can survive is 5-8%, although a specialization policy may lower this threshold.

If these two types of estimate are combined and the figures for European firms compared with those for US undertakings, particularly IBM, a fairly clear outline of the situation in the European data-processing sector emerges.

As the table below shows, if a cost index of 100 is chosen for IBM, the US firms which have recently made cooperation agreements will have an index of 175, whereas a merger of the three main European firms would only provide a cost index of 200.

	<u>Size of the European-owned firms</u>		
	ICL	Siemens	CII
Turnover 1971			
in US \$	368	282	132
Share of European market	9%	3½%	2%
Index of unit costs			
where IBM = 100 cost			
index	220	290	300

The benefits to be derived from cooperation at European level are clearly shown here. No amount of internal growth can reduce the costs of a European data processing industry so radically and quickly.

(c) European-owned firms have been able to survive so far through the support which they have received from various quarters. However, this state of affairs cannot last since the vigorous technological development experienced in this sector calls for resources which European-owned firms, taken separately, cannot muster.

2. Technological development

Some major technological developments will take place in the data processing sector in the next ten or fifteen years. In particular, there will be large-scale integration, reducing costs and increasing speeds by a factor of 10-100, and the introduction of new computer memory techniques such as laser.

European-owned firms are in a very weak position in various fields, including components and peripherals, and large systems. In these two sectors, the European industry relies on US components. Moreover, there is no European-owned manufacturer of LSI. There is not a single airline reservation system in Europe using European equipment. Both the British and French railways use US equipment for their real-time traffic-control systems.

3. European cooperation and the problem of IBM compatibility

Incompatibility is no longer a major technical barrier to cooperation. For example, the GE and Honeywell computers were not compatible, yet Honeywell has successfully taken over GE's EDP operations.

If the problem of technical compatibility is negligible the real obstacles to cooperation between European-owned manufacturers must be sought elsewhere.

Two examples illustrate the nature of these obstacles:

- (a) Compatibility with IBM is essential for CII and Siemens, as IBM owns 60% of the public sector market. Compatibility with IBM would minimize conversion costs for new users.
- (b) On the other hand, for ICL, which has 40% of the UK market, compatibility with IBM would not improve its market penetration. On the contrary, it would expose ICL to direct competition.

The main barrier to European cooperation, as these two examples convincingly show, consists in the different positions occupied by the main European-owned EDP firms on the national markets.

4. Conclusions of the study on the practicability of a European data-processing industry

1. Restructuration is urgent.
2. The real problem is to create favourable conditions for the development of a common commercial policy by the European-owned data-processing firms.
3. The minimum size required by the European-owned data-processing industry will depend on the targets set in the following respects:
 - (a) number of markets to be penetrated;
 - (b) place desired in world league;
 - (c) extent of specialization;
 - (d) aggressive or defensive research policy.
4. Cooperation between European-owned data-processing firms should start where it is easiest and most important, in components, peripherals and advanced systems work, before moving on to the CPU, which matters less and less.

5. The accent should be on the opening up of public markets and the granting of Community Development Contracts,
6. Instead of a price preference, users should be offered technical assistance in converting to European suppliers.

TOWARDS A COMMON TRANSPORT POLICY

At the end of November the Council of Ministers of the European Communities is to discuss the development of the common transport policy on the basis of a communication recently received from the European Commission. A summary of this document is given below.

Development of private transport and decline of public transport

Analysis of the present trend towards expansion shows that transport by private car in the nine countries has almost doubled since 1963, reaching a total of approximately one million million passenger-kilometres in 1970. At the same time, the number of private cars also doubled to a figure of more than 55 million, i.e., one car for every 4.5 persons.

Public passenger transport, on the other hand, with the exception of air transport (where the number of passenger-kilometres increased by 163% in 1963-71) has made practically no progress.

As a result of this shift from public to private transport, expenditure on transport and communications within the six countries increased from 8.5% of total private consumption in 1961 to 11% in 1971.

Problems arising from this expansion are particularly pronounced in highly industrialized and densely populated countries. Congestion is tending to nullify the benefits of increases in transport capacity and to increase social costs to a disproportionate degree. The fact that at the same time public transport is generally in decline makes the situation even worse.

Increase in the number of accidents

The development of transport over the last few years has inevitably meant a rise in accidents and an increased social cost.

60 000 people are killed and 1 500 000 injured in road accidents each year in the nine countries, while the combined deficit of the national railways of the Six, after deduction of non-operational costs, which are borne by the State, is ten times higher than in 1960.

It is certain that the same factors will continue to cause expansion in transport. One of these factors is the popular desire for a continuously improving service increasingly adapted to their personal requirements. Another is the development of new transport techniques.

Although the expansion of transport can bring benefits, it must not ignore social needs.

The development of transport and the quality of life

New techniques are being developed, but while their emergence alongside existing techniques may well give users a wider choice, it may at the same time aggravate congestion and tend to waste resources. The various techniques should be genuinely complementary if their increased number is to benefit society. The penetration of urban areas by interurban traffic is a case in point.

Need for a Community transport system

The problem of striking a genuine and economically viable balance between economic growth and the quality of life can be solved only at Community level. The establishment of a Community transport system, for example,

will contribute towards the progressive implementation of a coherent Community transport policy which can meet the requirements of economic union and of society at the least cost to the Community (Articles 3(e) and 74 of the Treaty of Rome).

At the Paris Summit Conference of October 1972 (see IRT No 162), the Heads of State and Government emphasized the need to give Europe a 'human face' and to adapt Community action to the human needs of its peoples.

The communication from the European Commission states that the common transport policy must be a factor in social progress, enabling collective transport needs to be met as fully as possible and helping to improve the living and working conditions of transport employees.

A social policy on transport

Social policy on transport is another important factor. It forms part of a general programme of social action and covers in particular the fields of employment, working conditions, basic and advanced vocational training, social security and industrial health and safety.

The communication from the European Commission points out that technical developments in transport and the adaptation of transport undertakings may present employment problems which must be solved, mainly by redeployment, in accordance with the right to work. If necessary, the retraining of transport workers will be financed by the Social Fund.

Priority measures

The communication states that certain measures have already been proposed by the European Commission, and should be adopted by the Council as a matter of priority. Two of these are of importance to consumers:

1. The approximation of the laws of the Member States on the road testing of motor vehicles and their trailers.
2. The approximation of laws on motor vehicle driving licences.

These two types of measure are part of the Community effort to improve road safety.

ELIMINATING TECHNICAL BARRIERS IN PREPACKAGING

Manufacturers of prepackaged goods (foodstuffs, perfumery, cosmetics and toilet preparations, solvents and fertilizers) will be able to sell these products in all the Community countries with the European label "e", if the Council adopts the proposal for a directive on the elimination of technical barriers in this sector which the European Commission recently submitted to it. As a result the consumer will be able to compare products more easily.

This proposal for a directive follows logically from the Commission's other two proposals for directives sent to the Council last year concerning pre-packages containing drinks and bottles used as measuring containers. It affects a large number of products used in everyday life (a list is given at the end of the Annex), and is therefore of particular interest to the consumer.

The main decision to be taken when preparing it was whether the actual quantity of any prepackaged products should be less than the stated quantity (or equal to or greater than this quantity) or should on average be equal to this stated quantity (i.e., sometimes a fraction less and sometimes a fraction more)?

The Commission has chosen the second alternative for several reasons:

At an international meeting to discuss this point in Ottawa earlier this year, 21 countries were in favour of this method, known as the "average" method, and three countries were against. There was the risk that the choice of the first alternative in opposition to many third countries might lead to accusations of protectionism, because of the resulting technical barriers to trade.

Criticism has come from consumer associations who feel that the "average" method is not in favour of consumers. However, the European Commission found that as far as prices are concerned the two methods are equivalent. For example, if a producer of wine has a thousand one-litre bottles to fill and follows the "average" principle, he will use thousand-litre vats and the price will have to be calculated in relation to this quantity. If he followed the "minimum" principle he would have to use a vat of 1,020 litres and the price would be calculated on that basis. In this case the consumer would be sure of having one litre but he would have to pay for 1,02 l. With the "average" method the consumer would pay for one litre and would be sure of having at least 0.98 l. The Commission's proposal is consistent with the proposal on prepackages containing drinks submitted to the Council in February 1972.

If the Council finally adopts the "minimum" contents principle when deciding on the directive relating to prepackages containing drinks, the Commission will, of course, alter the present directive to maintain the necessary uniformity, since the two proposals are complementary.

Additional precautions have been taken to allay the fears of the consumer associations. A maximum margin of error has been imposed, which limits the risk of sometimes receiving short weight or measure. The maximum margin of error is a limit reached by only a very small number of units. In specifying not only the "average", but also the maximum margin of error, the manufacturer is obliged to do one of the two following things:

1. Reduce the scatter.
2. Raise the "average".

In any case, because the "average" is respected, deficient prepackages are always at least compensated for by those which exceed the stated quantity, while the maximum margin of error means that the number of deficient prepackages is reduced.

Product groups covered by the Directive

1. Foodstuffs,
other than liquids covered by the Directive on the making-up by volume
of certain prepackaged liquids.
2. Perfumery, cosmetics and toilet preparations.
3. Soaps - surface-active products, detergents - washing powders.
4. Wax polishes, waxes, metal polishes.
5. Horticultural fertilizers.
6. Glues and adhesives.
7. Herbicides, pesticides.
8. Paint solvents.
9. Pet foods.
10. Paints and varnishes, inks.

