

Annex

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NOTE TO READER

Appearing at the same time as the English edition are editions in the five other official languages of the Communities : Danish, German, French, Italian and Dutch. The English edition contains the original texts of the interventions in English and an English translation of those made in other languages. In these cases there are, after the name of the speaker, the following letters, in brackets, to indicate the language spoken : *(DK)* for Danish, *(D)* for German, *(F)* for French, *(I)* for Italian and *(NL)* for Dutch.

The original texts of these interventions appear in the edition published in the language spoken.

Resolutions adopted at the sitting of 12 March 1979 appear in the Official Journal of the European Communities C 93 of 9. 4. 1979.

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IN THE CHAIR : MR COLOMBO

President

(The sitting was opened at 5.05 p.m.)

President. — The sitting is open.

1. *Resumption of the session*

President. — I declare resumed the session of the European Parliament adjourned on 16 February 1979.

2. *Petitions*

President. I have received :

- from Mr Benito Fusco, a petition on Articles 35 and 36 of the Italian Constitution : Democracy and civil rights ;
- from Mrs Rosenzweig, on behalf of the *Mondiaal Alternatief* Foundation, a petition on the protection of birds.

These petitions have been entered under Nos 30/78 and 31/78 in the register provided for in Rule 48 (2) of the Rules of Procedure and, pursuant to paragraph 3 of that same Rule, referred to the Committee on the Rules of Procedure and Petitions.

At its meeting of 31 January 1979, the Committee on the Rules of Procedure and Petitions considered petitions Nos 9/77, 10/77, 11/77, 9/78, 17/78, 18/78 and 20/78.

Petition No 9/77 has been forwarded to the Commission.

Petition No 10/77, which was declared inadmissible, has been filed without further action.

Petition No 11/77 has been referred to the Legal Affairs Committee for its opinion.

Petition No 9/78 has been referred to the Political Affairs Committee as the committee responsible.

Petition No 17/78 has been referred to the Committee on Social Affairs, Employment and Education for its opinion.

Petitions No 18 and 19/78 have been referred to the Committee on the Environment, Public Health and Consumer Protection for its opinion.

Petition No 20/78 has been referred to the Committee on Economic and Monetary Affairs for its opinion.

3. *Membership of committees*

President. I have received a request for Mr Christensen to be appointed a Member of the Committee on Economic and Monetary Affairs and of the Committee on Energy and Research. Since there are no objections, that is agreed.

4. *Documents submitted*

President. I have received :

a) from the Council, requests for opinions on the following Commission proposals :

- regulation amending Regulation No 136/66/EEC on the establishment of a common organization of the market in oils and fats (Doc. 631/78)

which has been referred to the Committee on Agriculture ;

- decision on a financial contribution to the campaign against foot-and-mouth disease in South-East Europe (Doc. 632/78)

which has been referred to the Committee on Agriculture as the committee responsible, and to the Committee on Budgets for its opinion ;

- regulation concerning interest rebates for certain loans with a structural objective (Doc. 633/78)

which has been referred to the Committee on Budgets as the committee responsible, and to the Committee on Economic and Monetary Affairs for its opinion ;

- regulation laying down for the period 1 January to 31 December 1979 certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of Norway (Doc. 634/78)

which has been referred to the Committee on Agriculture ;

- regulation supplementing Annex I of Regulation (EEC) No 1035/72 on the common organization of the market in fruit and vegetables (Doc. 635/78)

which has been referred to the Committee on Agriculture ;

- directive amending, in respect of chilling, Directive 71/118/EEC on health problems affecting trade in fresh poultrymeat (Doc. 638/78)

which has been referred to the Committee on the Environment, Public Health and Consumer Protection ;

- regulation amending Regulation (EEC) No 974/71 with regard to the calculation of monetary compensatory amounts in the wine sector (Doc. 639/78)

which has been referred to the Committee on Agriculture as the committee responsible, and to the Committee on Budgets for its opinion ;

- proposals for

I. a regulation establishing catch quotas for 1979 for fishing by vessels flying the flag of Member States of the Community for certain stocks occurring both in the maritime waters under the sovereignty or jurisdiction of Member States of the Community and in those under the sovereignty or jurisdiction of Canada

II. a regulation establishing catch quotas for 1979 for fishing by vessels flying the flag of Member States of the Community for certain stocks occurring both in the waters under the sovereignty or jurisdiction of the Member States of the Community and in those under the sovereignty or jurisdiction of Norway

President

III. a regulation establishing catch quotas for 1979 for fishing by vessels flying the flag of Member States of the Community in Kattegat for certain stocks occurring both in the maritime waters under the sovereignty or jurisdiction of the Member States of the Community and in those under the sovereignty or jurisdiction of Sweden

IV. a regulation laying down certain measures for 1979 for the conservation of fishery resources applicable to vessels flying the flag of Member States of the Community in Skagerrak and Kattegat for certain stocks occurring both in the maritime waters under the sovereignty or jurisdiction of the Member States of the Community and in those under the sovereignty or jurisdiction of Norway or Sweden

V. a regulation laying down for 1979 certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of Sweden

(Doc. 643/78)

which have been referred to the Committee on Agriculture ;

— decision granting financial aid from the Community for the eradication of African swine fever in Malta (Doc. 645/78)

which has been referred to the Committee on Agriculture as the committee responsible, and to the Committee on Budgets for its opinion ;

— regulation amending Regulation (EEC) No 816/70 laying down additional provisions for the common organization of the market in wine and Regulation (EEC) No 817/70 laying down special provisions relating to quality wines produced in specified regions (Doc. 646/78)

which has been referred to the Committee on Agriculture ;

— regulation amending Regulation (EEC) No 1852/78 on an interim common measure for restructuring the inshore fishing industry (Doc. 665/78)

which has been referred to the Committee on Agriculture as the committee responsible, and to the Committee on Budgets for its opinion ;

— regulation on the conclusion of an Agreement on fisheries between the Government of Canada and the European Economic Community (Doc. 680/78)

which has been referred to the Committee on Agriculture ;

— decision adopting a concerted action project of the European Economic Community on the effects of thermal processing and distribution on the quality and nutritive value of food (Doc. 681/78)

which has been referred to the Committee on the Environment, Public Health and Consumer Protection as the committee responsible, and to the Committee on Budgets for its opinion ;

b) from the committees, the following reports :

— by Mr Spinelli, on behalf of the Committee on Economic and Monetary Affairs, on the proposal from the Commission of the European Communities to the Council for a regulation on Community aid for industrial restructuring and conversion operations (Doc. 637/78) ;

— by Mr Albers, on behalf of the Committee on Regional Policy, Regional Planning and Transport, on the draft recommendation from the Commission of the European Communities to the Council on the ratification of the International Convention for Safe Containers (CSC) (Doc. 640/78) ;

— by Mr Ripamonti, on behalf of the Committee on Budgets, on the supplementary draft estimates No 1 of the European Parliament for the 1979 financial year (Doc. 641/78) ;

— by Mr Shaw, on behalf of the Committee on Budgets, on the common position of the Council of the European Communities on the proposal for a regulation amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities (Doc. 642/78) ;

— by Mr van Aerssen, on behalf of the Committee on External Economic Relations, on the recommendation adopted by the EEC-Turkey Joint Parliamentary Committee in London on 27 October 1978 (Doc. 644/78) ;

— by Mr Notenboom, on behalf of the Committee on Economic and Monetary Affairs, on the proposal from the Commission of the European Communities to the Council for a Seventh Directive on the harmonization of the laws of the Member States relating to turnover taxes — Common system of value added tax to be applied to works of art, collectors' items, antiques and used goods (Doc. 647/78) ;

— by Mr Damseaux, on behalf of the Committee on Economic and Monetary Affairs, on the formation and protection of savings (Doc. 662/78) ;

— by Mr Fletcher-Cooke, on behalf of the Political Affairs Committee, on hijacking (Doc. 663/78) ;

— by Mr De Keersmaeker, on behalf of the Committee on Economic and Monetary Affairs, on the manufacture, distribution and use of pharmaceutical preparations (Doc. 664/78) ;

— by Mr Baas, on behalf of the Committee on External, Economic Relations, on the outcome of the visit of the European Parliament delegation to Japan in October 1978 (Doc. 666/78) ;

— by Mr Yeats, on behalf of the Committee on the Rules of Procedure and Petitions, on adapting the Rules of Procedure of the European Parliament to the provisions of the Act of 20 September 1976 (Doc. 667/78) ;

President

- by Mr Lagorce, on behalf of the Committee on Development and Cooperation, on the context, form, status and application of the code of conduct for Community companies with subsidiaries, branches or representation in South Africa (Doc. 668/78);
 - by Mr Lezzi, on behalf of the Committee on Development and Cooperation, on the proposals from the Commission of the European Communities to the Council for:
 - I. a regulation on the management of food aid
 - II. a regulation amending Regulations (EEC) Nos 2052/69, 1703/72 and 2681/74 on Community financing of expenditure incurred in respect of the supply of agricultural products as food aid, and repealing Decision 72/335/EEC
(Doc. 669/78);
 - by Mr Amadei, on behalf of the Political Affairs Committee, on the application by Greece for accession to the Community (Doc. 670/78)
 - by Mr Lamberts, on behalf of the Committee on Energy and Research, on the proposals from the Commission of the European Communities to the Council for:
 - I. a directive on the indication by labelling of the energy consumption of domestic appliances
 - II. a directive applying to electric ovens the Council Directive on the indication by labelling of the energy consumption of domestic appliances
(Doc. 671/78);
 - by Mr Bangemann, on behalf of the Committee on Budgets, on the European Parliament's guidelines for the budgetary policy for the Community in 1980 (Doc. 672/78);
 - by Mr Luster, on behalf of the Committee on the Rules of Procedure and Petitions on Petition No. 4/78 by Mr A. Grassani, on simpler Community regulations to be completely redrafted in case of amendment (Doc. 673/78);
 - by Mr Luster, on behalf of the Committee on the Rules of Procedure and Petitions, on Petition No. 24/77 by Mr R. Thoma, on exchange losses suffered by certain persons in receipt of annuities or pensions (Doc. 674/78);
 - by Mr Liogier, on behalf of the Committee on Agriculture, on the proposals from the Commission of the European Communities to the Council on the fixing of prices for certain agricultural products and on certain related measures (Doc. 675/78);
 - by Mr Schyns, on behalf of the Committee on Regional Policy, Regional Planning and Transport, on the difficulties encountered at the Community's internal frontiers in the transport of passengers and goods by road (Doc. 678/78);
- c) The following oral questions with debate:
- by Mr Berkhouwer, Mr Jung, Mr Meintz, Mr De Clercq, Mr Baas and Mr Geurtsen to the Council on the agreement on the protection of the Rhine against pollution (Doc. 648/78);
 - by Mr Granelli, Mr Vernaschi, Mr Bersani, Mr Brugger, Mrs Cassanmagnago Cerretti, Mr Fioret, Mr Ligios, Mr Martinelli, Mr Noè, Mr Pisoni, Mr Pucci, Mr Ripamonti, Mr Riz and Mr Scelba to the Commission on participation by Community Heads of State in international summit meetings (Doc. 650/78);
 - by Mr Granelli, Mr Vernaschi, Mr Bersani, Mr Brugger, Mrs Cassanmagnago Cerretti, Mr Fioret, Mr Ligios, Mr Martinelli, Mr Noè, Mr Pisoni, Mr Pucci, Mr Ripamonti, Mr Riz and Mr Scelba to the Foreign Ministers meeting in political cooperation on participation by Community Heads of State in international summit meetings (Doc. 651/78);
 - by Mr W. Müller, Mr Andersen, Mr Hoffmann, Mr Hansen and Mr Albertini to the Commission on the health hazards of asbestos (Doc. 652/78);
 - by Mr Fellermaier on behalf of the Socialist Group to the Foreign Ministers meeting in political cooperation on compliance with the Community's code of conduct for companies with subsidiaries, branches or representation in South Africa (Doc. 653/78);
 - by Mr Damseaux on behalf of the Liberal and Democratic Group to the Council on the prospects for the European Monetary System (Doc. 655/78);
 - by Mr Mascagni, Mr Pistillo, Mr Sndri, Mr Veronesi and Mr Vitale to the Commission on the European Monetary System (EMS) and the transfer of resources (Doc. 656/78);
 - by Mrs Krouwel-Vlam, Mr W. Müller, Mr Brégégère, Lord Kennet and Mr Edwards, on behalf of the Socialist Group, to the Commission on health protection (Doc. 658/78);
 - by Mr Spinelli, Mr Galluzzi, Mr Mascagni, Mr Sandri and Mr Veronesi to the Commission on the confiscation of political material at the German frontier (Doc. 660/78);
 - by Lord Kennet, Mr Radoux, Mr Schreiber, Mrs Dahlerup and Mr Zagari to the Commission on relations between the People's Republic of China and the European Community (Doc. 661/78);
- d) The following oral questions without debate:
- by Mr Soury and Mr Vitale on behalf of the Communist and Allies Group to the Commission on the control of production costs in agriculture (Doc. 649/78);
 - by Mr Corrie to the Commission on tomatoes (Doc. 654/78);
 - by Mr Vandewiele, Mr Bertrand, Mr Dewulf, Mr Noè, Mr H.W. Müller and Mr Vergeer to the Commission on the siting of the Gravelines and Manom nuclear power stations (Doc. 657/78);
 - by Mr Fellermaier to the Commission on the review body set up to examine the workings of the Commission (Doc. 659/78);

President

e) For Question Time on 13, 14 and 15 March 1979, pursuant to Rule 47A of the Rules of Procedure, oral questions (Doc. 1/79) by :

— Mr Osborn, Mr Nolan, Lord Kennet, Mrs Ewing, Mr Van Aerssen, Mr Schyns, Mr Radoux, Mr Edwards, Mr De Clercq, Mr Stetter, Mr Yeats, Mr Nyborg, Mr Corrie, Sir Geoffrey de Freitas, Mr Noè, Lord Bessborough, Mr Howell, Mr Fitch, Mr Baas, Sir Derek Walker-Smith, Mrs Squarcialupi, Mrs Dahlerup, Mr Wawrzik, Mr Spicer, Mr McDonald, Mr Normanton, Mr Albers, Mr Kavanagh, Mrs Dunwoody, Sir Brandon Rhys Williams, Mr Herbert, Mr Brugha, Mr Fletcher-Cooke, Mr Spinelli, Lord Kennet, Mr Nyborg, Sir Geoffrey de Freitas, Mr Howell, Mr Stetter, Mr Flämig, Mr Schmidt, Mr Würtz, Mr Fellermaier, Mr Seefeld, Mr McDonald, Mr Normanton, Lord Bessborough, Mr Brosnan, Sir Derek Walker-Smith, Sir Geoffrey de Freitas, Mr Spicer, Mr Fellermaier, Mr Dankert, Mr Seefeld, Mr Patijn, Mr Schmidt and Mr Lezzi ;

f) The following motions for resolutions pursuant to Rule 25 of the Rules of Procedure :

— by Mr Pintat on behalf of the Liberal and Democratic Group, Mr Brown on behalf of the Socialist Group and Mr Noè, on behalf of the Christian-Democratic Group (EPP Group), pursuant to Rule 25 of the Rules of Procedure, on the energy situation in the Community (Doc. 636/78),

which had been referred to the Committee on Energy and Research ;

— by Mr Albers, pursuant to Rule 25 of the Rules of Procedure, on action in the educational field to promote contacts between the citizens of the Community (Doc. 679/78),

which had been referred to the Committee on Social Affairs, Employment and Education as the committee responsible and to the Committee on Budgets for its opinion ;

g) from the Commission :

on 6 March 1979

— a proposal for the transfer of appropriations between chapters in Section III — Commission — of the General Budget for the European Communities for the financial year 1979 (Doc. 676/78),

which had been referred to the Committee on Budgets.

Since the proposed transfer concerned expenditure not necessarily resulting from the Treaties. I have consulted the Council on behalf of Parliament in accordance with the provisions of the Financial Regulation.

— an addendum by the Commission of the European Communities to the Annual Report of the Court of Auditors of the European Communities for the financial year 1977 (Doc. 677/78),

which had been referred to the Committee on Budgets.

5. Texts of treaties forwarded by the Council

President. — I have received a certified true copy of the :

— Act of notification of the approval by the Community of the International Cocoa Agreement 1975.

This document has been deposited in Parliament's archives.

6. Authorization of reports

President. — Pursuant to Rule 38 of the Rules of Procedure, I have authorized committees to draw up reports as follows :

— *Political Affairs Committee*

report on the present state and future prospects of the Euro-Arab dialogue

asked for its opinion : Committee on Development and Cooperation report on the progress made towards European union

— *Committee on Social Affairs, Employment and Education*

report on the Second European Social Budget

report on the activities and achievements of the European Centre for the Development of Vocational Training in Berlin

— *Committee on Regional Policy, Regional Planning and Transport*

report on the outcome of the public hearing on air traffic control

— *Committee on External Economic Relations*

report on the renewal of the trade cooperation agreement between the EEC and India

report on relations between the EEC and ASEAN

report on the guidelines for future cooperation between the EEC and Tunisia

— *Committee on Development and Cooperation*

report on the communication from the Commission to the Council concerning development cooperation and compliance with certain international standards governing working conditions.

These authorizations have been given only on condition that the reports are ready by mid-April at the latest so that they can be considered at either of the two part-sessions before direct elections, that is in April or May 1979.

Should it not be possible for any of these reports to be completed in time, the committee concerned should refrain from drawing it up.

— *Committee on the Rules of Procedure and Petitions*

report adapting the Rules of Procedure to the provisions of the Act of 20 September 1976.

7. Order of business

President. — The next item is the order of business of this sitting, which is the last in the 1978-1979 part-session.

At its meeting of 1 March 1979, the enlarged Bureau drew up the draft agenda for this sitting which has been distributed.

I propose that the agenda be amended by reversing the order of two items so that the report by Mr Damseaux would be taken before the debate on the reports by Mr Notenboom and Mr Yeats.

The agenda would therefore be as follows :

- Statement by the Commission on action taken on the opinions and proposals of Parliament ;
- Damseaux report on the formation and protection of savings (Doc. 662/78) ;
- Notenboom report on turnover taxes (Doc. 647/78) ;
- Yeats report on adapting the Rules of Procedure (Doc. 667/78) ;

End of sitting

— Voting time.

Since there are no objections, that is agreed.

8. Limit on speaking time

President. — I propose that speaking time on all reports and motions for resolutions on the agenda be limited as follows :

- 15 minutes for the rapporteur and one speaker on behalf of each group ;
- 10 minutes for other speakers.

Since there are no objections, that is agreed.

9. Action taken by the Commission on the opinions and proposals of Parliament

President. — The next item is the statement by the Commission on the action taken on the opinions and proposals of Parliament¹.

I note that no one wishes to speak.

This item is closed.

10. Formation and protection of savings

President. — The next item is the report (Doc. 662/78) by Mr Damseaux, on behalf of the Committee on Economic and Monetary Affairs, on formation and protection of savings.

I call Mr Feit, who is deputizing for the rapporteur.

Mr Feit, deputy rapporteur. — (F) Mr President, standing in for Mr Damseaux, who has asked me to convey his apologies for absence, I am pleased to present the report he has drawn up on behalf of the Committee on Economic and Monetary Affairs, even though I myself do not serve on that committee.

You will recall that in July 1975 Parliament adopted an interim report by Mr Hougardy on the indexation of savings. Following this report, the European Parliament requested the Commission to provide it with a study on the indexation of savings and the protection of savings in general. In November 1977 the Commission duly submitted a very detailed communication on the subject. The Committee on Economic and Monetary Affairs examined this document and appointed Mr Damseaux to draft a report, which was adopted on 27 February last and which I have the pleasure of putting before you today. The committee were resolved on two points : firstly, to go thoroughly into the matter of indexation and, secondly, to lay emphasis on the need to establish better protection for the small saver.

I shall deal with these two points in turn and first of all, therefore, with the question of indexation and the arguments for and against. In the past, the committee has been undecided on indexation, its advocates claiming that it would lead to a better distribution of savings and that it might help to reduce speculation, while its opponents maintained that indexation would act as a stimulus to inflation and, in any case, would be difficult to implement. On this point, the Commission has not — in my view — been as helpful as it might have been. It has not been proven that, under certain conditions, indexation offers nothing but disadvantages, as the Commission's report seems to insist. In fact, the report appears to have been written with the express intention of prejudicing the reader against indexation. It is by no means certain, for example, that indexation would be an intolerable burden for the business community and for borrowers in general. In actual fact, borrowers are paying for the privilege of borrowing without indexation by having to accept very high interest rates. At any rate repayments in the first few years are a serious strain, even if later they become easier inasmuch as they are being paid in depreciating currency. So what we can say is that without indexation it is the large borrower who stands to benefit, one who is less interested in the efficient use in economic terms of the sums borrowed than in the immediate return on his investment.

As for the objection that indexation of savings would boost inflation, the evidence for this is not all that conclusive : The index-linking of loans on an annual basis is to be regarded with much less apprehension than the index-linking of, say, wages. Indexation no doubt owes its unpopularity to the secret attraction that inflation holds for governments, for business and for borrowers in general, who quite clearly see in it a

¹ See Annex.

Feit

means of reducing the burden of their debts. The Committee on Economic and Monetary Affairs has chosen to adopt a less equivocal tone in paragraph 3 of the motion for a resolution, which states :

... indexation of savings, both because of its cost and because of the risk of relaunching inflation, can be no solution

What is incontrovertible, in my opinion, is that the surest means of protecting savers lies, as pointed out in paragraph 1 of the motion for a resolution, in a ceaseless fight against inflation, and this fact should not be obscured by any possible merits of a limited form of indexation. However trite this assertion may sound, it is nevertheless fundamental. The fact that indexation of savings can be no solution, both because of its cost and because of the risk of relaunching inflation, does not mean that that is all there is to be said on the subject. The economic and social importance of protecting savings is too great for us to leave it at that. Therein lies the seriousness of the problem.

It is important to realize, in fact, that investment is dependent on savings. We must have a policy for the formation of savings. The formation and steering of savings are essential to the conduct of the economy. Mr Damseaux would have liked the report, and in particular the motion for a resolution, to call attention to the need for better direction of savings. In this context I will just remind you of the harmful effects of inflation on the formation of savings. Periods of uncertainty tend to encourage speculation and a preference either for deposits on demand or for safe securities. Experienced savers will naturally seek to hedge against inflation. As a result, productive investments, which the Community economy needs so badly, are neglected in favour of safe securities. Your committee has confined itself in paragraph 4 — and a very important paragraph it is — to requesting the Commission to consider, jointly with the authorities of the Member States, arrangements other than indexation for protecting returns on savings.

I will just remind you of some of the measures that might be contemplated as a means of providing better protection for savings and hence of stimulating them and steering them towards productive investments. Firstly, expansion of the system of loans at variable interest rates which, in times of inflation, ensure that both debtors and creditors share the burden more equitably. Secondly, two-stage loans which have an intermediate maturity date so that the bearer can get out of his investment or else hang on to his securities until the final maturity date in return for additional remuneration. Thirdly, fiscal incentives, either in the form of tax exemption on interest on bonds and on income from shares up to a certain amount, or a preferential tax system, subject to certain limits, which would favour investment in capital expansion and investors who agree to register their bearer bonds. Fourthly, the opening of retirement accounts, in shares, funded by payments deductible from tax, in

favour of executives and workers of undertakings. Finally, direct incentives to saving in the form of various premiums, as is practised in Germany.

In examining the various alternatives to indexation of savings the Commission must take special care to introduce a greater degree of coherence into the various tax incentives to saving, being particularly careful that they do not lead to the dismantling of income tax, which would be a new source of injustice.

The second basic assertion made in the report concerns the need to afford greater protection of savings, particularly to the smaller saver. It is the smaller saver who is most exposed to the effects of inflation because he is not as well-informed, because he can put into savings only a small part of his resources, because, generally speaking, he subscribes to just one type of investment and, finally, because it is mostly in times of inflation and uncertainty that he will seek refuge in protected savings.

In a period of inflation small savers, who as a rule have no organization behind them, find themselves at a disadvantage compared to their debtors (public authorities, banks, savings institutions and the like). Table 1 of Annex II of the Commission's report shows that in eight of the Member States in every year since 1972 savings deposits have shown a negative return in real terms and sometimes these negative values have been extremely high (up to -15 %). In some cases, the losses have been compounded by income tax charged on the interest. This impoverishment of savers corresponds to an unjustifiable reduction of the borrower's debt and is tantamount to a tacit expropriation of savers, which is quite unacceptable in the long term.

And so paragraph 5 of the motion for a resolution 'calls on the Commission to try to establish at Community level better protection of the smaller saver, particularly by adjusting and harmonizing regulations on the provision of information to savers'.

The Commission will have to look into ways of improving the quality of information to which savers have access. All too often the saver is an unwitting victim of inaccurate publicity in which gross and true interest rates, for example, are not clearly shown.

Apart from improving information, I believe, for my part, that another way to protect small savers lies in new tax relief provisions. It seems to me that all but the proportion of interest corresponding to a real return — that is the difference between the interest rate and the inflation rate — could be exempted from tax. There is also a need for keener competition between banking organizations when it comes to interest rates on liquid savings. The cost of converting capital within the banking system seems to be too high.

In conclusion, I believe that this report will, if it is adopted — as I hope it will be — reflect an increased awareness by Parliament of the problem of formation

Feit

and protection of savings. I am convinced that the public will react favourably to the action this Parliament is taking to improve protection for the smaller saver. Let us not forget that the tacitly expropriated saver is just as much a victim as the unemployed of the economy of 'stagflation' which we have been living through since 1974. But this is no more than an initial phase of this action. In the light of the studies and proposals that the Commission will be submitting to us, the newly elected Parliament will certainly need to look at this question again.

President. — I call Mr Pisani on a procedural motion.

Mr Pisani, chairman of the Committee on Economic and Monetary Affairs. — (F) Mr President, I would like to thank Mr Feit for introducing the report, but at the same time may I say that I find it extraordinary that Mr Feit should be presenting Mr Damseaux's report when he himself is not a member of the Committee on Economic and Monetary Affairs.

If Mr Damseaux was unable to be here himself, he should at least have asked the committee chairman to select some other committee member to present his report.

I have nothing against Mr Feit, but to act as rapporteur for a committee one still needs to have taken part in the work in question!

President. — I thank you for making this point, Mr Pisani, and I must admit that the procedure adopted was not entirely in accordance with the Rules of Procedure. I think I can take it that since you were courteous enough not to raise the matter until after Mr Feit had spoken, you are prepared to go along with this arrangement.

I call Mr Notenboom to speak on behalf of the Christian-Democratic Group (EPP).

Mr Notenboom. — (NL) Mr President I shall be brief. Mr Müller-Hermann should have spoken on this item on behalf of the group but since he has not yet arrived I think it would be a pity if nothing was said about it. While I appreciate Mr Feit's standing in for Mr Damseaux, I share Mr Pisani's view on the question of procedure, all the more so in that the Committee on Economic and Monetary Affairs made a number of important changes to the original proposal by Mr Damseaux at its last meeting. The rapporteur was not very happy with the changes, but he was prepared to defend his report and it is therefore unfortunate that he is not able to introduce it himself. I noticed some of the disappointment at the parts that were deleted in what Mr Feit said. I should like to say something about that: my group agreed unanimously with the opinion of the Committee on Economic and

Monetary Affairs that indexation of deposits in saving accounts — that was what was called for by Lord Reay in the original motion for a resolution — will not help to overcome inflation. That is the main theme of the motion for a resolution and we support it. It is also the main theme of the document drawn up by the Commission at the request of Parliament on publication of the interim report. But this motion for a resolution — and here I agree with Mr Feit — is not the last word.

The motion asks Parliament to urge the Commission to give further consideration to what can be done for small savers. We too urge it to do so. I have no intention of tabling an amendment because there is not enough time to do so and it would in any case be inappropriate because we are still waiting for a further report from the Commission. But I do hope that when the Commission gets round to considering what it can do to help small savers in particular it will come up with something more than simply providing information to savers, as it is asked to do in paragraph 5 of the motion. We agree with paragraph 5, but there is more to it than that: indexation will not help. The disadvantages outweigh the advantages. As stated in paragraph 3 of the motion, the costs would be too high and it would weaken efforts to check inflation. Social and political efforts to overcome inflation could be weakened by cushioning its impact on certain kinds of small savers. Those who are unaccustomed to saving, such as people with relatively low incomes or young people, are the very ones that society should encourage to develop the saving habit.

Saving is obviously a good thing, indeed investment depends on it; and it is important that as many people as possible in our Community should be encouraged to save both from the point of view of investment and of the redistribution of wealth that can result from it.

In other words, even in a time of inflation — which should be kept as low as possible — there are ways of helping small savers to get over the initial hurdles. But these ways are not pointed out in the motion for a resolution. I share the view of the Committee on Economic and Monetary Affairs, there is a danger of the most important thing being lost sight of, on the matter of whether savings accounts should be indexed for certain categories of savers. In the opinion of the Committee on Economic and Monetary Affairs, they should not be, and that is the main point made in the motion. But there are a great deal of other things that could be done.

In the Netherlands, for example, very low investment incomes from savings are free of tax. In many countries, including the Netherlands, it is quite common for young savers and low-income savers to be given extra premiums.

Notenboom

There are therefore a number of methods other than indexation to encourage those who are not accustomed to save to do so.

Therefore, while supporting the motion for a resolution, I would — though without actually tabling an amendment — urge the Commission to incorporate methods such as those I have mentioned for stimulating savings in the study which I hope it will shortly undertake.

President. — I call Leonardi to speak on behalf of the Communist and Allies Group.

Mr Leonardi. — (*I*) Mr President, although this report may appear to be of only secondary significance I personally feel that its great importance lies, basically, in the fact that it takes a hard look at the problems connected with the formation of savings and also the relationship between savings and investment in the three main sectors of the national revenue, namely, the individual, public authorities and business.

As I have already said in the Committee on Economic and Monetary Affairs, I support the text of the resolution because I firmly believe that this matter of savings is one that affects the very structure of our society and must, therefore, continue to receive our attention. As I also said in committee, I would prefer to carry out a more fundamental study of the problems; in other words, whilst looking at the effects, as do both the resolution and the Commission's communication, which nonetheless provides much important information, I would not neglect the true causes of the problems.

It seems to me that the present threat to savings — and it is more than just a threat because it is a fact that inflation is eroding savings — is the result of the imbalance that has arisen in recent years in our western industrialized nations. In a matter of a few years the major burden of savings has fallen on the individual. This is the case nearly everywhere to a greater or lesser extent. Public authorities, which only a short time ago had a certain savings capacity, have now gone into the red in many countries and savings in the business sector have been even worse affected.

There can be no doubt that this situation is partly responsible for the fall-off in investment and for the fact that an increase in savings is not necessarily reflected in an increase in investment. Therefore, a resolution that really sets out to provide a solution to the problem — and which places the problem fairly and squarely within the frame of reference indicated in paragraph 1, which say that the key to protecting savings lies in a ceaseless fight against inflation, and that indexation is not a suitable system for the protection of savings — must attack the problem at the roots. The fact that, for various reasons, savings capacity has concentrated around the individual saver and fallen off in the other two sectors should move us

to find a way of reversing this phenomenon. One could try to restore the status quo in income and savings distribution to what it was before the current crisis. Such an attempt, however, would involve recourse to authoritarian measures which would be strongly resisted by the workers, who constitute the majority of the smaller savers, and this would in practice, therefore, be a retrograde step. Moreover, we must be prepared to accept that the shift in savings capacity may be due either to the fact that individual savers or the workers have exerted certain pressures to bring this about, or else to the fact that the business sector has proved unable to orchestrate the growth of savings to their advantage or to provide for increased investment. I therefore do not believe that it would be possible to bring about a return to the incomes distribution system of a few years ago.

Indexation, on the other hand, would be equally unsatisfactory as it would do no more than perpetuate the present incomes distribution at a cost that the community could not bear, and, what is more, perpetuate an incomes distribution that does not favour investment. In other words, indexation could only be applied in a limited manner to certain small categories of savers.

Basically, I believe that this problem, which to my mind is of capital importance, must be approached realistically. We must bear in mind that the present distribution of earnings capacity and of savings capacity has its roots in history and this is something we cannot alter. What we must try to do is to find some way of converting savings into investments, to develop brokerage channels which guarantee investment capacity and steer it in a manner so as to ensure its proper — non-inflationary — development which, in turn, will protect savings capacity. I would take into account the present incomes distribution — which it would be useless to try to alter since it has evolved with time. I realize that this distribution is not favourable to investment — because the savers and the investors are not the same — and I would moreover bear in mind that, as there is no hope of returning to the former distribution, we need to work out a compromise between savings capacity and investment capacity that would steer investment in the desired direction and so also determine the form that development should take. This is the right way to fight inflation.

President. — I call Mr Cointat to speak on behalf of the Group of European Progressive Democrats.

Mr Cointat. — (*F*) Mr President, since October 1973 the world has been embroiled in an economic war, a war, unfortunately, that can have no end. Europe, too, has been involved in a bloodless war which has resulted in an unprecedented rate of inflation. The most immediate and visible consequence of it has been the dissipation of monetary and financial assets and a reduction in the purchasing power of the least well-off, who, of course, include many smaller savers.

Cointat

A closer study shows that the underlying factor is delays in adjusting wages and pensions and, furthermore, that these delays are due to the calculation and publication of price indices or to the calculation and payment of incomes. The seriousness of the consequences of these delays depends on the rate of inflation: the lower the rate of inflation, the milder are the consequences. Unfortunately, of course, right now inflation is high. It has also been found that, despite the better distribution of wealth which has allowed many more people to share in it than in the distant past, we continue to find disparities in income trends as between the different income groups. In these conditions it seems to me, contrary to what was said earlier in this House, that the desire to protect savings, even by indexation, is indicative of a real determination to reduce the disparities born of inflation.

Unfortunately, the advocates of indexation have to contend with the attitude of savers who feel that their savings are growing well enough, whatever the price index is doing. In point of fact I think this is really neither here nor there, since variations in the volume of savings by households are not a particularly useful index of their satisfaction. On the other hand, their dissatisfaction is expressed in ways that are certainly a much more serious threat to the growth and stability of the economy. Moreover, the better-informed they are and the more attentive to their own personal interests, the more do individuals tend to invest in a way less in tune with the interests of society as a whole: they tend to go for safe investments, real estate, gold, works of art, and the like. The substantial increase in transactions of this type is having a very damaging effect: If the object of the transaction is essential to economic activity — agricultural land, for example — then any disproportionate increase in value has the effect of depriving those who have most need and use for it of the opportunity to acquire it. By the same token, if it is possible to produce more of a given commodity and where the difference between production cost and selling price is attractive, there will be a tendency to devote to it resources that could be better used elsewhere.

In an effort to put a stop to this worrying trend governments are constantly resorting to classical monetary and fiscal measures to put a brake on economic growth and to slow down the growth in demand. However, experience has shown that such measures alone are not enough to cure inflation and, above all, are not capable of resolving the problem of economic growth in the medium term. A restrictive policy holds back expansion, possibly even leading to a recession, so that the level of activity is reduced but prices are not. After a time it becomes necessary to expand again, but this merely leads to a return to inflation. What we have here, in effect, is a stop-go economy resulting generally both in a slowdown in growth in real terms and in a depreciation of the currency.

The same sort of pattern applies at the individual level: As total expenditure falls, each producer tends to look at the phenomenon in isolation and attempts to come up with a temporary solution by cutting back production or by building up stocks, rather than by dropping his prices. Only after some time does he decide to drop prices. The same will apply to the wages of those of his workers who will be made redundant.

And so we are seeing unemployment rise at an alarming rate throughout the Community. It will be some time yet before we shall see a change in mentality with regard to inflation and before we can expect better prospects to encourage a revival in employment and in production. It seems that measures such as the regulation of demand are useless in preventing these phenomena and we need to try new methods. In our view, what we should look at is specific regulation of income formation.

I wanted to make these few general observations before giving you our Group's evaluation of Mr Damseaux's report which, though certainly commendable, we feel is not bold enough. We realize, of course, that the report is concerned with small savers and the resolution calls on the Commission to look into solutions other than indexation to protect returns on savings. More specifically, the Commission is called upon to define this category of saver, to find ways of improving the information available to him in order to steer him towards more effective forms of savings and to find ways of protecting these savings. We are perfectly in agreement on this point, but we believe that it is necessary to go further. It would seem desirable to introduce a limited form of indexation as soon as possible — and this is where we are at variance with those who spoke before me — in order to overcome, in the medium or long term, the stagnation in savings which could at any moment give way to a headlong rush for consumer goods, real estate and all forms of safe investment.

In the present circumstances, limited indexation seems to us to be a matter of fairness. It could scarcely jeopardize investment. All the same, it would be as well for the authorities to hold in reserve a plan for selective encouragement of these investments in case indexation should prove to have some undesirable effects.

We are aware that indexation of savings could never be a substitute for an anti-inflation policy, but we do think that it could usefully complement it. Of course, we cannot be sure in advance of success — the problems are too vast — but we can whittle away at them through a dialogue which allows truth and justice a chance to reach the consciences of those who are waging the struggle.

President. — I call Mr Tugendhat.

Mr Tugendhat, Member of the Commission. — We have had a brief debate, but I would like to emphasize that the Commission very much welcomes this report and the ideas that have been put forward in it and in the course of the debate. The motion for a resolution stresses the need to fight inflation and rules out indexation. Opposition to indexation was certainly reiterated quite strongly in our brief debate, particularly by Mr Notenboom. The motion also requests the Commission to examine different solutions to protect the return on savings and to provide better protection for small savers. This is an area in which the Commission is already quite active, in part in services under my control in Directorate-General XV and in part in services under the control of other of my colleagues.

So far as the protection of savings is concerned, the Commission still feels that it is necessary to study the most effective way of achieving the desired objective, and we are still not sure as to where the dividing line should be drawn between work at the Community level and work at the level of Member States. It seems to us that this is an area where the line between the different responsibilities is not easy to draw, and that the important thing is to secure the objective rather than to say that it should be done by one or the other body. Clearly tax policy is one of the most important aspects of the whole question, and much of what this motion seeks to achieve by way of protecting and informing savers can be more than undermined by particular tax policy. What the tax authorities do can unfortunately, in the prove far more important than the sort of thing we are talking about this evening.

On the provision of information to savers, the Commission, I think, does have quite a good record, and will certainly continue its work here. Indeed, our latest success was achieved on Monday, 5 March, just a very short time ago, when the Council adopted a directive concerning the admission of securities to quotation on a stock exchange. We have two more proposals which indeed have been in front of the Council for a little while. These concern the information to be contained in prospectuses, and information to be made public periodically by publicly quoted companies. On both these questions, some Member States already have extremely far-reaching and liberal, open rules of exactly the sort that we would like to encourage. It is not a matter of the Commission setting completely new standards, but of trying to get those Member States which are rather more backward in these matters into line with those Member States which are rather more advanced. I think the proposals which the Commission have laid before the Council — and indeed, those which have been accepted — do go a useful way down this particular road.

The Commission also undertakes, in response to questions raised, I think, by all four speakers, to see what

can be done to encourage the preservation and formation of savings among the least well-to-do classes in society. Indeed, rather than speak at great length on this subject, especially on a Monday evening, I would draw the attention of the House to the document which we issued in November 1977 on the protection of savings in times of inflation and the question of indexation. There we make it quite clear that in our view this particular idea is a social one to which we subscribe; we would like to find ways of ensuring exactly that objective.

I am quite sure that the formation and subsequent preservation of savings among the less well-to-do sections of our society is one of the most useful tasks politicians can undertake. In the political party in the United Kingdom from which I come, we have a slogan about the creation of a property-owning democracy. It seems to me that a property-owning democracy is desirable in all Nine Member States.

(Laughter)

President. — I note that no one else wishes to speak.

The motion for a resolution will be put to the vote as it stands at the end of the sitting. The debate is closed.

11. *Seventh Directive on turnover taxes*

President. — The next item is the report (Doc. 647/78) by Mr Notenboom, on behalf of the Committee on Economic and Monetary Affairs, on the

proposal from the Commission of the European Communities to the Council for a Seventh Directive on the harmonization of the laws of the Member States relating to turnover taxes — common system of value added tax to be applied to works of art, collectors' items, antiques and used goods.

I call Mr Notenboom.

Mr Notenboom, rapporteur. — *(NL)* Mr President, we are now considering the proposal from the Commission for a Seventh Directive on turnover taxes with specific reference to a common system of value-added tax to be applied to works of art, collectors' items, antiques and used goods.

In 1974 we considered the Sixth Directive — that was in the old building — and that was followed by the Ninth Directive granting an extension until 1 January 1979 of the time limit for seven Member States to implement the Sixth Directive. Then, last January we considered the Eighth Directive on the new subject of refunds to foreign undertakings. The Commission has already agreed to accept an amendment to this by Parliament, and for that we are grateful.

We are now dealing with the Seventh Directive, on a subject which was not covered in the Sixth. The VAT system is reasonably consistent and logical, but it cannot be applied to every kind of goods. The way it works is that a trader can recover the VAT paid on his

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purchases and then has to charge the subsequent purchaser — the consumer — VAT on his sales, so that VAT operates as a tax net turnover. That is how the system generally works in the Member States.

But there are goods that change hands in private transactions and then come onto the market by way of trade. I am thinking of a painting or an item of antique furniture, for instance. When a private individual sells such an item to a dealer, it comes back onto the market. But the private individual is not liable for any turnover tax. This means that the dealer is unable to deduct any turnover tax, but still has to calculate it at the full rate when he makes a sale, so that if nothing is done, there will be double taxation on such goods. But the aim of the VAT system is to bring about neutrality, to avoid double or cumulative taxation. That is why the Commission has had to propose special arrangements for goods of this kind and for secondhand goods.

The Committee on Economic and Monetary Affairs agrees that special arrangements are necessary. That is our main reason for supporting the Commission. But it is not quite as straightforward as that, because the Economic and Social Committee has taken a different view — to my astonishment, I would add. It has said there are to be no special arrangements — and so, double taxation. We cannot agree. We unanimously support the Commission in its basic objective of creating special arrangements to avoid cumulative taxation.

We also concluded unanimously after extensive discussion that a number of changes would nevertheless be necessary. For despite the fact that the arrangements proposed by the Commission conform as strictly as possible to the principles of VAT and despite the great expertise of the Commission's services in this area, we feel that the Commission proposal contains two main weaknesses. Firstly, it could mean that works of art and antiques — especially antiques — would tend to be exported out of Europe rather than imported into Europe. We do not wish to encourage such a trend.

The Commission has already published a separate document on cultural policy for Europe. We would hope that Community cultural policy would be taken into account when considering arrangements for VAT. We would hope that the obligations the Commission has taken upon itself in cultural matters would also be brought to bear on fiscal ones. But that means that cultural policy will have to be implemented in all relevant areas. And the Committee on Economic and Monetary Affairs believes this to be one such area. That is the first basic point behind the Committee's report.

The second basic point is that we must bear in mind that trade in works of art, antiques and secondhand

goods is almost exclusively the preserve of small firms, many of them family firms, who have to face competition from people who tend not to take the law all that seriously. In the Netherlands we call them '*beunhazen*' (dabblers).

The arrangements are different as from one Member State to another. There are unregistered dealers in Britain, for instance; I would not compare them to our '*beunhazen*' but they would pose a serious threat to those who were registered if the arrangements for the latter were made too strict. In other words, the committee feels that we must take into account that if the arrangements are made too strict, then bona fide traders, who are often very small firms, will be unable to compete with those who take an easy-going attitude to taxation and to the law. This is precisely what we wish to exclude.

I have given a great deal of thought to this, and I apologise to the Commission for the fact that my report was not ready until rather later than we had intended and the Commission had expected. We had to give considerable thought to the different amendments. Some of my amendments were rejected by the committee. That does not worry me unduly. The most important of them were adopted unanimously. They call for a number of changes which are fully explained in the report and which I need not mention in detail now. The most important one urges that for works of art, antiques and unregistered secondhand goods there should not just be a single flat-rate margin of 30 % with a consequent rate of tax on value added of 30 %. That would mean a rate of 42 % on the purchase price.

Margins are very often much lower than this. I can appreciate that the Commission is saying: Let's make it a flat rate, and then we needn't require dealers to stick to a particular margin, since they don't really like to reveal what their margin is anyway. Fair enough. If a dealer wants to work on that basis, he should be free to do so. Then the 30 %-rate will apply. But we feel that if a dealer can provide supporting documents to show that this margin is really much lower, then he should be taxed on the actual margin. He will then of course have to put up with a lot of paper work, which I would sooner spare him, but if he chooses to do so, that is his own affair, and we feel that this would be a much fairer solution, because it would be much more in line with reality.

That is the most important of the changes we propose. We also have other proposals, such as that calling for production, rental or other costs to these dealers on which they have paid VAT to be made deductible. Why should they not be deductible? They are deductible for other traders. Here we can see no

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reason to depart from standard VAT arrangements. We also have a proposal for the registration of second-hand goods to include agricultural and forestry tractors and certain commercial vehicles, though this should not very often be necessary. The Commission did not object strongly on this point.

A number of other less important amendments are explained in the report. I should like to conclude with two remarks. We are very much aware that the Commissioner will not be very enthusiastic about our amendments. I can understand that. But what is it you want? Would you prefer extensive changes leading in precisely the opposite direction, such as those called for by the Economic and Social Committee? You might have got that from our committee. But we did in fact give this matter very serious thought. We looked at the actual levels of margins in several countries, France for example.

We also got the fullest information we could on certain situations in Britain. We have done our best to come up with a system which we feel will be workable and acceptable and has a good chance of being adopted by the Council. Although, I am not saying that it is our job to try to work out what the Council is likely to adopt. We do not work like that. We have given serious thought to what we think is right. That is our job.

Although it probably thinks our amendments are likely to interfere somewhat with its rather strict system, I hope the Commission will eventually, for the reasons I have given, adopt all or most of our amendments, so that this directive can come into effect. There is in fact one major problem here. Whenever it is going to be difficult to fit something in under a particular system, then a Member State is liable to say: Well, let's bring this in under the low tariff. If there is then cumulative taxation at, say, 4 % plus 4 % that will amount to 8 %. That has happened in my own country, for example. But the European Community is not yet ready for that. We still have no powers over tariff harmonization. Our authority only extends to the basis of assessment. Harmonization of the tariffs themselves will come later. If we were in a position to say anything on that score, we could well make other proposals on certain areas. But at present tariff arrangements must be left entirely to the Member States. We can make no specific proposals there, and neither can the Commission.

Finally, the amendment by Mr Kaspereit and others came to my notice half an hour ago. It relates to Article 1 of the Commission's proposal, and calls for the words 'of whatever kind' to be deleted, so that the relevant text would read: 'persons exercising an inter-

mediate function', as opposed to 'an intermediate function of whatever kind'. That seems simple enough, but there is more to it than that. I would like to know the Commissioner's opinion before I make up my own mind. We did not discuss this in the committee. This of course relates to auction sales. And I am afraid that Mr Kaspereit's amendment may have rather deeper implications than would appear at first sight. I don't think I am entitled to agree to it on behalf of the committee without further ado. I will give my opinion when this is put to the vote, but I would be grateful to the Commissioner if he would say what his view is first, because when we were discussing the report in the committee, this matter did not arise.

IN THE CHAIR: MR MEINTZ

Vice-President

President. — I call Mr Cointat to speak on behalf of the Group of European Progressive Democrats.

Mr Cointat. — (*F*) Mr President, when we examined this Seventh Directive on works of art, collectors' items and used goods we found some problems and had one or two doubts. I am grateful to the rapporteur, Mr Notenboom, for his excellent report because today he has, at least in part, reassured us and, besides, we were associated with this report within the Committee on Economic and Monetary Affairs.

Whether or not the Community retains its creative artists and the craftsmen who contribute to the realization of their works is directly dependent on the conditions imposed on the dissemination of these original works of art, on which the taxation system inevitably has a decisive influence.

It was therefore necessary to concentrate attention on original works of art and to modify the tax provisions in such a way as to create suitable conditions for the creation and dissemination of these cultural treasures. We think, in fact, that it would be disastrous if excessive European taxation were to interfere with the sales of contemporary works of art and thus destroy the efforts being made in most Member States to encourage and support artistic creativity.

We are very satisfied with the changes proposed by Mr Notenboom in his report. We wish him and the Commission to know that we fully support the choice of a flat rate of 30 % of the selling price as a basis for taxation and the tax system for imported works which gives the opportunity to deduct immediately the tax paid on importation in the interests of the European cultural patrimony.

Cointat

However, I must say this to you, Mr Notenboom, that there is between us, as you yourself just said, a small difference of opinion. In order to overcome this minor difficulty we have, together with Mr Kasperit and Mr Liogier, tabled an amendment to delete from Article 1 the words 'of whatever kind'.

To our way of thinking, this affects in particular a professional body known in France as '*commissaires-priseurs*'. Under French law all auction sales of movable property must be conducted through a sworn notary public. A report must be drawn up which is subject to a fixed-rate registration fee and which in France, therefore, is exempted from VAT, in accordance with Article 261, 1, 3) of the general tax code.

French law goes even further in that it bars a *commissaire-priseur* from any commercial involvement in public auction sales, which must by law be conducted in his presence. In carrying out his duties he provides a service and is remunerated in accordance with a prescribed scale. In connection with the contract of sale by auction he acts as the agent of the seller, and the sale creates a direct relationship between seller and buyer, each of whom always has the right to know the identity of the other by virtue of the report, in which both are named as '*parties*'. Clearly, therefore, the French *commissaire-priseur* cannot be regarded as subject to VAT on supplies within the meaning of the Sixth Directive. He may be regarded merely as a supplier of a service within a liberal profession and subject to 'services' VAT on his professional income. Only where an auctioneer acts as a trader could 'supplies' VAT be levied.

This is why we have proposed deleting the words 'of whatever kind'. We want to ensure that the provisions are not extended to cover *commissaires-priseurs*. I hope, Mr Notenboom, that you will be able to accept this amendment. It goes without saying, however, that if we were given an assurance from you, or the Commission, or the Council, that *commissaires-priseurs* will be excluded from the provision, then we would of course withdraw the amendment.

These, Mr President, were the considerations that I wanted to put before Parliament on behalf of the group of European Progressive Democrats. I trust that, in the light of this friendly but formal discussion, the rapporteur will take note of the comments we have presented.

President. — I call Mr Dalyell.

Mr Dalyell. — Mr President, I simply confine my questions to the situation as it affects the art market and leave out the other consequences. The draft directive makes no provision for a scheme under which tax would be chargeable on the seller's actual margin. This to many of us is a very important point because it is current practice, as the Commissioner knows, that the seller's actual margin is the crucial basis of tax.

And it is not at all clear to some of us why this formulation has to be changed.

So my first question is: why was it considered basically necessary that this should be done? And could we also ask why it was that, with so many other problems, the Commission thought it necessary to bring forward this kind of directive at all? Whose idea was it? Where did the initiative come from? Because some of us think that when there are other major problems it really is a complete nonsense that the Commission should become involved in this kind of complicated matter which, as far as most of us know, is perfectly well done in the individual states.

Secondly, my information may be wrong because all these things are done at short notice — I am given to understand by a respected figure in the London art market that they were not consulted, nor were the art markets in Paris, in Rome or in Frankfurt. So the question is: precisely who was consulted? Were Sotheby's consulted? Were Christie's consulted? Were the great firms in Paris, in Rome, Amsterdam and Frankfurt consulted? And if not, why not? If they were, precisely who was consulted — and at what stage?

I further go back to a point that was raised by Mr Cointat. What were the results of these consultations in relation to the effects on the market for contemporary art? Because Mr Cointat made it quite clear that in his view at any rate, and in the view of some of his colleagues, this would have a bad effect on the sale of contemporary works of art. I would just ask the question: what investigation was made in the discussions with the art market, if indeed they took place, as to the effect on the problem that interests Mr Cointat, and interests some of us on this side of the House?

Finally I would like to be convinced by the Commissioner that there really is some need to get involved in this kind of field. Many of us have the suspicion — and it is going to come up time and again in direct elections — that the Commission is meddling in business that is better done by individual states, that the Commission would do far better to concentrate on matters where it has some locus, where it has problems yet unsolved, rather than getting involved in this complicated field where things are not perfect, at least they are going along in a reasonably satisfactory manner.

President. — I call Lord Ardwick.

Lord Ardwick. — Mr President, first I would like to congratulate Mr Notenboom, not only on expounding what is a most complex subject but on doing it with such passion and eloquence. I wish I understood Dutch so that I could have heard it directly. I supported Mr Notenboom in committee — and I shall support him again today — but I have to give an explanation of vote. I was really against the whole idea of charging VAT on used goods. If however VAT is to

Lord Ardwick

be levied, then I would rather it continued as it is now, with each nation making its own arrangements, having its own ideas on collecting a maximum of tax with a minimum of unfairness and damage to art and trade. In Britain, as Mr Dalyell has said, we have a system which has been in vogue for about six or seven years and which seems to be accepted by everybody as fair and sensible. The tax is levied only on the value, apart from repairs, that is added to used goods i.e. the services of those who make the goods available to the purchaser and which are measured by their gross profit. Now ambition to harmonize VAT on used goods and works of art is an old ambition of the Commission, and I wonder if it is not, perhaps, rather out of date. Does it perhaps belong to the era when all harmonization, even if it was a little bit far fetched, seemed to express the *'Élan vital communautaire'*? Does the draft directive really express the spirit of the Commission and the Community today, which has been defined as getting the Community to do for us collectively what it can do for us better than our national governments? Can the Commissioner explain to us today how, as a community, we shall be fairer and more efficient and better financially endowed if we change to the system they recommend?

Mr President, I voted for Mr Notenboom's notion for a resolution because I thought it was a pretty good one, certainly better than the Commission's proposal. The Commission's proposal is to charge a flat rate of 30 % of the selling price as a tax base for goods supplied by a taxable person wishing to resell works of art. Mr Notenboom seems to be calling for a more flexible system, and suggests that the option in Article 3 should include a tax base consisting of the difference between the selling price and the purchase price. I think that is the kind of option which this Parliament should accept. That option, I believe, exists under the French system. I hope that on second thoughts the Commission will find Mr Notenboom's proposal acceptable, not only for works of art, but also for other categories of used goods which require the same kind of flexibility. I particularly commend the clauses which are concerned with the effect of the tax on our cultural life. Mr Notenboom feels that the tax system for imported works of art should be more lenient, and that perhaps such works might be exempted entirely.

I agree, Mr President, that the closed European market could inhibit the art trade with non-member countries by erecting tariff barriers against imports and making it all too easy to export. That is not the way we shall preserve and add to our art treasures. Over two decades, the art dealers of the Community have won back their international trading power by fair dealing and by providing good market conditions. VAT on

imports would give third countries an immediate competitive advantage. We have a system of exemption in Britain, I think, and in France, and I would suggest, Mr President, that if we want to harmonize, we should harmonize these exemptions.

President. — I call Mr Nielsen to speak on behalf of the Liberal and Democratic Group.

Mr Nielsen. — (DK) I wish to say briefly that we support Mr Notenboom's report and the motion for a resolution.

The Commission's proposal is to be seen as a logical continuation of its efforts to establish a single basis of assessment for VAT in the different Member States in connection with the harmonization of the basis for the Community's common resources, but also naturally in order to prevent distortion of competition. This is something we in the Liberal and Democratic Group can endorse, but I must add that for the particular articles involved here it can be rather difficult to establish what the state of the market actually is. I do not intend to go into this, for value here is determined by personal predilection and many different kinds of transaction are involved, but it seems to me there is a great deal to be said for Mr Notenboom's proposal that VAT should be calculated on the basis of the actual profit margin on production of supporting documents by the taxable person, rather than a flat rate as proposed by the Commission. I therefore consider it important to try to build some flexibility into this proposal if it is to be implemented — and also if it is to have the desired effect!

May I also make a more general comment on the Seventh Directive which may, of course, be said to deal with a less important field. I deplore the fact that we are constantly seeing a number of countries preventing the Sixth Directive from being fully implemented. I can honestly say that I personally find this most disappointing. So much is said — so many fine words are spoken — about the efforts to create a European Community, but here we have something which may not seem all that important, perhaps, but which is all the same an essential step towards the Community we are aiming at, that is, the implementation of the Sixth Directive on the harmonization of VAT. Therefore, I wish to take this opportunity, when we are considering a proposal from the Commission concerning the next step forward, to deplore the fact that there has been a delay in taking the sixth step. Therefore, we do naturally support the preparations for the seventh step, and I believe Mr Notenboom has presented an excellent report on the subject; nonetheless, I did just wish to make a small complaint — not so small either — about the delay in implementing the Sixth Directive.

President. — I call Mr Spicer to speak on behalf of the European Conservative Group.

Mr Spicer. — Mr President, I had no intention of intervening in this debate, but must say that, having listened to it, I feel it is vitally important that we begin to understand some of the things we are doing in this Parliament, and some of the things we are lending our name to. I happen to believe that repetition is the last refuge of the inadequate, and so I will not repeat, as I might have done, all that has been said by Mr Dalyell and by Lord Ardwick. But I urge the Commission to look at this sort of directive, which imposes upon us a duty to produce a report. We have produced a report because we have to do something, but we have the courage to ask what this has got to do with the creation of a European Community. What are we really about? Are we creating a common market, which is not what I want, or are we creating a European Community? I only hope that the Commissioner will be able to answer the questions that have been posed by Mr Dalyell.

At this point I would say that I am amazed at the capacity of Mr Dalyell, who comes fresh from a campaign which would have destroyed most of us, but which he has won and which many of us in this Chamber at least — should give him full credit for. After all that, he is able to come here and really question the Commission. All I would say is: please can we ask the Commission, from time to time, to question themselves? If we are going to move into this area, what other things are we leaving behind that we could and should be doing instead of embarking on these rather vague areas that have no bearing on the Community and indeed, if I may say so, Mr Commissioner, do tend to bring the Community into disrepute? You and your colleagues, in the course of the next six months, will be moving around, as many of us will be, fighting a campaign also at the same time for a European Community that has meaning to the individual person. If we are going to go along and say: Ah! but we do have this directive which is going to harmonize this, that and the other, irrespective of whether it means anything to the people of the Community, we might just as well forget it.

I make no apology for intervening without referring to particular paragraphs of our report or for saying that, good though Mr Notenboom's report is, I hope that every time we look at anything that comes from the Commission, they will expect us to look at in critical terms. If we, as, let us say, the tail end of a Parliament, are not prepared to ask what on earth this has got to do with the establishment of a European Community, and put that point back to them, then we and certainly our successors would be failing in our duty. I personally endorse all that has been said by my colleagues and, if I may so, my friends within the Socialist Group and from the United Kingdom.

President. — I call Mr Tugendhat.

Mr Tugendhat, Member of the Commission. — Mr President, when I agreed to answer in this debate on behalf of my colleagues — and I emphasize that the Commission is a college and we all speak as one — I did not expect that I was going to be faced with quite such fundamental questions as have arisen. But they are important questions, particularly in the perspective of direct elections, and I will therefore try to provide something of an answer. I hope that the honourable Members will take the answer in the spirit in which they put their questions, if I may say so. Because the fact of the matter is that this is not some extraordinary act that has been devised in the fertile minds of under-worked bureaucrats anxious to find something to do. This is something which the Commission is doing at the request of Parliament — I emphasize that: at the request of Parliament — and at the request of the Council. We have consulted a great many people, and although I will not be able to give a complete list on this occasion, there certainly seems to be a body of opinion in the trade — I wouldn't wish to go further than that — that seems to think that this is a good idea.

To take the specific point about why we are doing it, and where this bright idea originated, I would refer the House to a document which I have here. It dates from some time ago, it is true — July 1974 — but that is within the lifetime of a parliament as Mr Spicer and I would understand it. It is a proposal to modify the Sixth Directive, and the Commission modified, Article 26 as it so often does, in response to a request by Parliament. I have it in front of me in French, so I won't actually read it out, but Parliament's proposed modification to Article 26 specifically enjoins us to extend the VAT system to used goods of this sort, particularly works of art and particularly objects that pass through the hands of auctioneers. So whatever else we are doing, we are doing this at least in part in response to the advice of this illustrious House, and I hope that the House will bear that in mind in putting forward, if I may say so, quite contrary advice on this occasion. It is also true that the Sixth Directive as adopted by the Council — and obviously the Ministers must be wise and sensible people or they wouldn't be Ministers — in Article 32 specifically enjoins us to bring forward this proposal. It is in English this time, so I can read it out:

The Council acting unanimously on a proposal from the Commission shall adopt before 31 December 1977 Community taxation system to be applied to used goods, works of art, antiques and collectors' items.

So, in response to the question about why on earth we are doing this, one reason why we are doing it is

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because Parliament asked us to do it, and another reason why we are doing it is because the Council asked us to do it, and in any case we are bound to do it because of the instructions in the Sixth Directive.

The fact that Parliament has asked us to do it and the fact that the Council has asked us to do it would not necessarily be in themselves sufficient reasons. Clearly the views of Parliament and the views of the Council must weigh very heavily with us, but equally clearly, even Parliament and even the Council may not always be correct in their views, and sometimes might even change them. So I think it is important that we should not move down this road unless there is a good reason for doing so, and that brings me to another question, raised by Mr Spicer and, originally, by Mr Dalyell. I cannot at this juncture, I must confess, in a field for which I personally do not have responsibility, tell you exactly whom we consulted, but it is not secret, and I will endeavour to ensure that the information is made available to Mr Dalyell. But — since the question originated from British Members of the House — one group of people whom we did consult was the London and Provincial Antique Dealers Association, Ltd., the Chairman of which is our own distinguished former colleague Sir Frederick Caulfield. This body is the only association, I gather, in the United Kingdom that represents the British antique trade as a whole, as opposed to any specialized sector. It might be useful if I quote from the letter which the secretary of the Association sent to an official in DG XV. He said :

Having failed to convince our own Customs and Excise that auction sales should be subject to VAT, I am hoping that we may persuade you that such a move would correct the unfair situation that exists in the United Kingdom, and also that for the same reasons some legislation should be devised to prevent the many thousands of unregistered dealers in antiques and bric-à-brac from continuing to operate outside the VAT system.

I don't know who else the Commission consulted, but as I was specifically asked this question by British Members of Parliament, I quote specifically from the London and Provincial Antique Dealers' Association. I think it is important to remember therefore that we are introducing a proposal at the request of Parliament and of the Council, which seems to have a certain amount of backing, at least in principle, from at least some people in the trade.

I was asked what one says when people suggest that this sort of thing is not compatible with building a Community. A very clear division was drawn in Mr Spicer's speech between Community and common market; it is not a distinction which I would draw as precisely as he did. We are certainly engaged in building a Community, we are certainly engaged in building something that is more than a common market, but we are also engaged in building a common market: the common market is the basis on

which the Community is constructed. It is very easy to set up a common market and knock down tariff barriers and to think you are going to be able to have free movement of goods thereafter. But we have of course discovered that the elimination of tariff barriers is only a first step towards the creation of a common market, and that often it is necessary for more detailed — and often more irritating — legislation to follow if obstacles to trade in the way of taxation differences, health and safety regulations, technical standards and all the rest of it are not in effect to do the job that originally tariffs were designed to do.

My own political philosophy is very much based on the view that government should not do that which it does not have to do. The burden of proof should be on government, and it should be for governmental or quasi-governmental institutions to justify their actions. I don't believe that we should do things simply for the sake of doing them; the burden of proof, I believe, does lie on us — the Commission, the Council and Parliament — before actions of this sort are taken. But nonetheless, I think it is important to make the point that very often people who find their markets exposed to free competition because tariffs have been taken down do quite like the idea of maintaining other differences in order to enjoy a cosier situation than might otherwise apply. I don't say it is the case in this particular instance — I am not therefore in that sense referring to any of the opponents of this scheme outside the House or any trade interests or anything of that sort — I am making a general point in response to a general point. I explained earlier why it is that we are proceeding down this particular route in this particular case. But just as governments often find themselves having to deal with rather detailed and nitty-gritty issues, so I think, inevitably, does the Community.

I have explained how this originated, and, coming back to Mr Notenboom's original speech before the wider philosophical points were raised, I think it is also important for me to explain some of the concerns behind the legislation. First of all, I should like to point out that the Community scheme is designed to cater for two necessary requirements of the legislation. On the one hand, the avoidance, or at least reduction, of the effects of an accumulation of tax, and on the other, the avoidance of distortion of trade to the detriment of dealers in secondhand goods. The basic amendment suggested by the Committee on Economic and Monetary Affairs does not conflict with these requirements. This amendment, which was proposed by Mr Notenboom, consists of the introduction for taxable secondhand dealers of the right to opt for taxation under the flat-rate system proposed or for taxation on the actual profit margin. The proposed amendment allows account to be taken of the wide variety of possible tax situations, and is therefore one which the Commission can view quite favourably.

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However, in the Commission's opinion, the proposed option, while being flexible, should not give rise to *ad hoc* taxation in which each taxable person could choose between one or the other system on the basis of his profit margin on each particular deal. Obviously in that case the option would work in favour of taxable persons who applied the flat rate systems when their profit margin was higher than that implied by taxation on the basis of 30 % of the sales price and who applied taxation to the actual margin in other cases. It is for this reason that an option for one or the other system should be exercised for a predetermined period which, for obvious administrative reasons, could not be less than the normal accounting period. Furthermore, the system of taxation of the actual margin for all transactions by a taxable person during a given period must conform with the basic principles of VAT, which require the tax charge to be borne by the final consumer in respect of each transaction considered individually. This implies that the final consumer should pay tax on the profit margin proper to the individual transaction with which he is concerned.

I was asked about two amendments, particularly by Mr Notenboom and Mr Cointat. Both of them were fairly specific. Mr Notenboom wanted to know what the Commission's view was on exemption on the importation of works of art, original works, collectors' items and antiques for resale by a second-hand dealer. Our view is that it would not be possible to exempt imports. There are a number of reasons why we hold that view. But our view is that it would not be right to exempt them.

First of all — and this I think is an important point — it could be queried, particularly in relation to inter-Community traffic, whether such an exemption was compatible with the existing exemption on exportation. These two together could give rise to a tax-free trade between two taxable persons in one Member State. And I can just imagine people shunting antiques back and forward across the Northern Ireland border or the border between Belgium and France or France and Germany or anywhere else, and doing very well out of it. To avoid VAT on works of art it would obviously be necessary simply to export initially from one country to another and then import them back again. So that is one reason why we hold the view we do.

On a point of principle too, exemption of imports is difficult to justify in relation to international trade, since the supply of such goods in a country is taxable and, of course, as the House will know, the whole question of subsidies in international trade, either overt, or covert, or actual, or in connection with tax rebate is a very complicated matter. But I think the main point is the problem of people shunting antiques back and forward across frontiers in order to avoid taxation in their own countries.

We could however accept a compromise as suggested in paragraph 10 on page 15 of the report. This would enable the Commission's proposal to be amended to allow immediate deduction of tax and not make it necessary to await the delivery of goods within a country by the taxable second-hand dealer as proposed in Article 2 (6). To do this, however, it would be necessary to require the taxable person to supply a separate inventory of the imported goods in order to check that these were for resale and not for his private use. We can therefore make a small move in the direction that I suspect Mr Notenboom would like us to move in, but we do not feel able to exempt imports for the reason I outlined.

Mr Cointat also raised a specific point in his speech — I am sorry to have taken so long to get round to it after dealing with the others. If I understood him correctly, he was in effect anxious that a certain category of intermediary should be excluded. We feel again that it is important to include all intermediaries. The exclusion of any intermediary on this basis would I think again create a number of distortions and would make it very difficult to trace the passage of the goods through what is often a long and complicated chain. It seems to us that to retain the phrase 'whatever kind', which I think is the key phrase, is essential if we are to avoid difficulties of interpretation and ensure that the legislation can work effectively.

I have taken, Mr President, slightly longer than I expected to reply to the debate. It is a technical subject and certainly there are aspects on which I feel it would be necessary to consult with my colleagues before giving a definitive opinion. But I hope I have managed to meet the concern of the House as to why we are moving in this direction and to explain the background in terms of requests from Parliament and the Council, and the fact that, in terms of the Sixth Directive, we are in fact actually bound to introduce something. I hope very much that those institutions that enjoined us to act will bear that in mind in considering the proposals we bring forward. I tried to meet the points raised by Mr Notenboom and Mr Cointat. My objections are not of principle; they are entirely based on the practicalities of the legislation and on ensuring that the rules can actually work with a minimum degree of justice.

President. — I call Mr Dalyell.

Mr Dalyell. — May I just be allowed a short factual question? I think that all of us who raised these questions must appreciate the depth and seriousness, and indeed the length and detail, of the Commissioner's answer. It was a perfectly serious answer, and we thank him for that. But he said he had consulted a great number of people. Could he find out in fact whether the great art salesrooms were or were not consulted? They are not covered by Sir Frederick Caulfield and his colleagues, as I understand it, and I gather that the same goes for other countries. If they

Dalyell

were consulted we should be told, because otherwise some of us will be saying we were perhaps given false information in the first place. So on that factual point could we have an answer fairly soon?

President. — I call Mr Cointat.

Mr Cointat.— (F) Mr President, I should like to return to the problem of sales by auction — particularly in France — and to the matter of the *commissaire-priseurs*. Looking at the Sixth Directive, which defines taxable persons, I find that there are two kinds of VAT: first, there is the 'VAT on supplies' which is applied to all supplies of goods and, second, there is the 'VAT on services', which is applied to all other transactions. And there is a simple rule, namely that the same transaction by the same taxable person cannot be subject to both 'VAT on suppliers' and 'VAT on services'.

Now, as far as sales by auction, and especially *commissaire-priseurs*, are concerned, under French law, which gives the transaction a legal character, a commercial tax, such as VAT on supplies, cannot be applied to *commissaire-priseurs*. What we have here is a clear-cut distinction between a commercial transaction and a legal transaction. That is why we have tabled our amendment, which, though perhaps not perfect, seeks to delete the words 'of whatever kind' in order to prevent the provision being applied indiscriminately to all persons carrying out transactions.

I would draw the Commissioner's attention to one point. He said it was important to include all intermediaries — with this we have no quarrel — in order to avoid creating distortions of competition within the Community as a whole. That, Mr Spicer, is the way to create a community. We are well aware that there are already distortions of competition, particularly in the case of auction sales and notably between the United Kingdom and France. In the United Kingdom they are exempt from transfer duty, whereas in France they are currently subject to a registration fee of 7%. But can we regard *commissaire-priseurs* as intermediaries? We think not and that is why we feel that they cannot be made subject to VAT in the way the Seventh Directive seeks to do, because they are simply agents fulfilling their legal duty and remunerated in accordance with a special scale — acting as witnesses, as Mr Pisani said to me in an aside a moment ago. They are in effect agents of the law, not traders.

If the Commissioner would accept that these *commissaire-priseurs* are not traders, simply witnesses and not intermediaries, and that the law does not apply to them, then obviously our amendment has no further point. But as things stand at present I must persist with the amendment so as to make it quite plain that to extend the provision would, in effect, constitute a distortion of French law. I trust that some satisfactory solution may be found on this point.

President. — I call Mr Notenboom.

Mr Notenboom, *rapporteur*. — (NL) Mr President, I should like to thank the honourable Members who have supported our report and, indeed, those who wonder whether all this harmonization is really necessary.

I consulted many different organizations myself. That was why it took as long as it did to draw up this report. One of these was the organization the Commissioner referred to, the London and Provincial Antique Dealers Association. I corresponded with them, and can confirm that they feel that the Commission was right to propose special arrangements. But I would add that they also think the amendments proposed by the Committee on Economic and Monetary Affairs are particularly welcome. They agree that there should be special arrangements, but — unlike the Economic and Social Committee — they approve of the flexibility which we wish to introduce. That came out quite clearly in my contacts with them.

I also had contacts with, for example, the *Association nationale des diffuseurs d'œuvres d'art originaux*, in Paris, and with many others, both in writing and personally. Of course we must take care not to be totally uncritical of these dealers, but they are the people who are going to be expected to apply the VAT system and who will have to cope with the specific problems of its implementation. Moreover, the relevant departments often do well to listen to those who have practical experience, and although we are dealing with a tax that will ultimately be paid by the consumer, it is the dealers who have the experience of its technical implementation. So their opinion is worth listening to.

Secondly, while I am grateful to the Commissioner for saying that he will make concessions, I am disappointed that he should have kept them until this stage. The place for concessions between a *rapporteur* of a committee and the Commission is at the committee meetings. But Mr Burke did not attend the meetings of our committee, I cannot of course blame Mr Tugendhat, who is deputizing for his colleague, for that. I hope there will be no misunderstanding here.

But Mr Burke did not turn up at any of the three meetings of our committee. That meant that no concessions could be made. We had to make the best of it ourselves. We therefore went ahead with what we considered reasonable. I dropped certain amendments when the officials advised us against them, but we did keep certain others. And in my capacity as *rapporteur*, I am not now in a position to say: I can accept such-and-such a concession, but not another. I stress that I am speaking on behalf of our committee, which knows what it wants and has studied the whole matter thoroughly. This offer should really have been made a bit earlier.

Notenboom

Thirdly, I perfectly well understand Mr Cointat's point. I am not very familiar with French law, and I hope that will not be held against me. Nor am I such of an expert on indirect taxation, but I have studied the subject a fair bit. And I am inclined to agree that the people you have in mind do fall outside the scope of VAT. At least that is my opinion where VAT is concerned, but I cannot speak as an expert. But if we do delete the words you have asked us to, that will have an impact on the whole Community — not just in France, but in the whole Community.

In that connection, I have a better idea of the consequences as a whole. My personal view, in so far as I can judge, is that the situation in France is that these people act simply as agents of the government and should not be subject to the provisions of the system.

That is my personal opinion, and I did consider this thoroughly as rapporteur for the Sixth Directive. But I have no right to say on behalf of the Committee on Economic and Monetary Affairs that I can accept the amendment, because I must consider the effect it would have on the Community as a whole. I certainly cannot say that after the Commissioner's answer, but I have every understanding for Mr Cointat's concern. I hope he will appreciate that I am tied down by the fact that I am speaking on behalf of the committee. Nor can I speak in full knowledge of the facts.

I conclude by saying that I hope Parliament will adopt this motion for a resolution.

President. — I call Mr Pisani.

Mr Pisani. — (*F*) May I make a suggestion concerning the debate that has taken place between Mr Cointat on the one hand and the Commissioner on the other, namely that in place of the words 'of whatever kind' we substitute the words 'of a commercial nature'. This would mean that intermediaries of a commercial nature would continue to be subject to tax, whereas those acting simply as public notaries would be exempted. In fact I do not see how it could be otherwise.

President. — I call Mr Tugendhat.

Mr Tugendhat, Member of the Commission. — As Mr Notenboom was kind enough to say, Mr President, it is difficult to deal with some of these details off the top of one's own head — this, in particular, in relation to the last point raised by Mr Pisani, taking up a point raised by Mr Cointat. I will convey this point to my colleagues and the Commission will certainly consider it. Because I would not wish, in saying that, to raise false hopes. There is one difficulty and that is that the phraseology which Mr Pisani used is not phraseology that is actually already known to the Sixth Directive: it is a form of words which does not have a precise and understood meaning. Sometimes one finds a form

of words which sounds but which actually, within the trade or within the law, has a precise and normally understood meaning. The form of words suggested by Mr Pisani does not have that advantage. Nonetheless, I undertake to convey this suggestion — which, I appreciate, is put forward in a spirit of compromise and in a desire to reach a satisfactory solution — to my colleague. I felt, however, that it was right to draw attention to what seems to be a difficulty about it in the first instance.

President. — I call Mr Notenboom.

Mr Notenboom, rapporteur. — (*NL*) Mr President, Mr Pisani has made a very valuable suggestion towards solving Mr Cointat's problem, which I am also anxious to do myself. This amounts to an oral amendment, and I wonder if you can accept it as such. I am basically in favour of what Mr Pisani has suggested, but I wonder if Mr Pisani and Mr Cointat could not reach an agreement, with the approval of the Commissioner, which I would hope I would be able to accept as rapporteur. It is Parliament's wish — and no one has objected to this — that those who play no part in any commercial transaction, but act as government observers whose duty it is to supervise the conduct of the sale, and have no part in the financial side of the transaction, should be exempted. In my view, they should be outside the system. I therefore propose that instead of tabling an amendment, this should be submitted as a request from the European Parliament to the Commissioner who has undertaken to bring it up and discuss it in the Commission. I think that would be the best solution.

President. — As regards the procedure, Mr Notenboom, I shall consult the Assembly on whether it wishes to consider Mr Pisani's oral amendment when the motion for a resolution is put to the vote.

I call Mr Notenboom.

Mr Notenboom, rapporteur. — (*NL*) Thank you for that suggestion, Mr President, but that was not quite what I had in mind. I agreed with the other Members that it would be enough to make an oral request with the agreement of the rapporteur that this matter should be discussed by the Commission. Mr Tugendhat has already agreed to that. I therefore wanted to propose that we should not table an amendment. I see that Mr Pisani agrees to that. Therefore, no amendment, but we ask the Commission to raise the matter with the Commission.

President. — Yes, Mr Notenboom, but that can only be done if Mr Cointat withdraws his amendment. I note that no one else wishes to speak.

The motion for a resolution will be put to the vote together with the amendment that has been moved at the end of the sitting.

The debate is closed.

12. Adapting Parliament's Rules of Procedure

President. — The next item is the report (Doc. 667/78) by Mr Yeats, on behalf of the Committee on the Rules of Procedure and Petitions, on adapting the Rules of Procedure of the European Parliament to the provisions of the Act of 20 September 1976.

I call Mr Leonardi, who is deputizing for Mr Yeats.

Mr Leonardi, deputy rapporteur. — (I) Mr President, I do not believe that this report calls for any lengthy explanations. The Committee on the Rules of Procedure and Petitions, which I have the honour to chair, has for some time recognized the need to adapt the present Rules of Procedure to the provisions of the Act of 20 September 1976.

Following a series of discussions and also an exchange of correspondence with the President and with the Bureau, the essence of which you will find on the first page of Mr Yeats' report, in the course of which various alternatives were considered, the committee decided to introduce into the present Rules of Procedure only such changes as were absolutely necessary — and this must be stressed — to prevent the directly elected Parliament from becoming embroiled in procedural problems from the start of its first full sitting.

So, the text of the amendments that have been submitted concerns only the essential — one might say obligatory — changes arising from the provisions of the Act of 20 September 1976.

Perhaps I might just briefly go over these changes. The existing Rule 1 provides for Parliament to meet, without requiring to be convened, on the second Tuesday in March each year. Under the terms of the Act of 20 September 1976, which you will find in the annex to the document now under discussion, the directly elected Parliament is to meet, without requiring to be convened, on one other occasion — and this is provided for in the Act — namely, on the first Tuesday after expiry of an interval of one month from the end of the election period. The new paragraph 3 of Rule 1 incorporates the text of the Act on this point — in other words, we have made a necessary and strictly obligatory adaptation. This in no way alters the fact that Parliament meets, without requiring to be convened, each year on the second Tuesday in March; we now have provision for one other sitting, without requiring to be convened, in conformity with Article 10 of the Act of 20 September 1976. And so Rule 1 has been changed solely to comply with the Act.

Rule 3: 'Verification of credentials'. Hitherto credentials have been verified on the basis of a report drawn up as and when the national parliaments nominated new Members. Given that direct Elections will herald the arrival of 410 Members all at once and since at the start of the first sitting there will obviously be no Bureau, the new paragraph 1 of Rule 3 makes provi-

sion for credentials to be verified at the opening sitting after the elections by a temporary special committee composed of the oldest Member and eight Members appointed by lot. This procedure makes possible the immediate verification of credentials necessary to allow the Assembly to begin its work. Under Article 11 of the Act of 20 September 1976 Parliament must verify the credentials of representatives. For this purpose it shall

take note of the results declared officially by the Member States and shall rule on any disputes which may arise out of the provisions

of the Act. Parliament should also take account of the rules regarding incompatibility, as laid down in Article 6, paragraph 1, of the Act.

Rule 4: 'Duration and expiry of Members' term of office'. The changes made to this Rule are based directly on the Act, as indeed are all the other changes. As the report carries the old text of the Rules of Procedure and the Act itself is contained in the annex, you will be able to check for yourselves that the alterations to Rule 4 are exactly in accord with the Act of 20 September 1976. It might be worthwhile just running through the various paragraphs. Paragraph 1 states that

A Member's term of office shall end, pursuant to the provisions of the Act of 20 September 1976, on death or on resignation.

As pointed out in the explanatory statement, the change was made necessary by Article 3, paragraph 3, of the Act. Paragraph 2 of Rule 4 reads:

A Member who fails to gain re-election shall continue to sit until the opening of the first session of Parliament following the elections.

As mentioned in the explanatory statement, this text also is based on Article 3, as well as on Article 10, paragraph 4, of the Act. Paragraph 3 of Rule 4 states that 'a Member's resignation shall be notified by him in writing to the President, who shall inform Parliament, which shall establish that there is a vacancy'. As indicated in the explanatory statement, these provisions are drawn from Article 12, paragraph 2, second subparagraph, of the Act. Paragraph 4 reads as follows:

Incompatibilities resulting from national legislation and appointments by the Member States shall be notified by the latter to the President, who shall inform Parliament, which shall take note thereof. Incompatibilities resulting from appointments by the competent bodies of the European Communities shall be notified by the latter to the President, who shall inform Parliament, which shall establish that there is a vacancy. A vacancy shall exist with effect from the date of a Member's taking up an appointment to a function incompatible with the office of representative in the European Parliament.

As indicated in the explanatory statement, these provisions are based on Article 6, paragraphs 1 and 2, and Article 12, paragraph 2, of the Act.

Leonardi

Finally, Rule 6. The existing text of Rule 6, paragraph 1, states that, at the sitting held on the second Tuesday in March each year, the oldest Member present is to take the chair, as Father of the House, until the President has been declared elected. Since the directly elected Parliament meets without having to be convened, within one month of the elections, it is logical that on this occasion, too, the Father of the House should take the chair until the President has been declared elected.

It is proposed, therefore, that the first part of the new text of Rule 6, paragraph 1, should read as follows :

At the sitting referred to in Rule 1 (3), and at any other sitting held for the purpose of electing the President and the Bureau, the oldest Member ...

and then continuing with the existing text of Rule 6.

Written in this way the text in no way fixes when the opening sitting should be held. The opening sitting must, however, be the first sitting after direct elections but it is not necessary for an opening sitting always to be held in March.

It will be up to the directly elected Parliament to decide upon the frequency of opening sittings.

This brings to an end my brief explanation of the text submitted for your consideration. In conclusion I wish to say — as, indeed, I said at the beginning — that the changes we have felt obliged to introduce in the existing Rules of Procedure are of a purely technical nature, designed to relieve the directly elected Parliament of the need to deal with a mass of procedural problems right from its first sitting in July. This would have been particularly trying in view of the fact that the new Parliament will be composed of Members many of whom will have absolutely no parliamentary experience.

In the light of what I have just said, I strongly recommend that you give your approval to this report.

President. — I note that no one else wishes to speak.

The motion for a resolution will be put to the vote — as it stands — at the end of the sitting. The debate is closed.

13. Votes

President. — Then next item is votes on motions for resolutions on which the debate has closed. I put to the vote the motion for a resolution contained in the *Damseaux report (Doc. 662/78): Formation and protection of savings.*

The resolution is adopted.

President. — We shall now consider the *Notenboom report (Doc. 647/78): Seventh Directive on turnover taxes.*

On the proposal for a directive, I have Amendment No 1, tabled by Mr Kaspereit, Mr Liogier and Mr Cointat, on behalf of the Group of European Progressive Democrats :

First Article

Paragraph 1 :

Delete the words :

'... of whatever kind'.

I call Mr Cointat.

Mr Cointat. — (*F*) Mr President, I am fully aware that this amendment, by the very way in which it is drafted, could raise some legal problems. As I have said, there is the problem of the *commissaires-priseurs*. In our view, we are not talking of intermediaries but of witnesses, that is notaries public performing a legal function, and as such the text does not apply to them.

The chairman and rapporteur of the Committee on Economic and Monetary Affairs were very understanding and Commissioner Tugendhat promised, on behalf of the Commission, to look into the problem and find a suitable solution.

In the circumstances, it would be churlish of me to press the amendment and, if it will make your task easier, Mr President, I will withdraw it.

President. — I note that the amendment has been withdrawn.

I put the motion for a resolution to the vote.

The resolution is adopted.

President. — We shall now consider the motion for a resolution contained in the *Yeats report (Doc. 667/78): adapting the Rules of Procedure.*

Since this is a purely formal adaptation of the Rules of Procedure to which no amendments have been tabled and on which there has been no formal request for a vote, I would propose that the resolution be deemed to be adopted.

Are there any objections?

That is agreed.

14. Approval of the minutes

President. — Pursuant to Rule 17(2) of the Rules of Procedure, I am required to submit to Parliament for its approval the minutes of proceedings of this sitting which were drawn up during the debates. Are there any comments?

The minutes of proceedings are adopted.

15. Closure of the session

President. — I declare closed the 1978-1979 session of the European Parliament.

Pursuant to the provisions of the Treaties, Parliament will meet tomorrow, Tuesday 13 March 1979 at 10.00 a.m.

The sitting is closed.

(The sitting was closed at 7.20 p.m.)

ANNEX

Action taken by the Commission on opinions of the European Parliament adopted during the February 1979 part-session

1. During its February part-session the European Parliament met Council requests for consultation by adopting six opinions on Commission proposals to the Council.

2. The Parliament gave a favourable opinion on the following two Commission proposals :

— *Mr Albers' report on the Community quota for the road transport of goods (605/78)*

— *the proposal for a directive on pure-bred breeding animals of the bovine species (564/78).*

3. In four cases Parliament proposed amendments to Commission proposals and, in three of these cases, the Commission accepted the Parliament's amendments :

(a) *Mr H.W. Müller's report on a proposal for financial measures to promote intra-Community trade in coal for power stations (582/78)*

— a proposal amended on the basis of Article 149 (2) which takes account of the amendment accepted by Mr Brunner on behalf of the Commission, will be adopted by the latter this week and forwarded immediately to the Parliament and the Council.

(b) *Mr Pisoni's report on a proposal concerning the market in wine (606/78)*

On behalf of the Commission, Mr Burke accepted an amendment relating to the criteria used in the calculation of aid. Since this amendment affects only the wording of the document and since no time should be lost, the Commission has inserted this amendment into the various texts now under discussion within the Council.

(c) *Lord Kennet's report on a proposal for a directive on the production of drinking water (580/78)*

— a proposal amended on the basis of Article 149 (2), which takes account of the amendment accepted by Mr Burke on behalf of the Commission, will be adopted by the latter this week and forwarded immediately to the Parliament and the Council.

4. Only in a single case, that of Mr Albers' report on a *proposal concerning the road transport of goods (604/78)*, did the Commission oppose any amendment of its proposal, the reasons being outlined by Mr Burke at the sitting on 16 February.

